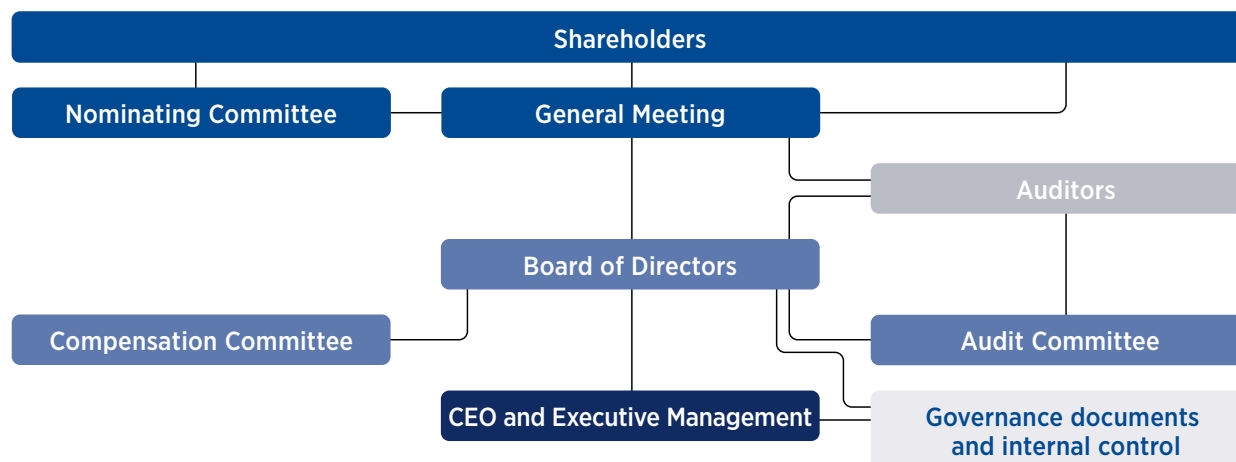


Corporate Governance Report



Corporate governance structure

Good corporate governance is of major importance for maintaining correct, transparent and trust-instilling management and control. Industrivärden's corporate governance is conducted on the basis of laws, the Stockholm Stock Exchange's Rule Book for Issuers (www.nasdaqomxnordic.com), the Swedish Corporate Governance Code ("the Code"), rules for compensation of senior executives and for incentive programs (www.bolagsstyrning.se), and other applicable external rules and regulations. Among the internal governance documents that Industrivärden's corporate governance is based on are Industrivärden's Articles of Association, the instructions and Rules of Procedure for the Board of Directors, the Board's committees and the Chief Executive Officer (CEO), and various policies and guidelines for the Company's operations and organization.

The foundation for Industrivärden's corporate governance is made up of the central company bodies: the general meeting of shareholders, the Nominating Committee, the Board of Directors and its committees, the CEO and the auditor. At the Annual General Meeting (AGM), which is held within six months after the end of the financial year, the shareholders elect the Board of Directors and auditor. The Board of Directors appoints the CEO. The auditor reviews the annual report and the Board's and CEO's administration. The Nominating Committee is tasked with, among other things, recommending board members, the Chairman of the Board and the auditor for election at the AGM.

Through the Articles of Association the shareholders have stipulated the object of the Company's business, the minimum and maximum number of board members, and the forms of conducting general meetings of shareholders. Industrivärden's Articles of Association and further information about the Company's corporate governance model

are provided on Industrivärden's website under the menu Corporate Governance.

This Corporate Governance Report for the 2020 financial year has been prepared in accordance with the Annual Accounts Act and the Code, and has been reviewed by the Company's auditor. During 2020 Industrivärden did not depart from the Code.

Shareholders

Industrivärden had approximately 104,000 shareholders on December 31, 2020. Two shareholders each hold more than 10% of the number of votes: L E Lundbergföretagen owns 24% of the number of votes, and the Handelsbanken Pension Foundation owns 11% of the number of votes in the Company. For further information on the ownership structure, see pages 30–31.

General meetings

The shareholders' influence over Industrivärden's affairs is exercised at general meetings of shareholders, which are the Company's highest governing body. Class A shares carry entitlement to one vote, and Class C shares carry entitlement to one-tenth of a vote. Apart from what is prescribed by law regarding the shareholders' right to participate at general meetings, the Articles of Association prescribe that advance notification shall be made within a period of time stated in the AGM notice.

At the AGM, resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board and the shareholders, and other legally ordained matters are addressed. Among other things, the income statement and balance sheet are adopted, a decision is made regarding the dividend, the Board of Directors and auditor are elected and their fees are set, and a decision is made on whether to discharge the directors and the CEO from liability. Guidelines for

compensation of senior executives are adopted at least every four years.

