



CORPORATE GOVERNANCE 2020

DIST IT



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CORPORATE GOVERNANCE REPORT

As of 2015, the preparation of a corporate governance report is a requirement for DistIT AB in accordance with the Swedish Annual Accounts Act (1995:1554), Chapter 6. 6–9 §§. This corporate governance report follows the Swedish code of corporate governance rules and application instructions. The corporate governance report has been prepared as a separate document from the annual report, and as such does not form part of the formal annual report documentation. The corporate governance report has been reviewed by the Company's auditors as per the provisions of the Swedish Annual Accounts Act, and the auditor's remarks is attached to the report.

DistIT AB (publ), corporate identity number 556116–4384, ("DistIT" or "the Company") is a Swedish public limited company subject to Swedish law. During 2020, the operations consisted of the subsidiaries Aurora Group Danmark A/S, Septon Electronic AB, Sominis Technology UAB and SweDeltaco AB. Aurora Group and SweDeltaco conduct operations in all the Nordic countries, SweDeltaco through the subsidiary Deltaco Baltic UAB also conducts operations in the Baltic countries. Septon Electronic AB operates in Sweden, Denmark and Norway, and Sominis Technology UAB operates in Lithuania.

The corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554). The corporate governance of DistIT AB is based on Swedish legislation, primarily the Swedish Companies Act, the agreement with the Nasdaq First North Premier Growth Market, the Swedish Code of Corporate Governance (the "Code") and other relevant rules and guidelines. The shares were admitted to trading on Nasdaq First North in 2011. The Company has issued senior unsecured bonds for MSEK 240 within a total limit of MSEK 500 maturing in May 2022. The Company has a nominal MSEK 74.4 of the issued bond in its own custody. The bonds were admitted to trading on Nasdaq Stockholm on 6 July 2018. Since 1 July 2018, the Company has Erik Penser Bank AB as a Certified Advisor.

The basis for governance of the Company and the Group is, among other things, the Articles of Association, the Swedish Companies Act, the Stockholm Stock Exchange's regulations for listing on the First North Premier Growth Market, and the Code. Companies whose shares are admitted to trading on the First North Premier Growth Market before 1 July 2018 need to publish their corporate governance report at the time of publication of the annual report. However, since its introduction on Nasdaq First North in 2011, and later the First North Premier Growth Market, DistIT's work with corporate governance has been inspired by the Code. All corporate governance reports prepared since 2012 are published on DistIT's website, www.distit.se. A Nomination Committee for the 2021 Annual General Meeting has been formed which deviates from the Code as three of the Nomination Committee's members represent shareholders, each with more than ten per cent of the shares and votes. The reason for this deviation is that participation in the Nomination Committee is a central part of the exercise of ownership of shares in the Company.

VIOLATION OF THE REGULATORY FRAMEWORK

During the financial year 2020, DistIT AB, its board members, the executive management and DistIT's Nomination Committee did not commit any unreported violations of the regulations that apply to the shares admitted to trading on First North Premier Growth Market, or to DistIT's corporate bond admitted to trading on Nasdaq Stockholm. No violations have been committed with regard to the Swedish Securities Market Board's application of good practice in the stock market.

APPLICATION OF THE CODE/DEVIATIONS

The company applies the Code, and for 2020 the Board of Directors reports the following deviations from the Code.

Nomination Committee

A Nomination Committee for the 2021 Annual General Meeting has been formed which deviates from the Code as three of the Nomination Committee's members represent shareholders, each with more than ten per cent of the shares and votes. The reason for this deviation is that participation in the Nomination Committee is a central part of the exercise of ownership of shares in the Company.

Composition of the Board of Directors

Prior to the 2020 Annual General Meeting, the Nomination Committee was aware that an even gender distribution could not be achieved. Future work within the Nomination Committee for DistIT should pay special attention to this.

Remuneration Committee

The Board of Directors has decided not to establish a Remuneration Committee. In accordance with the Code, the Board of Directors has found it more appropriate for the entire Board to constitute a Remuneration Committee. During 2021, the Board of Directors intends to regularly examine the need to establish a Remuneration Committee.

Audit Committee

The Board of Directors has evaluated the need for a special review function and decided not to appoint such a function. The entire Board of Directors thereby constitutes a special review function, which during the 2020 financial year is justified by the Company's ongoing change work, which has involved continuous and close cooperation between the entire Board of Directors and company management. At least one board member has accounting skills. During 2021, the Board of Directors intends to regularly examine the need to establish an Audit Committee.

SHAREHOLDERS

DistIT's share has been listed on NASDAQ First North since 19 April 2011, and on First North Premier Growth Market since 28 April 2015. For companies affiliated with First North Premier Growth Market, a Certified Advisor is required who, among other things, shall exercise certain supervision. Erik Penser Bank AB is DistIT's Certified Advisor. The number of shareholders in DistIT on 31 December 2020 was 6 254 (6 367). Of these, 421 (429) had more than 1 000 shares each. Ten shareholders own shares corresponding to 67 per cent (64) of share capital and votes. Each share has one vote. For further information on owners and ownership structure, see p. 85-87.

