

# Corporate governance

Good corporate governance is a prerequisite for maintaining confidence among shareholders, customers and other external stakeholders and is built on the company's strategies, targets and values permeating the entire organisation.

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, the listing agreement with Nasdaq Stockholm and the Swedish Corporate Governance Code (the Code). In addition, governance follows the Articles of Association, internal instructions and policies, and recommendations issued by relevant organisations. The corporate governance report has been prepared in accordance with the Code.

## Swedish Corporate Governance Code

The Swedish Corporate Governance Code is applicable to all companies listed on Nasdaq Stockholm. The aim is to improve corporate governance in listed companies and foster trust in companies among the general public and in the capital market. The Code is based on the "comply or explain" principle, which means that it is possible to deviate from the Code if an explanation is provided as to why the deviation has been made. There were no deviations from the Code within Clas Ohlson during the financial year.

## Compliance with applicable regulations for stock exchange trading

Neither the Swedish Securities Council nor the Stockholm Stock Exchange's Disciplinary Committee reported

infringements of good stock exchange practices or of the application of stock exchange regulations.

## Annual General Meeting

Shareholders exercise their influence through participation in the company's Annual General Meeting (the ordinary annual general meeting). The AGM is the ultimate decision-making body and has traditionally been held physically at the company's place of business in Dalarna at the beginning of September. The Notification of the AGM, which is normally communicated about four weeks prior to the AGM, is published in Post- och Inrikes Tidningar, as well as on the company's website. All shareholders who are registered in the share register within the time frame stated in the notice are entitled to participate. Registration can be made by telephone, e-mail, letter or Clas Ohlson's website.

Each year, the AGM appoints the Board, the Chairman of the Board and the auditors for Clas Ohlson. In addition, the AGM decides how profits are to be appropriated. Other issues that arise are mandatory items under the Companies Act and Clas Ohlson's Articles of Association (available at [about.clasohlson.com](http://about.clasohlson.com)).

On 30 April 2023, the company's largest shareholders, each representing at least 10 per cent of the votes, were Helena Ek Tidstrand (17.2 per cent), Johan Tidstrand (12.7 per cent), Peter Haid (12.0 per cent), Mathias Haid and Charlotte Haid Bondergaard through their companies (12.9 per cent) and Claus-Toni Haid and Grischa Haid through their companies (11.8 per cent).

## Nomination Committee

The Nomination Committee's task is to submit proposals for Board members and auditors, as well as fees to Board members (including committee work) and to auditors, to the next AGM at which the Board or auditors are due to be elected. The Nomination Committee also proposes the Chairman of the AGM.

At Clas Ohlson, a nomination process is applied for electing the Nomination Committee. The Chairman of the Board is a member of the Nomination Committee, along with representatives of the four largest registered shareholders or otherwise known shareholders (record date 30 September).

If a shareholder does not elect a member, the next largest shareholder will be asked. The Nomination Committee elects a Chairman from within the Committee, who, according to the Code, shall not be the Chairman of the Board or another Board member.

An evaluation of the Board's work and Board composition was carried out during the year. This evaluation was performed as a written appraisal carried out by an external party. The results of the evaluation were presented verbally and in writing by the Board Chairman Kenneth Bengtsson. The assessment is that the Board worked well during the year. Reporting took place in order to enable the Nomination Committee to make as thorough an assessment as possible of the Board's combined expertise and experience.

The Nomination Committee fulfils the guidelines pertaining to independence as stated in the Code. The Nomination Committee represents broad experience of work in boards of directors and nominating procedures.

