

Corporate Governance Report

Corporate Governance principles

Corporate governance within the HANZA Group is based on the Swedish Companies Act, Nasdaq Stockholm's regulations for issuers, the Swedish Corporate Governance Code (the "Code"), guidelines for good stock market practice, other applicable regulations and recommendations for companies whose shares are admitted to trading on a regulated market, the Articles of Association as well as internal governance documents. The internal governance documents mainly comprise the Board of Directors' rules of procedure, instructions for the CEO and instructions for financial reporting. In addition, HANZA has adopted a number of policy documents and manuals that set out rules and recommendations, which in turn contain principles and provide guidance with regard to the company's operations and for its employees. Companies that are listed on a regulated market are required to apply the Swedish Corporate Governance Code (the "Code") developed by the Swedish Corporate Governance Board. More information about the Code can be found at the website bolagsstyrning.se. With the exception of the deviations described below, there have been no deviations from the Code during 2023.

Deviations from the code

Rule 2.4 of the Code, as well as the instructions for the Nomination Committee adopted by the 2023 AGM, states that neither the Chairman of the Board nor any other board member shall serve as Chair of the Nomination Committee. Gerald Engström is a board member and Chair of the Nomination Committee. Consequently, this is a deviation from the aforementioned rule in the Code and the Nomination Committee instructions. Gerald Engström is, through Färna Invest AB, the company's largest shareholder, has extensive industrial experience and in-depth knowledge of the company's operations. Engström's chairmanship of the Nomination Committee is not deemed to affect the Nomination Committee's ability to perform the tasks incumbent on the Nomination Committee or to safeguard the interests of all shareholders.

Compliance with stock market regulations and guidelines for good stock market practice

HANZA has not been the subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a statement by the Swedish Securities Council.

AGM

The shareholders' influence within the company is exercised at the AGM, which is the company's highest decision-making body. According to HANZA's Articles of Association, shareholders who wish to attend the AGM must in addition to the conditions stated in the Swedish Companies Act, notify the company no later than the date stated in the meeting notice. The latter date must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, nor must it fall earlier than on the fifth working day prior to the meeting. There are no restrictions with regard to how many votes each shareholder may cast at the meeting.

The AGM is held annually within six months of the end of the financial year. According to the Code, the Chairman of the Board of Directors is required to attend the AGM, as are the Board of Directors and the CEO. The Meeting Chair shall be nominated by the Nomination Committee and be elected by the meeting. The tasks of the AGM include electing the company's Board of Directors and auditors, establishing the parent company's and the group's balance sheets and income statements, resolving on appropriations of the Company's profit or loss in accordance with the established balance sheet, and making resolutions regarding the discharge from liability of Board members and the CEO. The AGM also determines the fees to be paid to the members of the Board of Directors and the company's auditors.

Extraordinary General Meetings may be convened by the Board of Directors when the Board of Directors deems that there is reason to hold a meeting prior to the next AGM. The Board of Directors is also required to convene an Extraordinary General Meeting when an auditor or shareholder holding more than 10% of the shares in the Company submits a written request that a Meeting be held to deal with a specific matter.

Notice of the AGM shall be issued by taking out an advertisement in Post- och Inrikes Tidningar and by posting a notice on the company's website. At the time of notice, information to the effect that notice has been given shall be posted in Svenska Dagbladet. The notice shall also be published in the form of a press release in accordance with Nasdaq's regulations. Notice of an AGM or Extraordinary General Meeting in which an amendment to the Articles of Association is to be deliberated shall be issued no earlier than six and no later than four weeks in advance of the AGM.

Notice of any other Extraordinary General Meeting shall be issued no earlier than six weeks before and no later than three weeks before the General Meeting. The Articles of Association do not contain provisions on special prerequisites for amending the Articles of Association. The company will publish resolutions made at the AGM in accordance with Nasdaq's regulations. The meeting minutes shall be available on the company's website no later than two weeks after the meeting.

2024 AGM

The AGM will be held on Tuesday, May 14, 2024.

