

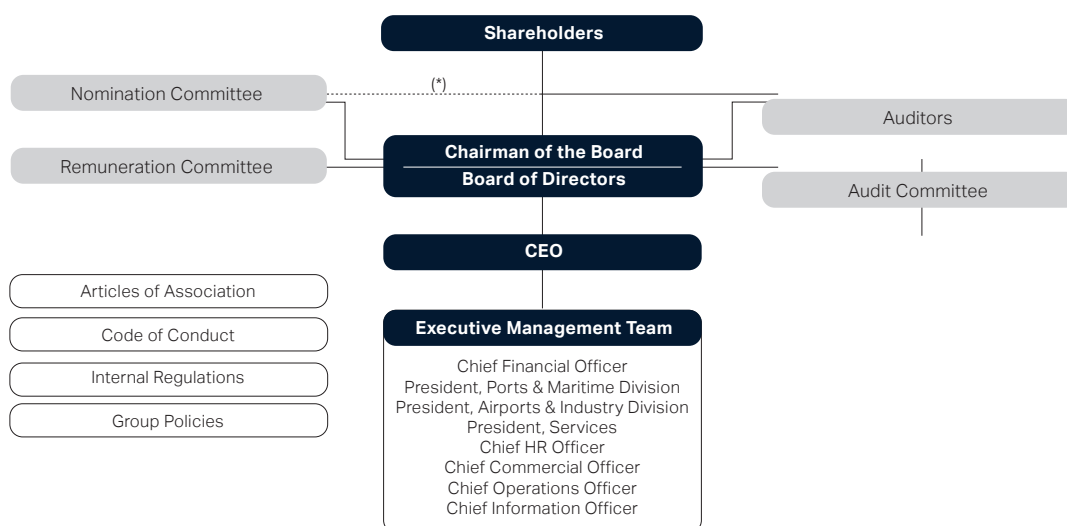
# CORPORATE GOVERNANCE REPORT 2021

Since Cavotec is a Swiss company listed on Nasdaq Stockholm, the corporate governance of Cavotec is based on Swiss and Swedish rules and regulations, such as the Swiss Code of Obligations (the "CO") and the Swedish Code of Corporate Governance (Sw. Svensk kod för bolagsstyrning) (the "Code").

## The Swedish code of Corporate Governance

Swedish companies with shares admitted to trading on a regulated market in Sweden, including Nasdaq Stockholm, are subject to the Code. The Code is a codification of best practices for Swedish listed companies based on Swedish practices and circumstances. Cavotec has decided to apply the Code, however, the Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (according to the so-called "comply or explain principle"). Deviations that the Company is aware of have, as far as possible, been explained in the Company's corporate governance report.

### CAVOTEC CORPORATE GOVERNANCE STRUCTURE



*(\*) To follow the rules that apply to Swiss companies, the Board of Directors has decided that the Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall, however, be in line with the Code.*

## Shareholders' meetings

### General

Shareholders' rights to resolve on company matters are exercised at shareholders' meetings. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors. Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine. The shareholders' meetings, deviating from the Code, will be held in English and information and material will be available in English only. This is in accordance with an exemption granted by the Swedish Financial Supervisory Authority. The minutes from shareholders' meetings will be published on the Company's website.

### Right to attend shareholders' meetings

All shareholders who are registered directly in Euroclear Sweden's and SIX SIS's share registers on the record date, as applicable, and who notify the Company of their intention to attend the shareholders' meeting at the latest by the date specified in the convening letter, shall be entitled to attend the shareholders' meeting

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and vote according to the number of shares they hold. Shareholders may attend shareholders' meetings in person or through a proxy. Shareholders may usually register for shareholders' meetings in several different ways, which are described in the Notice of Meeting.

### **Annual General Meeting 2021: extraordinary situation due to COVID-19**

In view of the current situation involving the spread of the Covid-19, it will not be possible to attend the Annual General Meeting in person. As a result, the Board of Directors based on art. 27 of the Ordinance 3 on Measures to Combat the Coronavirus (COVID-19; SR 818.101.24 of 19 June 2020 – Status as of 15 March 2021) decided that the shareholders of Cavotec SA may exercise their rights at the Annual General Meeting exclusively through the Independent Proxy.

### **Notice of shareholders' meetings and shareholder initiatives**

Notice of a shareholders' meeting is given by means of a publication in the Swiss Commercial Gazette or by letter to the shareholders of record as well as through a press release. Between the day of the publication or the mailing of the notice and the day of the meeting there must be a time period of not less than 20 calendar days. The notice of the shareholders' meeting must indicate the agenda and the motions. The notice will also be published on the Company's website. At the time of the notice, the Company may publish in Svenska Dagbladet an announcement with information that the notice has been issued.

