

CORPORATE GOVERNANCE

Corporate Governance Principles

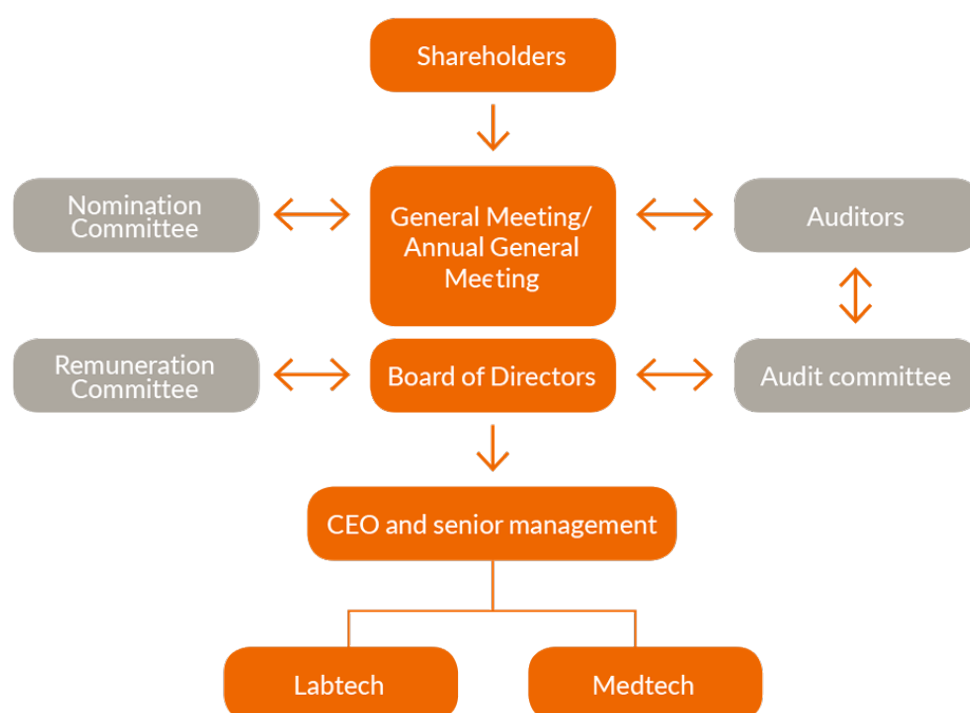
Overall structure

Good corporate governance is an important component in ensuring that AddLife AB is managed in a sustainable and responsible manner in accordance with applicable laws and regulations. The corporate governance within AddLife AB defines decision-making systems, clarifies roles and responsibilities between owners, board of directors, board committees, and executive management, and ensures transparency towards the group's stakeholders.

The AddLife group consists of approximately 85 companies in about 30 countries. The parent company in the group is the Swedish public limited company AddLife AB, whose B-shares are listed on Nasdaq Stockholm. In addition to what follows from the Swedish Companies Act, applicable Swedish and foreign regulations and directives, as well as laws and regulations, good practice on the stock market, and Nasdaq's rules for issuers, the group's corporate governance is based on the Swedish Code of Corporate Governance ("the Code"). This corporate governance report has been reviewed by the company's auditor. The corporate governance report is available on the company's website under Investor Relations, www.add.life/investor-relations/corporate-governance.

Good compliance with the Code, stock exchange rules, and good practice

AddLife follows the Code's principle of "comply or explain", and for the financial year 2022, AddLife has in all material respects complied with the Code, except for two deviations from the Code's rule 2.4. The deviations and their justifications are found in the section on the Nomination Committee. No violations of applicable stock exchange rules have occurred, nor have any violations of good practice on the stock market been reported by Nasdaq Stockholm's disciplinary committee or the Swedish Securities Council during 2022.



Articles of Association

According to the articles of association, the company's name is AddLife AB and it is a public company. The company's latest fiscal year covers the period from January 1 to December 31. The company's business is "to conduct trade in and manufacture mainly medical equipment and products, either on its own or through wholly or partly owned subsidiaries, and to engage in other related activities". The board of directors is based in Stockholm and shall consist of at least four and no more than six members.

