

# Corporate Governance Report

Projektengagemang Sweden AB (Publ) (PE), is a Swedish public limited company with its registered office in Stockholm, Sweden, listed in the Small Cap segment on the Nasdaq Stockholm stock exchange. Corporate governance as exercised by PE is based on the Swedish Companies Act, the Swedish Annual Accounts Act, stock market regulations and the Swedish Corporate Governance Code (the Code). This Corporate Governance Report relates to both the Parent Company PE and the Group.

## Corporate governance principles

PE applies the regulations pursuant to legislation or other statutes, and the Code. In 2018, PE has applied the Code without deviations.

## Business model and management of assignments

PE's vision is that we shall renew our society through innovative and sustainable solutions. This shall be achieved by generating added value for clients by supplying advanced consulting services and solutions within architecture, building, infrastructure, industry and project management via collaboration between the company's different disciplines. The work is conducted using a holistic approach and in close cooperation with clients.

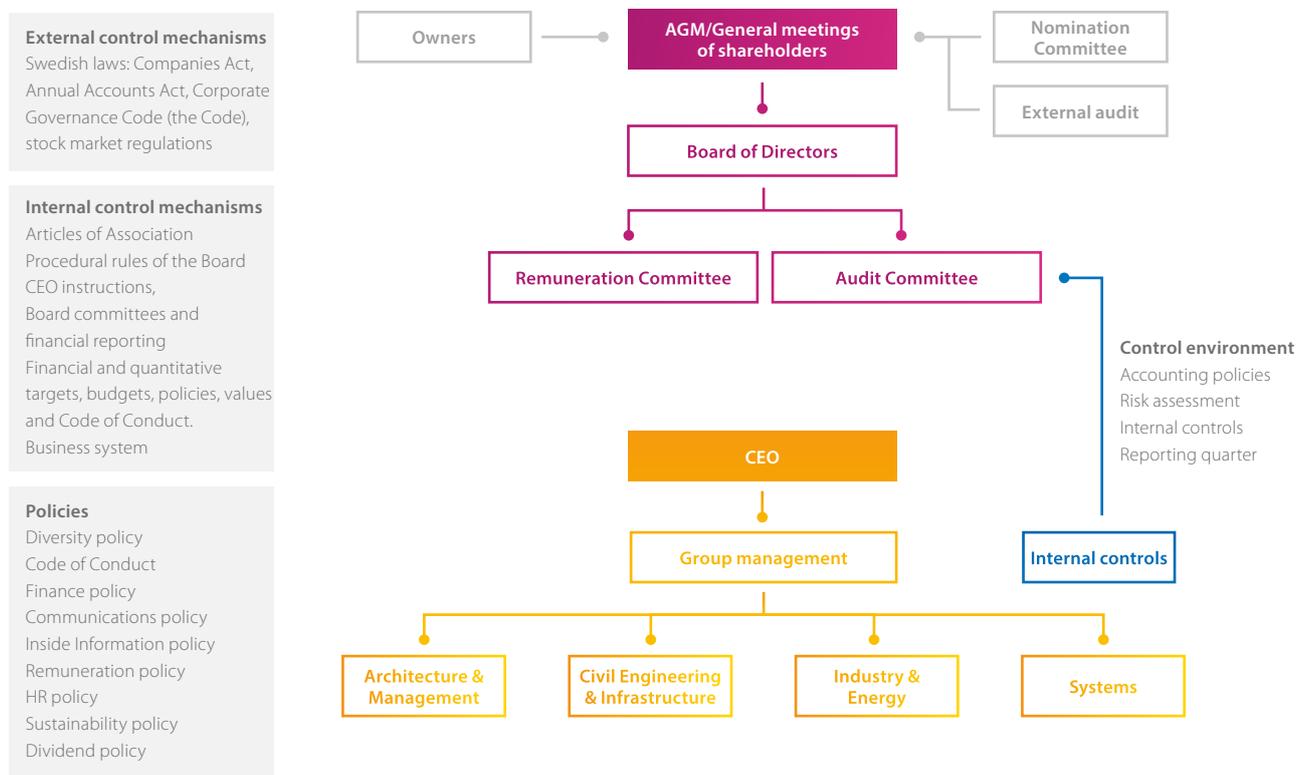
The Group's decentralised organisation is underpinned by our individual employees, requiring a strong company-wide culture. PE's core values of Commitment, Entrepreneurship and Responsibility reflect our corporate culture and aim to promote good conduct and the motivation to guide the entire organisation towards a shared goal.