At the AGM on April 24, 2020, the following resolutions were made, among others:

- Dividend of SEK 0 per share
- Election of Marika Fredriksson as a new director.
Re-election of the other board members except for Nina Linander, who declined re-election
- Re-election of Deloitte AB as auditor
- Guidelines for compensation of senior executives
- A long-term share savings program for Industrivärden employees

Further information on Industrivärden's 2020 AGM is available on Industrivärden's website under the menu Corporate Governance.

Industrivärden's 2021 Annual General Meeting will be held on April 21, 2021. For more information, see page 73 and Industrivärden's website under the menu Corporate Governance.

Nominating Committee

The Nominating Committee is responsible for performing the duties prescribed to it by the Code, and as a drafting body shall draw up recommendations for, among other things, election of the members of the Board of Directors, the Chairman of the Board and auditor, and for directors' and the auditor's fees, for decision by the Annual General Meeting.

In accordance with the resolution for the Nominating Committee made by the 2011 AGM, which applies until further notice, the Chairman of the Board is assigned the task of contacting four shareholders from among the largest registered shareholders in terms of votes in Euroclear Sweden AB's printout of the shareholder register as per the last business day in August, who each appoint one representative who is not a director on the Company's board, to form together with the Chairman of the Board a Nominating Committee for the time until

a new Nominating Committee has been appointed. The Nominating Committee appoints a committee chair from among its members. The composition of the Nominating Committee shall be made public not later than six months before the next AGM. No fee is payable for work on the Nominating Committee. If a member leaves the Nominating Committee before its work has been completed, and if the Nominating Committee is of the opinion that there is a need to replace the departing member, the Nominating Committee shall appoint a new member. Any changes in the Nominating Committee's composition shall be made public immediately.

The Nominating Committee's composition ahead of the 2020 AGM and the Nominating Committee's report and reasoned statement is available on Industrivärden's website under the menu Corporate Governance.

The Nominating Committee ahead of the 2021 AGM has the following composition: Mats Guldbbrand (L E Lundbergföretagen), Stefan Nilsson (Handelsbanken Pension Foundation and others), Mikael Schmidt (SCA and Essity Pension Foundations and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden). Mats Guldbbrand has been appointed as committee chair.

Board of Directors

The Board's role, composition and fees

The Board of Directors has ultimate responsibility for Industrivärden's organization and administration, and plays a central role in Industrivärden's business model for exercising long-term active ownership. It is responsible for, among other things, the Company's strategy, matters involving major purchases and sales of securities, formulation and application of the methods for active ownership, and overarching ownership matters concerning the portfolio companies. The Articles of Association stipulate that the Board shall consist of a minimum of three and

Attendance, fees and independence conditions

Board members elected at the 2020 Annual General Meeting

Name	Role			Independent in relation to		Attendance at meetings			Decided fee 2020, SEK 000s
	Role on Board	Audit Committee	Compensation Committee	The company and Executive Management	Major shareholders	Board	Audit Committee	Compensation Committee	
Fredrik Lundberg	Chairman	Member	Chair	x	-	11	3	3	2,060
Pär Boman	Vice Chairman	Chair	-	x	-	11	3	-	1,240
Christian Caspar	Director	Member	-	x	x	11	3	-	620
Marika Fredriksson ¹	Director	-	-	x	x	6	-	-	620
Bengt Kjell	Director	-	-	x	x	10	-	-	620
Annika Lundius	Director	-	Member	x	x	11	-	3	620
Lars Pettersson	Director	-	Member	x	-	11	-	3	620
Helena Stjernholm	Director	-	-	-	x	11	-	-	-
Total									6,400

¹ Elected as new board member at the 2020 Annual General Meeting.

a maximum of nine directors. The Board's composition, the directors' attendance at board and committee meetings, and directors' fees are shown in the table below. For a more detailed presentation of the board members, see page 50 and Industrivärden's website, under the menu Corporate Governance.

The Nominating Committee's reasoned statement ahead of the 2020 AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee relied on Rule 4.1 of the Code as its diversity policy. The goal of the policy is that the Board shall have a suitable composition in respect of the Company's operations, phase of development and conditions in general, distinguished by a diversity and breadth of expertise, experience and backgrounds, whereby an even gender balance shall be strived for. The 2020 AGM resolved to elect board members in accordance with the Nominating Committee's recommendation, entailing that eight directors were elected, of whom three are women and five are men.