Stating the purpose of the meeting and the agenda to be submitted, one or more shareholders representing at least ten per cent of the share capital may request the Board of Directors, in writing to call an extraordinary shareholders' meeting. In such case, the Board of Directors must call a shareholders' meeting within two weeks.

### **Nomination Process**

The process for the nomination of Board members for Cavotec is construed in light of the Code, while still respecting Swiss laws and regulations applicable to a Swiss company. The ultimate goal has been to adopt a Nomination Process that is open and transparent to all shareholders and stakeholders.

The Nomination Committee shall be a committee established by the Board of Directors of Cavotec. This is in line with Swiss law but will constitute a deviation from the Code that prescribes that the Nomination Committee shall be determined by the shareholders. To follow the rules that apply to Swiss companies, the Board of Directors has decided that the Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall, however, be in line with the Code. The Nomination Committee shall ensure that the company has a formal and transparent method for the nomination and appointment of Board members. The objectives of the Nomination Committee are to regularly review and, when appropriate, recommend changes to the composition of the Board of Directors to ensure that the company has, and maintains, the right composition of Board members to effectively govern and provide guidance to business, and identify and recommend to the Board of Directors individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Board members, as well as the diversity of the Board).

From September 25, 2020 the Nomination Committee members are Henrik Blomquist (representing Bure Equity AB), Fabio Cannavale (representing Nomina SA), Thomas Ehlin (representing The Fourth Swedish National Pension Fund), Claes Murander (representing Lannebo Fonder) and Patrik Tigerschiöld (Chairman of Cavotec's Board of Directors).

In September 2020 the Committee began preparing a proposal for the Board of Directors to be submitted to the Annual General Meeting 2021

According to Art.13 of the current Articles of Association, as well as according to Art.3 of the Federal Ordinance on Excessive Compensation, the directors are elected each year to hold office until the following annual shareholders' meeting. Directors may be re-elected.

It is proposed that the Annual General Meeting in Lugano is to be chaired by Massimo Vanotti, Attorney-at-law, Bär & Karrer SA.

Fabio Cannavale, Erik Lautmann, Patrik Tigerschiöld, Niklas Edling and Annette Kumlien stand for re-election.

The Nomination Committee proposes Fabio Cannavale, Erik Lautmann, Patrik Tigerschiöld, Niklas Edling and Annette Kumlien to be re-elected as Directors for a further one-year term of office expiring at the Annual General Meeting to be held in 2021.

The Nomination Committee proposes to elect Keith Svendsen to the Board of Directors.

The Nomination Committee furthermore proposes to nominate Patrik Tigerschiöld as Chairman of the Board of Directors.

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With respect to the requirements in the Swedish Corporate Governance Code (the Code) that a majority of the directors elected by the shareholders' meeting are to be independent of the company and its executive management and that at least two of this majority also are to be independent in relation to the company's major shareholders, the Nomination Committee has carried out the following assessment:

Fabio Cannavale, Erik Lautmann, Annette Kumlien, Niklas Edling and Patrik Tigerschiöld are all independent of the company and its executive management.

Erik Lautmann, Annette Kumlien and Niklas Edling are all also independent in relation to the company's major shareholders.

The Nomination Committee therefore concludes that all requirements of director independence as set out in the Code are met.

Shareholders representing more than 40 per cent of the votes support the above-mentioned proposals made by the Nomination Committee.

Finally, and in accordance to Art. 7 of the Federal Ordinance on Excessive Compensation and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2021/2022:

- Erik Lautmann
- Patrik Tigerschiöld
- Fabio Cannavale

With respect to the requirements in the Code that all members of the Remuneration Committee, apart from the chairman of the Remuneration Committee, are to be independent of the company and its executive management, the Nomination Committee has come to the conclusion that all candidates proposed by the Board of Directors are independent of the company and its executive management.

#### **External auditor**

At the Annual General Meeting 2021 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Annual General Meeting 2022. Efram Dell'Era is the auditor in charge.

