

## Corporate Governance Report 2017

### Corporate Governance in SinterCast

SinterCast focuses primarily on providing process control technology and know-how for the reliable high volume production of Compacted Graphite Iron. SinterCast promotes CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of CGI. SinterCast also builds upon its technical expertise in thermal analysis and cast iron process control to develop new technologies beyond the core CGI market. These focused activities will provide the foundation for increasing the long-term value of the company for its shareholders. As a technology led company, SinterCast will grow and prosper by earning the respect of its customers.

Corporate Governance at SinterCast is aimed to ensure continued strong development of the company and, consequently, that the Group fulfils its obligations to shareholders, customers, employees, suppliers and society.

Corporate Governance includes: establishing the overall operational goals and strategy of the company; ensuring that there is an effective system for follow-up and control of the company's operations; ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations; and, defining necessary guidelines to govern the company's ethical conduct and ensuring that the company's external communications are characterised by openness and that such communications are accurate, reliable and relevant. The Group's risks are well-analysed and risk management is integrated in the work of the Board and in operational activities.

### External Regulation of Corporate Governance

The Swedish Annual Accounts Act prescribes that listed companies shall, on a yearly basis, present a Corporate Governance Report, to be included in the Annual Report. The Swedish Companies Act defines the legal framework for limited liability companies including rules for the Articles of Association, the share, the Annual General Meeting (AGM), and the management of the company. The Corporate Governance Report must be in accordance with the Swedish Code of Corporate Governance which is applicable to all Swedish companies whose shares are traded on a regulated market in Sweden.

### SinterCast Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment at Nasdaq Stockholm stock exchange. On 31 December 2017, Swedish shareholders held and controlled 80.6% (83.0%) of the capital and votes in SinterCast AB. The largest shareholder, Försäkringsbolaget Avanza Pension AB (Sweden), held 12.1% (11.4%) of the capital and votes as a nominee shareholder. SinterCast AB had 2,909 (3,172) shareholders on 31 December 2017. The ten largest shareholders, of which five (five) were nominee shareholders, held 52.2% (48.8%) of the capital and votes. As of 31 December 2017, the SinterCast Board, management and employees controlled 1.1% (1.0%) of the capital and votes. During the year, shareholders have provided feedback and

proposals to the Board, the Managing Director and to the Nomination Committee.

### Nomination Committee

#### *Nomination Committee prior to the AGM 2017*

The Nomination Committee, elected by the AGM 2016, consisted of Karl-Arne Henriksson (Chairman), Hans-Erik Andersson (Chairman of the Board of Directors), Ulla-Britt Fräjdin-Hellqvist and Andrea Fessler. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the company's position and future focus. However, Aage Figenschou declined re-election. As a result of this review, and after consultations with the shareholders, the Nomination Committee proposed to the AGM 2017 that the Board Members, excluding Aage Figenschou, be re-elected and that Caroline Sundewall be proposed as a new Board Member. The Nomination Committee proposed the Board remuneration to the AGM and nominated the Auditor for election, for the period until the next AGM.

### Annual General Meeting (AGM) 2017

The AGM was held on Thursday 18 May 2017, in Stockholm, Sweden. All Members of the Board, the Group Management, the Nomination Committee and the external Auditor were represented during the meeting. The AGM was attended by 48 (46) shareholders and employees, in person or by proxy, representing 1,360,444 (1,659,972) votes.

Hans-Erik Andersson was elected as Chairman of the AGM. During the AGM, presentations were provided by Mr Jeffrey Breneman, Executive Director, Alliance for Vehicle Efficiency, United States and by Dr Steve Dawson, Managing Director. During his presentation, Dr Dawson provided an overview of recent market activities and presented an outlook for the potential market development of SinterCast.

The Auditor presented how the audit work was conducted and presented the annual Audit Report to the AGM. The AGM adopted the Annual Report and the consolidated financial statements as of 31 December 2016, as presented by the Board of Directors and the Managing Director; decided upon allocation of the company's result; and, granted the Directors and the Managing Director discharge from liability.

