

# Corporate Governance Report

Haldex AB (publ) ('Haldex' or 'the company') is a Swedish public limited company with registered office in Landskrona, listed on Nasdaq Stockholm, Mid Cap. Corporate governance in Haldex is based upon the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance. Haldex herewith submits the 2021 Corporate Governance Report in accordance with the Annual Accounts Act and the Code. The company's auditors have conducted a statutory review of the report.

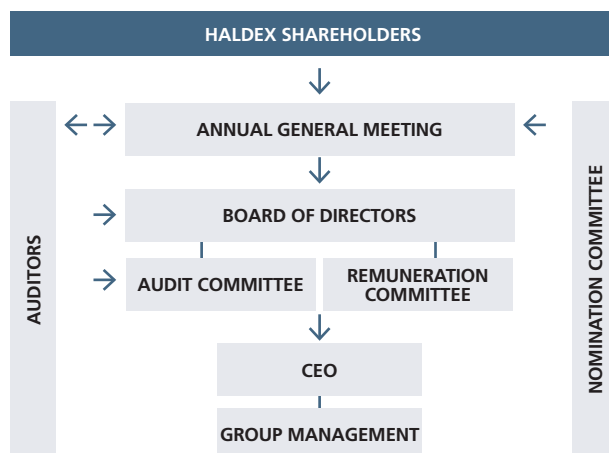
## Swedish Code of Corporate Governance

In accordance with good stock market practice, Haldex applies the Swedish Code of Corporate Governance. The current code is available on the Swedish Corporate Governance Board's website, [www.bolagsstyrning.se](http://www.bolagsstyrning.se). However, during parts of the financial year 2021 Haldex deviated from the rules on a nomination committee under Section III(2) of the Code as the General Meeting had not appointed a formal nomination committee. Instructions for the composition of the Nomination Committee and its work were adopted in conjunction with the 2021 Annual General Meeting.

## Shareholders and General Meeting

The shareholders of Haldex exercise their right to decide on the company's affairs at the General Meeting. The General Meeting is Haldex's highest decision-making body. The General Meeting decides on the articles of association, elects the Board of Directors and auditors, and makes decisions on their fees.

The General Meeting further decides on adoption of the accounts, on the appropriation of the company's profit or loss and on discharge from liability for the Board of Directors and the CEO. The General Meeting also decides on the appointment and work of the Nomination Committee, and decides on principles for remuneration and terms of employment for the CEO and other senior executives. Haldex's Annual General Meeting is usually held in April or May.



Responsibility for management and control of the Haldex Group is divided between shareholders, the Board of Directors, its elected committees and the CEO, as illustrated above.

## Ownership

The number of shareholders at year-end was 13,224 (11,957). A large proportion of Haldex's shareholders are registered abroad and are therefore not shown under their own name in the list of shareholdings. Swedish shareholdings totaled 61.2% (56.9) at the end of the year. Each share carries one vote at the AGM. For more information about shares and shareholdings, see page 105–106 and <https://www.haldex.com/en/corporate/>.

## Annual General Meeting

The 2021 Annual General Meeting was held on May 26, 2021. Due to the uncertainty associated with the COVID-19 pandemic, the Board decided that the AGM would be held without the physical presence of shareholders, proxies or third parties in accordance with Section 20 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. Shareholders were able to exercise their voting rights only through digital advance voting ('postal voting'). Shareholders exercising this right represented 38 percent of the total number of votes.