## **The Board of Directors**

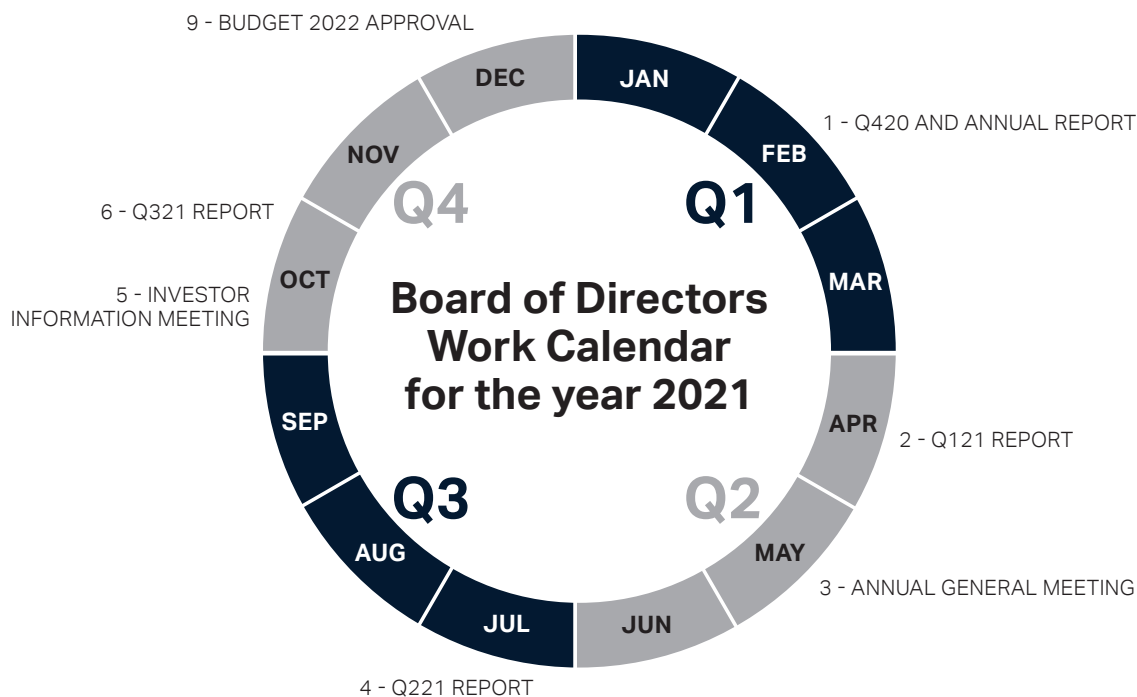
The composition of the Board of Directors is set out in section "Board of Directors" in the Cavotec Annual Report and the members of the Board are elected for the period until the end of the next Annual meeting of shareholders. The Board of Directors constitutes itself, but the Chairman of the Board of Directors is elected by the shareholders' meeting as set out in the Articles of Association. The members of the Nomination Committee and the Audit Committee, as well as the respective Chairmen, are elected from and by the Board members. The Board of Directors has a Company Secretary that has the duties and competencies set out by Swiss law. Furthermore, the Secretary assists the Board, the Chairman and the Committees, to co-ordinate and fulfill their duties and assignments in accordance with the Board of Directors Internal Regulations (comparable to rules of procedures and adopted by the Board of Directors).

The Board of Directors is entrusted with the ultimate management of the Company, as well as with the supervision and control of the management. The Board of Directors is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies. The Board of Directors shall exercise its function as required by law, the Articles of Association and the Board of Directors' Internal Regulations. The Board shall be authorised to pass resolutions on all matters that are not reserved to the general meeting of shareholders or to other executive bodies by applicable law, the Articles of Association or the Internal Regulations.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

- a) The determination of the strategy of the Company and the Group and the issuance of the necessary directives;
- b) The establishment of a framework of the organisation;
- c) The basic structuring of the accounting system, of a system of internal financial controls, and of the financial planning;
- d) The approval of the appointment (and suspension) of the officers entrusted with the management of the Company or with its representation;
- e) The supervision of management, in particular in relation to compliance with the law, the Articles and corporate regulations, charters and directives;
- f) Decisions on the business report consisting of the annual financial statements, the annual report, and consolidated financial statements including interim published reports and determination of the accounting standard;
- g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;

- h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO).
- i) Preparation of the compensation report.



By Swiss law, the Board of Directors also has the following non-transferable responsibilities: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorised capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.

The Board of Directors held eight Board meetings for Cavotec SA in 2020.

#### BOARD AND COMMITTEE MEETINGS IN CAVOTEC SA IN 2020

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Henrik Blomquist							4	4
Fabio Cannavale	8	7			3	1	4	2
Niklas Edling	8	8						
Thomas Ehlin							4	4
Roberto Italia <sup>(1)</sup>	8	8	8	7				
Annette Kumlien	8	8	8	8				
Erik Lautmann	8	8			3	3		
Claes Murander <sup>(2)</sup>							4	4
Patrik Tigerschiöld	8	8	8	7	3	3		

<sup>(1)</sup> Left the Board in December 2020.

