

Corporate Governance Report 2019

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarter in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso follows the Swedish Code of Corporate Governance and hereby states the 2019 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.



Shareholders and General Meetings of Shareholders

The shareholder's rights to decide on Sensys Gatso Group's affairs are exercised at the Annual General Meeting (AGM), or when applicable extraordinary general meeting, which is the company's highest decision-making body. The AGM is to be held no later than six months after the end of the financial year and is usually held in April / May. At the AGM, the shareholders elect the company's Board of Directors, appoint external auditors, and decide on their fees. Furthermore, the AGM resolves on whether to adopt the income statements and balance sheets, to approve the appropriation of the company's profit and to discharge the Board and CEO from its liabilities. The AGM also resolves on the composition of the Nomination Committee, instructions to the nomination committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other group management.

The number of shareholders at year end was 19,001 (20,606). The largest individual shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) (Gatso Special

Products BV) with a total of 18.95 percent (18.95). For more information on the ownership structure, share capital, share price, etc, kindly notice the Sensys Gatso share on page 21.

Annual General Meeting

The 2019 AGM was held on May 9th in Jönköping. A total of 23 (24) shareholders were presented at the meeting, representing 15.8 per cent (27.3) of the votes. The CEO informed about the position of the company and commented on the results for 2018, and the first quarter of 2019. During the AGM, the shareholders were given the opportunity to ask questions. Minutes from the AGM can be found on Sensys Gatso's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting;

- » It was resolved that no dividend for 2018 was to be made.
- » The annual general meeting resolved to re-elect Claes Ödman, Jochem Garritsen, Pia Hofstedt, Kerstin Sjöstrand and new election of Christina Hallin as members of the Board of Directors for the period until the end of the next annual general meeting.
- » Claes Ödman was re-elected as Chairman.
- » 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
- » It was resolved that the nomination committee shall be constituted by offering the four largest shareholders the possibility to each appoint their representative.

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 during the end- and the beginning of the financial year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when mak-

ing 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 nomination committee for 2019 was appointed based on the ownership structure as per 30 September 2018 and then known changes.

The nomination committee has consisted of Jan Johansson (appointed by Inger Bergstrand), Per Wall, Timo Gatsonides (for own and others' holdings) and Claes Ödman (in his capacity as chairman of the company). Timo Gatsonides has been appointed Chairman of the nomination Committee. No remuneration has been paid for the work of the nomination committee.

Sensys Gatso deviates from the Code's rule 2.3, second paragraph, which states that neither the chief executive officer nor other members of the executive management are to be members of the nomination committee. The shareholder controlling the largest number of the votes has appointed Timo Gatsonides who is CTO of the Sensys Gatso and member of the executive management. In light of Timo Gatsonides' knowledge of the Sensys Gatso and his large indirect shareholding through a family company, it was deemed beneficial to the company to deviate from the Code on this point. No violations of Nasdaq Stockholm's Rules for Issuers or good practice in the stock market have occurred.

All shareholders are entitled to approach the nomination committee with proposals for the AGM. No such proposals were received before the AGM in 2019.

Remuneration guidelines

The remuneration guidelines for 2019 was approved by the AGM.

External auditors

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the CEO's and Board of Directors's administration of the company, the annual accounts of subsidiaries and 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.

At the AGM 2019, BDO AB was appointed as auditor with Johan Pharmansson as the auditor in charge. In February 2020 Johan Pharmansson personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2019.

Audit of the Group's subsidiaries has been coordinated by BDO AB and all of the activities in companies with a significant scope of operations has been audited by BDO in the respective country.

Remuneration to the auditors in 2019, was paid in accordance with the table in note 21.

THE BOARD OF DIRECTORS

The Board of Directors (BoD) currently consists of five members elected at the AGM. Company employees participate in Board meetings in a reporting capacity.

The Nominating Committee's reasoned statement ahead of the AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee has addressed the diversity within the Board.

The goal 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, and that an even gender balance shall be strived for. The 2019 AGM resolved to elect board members in accordance to the Nominating Committee's recommendation, entailing that five directors were elected, of whom three are women and two are men.

For further information concerning the Board of Directors, please notice page 34 of this annual report.

The work of the Board

The work of the Board is regulated by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board. The BoD determines issues concerning the Group's strategic focus, finances, investments, acquisitions, sales and organizational issues and rules and policies. The BoD is informed of the company's 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. Normally, nine board meetings are held each year whereof one statutory board meeting in conjunction with the AGM. Four of the board meetings are held prior to the publication of interim reports and four board meetings per year are assigned additional time, where a specific focus is placed on strategic issues and future business. The internal steering documents are approved on an annual basis. The auditor of the company is present at board meetings whenever needed, normally once a year. Notices and supporting documents are sent to the Board one week in advance of the Board meetings.