Among other things, the Annual General Meeting resolved on:

- » No dividend for the financial year 2020 and that earnings for the year be carried forward
- » Discharging of the members of the Board of Directors and the company's Chief Executive Officer from liability for the financial year 2020
- » Re-election of Stefan Charette, Viveka Ekberg, Håkan Karlsson, Catharina Modahl Nilsson, Detlef Borghardt and Dzeki Mackinowski. Håkan Karlsson was elected as Chairman of the Board
- » Re-election of the auditors Öhrlings PricewaterhouseCoopers AB with Carl Fogelberg as auditor in charge
- » Adoption of remuneration for the Board of Directors and auditors
- » Adoption of the guidelines proposed by the Board for remuneration of senior executives
- » Adoption of a long-term incentive program for the CEO as proposed by the Board of Directors
- » Amended Articles of Association, whereby the Articles of Association were adapted to implement legislative amendments and to enable the Board to decide on proxy collection and postal voting at future general meetings
- » Authorization for the Board of Directors to resolve on a new share issue during the period until the 2022 Annual General Meeting
- » Adoption of instructions and guidelines for the Nomination Committee

Full minutes and information on the Annual General Meeting can be found at <https://haldex.com/en/corporate/>.

**Nomination Committee**

*The Nomination Committee represents the company's shareholders, and nominates Board members and auditors and proposes fees for these.*

It is the General Meeting of Shareholders that is required to appoint the members of the Nomination Committee or specify how the members are to be appointed and adopt instructions for the Nomination Committee.

In accordance with the Swedish Code of Corporate Governance, the Nomination Committee must submit proposals for the Chairman and other members of the Board as well as fees and other remuneration for Board assignments for each of the Board members. The Nomination Committee is also required to submit proposals for the election and remuneration of the auditor. The Nomination Committee's proposals are required to be presented in the notice of the Annual General Meeting. No remuneration is paid to the members of the Nomination Committee. The Chairman of the Board is responsible for informing the Nomination Committee of the Board's expertise profile and working methods and of the outcome of the assessment of the Board's work. The company's shareholders have an opportunity to submit comments and proposals to the Nomination Committee by e-mail or phone.

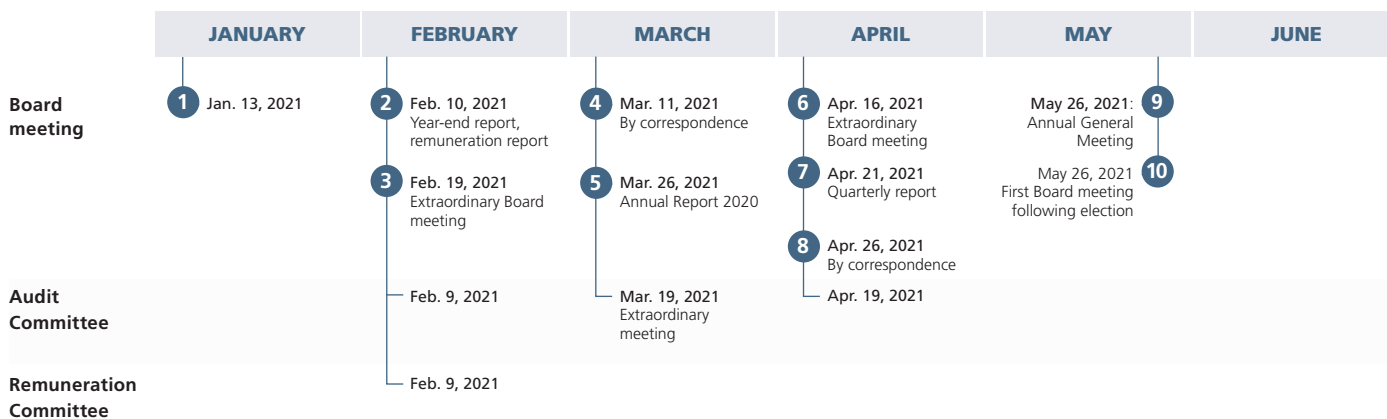
No formal nomination committee had been appointed prior to the 2021 Annual General Meeting, but representatives from AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden formed an informal nomination committee.

