Corporate governance

Corporate Governance Principles
AddLife is a public limited liability Company whose class B shares were listed on Nasdaq Stockholm on 16 March 2016, for which reason the Company complies with the Swedish Code of Corporate Governance (the “Code”). The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The Code is part of self-regulation by the Swedish business community and is based on the principle of “comply or explain”. This means that companies are not obliged to apply every rule in the Code, but are allowed the freedom to choose alternative solutions provided that the reasons for any deviation is explained. AddLife has two deviations from the code to report for the 2019 financial year. The deviations and related explanations are presented in the section on the Nomination Committee. This corporate governance report has been reviewed by the auditor. The corporate governance report is available on the Company’s website under Investors, www.add.life/investerare/bolagsstyrning.

Share structure and shareholders
On 31 December 2019 share capital in AddLife AB amounted to SEK 58,309,340. There were a total of 28,624,573 shares in the Company, including 1,156,304 Class A shares and 27,468,269 Class B shares. The nominal value of each share was SEK 2,037. Each Class A share carries ten votes and each Class B share carries one vote. Only the Class B share is listed on Nasdaq Stockholm.

As of 31 December 2019, the Company had 4,431 shareholders, the 15 largest of whom controlled 65.41 percent of the share capital and 72.79 percent of the votes. At the end of the financial year, Swedish investors accounted for 52.58 percent of shareholders, and foreign investors owned 47.42 percent of the share capital. The proportion of legal entities was 84.48 percent, while natural persons accounted for 15.52 percent of the share capital. Roosgruppen AB (Håkan Roos through companies) and Tom Hedelius are the only shareholders with a direct or indirect shareholding in the Company representing at least one tenth of the voting rights for all shares in the Company.

Articles of Association
According to the Articles of Association, the Company’s name is AddLife AB and it is a public Company. The Company’s most recent financial year extended from 1 January – 31 December.

The Company’s principal business is “to directly or through a wholly or partially owned subsidiary engage in trading with and produce mainly medical equipment and products, and to pursue other compatible business”. The Board of Directors is based in Stockholm and shall comprise at least four and no more than six members. Notice of the Annual General Meeting shall be published in Post- och Inrikes Tidningar (official Swedish gazette) and on the Company’s website. The issuance of the Notice of the Annual General Meeting shall be advertised in the Swedish newspaper Svenska Dagbladet.

The most recently recorded Articles of Association, adopted at the Extraordinary General Meeting on 13 January 2016, are available in their entirety on the Company’s website under investors, www.add.life/investerare/bolagsstyrning/bolagsordning.

General Meeting
The Annual General Meeting is the highest decision-making body in which shareholders exercise their voting rights. The Annual General Meeting resolves on the annual report, dividends, appointments to the Board of Directors, election of auditor, compensation to the Board of Directors and remuneration to the auditor, as well as other issues in accordance with the Swedish Companies Act and the Articles of Association. Further information about the Annual General Meeting and minutes from the meetings are available on the Company’s website. The Company does not apply any special arrangement in relation to

Compliance with applicable rules for trading
No violations of any applicable stock exchange rules occurred in 2019 and AddLife’s operations were conducted in accordance with good practices in the stock market.

Division of responsibilities
The purpose of corporate governance is to establish a clear division of roles and responsibilities between shareholders, the Board of Directors, the Board’s committees and Senior Management. Corporate governance within AddLife is based on applicable legislation, primarily the Swedish Companies Act, the listing agreement with Nasdaq Stockholm, the Swedish Code of Corporate Governance (the “Code”) and internal guidelines and regulations.

Shareholders
Nomination Committee
General Meeting/Annual General Meeting
Remuneration Committee
Board of Directors
Audit committee
CEO and senior management
Labtech
Medtech
Auditors

Corporate governance

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the functions of the General Meeting due to any article in the Articles of Association, or as far as the Company is aware of, any shareholders’ agreement.

Information about the 2020 Annual General Meeting is available in the Annual Report under “Welcome to the Annual General Meeting” and on the Company’s website.

