

# Corporate Governance Report 2021

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarters in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso applies and follows the Swedish Code of Corporate Governance and hereby submits the 2021 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.

## Starting point

Good corporate governance, risk management, internal control and management are key components in a successful business. They are essential for Sensys Gatso's ability to continue to grow with profitability and a hygiene factor in building trust-based relationships with our investors and other stakeholders.

## Corporate governance structure

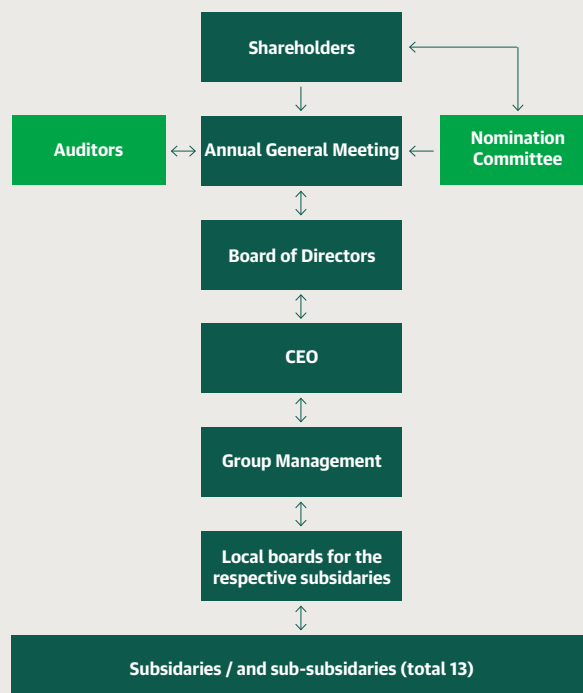
Sensys Gatso's decision-making bodies are the Annual General Meeting, the Board, the chief executive officer (CEO) and the company's auditor. At the ordinary General Meeting, which is to be held within six months of the end of the financial year (the Annual General Meeting), the shareholders appoint a Board and an auditor. The Board appoints the CEO. The auditor reviews the Annual accounts as well as the administration by the Board and the CEO. The Nomination Committee is tasked with proposing Board members, the Chairman of the Board and the auditor for election by the Annual General Meeting.

## Shares and shareholders

Information on Sensys Gatso's shares and shareholders can be found on page 21. The number of shareholders at year-end was 17,041 (19,368). The largest individual shareholder is Gatso Special Products BV via BNP PARIBAS SEC SERVICES PARIS, W8IMY with a total of 17.70 percent (17.70), and the next largest shareholder is Försäkringsaktiebolaget Avanza Pension with 4.2 percent.

## General Meeting

The Annual General Meeting (AGM) is Sensys Gatso's highest decision-making body. Shareholders included in the share register on the record date and who have given notice of their participation in time, are entitled to attend the AGM and to vote in person or via a proxy. At the AGM, shareholders exercise their voting rights to resolve on proposals from the Nomination Committee, the Board and the shareholders, as well as on key matters including the adoption of income statements and balance sheets, approval of the appropriation of the company's profit and discharge of the Board and CEO from their liabilities for the Nomination committee and election of the Board of Directors. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other senior executives. In addition, auditors are elected, fees are determined and other statutory matters are addressed. Resolutions are normally approved by a simple majority at the AGM. In certain matters, however, the Companies Act stipulates that a proposal must be approved by a greater proportion of the votes represented at the AGM. In addition to the AGM, which is held within six months of the end of



the financial year, an Extraordinary General Meeting may be announced if the Board considers this to be necessary or if this is requested by a shareholder holding at least 10 percent of the shares.

## Annual General Meeting

The 2021 AGM was held on 11 May via postal voting in accordance with the Act (2020:198) on temporary exemptions to facilitate the conduct of general and association meetings. A total of 19.98 percent (16.4) of the total number of shares and votes was represented.

The CEO informed the AGM about the position of the company and commented on the results for 2021, and the first quarter of 2021 on an audiocast with the opportunity for questions from the shareholders in good time before the Annual General Meeting on April 27, 2021.

Minutes from the AGM can be found on the Sensys Gatso website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

- » The 2020 annual accounts were adopted and the AGM resolved to carry forward the profit/loss for the year.
- » Remuneration report for 2020 was established.
- » The Board of Directors was discharged from liability.
- » Claes Ödman, Jochem Garritsen, Pia Hofstedt, Kerstin Sjöstrand, Christina Hallin and Nishant Batra were re-elected.
- » Claes Ödman was re-elected to serve as Chairman of the Board.