Guidelines for the appointment of the Nomination Committee were adopted at the 2021 Annual General Meeting. According to these instructions, the Company is required to have a Nomination Committee consisting of one representative of each of the four largest shareholders by voting power, based on the shareholding as of August 31 of each year (the 'Largest Shareholders') who wish to appoint a representative, as well as the Chairman of the Board. As soon as possible after the end of August, the Chairman of the Board is required to give the Largest Shareholders of the Company the opportunity to appoint a representative to the Nomination Committee. If any of the Largest Shareholders waives its right to appoint a representative, the shareholders who are thereafter the largest shareholders in terms of voting power and who have not already appointed a member to the Nomination Committee will be invited in descending order. The Nomination Committee is required to consist of at least three members, but no more than the ten largest shareholders in terms of voting power need to be consulted. The names of the members of the Nomination Committee and the shareholders by whom they are appointed can be found at: <https://www.haldex.com/en/corporate/>.

**Board of Directors**

*The Board is responsible for Haldex's organization and administration of Haldex's affairs. According to the Articles of Association, the Board is to consist of not fewer than three and not more than eight members, with not more than three deputies. The Board members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.*

**The work of the Board**



**Composition of the Board**

Until the 2021 Annual General Meeting, the Board consisted of seven members elected by the AGM. Six Board members were elected by the 2021 Annual General Meeting. The employees appointed two representatives and two deputy representatives to the Board.

Haldex's President and CEO, as well as the CFO, attended the Board meetings, with Helene Svahn attending the January–May meetings and Jean-Luc Desire attending the July–December meetings. Other salaried employees attended as needed during the meetings as rapporteurs on particular issues. For further information on the Board members, see pages 50–51 and Note 9.

**Independence of the Board**

The Swedish Code of Corporate Governance states that a majority of the members elected by the AGM must be independent in relation to the company and company management, and that at least two of these must also be independent in relation to major shareholders. All members of Haldex's Board of Directors elected at the Annual General Meeting are deemed to be independent in relation to the company/company management. Five members elected at the Annual General Meeting are deemed to be independent in relation to major shareholders.

**The work of the Board**

The Board held 16 (18) meetings in 2021. The main issues addressed during the Board meetings were the business situation, strategy, investments, quality work, product development, personnel and organizational issues and budget and the long-term business plan. Attendance at Board and committee meetings is reported on pages 50–51.

**Evaluation of the Board's work**

Each year, an evaluation is made of the Board's combined work. For the Chairman, there are additional questions concerning ability to prepare and direct the work of the Board, as well as ability to motivate and work with the CEO. The evaluation of the Board's combined work is done through a joint internal review of the Board's work. The outcome of the evaluation process is available to a future nomination committee.

**Board committees**

*The Board has set up two committees – the Audit Committee and the Remuneration Committee. The Board cannot delegate responsibility to the committees, but the committees prepare issues on which the Board as a whole then takes decisions.*

**Audit Committee**

The Audit Committee prepares matters relating to accounting, financial reporting, auditing and internal control. The committee reviews the policies for accounting and financial control and establishes guidelines for the purchase of services other than auditing by the company's auditors. In 2021, the Audit Committee comprised Viveka Ekberg (Chair), Stefan Charette and Håkan Karlsson. Co-opted members of the Executive Committee were Helene Svahn, CEO, until June and thereafter Jean-Luc

Desire, CEO, and Lottie Saks, CFO. The Audit Committee held 7 (7) meetings during the year.

#### Remuneration Committee

Based on the guidelines adopted by the Annual General Meeting, the Remuneration Committee submits proposals to the Board regarding salary and other terms of employment for the CEO and for other senior executives, based on proposals from the CEO, as well as the EVP Human Resources. In 2021, the Remuneration Committee comprised Håkan Karlsson (Chair), Catharina Modahl Nilsson and Dzeki Mackinovski. Co-opted members of the Group Management were Helene Svahn, CEO, until June and thereafter Jean-Luc Desire, CEO, as well as Jeanna Tällberg, EVP Human Resources, and Lottie Saks, CFO. The Remuneration Committee held 3 (2) meetings in 2021.

