

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE REPORT FOR EOLUS VIND AB (PUBL)

Eolus Vind AB is a Swedish public limited liability company that has been listed on Nasdaq Stockholm since February 2, 2015. Eolus is governed through General Meetings, the Board of Directors, the CEO and Group management in accordance with the Swedish Companies Act, the Articles of Association and the rules of procedure for the Board of Directors and CEO. Representatives from the Eolus Group's management are also members of its subsidiaries' boards.

With Nasdaq Stockholm, Eolus has committed to apply the Swedish Corporate Governance Code (the "Code"), which is to be applied by all Swedish limited liability companies whose shares are traded on a regulated market in Sweden.

### ARTICLES OF ASSOCIATION

The current Articles of Association were adopted at the Annual General Meeting on January 28, 2017. It states that the Board's registered office is to be in Hässleholm, Sweden, that the Board's members are to be elected every year by the Annual General Meeting for a period up to the next Annual General Meeting, and that one Class A share entitles the holder to one vote while one Class B share entitles the holder to one-tenth of a vote. The complete Articles of Association are available on Eolus's website, [www.eolusvind.com](http://www.eolusvind.com).

### GENERAL MEETINGS

The shareholders exercise their decision-making rights regarding central issues at the General Meeting. The Meeting resolves on adoption of the income statement and balance sheet, appropriation of the company's profit or loss, discharge of liability for Board members and CEO, election of the Board of Directors and auditors, and remuneration of the Board of Directors and auditors.

Notice convening the Annual General Meeting for Eolus must be issued not earlier than six weeks and not later than four weeks prior to the Meeting.

The notice is to be advertised in Post- och Inrikes Tidningar and on Eolus's website. The fact that notification has been issued is to be announced in the Swedish daily Dagens Industri. Shareholders who wish to participate in the Annual General Meeting are to notify the company by no later than the date stipulated in the notice.

### 2018 Annual General Meeting

Eolus's 2018 Annual General Meeting was held in Hässleholm, Sweden, on Saturday, January 27. Some 92 shareholders, representing 34% of the votes, attended the meeting, personally or through proxy. General Counsel Karl Olsson was elected Chairman of the Meeting. In attendance at the Annual General Meeting were the Board members, CEO, Deputy CEO, CFO and the company's auditor. The minutes of the Meeting are available in Swedish on Eolus's website, [www.eolusvind.com](http://www.eolusvind.com). All resolutions were made in accordance with the proposals from the Nomination Committee and the Board of Directors.

A few of the resolutions made by the Meeting include:

- Dividend of SEK 1.50 per share for the 2016/2017 fiscal year.
- The Board of Directors is to comprise six members, with no deputy members.
- Re-election of Board members Hans-Göran Stennert, Fredrik Daveby, Sigrun Hjelmquist, Hans Johansson, Hans Linnarson and Bodil Rosvall Jönsson.
- Re-election of Hans-Göran Stennert as Board Chairman.
- Re-election of PricewaterhouseCoopers AB as the company's auditors with Eva Carlsvi as Auditor in Charge.
- Fees to the Board Chairman, Board members and auditor.
- Rules for the appointment and work of the Nomination Committee.

### Annual General Meeting 2019

The next Annual General Meeting of Eolus's shareholders will be held at Hässleholms Kulturhus on Saturday, January 26, 2019 at 3:00 p.m. More details about the Annual General Meeting, registration, etc. are available on page 87.

### NOMINATION COMMITTEE

The Nomination Committee nominates the people who are proposed for election to Eolus's Board of Directors at the Annual General Meeting. It also presents proposals for auditors' fees, Board fees to the Chairman and other Board members, and remuneration for committee work. All the proposals are presented at the Annual General Meeting, in the notice and on the website ahead of the Annual General Meeting.

The Nomination Committee comprises the Board Chairman and representatives for Eolus's three largest shareholders in terms of the number of votes on May 31. Hans-Göran Stennert, Board Chairman, presented the composition of the Nomination Committee on July 11, 2017.

The Nomination Committee comprises the following members:

Name	Represents	Holding on May 31, 2018
Hans-Göran Stennert	In his capacity as Chairman of the Board	
Ingvar Svantesson	Domneåns Kraftaktiebolag	15.3%
Hans Gydell (Chairman)	Hans-Göran Stennert	11.8%
Hans Johansson	Åke Johansson	6.9%

The Nomination Committee held its first meeting on August 28, 2018. The Nomination Committee has held two minuted meetings ahead of the 2019 Annual General Meeting. The work of the Nomination Committee begins with the members reviewing the evaluation of the Board carried out during the year. The Nomination Committee agreed unanimously that the current composition is satisfactory. The number of Board members is considered appropriate and the expertise possessed by the Board is both complementary and relevant. The composition of the Board is also considered satisfactory in terms of equality.