ANNUAL GENERAL MEETING

The Company's highest decision-making body is the Annual General Meeting, where the shareholders' influence in the Company is exercised. Shareholders who wish to attend the General Meeting, in person or by proxy, shall be entered in the share register five weekdays before the meeting and notify the Company in accordance with the notice.

Notice of a general meeting is given by press release, on DistIT's website (www.distit.se) and by advertising in *Post-och Inrikes Tidningar*. The fact a notice has been issued is posted via an announcement in *Svenska Dagbladet*.

The Annual General Meeting shall be held within six months from the end of the financial year. At the Annual General Meeting, the shareholders decide on, among other things, the election of the Board of Directors and auditors, principles for the work of the Nomination Committee, and on discharge from liability for the Board of Directors and the CEO for the past year. Decisions are also made on the adoption of the financial reports, appropriation of profits, and fees for the members of the Board and the auditors.

NOMINATION COMMITTEE FOR TO THE AGM 2020

The Nomination Committee for the 2020 Annual General Meeting consisted of Daniel Nyhren (Chair of the Nomination Committee), Tedde Jeansson, Anders Bladh and Stefan Charette.

ANNUAL GENERAL MEETING 2020

The 2020 Annual General Meeting was held on 20 April 2020.

The Board of Directors' previous proposal of SEK 1.25 per share in dividends for 2019 was withdrawn. In accordance with the Board's new proposal, the AGM resolved that no dividend be paid for 2019.

Stefan Charette, Charlotte Hansson, Jonas Mårtensson and Anders Bladh were re-elected as ordinary board members. The AGM appointed Stefan Charette as Chair of the Board. Furthermore, it was decided that the board fee be paid, with an annual remuneration to the Chair of the Board of SEK 375 000 (375 000) and to other members not employed in the Company of SEK 175 000 (175 000) per person.

The auditing company Grant Thornton Sweden AB was re-elected as auditor, who appointed the chartered accountant Daniel Forsgren as the principal auditor.

Guidelines for remuneration to senior executives were adopted in accordance with the Board of Directors' proposal.

The 2020 Annual General Meeting resolved that the principles for the Nomination Committee's assignment and how the Nomination Committee shall be appointed which were decided at the 2019 Annual General Meeting shall apply annually until the Annual General Meeting resolves to amend them.

The Annual General Meeting resolved that, with deviation from the shareholders' preferential rights, the issue of a maximum of 379 854 subscription warrants with the accompanying right to subscribe for a maximum of 379 854 new shares in the Company. The right to subscribe for new warrants shall only accrue to some of the DistIT Group's senior executives. Dilution upon full exercise of the incentive programmes that are outstanding will be equivalent to approximately 2.4 per cent.

The complete terms and conditions are available on the Company's website, www.distit.se.

The Annual General Meeting authorised the Board of Directors to, on one or more occasions, with or without deviation from the shareholders' preferential rights, decide on a new issue of shares corresponding to a dilution of a maximum of 10 per cent of the Company's share capital and total votes at the time the authorisation is used for the first time. Furthermore, such issues can be made against cash payment, through non-cash and offset, or otherwise combined with conditions. The authorisation shall primarily be used for the implementation of acquisitions or financing of the Company's operations.

THE BOARD OF DIRECTORS

According to DistIT's Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members, with a maximum of five deputies. At the 2020 Annual General Meeting, four members were elected. The members elected by the Annual General Meeting are appointed for the period until the next Annual General Meeting in accordance with the Code. There is no rule on the maximum time a member can be on the board. The average age of the members is 57 years and one (1) of the members is a woman. The Nomination Committee for the 2020 Annual General Meeting was aware that an even gender distribution had not been achieved. Future work within the Nomination Committee for DistIT should pay special attention to this.

During the 2020 financial year, the Board of Directors consisted of Stefan Charette (Chair of the Board), Charlotte Hansson, Jonas Mårtensson and Anders Bladh. The Company's CEO is not a member of the board but is present and a rapporteur at the board meetings. At the board meetings that dealt with the evaluation of the CEO, and on one occasion when the board met with the auditor, the CEO was not present.

All board members are deemed by the Nomination Committee for the 2021 Annual General Meeting to be independent in relation to the Company and the company management. Two of the board members for the 2021 Annual General Meeting are deemed by the Nomination Committee to be dependent in relation to the Company's major owners. Member Stefan Charette is deemed by the Nomination Committee to be dependent in relation to one of the Company's major owners, Athanase Industrial Partner, and Anders Bladh is deemed by the Nomination Committee to be dependent in relation to one of the Company's major owners, Ribbskottet AB. DistIT thereby fulfills the requirements set by the Code regarding the Board's independence in relation to the Company, the company management and the Company's major owners, respectively.