The composition of Industrivärden's board meets the Code's requirement for independent directors. The Nominating Committee's assessment regarding the directors' independence conditions ahead of the 2020 AGM is outlined in the table on the preceding page.

The Board has appointed an audit committee and a compensation committee tasked with conducting preparatory work for audit and compensation matters, respectively, for decision by the Board. The aim of the committees is to take a more in-depth look at, streamline and quality-assure the Board's work on these matters. The committees are described in more detail below.

The Board's work

The Board's duties are laid out in the Rules of Procedure (incl. the CEO's instruction), which are adopted yearly at the statutory board meeting. The Rules of Procedure and the CEO's instruction regulate and structure the Board's duties during the year, clarify internal decision-making processes and prescribe the division of responsibility vis-à-vis the CEO.

In addition to the Rules of Procedure, the Board adopts a number of governance documents for the Company's operations. For further information, see the section "Internal control over financial reporting" on pages 48–49. Every board meeting follows an agenda that has been distributed to the directors along with relevant documentation. All board decisions are based on extensive documentation and are made following a discussion that is led by the Chairman of the Board. Minutes of board meetings are recorded by the Company's General Counsel.

In addition to the statutory board meeting, which is held in conjunction with the AGM, the Board normally meets eight times per year (regular meetings, including meetings in connection with the publication of interim and year-end reports). Extra board meetings are convened

when necessary. In 2020 the Board held a total of 11 meetings.

The regular board meetings cover a number of set agenda items. These include, among other things, a report on the financial result of operations, the development of net asset value and performance of the equities portfolio, and on equity transactions that have been carried out. Reporting also includes a description of the portfolio companies' performance and macroeconomic conditions. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investments or divestments. Industrivärden's action plans for the portfolio companies are also updated on a continuous basis and are reported to the Board. Through representation on the portfolio companies' boards and nominating committees, Industrivärden's board members and executive management play a central role in exercising active ownership. Senior executives of Industrivärden participate at board meetings to give presentations on specific matters. During 2020, within the framework of active ownership and as in earlier years, a significant part of the Board's work consisted of hearing reports from members of the Executive Management covering Industrivärden's more in-depth view and action plan for a couple of the portfolio companies, and discussing and evaluating these action plans. In addition, the CEOs of several of the portfolio companies gave presentations on their respective companies' operations and development.

Each year the Board evaluates Industrivärden's financial reporting and makes demands on its content and structure to ensure it maintains a high level of quality. In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's auditor submits a report on its observations and assessments from the performed audit.

Evaluation of the Board's work

The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board. The 2020 evaluation was conducted by means of a questionnaire that each board member was requested to complete, in the aim of gaining an idea about the directors' views on, among other things, how the board work has been conducted and which measures can be taken to improve the board work as well as which matters the directors feel should be given more attention and in which areas it could possibly be suitable to have additional expertise on the Board. The results of this evaluation were reported to and discussed by the Board. In addition, the Chairman's work on the Board was evaluated with him not being present. The conclusions of these evaluations and discussions were that the board work was considered to work very well, which was reported on in the Nominating Committee.

Audit Committee

The Audit Committee serves in a preparatory and oversight role with respect to the Company's risk management, governance and control over financial reporting. The committee maintains regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company, monitor the effectiveness of the Company's internal control over financial reporting, stay informed about the audit of the annual report and consolidated financial statements, and to discuss the scope and focus of the audit work with the auditor. In addition, the Audit Committee reviews and oversees the auditor's impartiality and independence, issues guidelines for which other services than auditing may be procured from the Company's auditor and, where applicable, handles procurement of services from the auditor. The auditor reports on its observations to the Audit Committee on a regular basis.

The Audit Committee held three meetings in 2020. The Company's auditor participated at all three meetings. The members of the Audit Committee are listed in the table on page 46. No fees have been paid to the board members for their work on the committee.

Compensation Committee

The Compensation Committee has a preparatory role ahead of the Board's decisions on matters concerning principles for compensation and other terms of employment for the CEO and senior executives, and evaluates variable compensation programs for members of the Executive Management, application of the compensation guidelines for senior executives that the AGM decides on, and applicable compensation structures and compensation levels in the Company.

The Compensation Committee held three meetings in 2020. The members of the Compensation Committee are listed in the table on page 46. No fees have been paid to the board members for their work on the committee.

CEO and Executive Management

The CEO is responsible for Industrivärden's operating activities in accordance with the objectives and strategies set by the Board of Directors as well as in accordance with the division of responsibilities laid out in the CEO's instruction. The CEO's duties include, among other things, leading and structuring the investment and analysis operations, deciding on equity transactions, preparing action plans, and responsibility for personnel, finance and business administration matters.