» It was resolved that fees to the Board shall be paid in the amount of SEK 1,750,000 to be distributed in the amount of SEK 500,000 to the Chairman of the Board and in the amount of SEK 250,000 each to the other members of the Board. It was noted that the Nomination Committee recommends that the Board members use 1/3 of their fee to buy shares in the company.

» Resolved, with the required majority, in accordance with the Board's proposal to introduce a long-term incentive program for senior executives and key personnel as follows:

The Board of Directors resolved to implement a long-term incentive program in the form of a stock option plan for up to 50 key executives and employees ("LTIP 2021"). LTIP 2021 is a program that spans over three award years and under which the participants will be granted, free of charge, options ("Options") that entitle the acquisition of up to 44.0 million shares in the Company subject to three-year vesting periods, in accordance with the terms stipulated below. The 2021 grants will consist of up to 90 percent of awards, i.e. up to 39.6 million shares, and the balance will be granted separately in 2022 and 2023 to selected employees who join the Company or, in exceptional cases, have been promoted.

As part of the implementation of LTIP 2021, a total of up to 55.0 million shares (including shares acquired through warrants for the hedging of social security costs) may be issued in accordance with item 16b below (of which a maximum of 90 percent, 49.5 million shares may be issued in 2021). The Board wishes to promote share ownership but also to minimise dilution and therefore intends to "net settle" exercised options, i.e. the participant receives the value of the option gain in shares. The expected share usage is hence significantly less.

If the Meeting does not approve the proposal to issue and transfer warrants in accordance with item 16b below, the Board of Director proposes that the Company shall enter into one or more equity swap agreements, in accordance with item 16c below, in order to ensure delivery of the shares under LTIP 2021.

The Board of Directors intends to propose that the Annual General Meetings in 2022 and 2023 adopts similar proposals to ensure the delivery of the remaining 10 percent of the LTIP 2021 option grants to new employees and social security hedges during those financial years.

### **The rationale for the proposal**

LTIP 2021 is intended for the Company's key executives and employees. At least 50% of the Options will be granted to employees outside of the management team. The Board of Directors of the Company believes that an equity-based incentive program is a central part of an attractive and competitive remuneration package, facilitating the recruitment, retention and share ownership of key executives and employees, whilst aligning the interests of participants with shareholders and thus promoting sustainable, long-term value creation for the Company. LTIP 2021 is adapted to the Company's current position and needs.

### **Allocation**

The participants can be granted Options over a maximum of 44.0 million shares in total, of which 39.6 mil-

lion shares may be used for grants in 2021. The remaining 4.4 million shares will, provided that the delivery of shares for Option grants are approved by the Annual General Meetings in 2022 and 2023, be granted during the 2022 and 2023 financial years to selected new and, in exceptional cases, promoted employees. The Board of Directors shall resolve upon the allocation of Options to individual participants subject to a maximum grant of 6 million shares to any one individual. The Board does not intend to make any other long-term incentive awards to the participants in LTIP 2021 before the end of 2023.

### **Conditions for Options**

The following conditions shall apply for the Options.

The Options shall be granted free of charge to the participants.

The Board of Directors shall resolve upon the allocation of Options (the date of an Option grant being the "Grant Date").

Each Option entitles the holder to acquire one share in the Company for a pre-determined exercise price. The exercise price will be 110 percent of the Volume Weighted Average Price ("VWAP") of the Company's shares traded on Nasdaq Stockholm during the ten trading days before the Grant Date. The calculated exercise price shall be converted to the nearest whole öre.

The Options shall vest over a three-year period, whereby all Options shall vest on the third anniversary of the Grant Date, provided that the participant, with some customary exceptions (including good-leaver provisions, retirement and permanent incapacity to work due to illness or accident), is still employed by Company at the time.

The latest point in time at which vested Options may be exercised shall be the fifth anniversary of the Grant Date.

The Options shall not constitute securities and shall not be able to be transferred or pledged. However, in the event of a participant's death, the rights constituted by vested Options shall accrue to the beneficiaries of the holder of the Options.