For information on the board members elected by the Annual General Meeting, see p. 88.

THE BOARD OF DIRECTORS' WORK AND RESPONSIBILITIES

DistIT's Board of Directors has established rules of procedure for the Board, with instructions regarding the division of work between the Board of Directors and the CEO, as well as instructions for financial reporting. The Board is responsible for ensuring that DistIT's organisation is designed so that the accounting, asset management and other financial conditions are controlled in a reassuring manner. The Board of Directors shall continuously assess the Group's financial situation.

ATTENDENCY, BOARD OF DIRECTORS

Name	Elected	Dependent	Attendance	Nomination Committee
Stefan Charette, Chair	2016	No/Yes ¹⁾	13/13	Member
Jonas Mårtensson	2011	No	13/13	-
Charlotte Hansson	2012	No	13/13	-
Anders Bladh	2018	No/Yes ²⁾	13/13	Member

1) Stefan Charette is independent in relation to the Company and the company management, and dependent in relation to one of the Company's major owners, Athanase Industrial Partner.

2) Anders Bladh is independent in relation to the Company and the company management, and dependent in relation to one of the Company's major owners, Ribbskottet AB.

The Board of Directors' rules of procedure state that the Chair of the Board, in consultation with the CEO, shall, before issuing a notice, prepare an agenda for each meeting and determine the necessary decision material and documentation for current matters. The Board is called to a constituent meeting after the Annual General Meeting, and in addition to at least six ordinary meetings per year. Four of the regular meetings coincide with the dates for external financial reporting. A fifth regular meeting will be held in December with a review of the budget and business plan for the following year. A sixth scheduled board meeting also discusses the Company's long-term strategic considerations. At the board meeting where the annual accounts are presented, the auditor attends in order to communicate their observations from the annual audit. In addition to the regular meetings, the Board of Directors is called to additional meetings as the situation requires. During the year, the Board met 13 times, of which two (2) times were per capsulam, including a constituent board meeting.

The Chair of the Board leads the Board of Directors' work and is responsible for ensuring that other members continuously receive the information necessary for the quality of Board work, and is exercised in accordance with the Swedish Companies Act and the Code. The Chair represents the Company in ownership matters. The Board of Directors monitors the CEO's work and is responsible for ensuring that the organisation is efficient. The Board establishes DistIT's overall goals and strategies, decides on budgets and business plans, processes and approves annual accounts and interim reports, and establishes important policies and regulatory systems. The Board of Directors shall monitor financial developments, ensure the quality of financial reporting and internal control, and regularly follow up and evaluate operations based on the goals and guidelines set by the Board. The Board of Directors shall also decide on major investments and changes in DistIT's organisation and operations.

REMUNERATION TO THE BOARD OF DIRECTORS

Remuneration is paid to the Chair and members of the Board in accordance with the decision of the Annual General Meeting. Board fees paid for the financial year 2020 have been reported as revenue from services for each individual board member. As informed by the Chair of the Nomination Committee at the Annual General Meeting, the Company applies the principle that any work in addition to ordinary board work shall take place on market terms and be agreed directly between the Company and the member concerned. This procedure has been applied previously, and the extent of these consulting fees is reported, if such has been paid, specifically in the annual report.

For 2020, no fee for work other than ordinary board work has been paid to the board members.

BOARD FEES TO THE BOARD OF DIRECTORS

TSEK	2020	2019
Stefan Charette, Chair	375	375
Jonas Mårtensson	175	175
Charlotte Hansson	175	175
Anders Bladh	175	175

OTHER REMUNERATION TO THE BOARD OF DIRECTORS

TSEK	2020	2019
Stefan Charette	-	-
Jonas Mårtensson	-	-
Charlotte Hansson	-	-
Anders Bladh	-	-

THE WORK OF THE BOARD OF DIRECTORS 2020

The Board of Directors held 13 board meetings during the year, of which two (2) were per capsulam. Each board member's attendance is shown in the table above. The Company's CFO is the secretary of the Board of Directors. At the ordinary board meetings, the CEO presented the Group's results and financial position, including forecasts for the coming quarters, and the development of the Company's business operations.

During the year, the Board of Directors focused on mainly three areas;

- Measures to create market and cost synergies in the ongoing integration of Aurora and Deltaco.
- Strategy work for Aurora and Deltaco, with focus on developing own brand labels and go-to-market.
- Strategy work for Septon and integration of companies within the Septon group.

Other significant issues that the Board of Directors addressed during the year include:

- The Company's management, results and financial position.
- The Company's internal control and risk management, where management of Covid-19 has been a part.
- Other strategy, restructuring and organisational issues.

