

## Corporate Governance Report 2020

### Corporate Governance in SinterCast

SinterCast focuses primarily on providing process control technology and know-how for the reliable high volume production of Compacted Graphite Iron. SinterCast promotes CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of CGI. SinterCast also builds upon its technical expertise in thermal analysis and cast iron process control to develop new technologies beyond the core CGI market. These focused activities will provide the foundation for increasing the long-term value of the company. As a technology led company, SinterCast is able to grow and prosper by earning the respect of its customers. The objective of Corporate Governance at SinterCast is to ensure continued strong development of the company and that the Group fulfils its obligations to shareholders, customers, employees, suppliers and society. Corporate Governance includes: establishing the overall operational goals and strategy of the company; ensuring that there is an effective system for follow-up and control of the company's operations; ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations; and, defining necessary guidelines to govern the company's ethical conduct and ensuring that the company's external communications are characterised by openness and that such communications are accurate, reliable and relevant. The Group's risks are well-analysed and risk management is integrated in the work of the Board and in operational activities.

### External Regulation of Corporate Governance

The Swedish Annual Accounts Act prescribes that listed companies shall, on a yearly basis, present a Corporate Governance Report, to be included in the Annual Report. The Swedish Companies Act defines the legal framework for limited liability companies including rules for the Articles of Association, the share, the Annual General Meeting (AGM), and the management of the company. The Corporate Governance Report must be in accordance with the

Swedish Code of Corporate Governance which is applicable to all Swedish companies whose shares are traded on a regulated market in Sweden.

### SinterCast Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment at Nasdaq Stockholm stock exchange. SinterCast had approximately 4,000 (4,020) shareholders on 31 December 2020. The ten largest, of which two (five) were nominee shareholders, controlled 47.6% (53.0%) of the capital and votes. On 31 December 2020, Swedish shareholders held and controlled 82.3% (82.7%) of the capital and votes in SinterCast AB. The largest shareholder, Försäkringsbolaget Avanza Pension AB (Sweden), held 13.0% (11.7%) of the capital and votes as a nominee shareholder. As of 31 December 2020, the SinterCast Board, management and employees controlled 1.1% (1.1%) of the capital and votes. The paid dividend was the only transaction between the company and the shareholders during the year. During the year, shareholders have provided feedback and proposals to the Board, the Managing Director and to the Nomination Committee.

### Nomination Committee

#### *Nomination Committee prior to the AGM 2020*

The Nomination Committee, elected by the AGM 2019, consisted of Ulla-Britt Fräjdin-Hellqvist (Chairman), Jan Åke Jonsson (Chairman of the Board of Directors), Andrea Fessler and Aage Figenschou. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the company's position and future focus. Prior to the AGM 2020, the Board Members Caroline Sundewall and Lars Hellberg declined re-election. As a result of the declined re-elections and the Board composition review, and after consultations with the shareholders, the Nomination Committee proposed to the AGM 2020 that the Board Members, Jan Åke Jonsson, Robert Dover, Jun Arimoto and Steve Dawson were re-elected as Board Members, with Mr Jonsson being reappointed as Chairman. Steve Gill and Åsa Källenius were elected as new Board members. The Nomination Committee proposed the Board remuneration to the AGM and nominated the Auditor for election, for the period until the next AGM.

## Overview of Corporate Governance of SinterCast



### Annual General Meeting (AGM) 2020

On 30 March 2020 it was announced that the Annual General Meeting (AGM) was postponed from 19 May to 23 June 2020 because of the development of the COVID-19 virus resulting in shutdowns at several foundry customers and automotive end users. The duration of these shutdowns, and the uncertainty of the ramp-up when production could resume, made the economic outlook difficult to assess. In advance of the meeting, an abridged CEO presentation was posted on the SinterCast website. The pre-recorded presentation provided a summary of the progress achieved in 2019, an overview of recent market activities, and an outlook for the potential short-term and long-term market development. Dr Dawson commented on the current market uncertainty, but also expressed confidence in the installation outlook for 2020 and the long-term trend toward CGI. Dr Dawson also reiterated the company's ambition to convene an Extraordinary General Meeting on or before 20 November to present a dividend proposal to shareholders.