### THE BOARD OF DIRECTORS AND ITS WORK

Eolus's Board of Directors decides on the company's business orientation, strategy, business plan, resources and capital structure, organization, acquisitions, major investments and divestments, annual reports and interim reports, as well as other comprehensive matters of a strategic nature. The Board also appoints the CEO who is in charge of the day-to-day management in accordance with the Board's instructions.

### Board members

Board members are elected every year by the Annual General Meeting for the period up until the next Annual General Meeting. According to the Articles of Association, the Board is to comprise no fewer than four and no more than ten regular members and no more than six deputy members.

The Board comprised six members as of the Annual General Meeting on January 27, 2018. For a presentation of the Board Chairman and Board members, see pages 84-85. Eolus's CEO is not a member of the Board but participates as a rule at the Board meetings as a rapporteur, as do the Deputy CEO, CFO and General Counsel.

### The work of the Board

At the first regular Board meeting following the Annual General Meeting, Eolus's Board adopts written instructions that describe the Board's rules of procedure. The adopted rules of procedure stipulate the division of duties among the Board's members and how often the Board will convene. Furthermore, the rules of procedure regulate the Board's duties, quorum, instructions for the CEO, the division of responsibilities between the Board and the CEO, and more. The Board has also internally established a Remuneration Committee comprising three members of the Board and an Audit Committee comprising the entire Board.

The Board convenes according to a one-year plan proposed in advance and more meetings are arranged as needed. The Board held 12 minuted Board meetings during the 2017/2018 fiscal year. Items on the agenda for 2017/2018 included:

- Annual accounts including the auditors' report, the proposed distribution of profit and the year-end report.
- Annual report and preparations ahead of the Annual General Meeting.
- Follow-up with the Auditor in Charge regarding the year's audit.
- Interim reports.
- Rules of procedure for the Board and CEO.
- Annual review of policies.
- Budget.
- Strategic issues and risks.
- Ongoing forecasts.
- Outline plans (prioritized projects for the next three years).
- Liquidity planning with respect to future prioritized projects.
- Economic climate and conditions.

In addition to the Board meetings, the Board Chairman and the CEO have an ongoing dialog regarding the management of the company. The CEO, Per Witalisson, is in charge of implementation of the business plan, the day-to-day management of the company's affairs and the daily operations of the company. Before Board meetings, the Board receives written information in the form of a CEO report that contains a follow-up of the company's sales, operational results, liquidity forecasts, interest rate and currency hedging, details concerning order backlog, the number of wind turbines under construction as well as comments concerning the various market trends. Prior to the Board meetings, the Board will also have access to the balance sheets and cash flow statements.

The Board Chairman presents to the Board the results of the annual evaluation of the Board's work. The evaluation includes the composition of the Board, the individual Board members and the Board's work and procedures.

The Code contains rules concerning the Board members' independence and stipulates that the majority of the Board members are to be independent in relation to the company and company management. At least two of the Board members who are independent in relation to the company and company management must also be independent in relation to all shareholders who control ten percent or more of the shares or the votes in Eolus Vind AB. No more than one person from company management may be a member of the Board.

#### BOARD ATTENDANCE IN 2017/2018

	Function	Independent <sup>1</sup>	Board meeting	Remuneration Committee
Hans-Göran Stennert	Chairman	2)	12 of 12	2 of 2
Fredrik Daveby	Board member	X	12 of 12	2 of 2
Sigrun Hjelmquist	Board member	X	12 of 12	2 of 2
Hans Johansson	Board member	X	11 of 12	
Hans Linnarson	Board member	X	12 of 12	
Bodil Rosvall Jönsson	Board member	X	12 of 12	

<sup>1</sup> According to the definition in the Swedish Corporate Governance Code.

<sup>2</sup> Not independent (in relation to Eolus's major shareholders).