BOARD COMMITTEES

According to the Board of Directors' rules of procedure adopted at the statutory board meeting on 20 April 2020, the Board does not appoint an Audit or Remuneration Committee, but the entire Board of Directors is responsible for fulfilling these tasks. The Board has therefore not appointed any specific Board Committees during the year. If necessary, the Board of Directors appoints working groups within itself whose tasks are to develop and prepare decision documentation for future board decisions, including in connection with acquisitions.

DIVERSITY POLICY

The Nomination Committee uses section 4.1 of the Code as a diversity policy in its assessment of the Board of Directors' appropriate composition, taking into account the Company's operations, development stage and other circumstances, and the assessment shall be characterised by versatility and breadth regarding expertise, experience and background with a desire for equal gender distribution.

GDPR

On 25 May 2018, the Personal Data Act was replaced by the General Data Protection Regulation (GDPR). The regulation applies as law in all EU member states. Since 2017, DistIT has worked actively to adapt to this new regulation and, prior to the entry into force of the regulation, appointed a working group to carry out this work and implement any necessary new processes. In 2019, the subsidiaries' own procedures were harmonised, and common policies for the DistIT Group were established. All policies are common to the subsidiaries, except for the IT policy, which can be adapted to local conditions as long as the adaptation does not contravene the current regulation. DistIT's policies are written in English, which is also the company language and has interpretive precedence. In order to facilitate implementation, the policies were also translated into Swedish, Norwegian, Finnish, Danish and Lithuanian. The task of the subsidiaries is to translate the necessary policy into any additional languages in order to respond to the regulation.

The responsibility for the subsidiaries' handling of personal data in accordance with the regulation lies with DistIT's CFO. In the subsidiaries, the Head of IT is responsible for any adaptation of the IT policy, and to ensure that the policies are implemented.

BENEFICIAL OWNER

The Act on beneficial owner (Act (2017:631)) entered into force on 1 August 2017, and the registration obligation arose with entry into force of the act, a notification under chapter 2 no later than six (6) months after the entry into force. The act, by demanding increased transparency and registration of beneficial owners in legal entities, as well as trusts and similar legal structures, aims to prevent legal entities or structures from being used for money laundering or terrorist financing. In accordance with the act, DistIT has reported all its principals.

WHISTLEBLOWER FUNCTION

DistIT's good brand and reputation is based on high integrity and good business practice. DistIT works for openness and good communication within the organisation, which strengthens a good corporate culture.

The whistleblower function is about reporting illegal, or suspected illegal, acts and violations of DistIT's Code of Conduct. DistIT is keen to identify irregularities in the business. Examples of irregularities include sexual harassment, fraud and corruption, discrimination and violations of environment and human rights.

All employees have rights and obligations to report irregularities related to corruption, abuse of position, fraud, financial crime, serious misconduct or environmental crimes. Information about the whistleblower function, how it works and how employees can submit a report, is available on the Company's website, www.distit.se: it shall be possible to report anonymously and/or confidentially. Complaints or

reports of irregularities are sent to a special email address where the recipient is responsible for cases being processed promptly.

No cases have been reported for 2020.

AUDIT

Auditors are appointed at the Annual General Meeting with the task of reviewing the Company's financial reporting and the Board of Directors' and the CEO's management of the Company. Election of auditor was carried out at the 2020 Annual General Meeting, where Grant Thornton Sweden AB was re-elected as auditor for the period until the end of the Annual General Meeting in 2021. The principal auditor is the chartered accountant Daniel Forsgren (born 1972).

The principal auditor receives regular notices of board meetings and general meetings, board minutes, the monthly financial reporting, CEO reports, and other information of significant importance to the business on a regular basis. The audit also includes parts of the Company's internal control and management audits. Areas that are reviewed are selected in accordance with the risk assessment of significant processes. At the Board's annual review of the annual accounts, the principal auditor prefers a written audit memorandum.

The principal auditor met the Board of Directors twice to present the evaluation of his internal control work, as well as the audit of the annual accounts for the financial year 2020. During the year, the auditor also had regular contact with the Company's CEO and Company management.

Grant Thornton submits an audit report regarding DistIT and the Group as a whole. Grant Thornton also performs services for companies within the DistIT Group in addition to the audit work. For this, Grant Thornton has invoiced a total amount of MSEK 1.1 in 2020 (1.0). The auditor receives a fee for his audit work in accordance with a decision at the Annual General Meeting. For information on fees to the auditor during 2020 and 2019, see Note 7 on p. 65.

CEO AND GROUP MANAGEMENT

The Board of Directors appoints the President of DistIT AB, who is also the CEO. The CEO leads the operations within the framework established by the Board. The CEO prepares the necessary information and decision material for board meetings, is the rapporteur at board meetings, and submits reasoned proposals for decisions. Every month, the CEO provides the members of the Board with the information required to monitor the Company's and the Group's position, operations and development, and keeps the Chair of the Board continuously informed on operations. The CEO shall take the measures necessary for the accounting to be carried out in accordance with law and for asset management to be handled in a secure manner. For a more detailed division of responsibilities between the Board of Directors and the CEO's tasks, there is a written CEO instruction, which is regularly updated. The CEO has participated in all board meetings during 2020, except board meetings that dealt with the evaluation of the CEO and one occasion when the board met with the auditor.

