Corporate Governance

Chairman's statement

In 2024/25, we again saw a really good return on the change initiatives we have been working on in recent years. An efficient and customer-centric organisation focused on making our offering even more relevant has contributed to improving an already strong sales and profitability development.

The business environment is atypical, with major uncertainty and constantly changing conditions. In this situation, the Board has an important role in helping the company to balance the long- and short-term perspectives, and I firmly believe that the strategy and business plan adopted by the Board have been key in this work. But at least as important as a good plan is an ability to quickly adapt and react to new situations. The organisation as a whole has been adept in this respect and I really appreciate the frank and open climate of co-operation that is the hallmark of the relationship between Board and operational management.

During the year, the company successfully put through the various changes we planned in order to continue winning – whether it was about optimising and expanding the store network, new logistics initiatives or investments for a simpler and more effective IT landscape. The company also renewed and customised its product range at an even faster pace than before – no less than 5,000 new products earned their place on our shelves during the financial year!

A rich variety of issues were addressed during the 10 Board meetings held this year and in my view the Board had a good mix of skills to deal with them. As always, corporate governance at Clas Ohlson is based on international norms such as the UN Global Compact's ten principles regarding human rights, labour law, the environment and anti-corruption. This is also reflected in our policies, guidelines and how we build long-term relationships with our stakeholders.

"At least as important as a good plan is an ability to quickly adapt and react to new situations."

I am now looking forward to continue creating long-term shareholder value by focusing on profitable growth and susatinability. The Board and the organisation as a whole are continuing their focused work aimed at becoming our customers' first choice for home fixing in all sales markets, and at the same time acting as a positive force in society. The financial year just ended shows that we are making good progress.

Finally, I would like to thank all our co-workers for their tremendous work over the past year, all customers, new and old, who have shopped at Clas Ohlson, and last but not least all of the shareholders who are supporting Clas Ohlson on its journey ahead. Together, we are now taking the next step to make home fixing available, sustainable and enjoyable for everyone.

Kenneth Bengtsson
Chairman of the Board

Corporate governance

Good corporate governance is a prerequisite in maintaining trust among shareholders, customers and other external stakeholders and is built on the company's strategies, targets and values pervading the entire organisation.

Governance at Clas Ohlson is based upon Swedish legislation, above all the Companies Act, the listing agreement with Nasdaq Stockholm and the Swedish Code of Corporate Governance (the Code). Our governance also complies with the company's Articles of Association, internal instructions and guidelines, and recommendations issued by relevant organisations. The Corporate Governance Report has been prepared in accordance with the Code.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance is applicable to all companies listed on Nasdaq Stockholm. The aim is to improve corporate governance at listed companies and to foster trust in companies among the general public and in the capital market. The Code is based on the "comply or explain" principle, which means that deviations from the Code are permissible if an explanation is provided for the deviation. At Clas Ohlson, there were no deviations from the Code during the financial year.

Compliance with applicable regulations for stock exchange trading

No infringements of good stock exchange practices or of the application of stock exchange regulations were reported by either the Swedish Securities Council or the Stockholm Stock Exchange's Disciplinary Committee.

Annual General Meeting

Shareholders exercise their influence through participation in the company's Annual General Meeting (AGM) (the ordinary annual general meeting). The AGM, the company's ultimate decision-making body, has traditionally been held physically at the company's place of business in Dalarna, central Sweden, in September. Notification of the AGM, which is normally communicated about four weeks prior to the AGM, is published in *Post- och Inrikes Tidningar*, as well as on the company's website. All shareholders who are registered in the share register and have notified the company of their intention to participate within the time frame and in the manner stated in the notice are entitled to participate. Registration may be made by telephone, e-mail, letter or via the Clas Ohlson website.

The Annual General Meeting appoints the Board of Directors, the Chair of the Board, and the auditors of Clas Ohlson each year. The AGM also decides on the proposed appropriation of earnings. Other matters addressed include those required by the Swedish Companies Act and Clas Ohlson's Articles of Association, which are available at about.clasohlson.com.