#### REMUNERATION COMMITTEE

The Remuneration Committee comprises Hans-Göran Stennert, Sigrun Hjelmquist and Fredrik Daveby. Hans-Göran Stennert is the Committee's Chairman. The duties of the Remuneration Committee include:

- preparing and on behalf of the Board make decisions on matters regarding the remuneration policy, remuneration and other terms of employment for senior management including submitting proposals to the Annual General Meeting on behalf of the Board on the guidelines for remuneration of senior executives that the Annual General Meeting is to resolve on,
- monitoring and evaluating any ongoing and during-the-year adopted programs for variable remuneration to company management,

- monitoring and evaluating the application of the guidelines for remuneration of senior executives decided by the Annual General Meeting as well as relevant remuneration structures and levels in the company,
- ensuring that the company's auditor submits a written statement to the Board no later than three weeks before the Annual General Meeting regarding whether the guidelines for remuneration of senior executives valid since the previous Annual General Meeting have been followed, and
- carrying out the other duties that are assigned to the Remuneration Committee in the Swedish Corporate Governance Code and other applicable rules and regulations for the company.

The Remuneration Committee held two minuted meetings during 2017/2018 at which all members were in attendance.

#### AUDIT COMMITTEE

The company has decided that the Board in its entirety will carry out the committee's duties.

The duties that the Board will carry out in this function include:

- monitoring the company's financial statements,
- monitoring the effectiveness of the company's internal control and risk management in relation to financial reporting and providing recommendations and proposals to ensure the reliability of financial reporting,
- annually evaluating the need for an internal audit function that is the responsibility of the Board,
- remaining informed about the audit of the annual report and consolidated accounts, and assessing how the audit contributed to the reliability of financial reporting,
- regularly meeting the company's auditor for updates concerning the scope and methodology of the audit and to discuss the approach to the company's risks,
- determining guidelines for non-auditing services that the company may request from the company's auditor,
- reviewing and monitoring the auditor's impartiality and independence,
- assisting the Nomination Committee in preparing proposals for the General Meeting's decisions regarding auditors and fees for the audit assignment,
- executing the other duties of the Audit Committee required by law, the Swedish Corporate Governance Code, and other relevant rules and regulations for the company.

#### CHIEF EXECUTIVE OFFICER (CEO)

The CEO of Eolus is Per Witalisson (born 1971), Master of Business Administration. The Board has adopted instructions for the work and role of the CEO. The CEO is responsible for the day-to-day management of the Group's business in accordance with the Board's guidelines. For a presentation of the CEO, refer to page 30. For remuneration of the CEO, refer to Note 6.

#### GROUP MANAGEMENT

Per Witalisson leads the work of Group management and makes decisions in consultation with other members of management. Group management consists of four people, in addition to the CEO, Deputy CEO, CFO and General Counsel. During the 2017/2018 fiscal year, management convened on 17 occasions in Hässleholm or Malmö in Sweden. The year's meetings were dominated by continuous reconciliation of the rolling business plan, strategy issues and action plans. Standing items on the agenda are minutes from the previous meeting, reports from the operational team, finances, project development, establishment, sales and marketing, operation, foreign operations, personnel, occupational health and safety and legal issues.

#### AUDIT

At the Annual General Meeting on January 27, 2018, PricewaterhouseCoopers AB (PwC) was re-elected with Eva Carlsvi as Auditor in Charge.

The auditors review the annual accounts and the annual report as well as the company's ongoing operations and routines in order to express an opinion on the accounts and the administration of the Board of Directors and the CEO. The annual accounts and the annual report are audited in October and November. An examination is then made of whether the Annual General Meeting's guidelines for the remuneration of senior executives have been

followed. Eolus's second-quarter report is reviewed in April and an interim review is performed in May. In addition to Eolus, Eva Carlsvi is also Auditor in Charge for Bygghemma Group First AB (publ), BE Group AB (publ), E.ON Nordic Aktiebolag and KappAhl AB (publ). Eva Carlsvi is an authorized public accountant and member of FAR. In 2017/2018, fees paid to PwC for non-audit assignments totaled SEK 1.0 M (0.6).

## REMUNERATION

### Remuneration of the Board

Fees and other remuneration of the Board, including the Chairman of Eolus's Board, are determined by the Annual General Meeting. The Annual General Meeting on January 27, 2018, resolved on total annual fees of KSEK 1,100, of which KSEK 350 was to be paid to Board Chairman and KSEK 150 to each of the other Board members. For more information about remuneration of the Board, refer to Note 6.

### Remuneration of senior executives

Remuneration of the CEO and other members of Group Management (currently the Deputy CEO, CFO and General Counsel) is paid in accordance with the guidelines for remuneration of senior executives. The guidelines were adopted by the Annual General Meeting on January 27, 2018, for the period up until the next Annual General Meeting.