At the Board of Directors' sole discretion, the number of Options can be re-calculated in the event that changes occur in the Company's equity capital structure, such as a bonus issue, merger, rights issue, share split or reverse share split, reduction of the share capital or similar measures, to achieve an outcome as neutral as possible for the participants.

In the event that the control over the Company changes so that one party, or several parties acting in concert, gains control over shares representing more than 50 percent of the total number of votes in the Company, all Options shall vest immediately.

The Options shall be governed by separate agreements with each participant. The Board of Directors shall be responsible for the preparation and management of LTIP 2021 within the above-mentioned guidelines. The Board of Directors has the right, within the framework of the agreement with each participant, to make the reasonable changes and adjustments of the terms and conditions of the Options that are deemed suitable or appropriate as a result of local employment law or tax law or administrative conditions. The Board of Directors has the right to, in extraordinary cases, limit the scope of, or prematurely terminate, LTIP 2021 in whole or in part.

## Preparation and administration

The Board of Directors is responsible for preparing the detailed terms and conditions of LTIP 2021, in accordance with the above mentioned terms and guidelines.

## Preparation of the proposal

LTIP 2021 has been initiated by the Board of Directors based on an evaluation of comparable incentive programs, carried out by an external consultant.

## Issue and transfer of warrants

In order to ensure the delivery of shares granted in 2021 under LTIP 2021 and for the hedging of social security costs, the Board of Directors proposes that the Annual General Meeting resolves to issue a maximum of 11,000,000 warrants, whereby the Company's share capital may be increased by not more than SEK 550,000 in accordance with the following:

The right to subscribe for the warrants shall, with deviation from the shareholders' pre-emptive rights, only vest with Sensys Gatso Sweden AB, a wholly-owned subsidiary of the Company. The reason for the deviation from the shareholders' pre-emptive rights is the implementation of LTIP 2021. Sensys Gatso Sweden AB shall be entitled to transfer the warrants free of charge to the participants or to a financial intermediary in connection with exercise, or in another way dispose of the warrants in order to be able to secure the Company's commitments and costs in relation to LTIP 2021.

The warrants shall be issued free of charge and shall be subscribed for no later than 30 June 2021.

The warrants may be exercised during the time period from the registration of the warrants with the Swedish Companies Registration Office (Sw. Bolagsverket) up to and including 31 December 2026.

The exercise price for subscription for shares based on the warrants shall correspond to the share's quota value. Shares issued upon exercise of warrants shall confer right to dividend in accordance with Clause 7 of the terms and conditions of the warrants.

The Chairman of the Board of Directors shall be authorized to make such minor adjustments that may be required to register the issuance.

## Dilution

The maximum number of shares that may be issued pursuant to an exercise of Options under LTIP 2021 is 55.0 million shares (including hedging of social security costs), technically corresponding to a maximum dilution of approximately 6 percent. However, to promote continued share ownership and to minimize dilution, the Company will seek to meet its obligations through "net settled" arrangements, where the participant receives the net value in shares. To illustrate this, if the Company grants the maximum 90% of options in 2021 when the share price is SEK 1.40, the exercise price will be 10% higher at SEK 1.54 and the total number of options will be 49.5 million, including a 25% hedge for social security. If the options are settled with a corresponding number of shares the dilution will be 5.4%. But if the option is "net settled", only the value increase will need to be met. For example, at a 100% share price increase this would require 22.3 million shares, or 2.4% dilution over a three year period, equaling an average of 0.8% dilution per year.

The Company currently has one outstanding share-based incentive plan. Upon the recruitment of the CEO, shareholders approved a one-off stock option plan with a similar structure to this proposal, which vested in 2020 remains exercisable until 2022.

## Scope and costs of the program

LTIP 2021 will be accounted for in accordance with "IFRS 2 - Share based payments". IFRS 2 stipulates that the Options shall be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the Company's cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the vesting period.

