

# Continued focus on improved earnings

It was with great sorrow that I received word in December that Inwido's CEO Håkan Jeppsson had unexpectedly passed away.

I will remember Håkan as an amazing person who always seized on opportunities and challenges with a positive attitude and great energy. But I will also cherish his memory as an extremely skilled business leader. It deserves to be noted that it was precisely his strong leadership that made it easier for the Board of Directors to perform its duties in this difficult situation. The Board was tasked with finding a new CEO – and we were prepared. As the wise leader he was, Håkan knew how crucial issues of succession are for a company's stability. We had many interesting discussions on that topic. He purposefully built a strong organization that was also able to foster future leaders. For that reason, it was self-evident to the Board that we initiate the search internally.

We are very pleased that Henrik Hjalmarsson, who was part of Håkan's hand-picked management team, accepted the job of CEO. He has all the qualifications and is well equipped to take over. His preexisting knowledge of Inwido is an aspect we value highly – what Inwido does not need right now is a completely new strategic direction or a "revolution". Our new governance model, Simplify, with its strong decentralization, was rolled out during the autumn and, thanks to Henrik's participation in the decision-making processes, he is already well acquainted with the issues. This means we are not losing well-needed momentum.

Let me say a few additional words regarding the work surrounding Simplify, which occupied the Board a great deal over the year. We know that our business is very local. By organizing ourselves accordingly, we will free up energy that the local companies can use, in turn, to increase their customer focus and adapt more quickly as market conditions change. We are convinced that this is the right way to go for Inwido.

Over the year, we also addressed other important tasks. Our strategic initiative to grow in e-commerce has been very successful, and we perceive other future opportunities stemming from digitalization. Sustainable



enterprise has also been high on the agenda, with several exciting projects. I would like to mention in particular an integration project in Vetlanda, where recent arrivals in Sweden were offered an opportunity not only for employment but also to learn Swedish in the workplace. This is a good example of how we can benefit society.

Looking ahead, we feel confident that Inwido will continue to grow profitably. The underlying demand is there and we are focused on improving both our earnings and our balance sheet. All this so we can maintain our growth strategy, which includes acquiring additional businesses within our industry.

In conclusion, I would like to thank Inwido's Board of Directors and management team, for all of their hard work over the year and for the loyalty and devotion shown by all when Håkan passed away. The key to good corporate governance and a well-managed company is access to qualified, high-performing and loyal people. Inwido has this in abundance. I look forward to continuing the work together with the Board of Directors and the management team, as well as all of the skilled employees in the Group's companies.

” We feel confident that Inwido will continue to grow profitably. The underlying demand is there and we are focused on improving our earnings and our balance sheet.”

MALMÖ, MARCH 2019

Georg Brunstam  
Chairman of the Board

# Corporate governance report

**Good corporate governance forms the basis for ensuring shareholders that Inwido is managed as sustainably, responsibly and efficiently as possible. In turn, this improves confidence in the company in the capital market and among the general public – confidence that is essential if we are to have the liberty to realize our strategies so that we can generate value over the long term.**

## Operations

Inwido owns and develops companies that improve people's everyday lives indoors with various products and services. Today, Inwido is Europe's largest windows group and a natural home for the region's strongest companies in the areas of comfort, indoor climate and safety. In 2018, Inwido achieved sales of approximately SEK 6.7 billion and an operating EBITA margin of 9.9 percent. The Group has some 4,500 employees in total, with operations in Denmark, Estonia, Finland, Ireland, Lithuania, Norway, Poland, Romania, the UK, Sweden, Germany and Austria.

## Governance principles

Inwido AB (publ) ("Inwido" or "the company") is a Swedish public company whose shares are listed on the Nasdaq Stockholm exchange. The governance of Inwido is based on the Company's Articles of Association, the Swedish Companies Act, other relevant Swedish and foreign regulations and legislation, and internal guidelines. Inwido's governance is also based on Nasdaq Stockholm's regulations for issuers, as well as the Swedish Corporate Governance Code ("the Code"). Inwido followed the Code in all respects in 2018.

This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Code. Inwido's auditors have reviewed the report and an opinion from the auditors has been included in this. Corporate Governance Reports and other information on corporate governance are available from Inwido's website: [www.inwido.com](http://www.inwido.com).