#### Remuneration of Board members

Remuneration of the members of the Board elected by the Annual General Meeting was resolved by the Annual General Meeting on a proposal from AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanas Industrial Partner and Fjärde AP-fonden. During 2021, remuneration was paid in accordance with a General Meeting decision as described in Note 9 on page 76. The remuneration paid to the Board consists solely of a fixed portion (there is no variable remuneration). No remuneration is paid to members who are also employees of the Group.

Detlef Borghardt was engaged as a consultant for part of 2021 in addition to ordinary Board work. The remuneration totaled SEK 200,000. See Note 35 on page 87 for more information.

#### Auditors

The Annual General Meeting appoints auditors who review the annual accounts, accounting and consolidated financial statements, the Board of Directors and the CEO's administration.

Öhrlings PricewaterhouseCoopers AB was elected as audit firm by the 2021 Annual General Meeting for the period until the 2022 Annual General Meeting. The auditor in charge is Carl Fogelberg, who is an authorized public accountant.

The Board as a whole meets with the auditors once a year, at a Board meeting during the spring when the auditors report their findings directly to the Board without the CEO or CFO being present. At least one auditor attends the Annual General Meeting and briefly describes the audit work and summarizes his or her recommendations in the audit report for the shareholders.

#### REMUNERATION OF AUDITORS

SEKm	2021	2020
Öhrlings PricewaterhouseCoopers AB and network		
Auditing engagements	7	7
Auditing activities in addition to auditing engagements	–	–
Tax advice	–	1
Other services	1	2
<b>Total</b>	<b>8</b>	<b>10</b>

#### Management

The President and CEO manages the ongoing administration of Haldex's operations within the limits set by the Board. The CEO is assisted by a Group management comprising heads of regions and certain global functions within the company, i.e. HR, finance, purchasing, global sales, operations and product development.

The composition and size of the Group management underwent organizational changes during the course of 2021. At the end of 2021, Group management consisted of the CEO and a further eight Executive Vice Presidents. The Group Management holds regular meetings chaired by the CEO. The meetings are focused on the Group's strategic and operational development and follow-up of results. For further information on the Group management, see pages 52–53.

#### Remuneration of senior executives

The Annual General Meeting adopts principles for remuneration of senior executives and approves the report on paid and outstanding remuneration that the Board of Directors is required to prepare for each financial year.

In June 2019, new rules in the Swedish Companies Act came into force, which, among other things, require listed companies to develop and decide on remuneration guidelines and remuneration reports for certain senior executives. The new, more detailed provisions on guidelines for remuneration of senior executives were first applied in conjunction with the 2020 Annual General Meeting, and the new provisions on remuneration reports were applied for the first time in conjunction with the 2021 Annual General Meeting.

Principles for remuneration of senior executives resolved by the 2021 Annual General Meeting can be found on the company's website <https://haldex.com/en/corporate/>.

More information on the Group's remuneration of senior executives can be found in Notes 9 and 10 for the Group on pages 76–77.



## Remuneration in 2021

### Chief Executive Officer

In 2021, the previous President and CEO Helene Svahn and the current President and CEO Jean-Luc Desire received fixed and variable remuneration as set out in the table below. In addition to a mutual notice period of 6 months, the CEO, in the event of termination by the company, is entitled to severance pay equivalent to 12 months' salary. Upon termination by the CEO, no severance payment is made. The CEO's pension benefits are defined-contribution and consist of an ITP plan and an annual allocation of 30% of the portion of the fixed salary that exceeds 20 base amounts. The retirement age is 65. More information about remuneration of the CEO will also be given in the remuneration report that the company will present at the time of the Annual General Meeting and make available on the company's website.