PE's work is largely carried out in the form of assignments.

Each assignment is managed by a responsible project manager, who makes use of the group-wide management system in their day-to-day work.

PE is certified in accordance with SS-EN ISO 9001:2015 and SS-EN ISO 14001:2015. These management standards help the Group to comply with legislation, improve environmental aspects in assignments and identify potential risks.

## PE's corporate governance structure



The management system and its use are examined annually by independent quality auditors. The system is also subject to regular internal monitoring with reporting back to the Audit Committee.

The Group's management system includes guidelines, policies and procedures that focus on assignment outcomes, and the system is always available to the consultants. PE works with continual measures to improve the Group's working methods, promote sustainability and support its employees.

Our employees' professional development requirements are satisfied via continual training. The know-how and experience that employees gain via assignments is harnessed and developed for future use.

## Control mechanisms

The external control mechanisms that comprise the framework of corporate governance within the Group include the Swedish Companies Act, Annual Accounts Act, stock market regulations, the Code and other relevant laws. Foreign subsidiaries apply the laws and regulations of the country in question, but also ensure compliance with the Group's governance and control guidelines.

The Board of Directors is ultimately responsible for the organisation and management of the Group's affairs.

Supervision is exercised by authorities and by organisations appointed by such authorities where appropriate for the Group's operations.

Internal control mechanisms include the Articles of Association, which are adopted by the AGM, the Board's procedural rules and CEO instruction, the Board's committees and financial reporting. In addition there are financial and quantitative targets, budgets, reports, policies, valuations and the Code of Conduct.

The Group's policies, including the Code of Conduct, finance policy, communication policy, inside information policy, remuneration policy, sustainability and environmental policy, HR policy and dividend policy, shall be submitted to the Board annually for approval. The CEO makes decisions regarding the customer credit policy, health and safety policy, security policy, quality policy and whistleblowing policy. In addition there are several other significant policy documents that are decided on by the CEO or a person appointed by the CEO.

## Corporate governance structure

PE's shareholders are ultimately responsible for making decisions about the Group's corporate governance by, at the AGM, appointing the company's Board, which in turn is responsible for ensuring that ongoing corporate governance throughout the year complies with legislation and other external and internal control mechanisms.

## Annual General Meeting

PE's shareholders exercise their right to make decisions regarding the Group's affairs at the Annual General Meeting, or where

applicable at extraordinary general meetings, constituting PE's highest decision-making body. The AGM makes decisions regarding the Articles of Association, elects the members of the Board and the Chairman, appoints auditors, adopts the income statement and balance sheet and decides on the appropriation of profits, discharge from liability and principles for appointing the Nomination Committee, etc.

At the AGM, every shareholder who is registered in the shareholder register at the record date and who has registered their right of participation is entitled to participate, either personally or via a representative with power of attorney.

Shareholders are entitled to have a matter addressed at the AGM after submitting a written request to the Board well in advance of the notice convening the AGM being issued.

Such notice and other information ahead of the AGM can be found on PE's website, [www.pe.se](http://www.pe.se). The minutes and other details of the latest AGMs can also be found on the company's website.

## IPO

As part of preparations prior to the company's listing, a decision was made at an extraordinary general meeting on 4 June 2018 to carry out a 3:1 share split. The number of shares increased by 11,702,828.

