

Corporate Governance Report 2017

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Corporate Governance Report

Volati AB is a public limited liability company with privately owned common shares and preference shares listed on Nasdaq Stockholm. The governance and control of Volati are exercised by shareholders through general meetings of shareholders and otherwise by the Board, the CEO and other members of the management team. Governance and control are based on the Swedish Companies Act, the Articles of Association, Nasdaq First North's Rulebook for Issuers and the Swedish Corporate Governance Code (the "Code"), as well as internal rules and regulations. Volati believes that it has adhered to the Code during the year without exception. The company's auditors have performed a statutory review of the corporate governance report.

General meeting

The general meeting is Volati's highest decision-making body, and shareholders exercise their influence over the company by participating in general meetings. The annual general meeting (AGM) is held annually within six months of the end of the financial year. At the AGM, the financial statements are adopted and resolutions are passed regarding the appropriation of the company's profit, elections and remuneration of Board members and auditors, and other matters to be addressed at the AGM by law. Notice to attend the AGM and any extraordinary general meetings must be given in accordance with the Articles of Association. Shareholders wishing to have matters considered at the AGM should submit their proposals in writing to bolagsstamma@volati.se or to Volati AB (publ), attn: CFO, Engelbrektsplan 1, SE-114 34 Stockholm, Sverige. To be certain that a proposal will be included in the notice of the meeting, requests must be submitted not later than seven weeks prior to the AGM. Further information on how and when to provide notice to attend will be published in advance of the AGM.

Volati's common shares entitle shareholders to one vote per share, while preference shares are entitled to one tenth of a vote per share. Dividends on preference shares are regulated in the

Articles of Association and carry preferential rights over common shares. Altogether, preference shares represented 2.0% of Volati's share capital at year-end. Since preference shares are entitled to one tenth of a vote, this means that the share of votes from preference shares in Volati corresponds to 0.2%.

2017 Annual General Meeting

At the Annual General Meeting on 18 May 2017 at Nalen in Stockholm, 71,080,652 common shares and 68,199 preference shares were represented, totalling 71,087,471.90 votes, which corresponds to 86.76% of the total number of shares, and 88.23% of the total number of the votes in the company represented. The CEO's report was transmitted directly on the Group's website and, like the minutes, is available at www.volati.se/sv/om-volati/bolagsstyrning/. The AGM was held in Swedish. All members of the Board of Directors and the Group's main auditor responsible were present at the AGM.

Resolutions passed at the AGM included the election of a Board, auditor and a dividend of SEK 0.50 per common share, corresponding to a total of SEK 40,203,285.50. The AGM also resolved on a dividend of SEK 40.00 per preference share, corresponding to a total of SEK 64,150,960, to be paid on a quarterly basis at SEK 10.00 per share. The AGM authorised the Board of Directors to decide on the acquisition and transfer of the company's own preference shares in accordance with the Board's proposal. The authorisation means that the Board, on one or more occasions during the period until the next AGM, will decide on the acquisition or transfer of the company's own preference shares. The acquisition may take place at Nasdaq Stockholm or in accordance with an acquisition offer to all holders of preference shares to purchase, at the most, sufficient preference shares for the company's holdings of own preference shares to amount to maximum one tenth of all shares in the company. The authorisation thus entailed that the Board of Directors may decide to acquire

all preference shares in the company. The purpose of the acquisition of own preference shares is to provide for an optimised capital structure and the use of the company's own preference shares as liquid funds for or financing of the acquisition of companies or activities.

2018 Annual General Meeting

Volati's next Annual General Meeting will be held on Wednesday, 16 May 2018 at 15:30 at Nalen in Stockholm.

Nomination Committee

The AGM adopts the process for the election of the Board of Directors and auditors. The 2016 AGM resolved to approve instructions for the establishment of a nomination committee. Pursuant to these instructions, the Nomination Committee is to comprise at least three members, of whom one must be the Chairman of the Board. The other members are appointed by means of the Chairman of the Board no later than six months before the AGM offering each of the two largest shareholders – based on Euroclear Sweden AB's list of registered shareholders at the last banking day of September of the current year – the possibility of appointing a representative to be a member of the Nomination Committee.