### REMUNERATION OF GROUP MANAGEMENT IN 2021

SEK 000	Basic salary incl. benefits	Variable remuneration <sup>1)</sup>	Pension
Chief Executive Officer Helene Svahn (until June 2021)	7,139	–	1,133
Jean-Luc Desire (from June 2021)	2,723	2,000 <sup>2)</sup>	790
Other senior executives (Group Management) 8 (8) persons, of whom 3 (4) women at December 31	15,411	1,835	1,456
<b>Total</b>	<b>25,273</b>	<b>3,835</b>	<b>3,379</b>

<sup>1)</sup> Amount for variable remuneration 2021 refers to the portion of the 2020 bonus expensed during 2021.

<sup>2)</sup> Amounts for variable remuneration 2021 relate to remuneration expensed in 2021, a portion of which was paid during the year.

### Other senior executives

In accordance with the guidelines adopted by the AGM, the principles for remuneration matters regarding Group management must be drawn up by the CEO in consultation with the Board of Directors for resolution by the AGM. The compensation consists of a fixed and a variable salary component. The variable component is based on the annually set targets and can amount to a maximum of 60 percent of fixed annual salary. All members of Group Management have a mutual notice period of up to 6 months and, in the event of termination by the company, severance pay. The fixed salary during the period of notice and the severance pay must not in total exceed an amount equal to the fixed salary for two years. Pension benefits are regulated in pension plans that are adapted to practice in the country in question, with a retirement age of 65 and up.

### Incentive programs

The Annual General Meeting resolved, in accordance with the Board's proposal, to adopt a long-term incentive (LTI) program for the CEO. The main purpose of the LTI is to strengthen Haldex's financial development by promoting common interest between the CEO and the Company. Participation in the LTI requires a personal investment in Haldex shares.

The Board intends to propose to the 2022 Annual General Meeting that a new LTI program be established, to be effective from 2022 onwards for other senior executives.

### Internal control

*The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Code of Corporate Governance. Internal control within Haldex is a process that is controlled by the Board of Directors and the Audit Committee and is exercised by the CEO and Group Management.*

Internal control has been designed to ensure, as far as possible, that Haldex has appropriate and reliable reporting and compliance with applicable laws and other statutory instruments. The process is based on a control environment that creates a structure for other parts of the process, such as risk assessment, control activities, information and communication and follow-up. This report on internal control and risk management has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance, and is thus limited to a description of the most important elements of Haldex's system for internal control and risk management with regard to financial reporting. The Board monitors and ensures the quality of external financial reporting in the manner documented in the Board's rules of procedure, in the instruction for the CEO and in the Group's financial policy. The CEO is responsible, together with the CFO, for review and quality assurance of all external financial reporting such as interim reports, year-end reports, annual reports, press releases with financial content and presentation material in connection with meetings with mass media, shareholders and financial institutions. The CEO and CFO provide all interim reports, year-end reports and annual reports for review by the Audit Committee. The Board is responsible for ensuring that the company's financial reports are prepared in accordance with applicable laws, accounting standards and other requirements for listed companies. The Board's instructions to the CEO also contain a requirement to continuously provide the Board with internal summary reports on economic conditions. These reports are to include income statements and balance sheets, measurement issues, assessments, forecasts and any changes and the consequences thereof, any changes regarding accounting rules, legal matters and disputes and are to be presented to the Board.

### Control environment

The Board of Directors has adopted a number of policy documents for the company's internal control and governance. The Board has an Audit Committee. The Audit Committee, which prepares matters for the Board, deals with issues such as the internal control process, follows up reporting matters and discusses accounting policies and the consequences of changes to these policies. In addition, the Audit Committee maintains continuous contact with the external auditors. The committee is responsible for the evaluation of the audit work as well as the auditors' efficiency, qualifications, fees and independence. The Audit Committee also normally assists the Nomination Committee in proposals for the election of auditors and procurement of audit services.