The work of the Board 2019

The Board held 13 (15) meetings during the financial year 2019. In conjunction with the Annual General Meeting, a statutory Board meeting was held at which decisions were made regarding company signatories, the Board's rules of procedure, CEO instructions and scheduled Board meetings throughout the year. Four of the Board meetings were held prior to the publication of interim reports, and six meetings were held with strategic focus. The internal steer-

The Nomination Committee ahead of 2019 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	21,004,714	2014
Timo Gatsonides	for own holdings	163,000,000	2015
Claes Ödman	Chairman of the Board	521,818	2016

ing documents were reviewed and approved by the board according to the yearly cycle. Seven of the meetings were physical meetings and six were online meetings. The attendance at Board meetings is presented on page 30.

The Group's CEO took part in all the Board meetings to present the reports and the Group's CFO reported the financial development. For information on the CEO, see page 35 of the Annual Report.

Board of Directors' independence

According to the Swedish Corporate Governance Code, the majority of the elected Board members must be independent in relation to the company and management team. At least two of these must also be independent in relation to the company's largest shareholders. All members of the Sensys Gatso's Board are independent in relation to the company and in relation to the company's largest 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 please see page 21 and 34.

Evaluation of the work of the Board

The work of the Board is evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. Among other things, the process includes a questionnaire in which Board members have the opportunity to express their opinion of the Board's work and to propose ways to improve it. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods. The findings were presented to the Nomination Committee.

Special committees

The Board does not include any special committees. The Chairman of the Board, in consultation with the other Board members, takes responsibility for, and makes decisions, concerning the salaries and incentive programs of

the CEO and group management on the basis of policies determined at the Annual General Meeting.

All members of the Board of Directors assume responsibility for ensuring that audit activities are conducted in an effective manner and that the company has appropriate internal control procedures in place and produces high-quality financial reports. The Board fulfils this duty by maintaining regular contact with the auditor and by examining their plan for the audit activities and the remuneration for this work.

CEO and Group Management

The CEO of Sensys Gatso Group is responsible for leading and developing operating activities according to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board.

The CEO is assisted by group management consisting of the Heads of areas. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work and for the Board to make informed decisions. The CEO is responsible for bringing matters to the attention of the Board and for motivating proposed decisions. Also the CEO leads the work of the group management and makes decisions in consultation with other members of management. Group management has at least 12 meetings per year during which it follows up operations, discusses matters affecting the Group and drafts proposals for strategic plans and budgets, which the CEO presents to the Board for decision. At year-end the management team for the Group consisted of Ivo Mönning (CEO), Simon Mulder (CFO), Timo Gatsonides (CTO) and Joris Lampe (CCO).

Management of subsidiaries

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

Board work 2019

Q1	Q2	Q3	Q4
20 February <i>Q4 & Year-End Report</i>	8 April <i>Annual Report and AGM</i>	17 July <i>Cash-flow and repayment shareholders' loan</i>	16 October <i>Business plan, cash-flow and financing growth</i>
14 March <i>Strategic meeting</i>	24 April <i>Interim Report Q1 - Governance</i>	28 August <i>Interim Report Q2</i>	27 November <i>Interim Report Q3</i>
	9 May <i>Statutory meeting and approval of corporate policies</i>	23 September <i>Strategic meeting and approval of corporate policies</i>	4 December <i>Strategic meeting and approval of corporate policies</i>
	28 May <i>Strategic meeting</i>		

Board of Directors, as per year end 2019

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	13/13	1965	2011	400,000	521,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	13/13	1958	2016	200,000	28,542	Swedish	Board member	independent
Pia Hofstedt	13/13	1961	2016	200,000	300,008	Swedish	Board member	independent
Christina Hallin	6/13	1960	2019	200,000	52,500	Swedish	Board member	independent
Jochem Garritsen	13/13	1972	2015	200,000	110,142	Dutch	Board member	independent

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

Code of Conduct

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

The Code of Conduct is to be followed by everyone in our Group, employees as well as the Board and management. We also communicate our Code of Conduct to our business partners, with the expectation that they are to comply with it.

Our Code of Conduct states amongst other things, how we are to act to become a reliable and honest partner, living up to its 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, labor conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees regardless of their position.

Equality and diversity policy

Differences between people can constitute not only gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, education, living situation and values. Taken together, this creates 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 strives 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 teams purely/primarily due to their gender, or so that a group does not become single gendered. A candidate is appointed in accordance with the defined requirements profile. If two or more candidates are equally qualified, Sensys Gatso shall ensure that the company's teams 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 appointing vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution. 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.