## Nomination Committee prior to the 2023 AGM

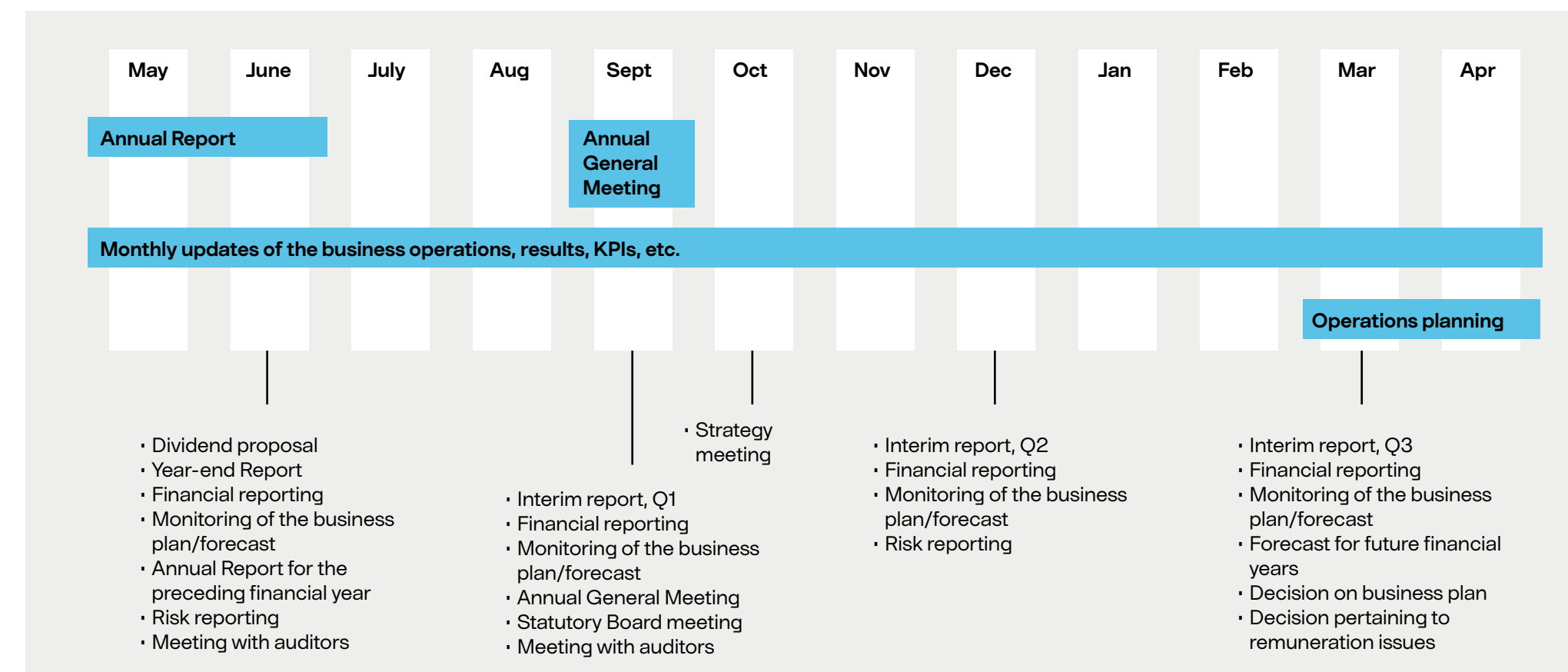
Prior to the AGM held on 8 September 2023, Clas Ohlson's Nomination Committee comprised the following members: Malin Persson, Chairman of the Nomination Committee representing the owner-family Haid, Johan Ståhl, representing the owner-family Tidstrand, Ricard Wennerklint, representing If Skadeförsäkring AB, Richard Torgerson, representing Nordea Funds, and Kenneth Bengtsson, Chairman of the Board of Clas Ohlson.

The composition of the Nomination Committee is based on the ownership structure on 30 September 2022. The Nomination Committee represents slightly more than 72 per cent of the total number of Clas Ohlson's shares (votes). The Nomination Committee will serve until a new Nomination Committee has been elected.

The objective of the Nomination Committee's work is that the Board is to have the expertise, experience and background required by the assignment. The degree of diversity in the Board was also taken into account and efforts are made to achieve an even gender balance. Factors including the company's diversity policy were considered by the Nomination Committee in its work.

Particular emphasis was placed on Clas Ohlson's strategies and targets, as well as on the demands that Clas Ohlson's future focus will place on the Board. The Nomination Committee also discussed the Board's long-term composition on the basis of future competency requirements, diversity and succession.

## The Board's working schedule



The Committee worked on the nominating procedure for Clas Ohlson's AGM and held three recorded meetings, where the Board's composition was evaluated, considered and discussed. In addition, there was individual contact during the 2022/23 financial year, and two recorded meetings was held after the end of the financial year.

The Nomination Committee's work during the mandate period included the following:

- Report on the Board's work from the Chairman of the Board
- Evaluation of the Board's work
- Nomination of the Chairman of the Board and Board members
- Position concerning the independence of Board members and candidates

- Preparation of proposals for fees to the Board and Committees
- Preparation of proposals for the Chairman of the AGM
- Nomination of auditors

The Nomination Committee's complete proposals were presented on 9 June 2023.