PE was listed on Nasdaq Stockholm with an initial trading date of 19 June 2018. The subscription price was SEK 47 per share.

The offering included a total of 10,003,860 B shares, of which 6,382,979 were newly issued shares.

In July, the number of shares and votes increased by 618,456 as a result of the issue of 618,456 new B shares in connection with the exercise of the over-allotment option following the listing of the company's shares on Nasdaq Stockholm. At the end of 2018, the total number of shares amounted to 24,555,677, including 5,496,000 A shares and 19,059,677 B shares. Only the company's B shares have been listed.

## Shareholders

According to the shareholder register maintained by Euroclear Sweden, PE had 1,675 shareholders at 31 December 2018. Share capital amounted to SEK 2,727,721 allocated among 5,496,000 A shares, corresponding to 22.38 percent of the shares and 74.25 percent of the votes. A shares each carry ten votes and B shares carry one vote. All shares have the same proportion of the Group's profit and capital.

At 31 December 2018, Projektengagemang Holding AB had an ownership interest amounting to 21.48 percent of the total number of shares and 60.52 percent of the votes. In other respects, no shareholder has a direct or indirect shareholding that represents at least one tenth of the number of votes for all shares in PE.

Pages 89–90 include further details about the company's shares and shareholders. The information is also available on the company's website, [www.projektengagemang.se](http://www.projektengagemang.se)

## 2018 Annual General Meeting

PE's 2018 AGM was held on 7 May 2018 at the Group's headquarters at Årstaängsvägen 11 in Stockholm, Sweden. Shareholders representing 72.49 percent of the Group's votes and 53.62 percent of the Group's capital took part in the AGM. A majority of the Board members including the CEO attended. The Group's auditors were also present.

The AGM made decisions on the following matters:

- The AGM resolved to discharge the Board members and the CEO from liability for the financial year ended 31 December 2018. It was noted that neither the Board members nor the CEO, being shareholders, took part in the decision.
- The AGM resolved in accordance with the Board's proposal that a dividend of SEK 2.00 per share be paid (0.48 recalculated based on the number of shares at 31/12/2018), and that the remaining portion be carried forward.
- It was decided, in accordance with the Nomination Committee's proposal, that Gunnar Grönkvist, Britta Dalunde, Øystein Engebretsen, Lars Erik Blom, Carina Malmgren Heander and Per Göransson be re-elected as ordinary Board members for the period extending up until the end of the next AGM, and that Per-Arne Gustavsson be elected as a new member.
- Gunnar Grönkvist was elected Chairman of the Board.
- That up until the next AGM the Board retains its fee of a total of SEK 1,312,500, excluding travel expenses, to be allocated among the members as follows: Chairman SEK 350,000 and other members SEK 175,000 each. It is proposed that work carried out within the Audit Committee and where applicable the Remuneration Committee be remunerated with fees in a total amount of SEK 240,000. The chair of the Audit Committee is to receive SEK 80,000 and the other two members SEK 40,000 each. The chair of the Remuneration Committee is to receive SEK 40,000 and the other two members SEK 20,000 each. Members employed by the Group do not receive any remuneration.
- It should be possible to invoice fees, including any social security expenses, via a public limited company wholly owned by the member, provided this is cost-neutral for the Group and consistent with the relevant tax rules.
- The registered auditing group PricewaterhouseCoopers AB was chosen as the Group's auditor up to and including the 2019 AGM, with Lennart Danielsson as principal auditor.
- The Board was authorised to make decisions, on one or more occasions, for the period extending up until the next AGM, with or without shareholders' preferential rights, to decide on the issue of new shares, issue of convertible instruments and warrants. It should be possible to make the issue decision against cash payment and/or through payment in kind or set-off, or for subscription to be possible on other terms. It shall be possible for the Board to make an issue decision without preparing documents according to Chapter 13 section 6, Chapter 14 section 8, and Chapter 15 section 8 of the Swedish Companies Act.