REMUNERATION TO THE MANAGEMENT AND THE BOARD

Guidelines for remuneration

Remuneration to the CEO and other group management consists of basic salary, variable remuneration, other benefits and pensions. The balance between basic salary and variable remuneration is to be in proportion to the employee's responsibilities and authority. For the CEO, annual variable remuneration is capped at six months' salary. For other group management, annual variable remuneration is also capped at six months' salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for turnover and operating profit. In case of termination of employment of a senior executive by the Group, the compensation amounts to 3 months' base salary. See note 2. The remuneration guidelines were approved by the AGM.

Remuneration to the Members of the Board

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on the committees. In 2019, remuneration was paid in accordance with note 2.

Remuneration to the Auditors

In 2019 remuneration to the auditors was paid in accordance with note 21.

INTERNAL CONTROL AND FINANCIAL REPORTING

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 thereby the shareholders' investment. The company also has a set of policies i.e. Code of Conduct, Anti-Corruption Policy, Whistle blower Policy, Privacy Policy, Risk Policy, Finance Policy, IR & Communication Policy and Insider Policy, internal instructions, procedures, systems and responsibilities in place to improve internal control.

Financial reporting to the Board

The CEO is responsible for ensuring that the Board of Directors receives the reports required to enable the Board to continually assess the company's financial position. The company's results and development are followed up on a monthly and quarterly basis and reported with analyses and comments to the Board. The company's business plan and reviews of the business plan constitute an important means of ensuring internal control. The company's financial reporting complies with the laws and regulations applicable to companies listed on the Stockholm Stock Exchange. It is of the opinion that a separate review function (internal audit) would not add additional value to the Group, which is why such a function does not exist.

Risk assessment

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 minimize these risks, governing documents have been established for accounting, procedures for annual reporting and follow-up of reported annual accounts. In addition, the risk policy, risk management instructions and finance policy, the management works continuously to identify and manage significant risks effecting the financial reporting.

Further details about the company's risk management are provided under note 24.

Control activities and follow-up

Control activities involve all levels of the organization. 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 balance as well as accounting and valuation principles.

The Company is subject to provisions of the EU's Market Abuse Regulation No. 596/2014 (MAR), putting great demands on the Company on how to handle inside information. In particular, MAR governs how insider information should be published to the market, the conditions under

which publication may be postponed and in what way the company is required to keep a list of persons working for the company, having access to inside information concerning the company (so-called logbook).

Since January 2017, the Company uses InsiderLog, a digital tool, to ensure that the above management meets the requirements of MAR and the Company's insider policy; from the decision to postpone disclosure of insider information all the way to the notice to be submitted to SFSA (Finansinspektionen) when the insider event is closed and the information has been disclosed. Only authorized persons in the Company have access to InsiderLog.

Information and communication

Sensys Gatso continuously provides information about the Group's performance and financial position to the market. The CEO is responsible for the accuracy and high quality of all information provided, for example, financial press-releases and presentation materials for various meetings with the media, shareholders and investors. An information policy applies for external communication that provides guidelines to the presentation of such information. The policy is intended to ensure that Sensys Gatso's information requirements are met in an accurate and complete manner. The most important governing documents, in the form of policies and instructions, are kept up-to-date and are communicated via the appropriate channels, mainly electronically. Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities.

Sensys Gatso's whistle-blower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Shareholders

Sensys Gatso Group's shares have been listed on the Stockholm Stock Exchange since 2001. Sensys Gatso has a share capital of SEK 43.0 (43.0) million. The number of outstanding shares in Sensys Gatso at year-end was 860,024,407 (860,024,407) and the number of shareholders totaled 19,001 (20,606). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. As detailed on page 21, the company has one shareholder (Gatso Special Products BV) with number of shares that exceeds 10 percent of

the company's total number of shares. For further information about the ownership structure, trading and share price movements, see page 21. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

Articles of association

The Articles of Association of Sensys Gatso Group AB state that the company's business is to develop and market traffic enforcement and traffic informatics products.

The Board of Directors shall consist of at least three and no more than seven Board members with no more than three Deputy Board members. The Board of Directors shall have its registered office in Jönköping in the Municipality of Jönköping. The Board members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.

The company's accounts shall be examined by one or two auditors with up to two deputy auditors or a registered auditing firm. The Board is responsible for ensuring that there is an effective system for internal control and risk management. Responsibility for creating a good environment for working on these issues has been delegated to the CEO.