### Auditors

The AGM appoints auditors for the Parent Company each year. The AGM held on 9 September 2022 appointed Deloitte the auditors of the company, with Johan Telander as Auditor in Charge. Johan Telander is an Authorised Public Accountant at Deloitte. Deloitte was elected up to the 2023 AGM.

## Composition of the Board and attendance during the financial year <sup>1</sup>

MEMBER <sup>2,3</sup>	ELECTED	INDEPENDENT <sup>5,6</sup>	BOARD MEETINGS	AUDIT COMMITTEE	PEOPLE COMMITTEE	NOMINATION COMMITTEE
KENNETH BENGTSSON <sup>4</sup>	2013	Yes	17/17		5/5	3/3
MENGMENG DU	2020	Yes	17/17			
MATHIAS HAID <sup>7</sup>	2015	Yes <sup>5</sup> /No <sup>6</sup>	17/17		4/5	
PATRIK HOFBAUER	2020	Yes	17/17		5/5	
HÅKAN LUNDSTEDT	2018	Yes	15/17	5/7		
ANNE THORSTVEDT SJÖBERG	2017	Yes	17/17			
CHARLOTTE STRÖMBERG	2017	Yes	16/17	6/7		
GÖRAN SUNDSTRÖM <sup>7</sup>	2014	Yes <sup>5</sup> /No <sup>6</sup>	17/17	7/7 <sup>4</sup>		

<sup>1</sup>The trade-union organisations have had four representatives on the Board. For further information on Board members, see pages 31-32. The work of the Board and its Committees is described on page 28.

<sup>2</sup>For information on date of birth, work experience, directorships and shareholdings, see pages 31-32.

<sup>3</sup>Remuneration of Board members is stated in Note 6, see page 52.

<sup>4</sup>Chairman.

<sup>5</sup>Independent in relation to the company and Group Management according to the Swedish Corporate Governance Code.

<sup>6</sup>Independent in relation to major shareholders of the company according to the Swedish Corporate Governance Code.

<sup>7</sup>Representative of or major shareholder, see page 101.

Payment for audit engagements in the Group in the past three years totalled 2.0 MSEK, 1.7 MSEK and 2.0 MSEK, respectively. Payment for other assignments in the past three years totalled 0.3 MSEK, 0.2 MSEK and 0.2 MSEK, respectively. Work in addition to auditing relates primarily to issues pertaining to consultation on tax issues and IFRS accounting rules. The independent position of the auditors is ensured firstly by the internal policies of the auditing firm and secondly by the Board's guidelines indicating what engagements the auditing firm may undertake in addition to auditing.

### Board of Directors

Clas Ohlson's shareholders elect the Board of Directors annually at the AGM. The Board comprises eight members, who are elected by the AGM. In addition to these mem-

bers, the Board includes two representatives and two deputies for the trade-union organisations in the company. These individuals are elected by their own organisations.

The Board fulfils the independence requirement of the Code. All members, with the exception of Mathias Haid and Göran Sundström, are deemed independent in relation to the company, Group management and major shareholders. Clas Ohlson strives, over time, towards diversity on the Board meaning an equal distribution of men and women on the Board. Gender distribution on the Board among the members elected by the AGM in the past financial year was five men (62.5 per cent) and three women (37.5 per cent). In the preceding year, the corresponding distribution was five men (62.5 per cent) and three women (37.5 per cent). All of the Board members were re-elected at the 2022 AGM.

### Board meetings

Immediately following the AGM, the statutory Board meeting is held, at which the rules of procedure for the Board and instructions to the company's CEO are approved. The members of the Board's Audit Committee and People Committee (remuneration committee) and authorised signatories for the company are also appointed at this meeting. In addition to this meeting, the Board holds at least seven further meetings during the financial year. These are held quarterly in conjunction with the publication of the company's financial reports, once in June prior to concluding the Annual Report, once in connection with the Annual General Meeting and once during the autumn for strategic discussions. The strategy meeting usually takes place over two days, while other meetings are held on one day. The strategy meeting mainly discusses issues relating to the Group's targets and strategies, product range, store establishment strategy, major investments and so forth. Other meetings primarily deal with the usual Board issues, the company's reports and reporting by the Board Committees.