The company's articles of association do not limit the number of votes that each shareholder can cast at a general meeting. The company's articles of association do not contain specific provisions regarding the appointment and dismissal of board members, or the amendment of the articles of association. The latest registered articles of association were adopted at the ordinary general meeting on May 5, 2021, and are available in full on the company's website under Investors, www.add.life/investor/corporate-governance/articles-of-association.

Share structure and ownership

As of December 31, 2022, the company had 13,131 shareholders and the 15 largest shareholders controlled 62 percent of the share capital and 70 percent of the votes. At the end of the fiscal year, the proportion of Swedish owners was 63 percent and foreign investors owned 37 percent of the capital. The proportion of legal entities was 86 percent and individuals accounted for 14 percent of the share capital. Roosgruppen AB (Håkan Roos via the company) and Tom Hedelius are the only shareholders who have a direct or indirect stake in the company representing at least one-tenth of the total voting rights for all shares in the company.

AddLife board of directors

The tasks of the board of directors

The main task of the board of directors is to manage the operations of the AddLife Group on behalf of the shareholders so that the shareholders' interests in long-term good capital returns are met in the best possible way. The board of directors has overall responsibility for AddLife's organization and management. The board's work is regulated, among other things, by the Swedish Companies Act, the Articles of Association, the Code, and the rules of procedure established by the board for its work.

Composition and independence of the board of directors

According to AddLife's Articles of Association, the board of directors shall consist of at least four and at most six members. The members are elected annually at the annual general meeting for the period until the end of the next annual general meeting. There is no restriction on how long a member can serve.

The Nomination Committee applies Rule 4.1 of the Code as a diversity policy. The board of directors shall have a composition that is appropriate with regard to the company's activities, development stage, and other circumstances, characterized by versatility and breadth in terms of the competence, experience, and background of the board members elected by the general meeting. Gender equality shall be sought. Since the annual general meeting on May 5, 2022, the board of directors consists of six members, three men and three women.

The Nomination Committee has assessed that the composition of the board of directors during 2022 meets the independence requirements set out in the Code. Johan Sjö, Birgit Stattin Norinder, Eva Elmstedt, and Eva Nilsagård are independent in relation to the Company and the Group management, as well as in relation to the Company's major shareholders.

Responsibilities and work of the board of directors

The tasks of the board of directors are regulated by the Companies Act, AddLife's Articles of Association, and the Code. In addition, the board's work is regulated by rules of procedure established by the board. The board has established a written set of rules of procedure that regulate its work and the division of responsibilities, including its committees, decision-making procedures within the board, the board's meeting procedures, and the chairman's tasks. The board has also issued an instruction to the CEO and an instruction for financial reporting to the board. Furthermore, the board has adopted a number of policies for the Group's operations, such as the Finance Policy, Communication Policy, and Code of Conduct. The board monitors the CEO's work through ongoing follow-up of the operations during the year and is responsible for ensuring that the organization and the management and guidelines for the administration of the Company's affairs are appropriately designed. The board is also responsible for ensuring that the Company has effective systems for monitoring and controlling its operations and compliance with laws and regulations applicable to the Company's operations. The board is also responsible for determining and developing the Company's goals and strategy, deciding on acquisitions and divestment of businesses, major investments, and appointments and remuneration for the Group management. The board and the CEO present the annual report to the annual general meeting.

Annually, an evaluation of the board's work shall be carried out under the chairmanship of the chairman of the board, and the Nomination Committee shall be informed of the results of the evaluation. The board shall continuously evaluate the work of the CEO. This issue shall be addressed annually, with no one from the Company's management present. The board shall also evaluate and take a position on significant assignments that the CEO may have outside the Company, if such assignments exist.

In October 2022, the annual evaluation of the board's work was carried out under the leadership of the chairman of the board, and the nomination committee has been informed of the results of the evaluation.