Right to participate at the General Meeting and shareholders’ right of initiative

Shareholders registered in the share register maintained by Euroclear five days before the General Meeting and who, by the date specified in the Notice of the General Meeting, have informed the Company of their intention to attend, are eligible to participate in the General Meeting and to vote for the number of shares held. Shareholders may attend the Meeting in person or by proxy, and may be accompanied by a maximum of two assistants. Shareholders’ assistants may accompany them at a General Meeting if the shareholders provide notification thereof in accordance with the procedure for shareholder registration.

In addition to notifying AddLife, shareholders whose shares are nominee registered at a bank or other nominee must request that their shares be temporarily registered under their own names in the share register maintained by Euroclear to be eligible to participate in the Meeting. Shareholders should inform their nominees in good time before the record date. Shareholders seeking to have a matter addressed at a General Meeting must submit a written request to the Board. The request must normally be received by the Board no later than one week before the earliest point at which the notice of the Meeting may be issued under the Companies Act. Every shareholder that submits a request within the required time has the right to have the issue brought before the General Meeting.

Annual General Meeting 2019

AddLife’s Annual General Meeting was held on Thursday, 9 May 2019 in Stockholm. In all, 87 shareholders were present at the Meeting, in person or by proxy, representing 65.97 percent of the votes and 56.31 percent of capital. Chairman of the Board Johan Sjö was elected to serve as chairman of the AGM. The meeting was attended by all members of the Board and Group Management. Authorised public accountant Håkan Olsson Raising, auditor for AddLife, was also present at the meeting as AddLife’s elected auditor from KPMG.

The 2019 Annual General Meeting resolved:

- To adopt the financial statements for 2018
- To pay shareholders a dividend of SEK 2.20 per share, regardless of share class
- To discharge the Board of Directors and Chief Executive Officer from liability for the past financial year
- To re-elect board members Johan Sjö, Håkan Roos, Birgit Stattin Norinder, Eva Nilsagård, Stefan Hedelius and Andreas Göthberg
- To re-elect Johan Sjö to serve as chairman of the Board
- To elect the audit firm KPMG AB to serve as auditor
- To implement a long-term incentive scheme under which the participants will have the opportunity to acquire call options at market prices for shares repurchased by AddLife AB
- To authorise the Board of Directors to acquire, prior to the next AGM, a maximum number of Class B shares so that the Company’s own holdings in AddLife does not exceed 10 percent of all shares in the Company at any time.
- To authorise the Board of Directors to resolve on a new issue of up to 10 percent of the number of Class B shares for use as payment in acquisitions.

The AGM’s other resolutions are presented in the complete minutes from the AGM, which together with other information about the 2019 AGM can be found at www.addlife/investerarer/bolagsstyrning/bolagsstämma.

Annual General Meeting 2020

AddLife’s 2020 Annual General Meeting will be held on Thursday 7 May at Näringslivets hus in Stockholm. For additional information about the 2020 AGM please see the section called “Welcome to the Annual General Meeting” in the annual report, as well as AddLife’s website www.addlife.se.

Nomination Committee duties

The Nomination Committee’s mandate from the Annual General Meeting is to evaluate the composition and work of the Board of Directors as well as to submit proposals to the AGM for the Chair of the AGM, Directors and Chairman of the Board, auditors, remuneration to directors who are not employed by the Company, election, where appropriate, of a registered auditing firm and auditors’ fees, as well as principles for election of members to the Nomination Committee.

Nomination Committee members receive no compensation from the Company for the work of the Committee. The Nomination Committee had two meetings where minutes were taken prior to the 2020 AGM at which all members were present. The complete proposals of the Nomination Committee to the AGM are presented in the notice to attend the meeting and on the Company’s website.