Inwido strives to conduct its operations in a sustainable, responsible and efficient manner that generates value for our customers, shareholders, employees, suppliers, local communities and other stakeholders. Alongside the financial goals, the company's strategy supports this focus. The company's strategy, financial goals and sustainability ambitions are described in the 2018 Annual Report.

The highest decision-making body in the company is the General Meeting, which normally convenes once a year in the form of the Annual General Meeting, although, under certain conditions, it may also convene as an Extraordinary General Meeting. Although the company prepares the Annual General Meeting, shareholders can influence and propose items for the Meeting's agenda.

## Share capital and shareholders

Inwido's shares have been traded on the Nasdaq Stockholm exchange since September 2014. At the end of 2018, share capital in Inwido amounted to SEK 231,870,112, distributed between 57,967,528 shares of a single class. The corresponding number of shares after dilution was 58,071,472. The shares have a par value of SEK 4 each. Each share entitles the holder to one vote and equal entitlement to participation in the company's assets and earnings. On 31 December 2018, there were 11,400 shareholders. Of the total number of shares, about 43 percent were owned by foreign shareholders. Fjärde AP-fonden was the largest shareholder, with about

9.8 percent of the total number of shares. See pages 34-35 of the annual report for further information about owners and share capital.

## Insider trading and registration

Inwido has ambitious objectives in terms of proper ethical behaviour. Inwido's Board of Directors has adopted an insider policy as part of efforts to maintain a high level of ethics and to safeguard that Inwido maintains a good reputation in the eyes of the general public and the capital market. The policy aims to reduce the risk of insider trading and other illegal acts and to create conditions for compliance with applicable rules.

## Inwido's corporate governance structure

Shareholders' influence in the company is exercised at the General Meeting, which is the company's highest decision-making body. At the General Meeting, each shareholder is entitled to attend, in person or by proxy, and to vote in accordance with his/her shareholding. At the Annual General Meeting, which is the regular General Meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the auditors, and determine their fees. The Annual General Meeting resolves whether to adopt the income statement and balance sheet, to approve the distribution of profits and to discharge the Board members and the President and CEO from liability. The Annual General Meetings also decides on the principles for the Nomination Committee, as well as on principles for remuneration and other terms of employment for the President and CEO and other senior executives. The Annual General Meeting or Extraordinary General Meeting may also resolve to change the Articles of Association, increase or reduce the share capital, etc. Annual General Meetings are convened through a notice published in the Official Swedish Gazette (Post- och Inrikes Tidningar)

## Inwido's Corporate Governance



and on the company's website. The fact that an Annual General Meeting has been convened will be published in Swedish national daily newspaper *Dagens Industri*.

On behalf of the shareholders, the Board is tasked with administering the company's affairs in the interests of the company and all of its shareholders. The Chairman of the Board bears the specific responsibility for the work of the Board being well organized and efficient. The Audit Committee and Remuneration Committee are appointed by the Board of Directors. The company's auditor is appointed by the General Meeting to audit the company's annual report and accounts, as well as the administration of the company by the Board of Directors and the President and CEO. The auditor reports to the shareholders at the Annual General Meeting by means of the audit report. The Board of Directors establishes a formal work plan for the Board and instructions for the President and CEO. The Board appoints the President and CEO, who is to oversee the ongoing management of the company. In turn, the President and CEO appoints the Group Management team.

### Nomination Committee

Each year, a Nomination Committee shall be appointed at the initiative of the Chairman, with the rules governing the composition of the Committee being adopted by the Annual General Meeting. The principle is that the Nomination Committee shall comprise representatives from the company's largest shareholders and that it should consist of four members. The members of the Nomination Committee shall include one representative apiece for each of the three largest shareholders in terms of voting rights listed in the share register maintained by Euroclear Sweden as per 31 August of the year preceding the year in which the Annual General Meeting is held, plus the Chairman of the Board, who should also convene the Nomination Committee for its first meeting. The member representing the largest shareholder in terms of voting rights shall be appointed chairman of the Nomination Committee.

If, earlier than two months prior to the Annual General Meeting, one or more shareholders having nominated members of the Nomination Committee is no longer one of the three largest shareholders in terms of number of votes, members appointed by these shareholders shall make their seats available and the shareholder or shareholders that are among the three largest shareholders in terms of number of votes shall be entitled to appoint a representative each. In the event that a member steps down from the Nomination Committee before its work has been completed and the Nomination Committee finds it desirable that a replacement be appointed, that replacement shall be appointed by the same shareholder or, if that shareholder is no longer among the largest in terms of number of votes, the replacement should be appointed by the next shareholder in line in terms of size. Changes in the composition of the Nomination Committee are to be announced immediately.