According to the guidelines, senior executives shall be offered market-based and competitive remuneration. The level of remuneration for individual executives is to be based on such factors as position, expertise, experience and performance. Remuneration includes fixed salary and pension benefits, and may also include variable salary and other non-monetary benefits. The company shall be able to offer all senior executives maximum variable remuneration of one monthly salary per year.

Variable salary shall be based on the achievement of one or more quantitative and/or qualitative targets. The targets shall be formulated with the objective of promoting the company's long-term value creation. Furthermore, the company shall also be able to offer senior executives a share ownership program under which the company, three years after payment of variable remuneration, will reimburse the cost of acquiring half as many shares as the executive acquired for their variable remuneration and continues to hold. For more information about remuneration of senior executives, refer to Note 6.

### Remuneration of auditors

Fees for the audit assignment are paid against invoice and amounted to SEK 0.5 M for the 2017/2018 fiscal year. For the 2017/2018 fiscal year, fees paid to PwC for non-audit assignments totaled SEK 1.0 M. For more information about the remuneration of auditors, refer to Note 7.

## THE BOARD'S DESCRIPTION OF INTERNAL CONTROL OVER FINANCIAL REPORTING FOR THE 2017/2018 FISCAL YEAR

The Board's responsibility for internal control is governed by the Swedish Companies Act and Swedish Corporate Governance Code. This includes monitoring Eolus's financial reporting and the effectiveness of the company's internal control and risk assessment.

Internal control over financial reporting aims to provide reasonable assurance of the reliability of the external financial reporting in the form of annual reports and interim reports published by Eolus every year, and that financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements for listed companies. Internal control is also aimed at ensuring high-quality financial reporting to company management and the Board so that decisions can be made on correct grounds.

To describe internal control over financial reporting, Eolus proceeds from the five components of internal control defined in the COSO Internal Control-Integrated Framework – Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The description below therefore relates to Eolus's internal control system in relation to the 2013 edition of the COSO Framework.

### Control environment

The Board's rules of procedure and the Board's instructions for the duties of the CEO and the Board's Committees clearly define the division of responsibility and powers in order to ensure effective management of risks in the business operations. In its role as Audit Committee, the Board of Eolus reviews the instructions and procedures used in the financial reporting process as well as accounting policies and any amendments of these. The CEO reports to the Board of Directors, according to established procedures, on the operations and financial performance prior to every Board meeting. Internal control instruments for financial reporting mainly comprise the finance and risk policy, information and insider policy and the Group's accounting manual, which defines the accounting and reporting rules.

### Risk assessment

Significant risks for the operations are analyzed by the Board of Directors as part of financial reporting. These are described in the Company's guidelines for risk management and internal control. The risk areas are documented on the basis of probability and their probable impact. Based on this, control processes are designed to ensure high-quality financial reporting.

### Control structures

The organizational structure, and the division of responsibility and rules of authorization, are clearly described and communicated through instructions. The operations are organized into segments that are monitored. The company performs an annual self-assessment of internal controls in management, core and support processes. The results of these self-assessments form the basis for ongoing improvement initiatives within risk management and internal control.

### Information and communication

An accounting manual with guidelines and instructions for financial reporting has been produced. The accounting manual is continuously updated and issued to the relevant employees at Eolus. Prior to all quarterly financial statements and the annual accounts, specific written instructions are also provided to ensure accurate information in the external reporting.

External communication is governed by Eolus's information and insider policy and communication plan, which address responsibilities, procedures and rules. The policy is continuously evaluated to ensure that information to the stock market maintains high quality and is in accordance with the stock exchange's rules. Financial information such as quarterly reports, annual reports and significant events are published through press releases, and on Eolus's website. Meetings with financial analysts are arranged regularly in conjunction with the publication of quarterly reports.

### Monitoring

Group management continuously analyzes the financial performance of the Group's segments. At all levels of the organization, continuous monitoring is generally performed through comparisons against budget, forecasts and plans, as well as evaluation of key figures.

Prior to Board meetings, the Board receives financial reporting on Eolus's performance. In addition to formal reporting, there are informal information channels to the CEO and the Board for significant information from employees. The Board continuously evaluates the information provided by the CEO. This involves ensuring that measures are taken in regard to any shortcomings and proposed measures that have arisen during the internal control and external audit.

The Board and the auditor engage in regular dialog. All members of the Board and the auditor receive a copy of interim reports before they are published. The Board and the auditor meet at least once per year, without the presence of management.

### INTERNAL AUDIT OPINION

To date, the Board has not found any reason to establish an internal audit function, as the above functions are deemed to fulfil this duty. However, the Board annually evaluates the need for such a function.