The company's auditors attend three of the Board meetings to report on what has emerged during the audit. The Board meets the auditors once annually without the presence of Group Management. The Board held 17 Board meetings during the financial year. The Board assesses its work annually.

### How the Board works

The rules of procedure for the Board of Directors stipulate which items on the agenda are to be fixed and which may vary. Each Board meeting is normally to be devoted to a specific topic so that the Board can gain more in-depth knowledge and understanding of the various parts of the company's operations. There are also presentations on these topics by employees of the company.

The issues that the Board dealt with during the year included strategic direction, monitoring of the business plan, a review of risk management, significant business processes, development of current markets, expansion and sustainability targets. The work of the Board's Committees is an important element of the Board's work. The Board has prepared instructions for the Committees' work. The People Committee and Audit Committee discuss issues that fall within the Committees' remit. Issues that have been addressed in the Committee meetings are minuted and notified to the other Board members at the Board meetings.

The rules of procedure also state that the Board must meet with the company's auditors at least once per year. In addition, the rules of procedure also regulate certain formal matters, such as rules for the notification of meetings and secrecy.

### Audit Committee

At its first meeting following the AGM, the Board established an Audit Committee comprising Göran Sundström (Chairman), Charlotte Strömberg and Håkan Lundstedt. The Board has issued instructions for the Committee's work. The Audit Committee is responsible for the quality assurance of financial reporting. In addition, the Audit Committee is responsible for supervising the effectiveness of risk management and internal control over the financial reporting.

The members of the Audit Committee met the auditors on two occasions during the financial year to be informed about the focus of the audit and discuss views on the risks faced by the company. The auditors also attended several of the Committee's other meetings. Important tasks for the Audit Committee are to serve as a communication link, between the Board and the company's auditors and to establish what services over and beyond auditing can be procured from the company's auditors. The auditing effort is evaluated annually, after which information on the outcome is passed to the Nomination Committee.

The Audit Committee held seven meetings during the financial year. Attendance is shown in the table on page 27. The meetings are recorded and reported at the next Board meeting. Representatives of Group management attended the Committee's meetings as co-opted members. The meetings addressed issues aimed at quality assuring risk management and internal control over the financial reporting. Moreover, the Audit Committee dealt with issues regarding the company's interim reports, annual report, accounting, liquidity and other issues.

### People Committee

In accordance with the Swedish Annual Accounts Act, the AGM of a limited liability company whose shares are listed for trading on a regulated marketplace is to decide on guidelines for remuneration of senior management. The Code also stipulates that the Board is to establish a remuneration committee, which at Clas Ohlson is called the People Committee. The Clas Ohlson Board decided at its statutory meeting in September 2022 that the People Committee was to comprise Kenneth Bengtsson (Chairman), Patrik Hofbauer and Mathias Haid. The Board has issued instructions for the Committee's work. The People Committee submits proposals for guidelines pertaining to basic salary and variable remuneration for senior management. The Committee met five times during the financial year. Attendance is shown in the table on page 27. The meetings are recorded and reported at the next Board meeting. The Committee addressed such issues as fixed and variable remuneration, and evaluated the proposed long-term incentive programme (LTI).

### Distribution of work between the Board and CEO

The Board appoints the CEO of the company. The distribution of work between the Board and CEO is indicated in the Board's rules of procedure and in the instructions to the CEO. These state that the Board is responsible for the governance, supervision, organisation, strategies, internal

control, forecasts and policies of the company. In addition, the Board decides on major investments and matters of principle relating to the governance of subsidiaries, as well as the election of Board members and the CEO. The Board is also responsible for the quality of the financial reporting.

The CEO in turn is responsible for ensuring that the company is managed in accordance with Board's guidelines and instructions. In addition, the CEO is responsible for forecasting and planning the company's operations so that specified targets are attained. The CEO ensures that the control environment is favourable and that the Group's risk-taking at any time is compatible with the Board's guidelines. Any deviations have to be reported to the Board. The Board also receives regular information from the CEO through a monthly report.

### CEO and Group Management

Clas Ohlson's CEO leads the Group Management's work and makes decisions pertaining to the operations in consultation with others in Group management. At the end of the financial year, Group Management comprised eight individuals and meetings were held with weekly records, monthly meetings and as otherwise necessary. The meetings focus primarily on strategic and operative monitoring and development, as well as results follow-up. In addition to these meetings, there is close daily cooperation within management.