The Chairman of the Nomination Committee should be the member representing the largest shareholder by votes, unless the members agree otherwise. However, the Chairman of the Board may not be the Chairman of the Nomination Committee. At least one of the Nomination Committee's members should be independent, either in relation to the largest shareholder of the company in terms of votes, or to a group of shareholders that collaborates with respect to the company's management. Changes in the composition of the Nomination Committee may occur due to shareholders who have appointed a member to the Nomination Committee selling all or part of their shareholdings in the company.

The composition of the Nomination Committee is to be announced a minimum of six months prior to the AGM. The Nomination Committee's mandate period extends until a new nomination committee has been appointed.

The names of the representatives in the Nomination Committee and of the shareholders they represent must be published as soon as they are nominated. The Nomination Committee's proposals are published by no later than in conjunction with the notice convening the AGM. Shareholders may submit nomination proposals to the Nomination Committee.

Prior to the 2017 AGM, the Nomination Committee had three members. Carin Wahlén, representing Patrik Wahlén, led the Nomination Committee's work. In the nomination work prior to the 2017 AGM, the Nomination Committee assessed both the composition and size of the current Board, and the Volati Group's activities. Special emphasis was given to Volati's strategies and objectives, and the demands which the future direction of the Group are expected to make of the Boars. The Nomination Committee also assessed that the members of the Boars represent diversity and breadth in terms of age, nationality, gender, educational background, experience, competence and length of service. The Nomination Committee proposed re-election of Karl Perlhagen, Patrik Wahlén, Björn Garat, Louise Nicolin and Christina Tillman as members of the Board for the period up to the end of the next AGM. Karl Perlhagen was re-elected as Chairman for the same period. After the election at the 2017 AGM, two out of five of the Board members elected by the AGM are women (in this calculation the CEO is not included in the total number of Board members). A report on the work of the Nomination Committee was submitted in the Nomination Committee's reasoned opinion which was published prior to the 2017 AGM.

Nomination Committee prior to the 2018 AGM

On 8 November 2017, the company published the composition of the Nomination Committee: Carin Wahlén (Chair), representing Patrik Wahlén, and Carl Gustafsson, representing Didner & Gerge Fonder AB, as well as Karl Perlhagen, as Chairman of the Board.

Shareholders wishing to submit proposals to the Nomination Committee can do so via e-mail to bolagsstamma@volati.se.

The AGM adopts the following:

- Approval of the Annual Report.
- Distribution of dividend.
- Election of members of the Board, and auditors, as appropriate.
- Remuneration of the Board and auditors.
- Guidelines for remuneration of the Group Management.
- Other important matters.

The tasks of the Nomination Committee include submitting proposals for the next AGM concerning:

- Chair of the AGM.
- Members of the Board.
- Chair of the Board.
- Fees to the members of the Board.
- Other remuneration for Board tasks and for any committee work.
- Election of auditors, as appropriate, and auditor fees.
- Changes in the instructions for the Nomination Committee, as required.

The Board of Directors

In accordance with the Articles of Association, the Board of Directors of Volati has at least three and at most ten ordinary members. The Articles of Association do not entail any provisions for the appointment or withdrawal of members of the Board of Directors.

The Board and the Board's work

The Board's overall task is to manage the company's affairs and to be responsible for the company's organisation on behalf of shareholders.

The Board's work is led by the Chairman of the Board. The Board holds an annual statutory meeting following the AGM. In addition to this, the Board is to meet at least five times annually. At the statutory Board meeting, the Chairman of the Board is appointed, the company's signatories are appointed, and the Board's formal work plan, the terms of reference for the CEO and the Board's instructions regarding reporting to the Board (what is referred to as the "reporting instruction") are reviewed and adopted. At the company's Board meetings, the company's financial situation, acquisition-related issues, evaluation of the business units and other relevant issues pertaining to Group companies are addressed. The company's auditor attends and reports at the Board meetings at least once a year and more often when necessary. The Board forms a quorum when more than half of the members are present. At present, Volati's Board consists of five members. In 2017, 12 Board meetings were held in Volati and the participation of the Board members throughout the year is presented in the table below.

The Board has resolved to perform an annual evaluation of the Board's work, through which Board members will have the opportunity to offer their views on work forms, Board materials, their own and other members' efforts, as well as the scope of their assignment. According to the evaluation, Board work is deemed to be functioning excellently. All Board members are deemed to be contributing in a constructive manner to strategic discussions and company governance, and the discussions are open and dynamic in their nature. The dialogue between the Board and management is also deemed to be excellent.