<sup>(2)</sup> Joined the Nomination Committee in FY2020

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## Board Committees

The Board of Directors currently has two Board committees, the Nomination Committee and the Audit Committee. Furthermore, the shareholders' meeting has constituted a Remuneration Committee, in accordance with the Minder Ordinance. The composition and tasks of the Board's Committees are regulated in the Board of Directors' Internal Regulations. The composition and tasks of the Remuneration Committee are regulated in the Articles of Association as well as in the Board of Directors' Internal Regulations. Below is a brief description of the Committees as per the current Internal Regulations (which are continuously reviewed and if deemed appropriate by the Board of Directors amended).

### Nomination Committee

The Nomination Committee shall be a committee established by the Board of Directors of the Company. This is in line with Swiss law but will constitute a deviation from the Code that prescribes that the Nomination Committee shall be determined by the shareholders. To follow the rules that apply to Swiss companies the Board of Directors has decided that the Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall however be in line with the Code.

The Nomination Committee shall ensure that the Company has a formal and transparent method for the nomination and appointment of Board members. The objectives of the Nomination Committee are to regularly review and, when appropriate, recommend changes to the composition of the Board of Directors to ensure that the Company has, and maintains, the right composition of Board members to effectively govern and provide guidance to business, and identify and recommend to the Board of Directors individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgment and the ability to work with other Board members).

The current members of the Nomination Committee in Cavotec are Henrik Blomquist (representing Bure Equity AB), Fabio Cannavale (representing Nomina SA), Thomas Ehlin (representing The Fourth Swedish National Pension Fund), Claes Murander (representing Lannebo Fonder) and Patrik Tigerschiöld (Chairman of Cavotec's Board of Directors).

### Audit Committee

The objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities relative to financial reporting and regulatory compliance. Members of the Audit Committee shall exclusively comprise of members of the Board appointed by the Board in accordance with the Code. The Audit Committee will comprise of not less than three members with a majority to be Independent Directors of the Board. One member must have a financial or accounting background.

The Audit Committee of Cavotec SA is involved in a wide range of activities including inter alia, the review of all quarterly, half - yearly and annual financial statements prior to their approval by the Board and release to the public. The Committee has periodic contact with the external auditors, PricewaterhouseCoopers, through the PwC engagement partner responsible for the Audit and through the principal engagement manager, to review any unusual matters and the effect of new accounting pronouncements. As a matter of policy, the Audit Committee meets with the PwC engagement partner without the presence of Management at least once every year. Further, the Committee reviews the annual audit plan, as prepared by the external auditors, including the adequacy of the scopes of the audits proposed for the principal locations and the proposed audit fees. The engagement of the Auditors for non-audit services of significance is approved in advance by the Audit Committee.

At least once every year Management gives a presentation to the Audit Committee on the risk profile of the Group and on the procedures in place for the management of Risk. Risks related to the potential impairment of assets and the related provisions required for financial exposures are reviewed and discussed with Management at least once a year, normally in conjunction with the third quarter closing.

The Audit Committee of Cavotec SA met 8 times in 2020.

The current members of Audit Committee are Annette Kumlien (Chairwoman), Patrik Tigerschiöld and Roberto Italia.

### Remuneration Committee

The main purpose of the Remuneration Committee is to act as remuneration committee pursuant to the Minder Ordinance against excessive compensation with respect to listed corporations. The Remuneration Committee has the following duties and responsibilities:

1. Reviewing and advising the Board of Directors on the terms of appointment of the CEO;
2. Reviewing working environments and succession planning for members of the management;
3. Reviewing the terms of the employment arrangements with members of the management, as well as to develop consistent group employment practices subject to regional differences;

4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long term incentive plans;
6. Submission of a draft of the remuneration report to the Board of Directors.

The current members of the Remuneration Committee in Cavotec SA are Erik Lautmann (Chairman), Fabio Cannavale and Patrik Tigerschiöld.

In accordance to Art. 7 of the Minder Ordinance and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2021/2022: Erik Lautmann, Fabio Cannavale and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met three times in 2020.

### Executive Management Team – EMT

The EMT is selected by the CEO and consists of nine members, combining Cavotec's senior operational and corporate functions. The EMT fulfils the Group Management role – empowered by the CEO – and ensures efficient implementation of strategic decisions into Cavotec's global organisation and leads local management on key operational issues. The CEO, defines and implements operational strategy, policies, technical and commercial developments, as well as new acquisitions in line with targets set by the Cavotec's Board of Directors. Cavotec's operational structure is reasonably fat in order to ensure that the Group's operations and decision making processes are efficient and responsive. Strategic, Group-related operations are the responsibility of the CEO with the support of the EMT. All material decisions within the day-to-day operations of the Company are taken by the CEO.