Each year, a survey is conducted among the Board members regarding the work of the Board of Directors, its composition, qualifications, experience and efficacy. The survey forms the basis for the Committee's assessment of whether the

Board ought to be strengthened with additional expertise or if there are other reasons to change the composition of the Board. Normally, the Nomination Committee also meets the President and CEO and sometimes individual Board members too. Proposed new Board members are interviewed by the Nomination Committee. In particular, the Nomination Committee shall take into account the requirement of diversity and breadth of the Board and to strive for balance in terms of gender. The Nomination Committee assesses the composition of the Board with respect to its independence, taking into account all proposals regarding the composition of the Board of Directors submitted to the committee that may have been received from other shareholders. The names of the Nomination Committee representatives and the shareholders they represent are to be announced no later than six months prior to the Annual General Meeting. Based on the ownership structure as of 31 August 2018, the three largest shareholders in Inwido were asked to participate in the nomination process for 2019. Together with the Chairman of the Board, Thomas Wuolikainen, Fjärde AP-fonden (Chairman of the Nomination Committee), Anna Sundberg, Handelsbanken Fonder and Bo Lundgren, Swedbank Robur Fonder, were appointed. The Nomination Committee's proposals are to be presented in the notice to attend the Annual General Meeting and on Inwido's website. In connection with this, the Nomination Committee shall provide, on the company's website, a reasoned opinion on the proposed composition of the Board with regard to the provisions in the Code regarding the composition of the Board of Directors. In particular, the proposal must be justified in view of the requirement that a balance should be sought with regard to gender. The opinion shall also contain a brief account of how the Nomination Committee has conducted its work and of the equal opportunities policy that the Committee has applied in preparing its proposal.

The Nomination Committee shall propose to the Annual General Meeting a chairman of the Meeting, the number of Board members, the Board of Directors, the Chairman of the Board, the auditor, Board remuneration (divided between the Chairman and the other members, as well as remuneration for committee work), auditor's fees and, to the extent considered necessary, amendments to the instructions for the Nomination Committee. The Nomination Committee shall submit its reasoned opinion on its proposals to the Annual General Meeting. Shareholders wishing to submit proposals to the Nomination Committee may send these by e-mail to [ir@inwido.com](mailto:ir@inwido.com) no later than two months prior to the meeting. The Nomination Committee's proposals are published in conjunction with or prior to the notice of the Annual General Meeting. The members receive no remuneration for their work on the Nomination Committee.

### Annual General Meeting for the 2017 financial year

The Annual General Meeting for the 2017 financial year took place on 9 May 2018 in Malmö, Sweden. At the Annual General Meeting, 43 percent of the total number of shares and votes was represented in person or by proxy. The Meeting was also attended by the Board of Directors,

the external auditors and members of Group Management. The Chairman of the Board, Georg Brunstam, was elected Chairman of the Meeting.

The Annual General Meeting approved the presented income statement and balance sheet, as well as the consolidated statement of comprehensive income and statement of financial position. The company's retained earnings and profit for the year were carried forward. The Meeting discharged the Board and CEO from responsibility.

In addition, the following principal decisions were made:

- Election of Board members and auditors

Georg Brunstam, Benny Ernstson, Astrid Simonsen Joos and Anders Wassberg were re-elected as Board members. Henriette Schütze was elected as a new Board member. Sisse Fjelsted Rasmussen declined re-election. Georg Brunstam was re-elected as Chairman of the Board. KPMG AB communicated that Inwido's current auditor, Authorized Public Accountant Thomas Forslund, will be the auditor in charge and that Inwido's current deputy auditor, Authorized Public Accountant Linda Bengtsson, will be the cosigning auditor.

- Fees

Fees will be paid to the Board in the amount of SEK 260,000 to each Board member not employed by the Company and SEK 550,000 to the Chairman of the Board. It was decided that the special fee of SEK 50,000 for committee work would be paid to each member of the Audit Committee, SEK 130,000 to the chairman of the Audit Committee and SEK 25,000 to each member and the chairman of the Remuneration Committee.