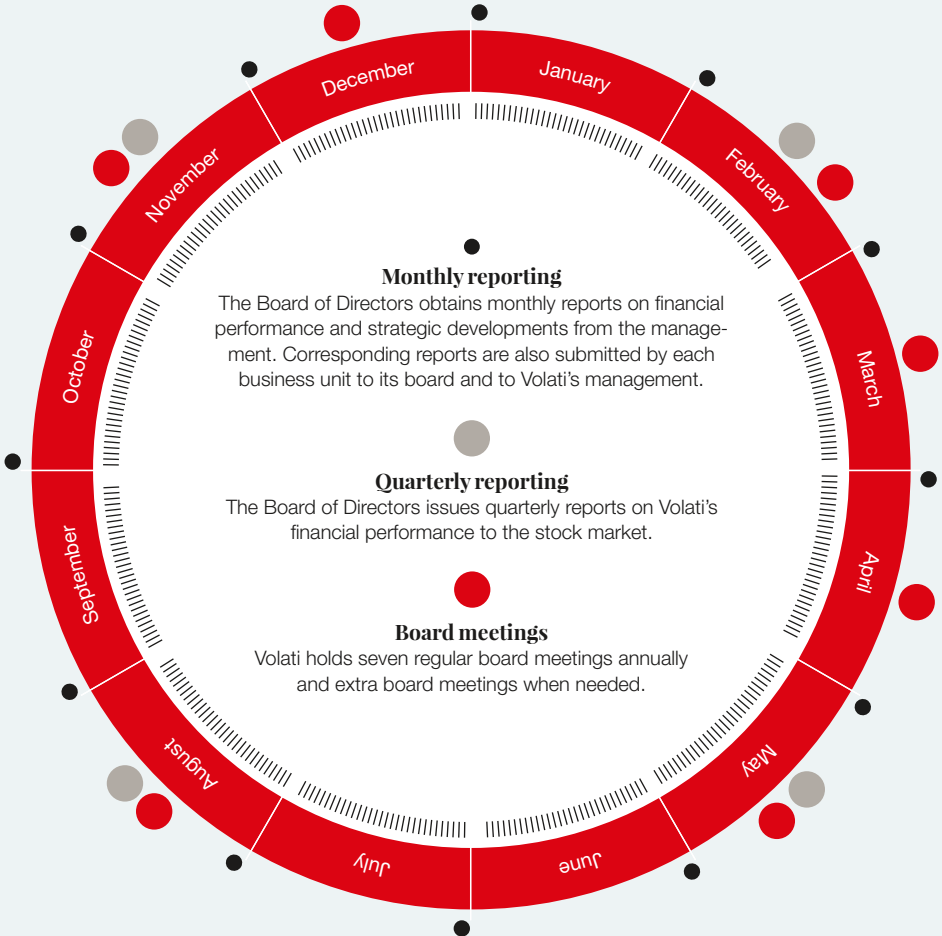
Composition of the Board

Name	Position	Elected	Independent of the company	Independent of large shareholders	Total fees (SEK/m)	Attendance of meetings during 2017
Karl Perlhagen	Chairman	2003	No	No	0.2	12
Patrik Wahlén	Member, Chairman of the Investment Committee	2006	No	No	0 ¹⁾	12
Björn Garat	Member	2015	Yes	Yes	0.2	12
Louise Nicolin	Member	2016	Yes	Yes	0.2	12
Christina Tillman	Member	2016	Yes	Yes	0.2	12

¹⁾ Patrik Wahlén does not receive any Board fees as he is also employed by Volati AB.

Clear and methodical follow-up

Volati has an annual calendar scheduling selected topics for discussion by the Board at each Board meeting. Correspondingly, Volati’s management has an annual calendar with Board meetings for each business unit.





Board of Directors

From the left:

Karl Perlhagen, Louise Nicolin, Christina Tillman, Patrik Wahlén och Björn Garat.

Karl Perlhagen

Board member since 2003 and Chairman of the Board since 2006. Born in 1970. Until 10 October 2016, Karl Perlhagen was employed at Volati as a senior advisor.

Education: Business and Economics studies at Lund University.