The Board's rules of procedures

The Board's rules of procedures should be evaluated, updated, and established annually. The rules of procedures specifies how the work should be divided among the board members, including its committees and the CEO, the number of regular board meetings, the matters to be addressed at regular board meetings, and the tasks of the board chairman. The board has also issued written instructions on how financial reporting to the board should be carried out.

The Board's work in 2022

During the financial year, the board held 13 board meetings, of which 5 were held before the annual general meeting in 2022 and 8 after. The attendance of the board members is shown in the table below.

At the regular meetings, the board dealt with the fixed items that follow from the board's rules of procedures and annual plan, such as follow-up of operations and business conditions, financial reporting, decisions on current acquisitions, the establishment of policy documents, as well as a review of internal control and corporate governance.

In addition, the board dealt with the group's long-term goals and strategy, sustainability issues, succession planning, and overall organizational issues and financing.

Remuneration committee

The board has appointed a remuneration committee consisting of Johan Sjö, chairman, and Håkan Roos. The remuneration committee has developed a proposal for principles for remuneration for senior executives. The proposal has been considered by the board and will be presented for the annual general meeting's decision. Based on the annual general meeting's decision, the board will then decide on remuneration for the CEO. The CEO shall not present his own remuneration. Upon the CEO's proposal, the remuneration committee shall decide on remuneration for other members of the executive management. The board shall be informed of the remuneration committee's decision. The remuneration committee shall then be responsible for monitoring and evaluating the application of the guidelines for remuneration for

senior executives that the annual general meeting has decided upon. In addition, the committee shall monitor and evaluate ongoing and completed programs for variable remuneration for company management.

The remuneration committee has had one meeting during the financial year. At the meeting, all members of the committee were present.

Audit committee

The audit committee consists of the board in its entirety, and Eva Nilsagård has been appointed as the audit committee's chairman. The committee's work is conducted as an integrated part of the board's work at regular board meetings. The audit committee shall, without affecting the board's overall responsibility and tasks, monitor the company's financial reporting, monitor the effectiveness of the company's internal control and risk management with regard to financial reporting, keep itself informed of the audit of the annual and consolidated financial statements, review and monitor the auditors' impartiality and independence, and in particular pay attention to whether the auditors provide the company with services other than audit services, and assist in preparing proposals for the shareholders' decision on the appointment of auditors.

The audit committee has had four meetings during 2022 in connection with the publication of the interim reports. In addition, AddLife's risk matrix has been discussed, and the company's external auditors have reported on the interim review.

In connection with the adoption of the annual accounts for 2022 at the Board meeting in February 2022, the Board received a review and a report from the Company's external auditors. At this time, the board also had a review with the auditors without the presence of the CEO or other members of the management team.

Compensation for the board

Compensation for the board is determined by the annual general meeting. The annual general meeting in 2022 decided on a total remuneration of SEK 2,525,000 for the period until the end of the next annual general meeting. Of the remuneration, SEK 700,000 is allocated to the chairman of the board, SEK 350,000 to each of the other members, and SEK 75,000 to the chairman of the audit committee.

AddLife's Board of Directors



From the left: Eva Elmstedt, Stefan Hedelius, Johan Sjö, Birgit Stattin Norinder, Håkan Roos, Eva Nilsagård.

JOHAN SJÖ

Chairman of the Board since 2015

Born: 1967 **Education:** M.Sc. Econ

Professional experience: Senior Advisor Nordstjernan AB. Former Chief Executive Officer Addtech AB, senior management at Bergman & Beving AB and Alfred Berg ABN AMRO **Significant appointments:** Chairman of the Board of Momentum Group AB and Dacke industri AB. member of the board of Alligo AB, Camfil AB and M2 Asset Management AB **Holdings of shares in AddLife:** 14,400 Class A shares and 129,000 Class B shares

STEFAN HEDELIUS

Board member since 2015

Born: 1969 **Education:** University studies in finance, various international executive education programmes

Professional experience: Chief Executive Officer of Human Care HC AB, former Chief Executive Officer of NOTE AB and senior positions within Scandinavian Airlines and Ericsson **Significant appointments:** Member of the board of Momentum Group AB and Alligo AB **Holdings of shares in AddLife:** 24,964 Class A shares and 4,568 Class B shares