Authorizations

At the Annual General Meeting on May 8, 2023, it was resolved, in accordance with the Board's proposal, to authorize the Board to, at one or more occasions, during the period up to the 2024 Annual General Meeting, decide to increase the company's share capital by SEK 392,000 (corresponding to 3,920,000 shares) through the issue of shares, warrants and/or convertibles. The authorization allows the Board of Directors to resolve to issue shares, warrants and/or convertible bonds derogating from the shareholders' preferential rights and/or with a provision regarding vesting, set-off or other terms in accordance with the Swedish Companies Act. The authorization represented approximately 9.9% of the share capital at the time of the authorization decision. At the time of this annual report, the Board of Directors has used the authorization to increase share capital by 352,941.20 shares (3,529,412) in connection with two new issues carried out in December 2023 and January 2024.

Nomination Committee

According to the Code, listed companies must have a Nomination Committee whose mandate shall include preparing and establishing proposals for the election of Board members, the Chairman of the Board, the meeting chair and auditors. The Nomination Committee is also required to propose fees to Board members and auditors. The Nomination Committee shall consist of at least four members. The Nomination Committee is appointed by the Chairman of the Board of Directors at the behest of the meeting; it contacts the three largest shareholders by voting rights according to Euroclear's printout of the shareholder register as of the last banking day of August, and invites them to appoint one representative each, who, together with the Chairman of the Board of Directors, constitute the Nomination Committee until a new Nomination Committee has been appointed in accordance with the mandate from the next AGM. In the event that any of the three largest shareholders do not wish to appoint a member of the Nomination Committee, the fourth largest shareholder shall be asked, and so on, until the Nomination Committee comprises four members (including the Chairman of the Board). The term of office of the appointed nomination committee shall run until a new nomination committee is appointed. If a member should leave the Nomination Committee before its work is complete and if the Nomination Committee considers that there is a need to replace this member, the Nomination Committee shall appoint a new member according to the principles set out above, yet based on Euroclear's printout of the shareholder register, as soon as possible after the member has left the Nomination Committee. No fees shall be paid to the members for their work on the Nomination Committee. The Nomination Committee shall submit proposals for resolutions on the following issues for the 2023 AGM:

- Election of the meeting chair
- Determination of the number of Board members
- Determination of fees and other remuneration paid to the Board of Directors and its committees, with a breakdown as between the Chairman and other members

- Determination of fees to auditors
 - Election of Board members and Chairman and Vice-Chairman of the Board of Directors
 - Election of auditors, and
 - Proposal for principles for the composition and work of the Nomination Committee for the AGM 2024.
- HANZA's nomination committee for the AGM 2024 has consisted of the following individuals:

	Appointed by	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Gerald Engström	Own holding	Yes	No
Håkan Halén	Own holding	Yes	Yes
Massimo Franzé	Ritter Beteiligungs GmbH	Yes	Yes
Francesco Franzé, Chairman of the Board of Directors	–	Yes	No

Board of Directors

The Board of Directors bears ultimate responsibility for HANZA's organization and for managing the company's operations. The CEO manages the day-to-day operations based on guidelines and instructions issued by the Board of Directors. The CEO regularly informs the Board of Directors of events that are of importance to the group. These include, among other things, the performance of the business as well as the group's earnings, financial position and liquidity. The Board of Directors has decided to establish an Audit Committee and a Remuneration Committee. See below for a more detailed description.

According to HANZA's Articles of Association, the Board of Directors is required to consist of a minimum of four and a maximum of ten members without deputies. Members are normally elected annually at the AGM to serve for the period until the end of the next AGM, but additional Board members can be elected

during the year by convening an Extraordinary General Meeting. The Articles of Association do not contain any provisions relating to the appointment and dismissal of Board members.

At the 2023 AGM, Francesco Franzé, Gerald Engström, Per Holmberg, Helene Richmond and Sofia Axelsson were elected to serve as ordinary Board members of the company. Francesco Franzé was elected Chairman of the Board of Directors and Gerald Engström was elected Vice Chairman. For a more detailed presentation of the Board of Directors and CEO, including information about holding of shares and other securities in the company and significant positions outside the company, see page 93.

According to the Code, the Board of Directors' size and composition must be such that the Board of Directors' ability to manage the company's affairs with integrity and efficiency is assured. A majority of the members of the Board of Directors must be independent in relation to the company and its management team. At least two of the members who are independent in relation to the company and its management team must also be independent in relation to the company's major shareholders. In addition, at most one Board member may serve on the company's management or in the management of the company's subsidiaries. The company assesses that the composition of the Board of Directors meets the requirements of the Code. Below is an account of the company's assessment of the independence of the Board members in relation to the company and its management as well as major shareholders.