Assuming a share price at the time of allocation of SEK 1.40 and that all Options are vested and exercised upfront, the annual cost for LTIP 2021 according to IFRS 2 is estimated to approximately SEK 6.23 million per year before tax and approximately SEK 18.69 million over the lifespan of the program. Within these amounts, the annual and total costs for Options granted in 2021 are estimated to be approximately SEK 5.57 million and SEK 16.71 million respectively. Since the social security costs associated with LTIP 2021 are covered by hedging measures through the issue of warrants, which will be exercised by a financial intermediary in connection with the exercise of the Options, the social security costs associated with LTIP 2021, estimated at 25 percent, will be fully covered. The hedging measures will instead result in an additional dilution of the Company's current shareholders (which is included in the dilution calculations presented under the heading "Dilution" above). Further, the costs associated with the establishment and administration of LTIP 2021 are estimated to be a total of SEK 850,000 up to the vesting period. In addition, minor brokerage costs will arise in connection with the exercise of hedging warrants by a financial intermediary.

The costs associated with LTIP 2021 are expected to have a marginal effect on the Company's key performance indicators.

## Equity swap arrangements

The Board of Directors proposes that the Annual General Meeting authorizes the Board of Directors to pass a resolution, on one or more occasions, for the period up until the next Meeting, to direct the Company to enter into one or more equity swap agreements with a third party (e.g., a bank), on terms and conditions in accordance with market practice, to hedge the obligations of the Company under LTIP 2021. Under such equity swap arrangements, in exchange for certain fees paid by the Company, the third party acquires (in its own name) such number of shares in the Company as are necessary to cover the Company's obligations under the LTIP 2021 and then, transfer (in its own name) such shares to the participants per the terms of the LTIP 2021.

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The costs above do not include the costs for entering into equity swap arrangements with a third party.

- » It was resolved to authorise the Board to make decisions concerning issuance of shares on one or more occasions during the period until the next Annual General Meeting. The total number of shares that may be issued pursuant to this authorisation may not exceed 10 percent of the number of shares outstanding in the Company as per the date of the AGM.
- » It was resolved, by the required majority, to authorize the Board to make decisions on the acquisition and transfer of own shares in accordance with the Board's proposal,
- » Resolved, by the required majority, to amend the Articles of Association in accordance with the Board's proposal,

### Nomination Committee

A Nomination Committee is formed each year at the initiative of the Chairman of the Board. According to the AGM, the Nomination Committee shall represent the four largest shareholders of the company. If a Nomination Committee comprising five members (including the chairman) is not obtained after having contacted the eight largest shareholders, the chairman shall continue to contact the shareholders that are next in turn until a Nomination Committee comprising four members (including the chairman) has been obtained. The work of the Nomination Committee takes place at the end of the financial year and the beginning of the new year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. The Nomination Committee's proposals, with regard to the election and remuneration of Board members, are presented in the notice of the AGM as well as on the company's website. The members of the 2021 Nomination Committee were appointed based on the ownership structure as per 30 September 2020 and known changes thereafter.

The Nomination Committee has consisted of:

- » Jan Johansson (appointed by Inger Bergstrand),
- » Per Wall (for his own holdings),

- » Timo Gatsonides (for his own and others' holdings) and
- » Claes Ödman (in his capacity of Chairman of the Board for the company).

Timo Gatsonides was appointed Chairman of the Nomination Committee. No remuneration has been paid for the work of the Nomination Committee. Sensys Gatso Group deviates from the Code's rule 2.3, second paragraph, which states that neither the CEO nor other members of executive management are to be members of the Nomination Committee. The shareholder controlling the largest number of the votes has appointed Timo Gatsonides, who was the CTO of Sensys Gatso Group and former member of executive management until January 19, 2021. In light of Timo Gatsonides' knowledge of Sensys Gatso and his large direct shareholding through a family company, it was deemed beneficial to the company to deviate from the Code on this point.

The nomination committee applies and complies with the diversity policy in the corporate governance code in its development of the proposal of directors to the board of directors. The goal of the policy is that the board shall take into account the business operations, development phase and other circumstances to prepare an appropriate composition characterized by diversity of and breath of competence, experience and background and to aim for a balanced gender distribution.

At the 2021 AGM, six members were elected, of whom three are women and three are men. As a basis for its proposal for the 2022 AGM, the Nomination Committee makes an assessment of whether the Board is appropriate based on an annual assessment of the Board's work and applying the Company Code. All shareholders are entitled to approach the Nomination Committee with proposals for the AGM. No such proposals were received before the AGM in 2021.