The Nomination Committee presented how it conducted its work during the year and presented its proposals. Thereafter, the AGM decided, for the period until the next AGM, seven ordinary Board Members with no alternate Board Members; that the company shall have a registered auditing company as auditor; that the Board shall receive a total remuneration of SEK 1,120,000 (SEK 1,120,000) and that the Nomination Committee shall consist of four (four) Members. It was decided that the Board Members could invoice the Board fee, provided that it was cost neutral to the company.

The AGM also decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management, and authorised the Board to decide upon acquisition and disposal of SinterCast shares, as proposed by the Board of Directors. During the AGM the shareholders raised various questions to the Board and management. All of the proposals presented to the AGM were approved by the shareholders.

## Overview of Corporate Governance of SinterCast

<h3>Nomination Committee</h3> <p>The SinterCast Nomination Committee is, after consultation with the shareholders, responsible for nominating candidates for election to the Board; to propose remuneration for the Board and for each member of the Board; to nominate Auditors for election; to make recommendations on remuneration for the external auditors; and, to establish certain other proposals for consideration at each AGM. The majority of the members of the Nomination Committee are to be independent of the company and its Group Management. No members of the Group Management are to be members of the Nomination Committee and at least one member of the Nomination Committee is to be independent of the company's largest shareholder. The AGM appoints members of the Nomination Committee or specifies how members shall be appointed. The Nomination Committee also considers the merits of equal gender distribution on the SinterCast Board with regard to the requirements of the company and the potential contribution of each new candidate.</p>	<h3>General Meeting of Shareholders</h3> <p>The Shareholders' main influence to govern the company is during the AGM, which is the company's highest decision-making body, where the Shareholders meet the Board of Directors, the Management and the Company Auditors and where the Shareholders are given the opportunity to raise questions and to vote on the proposals distributed prior to the meeting. The shareholders shall be given the opportunity to exercise their ownership role in an active, well-informed manner. All shares represented at the AGM have the same voting rights. The Board is elected annually at the AGM and the majority of the Directors elected shall be independent of the company and its Group Management. Independence shall be determined by a general assessment of all factors that may give cause to question the individual's independence.</p>	<h3>Articles of Association</h3> <p>The Articles of Association of SinterCast defines the name, location, objectives of the company, number of shares, number of Board Members, number of Auditors, and proceedings for convening Annual General Meetings. Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of Directors.</p> <p>The Articles of Association is available on SinterCast's website.</p>
<h3>Compensation Committee</h3> <p>The Board shall appoint a Compensation Committee whose main tasks are to monitor and evaluate the remuneration guidelines that the AGM is legally obliged to establish, as well as the current remuneration structures and levels in the company and to propose new incentive programmes to the Board to decide upon. The Compensation Committee shall also agree on the principles for remuneration and other terms of employment of the Managing Director and, after advice from the Managing Director, for Directors and Managers reporting directly to the Managing Director. The Compensation Committee shall also monitor and evaluate programmes for variable remuneration, both ongoing and for those that have ended during the year.</p>	<h3>Board of Directors</h3> <p>The Board is appointed at the Annual General Meeting. The Board is responsible for establishing the overall operational goals and strategy of the company and for ensuring that there is an effective system for follow-up and control of the company's operations. The Board shall fulfil applicable independence rules. The AGM appoints the Chairman of the Board. The Chairman's role is to head the Board's work and ensure that the Board completes its mandate. The Board has executed a Work Programme including instructions regarding the distribution of work and financial reporting, as a complement to the regulations of the Swedish Companies Act, Articles of Association of the Company and the Swedish Code of Corporate Governance and other instructions.</p>	<h3>Audit Committee</h3> <p>On behalf of the Board, the responsibility of the Audit Committee is to ensure that the company has adequate internal controls and formal routines to ensure that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. The Audit Committee has established a Review Group. The primary task of the Review Group is to ensure the quality of the financial reports. The Audit Committee is also responsible for the evaluation of the Auditors' work, fees and independence and assists the Nomination Committee with proposals for potential Auditors. The Audit Committee also assists the Group Management in determining how identified risks will be handled in order to ensure good internal control and risk management. The Audit Committee prepares and decides on the Corporate Governance Report.</p>
<h3>Work Programme and other Instructions</h3> <p>Each year the Board adopts a written Work Programme documenting the Board's responsibilities and regulating the internal division of duties between the Board; its Committees and Group Management; the decision-making process within the Board; the Board's meeting schedule; summonses to Board meetings; agendas and minutes, and the work of the Board and its committees on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board shall receive information and documentation in order to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy and the Authorisation Policy, including the organisation chart and the Code of Conduct for the company.</p>	<h3>Managing Director</h3> <p>The Board appoints the Managing Director who is responsible for the operational and strategic management of the company in accordance with the Board of Directors' instructions and guidelines.</p> <p>The Managing Director has established, as the President &amp; CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director.</p>	<h3>External Auditor</h3> <p>The company shall appoint one or two Auditors with not more than two Alternate Auditors. A registered accounting firm may also be appointed as Auditor.</p> <p>The company's statutory Auditor shall be appointed by the AGM to examine the company's annual accounts and accounting practices and to review the Board's and the Managing Director's management of the company.</p> <p>The Auditor shall present its report to the owners at the AGM in the annual audit report.</p>