Composition of the Nomination Committee

In accordance with the Code, the Company shall have a Nomination Committee. On 1 September 2016 the AGM adopted principles for appointing the Nomination Committee. Consequently, the Annual General Meeting does not decide on these principles and the Nomination Committee mandate annually, unless the principles or the mandate are to be changed. The Nomination Committee consists of representatives of the five largest known shareholders by vote as of 30 September each year, as well as the Chairman of the Board of Directors, who is also tasked with convening the first meeting of the Nomination Committee. The Nomination Committee appoints a Chairman from among its members. The composition of the Nomination Committee shall be announced not later than six months before the Annual General Meeting.
In accordance with the above, the Nomination Committee comprises these appointed members: Johan Sjö, Chairman of the Board, Stefan Hedelius, Håkan Roos (appointed by RoosGroup AB), Vegard Søraunet (appointed by Odin Fonder), Monica Åsmyr (appointed by Swedbank Robur Fonder) and Kristofer Flack (appointed by SEB Investment Management). The composition of the Nomination Committee was announced in conjunction with the presentation of the interim report for the third quarter on 7 November 2019.

One Nomination Committee member is a Board member and two members are not independent of the Company’s major shareholders. Håkan Roos is Chairman of the Nomination Committee.

The Nomination Committee shall prepare proposals for the Chairman of the Meeting, Board members, remuneration to each of the Board members, the Board members and the Chairman of the Board, as well as the election of a registered firm of auditors and audit fees. The Nomination Committee’s proposals to the AGM will be presented in the notice to attend the meeting and on the Company’s website. Nomination Committee members receive no compensation from the Company for the work of the Committee. However, the Company is responsible for costs associated with the execution of the Nomination Committee. The Company did not pay any expenses associated with the Nomination Committee’s mandate during the year.


deviations

The Company has two deviations from rule 2.4 of the Code regarding the composition of the Nomination Committee. According to the Code, a Board member should not serve as the chair of the Nomination Committee and at most one Board member should be dependent in relation to the company’s major shareholders.

Explanation: The Nomination Committee has determined that it is appropriate that the Chairman of the Nomination Committee is the member who represents the largest group of shareholders. The Nomination Committee has also deemed it appropriate that two Board members, who are dependent in relation to major shareholders, are included in the Nomination Committee as they have good knowledge of both the company and other shareholders.

Diversity policy

The Nomination Committee uses 4.1 in the Code as its diversity policy. This means that AddLife’s Board of Directors shall consist of a well-balanced mix of skills, experience and background that is important for responsibly and successfully managing AddLife’s strategic work. To achieve this, knowledge of Life Science, corporate governance, compliance with rules and regulations, financing and financial analysis and remuneration issues is desirable. In addition, diversity regarding age, gender, education and other professional backgrounds is taken into account. The goal is to have a Board with good diversity and gender equality. No Board member shall be discriminated against based on religion, ethnic background, age, gender, sexual orientation, disability or for other reasons.

The Board of Directors

According to AddLife’s Articles of Association, the Board of Directors must consist of four to six members. Members are elected annually at the AGM for the period extending until the end of the next AGM. There is no limitation on how long a member may serve on the Board of Directors. AddLife’s Board of Directors consists of the members Johan Sjö, Håkan Roos, Stefan Hedelius, Andreas Göthberg, Birgit Statтин Norinder and Eva Nilsagård. Johan Sjö is Chairman of the Board. Information about the Board members can be found in the section “Board and Management.”

Responsibility and work of the Board of Directors

The duties of the Board of Directors are set forth in the Swedish Companies Act, AddLife’s Articles of Association and the Code. In addition to this, the work of the Board of Directors is guided by the Rules of Procedure for the Board of Directors, which is adopted by the Board of Directors. The Board of Directors has adopted written rules of procedure governing its work and internal division of labour, including its committees, decision-making procedures within the Board, the Board’s meeting procedure and the Chairman’s duties. The Board of Directors has also issued instructions for the CEO and instructions for financial reporting to the Board. In addition, the Board has adopted a number of policies for the Group’s operations such as the Financial Policy, Communications Policy and Code of Conduct. The Board supervises the work of the CEO through ongoing moni-
moring of operations over the year and is responsible for the organisation, management and guidelines of the management of the Company’s affairs being suitably designed and for the Company maintaining good internal control and effective systems for the monitoring and control of the Company’s operations, as well as compliance with the legislation and regulations applicable to the Company’s operations. The Board of Directors is also responsible for establishing, developing and monitoring the Company’s targets and strategies, decisions on acquisitions and divestments of operations, major investments and appointments and remuneration to Group Management. The Board of Directors and the CEO present the annual accounts to the Annual General Meeting.