Group management consists of the CEO and CFO. Robert Rosenzweig has been CEO since 1 September 2018 and Philip Gunnarsson took over as CFO of DistIT on 1 January 2020.

The Board of Directors conducts an internal evaluation of the CEO's work at least once a year. This encompasses both

a reconciliation of compliance with determined instructions and reporting procedures, as well as an assessment that a number of operational criteria have been achieved. It includes a number of soft criteria such as leadership, business acumen and respect, as well as how well the work of the management functions and the ability to handle overall issues. Normally, the evaluation is recorded at the first board meeting for the financial year.

REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

The Board of Directors has decided not to appoint a specific Remuneration Committee. In accordance with the Code, the Board has found it more appropriate for the entire Board of Directors to constitute a Remuneration Committee. The entire Board has thereby fulfilled the tasks of the Remuneration Committee according to the Code and the Board of Directors' rules of procedure for the Remuneration Committee, including the Board's proposal to the Annual General Meeting regarding guidelines for determining salaries and other remuneration to the CEO and other senior executives, to follow and evaluate the application of guidelines, applicable principles for variable remuneration, remuneration structures and conditions for senior executives in the Company, including the outcome of any variable remuneration for the company management. The Board of Directors decides on remuneration to the CEO. The Chair of the Board prepares, on the proposal of the CEO, the Board's decision on remuneration and other conditions for senior executives within the framework of established remuneration guidelines.

The Annual General Meeting on 20 April 2020 decided on the following guidelines for remuneration to senior executives in DistIT. Senior executives referred to the CEO and CFO of DistIT AB and senior executives of Aurora Group Danmark A/S and SweDeltaco AB and Septon Electronic AB (a total of nine people). The guidelines for remuneration also apply to board members to the extent that they receive remuneration outside the board assignment.

IN GENERAL

The company aims for a remuneration system for the CEO and senior executives that is market-based and competitive. The remuneration system contains customary benefits, such as a company car, pension and health insurance. The Group's target for new company cars to be put into service from 2020 means that these cars shall be either electric cars or plug-in electric hybrids, which supports the DistIT Group's long-term sustainability work.

FIXED SALARY

The fixed salary is market-based and based on performance, results and responsibility. As a general rule, fixed salaries shall be reviewed once a year. Fixed salaries were reviewed once during the 2020 financial year. The CEO and senior executives may apply salary exchange.

VARIABLE REMUNERATION

The variable remuneration shall take into account the individual's level of responsibility and authority. The variable remuneration shall be based on goal fulfillment in the areas of results, revenue and individual measurable goals. Fulfillment of goals should be measurable over a period of one year. The size of the variable remuneration shall be based on the employee's fulfillment of the measurable goals. The variable remuneration shall amount to a maximum of 50 per cent of fixed salary. Payment of part of the variable salary shall be

conditional on the underlying goals having been achieved in a long-term sustainable manner. The company shall have the right to demand repayment of variable salary if a payment was based on information that later proved to be clearly incorrect. During 2019 and 2020, the Company reported an advance variable remuneration for the years 2019 - 2021 to the CEO comprising a total of SEK 3 066 366. The underlying goals for the variable remuneration contribute to long-term sustainable value creation of the business over time. The variable remuneration paid has in its entirety made it possible to subscribe to the incentive programme described below. The variable remuneration relating to 2020 (SEK 1 022 112) constitutes 45 per cent of the fixed salary for the same period.

INCENTIVE PROGRAMME

At an Extraordinary General Meeting of the Company in February 2019, a decision was made on a long-term share-based incentive programme for the CEO consisting of up to a total of 300 000 subscription warrants (2019/2022). The Company is given the right to repurchase the warrants if the CEO's employment or assignment in the group ceases or if the participant were to transfer warrants to a third party.

To be able to retain and recruit competent and committed employees, the 2020 Annual General Meeting adopted the Board of Directors' proposal for an incentive programme based on subscription warrants. The number of warrants issued by the Company amounted to 379 854, with the accompanying right to subscribe for 379 854 new shares in the Company. The right to subscribe for the warrants appertained to DistIT AB's CEO and CFO, as well as eight senior executives in Aurora and Deltaco, and Septon.

The Board of Directors shall, on an annual basis, evaluate whether an additional share-related or share price-related long-term incentive programme should be proposed to the Annual General Meeting.

PENSION

For the CEO, pension benefits, including health insurance, shall be defined-contributions. Variable cash compensation shall not be pensionable. The pension premiums for defined-contribution pensions can amount to a maximum of 35 per cent of the fixed annual cash salary. For other senior executives, pension benefits, including health insurance, shall be defined-contributions unless the executive is covered by a defined-benefit pension in accordance with mandatory collective agreement provisions. Variable cash compensation shall be pensionable to the extent that this follows mandatory collective agreement provisions that are applicable to the executive. The pension premiums for defined-contribution pensions shall amount to a maximum of 35 per cent of the fixed cash salary.