Other assignments: Chairman of the Board of Fridhems Intressenter Gladan AB, Fridhem Fastighetsutveckling Stockholm AB and Fridhem Grönskogen AB, Board member of Italo Invest AB (as well as assignments in subsidiaries of Italo Invest AB) and Ullna Golf Aktiebolag.

Assignments concluded during the past five years: Member of the Boards of Corem Property Group AB, PharmaSurgics in Sweden AB, Fastighets AB Italo and Imed AB.

Background: Karl founded Volati in 2003 together with Patrik Wahlén and previously founded Cross Pharma AB.

Shareholding in the company: 34,440,000 common shares and 204,174 preference shares (via companies).

Patrik Wahlén

Board member since 2006. Born in 1969. Patrik Wahlén is employed at Volati as a senior advisor and is Chairman of the Investment Committee.

Education: Business and Economics studies at Lund University.

Other assignments: Deputy Board member of Italo Invest AB (as well as subsidiaries of Italo Invest AB) and Wahlén & Partner AB.

Assignments concluded during the past five years: Deputy Board member of Fastighets AB Italo.

Background: Patrik founded Volati in 2003 together with Karl Perlhagen. He has previously worked for Kemira Group and Ernst & Young Management Consulting AB.

Shareholding in the company: 19,246,954 common shares and 10,129 preference shares.

Björn Garat

Board member since 2015. Born in 1975.

Education: BSc in International Economics from Linköping University.

Other assignments: CFO and Deputy CEO at AB Sagax (as well as assignments in subsidiaries of AB Sagax), Board member of Manolo Holding AB and Paco Holding AB, and deputy Board member of LMG Distribution Aktiebolag.

Assignments concluded during the past five years: Board member of Söderport Göta AB and deputy Board member of Bastian Holding AB and TEMG Holding AB.

Background: Partner and Head of Corporate Finance at Remium Nordic AB and financial analyst. CFO and Deputy CEO at AB Sagax since 2012.

Shareholding in the company: 20,000 common shares and 400 preference shares (via pension insurance).

Louise Nicolin

Board member since May 2016. Born in 1973.

Education: MSc Engineering from Uppsala University, eMBA from Stockholm University and International Directors Programme from INSEAD.

Other assignments: Chair of AB Better Business World Wide, Board member of VBG Group AB (publ), Dellner Couplers Aktiebolag. Enzymatica AB (publ) and Uppdragshuset Sverige AB and deputy Board member of Arts for a reason AB.

Assignments concluded during the past five years: Board member of Aktiebolaget Lofab, Dellner Tools AB and My Reed AB and deputy Board member of Aktiebolaget Svenska Precisionsverktyg.

Background: Since 2000, Louise has run Nicolin Consulting AB, focusing on business development and quality assurance. Previously worked as Business Unit Manager and Consultant Manager at PlantVision AB.

Shareholding in the company: 11,737 common shares (including family).

Christina Tillman

Board member since September 2016. Born in 1968.

Education: BSc in Business and Economics from Stockholm University.

Other assignments: CEO Happy Plugs AB, Chair of the Board of House of Dagmar AB, Board member of Coop Sverige AB, Coop Logistik AB, Corem Property Group AB, Corem Logistik Holding AB (publ) and Tobin Properties AB, and deputy Board member of Kattvik Financial Services Aktiebolag and Stocksunds Fastighet AB.

Assignments concluded during the past five years: Chair of PFG Group AB (and subsidiaries of PFG Group AB), member of the Board of Bootz AB (and subsidiaries of Bootz AB), G13 IT-utveckling i Stockholm AB, Wonderful Times Group AB and YPO Service AB, CEO of Odd Molly International AB, Gudrun Sjödén Group AB (and subsidiaries of Gudrun Sjödén Group AB), CEO and deputy Board member of Vincent Shoe Store Sweden AB and deputy Board member of Nordic Kids Shoes AB, Stocksunds Financial Management AB and the Association of Swedish Fashion Brands economic association.

Background: Christina Tillman's previous roles include CEO of Odd Molly and CEO of Gudrun Sjödén Design.

Shareholding in the company: 6,000 common shares.