Member	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Francesco Franzé	Yes	Yes
Gerald Engström	Yes	No
Per Holmberg	Yes	Yes
Helene Richmond	Yes	Yes
Sofia Axelsson	Yes	Yes

Diversity policy

The Nomination Committee applies rule 4.1 of the Code as a diversity policy in its preparation of proposals for the Board of Directors. The Nomination Committee has taken into account the need for a well-functioning board composition with regard to diversity and breadth, for instance in terms of gender, nationality, age and industry experience. The Board of Directors currently consists of three men and two women.

The Board of Directors' working methods

The Board of Directors adheres to written rules of procedure that are reviewed annually and established at the inaugural Board of Directors meeting held in conjunction with the AGM. In accordance with the Board of Directors' rules of procedure, the Board of Directors is responsible for the Company's organization and the management of its affairs, and is required to continuously assess the company's and the group's financial situation, and to continuously keep abreast of earnings performance, larger account holdings, financing conditions, liquidity and specific risks in the company. According to the rules of procedure, the Board of Directors is also responsible for establishing and following up on the company's strategy as well as its short-term and long-term business objectives.

The Board of Directors is also responsible for ensuring that the company's financial reporting and other disclosures to the stock market are characterized by openness and that they are accurate, relevant and reliable. The Board of Directors is also responsible for ensuring that the company has formalized procedures and processes in place to ensure good internal control and compliance. The Board of Directors is required to perform its duties in accordance with applicable legislation and other regulations applicable to the company.

The Board of Directors is responsible for appointing and, if necessary, dismissing the CEO. The Board of Directors is required to ensure that the CEO fulfills his or her duties in accordance with the Board of Directors' instructions, and to annually assess the CEO's work performance based on the short-term and long-term goals set by the Board of Directors.

In addition to the inaugural meeting, the Board of Directors is

normally required to meet four to eight times a year; the meetings are scheduled based on the annual planning of the work to be done by the Board of Directors. In addition to these meetings, meetings were held in 2023 in connection with quarterly accounts, investment decisions and decisions on new issues. In accordance with the rules of procedure of the Board, the Board continuously evaluates its work through open discussions in the Board and through an annual Board evaluation. The outcome of the annual evaluation is submitted to the Nomination Committee.

Audit Committee

The Board of Directors has set up an Audit Committee whose task is to prepare and consider matters relating to financial reporting, internal control and risk management and, if necessary, to participate in the contacts with the company's auditor in connection with the audit of the annual report and the auditors' ongoing review of the company during the financial year. The Audit Committee is also required to assist the Nomination Committee in connection with the auditor's election. The audit committee is a preparatory body and has no independent decision-making power, unless the Board has explicitly authorized the audit committee to take decisions on a specific issue. The Audit Committee consists of Per Holmberg (chair), Francesco Franzé and Sofia Axelsson (members). The main tasks of the Audit Committee are:

- monitoring and quality assurance of the company's financial reporting;
- meeting the company's auditor on an ongoing basis for information and considerations regarding the focus, scope and content of the audit services and of the annual report and consolidated financial statements, and discussing coordination between external and internal auditing and the view of the company's risks;
- reviewing and monitoring the auditor's impartiality and independence and establishing guidelines for the permissible procurement of other services by the company's auditor;
- evaluating the audit effort and informing the Nomination Committee of the results;
- assisting the Nomination Committee in the procurement of the

audit, preparing the election and remuneration of the auditor and making recommendations to the nomination committee on these matters;

- with regard to financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management;
- dealing with any disagreements between management and the auditor;
- addressing considerations regarding the application of current accounting policies and the adoption of future accounting policies and other accounting requirements imposed by law, generally accepted accounting principles, listing agreements or other applicable regulations.

Remuneration Committee

The Board of Directors has established a Remuneration Committee whose task is to prepare and consider issues relating to remuneration and other terms of employment for the company management, evaluation of programs for variable remuneration to the company management and follow-up and evaluation of the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. The Remuneration Committee is a preparatory body and has no independent decision-making power, unless the Board of Directors has explicitly authorized the Remuneration Committee to decide on a specific issue. The Remuneration Committee consists of Francesco Franzé (Chair) and Gerald Engström (member). The main tasks of the Remuneration Committee will be to prepare and monitor issues related to:

- decisions on remuneration principles, remuneration and other terms of employment for senior management;
- monitoring and evaluating ongoing and completed variable remuneration programs for company management;
- monitoring and evaluating the application of the guidelines for remuneration to senior executives adopted by the Annual General Meeting and preparing proposals for guidelines for remuneration to senior executives for the Annual General Meeting; and
- current remuneration structures and levels in the company.