At the AGM 2020, all Board Members were present or available via telephone. The AGM was attended by 9 (36) shareholders and employees, in person or by proxy, representing 1,090,067 (1,303,729) votes.

During the AGM, Jan Åke Jonsson, Robert Dover, Jun Arimoto and Steve Dawson were re-elected as Board Members, with Mr Jonsson being reappointed as Chairman. Steve Gill and Åsa Källenius were elected as new Board members. Caroline Sundewall and Lars Hellberg declined re-election and were thanked for their contributions.

The Auditor presented how the audit work was conducted and presented the annual Audit Report to the AGM. The AGM adopted the Annual Report and the consolidated financial statements as of 31 December 2019, as presented by the Board of Directors and the Managing Director; decided upon allocation of the company's result; and, granted the Directors and the Managing Director discharge from liability.

The Nomination Committee presented how it conducted its work during the year and presented its proposals.

Thereafter, the AGM decided, for the period until the next AGM, six ordinary Board Members; that the company shall have a registered auditing company as auditor; that the Board shall receive a total remuneration of SEK 1,110,000 (SEK 1,110,000), unchanged, with no remuneration for the Managing Director and that the Nomination Committee shall consist of four (four) Members.

The AGM also decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management and authorised the Board to decide upon the acquisition and disposal of SinterCast shares, as proposed by the Board of Directors. All of the proposals presented to the AGM were approved by the shareholders.

### Board of Directors

At the AGM 2020, Jan Åke Jonsson, Robert Dover, Jun Arimoto and Steve Dawson were re-elected as Board Members, with Mr Jonsson being reappointed as Chairman. Steve Gill and Åsa Källenius were elected as new Board members. The Board remuneration, decided at the AGM 2020, shall be divided between the Chairman SEK 390,000 (SEK 390,000) and four (four) ordinary Board Members SEK 180,000 (SEK 180,000) each, with no remuneration for the Managing Director. With the exception of the Managing Director, no member of the Board holds an operational position in the company. However, Jun Arimoto assisted and has been paid for minor market support in Japan. The Board is judged to be independent of the company and its management. A more detailed description of the Board of Directors is presented on page 20. The content of the main meetings is summarised in the table below.

### Extraordinary General Meeting 2020

The SinterCast AB (publ) Extraordinary General Meeting (EGM) was held on 9 November 2020 in Stockholm. The meeting was convened to decide upon the dividend proposal for the financial year 2019, following the withdrawal of the original dividend proposal on 15 May 2020. The EGM approved the proposed ordinary dividend of SEK 3.50 per share, with no extraordinary dividend, for the financial year 2019. Accordingly, the total dividend for the financial year 2019 is SEK 24.8 million.

### Statutory Board Meeting

In the statutory Board meeting held immediately after the AGM, Jan Åke Jonsson was re-confirmed as Chairman of the Board. Jan Åke Jonsson and Åsa Källenius were elected to constitute the Compensation Committee. Steve Dawson was re-elected Managing Director for SinterCast AB (publ) and President & CEO of the SinterCast Group. Further, the entire Board was elected to constitute the Audit Committee.

### Chairman of the Board

The Chairman directed the Board's activities and promoted the overall efficiency of the Board. The Chairman ensured that the Board's activities were conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensured that the resolutions of the Board were implemented. The Chairman also conducted the evaluation of the Board's activities and shared the evaluation with the Nomination Committee. The Chairman approved the agenda for each Board meeting in consultation with the Managing Director. The Chairman had regular communication with the Managing Director, relayed opinions from shareholders to the other Board Members and acted as spokesperson on behalf of the Board.