### Risk assessment

During 2021 Haldex implemented an enhanced global risk management process that is standardized across Haldex with clearer responsibilities in the regions and Group-wide functions. The risk management process includes responsibility for creating a risk register (identifying uncertainties that may impact the achievement of Haldex strategy and business objectives), prioritizing the risks, defining a risk response plan and conducting regular reporting and monitoring of the status of its response plan. Furthermore, the risk management plan is regularly followed-up by the Group Management (the Group's 10–15 most significant risks) and the Board of Directors (the Group's 5 most significant risks). The risks can be managed by tolerating, transferring, mitigating or eliminating them, with requirements for controls and control levels within the limits established by the Board of Directors, the CEO and the Group Management. For further information on the risks and risk management, see pages 58–63.

### Instruments of governance

The instruments that form the basis of corporate governance in Haldex consist mainly of the Companies Act, the Annual Accounts Act, applicable regulations for companies listed on Nasdaq Stockholm, the Swedish Code of Corporate Governance and other relevant legislation and relevant provisions. The internal binding instruments of governance include the articles of association adopted by the general meeting of shareholders and the documents adopted by the Board for the Board of Directors of Haldex, instructions for remuneration and audit committees, instructions for the CEO of Haldex, information and insider policy and financial policy. In addition to the above, the Group has a number

of policies and manuals containing regulations and recommendations with principles and guidance for the Group's operations and employees. The Board's rules of procedure regulate the Board's division of work, the decision-making process within the Board, the Board's meeting schedule and the Chairman's duties. The work of the Board follows a set routine that aims to ensure that the Board's information requirements are met. The instructions to the CEO set out the CEO's responsibility for day-to-day administration, forms of reporting to the Board and the contents thereof, requirements for internal control instruments and questions that require the Board's decision or are to be communicated to the Board.

#### Control activities

The work on further developing internal control and governance is ongoing, with regular documentation, evaluation and introduction of new controls and improvement of existing controls.

#### Information and communication

Haldex has a system for informing and communicating in order to provide complete and accurate financial reporting. Haldex has a reporting system where all the Group's companies report monthly in a fixed format and according to specified accounting policies. In connection with the reporting, the reporting units make risk assessments and comment on current valuation issues and provisions. The central finance department prepares reports from the common system structured according to the Group's established report format. Responsible managers and controllers at various levels in the Group have access to information related to their particular areas of responsibility in this system. All the Group's governance documents for internal control and governance can be found on the Group's intranet.

#### Follow-up

Haldex's financial reporting is followed up on an ongoing basis, by management at various levels of the company as well as by the financial organization and controllers in the various business units. The follow-up is done monthly in connection with reporting, through analyses and reviews by responsible controllers and by business managers holding meetings with reporting units. The Audit Committee regularly communicates with the Company's external auditors and the Company's CFO, both during and between meetings. The Board receives a monthly report on developments in the company's operations. More detailed reporting is primarily done by the CEO at all Board meetings. The Board regularly assesses the risks associated with the financial reporting based on significant and qualitative factors.

#### Internal audit

Each year, the Board evaluates the need to set up a special function for internal auditing. In 2021, the Board considered that no such need existed. The Board made the assessment that internal control is mainly exercised:

- » By the operational managers at various levels
- » By the local financial functions and the central financial function
- » Through the Group Management's supervisory control
- » Through a self-assessment process where the companies evaluate their control activities. The self-assessment is reviewed and evaluated by internal resources.

The Board assesses that the scope of its own organization for internal control and the external audit combined mean that there is currently no need for an internal audit function. The decision is reviewed annually.

The Board of Directors  
Landskrona, March 24 2022

### THE AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE REPORT

*To the Annual General Meeting of Haldex AB (publ),  
corporate identity number 556010-1155*

It is the Board of Directors that is responsible for the Corporate Governance Report for 2021 on pages 45–49 and for it being prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on this reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory review of the Corporate Governance Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that a corporate governance report has been prepared and that its statutory information is consistent with the annual accounts and the consolidated financial statements.

Malmö, March 24, 2022  
Öhrlings PricewaterhouseCoopers AB

Carl Fogelberg  
*Authorized public accountant  
Auditor in charge*

Patrik Larsson  
*Authorized public accountant*