## Board of Directors

During the AGM 2017, Hans-Erik Andersson, Robert Dover, Laurence Vine-Chatterton, Carina Andersson, Jason Singer and Steve Dawson were re-elected as Board Members. Hans-Erik Andersson was re-appointed as Chairman and Caroline Sundewall was elected as new Board Member. Aage Figenschou, after serving as a member of the Board of Directors since 1998 and as vice Chairman since 2007, declined re-election, and was warmly thanked for his many contributions. The Board remuneration, decided at the AGM 2017, shall be divided between the Chairman SEK 320,000 (SEK 320,000) and five (five) ordinary Board Members SEK 160,000 (SEK 160,000) each, with no remuneration for the Managing Director. With the exception of the Managing Director, no member of the Board holds an operational position in the company. The Board is judged to be independent of the company and its management. A more detailed description of the Board of Directors is presented on page 18. The content of the main meetings is summarised in the table below.

## Statutory Board Meeting

In the statutory Board meeting held immediately after the AGM, Hans-Erik Andersson was re-confirmed as Chairman of the Board. The Compensation Committee, elected by the Board, consists of Hans-Erik Andersson and Caroline Sundewall. Steve Dawson was re-elected Managing Director for SinterCast AB (publ) and President & CEO of the SinterCast Group. Further, the entire Board was elected to constitute the Audit Committee. Laurence Vine-Chatterton and Caroline Sundewall were elected to constitute the Review Group.

## Chairman of the Board

The Chairman directed the Board's activities and promoted the overall efficiency of the Board. The Chairman ensured that the Board's activities were conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensured that the resolutions of the Board were implemented. The Chairman also conducted the evaluation of the Board's activities and shared the evaluation with the Nomination Committee. The Chairman approved the agenda for each Board meeting in consultation with the Managing Director. The Chairman had regular communication with the Managing Director, relayed opinions from shareholders to the other Board Members and acted as spokesperson on behalf of the Board.

## Board Meetings

During 2017, the Board of Directors of SinterCast carried out eight minuted meetings. In connection with every quarterly report, the Managing Director presented the market and financial outlook and reported on operations and important current events. The Board of Directors dealt with long-term strategies, structural organisational issues, approval of the budget for the following year, the annual evaluation of the Board of Directors, and risk assessment. Individual Board Members also assisted the Group Management in various strategic and operational matters. The Work Programme defines the Board's work during the year.