### Board Meetings

During 2020, in connection with every quarterly report, the Managing Director presented the market and financial outlook and reported on operations and important current events. The Board of Directors dealt with long-term strategies, structural organisational issues, approval of the budget for the following year, the annual evaluation of the Board of Directors, and risk assessment. Individual Board Members also assisted the Group Management in various strategic and operational matters. The Work Programme defines the Board's work during the year.

### Managing Director

The SinterCast Board appointed Steve Dawson as the Managing Director for SinterCast AB (publ) and President & CEO for the Group. The Managing Director, as responsible for the operational and strategic management of the company, has managed the company in accordance with the Board of Directors' instructions and guidelines. The Managing Director assisted the Chairman with the preparation for each Board and Audit Committee Meeting and distributed information, according to the Work Programme, to be decided upon by the Board. In addition, the Managing Director provided the Board with monthly reports including significant events and financial information.

### Main Board Meetings During the Calendar Year including Auditor Presence

February	March/April	May/June	August/September	October
Market Report and Financial Outlook	Postpone Annual Report	Withdrawal Dividend Proposal	Market Report and Financial Outlook	Market Report and Financial Outlook
Approve Book Closing Report	Postpone Annual General Meeting	AGM Board Meeting	Approve 2Q Interim Report	Approve 3Q Interim Report
Evaluate Managing Director	Approve 1Q Interim Report	Market Report and Financial Outlook	Approve Strategy and Business Plan	Propose Dividend and EGM Notice
AGM preparations and decisions	Approve Annual Report	Auditor participated in Audit Committee Meeting	Revise and approve Work Programme	Approve Budget for the coming year
Decide upon incentive programmes	AGM preparations and approval of notice	Statutory Board Meeting	Review Technical Progress	Auditor participated in Audit Committee Meeting

## Board Meeting and Remuneration Summary

	Board Remuneration Adopted at AGM (SEK)		Presence Calendar Year 2020			Independent <sup>2</sup>
			Board Meetings	Audit Committee	Compensation Committee	
	2020	2019				
Jan Åke Jonsson <sup>3</sup>	390,000	390,000	12/12	4/4	2/2	Yes
Robert Dover	180,000	180,000	12/12	4/4		Yes
Jun Arimoto	180,000	180,000	12/12	4/4		Yes
Åsa Källenius <sup>1,3</sup>	180,000	-	4/12	1/4	1/2	Yes
Steve Gill <sup>1</sup>	180,000	-	5/12	2/4		Yes
Steve Dawson	-	-	12/12	4/4		No
Caroline Sundewall	-	180,000				
Lars Hellberg	-	180,000				
<b>Summary</b>	<b>1,110,000</b>	<b>1,110,000</b>				

1. Åsa Källenius and Steve Gill were elected on 23 June 2020 at the AGM 2020  
2. Independent of the company, the management and major shareholders  
3. Member of compensation committee

The Managing Director established, as the President & CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director. More detailed information of the Managing Director and the Group Management is presented on page 19.

### Compensation Committee

The Compensation Committee, elected by the Board, consists of Jan Åke Jonsson and Åsa Källenius. The tasks and responsibilities of the Compensation Committee are defined in the Board's Work Programme. During the year, the Compensation Committee has evaluated variable remuneration programmes, special remuneration given for extraordinary efforts and the remuneration policy approved by the AGM. The Committee has also reviewed the remuneration for the Managing Director and the Group Management.

Since the AGM 2020, the Compensation Committee carried out two minuted meetings. The Board was informed of the Compensation Committee's activities and ratified its proposals.