Audit Committee

The Board has resolved to not establish a separate audit committee, but that the Board as a whole will fulfil the tasks that such a committee would have under the Code. These obligations mainly include the following tasks:

- Monitoring the company's financial reporting and providing recommendations and proposals to ensure the reliability of the reporting.
- With regard to the financial reporting, monitoring the efficiency of the company's internal control, internal audit and risk management.
- Staying informed of the audit of the annual accounts and the consolidated accounts and the Supervisory Board of Public Accountants' quality control.
- Addressing the issue of the manner in which the audit contributed to the reliability of financial reporting and the Board's specific functions.
- Auditing and monitoring the auditor's impartiality and independence and thereby noting, in particular, whether the auditor provides the company with services other than audit services.
- Assisting in the preparation of proposals for resolution at general meetings regarding the appointment of auditors.
- Preparing the Board's decisions in the matters above.

Remuneration Committee

The Board has resolved not to establish a remuneration committee, for the reason that the Board considers it more appropriate that the Board as a whole fulfils the assignments incumbent on the remuneration committee in accordance with the Code.

In terms of remuneration matters, this entails that the Board will:

- prepare decisions in matters concerning guidelines for remuneration and other terms of employment for senior executives,
- monitor and evaluate ongoing programmes and programmes concluded during the year for the variable remuneration of senior executives, and
- monitor and evaluate the outcome of variable remuneration and the manner in which the company applies the guidelines to senior executives, as adopted by the general meeting.

Investment Committee

The Board has established an Investment Committee. The Investment Committee includes Board member Patrik Wahlén (Chairman), Board Chairman Karl Perlhagen, CEO Mårten Andersson and CFO Mattias Björk. The Investment Committee's primary task is to examine and quality-assure the decision data pertaining to acquisitions and divestments. In addition, the Committee has been delegated an investment and divestment mandate that authorises it to make decisions on the acquisition and divestment of shares or operations, of up to SEK 50m per acquisition or divestment, for the Group as a whole.

The Board appoints the members and Chairman of the Investment Committee, which is to comprise a minimum of three and maximum of five members. The Investment Committee meets as necessary, and minutes of the meeting are kept and included as material for the next Board meeting.

Audit

An auditor is appointed annually by the AGM. The auditor is assigned to review, on behalf of shareholders, Volati's annual report and consolidated accounts, the Board of Directors and CEO's management, and the corporate governance report. The audit process and auditor's report are presented at the AGM. At the 2017 AGM, Öhrlings PricewaterhouseCoopers (PwC) was elected as the auditing firm until the next AGM. PwC has appointed Niklas Renström as auditor-in-charge. Auditor's fees are paid in accordance with separate agreements made in accordance with the AGM's resolutions. In 2017, the Parent Company's auditor's fees totalled SEK 0.5m, while the Group's totalled SEK 4.3m. In addition, expenses for valuation services totalled SEK 1.1m and other audit assignments totalled SEK 0.5m. Fees to auditors other than PwC totalled SEK 0.3m.

Volati's operational model

Volati's operational model is based on the decentralised governance of its business units, which entails day-to-day decision-making at the operations level, with limited involvement by Group management. The Group's strategy and governance model are based on the vision to be the best owner of medium-sized companies, which is to be achieved by preserving the companies' independence while the Group supports and creates long-term conditions conducive to change. This is mainly accomplished through six areas: decentralised leadership, corporate gov-

ernance, strategic capital allocation, strategic HR, expertise and business tools, as well as support in connection with acquisitions. Volati has a flexible organisation that facilitates fast decision-making and a decentralised governance model that encourages a high level of entrepreneurship in the business units, creates a clear framework of responsibilities and allows for Volati's continued growth with limited central resources. Volati believes that decentralised leadership is a key success factor for a scalable business model that comprises several business units operating within a variety of industries. A distinct emphasis on local entrepreneurship engenders conditions favourable for efficient and well-founded decisions. In order to secure value creation throughout Volati, a vision and a long-term strategy are developed for each business unit. The long-term strategy is made tangible through action plans and clear financial targets that are continuously monitored. The financial target for each business unit is focused on value creation and includes aspects such as growth, EBITA or EBITDA margins, cash conversion and return on capital employed, or return on working capital.

A decentralised leadership entails considerable responsibility and confidence in the business units' management teams, not only to deliver results, but also as upholders of Volati's values. The fulfilment of goals is ensured by the creation of clear incentives, such as through partnership, and by enabling career opportunities for the Group's employees.

