

Corporate Governance Report

Good corporate governance is about ensuring that the company is governed as effectively as possible for the shareholders. Ovzon is a Swedish public limited liability company controlled by the general meeting of shareholders, the Board of Directors, the CEO and other members of the Executive Management. The corporate governance of the company is based upon Swedish law, mainly the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554). As a company listed on Nasdaq First North Premier, the company must also comply with the Nasdaq First North Nordic Rulebook as well as statements by the Swedish Securities Council (Sw. Aktiemarknadsnämnden) regarding good stock market practice on the Swedish securities market. Companies listed on First North Premier are not required to adhere to the Swedish Corporate Governance Code (Sw. Svensk kod för bolagsstyrning) (the “Code”) as of the date of this annual report. Ovzon did not fully comply with the Code during the year. However, as a result of a rule change, Ovzon will be obliged to comply with the Code not later than July 1, 2019. The Corporate Governance Report was prepared by the company’s Board of Directors and reviewed by the company’s auditors.

GENERAL MEETINGS

Pursuant to the Companies Act, the general meeting is the company’s supreme decision-making body and shareholders exercise their voting rights at such meetings. The Annual General Meeting must be held within six months of the end of each preceding fiscal year to consider, among other things, statutory accounts and reports, disposition of profit or loss and discharging the Board of Directors from liability. Ovzon’s Articles of Association stipulate that notices convening the Annual General Meeting shall be published in the Official Swedish Gazette (Sw. Post- och Inrikes Tidningar) and be made available on Ovzon’s website. That such notice has been made, shall be published in the Swedish daily newspaper Svenska Dagbladet. The notice convening the Annual General Meeting shall be published no earlier than six weeks and no later than four weeks prior to the meeting.

Extraordinary General Meetings are held when the Board of Directors considers such meetings appropriate or when either the auditor or shareholders representing at least 10 percent of all issued shares request such a meeting in writing for a specified purpose.

Ovzon AB (publ) held its Annual General Meeting on April 25, 2018 and the following resolutions were made:

- Re-election of Lennart Hällkvist, Per Wahlberg and Kennet Lejnell. Lennart Hällkvist was appointed Chairman of the Board.
- The Annual General Meeting resolved in accordance with the Board’s motion to authorize the Board to resolve on new issues of shares or warrants on one or more occasions for the time prior to the next Annual General Meeting. The issue will be conducted with or without deviation from the shareholders’ preferential rights and with or without decision regarding cash issue, offset or other conditions.

Ovzon AB (publ) held an Extraordinary General Meeting on May 9, 2018, at which the following was resolved:

- It was resolved in accordance with the Board's proposal to introduce a long-term incentive program for the employees of the Group.
- Nicklas Paulson, Patrik Tigerschiöld, Magnus René and Peter Näslund were elected as new Board members, while it was noted that Per Wahlberg resigned as a member. Lennart Hällkvist was appointed Chairman of the Board.

Ovzon AB (publ) held an Extraordinary General Meeting on December 21, 2018, at which the following was resolved:

- Amendment to the Articles of Association regarding the limits for the number of shares and the share capital.
- The Extraordinary General Meeting resolved in accordance with the Board's motion to authorize the Board to resolve on new issues of shares, through cash issue and/or offset, within the limits of the Articles of Association, with or without deviation from the preferential rights of shareholders, on one or more occasions for the time prior to the next Annual General Meeting.

NOMINATION COMMITTEE

The purpose of the Nomination Committee is to make proposals in respect of the chairman at general meetings, board member candidates, including the position of chairman, fees and other remuneration for each member of the Board of Directors, as well as remuneration for committee work, and the election of and remuneration for the external auditor.

At the Annual General Meeting on April 25, 2018, it was resolved that the Nomination Committee for the 2019 Annual General Meeting would be composed of the three largest shareholders or shareholder groups.

On the date of publication of the Annual General Meeting, the Nomination Committee comprised the following persons:

- Lennart Hällkvist, as representative of OverHorizon (Cyprus) Plc.
- Øystein Engebretsen, as representative of Investment AB Öresund.
- Henrik Blomquist, as representative of Bure Equity AB.

No remuneration is paid to the members of the Nomination Committee. The Nomination Committee is entitled to request remuneration from the company for reasonable expenses that are necessary for the Nomination Committee to fulfill its assignment. The mandate period of the Nomination Committee extends until such time as a new Nomination Committee is announced.

BOARD OF DIRECTORS

Composition of the Board

According to the company's Articles of Association, the Board of Directors shall consist of no less than three ordinary members and no more than ten ordinary members. At the Annual General Meeting and at an Extraordinary General Meeting in the spring of 2018, six members were elected: Lennart Hällkvist, Kennet Lejnell, Nicklas Paulson, Patrik Tigerschiöld, Magnus René and Peter Näslund.