- Dividend

In accordance with the proposal by the Board of Directors and the President and CEO, the Meeting approved a dividend of SEK 3.50 per share.

- Guidelines on instructions for the Nomination Committee

In addition to the Chairman of the Board, the Nomination Committee shall include the three largest shareholders in terms of number of votes. In accordance with the proposal by the Board of Directors, the Meeting approved a minor change regarding the date on which it is determined who these shareholders are. In the future, the three shareholders are selected who, according to the share register maintained by Euroclear Sweden, have the largest number of votes on 31 August (previously 30 September) in the year prior to the Annual General Meeting.

- Guidelines for remuneration to senior executives

In accordance with the Board's proposal, the Meeting adopted guidelines on remuneration to senior executives that primarily entail the following. Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal. Variable remuneration shall be based on performance in relation to set targets. Variable cash remuneration shall be maximized and may not exceed 50 percent of fixed annual

salary. Variable remuneration may also be paid in the form of long-term incentive plans. Pension benefits shall be in the form defined contribution plans. The retirement age for the President & CEO shall be 65 years and, for other senior executives, 65 years. Combined, fixed salary during the period of notice and severance pay shall not exceed an amount equivalent to fixed salary for 12 months; for the President and CEO, a period of 18 months applies. The Board of Directors shall have the right to deviate from these guidelines in individual cases if specific reasons motivate this.

- Guidelines for authorization for the Board of Directors to implement new share issues

In accordance with the proposal by the Board of Directors, the Meeting resolved to authorize the Board to decide to issue new shares in the company in accordance with the following terms:

1. The authorization may be exercised on one or more occasions but, at the latest, prior to the 2019 Annual General Meeting.
2. A total of at most 5,796,752 shares may be issued, corresponding to 10 percent of the company's share capital.
3. Shares may be issued with or without deviating from the preferential rights of existing shareholders.
4. Shares may be issued for cash payment, set-off or payment in kind.
5. The issue price shall, where deviating from the from the preferential rights of existing shareholders, be determined on market terms. The Board of Directors shall be entitled to determine other terms for the issue.

The purpose of the above authorization and the reason for the deviation from the preferential rights of existing shareholders is to strengthen, through cash payment, set-off or payment in kind, the company's opportunities to implement or finance company acquisitions, or, in connection with this, to strengthen the company's capital base. The Board of Directors, or whoever the Board appoints, is authorized to make the minor adjustments to the resolution of the Annual General Meeting that may prove necessary in connection with registration with the Swedish Companies Registration Office.

## Annual General Meeting for the 2018 financial year

The Annual General Meeting of Inwido for the 2018 financial year will be held on Friday, 3 May 2019 at 2.00 p.m. local time in Malmö (see pg 95).

## Composition of the Board of Directors

The Board of Directors of Inwido shall consist of three to ten members. The trade unions are entitled to appoint two members with voting rights and two deputies. The President and CEO is not a member of the Board but participates in all Board meetings on a co-opted basis. Other officers in the Group participate in Board meetings to present reports and to act as secretary. The 2018 Annual Report contains more information about the Board members.

## Procedures and responsibilities of the Board

In addition to its statutory meeting, the Board of Directors shall hold three to six meetings per financial year. Additional meetings shall be held as necessary. Each year, the Board of Directors establishes written rules of procedure elucidating the responsibilities of the Board of Directors and governing the mutual division of labour between the Board and its committees including the role of the Chairman, the chain of command within the Board, the Board's meeting schedule, the convening of Board meetings, agendas and minutes, as well as the Board's work on accounting and auditing matters and financial reporting. The Board has also adopted a set of instructions for the President and CEO and other special policies. The Board continuously assesses the work of the President and CEO and the Board addresses this issue specifically once a year without senior management being present.

The responsibility of the Board includes monitoring the work of the President and CEO through the continuous review of operations over the year, safeguarding a structure for the appropriate management of Inwido's interests. The responsibility of the Board also includes determining strategies and objectives, preparing specific policies, making decisions on major acquisitions and divestments of operations, making decisions on other major investments, making decisions on investments and loans in accordance with the

financial policy, issuing financial reports, evaluating operational management, as well as planning succession. The Board assures the quality of the financial reports by means of adopted control instruments and instructions to the President and CEO, and through its consideration of reports from the Audit Committee in the form of minutes and observations, as well as recommendations and proposals for decisions and measures. The Board also safeguards the quality of the financial reports by addressing the appurtenant materials in detail during Board meetings. As part of its assurance of quality, the Board of Directors also meets the company's auditor once a year without the attendance of the President and CEO or anyone else from senior management.