An annual evaluation of the work of the Board of Directors shall be performed under the leadership of the Chairman of the Board and the Nomination Committee shall be informed of the outcome of the evaluation. The Board of Directors shall continuously evaluate the work of the CEO. This matter shall be addressed individually each year with no member of Company management being in attendance. Moreover, the Board of Directors shall evaluate and assess any significant appointments which the CEO may have outside of the Company. Under the leadership of the Chairman of the Board, the annual evaluation of the work of the Board was carried out in November 2019, and the Nomination Committee was informed of the outcome of the evaluation.

The Board of Directors’ Rules of Procedure
The rules of procedure for the Board of Directors shall annually be evaluated, updated and adopted. If the Board establishes any internal committees, the Board’s rules of procedure shall specify the duties and decision-making powers delegated to committees by the Board and how the committees are to report to the Board.

The Board of Directors shall hold regular meetings in accordance with a program specified in the Rules of Procedures and such program shall include predetermined decision points and other points if necessary. During the financial year, the Board of Directors held 14 meetings, 8 of which were held before the 2019 AGM and 6 after the AGM. The Board members’ attendance is shown in the above table. At its regular meetings, the Board of Directors addressed the predetermined points on the table at each Board meeting in accordance with the Board’s rules (such as the CEO’s report on operations, financial reporting, investments and projects).

Remuneration Committee
Provisions for the establishment of a Remuneration Committee are included in the Code. The Company applies the Code and, as a result, AddLife’s Board of Directors has established a Remuneration Committee.

The Board has appointed a Remuneration Committee consisting of Johan Sjö (chairman) and Håkan Roos. The Remuneration Committee has prepared a proposal for principles for remuneration to senior executives. The proposal has been discussed by the Board of Directors and will be presented to the Annual General Meeting for resolution. Based on the decision of the Annual General Meeting, the Board then determines the remuneration of the CEO. The CEO shall not be involved in discussions of her own remuneration. The Remuneration Committee sets the remuneration of other members of Group management based on proposals from the CEO. The Board of Directors shall be informed of the Remuneration Committee’s decision. The Remuneration Committee then has the task of monitoring and evaluating application of the guidelines for remuneration to senior management as decided by the Annual General Meeting. The Committee shall also monitor and evaluate programs of variable remuneration to the Group Management in progress and those completed during the year.

The Remuneration Committee held one meeting during the financial year. All Committee members were present at the meeting.

Audit Committee
Provisions for the establishment of an Audit Committee are included in the Companies Act and the Code. The Company applies the Code and, as a result, AddLife’s Board of Directors has established an Audit Committee consisting of all of the Board members. The Committee’s work shall be conducted as an integral part of the Board of Directors’ regular meetings. Eva Nilsagård is the appointed chairman of the Audit Committee. Johan Sjö, Birgit Stattin Norinder, Andreas Göthberg and Eva Nilsagård are independent in relation to the Company and Group Management as well as in relation to the Company’s major shareholders, and Johan Sjö, Birgit Stattin Norinder and Eva Nilsagård are skilled in accounting or auditing. Without impacting the Board of Directors’ responsibilities and tasks in general, the Audit Committee shall monitor the Company’s financial reporting, monitor the effectiveness of the Company’s internal control and risk management with respect to financial reporting, keep informed about the audit of the financial statements, review and monitor the auditor’s impartiality and independence and pay special attention to whether the auditors provide the Company with services other than auditing services, and assist in the preparation of proposals for the Annual General Meeting for the election of auditors. In connection with the meeting at which the Board of Directors adopts the annual financial statements, the Board shall receive a report from the Company’s external auditors and be briefed on this. The Board of Directors shall on such occasion also have a briefing with the auditors without the presence of the CEO or any other member of the Company Management.

The Audit Committee has had four meetings in 2019 in connection with publication of the interim reports. In addition, AddLife’s risk matrix was discussed and the Company’s external auditors reported on the interim review.

In connection with the adoption of the annual accounts for 2019 at the Board meeting in February 2020, the Board received a review and a report from the Company’s external auditors.