At the Annual General Meeting held on 6 September 2024, it was resolved to authorise the Board of Directors to resolve to buy back (i) 265,000 series B shares to assure provision of shares to participants in the long-term incentive programme LTI 2024, and (ii) series B shares in such a number that the company's total holding of treasury shares does not at any one time exceed five per cent of all shares in the company. The AGM also authorised the Board of Directors to issue new series B shares in such a number that the total number of series B shares that may be issued does not exceed ten per cent of the company's share capital at the time of the AGM's resolution regarding authorisation.

On 30 April 2025, the company's largest shareholders in terms of votes, each representing no less than 10 per cent of the votes, were Helena Ek Tidstrand (16.91 per cent), Johan Tidstrand (12.33 per cent), Peter Haid (11.81 per cent), Mathias Haid and Charlotte Haid Bondergaard through their companies (12.53 per cent) and Claus-Toni Haid and Grischa Haid through their companies (11.54 per cent).

Clas Ohlson's shareholders elect the Board of Directors annually at the AGM.

Nomination Committee

The Nomination Committee's mandate is to submit proposals for Board members, Board Chairman and auditors, as well as fees to Board members (including for committee work) and to auditors, to the next AGM at which the Board or auditors are due to be elected. The Nomination Committee also proposes the Chairman of the AGM and the principles for appointing the Nomination Committee.

Nomination Committee prior to the 2025 AGM

Prior to the AGM held on 12 September 2025, Clas Ohlson's Nomination Committee consisted of the following members: Malin Persson, appointed by the owner-family Haid (Chair), Johan Ståhl, appointed by the owner-family Tidstrand, Fredrik Ahlin, appointed by If Skadeförsäkring AB, Richard Torgerson, appointed by Nordea Funds, and Kenneth Bengtson, Chairman of the Board of Clas Ohlson.

At Clas Ohlson, the Nomination Committee is elected via a nominating process. The Chairman of the Board is a member of the Nomination Committee, along with representatives of the four largest registered, or otherwise known, shareholders (record date 30 September). If a shareholder does not appoint a member, the choice passes to the next largest shareholder. The Nomination Committee appoints a chair from among its members.

The work and composition of the Board was assessed during the year. The assessment was performed as a written appraisal by an external party. The findings from the assessment were presented by the Chairman of the Board. The conclusion is that the Board functioned well during the year. The intention of the report was to enable the Nomination Committee to assess the Board's combined expertise and experience as thoroughly as possible.

In all, the Nomination Committee represents slightly more than 73 per cent of the total number of Clas Ohlson's shares (votes). The Nomination Committee will serve until the election of a new Nomination Committee.

The objective of the work of the Nomination Committee is to ensure that the Board is has the expertise, experience and background required by its mandate. In addition, the degree of diversity in the Board was examined and it is seeking to achieve an even gender balance. As part of the Nomination Committee's work, it examined the company's diversity policy.

Particular emphasis was placed on Clas Ohlson's strategies and targets, and on the demands that Clas Ohlson's focus is expected to place on the Board, going forward. The Nomination Committee also discussed the Board's long-term composition in terms of future requirements regarding expertise, diversity and succession.

The Committee addressed proposals for Clas Ohlson's AGM and held seven recorded meetings, where the Board's composition was assessed, considered and discussed. In addition, individual contacts were made.

Composition of the Board and attendance during the financial year [1]

Member [2, 3]	Year elected	Independence[5, 6]	Board meetings	Audit Committee	People Committee
Kenneth Bengtsson	2013	Yes	10/10[4]		5/5
Mengmeng Du	2020	Yes	10/10		
Mathias Haid [7]	2015	Yes[5]/No[6]	10/10		5/5
Patrik Hofbauer	2020	Yes	10/10	6/6	
Håkan Lundstedt	2018	Yes	10/10		5/5
Anne Thorstvedt Sjöberg[8]	2017	Yes	5/10		
Charlotte Strömberg	2017	Yes	9/10	6/6	
Göran Sundström[7]	2014	Yes[5]/No[6]	10/10	6/6[4]	
Stefan Sjöstrand[8]	2024	Yes	5/10		