### Governance of subsidiaries

The five wholly owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson Oy in Finland, Clas Ohlson Sp. Z.o.o. in Poland, Clas Ohlson Ltd (Shanghai) in China and C/O P Investment AB, which is the Parent Company for Clas Fixare AB, in Sweden are governed by their own boards in the country concerned, principally consisting of representatives of Clas Ohlson AB in Sweden. The Board in Sweden receives continuous information about the sub-

sidiaries through the CEO's monthly reports on the subsidiaries. These reports also include the results of operations and financial position of the company concerned. The subsidiaries Clas Ohlson Ltd in the UK and Clas Ohlson GmbH in Germany are being discontinued since operations in these countries have ceased.

#### External and internal control instruments

Clas Ohlson's governance occurs within the framework for external control instruments, such as Nasdaq Stockholm's rules and regulations, the Swedish Companies Act, the Swedish Corporate Governance Code and the Swedish Annual Accounts Act.

Furthermore, there are internal control instruments consisting of the Articles of Association, the Board's rules of procedure, instructions for the CEO, policies, guidelines, the Code of Conduct as well as Clas Ohlson's values and corporate culture.

#### Clas Ohlson's corporate culture

"One Clas Ohlson" encapsulates how we treat each other and our customers. Read more about our culture on page 5.

#### Selection of policies that apply within Clas Ohlson

- Code of Conduct
- Code of Business Ethics
- Diversity and Inclusion Policy
- IT Policy
- Security Policy
- Information Policy
- Insider Policy and guidelines
- Financial Policy
- Whistleblowing guidelines
- Travel Policy
- Privacy Policy
- Cookie Policy

#### Remuneration principles

The general principles of remuneration for senior management are to be based on the position held, individual performance, the Group's financial results and the remuneration being competitive in the country of employment. The combined remuneration of senior management is to consist of basic salary, variable salary in the form of a short-term incentive based on annual performance targets, long-term incentives based on multi-year performance, pension and other benefits. In addition, notice of termination and severance pay are subject to terms and conditions. Clas Ohlson aims to offer a competitive total level of remuneration, focusing on payments based on performance. This means that the variable remuneration may comprise a significant portion of the total remuneration. The aim is for basic remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