- The AGM resolved in accordance with the Board's proposal to adopt principles for salaries and remuneration for senior executives within the PE Group. These mean that remuneration shall comprise a fixed salary, variable pay, long-term incentive programmes, pension and other benefits. Total remuneration should be competitive and reflect market levels, and allow the company the opportunity to recruit and retain the senior executives that the company needs in order to achieve its short- and long-term goals. The variable portion of salary, which is cash, shall be based on outcomes relating to defined, measurable targets, and shall have a maximum amount in relation to the fixed salary. Long-term incentive programmes, to the extent that they are adopted, shall complement fixed and variable salary for those senior executives who through their performance have made a particular contribution to the Group's target fulfilment. Matters concerning remuneration of senior management are to be handled by the Remuneration Committee and, when it comes to the CEO, resolved on by the Board.

## Nomination Committee

PE's AGM makes decisions regarding the principles for appointing the members of the Nomination Committee. The 2018 AGM resolved that the Group should have a Nomination Committee consisting of four members. The members of the Nomination Committee must include one representative of each of the three largest shareholders in terms of votes who wish to elect such representative. One of the members shall be the Chairman of the Board, who also convenes the first meeting. If any of the three largest shareholders in terms of votes refrain from their right to elect a member of the Nomination Committee, the next largest shareholder will be given the opportunity to elect a member. The mandate period of the Nomination Committee extends up until the date that a new Nomination Committee is appointed. Unless the members agree otherwise, the chair of the Nomination Committee must be the member that has been elected by the largest shareholder in terms of votes. If a member of the Nomination Committee leaves the committee before their work has been completed, the shareholder that elected such member is entitled to elect a new member of the committee. If the member leaving the Nomination Committee is the Chairman of the Board, a new member will not be elected.

The Nomination Committee will be constituted on the basis of shareholder statistics from Euroclear Sweden AB at 30 June every year. The names of the elected members of the Nomination Committee and the shareholders they represent will be published on the Group's website as soon as they have been elected, however no later than six months before the AGM.

The members of the Nomination Committee ahead of the AGM in May 2019 were announced on 14 November 2018, and are: Gunnar Grönkvist, PE Chairman, Pontus Mattsson, Projektengagemang Holding AB (chairman of the Nomination Committee), Annika Andersson, Swedbank Robur fonder and Tim Floderus, Investment AB Öresund.

If during the mandate period of the Nomination Committee one or more of the shareholders who elected members of the Nomination Committee are no longer among the three largest

shareholders in terms of votes, members elected by such shareholders must make their positions on the committee available and the shareholder(s) who has/have joined the three largest shareholders in terms of votes will be entitled to elect their members. Unless there are specific reasons, no changes should be made to the composition of the Nomination Committee if only marginal changes have occurred to the number of votes, or if the change occurs less than three months prior to the AGM. However, shareholders who have joined the three largest shareholders as a result of more significant changes to the number of votes less than three months prior to the AGM will be entitled to elect a representative, who will be co-opted to the Nomination Committee. Shareholders who have elected a member of the Nomination Committee are entitled to dismiss said member and elect a new member to the Nomination Committee. Changes to the composition of the Nomination Committee must be disclosed as soon as they have occurred.

Ahead of the AGM, the Nomination Committee is tasked with presenting proposals regarding the AGM chairman, the number of Board members, election of Board members, election of a Chairman of the Board, Board fees including allocation between the Chairman and other members of the Board, and remuneration for committee work, audit fees, election of auditors and criteria for how a new Nomination Committee is to be elected. The Nomination Committee shall observe the requirements imposed on the Nomination Committee and appointments to the Board as detailed in the Swedish Corporate Governance Code.

The Nomination Committee is entitled to receive reasonable remuneration for expenses incurred regarding evaluation and recruitment. Other than that, the members of the Nomination Committee do not receive any remuneration from PE for their work.