1 The trade-union organisations had four representatives on the Board. For further information on Board members, see pages 67–68. The work of the Board and its Committees is described on page 62–66.
2 For information on date of birth, professional experience, directorships and shareholdings, see pages 67-68.
3 Details of remuneration of Board members are provided in Note 7, on page 87.
4 Chairman.
5 Independent in relation to the company and Group Management as per the Swedish Code of Corporate Governance.
6 Independent in relation to major shareholders of the company as per the Swedish Code of Corporate Governance.
7 Represents or is a major shareholder, see pages 67-68.
8 Anne Thorstvedt Sjöberg resigned and Stefan Sjöstrand was elected at the 2024 AGM, held in September in the financial year.

Auditors

The AGM appoints auditors for the Parent Company each year. The AGM held on 6 September 2024 appointed Deloitte as auditors of the company, with Johan Telander as Key Audit Partner. The auditor is elected until the end of the next AGM.

Full details of auditors' fees are provided in Note 5 to the Financial Statements on page 85. Engagements other than auditing consist primarily of issues pertaining to consultation on tax issues and IFRS accounting rules. The independence of the auditors is assured firstly by the internal policies of the auditing firm and secondly by the Board's guidelines specifying the engagements that the auditing firm may undertake in addition to auditing.

Board of Directors

Clas Ohlson's shareholders elect the Board of Directors annually at the AGM. According to the Articles of Association, the Board of Directors may consist of no less than three and no more than nine members elected by the General Meeting. In addition to these members, the trade unions represented at the company nominated two members and two deputies.

The Board fulfils the Code's requirement for independence. All members elected at the General Meeting, with the exception of Mathias Haid and

Göran Sundström, are regarded as independent in relation to the company, Group Management and major shareholders. Clas Ohlson strives to achieve diversity on the Board, including, over time, an even representation of men and women on the Board. Gender representation on the Board among the members elected by the AGM in the past financial year varied between 25 per cent and 37.5 per cent women and 62.5 per cent and 75 per cent men. In the preceding year, the gender representation was 37.5 per cent women and 62.5 per cent men. At the 2024 AGM, Anne Thorstvedt-Sjöberg resigned from the Board and Stefan Sjöstrand was elected as a new Board member. The other members of the Board were re-elected.

Board meetings

Immediately following the AGM, a statutory Board meeting is held, at which the rules of procedure for the Board and instructions to the company's CEO are adopted. The members of the Board's Audit Committee and People Committee (remuneration committee), as well as the authorised signatories for the company, are appointed at this meeting. In addition to this meeting, the Board holds quarterly meetings on the occasion of publication of the company's financial reports, as well as other meetings according to an annually fixed schedule.

The company's auditors attend three of the Board meetings to report on what has emerged during their audit. The Board meets the auditors once annually without the presence of Group Management. The Board held 10 Board meetings during the financial year. The Board assesses its work annually.

How the Board works

The working methods of the Board of Directors are set out in its Rules of Procedure. These include the items to be dealt with at Board meetings. Each Board meeting is normally to be devoted to a specific topic to enable the Board to gain more in-depth knowledge and understanding of the various aspects of the company's operations. During discussions on these topics, employees responsible for various functions in the company may deliver presentations.

The issues addressed by the Board during the year included strategic direction, monitoring of the business plan, review of risk management, important business processes, developments in current markets, expansion and sustainability targets. The rules of procedure also state that the Board must meet with the company's auditors no less than once per year. In addition, the rules of procedure govern certain formal matters, such as rules regarding the notification of meetings and confidentiality.

Audit Committee

At its first meeting following the AGM, the Board established an Audit Committee made up of members Göran Sundström (Chairman), Charlotte Strömberg and Patrik Hofbauer.

The Board issued instructions for the work of the Committee. The Audit Committee is responsible assuring the quality of financial reporting. The Audit Committee is also responsible for supervising the effectiveness of risk management and internal control over the financial reporting. Other tasks for the Audit Committee are to serve as a communication link, between the Board and the company's auditors and to establish which services over and beyond auditing may be procured from the company's auditors. The Audit Committee assesses the audit engagement and recommends an auditor to the Nomination Committee.