### Role and composition of the Board

The company's business is to develop and market traffic enforcement and traffic informatics products. The Board plays a central role in Sensys Gatso's long-term strategy, which is based on four pillars and is focused on profitable growth:

- » Expansion in the US with traffic enforcement as a service
- » Establishment in new markets with traffic enforcement as a service
- » Development of scalable software and flexible hardware
- » Expansion of service offering in our current markets

After the Annual General Meeting, the Board is the Company's highest decision-making body. The work of the Board is governed, among other things, by the Companies Act, the Articles of Association and the Board's Rules of Procedure. The Board establishes goals and strategic guidelines, is responsible for ensuring that the CEO executes Board decisions and has ultimate responsibility for the Company's internal control and risk management.

### The Nomination Committee ahead of 2021 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes	Member of the Nomination Committees since
Per Wall	for own holdings	23,000,000	2017
Jan Johansson	Inger Bergstrand	20,659,837	2014
Timo Gatsonides	Gatso Special Products BV	163,180,523	2015
Claes Ödman	Chairman of the Board	671,818	2016

According to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members. At the AGM, six ordinary Board members were elected. More information on the Board members can be found in the table on page 30. The Board of Sensys Gatso consists of:

- » Claes Ödman, Chairman of the Board (re-election)
- » Jochem Garritsen (re-election)
- » Kerstin Sjöstrand (re-election)
- » Pia Hofstedt (re-election)
- » Christina Hallin (re-election)
- » Nishant Batra (re-election)

All members of Sensys Gatso's Board of Directors are independent in relation to both the company and the company's major shareholders. No member of the Board is employed by the Group. The Nomination Committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal. For further information see pages 30 and 34.

The work is based on the Board's Rules of Procedure and follows an annual plan. Each meeting is based on an agenda and relevant background documentation distributed to the members of the Board in advance of the meeting. In addition to the statutory Board meeting in conjunction with the Annual General Meeting, the Board normally meets nine times a year (ordinary meetings, including meetings in connection with the publication of interim and annual reports). Additional Board meetings are convened when necessary. In 2021 the Board held a total of 15 (18) meetings. Matters addressed by the statutory Board meeting included the Board's Rules of Procedure, decisions regarding authorisation of company signatories, instructions for the CEO and the Board's annual planning. To date, not having found this appropriate in view of the size of the company and the independence of the board members, the Board has not established an Audit Committee or Remuneration Committee. The entire Board of Directors serves as the audit committee and remuneration committee. Ordinary Board meetings include several fixed agenda items such as strategic focus areas and risk

management. Extra time is allocated to four Board meetings annually during which special emphasis is placed on strategic issues and future business. Reporting includes developments within the operation, the organisation, analyses of risks, sustainability work, financial position and an annual update and review of the company's policies. The Board takes decisions on matters concerning the Group's strategic focus, finances, investments, acquisitions, sales and organisational issues, as well as rules and policies. All Board decisions are based on decision-making documentation and are made following discussions mediated by the Chairman of the Board. The Board monitors operations, partly through monthly reports provided by the CEO, and partly through their own work. Informal contact is also maintained among the members of the Board.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

### Committees

Work in the audit committee and remuneration committee is handled according to the Board's annual plan at ordinary Board meetings. The Board takes responsibility for, and makes decisions concerning the salaries and incentive programs of the CEO and the executive management based on policies determined by the AGM. The Board is responsible for the audit. The Board fulfils this duty by maintaining regular contact with the auditing firm, meets the company's auditor without the company's management and by examining their plan for the audit activities and remuneration for this work.

### Evaluation of the work of the board

The work of the Board is evaluated annually through a structured process led by the Chairman of the Board.

### Board work 2021

Q1	Q2	Q3	Q4
Year-End and Q4 report 2020	Annual report incl. sustainability report 2020	Interim report Q2 2021	Interim report Q3 2021
Audit	Interim report Q1 2021	Audit	Audit
Remuneration	Audit	Investigation in The Netherlands legally dismissed	Remuneration
Board evaluation	Remuneration	Strategy and business planning	Strategy and business planning
Handling of investigation in the Netherlands	Statutory board meeting after the Annual General Meeting	Technology road map	Budget 2022
Talent management and succession planning	Annual plan audit	Budget	
Proposal share based incentive program	Policies and instructions	Establishment in Colombia	
AGM preparations	Strategy and business planning	US business plan	
	Organizational development		
	Technology road map		
	Risk reporting		

### Board of Directors, as per year end 2021

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	15/15	1965	2011	500,000	671,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	15/15	1958	2016	250,000	334,162	Swedish	Board member	independent
Pia Hofstedt	15/15	1961	2016	250,000	400,000	Swedish	Board member	independent
Christina Hallin	15/15	1960	2019	250,000	52,500	Swedish	Board member	independent
Jochem Garritsen	15/15	1972	2015	250,000	110,142	Dutch	Board member	independent
Nishant Batra	13/15	1978	2020	250,000	0	Swedish	Board member	independent

\*Independent in relation to the company and/or the owners.