EVA NILSAGÅRD

Board member since 2015

Born: 1964 **Education:** M.Sc. Econ

Professional experience: Chief Financial Officer Plastal and Vitrolife AB. Senior positions at Volvo Group, AstraZeneca Group and SKF **Significant appointments:** Chairman of the Board for Spermosens AB and Diagonal Bio AB. Member of the Board for Bufab AB, Irras AB, Hansa Biopharma AB, Nimbus Group AB, Xbrane Biopharma AB, Aktiebolaget Svensk Exportkredit, Nanexa AB and eEducation Albert AB

Holdings of shares in AddLife: 5,568 Class B shares and 4,000 Class B shares through endowment insurance

BIRGIT STATTIN NORINDER

Board member since 2015

Born: 1948 **Education:** MPharmacy and Bachelor of Arts **Professional experience:** Former Chief Executive Officer Prolifix, Senior Vice President Worldwide Product Development Pharmacia & Upjohn. Leading positions in Glaxo and the Astra Group as well as chairman and board member of several international Biotech companies bolag **Significant appointments:** Member of the board of Nanexa and Jettesta AB

Holdings of shares in AddLife: 12,636 Class B shares (including related party holdings)

EVA ELMSTEDT

Board member since 2021

Born: 1960 **Education:** Bachelor's degree in Economics and Computer Science **Professional experience:** Previous experience as EVP Global Services and member of the management team of Nokia Networks and Nokia Siemens Networks and senior positions at Ericsson, the operator 3 and Semcon **Significant appointments:** Chairman of the Board of Arelion, Omegapoint and Serline. Member of the Board of Arjo, Elanders and Smart Eye **Holdings of shares in AddLife:** 3,000 Class B shares and 1,000 Class B shares through endowment insurance

HÅKAN ROOS

Board member since 2015

Born: 1955 **Education:** M.Sc. Econ **Professional experience:** Previously Chief Executive Officer of Hallbergs Guld AB and Procurator AB **Significant appointments:** Chairman of the Board of RoosGruppen AB and Gadelius Japan. Member of the board of OptiGroup AB and Sandå Sverige AB **Holdings of shares in AddLife:** 2,165,644 Class A shares and 3,124,727 Class B shares

Information regarding shareholdings as of March 8, 2023. All members of the Board are independent in relation to AddLife and its senior management and Johan Sjö, Eva Elmstedt, Birgit Stattin Norinder and Eva Nilsagård are independent in relation to major shareholders.

AddLife's group management



From the left: Fredrik Dalborg, Peter Simonsbacka, Martin Almgren, Christina Rubenhag

FREDRIK DALBORG

President and CEO

Born: 1972 **Member of Group Management since:** 2022

Education: M.Sc. Econ **Professional experience:** CEO Etac, CEO Boule Diagnostics AB, senior positions within Xvivo, Terumo BCT and Gambro

Other appointments: None **Holdings of shares in AddLife:** 13,500 Class B shares as well as call options corresponding to 26,000 Class B shares

CHRISTINA RUBENHAG

CFO

Born: 1970 **Member of Group Management since:** 2022

Education: M.Sc. Econ **Professional experience:** CFO Boule Diagnostics AB, CFO and CEO Biolin Scientific AB, CFO Packetfront AB, CFO Swe-Dish Satellite Systems AB

Other appointments: None **Holdings of shares in AddLife:** 1,250 Class B shares as well as call options corresponding to 10,000 Class B shares

PETER SIMONSBACKA

Business Area Manager Labtech

Född: 1960 **Member of Group Management since:** 2017 **Education:** Engineer **Professional experience:** Business area manager in Addtech Nordic AB, CEO BergmanLabora AB and Business area manager Mettler-Toledo AB **Other appointments:** Chairman of the Board for Swedish Labtech **Holdings of shares in AddLife:** 73,140 Class B shares as well as call options corresponding to 203,150 Class B shares

MARTIN ALMGREN

Business Area Manager Medtech

Född: 1976 **Member of Group Management since:** 2015 **Education:** M.Sc. Econ **Professional experience:** Group Financial Controller Addtech AB, Group Accounting Manager Nefab AB, auditor EY **Other appointments:** None **Holdings of shares in AddLife:** 238,000 Class B shares as well as call options corresponding to 203,150 Class B shares

Information regarding shareholdings as of March 8, 2023.