### Remuneration Policy for Group Management 2020 and 2021

The Annual General Meeting 2020 decided upon a remuneration policy (guidelines) to contribute to the company's business strategy, long-term interest and sustainability in respect of the Managing Director, other members of the Group Management, other

employees and Board Members. The following italic text was approved by the 2020 AGM:

#### **Remuneration etc. in relation to the Managing Director and other members of the Group Management**

##### *Remuneration, pension and benefits*

*The remuneration to members of the Group Management shall consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group level and the individual level, considering the effect on the long-term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation may not exceed an amount corresponding to 75 percent of the fixed annual salary. Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Variable remuneration and special compensation in extraordinary situations shall not constitute a basis for pension as far as this does not conflict with applicable collective agreement. Pension contributions may not exceed an amount corresponding to 30 percent of the fixed*

annual salary. Other benefits may include, for example, life insurance, medical insurance and company car. Costs for such benefits may not amount to more than 10 percent of the base salary.

#### *Termination of employment*

Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment corresponding to nine months compensation. Deduction shall not be made for remuneration paid by another employer. No severance payments have been agreed with the other members of the Group Management.

#### **Remuneration etc. in relation to Board Members**

Remuneration to Board Members (aside from Board Fee) shall only be paid in case Board Members (either personally or through a company) perform work for the company in addition to their ordinary board work. Such remuneration (consultancy fee) may not exceed, on a yearly basis, the Board Fee. The remuneration shall be based on current market rates and be proportionate to the benefit for the company and to the extent to which such work contributes to the development of SinterCast. Consultancy agreements with Board Members may be terminated by the company at any time by giving two months' notice.

#### **Salary and employment terms for other employees of the company**

When preparing the Board's proposed guidelines for remuneration to senior executives, consideration was given to the salary and employment terms of the company's other employees. The Board considered the total remuneration, the components of the remuneration, and the increase and rate of increase of the remuneration over time as part of the basis upon which the Board assessed whether the guidelines and the resulting limitations were reasonable.

#### **Decision-making process for adopting, reviewing and implementing the guidelines**

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting for decision. The Compensation Committee established by the Board shall continuously review and assess the guidelines and the implementation of the guidelines. To avoid conflicts of interests, no member of the Group Management shall participate in discussions or decisions which may affect their own remuneration or terms of

employment. Further, the Board shall decide on the remuneration (consultancy fees) to any individual Board Member in the absence of the concerned Member.

#### **Description of significant changes in the guidelines and how shareholders' views are taken into account.**

The proposed guidelines do not entail any significant changes in relation to existing compensation guidelines at SinterCast. SinterCast has not received any direct input from the shareholders.

#### **Deviation from the guidelines**

The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the above guidelines if, in an individual case, there are specific reasons for this and a deviation is necessary to meet the long-term interests and sustainability of SinterCast or to secure financial viability of SinterCast.

The main conditions for remuneration to the Group Management in the current employment agreements are described in Note 5 in this Annual Report.

There were no material transactions between the company and any of the Board Members during the year, with the exception of the ordinary Board fees.

The remuneration policy (guidelines) in respect of the Managing Director, other members of the Group Management, other employees and Board Members is proposed to be unchanged in 2021.

#### **Audit Committee**

During the Statutory Board Meeting, all Board Members were elected to the Audit Committee.

During the year, the Audit Committee has ensured that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls have been applied, and that the company's financial reports have been produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

The Audit Committee met the Auditor during the year to discuss the Audit Report and the audit plan. The Audit Committee also met the Auditor in the absence of the Group Management. The Audit Committee evaluated the Auditors' work and provided feedback

to the Nomination Committee in preparation for the election of the Auditor during the Annual General Meeting 2021. The Audit Committee also determined and identified risks to be handled in order to ensure good internal control and risk management. The Audit Committee prepared and approved the Corporate Governance Report for 2020.

### External Auditor

At the AGM 2020, KPMG was appointed as Auditor and Jonas Eriksson was appointed as Auditor in charge by KPMG. The Auditor in charge has had three Auditors assisting in the audit work during the year. The audit follows an audit schedule, based on the Auditor's risk assessment, in agreement with the Audit Committee.