The Audit Committee held six meetings during the financial year. Attendance is shown in the table on page 63. The meetings are recorded and reported at the next Board meeting. Representatives of Group Management attended the Committee's meetings. The meetings addressed issues aimed at ensuring the effectiveness of risk management in and internal control over financial reporting. In addition, the Audit Committee dealt with issues regarding the company's interim reports, annual report, accounting, liquidity, among others.

People Committee

At the statutory Board meeting, the Board appointed a remuneration committee, known at Clas Ohlson as the People Committee, consisting of members Kenneth Bengtsson (Chairman), Mathias Haid and Håkan Lundstedt. The Board issued instructions for the work of the Committee. The People Committee prepares material for the Board's decisions on proposals for guidelines for remuneration of senior executives (for adoption by the AGM) and remuneration and conditions of employment for senior executives.

The Committee met five times during the financial year. Attendance is shown in the table on page 63. The meetings are recorded and reported on at the next Board meeting. The Committee addressed such issues as fixed and variable remuneration, and prepared proposals for a long-term incentive programme (LTI).

Examples of issues dealt with by the Board during the year include strategic direction and sustainability goals.

Allocation of duties between Board and CEO

The Board appoints the company's CEO. The allocation of duties between Board and CEO is set out in the Board's rules of procedure and in the instructions to the CEO. These state, for example, that the Board is responsible for the company's governance, supervision, organisation, strategies, internal control, forecasts and policies. Furthermore, the Board resolves on major investments and matters of principle relating to governance. The Board is also responsible for the quality of the financial reporting.

The CEO is in turn responsible for ensuring that the company is managed in accordance with Board's guidelines and directions. The CEO is also responsible for forecasting and planning the company's activities so that targets set are achieved. The CEO ensures that the control environment is effective and that the Group's risk-taking is at any one time compatible with the Board's guidelines. Any deviations are to be reported to the Board. The Board also receives regular information from the CEO.

CEO and Group Management

Clas Ohlson's CEO oversees the work of Group Management and makes decisions relating to operations in consultation with others in Group Management. At the financial year-end Group Management consisted of six members and meetings were held on a regular schedule, and as needed. These meetings focus primarily on strategic and operational monitoring and development, as well as follow-up of results. In addition to the meetings, members of Group Management engage in close day-to-day co-operation.

Selection of policies applied within Clas Ohlson

- Code of Conduct
- Code of Business Ethics
- Sustainability Policy
- Diversity and Inclusion Policy
- IT Policy
- Security Policy
- Information Policy
- Insider Policy and Guidelines
- Financial Policy
- Whistleblowing Guidelines
- AI Policy
- Information Security Policy

Governance of subsidiaries

The boards of the subsidiaries consist mainly of representatives from Clas Ohlson's Group Management. The operating subsidiaries Spares Europe AB and Clas Fixare AB have their own CEOs and organisations.

Remuneration principles

The overarching principles of remuneration for senior executives are to be based on the position held, individual performance, the Group's financial performance and the remuneration being competitive in the country of employment. The combined remuneration of senior executives is to consist of fixed salary, variable pay in the form of a short-term incentive based on annual performance targets, a long-term incentive based on multi-year performances, pension and other benefits. In addition, conditions apply to notice of termination and severance pay. Clas Ohlson aims to offer a competitive overall level of remuneration, with the emphasis on performance-based payments. This means that the variable pay may comprise a significant portion of the overall remuneration. The aim is for fixed remuneration to be in line with the median in the comparable market, while overall remuneration – for when Clas Ohlson meets or exceeds its objectives – is to be within the upper quartile of the market.

Remuneration

Fees paid to the Board of Directors during the financial year totalled 4.5 MSEK, in line with the resolution passed by the AGM. Of the fees paid, approximately 0.6 MSEK related to remuneration for work on the Board's People and Audit Committees. Of the Board's total fees, approximately 1.1 MSEK was paid to the Chairman of the Board. No remuneration is paid to members of the Nomination Committee. Read more in Note 7 on page 87.