## Managing Director and Group Management

The SinterCast Board appointed Steve Dawson as the Managing Director for SinterCast AB (publ) and President &

## Main Board Meetings During the Calendar Year including Auditor presence

February	April	May	July/August	November
Market Report and Financial outlook	Approve 1Q financial report	Market Report and Financial outlook	Market Report and Financial outlook	Market Report and Financial outlook
Approve Book Closing Report	Approve Annual Report	AGM preparations	Approve 2Q financial report	Approve 3Q financial report
Evaluate Managing Director	Approve AGM notice	Statutory Board Meeting	Approve Strategy and Business plan	Approve Finance Policy
AGM preparations and decisions	Auditor present at Audit Committee Meeting	Auditor present at Audit Committee Meeting	Revise and approve Work Programme	Approve Budget for the coming year
Decide upon incentive programmes, if any				Auditor present at Audit Committee Meeting

## Board Meeting Summary and Remuneration

	Board Remuneration (SEK) <sup>1</sup>	Presence <sup>2</sup>				Independent <sup>3</sup>
		Board Meetings	Audit Committee	Compensation Committee		
Hans-Erik Andersson <sup>4</sup>	320,000	8/8	4/4	2/2		Yes
Robert Dover	160,000	8/8	4/4	-		Yes
Laurence Vine-Chatterton <sup>5</sup>	160,000	7/8	3/4	-		Yes
Carina Andersson	160,000	8/8	4/4	-		Yes
Jason Singer	160,000	8/8	4/4	-		Yes
Caroline Sundewall <sup>4, 5, 6</sup>	160,000	7/7	3/3	2/2		Yes
Steve Dawson	-	8/8	4/4	-		No

1. For the period 18 May 2017 - 24 May 2018  
 2. For the period 5 April 2017 - 4 April 2018  
 3. Independent of the company, the management and major shareholders  
 4. Member of the Compensation Committee  
 5. Member of the Review Group. Fee SEK 20,000 each  
 6. Carolie Sundewall was elected on 18 May 2017 at the AGM 2017

CEO for the Group. The Managing Director, as responsible for the operational and strategic management of the company, has managed the company in accordance with the Board of Directors' instructions and guidelines. The Managing Director assisted the Chairman with the preparation for each Board and Audit Committee Meeting and distributed information, according to the Work Programme, to be decided upon by the Board. In addition, the Managing Director provided the Board with monthly reports including significant events and financial information.

The Managing Director established, as the President & CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director. More detailed information of the Managing Director and the Group Management is presented on page 17.

### Compensation Committee

The Compensation Committee, elected by the Board, consists of Hans-Erik Andersson and Caroline Sundewall. The tasks and responsibilities of the Compensation Committee are defined in the Board's Work Programme. During the year, the Compensation Committee has evaluated variable remuneration programmes, special remuneration given for extraordinary efforts and the remuneration policy approved by the AGM. The Committee has also reviewed the remuneration for the Managing Director and the Group Management.

Since the AGM 2017, the Compensation Committee carried out two minuted meetings. The Board was informed of the Compensation Committee's activities and ratified its proposals.

### Remuneration Policy for Group Management

The Annual General Meeting 2017 decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management as follows:

*The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group and individual levels,*

*considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation may not exceed an amount corresponding to 75 percent of the fixed annual salary.*

*Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Bonus shall not constitute a basis for pension.*

*Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment corresponding to nine months compensation. Deduction shall not be made for remuneration paid by another employer. No severance payments have been agreed with the other members of the Group Management.*

*The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons in an individual case.*

*The main conditions for remuneration of Group Management in the current employment agreements are described in Note 5 in this Annual Report.*

There were no material transactions between the company and any of the Board Members during the year, with the exception of the ordinary Board fees.

### Audit Committee

During the Statutory Board Meeting, all Board Members were elected to sit on the Audit Committee and two Board Members were elected to constitute a separate Review Group. The primary task of the Review Group is to ensure the quality of the Financial Reports.

During the year, the Audit Committee has ensured that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and

internal controls have been applied, and that the company's financial reports have been produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

The Review Group reviewed each financial report in detail, provided feedback to the Finance Director and the Auditors and reported its observations regarding the financial reports in advance of the Board's approval of the financial reports.