## Remuneration and incentive plans

### Remuneration of the Board of Directors

The remuneration to the members of the Board of Directors in Cavotec SA, is, in deviation from the Code, resolved by the Board of Directors as set out in the Articles of Association, upon proposal of the Remuneration Committee. Furthermore, the yearly shareholders' meeting approves the total maximum aggregate remuneration for the Board of Directors for the following business year. In addition, Board members may receive remuneration for consultancy services provided to the Company. None of the members of the Board of Directors are entitled to any benefits when resigning from the Board, in their capacity as Board members. However, Board members may be entitled to benefits according to employment or consultancy agreements that will continue even if the Board member would resign as Board member.

Amounts paid in 2020 in EUR	Board fees	Social Security Contributions	Pension	Consultancy	Total 2020	Total 2019
Fabio Cannavale	40,000	-	-	-	40,000	36,250
Niklas Edling	35,000	1,238	1,912	-	38,150	28,541
Roberto Italia	40,000	1,407	2,173	-	43,580	31,346
Annette Kumlien	45,000	1,583	2,445	-	49,028	36,696
Erik Lautmann	45,000	709	1,594	-	47,303	47,299
Heléne Mellquist	-	-	-	-	-	12,260
Helena Thrap-Olsen	-	-	-	-	-	10,495
Patrik Tigerschiöld (Chairman)	95,000	3,344	5,165	-	103,509	103,351
<b>Total remuneration</b>	<b>300,000</b>	<b>8,281</b>	<b>13,288</b>	<b>-</b>	<b>321,569</b>	<b>306,237</b>

Amounts paid in 2020 in CHF	Board fees	Social Security Contributions	Pension	Consultancy	Total 2020	Total 2019
Fabio Cannavale	42,821	-	-	-	42,821	40,324
Niklas Edling	37,468	1,325	2,047	-	40,840	31,749
Roberto Italia	42,821	1,506	2,326	-	46,653	34,868
Annette Kumlien	48,174	1,695	2,617	-	52,486	40,820
Erik Lautmann	48,174	759	1,706	-	50,639	52,614
Heléne Mellquist	-	-	-	-	-	13,638
Helena Thrap-Olsen	-	-	-	-	-	11,674
Patrik Tigerschiöld (Chairman)	101,700	3,580	5,529	-	110,808	114,966
<b>Total remuneration</b>	<b>321,157</b>	<b>8,865</b>	<b>14,225</b>	<b>-</b>	<b>344,247</b>	<b>340,653</b>

## Remuneration of the CEO

Amounts paid in 2020 in EUR	Base Salary	Short-term Incentive Plan <sup>(1)</sup>	Long-term Incentive Plan <sup>(2)</sup>	Benefits in kind <sup>(3)</sup>	Social Security, Insurance and Pension Contributions <sup>(4)</sup>	Total 2020	Total 2019
Mikael Norin	711,200	122,895	-	81,021	214,229	1,129,345	2,227,850

Amounts paid in 2020 in CHF	Base Salary	Short-term Incentive Plan <sup>(1)</sup>	Long-term Incentive Plan <sup>(2)</sup>	Benefits in kind <sup>(3)</sup>	Social Security, Insurance and Pension Contributions <sup>(4)</sup>	Total 2020	Total 2019
Mikael Norin	761,356	131,562	-	86,735	229,337	1,208,990	2,478,214

CHF/EUR exchange rate 1.070522957

<sup>(1)</sup> Paid in 2021 for FY 2020.

<sup>(2)</sup> No LTIP plan is maturing in FY 2020.

<sup>(3)</sup> Allowances (Child, school fees, health insurance and transportation).

<sup>(4)</sup> Pension contribution to the CEO has been made both in form of cash and defined contribution payments.

## Principles

Please refer to the Remuneration Committee statement.

## Internal Control System (ICS)

The internal control function has been embedded in the finance organisation. This task is performed by Group Finance, that together with the local entity's finance department and the Legal Compliance officer is responsible for ensuring that the necessary controls are performed along with adequate monitoring. Internal controls comprise the control of the Company's and Group's organisation, procedures and remedial measures. The objective is to ensure reliable and correct financial reporting, and to ensure that the Company's and Group's financial reports are prepared in accordance with law and applicable accounting standards and that other requirements are complied with. The internal control system is also intended to monitor compliance with the Company's and Group's policies, principles and instructions. In addition, the control system monitors security for the Company assets and monitors that the Company's resources are exploited in a cost-effective and adequate manner. Internal control also involves following up on the implemented information and business system, and risk analysis.



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