OTHER TERMS OF EMPLOYMENT

Other benefits may include, among other things, life insurance, health insurance and company cars. Such benefits may amount to a maximum of 19 per cent of the fixed annual cash salary. In terms of employment relationships that are subject to rules other than Swedish, in as far as this concerns pension benefits and other benefits, appropriate adjustments may be made to comply with such mandatory rules or established local practice, whereby the overall purpose of these guidelines shall as far as possible be met.

The notice period shall be so long that the Company is given reasonable time to recruit and train replacements, allowing restrictions that may follow from law. A notice period on the

part of the executive of normally six months shall be deemed to meet this requirement. In the event of such termination, the executive shall not be entitled to severance pay. In the event of termination by the Company, the notice period may not exceed twelve months. Fixed cash salary during the notice period may not exceed an amount corresponding to the fixed cash salary for one year. Severance pay is not issued. In addition, compensation may be paid for any commitment to restrict competition. Such compensation shall compensate for any loss of income and shall only be paid to the extent that the previous executive is not entitled to severance pay. The compensation shall amount to a maximum of 60 per cent of the fixed cash salary at the time of termination, unless otherwise provided by mandatory collective agreement provisions, and shall be paid during the period of the commitment to restrict competition, which shall be a maximum of 24 months after termination of employment.

CONSULTANCY FEES TO BOARD MEMBERS

In cases where board members perform work in addition to the usual board work, the Board of Directors shall, under certain circumstances, be able to determine additional remuneration in the form of consulting fees.

REMUNERATION COMMITTEE

The Board of Directors has decided not to appoint a specific Remuneration Committee. In accordance with the Code, the

Board has found it more appropriate for the entire Board of Directors to perform this task. The Board annually evaluates the CEO's work. With regard to the remuneration and terms of employment of other senior executives, the CEO decides on the basis of the guidelines for remuneration for senior executives decided on by the Annual General Meeting.

DEVIATIONS FROM GUIDELINES

The Board of Directors may decide to deviate from the guidelines by up to 10% of the stated guidelines in relation to variable remuneration and benefits if, in an individual case, there are special reasons for this, and a deviation is necessary to meet the Company's long-term interests, including its sustainability, or to ensure the Company's economic viability. If such deviations take place, the Board of Directors shall report the reasons for the deviation at the next Annual General Meeting.

There were no deviations from the guidelines for remuneration to executives decided by the 2020 Annual General Meeting.

Guidelines for remuneration to senior executives from the financial year 2021 will be presented at the 2021 Annual General Meeting.

TSEK	År	Fixed remuneration	Variable remuneration	Benefits	Pension costs	Total
Robert Rosenzweig, CEO ¹⁾	2020	2 295	1 022	68	554	3 939
	2019	2 100	1 022	72	714	3 908
Other senior executives ²⁾	2020	8 549	1 201	139	1 669	11 558
	2019	13 776	458	150	1 103	15 487

1) The company reports an advance variable remuneration for the years 2019 - 2021 to the CEO comprising a total of TSEK 3 066.

The variable remuneration reported here refers to 2019 and 2020.

2) Other senior executives refers to the CFO of DistIT and senior executives of Aurora Group Danmark A/S, SweDeltaco AB, and Septon Electronic AB

TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties took place during the 2020 financial year.

SYSTEMS FOR INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

According to the Swedish Companies Act and the Annual Accounts Act, the Board of Directors is obliged to ensure that the Company has satisfactory internal controls, keep themselves informed about the Company's internal control system, and assess how well the system works.

The Board has evaluated the need for a specific review function and decided not to appoint such a function. The entire Board of Directors thereby constitutes a specific review function, which, during the financial year 2020, is justified by DistIT's ongoing change work, which has involved continuous and close cooperation between the Board of Directors and company management during the financial year. The Board intends to continuously review the need to establish a special review function in 2021.

The DistIT Group's work with internal control is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These principles have five basic elements;

1. Control environment,
2. Risk assessment,
3. Control activities,
4. Information/communication, and
5. Monitoring.

CONTROL ENVIRONMENT

Internal control within the DistIT Group is based on a control environment including organisation, decision-making routes, authorities and responsibilities. This is documented and communicated in governing documents, such as internal policies, guidelines and instructions. For example, this applies to the division of work between the Board of Directors and the CEO, and instructions for certification, accounting and reporting.

RISK ASSESSMENT

The Board of Directors has the ultimate responsibility for risk management. Through a clear organisation and decision-making process, including great awareness of risks among employees with common definitions and principles within established frameworks, controlled risk-taking is achieved.