The Audit Committee met the Auditor during the year to discuss the Audit Report and the audit plan. The Audit Committee also met the Auditor in the absence of the Group Management. The Audit Committee evaluated the Auditors' work and provided feedback to the Nomination Committee in preparation for the election of the Auditor during the Annual General Meeting 2018. The Audit Committee also determined and identified risks to be handled in order to ensure good internal control and risk management. The Audit Committee prepared and approved the Corporate Governance Report for 2017. During the period 5 April 2017 - 4 April 2018, the Audit Committee carried out four minuted meetings.

### External Auditor

At the AGM 2017, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor and Tobias Stråhle was re-appointed as Auditor in charge by PwC. The Auditor in charge has had four Auditors assisting in the audit work during the year. The audit follows an audit schedule, based on the Auditor's risk assessment, in agreement with the Audit Committee.

Prior to the AGM 2017, in conjunction with the approval of the Annual Report 2016, the Auditor met with the Audit Committee. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company. The Auditor presented the annual Audit Report at the AGM 2017 and provided a presentation of the Audit Plan for 2017. The Audit Report contained a statement that the Annual Report has been compiled in accordance with the relevant legislation and recommended that the Directors and the Managing Director be discharged from liability.

The Auditor provided a presentation of the Audit Plan for 2017 during the April Audit Committee meeting and met with the Board of Directors at the Board meeting in May, where the Auditor reported observations directly to the Board of Directors both with and without the presence of the Group



**Auditor**  
**Öhrlings**  
**PricewaterhouseCoopers AB**  
**Tobias Stråhle, Authorised Public Accountant**  
 Company auditor since 2013.  
 Assignments: Medivir AB, Trention AB  
 Liv Ihop AB, Jays Group AB  
 Advanced Stabilized Technologies Group AB

Management. The Auditor provided a follow-up of the Audit Plan for 2017 during the May, November and April Audit Committee meetings and presented the result from the review of the financial report for the period January-September 2017 and gave audit feedback from the interim audit procedures that were conducted during the third quarter of 2017. The Auditor also had separate discussions and meetings with the Chairman and company management during the year.

In conjunction with the approval of this Annual Report 2017, the Auditor met with the Audit Committee. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company.

### Nomination Committee

#### *Nomination Committee after the AGM 2017*

At the AGM 2017, Hans-Erik Andersson, Chairman of the Board of Directors, Ulla-Britt Fräjdin-Hellqvist and Andrea Fessler were re-elected as members of the Nomination Committee. Karl-Arne Henriksson declined re-election and was thanked for his contributions. Aage Figenschou was elected as new member of the Nomination Committee and Ulla-Britt Fräjdin-Hellqvist was appointed as Chairman. The committee is judged to be independent of the company and the largest shareholder.

The Chairman of the Board has described to the Nomination Committee the process applied for the annual evaluation of the Board of Directors and Managing Director and has provided information regarding the results of these evaluations to the Nomination Committee. The Nomination Committee's proposals to the AGM 2018 are to be presented in the notice of the AGM and on the company website. During the AGM 2018 the Nomination Committee will also present how it conducted its work and explain its proposals. Since the AGM 2017, the Nomination Committee of SinterCast carried out several informal meetings and one minuted meeting. According to rules regarding equal gender distribution, the Nomination Committee intends to report to the upcoming AGM how it has fulfilled its work regarding gender distribution in the Board.

The Nomination Committee can be contacted at the following e-mail address: nomination.committee@sintercast.com.

### Summary

According to the Swedish Companies Act, the Board is responsible for ensuring that the company's organisation is designed in such a way that the bookkeeping, financial management and the company's financial conditions are controlled in a satisfactory manner. The Swedish Code of Corporate Governance clarifies and prescribes that the Board is to ensure that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports comply with legislation, applicable accounting standards and other requirements for listed companies.

It has been decided by the Board that SinterCast shall comply with the Swedish Code of Corporate Governance and present a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of

financial reporting. The procedure and routines of SinterCast are compliant with the Corporate Governance code and this Corporate Governance Report does not indicate any significant deviations from the code.