

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.

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.

2019 Annual General Meeting

Eolus's 2019 Annual General Meeting was held in Hässleholm, Sweden, on Saturday, January 26. Some 131 shareholders, representing 36% 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. 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 2017/2018 fiscal year.
- The Board of Directors is to comprise seven 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. Jan Johansson elected as a new Board member.
- 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.

2020 Annual General Meeting

The next Annual General Meeting of Eolus's shareholders will be held at Hässleholms Kulturhus on Saturday, January 25, 2020 at 3:00 p.m. More details about the Annual General Meeting, registration, etc. are available on page 95.

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 17, 2019.

The Nomination Committee comprises the following members:

Name	Represents	Holding on May 31, 2019
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 September 17, 2019. 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 seven members as of the Annual General Meeting on January 26, 2019. For a presentation of the Board Chairman and Board members, see pages 92-93. 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 2018/2019 fiscal year. Items on the agenda for 2018/2019 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 2018/2019

	Function	Independent ¹	Board meetings	Remuneration Committee
Hans-Göran Stennert	Chairman	2)	12 of 12	3 of 3
Fredrik Daveby	Board member	X	12 of 12	3 of 3
Sigrun Hjelmquist	Board member	X	12 of 12	3 of 3
Hans Johansson	Board member	X	12 of 12	
Hans Linnarson	Board member	X	12 of 12	
Bodil Rosvall Jönsson	Board member	X	12 of 12	
Jan Johansson*	Board member	X	7 of 12	

* Elected to the Board at the Annual General Meeting on January 26, 2019.

¹ According to the definition in the Swedish Corporate Governance Code.

² 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 the Remuneration Committee in the Swedish Corporate Governance Code and other applicable rules and regulations for the company.

The Remuneration Committee held three minuted meetings during 2018/2019 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 reporting,
- 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 financial statements, 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.

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 34. For remuneration of the CEO, refer to Note 7.

GROUP MANAGEMENT

Per Witalisson leads the work of Group management and makes decisions in consultation with other members of management. Group management consists of five people: the CEO, Deputy CEO, CFO, General Counsel and Head of Project Delivery. During the 2018/2019 fiscal year, management convened on nine occasions in Hässleholm, Halmstad 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 project delivery, 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 26, 2019, 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 Kapp-Ahl AB (publ). Eva Carlsvi is an authorized public accountant and member of FAR. In 2018/2019, fees paid to PwC for non-audit assignments totaled SEK 1.0 M (1.0).

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 26, 2019, resolved on total annual fees of KSEK 1,425, of which KSEK 375 was to be paid to the Board Chairman and KSEK 175 to each of the other Board members. For more information about remuneration of the Board, refer to Note 7.

Remuneration of senior executives

Remuneration of the CEO and other members of Group Management (currently the Deputy CEO, CFO, General Counsel and Head of Project Delivery) is paid in accordance with the guidelines for remuneration of senior executives. The guidelines were adopted by the Annual General Meeting on January 26, 2019, 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 senior executives maximum variable remuneration of four monthly salaries for the CEO and Deputy CEO, and three monthly salaries for other senior executives.

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, and on the condition that the executive is still employed at the company. Participation in the share ownership program is maximized to the equivalent of not more than one monthly salary for all senior executives. For more information about remuneration of senior executives, refer to Note 7.

THE BOARD PROPOSED GUIDELINES FOR FUTURE REMUNERATION OF SENIOR EXECUTIVES

The executives encompassed by and the application of the guidelines

These guidelines encompass the individuals who are members of Eolus Vind AB's (publ) ("Eolus") company management. These individuals cur-

rently are the CEO, Deputy CEO/Chief Operating Officer, CFO, General Counsel and Head of Project Delivery.

To the extent that a Board member performs work for Eolus alongside his or her Board duties, these guidelines shall also apply to any remuneration (such as consultant's fees) for such work.

The guidelines are to be applied to remuneration that is contracted, and changes made in previously contracted remuneration, after the guidelines are adopted by the 2020 Annual General Meeting. The guidelines do not encompass remuneration resolved by the General Meeting.

How the guidelines advance the company's business strategy, long-term interests and sustainability

In brief, Eolus's business strategy is for the company, by construct turn-key facilities for renewable energy and energy storage, to create value at all levels of project development, establishment and operation of such facilities, and to offer attractive and competitive investment objects to both local and international investors. For more information about the company's strategy, refer to the most recent Eolus Annual Report. Successful implementation of the company's business strategy and safeguarding the company's long-term interests, including its sustainability, require the company to recruit and retain a highly skilled management team with the capacity to achieve set targets. In order to do so, the company must offer competitive remuneration, as these guidelines permit. Variable cash remuneration encompassed by these guidelines is to be based on criteria aimed at advancing the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration, etc.

Remuneration is to be market-based and competitive and may comprise the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The level of remuneration for individual executives is to be based on such factors as position, expertise, experience and performance. In addition, the General Meeting can, irrespective of these guidelines, resolve on share and share-price based remuneration, for example.