## Extraordinary general meeting 2018

On 4 June 2018, an extraordinary general meeting was held at the Group's headquarters at Årstaängsvägen 11 in Stockholm, Sweden. Shareholders representing 77.23 percent of the Group's votes and 52.43 percent of the Group's capital took part in the EGM.

The EGM resolved on changes to the Articles of Association, in accordance with the Board's proposal. The changes relate to adjustments to the limits for the number of shares, and amended requirements regarding the composition of the Board. The new Articles of Association can be found on the company's website.

The EGM resolved to approve the Board's proposal to increase the number of shares by dividing each share into three shares (3:1 share split). Following the share split, the number of shares will increase from 5,851,414 to 17,554,242, of which 5,496,000 are A shares and 12,058,242 are B shares. The proposed share split meant that the shares' quotient value changes from SEK 0.33 to SEK 0.11.

## Diversity policy

The Nomination Committee applies rule 4.1 of the Code as its diversity policy when assessing the appropriate composition of the Board, taking account of the Group's operations, stage of development and conditions in general, which means that the assessment must be characterised by versatility and breadth with regard to skills, experience and background, endeavouring to achieve an even gender balance.

## Auditors

PE's auditors are elected at the AGM. The 2018 AGM elected PricewaterhouseCoopers AB, with authorised public accountant Lennart Danielsson as principal auditor for the period up until the 2019 AGM.

## Audit work

The auditors examine the annual financial statements and accounting of the Parent Company and Group, and the Board and CEO's management.

In order to provide for the Board's information requirements, in addition to reporting to the Audit Committee, the Group's auditors also report observations from their auditing of the consolidated financial statements to the Board every year, as well as their observations from examining the Group's internal controls. At least once a year, the auditor conducts a dialogue with the Board of Directors without the presence of the CEO or any other representative of Group management.

PE's auditors examine the financial information for at least one interim report and the year-end report. In addition, every year the auditors examine a selection of controls and processes and report any areas requiring improvement to Group management and the Audit Committee. In 2018, the auditors conducted a limited assurance review of the Group's interim reports for the first and third quarters. In connection with the review of the Q3 report, the company's internal controls were also reviewed.

The auditors have attended five out of six of the Audit Committee and the 2018 AGM. The auditor takes part in the AGM in order to present the auditor's report.

Audit fees for 2018 (including the fee for consulting services) are detailed under Note 5, page 70 of the 2018 annual report.

## Board of Directors

### Composition of the Board and fees

PE's Board comprises seven members elected by the AGM, and no deputies. The Chief Executive Officer is not a member of the Board, but is co-opted to all Board meetings. Other employees of the Group participate as required to give presentations. The Group's Chief Financial Officer is secretary to the Board. Details of the composition of the Board in 2018 and remuneration to Board members for the full years 2018 and 2017 are provided under Note 6 on page 67. Further information about the Board members can be found on page 84–85.

## Evaluation of the work of the Board of Directors

Once a year, the Board of Directors carries out an evaluation in which members are given the opportunity to offer their views on working methods, Board material, their own and other members' contributions to the work of the Board, with the aim of developing Board work and providing the Nomination Committee with a relevant basis for decisions ahead of the AGM. An internal evaluation was conducted in 2018 through an anonymous questionnaire to Board members, and the results of the evaluation have been reported by the Chairman of the Board, with subsequent discussion within the Board. The result of the evaluation has been reported to the Nomination Committee.

## Independence

According to the Code, a majority of the Board members elected by the AGM must be independent in relation to the company and company management, and at least two of these members must also be independent in relation to the company's major shareholders.

PE's Board is deemed to satisfy the Code's requirements as regards independence, as five of the Board members elected by the AGM are deemed to be independent in relation to the Group and company management as well as in relation to the Group's major shareholders. All members elected by the AGM apart from Per Göransson and Per-Arne Gustavsson have been independent in relation to the Group and company management in 2018. Per Göransson and Per-Arne Gustavsson have acted as senior advisors in the Group during the year up to and including 31 July 2018, for which they have received remuneration.