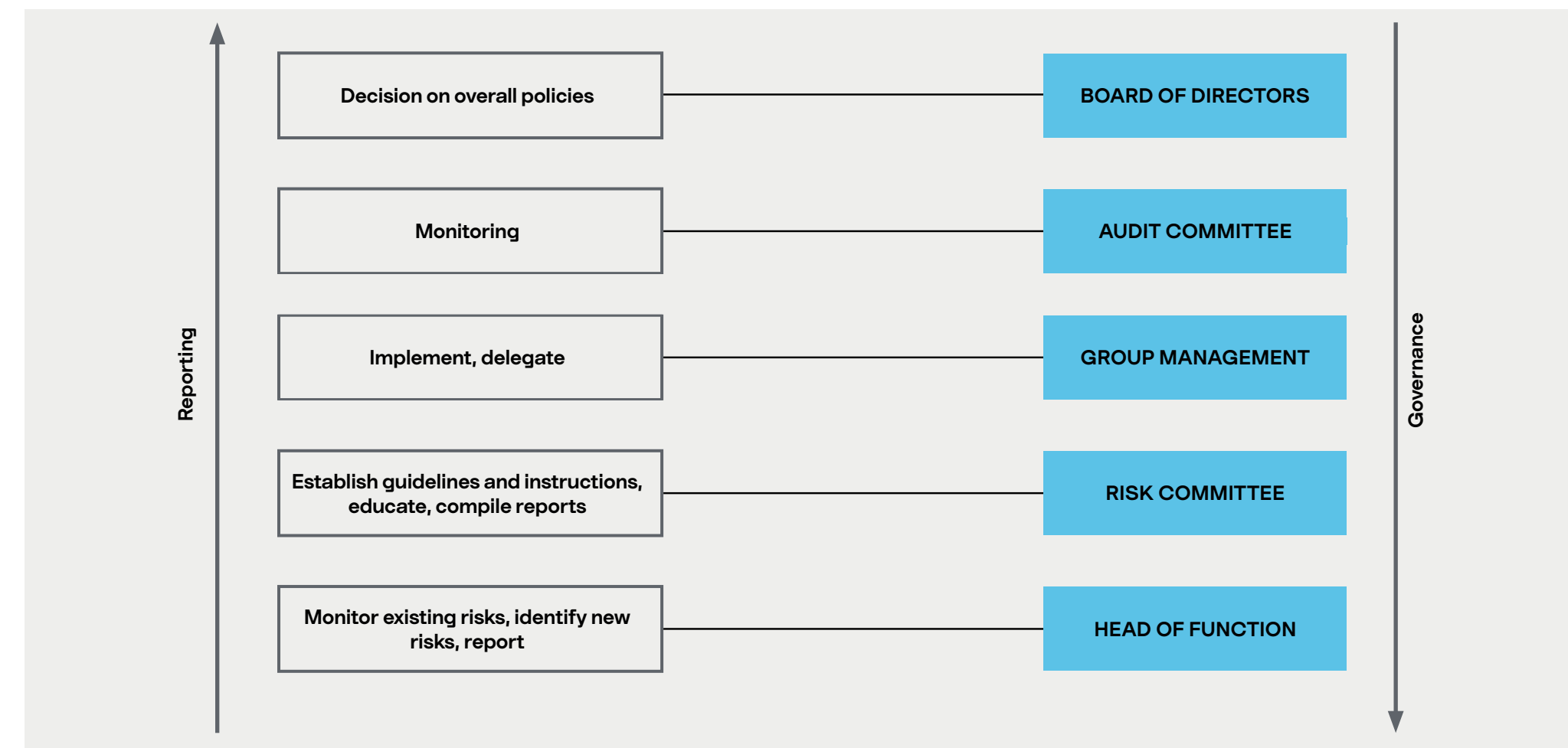
#### Remuneration

Fees paid to the Board during the financial year totalled 4.2 MSEK, in accordance with the resolution by the AGM. Of the fees paid, 0.6 MSEK pertained to remuneration for work on the Board's People and Audit Committees. Of the Board's total fee, 1.0 MSEK was paid to the Chairman of the Board. No remuneration is paid to members of the Nomination Committee. Read more on page 52, Note 6.

Remuneration of the CEO comprises fixed salary and variable remuneration, and the entire amount is set by the Board. A more detailed presentation of remuneration, pension and severance pay for the CEO is presented on pages 52-55, Note 6.

The guidelines for remuneration of senior management were adopted by the 2020 AGM, and remuneration was based on the Board's proposal for the 2022/23 financial year. These guidelines cover basic salary, variable remuneration, pension benefits and other benefits.

## Risk management



neration, pension benefits and other benefits. For information on the complete decided guidelines on remuneration, pension and severance pay, see Note 6, pages 52-55.

#### Risk management

The Board has overall responsibility for the Group's risk effort. The risk situation in Clas Ohlson is updated and analysed regularly. This is done by means of a systematic process in which risks are identified, valued and assessed, managed, monitored and reported. Using an overall assessment, priority is given to those risks whose impact and probability are deemed to represent the most negative effect. A key aspect in this work is the measures undertaken to avoid (control activities), reduce or shift the risk to another party (insurance). The risks are entered in risk maps in order to clarify the overall risk exposure. Mapping is done at the Group level and represents a tool for operational and strategic governance by the Board and the company's

Group management. By means of risk mapping, the focus can be aimed at reducing the company's risk exposure and reducing the consequences of any risks emerging. The Risk Committee pursues the work involved in compiling, monitoring and developing the risk management process. Reporting of the Group's overall risk status is made internally to the Audit Committee and the Board twice annually. See also the risk section on pages 20-24.

#### Sustainability

For Clas Ohlson, it is important to protect and assume responsibility for people and the environment impacted by our operation. Our sustainability agenda is an integrated part of Clas Ohlson's business and is described in the operations section on pages 5-12. Refer also the detailed sustainability information on pages 74-98.

### Internal control over the financial reporting

The Board has overall responsibility for the company's systems pertaining to internal control. The responsibility is regulated by the Swedish Companies Act, which also states that the Audit Committee has a specific responsibility for monitoring quality assurance in risk management and internal control over the financial reporting.