The 2021 evaluation was conducted by means of a questionnaire with the aim of obtaining an understanding of Board members' views on the formats of the work of the Board, the composition of the Board, of Directors, the performance of the Board and areas for improvement. The results of the evaluation have been presented and discussed by the Board. The conclusions from these evaluations and discussions have been reported orally to the Nomination Committee.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

### Remuneration to the Board

The AGM resolved that Board fees should be paid in the amount of SEK 1,750,000 per year (1,400,000), of which SEK 500,000 (400,000) will be paid to the Chairman of the Board and SEK 250,000 (200,000) per year to the other Board members.

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on committees. In 2021, remuneration was paid in accordance with note 2.

### Ensuring the quality of financial reporting

The Rules of Procedure, as well as the company's policies, which are adopted annually by the Board, include detailed instructions on matters such as what financial reports and information should be provided to the Board. In addition to year-end reports, interim reports and annual reports, the Board reviews and evaluates extensive financial data regarding Sensys Gatso. The Board also processes information on risk assessments, disputes and any irregularities that may have an impact on the financial position of Sensys Gatso. The Board also reviews the most significant accounting principles applied in the Group regarding financial reporting and material changes in accounting principles, as well as reports on internal control and the processes for financial reporting.

The Company's auditors report to the Board when necessary and at least twice annually; on at least one of these occasions the company's management is not present. In connection with the Board meeting that deals with the annual financial statements, the Administration Report, the proposed appropriation of profit and the year-end report, the Company's auditor submits a report on observations and remarks from the audit.

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the administration of the company by CEO and the Board of Directors, as well as the annual accounts of subsidiaries. The auditor also submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden. The 2021 AGM appointed BDO Mälardalen AB as auditor with Johan Pharmansson as the auditor in charge. In February 2022, Johan Pharmansson from BDO Mälardalen AB personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2021. BDO Mälardalen AB coordinated the audit of the Group's subsidiaries and all activities with a significant scope of

operations at the subsidiaries were audited by BDO in the respective countries. The 2021 AGM resolved that remuneration be paid to the auditor in accordance with approved invoicing. The audit fee for 2021 amounted to a total of MSEK 3.3 for the entire Group in accordance with Note 21.

### CEO and Group Management

The CEO leads the operations in accordance with the instructions to the CEO as adopted by the Board. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work. The CEO is responsible for ensuring that the Board receives relevant information and the decision-making documentation required for the Board to be able to make well-founded decisions. The CEO presents and justifies proposals for decisions. The CEO leads the work of the Group Management and renders decisions in consultation with other members of the management team. In 2021, Group Management consisted of the CEO, CFO, CCO and CTO. Group Management holds regular meetings to follow up operations, discuss relevant matters and draft proposals for strategic plans and budgets, which the CEO presents to the Board for decisions. Group Management has strategy days with the Board twice a year.

The Sensys Gatso Group's operations comprise five active subsidiaries. The operations of the subsidiaries are controlled by their Boards of Directors. Sensys Gatso has a decentralized structure, with a strong focus on responsibility and performance.

### Guidelines for remuneration and other employment terms and conditions for senior executives

The Group Management falls within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting. Remuneration for employment subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or local practice, taking into account the overall purpose of these guidelines. The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, the Company's business strategy is the following.

- » Expansion in the US-market with Traffic Enforcement as a Service
- » Entry into new markets with Traffic Enforcement as a Service
- » Developing scalable software & flexible hardware
- » Extension of the service scope in existing markets

For more information regarding the Company's business strategy, please see [www.sensysgatso.com](http://www.sensysgatso.com)

The Company shall offer total remuneration at the prevailing market rate to enable the recruitment and retention of senior executives.