Remuneration to the Board of Directors
Fees to the Chairman and directors shall be resolved on by the General Meeting. In accordance with a decision by the Annual General Meeting on 9 May 2019, the full-year fees to each of the elected Board members amounts to SEK 275,000, and SEK 575,000 to the Chairman. The chairman of the Audit Committee is paid a fee of SEK 50,000 for the full year. In accordance with the decision, the total full-year fees payable amount to SEK 2,000,000.

Chief Executive Officer
Kristina Willgård is the CEO of the Company. A presentation of Kristina Willgård can be found in the section “Board and senior management” and on the Company’s website.

The CEO shall manage the operations in accordance with the Companies Act and within the framework established by the Board of Directors. The work and role of the CEO and the division of duties between the Board of Directors and the CEO are detailed in a written set of instructions set out by the Board of Directors (“Instructions to the CEO”). The Board of Directors continuously evaluates the work of the CEO. In consultation with the Chairman, the CEO has prepared the information needed to make decisions at Board meetings and has presented reports and reasoned proposals for decisions.

The CEO shall lead the work of the Group Management and make decisions in consultation with the other members of the Group Management. In addition to Kristina Willgård, Group Management also includes Martin Almgren, CFO, Peter Simonsbacka, Business Area Manager Labtech, Lars-Erik Rydell, Business Area Manager, Medtech, and Ove Sandin (additional member), Business Unit Manager for Diagnostics.

Group management regularly reviews operations in meetings chaired by the CEO. A more detailed presentation of Group Management is given in the section “Board and Management” and on the Company’s website.

Operational organisation
During the financial year, the Group’s operations were organised into two business areas – Labtech and Medtech. Operations are conducted in subsidiaries in the Nordic region, Central and Eastern Europe, Australia and China. Each operating Company has a board of directors in which the Company’s CEO and senior executives from the business area are represented. Each company president reports to a business division manager or business area manager, who, in turn reports to the CEO for AddLife AB.

Financial reporting
The Board of Directors has established operating procedures with instructions on internal financial reporting. All interim reports and press releases are published on AddLife’s website, www.add.life, directly adjacent to the announcement.

Internal control of financial reporting
Internal control
The Board of Directors’ and the CEO’s responsibility for internal control is regulated by the Companies Act. The Board of Directors’ responsibilities are also regulated in the Code and the Annual Accounts Act. The Board of Directors has overall responsibility for ensuring that the Group has an effective system for management and internal control. This responsibility includes annually evaluating the financial reporting the Board receives and stipulating the content and format of these reports to ensure their quality. This requirement means that the financial reporting must fulfil its purpose and comply with applicable accounting rules and other requirements incumbent on listed companies. The Chief Financial Officer (CFO) has presented reports to the Board on the Group’s internal control.

Control environment
AddLife builds and organises its business on the basis of decentralised responsibility for profitability and earnings.

In decentralised operations, the basis for internal control consists of a well-established process aimed at defining targets and strategies for each business. Internal guidelines and Board-approved policies communicate defined decision-making channels, powers of authority and responsibilities. The Group’s foremost financial control documents include its financial policy, financial manual and instructions for each financial closing. A Group-wide reporting system with related analysis tools is used for the Group’s closing procedures. On a more general level, all operations within the AddLife Group are conducted in accordance with the Group’s Code of Conduct.

Risk assessment
AddLife has established procedures for managing risks that the Board of Directors and senior management have deemed essential for the internal control of the Company’s financial reporting.

The Board holds the opinion that the Group’s exposure to a variety of market and customer segments, and the fact that the operations are conducted in over 45 operating companies, entail significant risk diversification. The risk assessment shall be based on the Group’s income statement and balance sheet to identify the risk of significant errors. For the AddLife Group as a whole, the greatest risks are linked to the reported value of intangible assets in relation to acquisitions, inventories and revenue.

Control activities
Control activities include transaction-related controls such as spending authorisation and investments, as well as clear disbursement procedures, but can also be analytical controls performed by the Group’s controllers and central finance and accounting function. Controllers and financial managers at all levels of the Group play a key role in creating the right environment for transparent and accurate financial reporting. The key roles place high demands on integrity, competence and abilities of individuals.