## Work and responsibilities of the Board of Directors

The Board of Directors monitors the work of the CEO and is responsible for ensuring that organisation, management and guidelines for the Group's funds are fit for purpose. The Board is also responsible for ensuring that the Group is organised in a way that allows for appropriate internal control, and that suitable systems are in place for following up operations and associated risks, and for compliance with laws, rules and internal guidelines.

Furthermore, the Board is responsible for developing and following up the Group's strategies, plans and targets, decisions about acquisitions and divestment of businesses, major investments, additions to and replacement of members of the management team and ongoing monitoring of development throughout the year. The Board adopts the budget and end-of-year accounts.

The work of the Board follows the specific procedural rules that have been established relating to the division of tasks between the Board and CEO, between the Board's various committees and within the Board, and instructions regarding financial reporting. These procedures include a special set of instructions for the CEO. The Board's procedural rules also stipulate that the company's auditor shall take part in one Board meeting.

The constitutive Board meeting is held immediately following the AGM, or immediately following an extraordinary general meeting at which a new Board is elected. PE held its constitutive Board meeting on 7 May 2018, at which members of the Board committees were elected and the above-mentioned procedural rules were adopted.

In addition to the constitutive Board meeting, the Board meets on four ordinary occasions a year and whenever the Chairman deems appropriate, or after one of the Board members or CEO has made a request thereof. Seventeen Board meetings were held in 2018. The work of the Board follows a pre-established plan featuring certain regular decision points during the financial year.

Every month, the Board receives a report on the Group's earnings and liquidity performance. Treatment of other matters is determined by the nature of each individual issue.

During the year the Board has mainly focused on preparations for the company's listing and completion of such preparations prior to listing on Nasdaq Stockholm, the Group's governance and operations and decisions relating to acquisitions and financing.

## Finance policy issues

The Board has ultimate responsibility for the Group's financial activities. The Board is responsible for approving the Group's finance policy, which is updated annually. The Board makes de-

## The composition of the Board of Directors

Elected by the AGM <sup>1</sup>	Elected year <sup>2</sup>	Born	Total annual fee, SEK <sup>3</sup>	Independence of shareholders	Independent in relation to the company and management	Attendance at Board meetings	Attendance Audit Committee	Attendance Remuneration Committee
<b>Chairman</b>								
Gunnar Grönkvist	2015	1943	410,000	Yes	Yes	17/17	6/6	3/3
<b>Members of the Board</b>								
Britta Dalunde	2016	1958	255,000	Yes	Yes	17/17	6/6	
Lars Erik Blom	2016	1960	215,000	Yes	Yes	16/17	6/6	
Øystein Engebretsen	2016	1980	195,000	No	Yes	17/17		3/3
Carina Malmgren Heander	2018	1959	215,000	Yes	Yes	16/17		3/3
Per Göransson	2006	1953	131,250	No	No	17/17		
Per-Arne Gustavsson	2018	1952	131,250	No	No	10/10		

<sup>1</sup> Details of the education, other roles and shareholdings in the company etc. of the current Board members can be found on pages 84–85 of the annual report.

<sup>2</sup> The table states from which year each member has been a Board member within the Group.

<sup>3</sup> For further details, see Note 6 on page 67. Recognised fees in the table above relate to an annual mandate period.

cisions regarding overall mandates and limits for restricting the Group's financial risk assumption, in accordance with the finance policy, and on all long-term financing. The Board has delegated operational responsibility in line with the division of responsibilities stated in the adopted finance policy.

### **Board's checks on financial reporting**

The Board of Directors monitors the quality of financial reporting via monitoring instructions and the CEO instruction. Together with the CFO, the CEO is tasked with examining and quality assuring all external financial reporting, including year-end reports, interim reports, annual reports, press releases with financial content and presentation material for interaction with the media, shareholders and financial institutions.