## Role of the Chairman of the Board

The Chairman organizes and manages the work of the Board, ensuring that it is conducted in accordance with the Swedish Companies Act, other legislation and regulations, as well as the Board's internal control instruments. The Chairman monitors operations through ongoing contacts with the CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman is responsible for ensuring that the Board members continuously update and deepen their knowledge of Inwido and that they receive the training otherwise necessary to be able to conduct their work efficiently. The Chairman of the Board shall ensure that the Board's duties and working methods are assessed annually and discussed with the Board members, and that the Nomination Committee is informed of the results, with the purpose of developing the Board of Directors' working methods and efficiency. Such an evaluation was carried out in 2018, primarily through a combination of individual discussions and a detailed questionnaire to the Board. The results of the evaluation were presented to and discussed with the Nomination Committee, as well as with the full Board.

## Work of the Board in 2018

Over the year, the Board held a total of 12 meetings. At the scheduled Board meetings, the President and CEO reported on the Group's earnings and financial position, including the outlook for the coming quarters. Beyond approving the annual and interim reports and adopting a business plan and associated financial plan, the following key issues were addressed by the Board of Directors during the year:

- Proposed dividend of SEK 3.50 per share
- Revision and adoption of the company's policies
- Acquisitions
- Investments
- Risk assessment
- Product development
- Organization

## Audit Committee

Inwido's Board of Directors includes an Audit Committee. It shall consist of at least three Board members appointed by the Board. The Committee has no decision-making authority and members are appointed annually by the Board of Directors at the statutory Board meeting or when a committee member must be replaced.

### The Board and its work in 2018

Name	Elected year	Independent <sup>1)</sup>	Board meetings <sup>2)</sup>	Audit Committee <sup>3)</sup>	Remuneration Committee	Board fees, SEK, thousands <sup>4)</sup>
<b>Chairman of the Board:</b>						
– Georg Brunstam	2017	Yes/Yes	12/12	5/5	2/2	705
<b>Board members:</b>						
– Benny Ernstson	2004	Yes/Yes	12/12	—	—	260
– Anders Wassberg	2009	Yes/Yes	12/12	5/5	2/2	335
– Sisse Fjelsted Rasmussen	2015	Yes/Yes	2/12	2/5	—	260
– Astrid Simonsen Joos	2017	Yes/Yes	12/12	—	—	260
– Henriette Schütze	2018 <sup>5)</sup>	Yes/Yes	5/12	2/5	—	310
<b>Employee representatives:</b>						
– Tony Johansson	2016	—	9/12	—	—	—
– Robert Wernersson	2012	—	10/12	—	—	—

1) Refers to independence in relation to the company, its management and independent in relation to major shareholders in the company. 2) Of which, two Board meetings were held via correspondence. 3) Of which, one committee meeting was held via correspondence. 4) Including committee fees. 5) Elected at the 2018 Annual General Meeting.

The Committee members appointed in May 2018 were Georg Brunstam (chairman), Henriette Schütze and Anders Wassberg. The work of the Audit Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Committee's work focuses on the quality and accuracy of the financial accounts and reports, efforts in internal financial control, the Group's adherence to applicable regulations and, where appropriate, transactions between the Group and related parties.

In addition, the Audit Committee maintains regular contact with the auditor for Inwido AB and the Group in order to engender an ongoing exchange of ideas and information between the Board and the auditor on audit issues. Furthermore, the Committee shall assess the auditor's work and set guidelines for the services, besides auditing, that Inwido may procure from its auditor.

The Audit Committee held five meetings in 2018. The meetings of the Audit Committee are minuted and reported verbally at Board meetings.

Each month, consolidated accounts are prepared and submitted to the Board and Group Management.

External financial information is provided regularly in the form of:

- Year-end and interim reports.
- Annual Report.
- Press releases about important items of news that are believed to affect the assessment of Inwido.
- Presentations for financial analysts, investors and the media on the dates on which year-end and interim reports are published.
- Meetings with financial analysts and investors.