The CEO, shall manage the operations in accordance with the Companies Act and within the framework established by the Board of Directors. The work and role of the CEO and the division of duties between the Board of Directors and the CEO are detailed in a written set of instructions set out by the Board of Directors ("Instructions to the CEO"). The Board of Directors continuously evaluates the work of the CEO. In consultation with the Chairman, the CEO has prepared the information needed to make decisions at Board meetings and has presented reports and reasoned proposals for decisions.

The CEO shall lead the work of the group management and make decisions in consultation with the other members of the group management. At the end of 2022, the group management consisted of six persons, Fredrik Dalborg, CEO, Christina Rubenhag, CFO, Martin Almgren, Business Area Manager for Medtech, Peter Simonsbacka, Business Area Manager for Labtech, Ulrika Hellman, Head of M&A, and Ove Sandin, Senior Advisor. After the end of the year, Ulrika Hellman left the company and Ove Sandin is no longer part of the management team. Former CEO Kristina Willgård left her role on August 31. Group management has regular business reviews under the management of the CEO.

Operational organisation

During the financial year, the Group's operations were organised into two business areas – Labtech and Medtech. Operations are conducted in subsidiaries mainly in Europe but also in Australia and China. Each operating Company has a board of directors in which the Company's CEO and senior executives from the business area are represented. Each company president reports to a business division manager or business area manager, who, in turn reports to the CEO for AddLife AB.

General Meeting

The Annual General Meeting is the highest decision-making body in which shareholders exercise their voting rights. The Annual General Meeting shall be held once a year no later than September. The Annual General Meeting resolves on the annual report, dividends, appointments to the Board of Directors, election of auditor, compensation to the Board of Directors and remuneration to the auditor, as well as other issues in accordance with the Swedish Companies Act and the Articles of Association. Notice of the Annual General Meeting shall be given through advertising in Post och Inrikes Tidningar and on the Company's website. The fact that notice of a general meeting has been given must be announced in Svenska Dagbladet. Information about previous annual general meetings and minutes is available on the company's website. The Company does not apply any special arrangement in relation to the functions of the General Meeting due to any article in the Articles of Association, or as far as the Company is aware of, any shareholders' agreement.

Right to participate at the General Meeting and shareholders' right of initiative

Shareholders registered in the share register maintained by Euroclear five days before the General Meeting and who, by the date specified in the Notice of the General Meeting, have informed the Company of their intention to attend, are eligible to participate in the General Meeting and to vote for the number of shares held. Shareholders may attend the Meeting in person or by proxy, and may be accompanied by a maximum of two assistants. Shareholders' assistants may accompany them at a General Meeting if the shareholders provide notification thereof in accordance with the procedure for shareholder registration.

In addition to notifying AddLife, shareholders whose shares are nominee registered at a bank or other nominee must request that their shares be temporarily registered under their own names in the share register maintained by Euroclear to be eligible to participate in the Meeting. Shareholders should inform their nominees in good time before the record date. Shareholders seeking to have a matter addressed at a General Meeting must submit a written request to the Board. The request must normally be received by the Board no later than one week before the earliest point at which the notice of the Meeting may be issued under the Companies Act. Every shareholder that submits a request within the required time has the right to have the issue brought before the General Meeting.

Annual General Meeting 2022

AddLife's Annual General Meeting was held on Thursday, 5th of May 2022 in Stockholm. In all, 152 shareholders were present at the meeting, in person or by proxy, representing 67.62 percent of the votes and 58.94 percent of capital. Chairman of the Board Johan Sjö was elected to serve as chairman of the AGM.