The company's work on internal control follows the framework developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework consists of five individual areas: control environment, risk assessment, control activities, information and communication, and monitoring.

### Control environment

The control environment comprises the organisational structure and the values, guidelines, policies, instructions and so on, according to which the organisation works. Effective Board work forms the basis of good internal control and the Board of Clas Ohlson has established rules of procedure and clear instructions for its work. This includes the Board's People and Audit Committees.

Part of the Board's work involves drawing up and approving the policies that govern the Group's work on internal control. Another part involves creating the necessary conditions for an organisational structure with clear roles and responsibilities, leading to effective management of the risks in the operation.

The Group has regulations governing decision-making and authorisation levels that parallel the Group's organisational structure. The focus is on clarifying who has a mandate to decide on investments, activities, signing of contracts and so forth in each function and the limits in terms of the amounts involved. In the event that the amount exceeds the function's mandate, the decision is assigned to the next level in the organisation. This is done in order to maintain

good corporate governance and awareness at the various levels in the organisation. The regulations governing decision-making and authorisation constitute the basis for decision-making at Clas Ohlson.

Group Management is responsible for implementing guidelines for the maintenance of good internal control. Internal control is continuously being developed and improved. Group Management and the Audit Committee report continuously to the Board according to approved procedures.

All activity is undertaken in accordance with the Group's Code of Conduct and Code of Business Ethics.

### Risk assessment and control activities

Clas Ohlson continuously works on the risk-areas that are considered most prioritised based on materiality and risk.

The Group's income consists of sales in stores and online shopping where payment is principally made by credit card or in cash. This income is documented in its entirety in bank accounts which are reconciled daily. The risk of errors in the reporting of income is limited. Group expenses primarily comprise goods-related expenses, freight, salaries and social security contributions, rental expenses and marketing. Income and expenses are forecasted for each store and department. The outcome is checked monthly against both the budget and the preceding year. About 90 per cent of Clas Ohlson's assets consist of inventories and non-current assets. Accordingly, particular emphasis has been placed on preventing and detecting deficiencies in these areas when designing internal controls.

The processes and the control structure are documented in a separate financial manual, which is updated regularly. The most essential processes in the Group are continuously evaluated. The greatest risks in each process are

documented. An assessment is then made of whether the controls that take place are adequate. If there is a need, further compensatory controls are introduced to reduce the risk to an acceptable level.

The subsidiaries have accounting managers and controllers who ensure that financial reporting is correct and complete. In addition, they ensure that legislation is observed and that financial reporting is completed within the time frames to Group management and to the Group accounting function. Moreover, there are controllers in major Group functions and in the Group finance function with equivalent working tasks. The Group finance function has a close and well-functioning cooperation with subsidiaries as regards reporting and closing accounts.

Each month, all subsidiaries report complete closing accounts, which constitute the basis for the Group's consolidated financial reporting.

### Information and communication

Major policies, guidelines, instructions and manuals that are of significance to internal control are regularly updated and communicated to employees concerned. General guidelines and instructions are also available on the company's intranet.

There are both formal and informal information channels to Group management and the Board for information from employees. The Board receives regular feedback from the operations on questions that relate to internal control through the Audit Committee. For external communication, there are guidelines that support the requirement to provide the equities market with correct information.

### Monitoring of internal control

Group management and the Audit Committee regularly report to the Board on the basis of established procedures.

The Board regularly receives information about the Group from the CEO, which includes the earnings and financial position of the subsidiaries.

Each interim report is analysed by the Audit Committee with regard to the correctness of the financial information. The Audit Committee also plays a key role in monitoring to ensure that there are sufficient control activities for the most essential areas of risk pertaining to the financial reporting and communicating material issues to Group management, Board and auditors. An important aspect is to ensure that any viewpoints from the auditors are rectified.

Three times a year, the entire Board meets the company's auditors to be informed of the external audit and discuss relevant issues. On the basis of the auditors' reporting, the Board forms a picture of the internal control and the correctness of the financial information. The CEO does not take part in any issues that relate to senior management.

### Internal audit

Following evaluations in the financial year and preceding years, the Board has not found it necessary to date to establish an internal audit function. The company's Group-wide controller function has instead been adapted to also deal with internal control activities. The question of whether to establish a separate internal audit function is re-examined annually. Furthermore, the company has a Risk Committee that continuously evaluates material risks and control activities.