In order to ensure an efficient exchange of knowledge and
experience between the financial functions, regular financial conferences will be held where current issues will be discussed. An important overall control activity is the monthly performance review performed via the internal reporting system and analysed and commented on in the internal work of the Board. The performance review includes reconciliation against set targets and previously achieved results, as well as the review of a number of important key figures.

Each year a “self-assessment” is performed of all Group companies with respect to internal control issues. Companies comment on how important issues have been handled, such as the terms of business in customer contracts, customer credit ratings, valuation and documentation of inventories, payment procedures, documentation and analysis of financial statements and compliance with internal policies and procedures. An accepted minimum level must be established for critical issues and processes, which all companies are expected to meet. Each company’s response should be validated and commented on by the relevant company’s external auditor in connection with the regular audit. The responses should subsequently be compiled and analysed, after which they are presented to the business area and Group Management teams. The result of the self-evaluations will be taken into account in the planning of the following year’s self-evaluations and external auditing.

In addition to the “self-assessment” work, an in-depth analysis of internal control in six of the operating companies was conducted during the year. This work is referred to as an “analysis of internal control” and is performed by the companies’ business controllers and colleagues from the Parent Company’s finance function.

The companies’ key processes and their control points have been identified and tested. The external auditors have read the records of the internal control in connection with their audit of the companies. The process is expected to provide a good basis to identify and assess the internal controls within the Group. KPMG provided the Board with a review and accounted for its assessment of the Group’s internal control process.

Review, information and communication

The Board has received monthly comments from the CEO regarding the business situation and the development of the operations. The Board has discussed the quarterly financial statements before these have been published. The Board has received updates on the work on internal controls and its outcome. The Board has also read the assessment made by KPMG of the Group’s internal control processes. The outcome of the internal control has been analysed by the Group’s CFO together with the business controller. An assessment has been made of the improvement measures to be implemented in the various companies. The boards of the various Group companies have been informed of the outcome of the internal control in each company and the improvement measures that should be implemented. The business controller will then continuously follow up the work during the following year together with the Boards of Directors of the Group companies.

Governing guidelines, policies and instructions are available on the Group’s intranet. The documents are regularly updated as needed. Changes are communicated separately via email and at meetings for controllers and financial managers.

For internal information via the intranet, access to the documents is controlled through authorisations. The Group’s employees are divided into various groups whose access to information differs. All financial guidelines, policies and instructions are available for each company’s CEO and CFO, business area managers, business controllers and the central finance staff. Access to Group financial data is also controlled centrally through authorisation.

Internal audit

In light of the risk assessment described above and the structure of control activities, including the process of the “self-evaluation” and the in-depth analysis of the internal control, the Board of Directors has chosen to not have a dedicated internal audit function.

Auditors

In accordance with the Articles of Association, a registered auditing firm shall be elected as auditor. KPMG was re-elected as the Company’s auditor at the Annual General Meeting on 9 May 2019 for the period until the 2020 Annual General Meeting. The auditor in charge is Håkan Olsson, aided by Jonas Eriksson. KPMG audits AddLife AB and the majority of its subsidiaries.

The Company’s auditors follow an audit plan that includes integrating comments from the Board, and reporting their findings to Company management teams, Group Management and to AddLife’s Board of Directors, both during the audit and in connection with the approval of the annual accounts. The Company’s auditors also attend the Annual General Meeting, describing and commenting on the audit process.

The independence of the external auditors is regulated by special instructions approved by the Board of Directors, which show the areas for which the external auditors may be engaged on matters beyond the regular audit process. KPMG regularly assesses its independence in relation to the Company and delivers annual written statements to the Board of Directors that the audit firm is independent of AddLife. During the current financial year, KPMG has performed advisory assignments concerning corporate acquisitions. The total fee for KPMG’s services in addition to auditing for the 2019 financial year was SEK 0.1 million (2.5).

Quarterly review by auditors

AddLife’s nine-month report was reviewed by the Company’s auditors during the 2019 financial year.