The Annual General Meeting 2022 resolved:

- To adopt the financial statements for 2021
- A dividend of SEK 2.00 per share, irrespective of class of shares, was declared
- To carry forward the available funds
- To discharge the Board of Directors and Chief Executive Officer from liability for the past financial year
- To re-elect board members Johan Sjö, Håkan Roos, Birgit Stattin Norinder, Eva Nilsagård, Stefan Hedelius and Eva Elmstedt
- To re-elect Johan Sjö to serve as chairman of the Board
- To elect the audit firm KPMG AB to serve as auditor
- To implement a long-term incentive scheme under which the participants will have the opportunity to acquire call options at market prices for shares repurchased by AddLife AB
- To authorise the Board of Directors to acquire, prior to the next AGM, a maximum number of Class B shares so that the Company's own holdings of shares in AddLife does not exceed 10 percent of all shares in the Company at any time

- To authorise the Board of Directors to resolve on a new issue of up to 10 percent of the number of Class B shares for use as payment in acquisitions

The AGM's other resolutions are presented in the complete minutes from the AGM, which together with other information about the 2022 AGM can be found at www.add.life/en/investors/corporate-governance/general-meeting/

Annual General Meeting 2023

AddLife's 2023 Annual General Meeting will be held on Thursday 4 May 4 p.m. at World Trade Center, New York room, Klarabergsviadukten 70 in Stockholm.

Shareholders who wish to participate in the Annual General Meeting must:

- be entered in the shareholders' register kept by Euroclear Sweden AB as of Tuesday 25 April 2023; and
- notify the Company's head office at AddLife AB (publ.), "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, via link, <https://anmalan.vpc.se/EuroclearProxy/>, by e-mail to generalmeetingservice@euroclear.com, or call on telephone number 08-402 91 33 no later than by Wednesday 26 April 2023. Such notice must contain the shareholder's name, personal identification number (organisation number), address, telephone number, the number of shares as well as any attending counsel, maximum two. The information provided during registration will be processed and used for the Annual General Meeting 2023.

Shareholders who have had their shares registered under a trustee must, in order to exercise voting rights at the meeting, temporarily register their shares in their own name. Such changes in registration must be completed by Thursday 27 April 2023.

Proposal for the Annual General Meeting 4 May 2023:

- Dividend of SEK 1.20 per share for the financial year 2022.

The Board has also decided to propose to the Annual General Meeting the following:

- Incentive program aimed at people in senior positions
- A mandate for the Board of Directors to decide on acquisition and transfer of own shares
- A mandate for the Board of Directors to resolve on a new share issue of up to 10 percent of the number of shares

For additional information about the 2023 AGM please see AddLife's website: www.add.life/en/investors/corporate-governance/general-meeting/

Nomination Committee

Nomination Committee duties

The task of the Nomination Committee is, on behalf of the shareholders, to evaluate the composition and work of the Board of Directors to the Annual General Meeting and to submit proposals to the Annual General Meeting regarding the Chairman of the Annual General Meeting, election of the Chairman and other members of the Board of Directors, election of the auditor, remuneration to each of the Board members, election of audit firms and audit fees, and principles for how members of the Nomination Committee shall be appointed. The members of the Nomination Committee do not receive any remuneration from the company for the work of the Nomination Committee. However, the company is responsible for costs associated with the performance of the nomination committee's assignments.

Composition of the Nomination Committee

At the Annual General Meeting on September 1, 2016, a decision was made on principles for the appointment of the Nomination Committee, which apply until further notice. This means that the Annual General Meeting does not annually decide on these principles and the nomination committee's assignments, unless the principles themselves or the assignment are to be changed. The Nomination Committee shall consist of representatives of the five largest shareholders in terms of votes as of September 30 each year and the Chairman of the Board, who is also tasked with convening the Nomination Committee for its first meeting. The Nomination Committee appoints the Chairman of the Nomination Committee from among its members. The composition of the Nomination Committee shall be announced no later than six months before the Annual General Meeting.