It must be possible to measure fulfillment of criteria for a period of one or more years in order to receive payment of variable cash remuneration. The variable cash remuneration may amount to a maximum of four monthly salaries for the CEO and Deputy CEO, and a maximum of three monthly salaries for other senior executives. Variable remuneration may not be pensionable, unless otherwise stipulated in mandatory collective agreements.

Pension benefits, including health insurance, are to be defined-contribution, unless the executive is part of a defined-benefit pension according to mandatory collective agreements. The pension premiums for defined-contribution pension plans may amount to a maximum of 30% of pensionable income.

Other benefits may include, for example, life assurance, medical expense insurance and company car benefits. Premiums and other costs associated with such benefits may amount to a maximum of 15% of pensionable income.

For employment conditions subject to non-Swedish regulations, the appropriate adjustments must be made to pension benefits and other benefits to follow such regulations or fixed local practice, with the aim of meeting the overall purpose of the guidelines as far as possible.

Termination of employment

Senior executives are to be employed on a permanent basis or for a specific period of time. The period of notice for termination of employment is a maximum of 12 months. Severance pay is not paid. The period of notice if the CEO terminates employment is a maximum of 12 months, and six months if other senior executives terminate employment.

Criteria for payment of variable cash remuneration, etc.

Variable cash remuneration is to be based on predefined and measurable financial and non-financial criteria determined by the Board, such as return on equity, delivery of ongoing projects, order intake and capex reduction, that are to be weighted at between 10% and 50%. The criteria

are to apply for periods of one fiscal year. By rewarding clear and measurable progress in relation to bonus targets linked to the company's financial and operational development, these criteria help support and motivate employees to achieve Eolus's established business strategies, long-term targets and sustainability.

After the end of the measurement period for fulfillment of the criteria for payment of variable cash remuneration, the level of fulfillment of the criteria is assessed and confirmed. The Remuneration Committee is responsible for performing the assessment of variable cash remuneration for the CEO, and the CEO is responsible for the assessment for other senior executives. Fulfillment of financial criteria is to be confirmed based on the most recent financial information published by the company.

Salary and employment terms

The Board considers salary and employment terms of the company's employees when preparing proposals on remuneration criteria by including information amount total employee remuneration, remuneration components and the increase and rate of increase in remuneration over time in the decision-making data used by the Remuneration Committee and Board to evaluate the reasonableness of the guidelines and their limitations.

Consultant's fees to Board members

If Board members (including through their wholly owned companies) perform services for Eolus in addition to their Board duties, special fees are paid for such work (consultant's fees), provided that such services contribute to the implementation of Eolus's business strategy and safeguarding of Eolus's long-term interests, including its sustainability. The annual consultant's fee for each Board member may never exceed the annual Board fee. The fee is to be market-based and set in relation to the value for Eolus.

Decision-making process for establishing, reviewing and implementing the guidelines

The Board has established a Remuneration Committee. The Committee's duties include preparing the Board's decisions on proposed guidelines for remuneration of senior executives. The Board is to prepare proposals for new guidelines when significant changes are required and at least once every four years, and the proposal is to be presented for resolution by the Annual General Meeting. These guidelines are to apply until new guidelines are adopted by the General Meeting. The Remuneration Committee is also to monitor and evaluate the variable remuneration program for company management, the application of the guidelines for remuneration of senior executives as well as relevant remuneration structures and levels in the company. The members of the Remuneration Committee are independent in relation to the company and company management. The CEO and other members of company management do not participate in the Board's discussions and decisions on remuneration-related matters that pertain to them.

Deviations from these guidelines

The Board may decide to temporarily deviate, wholly or partly, from these guidelines if there are special reasons to do so in individual cases and such a deviation is necessary to safeguard the company's long-term interests, including its sustainability, or to ensure the company's financial strength. As stated above, the Remuneration Committee's duties include preparing the Board's decisions on remuneration matters, including decisions to deviate from these guidelines.

Information on approved remuneration not yet due for payment

New regulations on the design of remuneration guidelines were introduced to the Swedish Companies Act on June 10, 2019. According to the transition rules for the new regulations, the proposed remuneration guidelines are to include information on previously approved remuneration not yet due for payment. Other than the commitments to pay ongoing remuneration such as salary, pension and other benefits, there is no other previously approved remuneration for any senior executives that is

not yet due for payment. For more information about remuneration of senior executives, refer to Note 6 of this Annual Report.

REMUNERATION OF AUDITORS

Fees for the audit assignment are paid against invoice and amounted to SEK 0.5 M for the 2018/2019 fiscal year. For the 2018/2019 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 8.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL OVER FINANCIAL REPORTING FOR THE 2018/2019 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 concerned 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 ex-

ternal 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 fulfill this duty. However, the Board annually evaluates the need for such a function.