Attendance at Board and Committee meetings

Board member	Board of Directors	Audit Committee	Remuneration Committee
Francesco Franzé	13/13	7/7	2/2
Gerald Engström	12/13	–	2/2
Håkan Halén	5/5	3/3	–
Per Holmberg	7/7	3/3	–
Helene Richmond	13/13	–	–
Sofia Axelsson	13/13	7/7	–

Major shareholders

As of December 31, 2023, and with changes known up to the submission of this annual report, the following shareholders had, directly or indirectly, a shareholding in HANZA representing at least one tenth of the votes for all shares in the company:

Shareholder	Percentage of votes in HANZA, %
Färna Invest AB	21.25

For further information on HANZA's share and ownership structure, see the section The share and ownership structure on pages 32-33 of the annual report.

Auditors

The auditors are appointed by the AGM. The auditors review the company's annual report, consolidated accounts and accounts, as well as the administration of the Board of Directors and the CEO. The results of the review are reported to the shareholders in the form of the audit report, which is presented at the AGM. The 2023 AGM elected Ernst & Young AB (EY) as the company's auditor for the period until the end of the AGM to be held in 2023. EY has appointed authorized public accountant Linn Haslum Lindgren as auditor in charge. The external audit is conducted in accordance with ISA (International Standards on Auditing).

Internal control

The overall purpose of internal control is to ensure, with reasonable assurance, that the company's operational strategies and targets are followed up on, and that the owners' investment is protected. In addition, internal control is meant to ensure, with reasonable assurance, that external reporting is reliable and that it is prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are being complied with, and that the specific requirements applicable to listed companies are being complied with. The Board of Directors is the body that bears overall responsibility for internal control. The Swedish Companies Act and the Swedish Annual Accounts Act contain provisions according to which information on the most important elements of HANZA's system for internal control and risk management must be disclosed in HANZA's corporate governance report. The Board of Directors' responsibility for internal control is also governed by the Code.

Among other things, the Board shall ensure that HANZA has good internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control and that there are appropriate systems for monitoring and controlling the company's operations and the risks to which the company and its operations are associated. In order to maintain good internal control, the Board has prepared a number of policy documents, such as rules of procedure for the Board, instructions for the CEO, instructions for financial reporting, financial policy and information policy.

In addition, the Board of Directors has established an Audit Committee whose main tasks include the monitoring and quality assurance of the company's financial reporting, continuously meeting with the company's external auditor, monitoring the effectiveness of the company's internal control as regards financial reporting, and reviewing and monitoring the auditor's impartiality and independence. Within the Board of Directors, the Audit Committee also bears primary responsibility for monitoring and managing risks that may adversely affect the Company's operations.

Internal control and risk management are monitored and evaluated on an ongoing basis by means of internal and external

checks as well as evaluations of the company's governance documents. The task of the Audit Committee is to monitor the effectiveness of the company's internal control and risk management. Risk assessment is performed, for example, in the form of self-evaluations by key finance personnel. Identified risks and key processes are followed up on through measures and check-up activities conducted with designated managers as well as testing to determine if checks work. In its internal control efforts, the company uses well-established control processes including assessments of the company's overall control environment, self-evaluations, establishing control activities, training in and information on internal control, as well as evaluations of the control measures' effectiveness. Feedback is provided continuously to group management, the Audit Committee and the Board of Directors.

The company has not set up a separate internal audit function. The Board of Directors conducts an annual assessment of the need for such a function and has determined that the efforts related to internal control that are ongoing internally, as undertaken particularly by the management team under the supervision of the Audit Committee, constitute an adequate review function, having regard to the company's operations and size.

Risk assessments

HANZA engages in continuous, active risk analysis, risk assessment and risk management in order to ensure that the risks to which the company is exposed are managed appropriately within the established frameworks. Its risk assessment takes into account, for instance, customer dependence, production, interruptions and logistics, key personnel, the business cycle, materials, complaint risk, inventory obsolescence, competition, IT, liability, suppliers, credit exposure, financial risk factors and tax risks. Identified risks are followed up on by means of established check-up activities with designated managers.