Risk areas are business and industry-related risks as well as risks in connection with the year-end closing process linked to financial reporting, operational risks and legal risk. See also p. 28-32 regarding risks and risk management.

CONTROL ACTIVITIES

The Group's business processes include financial controls in relation to the approval and reporting of business transactions. The year-end closing and reporting process includes controls, among other things, in terms of accounting, valuation and disclosure requirements, as well as concerning the application of significant accounting principles and estimates, both in individual subsidiaries and at a Group level. The finance and accounting function in DistIT AB is responsible for financial statements, quarterly reports, audits and analyses. All subsidiaries with sub-groups have their own finance functions. The regular analysis of each operation's monthly financial reporting includes significant items, such as assets, liabilities, revenue, expenses and cash flow. Together with the analysis carried out at Group level, this important part of the internal control helps to ensure that the financial reporting does not contain any material errors or deviates from established reporting procedures.

The quality of external financial reporting is ensured through a number of measures and procedures. In addition to auditing the accounts and annual financial statements, the auditor also conducts a review of the year-end report and the quarterly report for the third quarter. All financial reports and other press releases are published at the same time as the publication on DistIT AB's website.

INFORMATION/COMMUNICATION

The Group has information and communication channels that aim to promote complete and accurate financial and operational reporting. Internal instructions and guidelines in terms of presenting operational and financial reporting, as well as regular updates and announcements on reporting and requirements for information disclosure and changes in accounting principles, are made available and known to the personnel concerned. All subsidiaries compile monthly financial reports and reports on their management to Group management, with analyses and comments on financial results and risks. The Board of DistIT AB receives the CEO's monthly compilation of the subsidiaries' reports, together with an activity report for the DistIT Group and a financial report for the Group companies compiled by the CFO.

MONITORING

The Board of Directors has not established a function for internal audit. The main work regarding internal audit is handled by the Group's CFO together with the finance managers in each company. The Board's assessment is that this way of working, together with the monthly financial reports that the Board of Directors receives, is at present satisfactory and meets the requirements for reporting and internal control that can be set.

The Group's financial situation is discussed at each board meeting. The Board of Directors reviews all interim reports and the annual report before publication. The Board receives annual and regular reports from the auditor. Company management receives annual and regular reports from the subsidiaries' auditors. The Board of Directors and company management follow up all measures taken in order to improve or change the controls. The Group's process for financial reporting is reviewed annually by Group management and

forms the basis for the evaluation of the internal management system and the internal governing documents to ensure that these cover all important areas related to financial reporting. In addition, the DistIT Group's financial goals have been discussed within the Board of Directors, which has resulted in clearer guidelines for how the Board of DistIT AB continuously monitors the internal financial reporting of each company. The processes for financial reporting are of significant importance for the Board of Directors' monitoring of operations and are continuously evaluated.

DIRECT OR INDIRECT SHAREHOLDING

As shown in the table "Largest shareholders as of 31 December 2020" on p. 86, Anders Bladh, through Ribbskottet, and Stefan Charette, through Athanase Industrial Partners II AB and Athanase Industrial Partners Fond II, each control more than ten per cent of capital and votes. In addition, no individual on the Board of Directors or company management has more than ten per cent of the capital or votes in the Company.

PROCEDURES FOR INSIDER INFORMATION, INSIDER LISTS AND REPORTING CHANGES IN HOLDINGS FOR PEOPLE IN SENIOR POSITION

On 3 July 2016, EU Market Abuse Regulation 596/2014/EU (MAR) entered into force and thus became directly applicable as Swedish law. The Market Abuse Regulation extended the rules on market abuse, which previously only covered financial instruments admitted to trading on a regulated market, to also include financial instruments traded on an MTF, i.e. Nasdaq First North Premier, among others. DistIT AB, which has been traded on Nasdaq First North Premier since 28 April 2015, is thereby covered by this law and these rules.

The Board of Directors has developed a procedure for how this is to be handled. The procedure contains the following headings;

- Procedure for publishing inside information.
- Procedure for preparing insider lists.
- Procedure for transactions performed by people in a senior position and related parties.
- Procedure for trade bans during the so-called closed periods.

The above procedures state the measures that shall be taken to ensure that DistIT AB fulfils its obligations in accordance with the Market Abuse Ordinance. DistIT AB's Board of Directors is responsible for developing and establishing the procedures.

The above procedures are handled by the Company's CFO on behalf of DistIT AB.

RESTRICTIONS ON VOTING RIGHTS

The company's articles of association do not contain any restrictions on how many votes each shareholder can cast at a general meeting.

CERTAIN ARTICLES OF ASSOCIATION PROVISIONS

The company's articles of association lack special provisions on the appointment and dismissal of board members or on amendments to the articles of association.

AUTHORITIES PROVIDED BY THE AGM

The Annual General Meeting on 20 April 2020 authorised the Board of Directors to, in conjunction with agreements on company acquisitions, on one or more occasions, with or without deviation from shareholders' preferential rights, decide on a new issue of shares in DistIT AB.