The Board's Audit Committee assists in making sure that financial reporting is of high quality, that it is approved by the Board and communicated. The Board receives monthly financial reports and the company and Group's financial situation is addressed at each Board meeting. The Board also discusses interim reports and annual reports.

In order to provide for the Board's information requirements, in addition to reporting to the Audit Committee, the Group's auditors also report observations from their audit and their assessment of the Group's internal controls to the Board every year.

## **The Board committees**

The Board has full insight into, and responsibility for all issues on which the Board is tasked with making decisions. However, during the year work has been conducted via two of the Board's appointed committees: the Audit Committee and the Remuneration Committee.

### **Audit Committee**

The committee is made up of three representatives of the Board and is tasked with:

- prior to Board decisions, preparing the Board's work by providing quality assurance of the consolidated financial statements
- monitoring and submitting recommendations and proposals to ensure the reliability of reporting with regard to effectiveness of the Group's internal controls and risk management
- assisting the Nomination Committee during the tender process for the audit and preparing for election of, and fees for auditors
- keeping informed about the extent and focus of the audit assignment
- preparing questions about the audit
- evaluating the audit process
- establishing guidelines for the procurement of permitted services to be carried out by the Group's auditors in addition to the audit
- if appropriate, approving such services according to the guidelines
- monitoring and considering the application of current accounting policies and the introduction of new accounting policies and of other legal accounting requirements, generally accepted accounting principles or otherwise.

The Group's principal auditor and representatives of the audit firm are co-opted to the majority of the meetings. Senior executives are co-opted where applicable. Since the 2018 AGM, the committee has been made up of members Britta Dalunde, Lars-Erik Blom and Gunnar Grönkvist. The committee is chaired by Britta Dalunde.

The Audit Committee held six meetings in 2018 and the Board of Directors regularly receives copies of the minutes. During the year, the committee's work has mainly related to valuation issues, impairment testing requirements and follow-up and checks on the Group's financial reporting.

An account of the various matters dealt with by the committee is submitted to the next Board meeting.

The auditors have attended five out of six meetings of the Audit Committee.

### **Remuneration Committee**

The committee consists of three representatives from the Board of Directors. The committee is primarily tasked with preparing the Board's decisions on matters such as remuneration principles, remuneration and other employment terms and conditions for company management and other senior executives. Furthermore, the Remuneration Committee shall monitor and evaluate variable remuneration programmes for company management that are ongoing or that have been concluded during the year; monitor and evaluate the application of the guidelines for remuneration of senior executives that the AGM is required to resolve on by law and regarding remuneration structures and remuneration levels in the Group.

Remuneration of the CEO and remuneration principles for company management are decided on by the Board of Directors. Remuneration of other senior executives is decided on by the Remuneration Committee within the framework established by the Board and AGM.

In 2018, the Remuneration Committee has consisted of Carina Malmgren Heander (chair), Gunnar Grönkvist and Öystein Engebretsen. The committee held three meetings in 2018.

## **CEO/President**

According to the rules stated in the Swedish Companies Act and other legislation, the CEO is responsible for day-to-day management in compliance with the Board's guidelines and instructions, and for taking the necessary action to ensure the Group's accounting is managed in a satisfactory manner. Furthermore, the CEO must ensure that the Board of Directors receives the information required in order to adequately monitor the Group's financial situation, position and performance and in general fulfil its reporting obligation with respect to economic conditions.

The Group's CEO leads operations within the framework established by the Board in the special CEO instruction. The instruction covers matters such as the CEO's responsibility for day-to-day operations and issues that always require a decision by the Board or that require the Board to be informed, as well as the CEO's responsibility for financial reporting to the Board.

In consultation with the Chairman, the CEO prepares the requisite information and decision-making documentation ahead

of Board meetings, presents items and provides explanations for proposals for decisions.