#### *Types of remuneration, etc.*

Remuneration of the Group Management shall consist of a base salary, variable remuneration, pension and other benefits and remuneration. Together, these various parts shall comprise each individual's total remuneration. Additionally, long-term share-related incentive plans can be implemented in the Company. Such plans are resolved by the General Meeting and are therefore excluded from



these guidelines. Variable remuneration covered by these guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability. The base salary and variable compensation together constitute the senior executive's annual salary. The base salary shall take into consideration each individual's area of responsibility and experience. The variable compensation shall be linked to predetermined and measurable criteria. The variable compensation is based on the Company's net sales and EBITDA for the financial year, and may be paid to the Group Management. For the CEO and other members of the Group Management the variable compensation can amount to a maximum 50 per cent of their annual base salary. No variable compensation is to be paid out in the event of negative EBITDA. The Board of Directors is responsible for evaluating to what extent the criteria have been satisfied. The criteria shall be designed so as to contribute to the Company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The CEO shall benefit from a supplementary pension scheme with a premium that represents approximately 30 percent of the current annual salary. Other members of the Group Management shall have the right to retirement pensions as per the Swedish ITP plan or equivalent. The retirement age is 65 years. Other remuneration and benefits shall be paid at market rate and contribute to enabling each senior executive to fulfill their duties. Such benefits may be of a limited amount. For employment governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or local practice, taking into account the overall purpose of these guidelines.

The CEO's employment contract includes termination conditions. The notice period is six months. If notice is made from the Company's side a severance pay in the form of another three months' salary is paid. The customary notice period of three to six months applies to all other members of the Group Management. The fixed salary shall remain unchanged during the notice period. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 9 months following termination of employment.

#### *Salary and employment conditions for employees*

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

#### *The decision-making process to determine, review and implement the guidelines*

The Company does not have a Remuneration Committee, instead the Board of Directors handle all matters. The matters that would have been handled by a Remuneration Committee are instead handled by the Board of Directors, inter alia, preparing the Board of Directors'

decision to propose guidelines for executive remuneration. The Board of Directors also monitors and evaluates questions regarding the CEO's terms of employment, pension benefits and variable remuneration, and resolves on corresponding terms regarding other senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board of Directors shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

#### *Derogation from the guidelines*

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Board of Directors' tasks include preparing the resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines. Remuneration to senior executives can be found in note 2.

#### **Governing documents and internal control**

The purpose of internal control is to create an effective decision-making process in which requirements, goals and frameworks are clearly defined. Ultimately, internal control is aimed at protecting the company's assets and thus the shareholders' investment. The Board has overarching responsibility for ensuring that Sensys Gatso maintains satisfactory internal control. The CEO is responsible for ensuring that there is a satisfactory system of internal control covering all material risks in ongoing operations. Each year, the Board adopts governing documents in the form of instructions to the CEO, policies and guidelines including the Code of Conduct, Anti-Corruption Policy, Privacy and Data Protection Policy, Risk Policy, Information Policy, Insider Policy and Whistle Blower Policy. The company has procedures for training and compliance, assessment and evaluation of internal efficiency. The company's business plan with follow-up is an important means of ensuring internal control. The Board's Rules of Procedure along with the instructions for the CEO provide guidance and clarify what decisions are made by the Board and what decisions are made by the CEO. Given the operations and organisational structure of the Sensys Gatso Group, as well as how financial reporting is organised in other respects, the Board did not find a need for a dedicated audit function in the form of internal audit.

The CEO is responsible for ensuring that the Board of Directors receives the reports required to continually assess the financial position of the company. The Board continually assesses the financial reporting, which includes financial developments, financial position, cash flow and liquidity, as well as other important conditions. The CEO and CFO, who report to the Board, are responsible for maintaining an effective control environment and the ongoing processes of internal control and risk management. The Board maintains an ongoing dialogue with the Company's auditor regarding the scope and quality of the Company's financial reporting, as well as the effectiveness

of the internal control and governance.

The Sensys Gatso Group's operations comprise active subsidiaries. The operations of the subsidiaries are controlled by their Boards of Directors with representatives from Group Management. Sensys Gatso has a decentralized structure and culture, with a strong focus on responsibility and performance.

### **Code of Conduct, policies and guidelines**

Our global presence requires that our employees and business partners take responsibility for themselves and for each other. To this end we have created a regulatory framework, our Code of Conduct.

The Code of Conduct is to be followed by everyone in our Group, including our employees, the Board and management. We also inform our business partners about the Code of Conduct, and we expect them to comply with it.