The CEO organizes the operations and appoints the senior executives who make up Industrivärden's Executive Management. Other members of the Executive Management support the CEO in her assignment. The CEO reports to the Board of Directors on a regular basis on the performance of operations in order to facilitate

well-informed board decisions. The Board continuously evaluates the CEO's work by monitoring performance of the operations based on set goals, and a comprehensive evaluation is performed yearly. For a more detailed presentation of Industrivärden's CEO and Executive Management, see page 51 and Industrivärden's website under the menu Corporate Governance.

Compensation

Directors' fees 2020

The 2020 AGM resolved on directors' fees in accordance with the table on page 46.

Guidelines for compensation of senior executives 2020

The guidelines for compensation of senior executives that were adopted by the 2020 AGM and information on compensation of senior executives in 2020 are provided in Note 7 on pages 59–60.

Guidelines for compensation of senior executives 2021

The guidelines for compensation of senior executives are to be adopted at least every four years. The Board of Directors has not found any reason to recommend changes in the guidelines that were adopted by the 2020 AGM, which therefore continue to apply without change.

Remuneration report 2020

A remuneration report will be published on Industrivärden's website under the menu Corporate Governance.

Auditor

The Annual General Meeting appoints the Company's auditor yearly. The auditor audits the annual report, the bookkeeping and the Board's and CEO's administration of the Company, and reports to the Annual General Meeting.

At the 2020 AGM, Deloitte AB was re-elected as auditor for a term lasting through the 2021 AGM. The chief auditor is Hans Warén (born 1964), Authorized Public Accountant, who has been active as an auditor since 1987. In addition to his assignment for Industrivärden, in 2020 Hans Warén was chief auditor for the listed companies Axfood, Castellum, Lindab, and Trelleborg, among others.

In 2020 the Company's auditor reviewed the half-year report and year-end report, and audited the annual report and consolidated financial statements. The auditor has submitted written as well as oral reports to the Audit Committee and the Board. The auditor's report for 2020 is provided on pages 68–70, and the auditor's fee is shown in Note 8 on page 60.

Internal control over financial reporting

Control environment

Internal control at Industrivärden aims primarily to ensure a correct valuation of outstanding equity positions as well as effective and reliable controls in the reporting of purchases and sales of shares and other securities.

Industrivärden's control environment is built upon a clear division of duties and responsibilities between the Company's various bodies and functions, a sound corporate culture and transparent operations. Relevant policies and guidelines are decided on and evaluated on a continuing basis by the Company's board and management. These frameworks, together with internal, formal process descriptions, are well-established and known by the pertinent employees.

Relevant governance documents adopted by the Board of Directors include, among others, the CEO's instructions, which stipulate the division of responsibility between the Board and the CEO, and the Investment and Finance Policy, which lays out the frameworks for investments in financial instruments, financing and management of financial risks. Decision-making channels, authority and responsibility at the operational level are defined in more detail by the CEO in Investment Rules, the Risk Policy and Authorization Instructions.

Risk assessment

Industrivärden continuously identifies, assesses and manages risks for material errors in the financial reporting. This process is fundamental for ensuring that the financial reporting is reliable. The Company's assessments and measures are reported on a regular basis to the Audit Committee. Risk management is described in more detail in Note 26 on page 65.

Control activities

Industrivärden has established a number of different control activities aimed at ensuring the effectiveness of the measures taken to prevent material errors in the financial reporting. Relevant control and monitoring activities make up an integral part of Industrivärden's business, decision-making and accounting processes.

The Board of Directors continuously evaluates the financial reporting that is received in connection with board meetings and which covers the equities portfolio, gearing and other important conditions. The Audit Committee carries on a continuous dialogue with the Company's auditor on the scope and quality of the Company's financial reporting.

Against the background of Industrivärden's operations, organizational structure and how the financial reporting in other respects is organized, in 2020 the Board did not find a need for a dedicated audit function in the form of internal audit.

Internal control activities concerning the financial reporting are described in more detail in Note 26 on page 65.



Information and communication

Industrivärden's communication of external information is regulated by an Information Policy that is adopted by the Company's board. In addition, internal guidelines are in place to ensure information security, and correct and reliable communication of information.

Monitoring

Industrivärden's board and management continuously evaluate the effectiveness and quality of internal control over financial reporting. Management reports on the Company's operational and financial development to the Board on a regular basis in connection with forthcoming interim reporting, and board and Audit Committee meetings. Between such occasions, reporting is conducted as needed. The Company's auditor reports its observations to the Audit Committee on a continuing basis.