The authorisation has comprised a maximum of 1 228 000 shares, corresponding to a maximum of 10 per cent of DistIT AB's existing share capital on the date of the Annual General Meeting on 20 April 2020. The purpose of the authorisation was for DistIT AB to be able to have issued shares as payment in conjunction with company acquisitions. The Board of Directors has not at any time during the financial year used the authorisation resolved by the 2020 Annual General Meeting.

NOMINATION COMMITTEE

DistIT's work with corporate governance follows the Code. The Code states that the Nomination Committee is the body of the Annual General Meeting with the sole task of preparing the AGM's provisions on election and fee issues and, where applicable, procedural matters for the next Nomination Committee. The members of the Nomination Committee shall, regardless of how they are appointed, safeguard the interests of all shareholders.

The Annual General Meeting on 20 April 2020 resolved that the principles for how the Nomination Committee for DistIT is appointed, as adopted at the 2019 Annual General Meeting, shall continue to apply until the Annual General Meeting decides on an amendment thereof.

The Chair of the Board shall convene the three largest shareholders or owners representing the three largest ownership groups in the Company no later than 15 October each year, who then have the right to appoint one member each to the Nomination Committee. If any of the three largest shareholders or groups of owners waives their right to appoint a member to the Nomination Committee, the next shareholder or group of owners shall be given the opportunity to appoint a member to the Nomination Committee until the tenth largest owner/ownership structure and all owners/ownership structures represent more than 5% of the Company's shares have been consulted. If fewer than three members have been recruited through this procedure, the Nomination Committee may consist of at least two people. In addition, the Chair of the Board shall be appointed to be a member of the Nomination Committee. The composition of the Nomination Committee shall be announced no later than six months before the Annual General Meeting.

NOMINATION COMMITTEE FOR THE 2021 AGM

In accordance with the above, DistIT AB informed on 22 October 2020 that DistIT AB's Nomination Committee for the 2021 Annual General Meeting consists of;

- Daniel Nyhren, Chair of the Nomination Committee, appointed by and representing Athanase,
- Anders Bladh, appointed by and representing Ribbskottet AB,
- Carl Rosvall, appointed by and representing Hajskäret Invest AB,
- Stefan Charette, Chair of the Board of DistIT AB.

The Nomination Committee prior to the 2021 Annual General Meeting deviates from the Code as three of the Nomination Committee's members represent shareholders, each with more than ten per cent of the shares and votes. The reason for this deviation is that participation in the Nomination Committee is a central part of the exercise of ownership of shares in the Company.

The Nomination Committee has evaluated the Board of Directors' work, expertise and composition. In evaluating the Board, the Nomination Committee has given special

consideration to the requirement for versatility and breadth in the Board of Directors, as well as the requirement to strive for an even gender distribution. In 2020, an evaluation of the Board took place, in part via a written document, the results of which were submitted in writing to the entire Board of Directors, the CEO and the auditor, as well as an oral interview conducted by members of the Nomination Committee who are not members of the Board of DistIT AB. The Board of Directors evaluation has been discussed at one of the Nomination Committee's working meetings and at an ordinary board meeting of the Company.

The members have not received any fee or remuneration from DistIT for their work in the Nomination Committee. At two meetings of the Nomination Committee held prior to the 2021 Annual General Meeting, all members of the Nomination Committee were present.

The Nomination Committee's task is to present proposals for the Annual General Meeting on 29 April 2021 with regard:

- Election of a Chair of the meeting at the AGM.
- Number of board members and auditors to be elected by the general meeting.
- Board and auditor fees.
- Any remuneration for committee work.
- Election of board members, chair of the board and auditors.
- Where applicable, proposals for changes in the current guidelines for the Nomination Committee.

TO THE ANNUAL GENERAL MEETING OF DISTIT AB AUDITOR'S REMARKS ON THE CORPORATE GOVERNANCE REPORT

Tasks and division of responsibilities

The Board of Directors is responsible for the corporate governance report for the year 2020 and for the fact that it has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Corporate Governance.

Focus and scope of the review

Our review has taken place in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our review of the corporate governance report has a different focus and a significantly smaller scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with a sufficient basis for our statement.

Statement

A corporate governance report has been prepared. Information in accordance with chapter 6, section 6, second paragraph, items 2–6 of the Swedish Annual Accounts Act (1995:1554) are compatible with the annual accounts and the consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Stockholm, 30 March 2021
Grant Thornton Sweden AB

Daniel Forsgren
Chartered Accountant

The logo consists of the text "DIST IT" in a dark blue, sans-serif font. The "IT" is positioned to the left of a white right-pointing triangle. The entire logo is set against a light blue hexagonal background.

DIST IT

DistIT AB (publ)

Glasfibergratan | 125 45 Älvsjö, Sweden | +46 8 555 76 200