Our Code of Conduct states that we are to act as a reliable and honest partner, living up to our commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment. The Code clarifies our position on issues related to human rights, labour conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees, regardless of their position.

In addition to the code of conduct, the board adopts a large number of policies and guidelines, e.g. anti-corruption policy, whistleblower policy, data and information security policy, risk policy, information policy and insider policy. In January this year, Sensys Gatso informed the market that the Dutch Tax Information and Tax Investigation Authority (FIOD) in the Netherlands had initiated an investigation into alleged irregularities on Gatsometer B.V that would take place in 2014-2015 before the company was acquired by Sensys Traffic. Sensys Gatso naturally cooperated fully with the investigating authorities and carried out a thorough internal investigation of the allegations and the results were communicated to FIOD. At the beginning of August 2021, Sensys Gatso was informed of the formal results of the investigation. The Dutch authorities rejected the allegations and the investigation was closed. Sensys Gatso is a company based on integrity. It defines who we are as people, as partners to our customers and how we shape our solutions. It was integrity that guided us in our communication with the authorities and the market.

### **Equality and diversity policy**

Differences between people include not only gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, education, living situation and values. Taken together, such differences create a dynamic diversity that adds new perspectives and ideas. This collective diversity represents the competence within Sensys Gatso, which is a strategic asset in the Group's commercial and operational development. Sensys Gatso views equality and diversity as both self-evident and a strength, and therefore strive to achieve diversity in the composition of the workforce and in recruitment. The purpose of the equality policy is to prevent individuals from being chosen for certain groups purely/primarily due to their gender, or so that a group does not become single gendered. Candidates are appointed to positions based on the defined requirements profile. If candidates are equally qualified, Sensys Gatso shall ensure that the company's work groups are well balanced and that Sensys Gatso uses the time and skills of its employees in a manner that benefits

both operations and individual personal development. When filling vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution.

In practice, this means that management takes responsibility and strives to ensure that the company's groups have a good balance of employees whose time and skills are used in a manner that benefits both operations and individual personal development. The aim is to strive for as even a distribution as possible of all work tasks in the workplace and to act to prevent gender division in different tasks and roles.

### **Risk assessment**

The company continuously monitors risk and updates its analysis and assessment of risks that could lead to errors in the financial reporting. This is achieved mainly through documented procedures and contacts between the CEO and CFO. The financial risk assessment is mainly related to the potential for material misstatement in the reporting of the company's financial position and performance. To minimise these risks, governing documents have been established for accounting and there are procedures for annual reporting and follow-up of reported annual accounts. The financial reporting is managed through the Group's control structure. Management also works continuously to identify and manage significant risks that affect the financial reporting. More information about the company's risk management and financial risks can be found in Note 25.

Management identifies those areas that are at increased risk of strategic, financial, or operational errors. In accordance with the risk policy, at least once a year the Board analyses the outcome of the company's risk assessment and risk management to ensure that it covers all significant risk areas.

### **Control activities**

Sensys Gatso has established and documented a number of internal procedures that are both preventive in nature and aimed at avoiding losses or errors in the financial reporting. Control activities involve all levels in the organisation. To ensure completeness and accuracy in the financial reporting, instructions and guidelines are being put into place and communicated to the relevant personnel. Control activities also include follow-up and comparisons of earnings and order intake, account reconciliations and balances, as well as accounting and valuation principles.

Financial reports are prepared for the Group each quarter. The process includes detailed reviews and analyses, as well as specific analyses of revenue recognition, cost follow-up, investments, cash flow, financing and liquidity. The control environment, which is summarised in Sensys Gatso's policies and guidelines, is established based on how the operations are organised, the corporate culture, communication, documentation and follow-up. The main task for management and its employees is, in part, to apply, assess and maintain Sensys Gatso's control procedures and, in part, to perform internal control focused on business-critical issues. The company's auditor reviews a selection of controls and procedures and reports any areas for improvement to the management team and the Board. Nothing has emerged to indicate that the control system would not work as intended.

The Sensys Gatso share is listed on a regulated market, Nasdaq Stockholm, and the company applies and follows the Nasdaq Rulebook for Issuers of Shares, as well as laws, rules, and good practices in the stock market. The share is traded under the ticker symbol SENS.