#### Remuneration Committee

Inwido's Board of Directors also includes a Remuneration Committee. It shall consist of two Board members appointed by the Board. The Chairman of the Board may chair the Remuneration Committee. Other members of the Remuneration Committee elected by the General Meeting shall be independent in relation to the company and its senior management. In part, the Remuneration Committee has an advisory role and in part it prepares matters to be addressed

and decided on by Inwido's Board of Directors. The Remuneration Committee operates under the rules of procedure adopted by the Board. The principal tasks of the Remuneration Committee are to prepare the Board's decisions regarding remuneration principles, remuneration and other terms of employment for company management, to monitor and assess programmes of variable remuneration for company management, and to monitor and assess the application of the guidelines for remuneration to senior executives determined by the Annual General Meeting, applicable remuneration structures and remuneration levels within Inwido.

Each year, at the statutory Board meeting, or when a committee member must be replaced, the Board appoints the committee members. The Committee members appointed in May 2018 were Georg Brunstam (Chairman) and Anders Wassberg. In 2018, the Remuneration Committee held two meetings. The meetings of the Remuneration Committee are minuted and reported verbally at Board meetings.

#### Group Management

The President and CEO leads operations in accordance with the Companies Act and within the parameters set by the Board. In consultation with the Chairman of the Board, the President and CEO prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The President and CEO is also responsible for Inwido's commercial, strategic and financial development, leading and coordinating daily operations in line with the Board's guidelines and decisions. The President and CEO also appoints the members of Group Management in consultation with the Chairman of the Board.

Group Management holds regular meetings led by the President and CEO. Representatives from Group Management meet with the management of each company at local management group meetings on a rolling basis.

#### External auditors

At the 2018 Annual General Meeting, authorized public accountant Thomas Forslund of the KPMG AB firm of auditors was elected as the company's auditor for the period extending until the end of

the following Annual General Meeting. The auditor maintains regular contact with the Chairman of the Board, the Audit Committee and Group Management. Inwido's auditor shall review the annual report and accounts, as well as the President and CEO's management work. The auditor works according to an audit plan that takes into account comments submitted by the Board via the Audit Committee. The auditor reports the findings to the Board. Reporting takes place partly during the audit, and ultimately in connection with the annual report being issued and approved. The auditor also participates in one Board meeting per year, where the auditor outlines the audit process and the observations in an audit report.

Over the year, the auditor has also performed certain consulting assignments outside the scope of the audit – these have mainly involved advice on accounting matters.

The external audit is conducted in accordance with generally accepted accounting principles in Sweden. The auditing of documentation for the annual report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.

#### Internal audit

Inwido has developed systems for governance and internal control. Among other things, the central accounting unit performs an ongoing internal audit of the Group's companies. The Board of Directors and the Audit Committee follow up Inwido's assessment of internal control, including through contacts with Inwido's auditors, which perform annual audits of the internal control. Given the above, the Board has elected not to establish a specific internal audit unit.

#### Internal control of financial reporting

The responsibility of the Board and the President and CEO regarding internal control is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report.

#### The Board of Directors' work in 2018

**DEC**

- Business plan
- Impairment testing
- Assessment of the Board's work

**OCT**

- Interim report for January to September

**SEP**

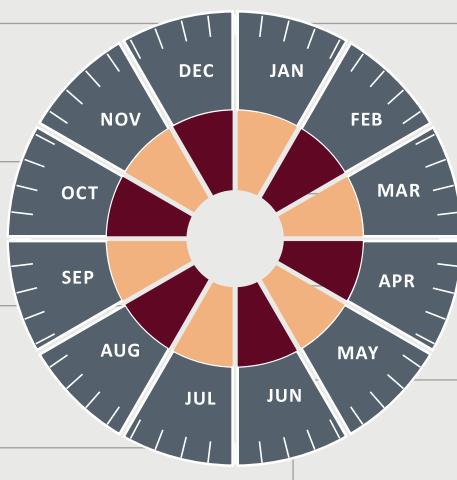
- Strategic plan review

**JUL**

- Interim report for January to June

**JUNE**

- Refinancing decision
- Decision to acquire Profin



**JAN**

- Year-end report
- Proposal for profit distribution
- Audit report
- A decision was taken to initiate negotiations with the trade unions regarding the closure of the factory in Väröbacka
- HR and skills update

**MARCH**

- Annual Report
- Proposals and statements to the Annual General Meeting

**APRIL**

- Interim report for January to March
- Risk assessment

**MAY**

- Inaugural meeting: decisions on company signatories, election of Remuneration Committee and Audit Committee, election of Board representative on the Nomination Committee, decision on time and place for upcoming ordinary Board meetings