Nomination committee for the Annual General Meeting 2023

The Nomination Committee, ahead of the 2023 Annual General Meeting, consists of the Company's Chairman of the Board; Johan Sjö, as well as Stefan Hedelius (appointed by Tom Hedelius), Håkan Roos (appointed by RoosGruppen AB), Hans Christian Bratterud (appointed by Odin Fonder), Christofer Geijer (appointed by SEB Investment Management) and Patricia Hedelius (appointed by AMF). The composition of the Nomination Committee was presented in connection with the presentation of the interim report for the third quarter on October 27, 2022. Of the members of the Nomination Committee, three Board members and two members of the Nomination Committee are dependent in relation to the company's major shareholders. The Chairman of the Nomination Committee is Håkan Roos.

Prior to the 2023 Annual General Meeting, the Nomination Committee held 2 minuted meetings where all members were present. The Nomination Committee's complete proposals for the Annual General Meeting are presented in the notice convening the Meeting and on the company's website.

Deviations

The Company has two deviations from rule 2.4 of the Code regarding the composition of the Nomination Committee. According to the Code, a Board member should not serve as the chair of the Nomination Committee and at most one Board member should be dependent in relation to the company's major shareholders. The Nomination Committee has determined that it is appropriate that the Chairman of the Nomination Committee is the member who represents the largest group of shareholders. The Nomination Committee has also deemed it appropriate that two Board members, who are dependent in relation to major shareholders, are included in the Nomination Committee as they have good knowledge of both the company and other shareholders.

Audit

In accordance with the Articles of Association, a registered auditing firm shall be elected as auditor. KPMG was re-elected as the Company's auditor at the Annual General Meeting on 5 May 2022 for the period until the 2023 Annual General Meeting. The auditor in charge is Håkan Olsson, aided by Jonas Eriksson. KPMG audits AddLife AB and the majority of its subsidiaries.

The Company's auditors follow an audit plan that includes integrating comments from the Board, and reporting their findings to Company management teams, Group Management and to AddLife's Board of Directors, both during the audit and in connection with the approval of the annual accounts. The Company's auditors also attend the Annual General Meeting, describing and commenting on the audit process.

The independence of the external auditors is regulated by special instructions approved by the Board of Directors, which show the areas for which the external auditors may be engaged on matters beyond the regular audit process. KPMG regularly assesses its independence in relation to the Company and delivers annual written statements to the Board of Directors that the audit firm is independent of AddLife. During the current financial year, KPMG has performed advisory assignments concerning corporate acquisitions. The total fee for KPMG's services in addition to auditing for the 2022 financial year was SEK 1 million (4).

Quarterly review by auditors

AddLife's nine-month report was reviewed by the Company's auditors during the 2022 financial year.

Håkan Olsson Reising

Auditor in charge, Authorised Public Accountant, Stockholm

Auditor for the company since: January 2017

Born in: 1961

Other assignments: EQT, Bergman & Beving AB, Lagercrantz Group AB and ABB AB

Jonas Eriksson

Assistant Auditor, Authorised Public Accountant, Stockholm

Auditor for the company since: March 2015

Born in: 1974

Other assignments: Audit of Beijer Alma AB, Concejo AB, SinterCast AB, Knowit AB and Alligo AB

Internal control of financial reporting

The Board of Directors has established operating procedures with instructions on internal financial reporting. All interim reports and press releases are published on AddLife's website, www.add.life directly adjacent to the announcement.

The Board of Directors' and the CEO's responsibility for internal control is regulated by the Companies Act. The Board of Directors' responsibilities are also regulated in the Code and the Annual Accounts Act. The Board of Directors has overall responsibility for ensuring that the Group has an effective system for management and internal control. This responsibility includes annually evaluating the financial reporting the Board receives and stipulating the content and format of these reports to ensure their quality. This requirement means that the financial reporting must fulfil its purpose and comply with applicable accounting rules and other requirements incumbent on listed companies. The Chief Financial Officer (CFO) has presented reports to the Board on the Group's internal control.

Control environment

AddLife builds and organises its business on the basis of decentralised responsibility for profitability and earnings.