Per Hedebäck took up the position of President and CEO on 1 October 2017. The Board continually evaluates the work of the CEO.

## Group management

The CEO directs the work of Group management and reaches decisions in consultation with the other members of management. In 2018, Group management was made up of the CEO and nine individuals: the CFO, Head of Strategy and Business Development, four heads of division, Director of Marketing and Acquisitions, CHRO and IRO. Information about the CEO and Group management can be found on page 82 of the 2018 annual report. Group management conducts regular operational reviews under the leadership of the CEO.

## Internal controls, risk management, internal audit and follow-up

According to the Companies Act and the Code, the Board is responsible for internal controls. The Annual Accounts Act states that a company's corporate governance report must contain details of the most important elements of the company's internal control and risk management systems relating to its financial reporting.

The Board has designed clear decision and procedural rules and instructions for its own, the Remuneration Committee, Audit Committee and the CEO's work, in order to achieve effective management of operational risks and internal controls.

Responsibility for maintaining an effective control environment and ongoing work with internal controls and risk management rests with the CEO and Group management, who report to the Board according to established procedures. Managers at various levels of the company also have this responsibility within their respective business areas, and report in turn to Group management.

## Risk assessment

The aim of PE's risk management is to safeguard the Group's long-term earnings performance and for the Group to achieve its targets. Ultimate responsibility for risk management rests with the company's Board and senior management.

PE continually updates the risk analysis regarding the assessment of risks that may lead to financial reporting errors. During risk reviews, PE identifies areas where there is an enhanced risk of error.

The results of the general risk analysis have been compiled in a risk summary, which details the Group's exposure to risks. A review of risk management and internal controls within the Group is addressed on a quarterly basis by the Audit Committee.

## Control activities

Monthly reports for all companies within the Group are prepared, together with consolidated monthly reports. Based on these reports, the CEO, CFO and financial controllers hold monthly follow-up meetings with operational managers and key individuals

in the operational business. Special analysis is carried out on order levels, debiting ratios, cost monitoring, risk lists and cash flow.

The Board also monitors, via the Audit Committee, the reliability of financial reporting and evaluates recommendations for improvements, and addresses issues regarding the risks that have been identified. The Audit Committee submits regular verbal reports to the Board, as well as proposals on issues requiring a decision from the Board. The control environment is created through shared values, corporate culture, rules and policies, communication and follow-up, as well as by the way in which the business is organised. The main task of staff functions and their employees is to implement, improve and maintain the Group's control procedures, and to carry out internal checks focusing on business critical issues.

The Group's business system forms the foundation for everything that the company does. The aim of the business system is to streamline and systematise daily operations in order to carry out assignments in the most efficient way possible. Each process has a process owner who is responsible for managing the process based on the policies that have been created and approved according to the hierarchy adopted by the Board of Directors.

Ongoing follow-up of risks and compliance with internal procedures is carried out on a monthly and quarterly basis. Observations are reported back to the Audit Committee every quarter.

In 2018, all process owners in the organisation conducted a thorough review of processes and risk mapping. In order to ensure effective internal control, follow-up of identified risks and compliance with internal procedures, regular monthly and quarterly follow-up is carried out and reported back to Group management. A quarterly report is also submitted to the Audit Committee.

## Internal audit

PE has not yet found it necessary to arrange an internal audit.

The Board is of the opinion that owing to the size of the Group and the fact that the company has a simple and similar operational structure, there is no need for such a function in the business.

Financial controllers at Group and business area level continually follow up compliance with the governance and internal control systems created by the company.

## Additional information at [www.pe.se](http://www.pe.se)

- Articles of Association
- Information from previous AGMs (convening notices, minutes and resolutions)
- Information about the Nomination Committee
- Corporate governance reports for the 2015–2017 period are included in the annual report for the respective year
- The 2018 Corporate Governance Report is published as a separate document on the company's website