Corporate governance at Volati

To support and create conditions for value creation in a decentralised business model, Volati focuses on maintaining a high level of professional corporate governance within the Group.

Group management governs, controls and monitors the Group's operations, primarily by appointing heads of business areas, as well as managing directors and boards for several of the business units, and by continuously monitoring developments through customary Board work and the monthly reports of respective business units. The boards of the business units typically comprise one or more persons from Group management, the head of the business area and, where applicable, external board members. The chairman of a business unit's board is either Volati's CEO or the head of the business area.

The board is convened in accordance with a carefully planned meeting calendar aimed at maximising the business unit's long-term potential together with retained profitability, even in the short-term perspective. Four annual board meetings that deal with various topics are combined with monthly reports to follow up strategic and financial targets.

In addition to a well-established calendar of Board meetings, Volati introduces a structured model for following up results that permeates the entire Group and each business unit. Monthly directors' reports and meetings are complemented by informal contacts between Group management and business-unit management on a daily basis, continuous risk assessment of the business unit, and annual assessments of profitability, market outlook and long-term strategy. Group management and the head of the business area jointly hold monthly status meetings with the respective business unit's managing director and CFO, to follow up on the business unit's financial development and strategic initiatives.

CEO and management group

Volati's CEO is responsible for the company's continuous management in accordance with the rules of the Swedish Companies Act, as well as the instructions to the CEO and the reporting procedures established by the Board. The CEO's responsibilities include acquisitions and divestments, human resources, financial and accounting matters, and continuous contact with the Group's stakeholders and the financial market. In addition, the CEO is to prepare delegation regulations for the Group's senior execu-

tives, and to employ, dismiss and establish the terms and conditions for such (within the scope of the guidelines adopted by the AGM).

The CEO reports to and implements the resolutions passed by the company's Board. The CEO is to ensure that the Board, in accordance with current reporting instructions, receives requisite information to make well-founded decisions. The CEO shall also ensure that the Board is presented with matters that must be addressed by the Board under applicable legislation, the Articles of Association and internal policies and guidelines. The CEO attends and presents reports at all Board meetings, except on the occasions that the CEO is under evaluation by the Board and when the Board meets exclusively with the company's auditor without the presence of members of company management.

The CEO has appointed the Group management, which has continuous responsibility for various operational aspects. Group management comprises the CEO, and Volati's CFO, Investment Director, and the respective Head of Business Development. Group management meets regularly to manage and monitor current projects, shared Group development issues and organisational matters.

Management Team



Mårten Andersson

CEO since 2014. Born in 1971.

Qualifications: BSc in Business and Economics from Lund University and completed the General Manager Program at Harvard Business School.

Other assignments: –

Background: Mårten previously served as CEO of Försäkringsbolaget Skandia and has held a number of international positions at Skandia.

Shareholding in the company: 2,511,532 common shares and 1,887 preference shares.



Mattias Björk

CFO since 2009. Born in 1975.

Qualifications: Master of Laws and BSc in Business and Economics from Lund University.

Other assignments: Deputy Board member of VQ Legal AB, deputy Board member of Virtual Intelligence VQ AB, deputy Board member of VQ Systems AB and deputy Board member of Ridderwold Bygg & Design AB.

Background: Mattias previously worked at Modern Times Group MTG AB, Investment AB Kinnevik and Invik & Co AB.

Shareholding in the company: 2,181,705 common shares and 1,887 preference shares.



Håkan Karlström

Head of Business Area Trading since 2018. Born in 1958.

Qualifications: Studied Economics at Lund University.

Other assignments: –

Background: Since 1996, worked as CFO in the business area's subsidiaries and for the Group, including Board member in former holding company during this period. Since 2015 CFO of Volati Handel. Before 1996, auditor at E & Y and various economics management jobs in Swedish Industry and Trade.

Shareholding in the company: 8,000 common shares, and option with the right to acquire 20,000 shares, 467 preference shares.



Karin Rosenthal

Finance Manager since 2017. Born in 1978.

Qualifications: Bachelor's degree from Stockholm University.

Other assignments: –

Background: Karin has previously worked at Klarna and Fabege, among others.

Shareholding in the company: 1,000 common shares.



Johan Ekström

Head of Business Area Consumer since 2018. Born in 1970.

Qualifications: PhD in Business (M&A strategies) and a BSc in Business Administration from Lund University.