Remuneration of the CEO comprises fixed salary and variable remuneration, which are set by the Board. The CEO also participates in long-term incentive programmes adopted by the AGM. A more detailed presentation of remuneration, pension and severance pay for the CEO is provided in Note 7 on pages 87–88.

Guidelines on the remuneration of senior executives have been adopted by the AGM and cover basic salary, variable remuneration, pension benefits and other benefits. For detailed information on the guidelines on remuneration, pension and severance pay adopted, see Notes 7 and 8 on pages 87–89.

Risk management

Overall responsibility for the Group's work on risk management lies with the Board. The risk situation in Clas Ohlson is regularly updated and analysed. This is done via a systematic process that identifies, values, assesses, manages, monitors and reports risks. Priority is given to the risks that in overall assessment regarding possible impact and probability are regarded as representing the greatest negative impact. A key aspect in this work is the control activities performed to prevent, reduce or shift the risk to another party, for example insurance. The risks are summarised via risk maps to highlight the overall risk exposure. The maps, prepared at Group level, provide a tool for operational and strategic governance by the Board and Group Management. Risk mapping enables the focus to be centred on lowering the company's risk exposure and reducing the consequences of any risks that materialise. The work involved in compiling, monitoring and developing the risk management process is performed by the Group's Risk Committee. Reporting of the Group's overall risk status is made internally to the Audit Committee and the Board twice annually. See also the section on Risk on pages 54–59.

Sustainability

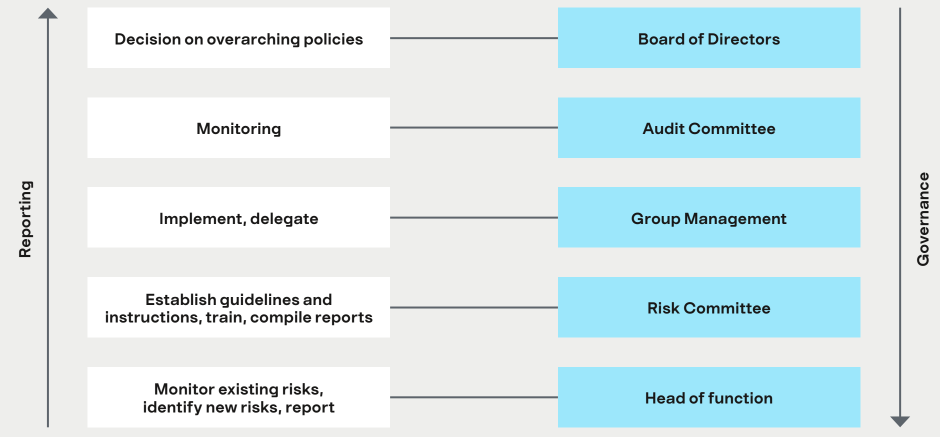
At Clas Ohlson, it is important to protect, and assume responsibility for, people and the environment that are impacted by our business. Our sustainability work, a naturally integral part of Clas Ohlson's business, is described in the Operations section on pages 12–17. See also detailed sustainability information on pages 18–48.

Internal control over the financial reporting

The Board bears overall responsibility for the company's internal control systems. This responsibility is governed by the Swedish Companies Act, which also states that the Audit Committee bears a specific responsibility for monitoring the effectiveness of risk management and the internal control of financial reporting.

The company's work on internal control accords with the framework developed by The Committee of Sponsoring Organisations of the Treadway Commission (COSO). This framework consists of five individual areas: control environment, risk assessment, control activities, information and communication, and monitoring.

Risk management



Control environment

The control environment consists of the organisational structure and the values, guidelines, policies, instructions etc. under which the organisation operates. Effective Board work forms the basis of good internal control and Clas Ohlson's Board has established rules of procedure and clear instructions for its work. This also applies to the work of the Board's People and Audit Committees.