The CEO is not a member of the Board, but is usually always in attendance at Board meetings. The company's CFO serves as the secretary to the Board.

Board work

The Board of Directors has the ultimate responsibility to govern the company's operations between Annual General Meetings. The Board decides on issues pertaining to the company's strategic approach, financing, major investments, acquisitions, divestments, organizational issues, incentive principles and key policies. The Board's work is regulated, for example, by the Swedish Companies Act (ABL), the Articles of Association, the rules of procedure that the Board has established for its work and the Board's instructions for the CEO.

The company has no audit committee or remuneration committee. Instead, the entire Board has managed tasks intended for these committees within the Board work in progress. Between the Extraordinary General Meeting on May 9, 2018, and February 19, 2019, the Board held 14 minuted meetings.

BOARD OF DIRECTORS

Name	Position	Elected	Independent in relation to the company and Group management	Independent in relation to the company's shareholders	Attendance
Lennart Hällkvist	Chairman	2007 ¹⁾	No	No	14/14
Kennet Lejnell	Board Member	2007 ¹⁾	No	Yes	14/14
Patrik Tigerschiöld	Board member	2018	Yes	No	14/14
Nicklas Paulson	Board member	2018	Yes	No	14/14
Magnus René	Board member	2018	Yes	Yes	14/14
Magnus René	Board member	2018	Yes	Yes	14/14

1) Refers to year of first election to the Parent Company of the Former Group, OverHorizon (Cyprus) PLC.

For a presentation of Ovzon's Board of Directors, see pages 38–39.

THE CEO AND GROUP MANAGEMENT

The CEO is primarily responsible for the continuous management of the company's affairs and the daily operations. The division of work between the Board of Directors and CEO is set forth in the company's rules of procedure for the Board of Directors and the instructions for the CEO. The CEO is responsible for keeping the Board of Directors informed of the company's operations, results of operation and financial position. The CEO is also responsible for preparing reports and compiling information ahead of Board meetings and is the reporting person of the materials at the Board meetings.

President and CEO Per Wahlberg leads the company's operations together with Johan Brandt, CFO, Kennet Lejnell, CTO, Rolf Olofsson, CLO, Pål Ekberg, CEO OverHorizon LLC and James Gerow, President OverHorizon LLC.

REMUNERATION AND TERMS OF ENGAGEMENT

Board of Directors

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by resolution at the Annual General Meeting. At the company's Annual General Meeting on April 25, 2018, it was resolved that no remuneration would be paid to the members of the Board of Directors. At the Extraordinary General Meeting on May 9, 2018, it was resolved that fees would be paid to Board members not employed by the company in an amount of TSEK 125 and that a fee of TSEK 250 would be paid to the Chairman.

The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board of Directors.

Remuneration to the members of the Board of Directors for the 2018 fiscal year amounted to a total of TSEK 750. The fee was paid in its entirety during the first quarter of 2019.

The CEO and Group management

The Board of Directors decides on the remuneration policy for the CEO and Group management. As of the date of publication of this Annual Report, the applicable policy is designed in accordance with the guidelines for remuneration of the CEO and Group management, as adopted by the Annual General Meeting. Individual compensation to the CEO is approved by the Board of Directors, while individual compensation to other members of Group management is decided by the CEO and approved by the Chairman of the Board of Directors.

During the fiscal year, the CEO received salary of TSEK 1,650 and received pension premiums of TSEK 375. The employment agreement for the CEO is subject to a mutual notice period of six months. The CEO is entitled to severance pay of 24 monthly salaries to be paid after the notice period has ended if the employment agreement is terminated by the company.

The company has entered into a consultancy agreement, pursuant to which Rolf Olofsson is appointed as CLO until further notice.

THE SHAREHOLDERS COMPRISE THE ANNUAL GENERAL MEETING



AUDITING

The company's statutory auditor is appointed at the Annual General Meeting. During the year, the Board receives presentations from the company's auditors, who have reviewed whether the company's internal control and external reporting meet the demands placed on a listed company. Carl-Johan Regell from Grant Thornton Sweden AB was appointed as auditor for 2018.

For the 2018 fiscal year, the total remuneration to the company's auditor amounted to TSEK 3,217.

For information on the company's auditor, see page 39.

INFORMATION AND COMMUNICATION

The company's governing documentation in the form of policies, guidelines and manuals in terms of internal and external communication is kept updated and is communicated internally through the relevant channels, such as internal meetings and internal news mails. The company's communication policy, containing the guidelines for how information is to be disclosed, applies to communication with external parties. The purpose of this policy is to ensure that the company meets its disclosure obligations correctly and completely in accordance with applicable legislation and rules.

Solna, March 2019

Board of Directors of Ovzon AB