The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security with regard to the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. This report on internal control has not been reviewed by the company's auditors. The starting point for internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### Control environment

The Board bears the overall responsibility for internal control regarding financial reporting. To establish and maintain a functioning control environment, the Board has adopted a set of basic documents that have a bearing on financial reporting, including, in particular, the rules of procedure for the Board and instructions for the President and CEO. In addition, the Board has appointed an Audit Committee whose principal task is to ensure that the established principles for financial reporting are complied with and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and for ongoing internal control efforts regarding financial reporting is delegated to the President and CEO, who reports regularly to the Board of Directors in accordance with established procedures. In addition, reports are provided by the company's auditors.

The internal control structure also builds on a management system based on Inwido's organization with clearly defined roles, areas of responsibility and delegated authority. Operational decisions are made at the company level while decisions regarding strategy, overarching financial matters, acquisitions and major investments are made by Inwido's Board and Group Management. Control

documents addressing accounting and financial reporting represent crucial components in the control environment with regard to financial reporting. These documents are updated regularly in connection with changes in accounting standards and legislation.

### Risk assessment

The Group conducts continuous risk assessment to identify key risks relating to financial reporting. With regard to financial reporting, risk is primarily judged to involve significant errors in the accounts; for example when it comes to the reporting and valuation of assets, liabilities, revenues and expenses or other discrepancies. Fraud and losses through embezzlement represent another risk. Risk management is built into every process. Various methods are used to evaluate and limit risks and to ensure that the risks to which Inwido is exposed are managed in accordance with adopted policies, instructions and established monitoring procedures. These policies, instructions and procedures are intended to reduce possible risks and promote correct accounting, reporting and disclosure.

### Control activities

The risks identified with regard to financial reporting are managed through the company's control activities, such as authorization controls in IT systems and signature authentication. The control structure includes clear organizational roles that enable an efficient division of responsibilities for specific control activities serving to uncover or prevent the risk of errors arising in reports. Local controllers/finance managers participate in the assessment of their own reporting alongside the central controller function. The continuous analysis of financial reporting, like the analysis conducted at Group level, is highly important in ensuring that financial reports are free of material errors. The Group's finance function plays a key role in the internal control process and is responsible for ensuring that financial reports from each unit are submitted correct, complete and on time.

### Information and communication

Inwido continually provides the market with information on the Group's development and financial position in relevant channels. Policies, guidelines and internal instructions regarding financial reporting ensure quality in external communication. The employees concerned are given access to and notified of regular updates and messages regarding changes in accounting principles, reporting requirements or other provision of information via the Group-wide intranet.

### Follow-up

The President and CEO is responsible for internal control being organized and followed up in accordance with the guidelines adopted by the Board. The CEO is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management. Financial control is exercised by the Group's finance function. Financial data are reported each month, along with a forecast for the coming month. Inwido's management reviews results on a monthly basis, analyzing deviations from the financial plan and the preceding year. Deviations are investigated and evaluated for possible internal control activities. The monthly accounts are also discussed with the management of each company. The Board receives monthly financial reports and follows up on financial reporting at each of its meetings. The Board and Group Management review financial reporting ahead of the publication of the annual report and interim reports. The closing accounts for the period January-September, as well as the year-end accounts are subject to a summary "review" by the company's auditors. The company's auditors present their observations to the Board. The auditors' duties also include monitoring internal control within the Group's subsidiaries on an annual basis.

MALMÖ, 29 MARCH 2019

The Board of Directors of Inwido AB (publ)

## Auditor's report on the Corporate Governance Report

To the Annual General Meeting of Inwido AB (publ), corp. ID No. 556633-3828

### Assignment and division of responsibilities

It is the Board of Directors that is responsible for the Corporate Governance Report for 2018 on pages 37-41 and for it having been prepared in accordance with the Annual Accounts Act.

### Focus and scope of the review

Our examination has been conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the Corporate Governance Report. This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, 2nd paragraph, items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, 2nd paragraph of the same act are consistent with the annual and consolidated accounts and are in accordance with the Annual Accounts Act.

STOCKHOLM, 29 MARCH 2019

KPMG AB

Thomas Forslund  
Authorized Public Accountant

Linda Bengtsson  
Authorized Public Accountant