Prior to the AGM 2020, in conjunction with the approval of the Annual Report 2019, the previous Auditor from PwC, Tobias Strähle, met with the Audit Committee. The Auditor met with the Board of Directors at the Board meeting in June, where the Auditor reported observations directly to the Board of Directors both with and without the presence of the Group Management. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company. The Auditor presented the annual Audit Report at the AGM 2020. The Audit Report contained a statement that the Annual Report has been compiled in accordance with the relevant legislation and recommended that the Directors and the Managing Director be discharged from liability.

After at the AGM 2020, at the Statutory Board Meeting, the new Auditor presented the Audit Plan for 2020 and provided a follow-up of the Audit Plan during the October and March Audit Committee meetings. In October he presented the result from the review of the financial report for the period January–September 2020 and gave audit feedback from the interim audit procedures that were conducted during the third quarter of 2020. The Auditor also had separate discussions and meetings with the Chairman and company management during the year.

In conjunction with the approval of this Annual Report 2020 the Auditor met with the Audit Committee. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company.



### Nomination Committee

#### *Nomination Committee after the AGM 2020*

At the AGM 2020, Victoria Skoglund (Chairman), Jan Åke Jonsson, Andrea Fessler, Aage Figenschou, and Carina Andersson were elected to the Nomination Committee. After serving SinterCast for 18 years; as a member of the Board; as Chairman of the Board; and most recently, as Chairman of the Nomination Committee, Ulla-Britt Fräjdin-Hellqvist declined re-election and was thanked for her longstanding dedication, support and service.

The Nomination Committee is judged to be independent of the company and the largest shareholders.

The Chairman of the Board has described to the Nomination Committee the process applied for the annual evaluation of the Board of Directors and Managing Director and has provided information regarding the results of these evaluations to the Nomination Committee. The Nomination Committee's proposals to the AGM 2021 are to be presented in the notice of the AGM and on the company website. During the AGM 2021 the Nomination Committee will also present how it conducted its work and will explain its proposals. Since the AGM 2020 the Nomination Committee of SinterCast carried out several informal meetings and two minuted meetings. According to rules regarding

equal gender representation, the Nomination Committee intends to report to the upcoming AGM how it has fulfilled its work regarding gender representation in the Board. The Nomination Committee can be contacted at the following e-mail address: [nomination.committee@sintercast.com](mailto:nomination.committee@sintercast.com).

### Information

SinterCast must comply with the EU Market Abuse Regulation nr 596/2014 (MAR), which includes strict requirements of how SinterCast shall manage inside information. The MAR rules address how insider information shall be disclosed; under which conditions the disclosure may be postponed; and when SinterCast is obliged to keep a list of persons having access to inside information (a so-called logbook).

During 2020, the company has used a digital Logbook to ensure compliance under the EU market abuse regulation and the insider policy of the company; from the decision to postpone the disclosure of insider information; up to the mandatory message including the closure of the logbook and the disclosure date, to the Swedish Finansinspektionen. Only authorised personnel have access to the Logbook.

### Summary

According to the Swedish Companies Act, the Board is responsible for ensuring that the company's organisation is designed in such a way that the bookkeeping, financial management and the company's financial conditions are controlled in a satisfactory manner. The Swedish Code of Corporate Governance clarifies and prescribes that the Board shall ensure that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports comply with legislation, applicable accounting standards and other requirements for listed companies.

The Board has decided that SinterCast shall comply with the Swedish Code of Corporate Governance and present a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting. The procedure and routines of SinterCast are compliant with the Corporate Governance code and this Corporate Governance Report does not indicate any significant deviations from the code.



*Ready to ship! The First Automobile Works (FAW) System 4000 Plus was shipped from the SinterCast Technical Centre in Sweden on 29 January 2020. Following delays caused by Covid-restrictions, the system was successfully installed at the FAW foundry in Changchun, China during the autumn of 2020.*