Other assignments: –

Background: Johan was previously Head of Operations at Volati in 2017 and prior to that was Business Area head at Skandia, Partner/Senior Executive at Accenture, and researcher and lecturer at the School of Economics and Management at Lund University.

Shareholding in the company: 18,393 common shares and 1,973 preference shares.



Nicklas Margård

Head of Business Area Industry since 2017. Born in 1969.

Qualifications: Studied Economics at Lund University. MBA Studies at Concordia University, Montreal, Canada.

Other assignments: Board member of Micvac AB.

Background: Nicklas has worked as CEO of Besikta Bilprovning since 2014 and has served on the board at Tornum since 2005. Nicklas has previously worked as CEO of John Bean Technologies AB and has also been responsible for Asia at JBT FoodTech.

Shareholding in the company: 115,000 common shares, and option with the right to acquire 200,000 common shares.



Maria Hamrefors

Head of Business Area Akademibokhandeln since 2017. Born in 1956.

Qualifications: Studies in International Economics at the University of Gothenburg, IFL leadership program.

Other assignments: Chair of Vi Media, Board member of Blomstergruppen

Background: Maria has previously been CEO of KF Media, Norstedts Publishing Group, Liber and Thomson Sverige.

Shareholding in the company: 2% equity ownership in Akademibokhandeln.

Guidelines and principles for the remuneration of senior executives

The 2017 AGM passed resolutions on guidelines for the remuneration of individuals who were senior executives at the date of the AGM. The guidelines apply to employment contracts that are established following the AGM's approval of the guidelines and to changes in existing employment contracts that are signed thereafter.

The basic principle is that remuneration and other employment terms and conditions to management must be competitive in order to ensure the Volati Group's ability to attract and retain competent senior executives. The management's fixed remuneration is to be competitive and based on the individual's experience, areas of responsibility and performance. Other forms of remuneration and benefits, such as pension benefits, company car and health insurance, are to be at market rates. Severance pay may total a maximum of 12 months' salary. No compensation for termination shall apply. Senior executives may receive variable remuneration in addition to their fixed remuneration. Variable remuneration must be connected to predetermined objectives and measurable criteria; and be designed in order to promote the company's long-term value creation. Variable remuneration paid in cash may not exceed 50% of the annual fixed remuneration.

The AGM may adopt variable remuneration as share-based remuneration in both the company and its subsidiaries. Besides promoting long-term value creation, share-based remuneration must be designed to promote an increased community of interests between leading decision-makers and the company's shareholders.

The Board is entitled to deviate from the above guidelines if this is justified by special circumstances in individual cases. Any such deviations from the guidelines are to be reported at the next AGM.

The Board of Directors' proposal for new guidelines for the remuneration of the Group Management

Prior to the AGM no significant changes are proposed to the principles for remuneration and other terms of employment of the Group Management.

Internal controls and risks

In accordance with the Swedish Companies Act, the Board is responsible for the internal control and governance of the company. To maintain and develop a well-functioning control environment, the Board has established a number of fundamental documents of significance to financial reporting. These include the Board's formal work plan, the terms of reference for the CEO and the reporting instructions. In addition, an established structure with continuous supervision is requisite to a functioning control environment. Responsibility for the day-to-day work of maintaining the control environment primarily rests with the company's CEO. The CEO regularly reports to the company's Board in accordance with current reporting instructions and the procedures presented below.

Volati applies the definition of risk as "A future event that threatens the company's ability to achieve its Vision, Business Concept, Objectives and Strategy (VAMS)." Volati and the business units are to individually conduct an annual assessment of overall risks, with the aim of identifying, evaluating and managing risks that threaten the Group's vision, business concept, objectives and strategy. The risk assessment is to be performed by the management of each company, within the framework of strategic risk categories, as well as operational, compliance and financial risks.

Identified risks are analysed based on the following three criteria:

1. Impact on the business concept, vision and objectives. The rating scale has an interval from "low" to "very serious."
2. The probability that the risk will occur within the planning period. The rating scale has an interval from "unlikely" to "likely."
3. The efficiency of existing control activities is qualitatively evaluated, in accordance with separate instructions.