In decentralised operations, the basis for internal control consists of a well-established process aimed at defining targets and strategies for each business. Internal guidelines and policies approved by the Board communicate defined decisionmaking channels, powers of authority and responsibilities. The Group's foremost financial control documents include its financial policy, financial manual and instructions for each financial closing. A Group-wide reporting system with related analysis tools is used for the Group's closing procedures. On a more general level, all operations within the AddLife Group are conducted in accordance with the Group's Code of Conduct.

Risk assessment

AddLife has established procedures for managing risks that the Board of Directors and senior management have deemed essential for the internal control of the Company's financial reporting.

The Board holds the opinion that the Group's exposure to a variety of market and customer segments, and the fact that the operations are conducted in over 80 operating companies, entail significant risk diversification. The risk assessment shall be based on the Group's income statement and balance sheet to identify the risk of significant errors. For the AddLife Group as a whole, the greatest risks are linked to the reported value of intangible assets in relation to acquisitions, inventories and revenue.

Control activities

Control activities include transaction related controls such as spending authorisation and investments, as well as clear disbursement procedures, but can also be analytical controls performed by the Group's controllers and central finance and accounting function.

Controllers and financial managers at all levels of the Group play a key role in creating the right environment for transparent and accurate financial reporting. The key roles place high demands on integrity, competence and abilities of individuals.

In order to ensure an efficient exchange of knowledge and experience between the financial functions, regular financial conferences will be held where current issues will be discussed. An important overall control activity is the monthly performance review performed via the internal reporting system and analysed and commented on in the internal work of the Board. The performance review includes reconciliation against set targets and previously achieved results, as well as the review of a number of important key figures.

Each year a "self-assessment" is performed of all Group companies with respect to internal control issues. Companies comment on how important issues have been handled, such as the terms of business in customer contracts, customer credit ratings, valuation and documentation of inventories, payment procedures, documentation and analysis of financial statements and compliance with internal policies and procedures. An accepted minimum level must be established for critical issues and processes, which all companies are expected to meet. Each company's response should be validated and commented on by the relevant company's external auditor in connection with the regular audit. The responses should subsequently be compiled and analysed, after which they are presented to the business area and Group Management

teams. The result of the self-evaluations will be taken into account in the planning of the following year's self-evaluations and external auditing.

In addition to the "self-assessment" work, an in-depth analysis of internal control in six of the operating companies was conducted during the year. This work is referred to as an "analysis of internal control" and is performed by the companies' business controllers and colleagues from the Parent Company's finance function.

The companies' key processes and their control activities have been identified and tested. The external auditors have read the records of the internal control in connection with their audit of the companies. The process is expected to provide a good basis to identify and assess the internal controls within the Group. KPMG provided the Board with a review and accounted for its assessment of the Group's internal control process.

Review, information and communication

The Board has received monthly comments from the CEO regarding the business situation and the development of the operations. The Board has discussed the quarterly financial statements before these have been published.

The Board has received updates on the work on internal controls and its outcome. The Board has also read the assessment made by KPMG of the Group's internal control processes. The outcome of the internal control has been analysed by the Group's CFO together with the business controller. An assessment has been made of the improvement measures to be implemented in the various companies. The boards of the various Group companies have been informed of the outcome of the internal control in each company and the improvement measures that should be implemented. The business controller will then continuously follow up the work during the following year together with the Boards of Directors of the Group companies.

Governing guidelines, policies and instructions are available on the Group's intranet. The documents are regularly updated as needed. Changes are communicated separately via email and at meetings for controllers and financial managers.

For internal information via the intranet, access to the documents is controlled through authorisations. The Group's employees are divided into various groups whose access to information differs. All financial guidelines, policies and instructions are available for each company's CEO and CFO, business area managers, business controllers and the central finance staff. Access to Group financial data is also controlled centrally through authorisation.

Internal audit

In light of the risk assessment described above and the structure of control activities, including the process of the "self-evaluation" and the in-depth analysis of the internal control, the Board of Directors has chosen to not have a dedicated internal audit function.