Part of the Board's works is to draw up and approve the policies that govern the Group's work of internal control. The Board is also required to create the conditions necessary for an organisational structure with clear roles and responsibilities that provide effective management of the risks in the operation.

The Group is subject to regulations governing decision-making and levels of authorisation that parallel the Group's organisational structure. The focus has been on clarifying who has a mandate to decide on investments, activities, signing of contracts etc. in each function, as well as the limits in terms of the amounts involved. In the event that an amount exceeds the mandate for the function, the decision is referred to the next level in the organisation. The aim is to maintain good corporate governance and knowledge of decisions taken at the various levels of the organisation. The regulations governing decision-making and authorisation constitute the framework for decision-making at Clas Ohlson.

Executive Management is responsible for implementing guidelines for the maintenance of good internal control. Internal control is continuously being developed and improved. Executive Management and the Audit Committee report regularly to the Board according to established procedures.

All activity is undertaken in accordance with the Group's Code of Conduct and Code of Business Ethics.

Risk assessment and control activities

Clas Ohlson works continuously on the areas that are regarded as having the highest priority based on materiality and risk.

The Group's income consists of sales in stores and online, where payment is generally made by credit card, in cash or via partners. This income is recorded in its entirety in bank accounts that are reconciled daily. There is limited risk of errors in the reporting of income. The Group's costs consist primarily of the cost of goods, freight, salaries and social security contributions, rent and marketing. Forecasts are made for income and expenses for every store and department. Outcomes are checked monthly against both the forecast and the preceding year. An overwhelming share of Clas Ohlson's assets consist of inventories and non-current assets. As a result, in the design of internal controls, particular emphasis has been placed on preventing and detecting deficiencies in these areas.

The processes and the control structure are documented in a financial manual, which is regularly updated. The most essential processes in the Group are evaluated on an ongoing basis. The areas of highest risk in each process are analysed. An assessment is then made of whether the controls performed are adequate. Where necessary, further compensatory controls are introduced to reduce the risk to an acceptable level.

Group subsidiaries employ accounting managers and controllers to ensure that financial reporting is accurate and comprehensive. They are also required to ensure compliance with legislation, and that financial reporting takes place within established time frames for Group Management and the Group's finance function. In addition, major Group functions and the Group finance function employ controllers with similar responsibilities. The Group Finance function works closely and efficiently with the subsidiaries in financial reporting and closing accounts.

Each month, all subsidiaries report detailed closing accounts, which constitute the basis for the Group's consolidated financial reporting.

Information and communication

Major policies, guidelines, instructions and manuals that are material to internal control are regularly updated and communicated to the co-workers concerned. General guidelines and instructions are also available on the company's intranet.

Both formal and informal information channels to Group management and the Board for information from co-workers are in place. Via the Audit Committee, the Board receives regular feedback from the organisation on issues relating to internal control. External communication is subject to guidelines meeting the requirement to provide the equities market with accurate information.

Monitoring of internal control

Group Management and the Audit Committee regularly report to the Board on the basis of established procedures. The Board continuously receives information from the CEO about the Group, including about the earnings and financial position of the subsidiaries.

Every interim report is analysed by the Audit Committee with regard to the accuracy of the financial information. The Audit Committee also plays a key role in monitoring to ensure sufficient control activities are in place for the most material areas of risk associated with financial reporting, and for communicating material issues to Group Management, Board and auditors. An important aspect is to ensure that any observations from the auditors are dealt with.

Three times a year, the entire Board meets the company's auditors for information on the external audit and to discuss issues that arise. On the basis of the Auditors' Report, the Board forms a picture of the internal control and the accuracy of the financial information. The CEO does not take part in discussions of any issues relating to Group Management.

Internal audit

Following assessments during the financial year and earlier years, the Board has not, to date, found it necessary to establish an internal audit function. Instead, the company's Group-wide controller function has been adapted to also deal with internal control. The question of whether to establish a separate internal audit function is re-examined every year. In addition, the company's Risk Committee continuously assesses material risks and control activities.

Clas Ohlson works continuously on the areas that are regarded as having the highest priority based on materiality and risk.