The risks are documented in a uniform format. The business unit's management annually presents an updated risk analysis to its Board and the company's Group management. Based on the business units' reporting, the CEO identifies the risks impacting the Group's business concept, vision and objectives. The CEO presents

an updated risk analysis to the company's Board annually. Significant changes in the risk situation or major risk exposures are reported to each Board concerned. An action plan with respect to the risks of highest priority is also presented to the respective business unit's Board, and the company's Group management and Board.

The company's Group management and respective business units are to establish a number of control activities that counteract the risks of greatest significance identified by the analysis, with the aim of ensuring a pertinent level of control. These control activities serve as a basis for the minimum level of control that must be established and function within the Group and each business unit.

The Group and each business unit are to maintain a list of identified risks and the control activities that must be established in order to counteract such risks, as well as a description of the follow-up on the efficiency of such control activities.

A self-assessment of minimum requirements is conducted annually and reported to the boards of each business unit. The CEO of each business unit is responsible for the self-assessment process. The CEO is to create an annual summary of the principal conclusions of the business units' self-assessments to the company's Board.

Volati has not appointed any internal audit function, as this is deemed unnecessary for maintaining internal control. Instead, the corresponding assignment will be implemented by management, the Boards and external auditors.

Process for financial reporting

Volati has a Group-wide reporting system, Ocra, for all its business units. The business units also have separate accounting systems that are customised to their respective operations. Each business unit reports on a monthly basis via Ocra.

1 Reporting from the business units

Volati has a fixed schedule for financial reporting, through which all the companies submit a complete monthly report package comprising earnings, balance sheet, cash flow, specific notes, employment matters and investments. In addition, qualitative comments are submitted from each business unit or business area. The reporting is implemented based on the relevance of each business unit or business area, with the aim of allowing for efficient follow-up and analysis. The report package adheres to laws, regulations and accounting practices. Volati works continuously to provide training to the business units and to further develop the reporting process, in order to streamline the processes and improve data for the analysis of operations in a cost-efficient manner.

2 Qualitative comments from the business units

Each unit submits monthly qualitative comments on developments in the past month, pertaining to financial performance and specific strategic initiatives. The reports are submitted to Volati's management and to each business unit's Board. Group management and the head of the business area jointly hold monthly status meetings with the respective business unit's managing director and CFO, to follow up on the business unit's financial development and strategic initiatives.

3 Reconciliation

When Volati has received the reports, reconciliation is performed in order to ensure that the reporting was correctly performed and implemented in a technically correct manner. Reconciliation is performed on Volati's consolidated accounts.

4 Analysis

Volati's management analyses the reports based on the available knowledge about each business unit and, jointly with the head of the business area, holds monthly status meetings with the respective business unit's managing director and CFO, to follow up on the business unit's financial development and strategic initiatives.

5 Consolidation

Any deviations from the compilation of legal and operational monitoring or analysis and reconciliation work that are discovered are rectified following a dialogue with the business unit. The consolidation process comprises the reconciliation of equity, intra-Group transactions, tax, investments and cash flow.

6 Reporting to the Board

Volati's management reports to the Board of Directors on a monthly basis concerning the Group's financial development, information about the Group's development, financial position, ongoing projects and some specific key metrics. The Board of Directors continuously monitors financial performance against Volati's financial targets. The Board obtains more comprehensive materials prior to each scheduled Board meeting, which, depending on theme of the Board meeting, may contain additional in-depth data about relevant issues.

7 External reporting (quarterly)

Volati publishes quarterly reports and press releases. The Annual Report is printed and sent to all major shareholders, employees, subscribers and other stakeholders, as well as to potential acquisition targets and business partners. Past financial reports are available from the company's website.

8 Audit

PwC is the auditor of the Parent Company and Group as a whole. Although the business units engage PwC as their local auditor, there are exceptions for some of the business units' minor subsidiaries that are based outside Sweden. In the autumn, auditors perform a review of internal controls and management, which is presented to the business units and Volati's management. For the year-end report, an audit is performed in December and the auditors are present on location for stocktaking. Meetings are also held with Volati's accounting function to discuss assessment items and other relevant issues during the audit of the year-end report. The auditor submits significant auditors' notes to the Board of Directors and the auditor attends Board meetings as required. The audit reporting process comprises a traffic-light system through which observations can be graded according to the level of risk, materiality and control. Each business unit implements measures to ensure that the auditors' notes are addressed. At the next auditing of internal controls and management, the auditor follows up to ensure that the measures have been taken.

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