



Corporate Governance Report

Corporate governance at Swedish Stirling

Swedish Stirling is a Swedish public company. Before the listing on Nasdaq First North Premier Growth Market on 6 November 2020, the corporate governance was based on Swedish law, the Company’s Articles of Association, the regulations of NGM Nordic SME as well as other rules and recommendations. Following the Nasdaq First North Premier Growth Market listing in November 2020, the Company also adheres to Nasdaq First North’s Rule Book for Issuers and the Swedish Code of Corporate Governance (the Code).

The corporate governance report refers to the financial year 2020 and has been prepared in accordance with the Annual Accounts Act.

The corporate governance report is not incorporated into the formal annual report documents. The Company’s auditor takes note of the corporate governance report and makes a statement regarding the preparation of the corporate governance report and that its statutory information is presented in accordance with the other parts of the annual and consolidated accounts.

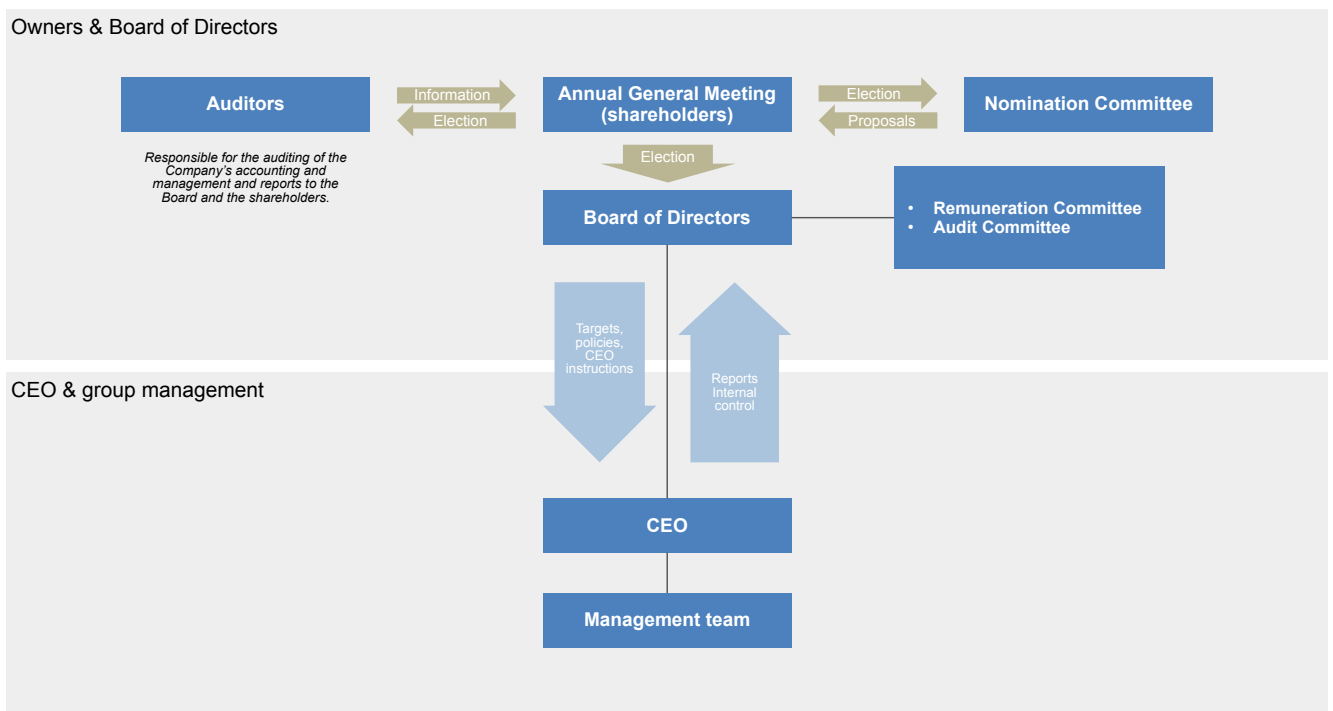
Deviations from the Code

Swedish Stirling has the following deviation from the Code during the financial year of 2020:

Code rule 7.6, to not have interim reports that have been reviewed by the Company’s auditors. The Company considers that it is not yet of significant importance with regards to size and extent of the business, however, intends to do so when the Board considers it necessary.

Shareholders

The shareholders’ influence is exercised primarily through voting during the Annual General Meeting (AGM) and appointing members to the Company’s Nomination Committee. All shareholders have the right to propose new Board members to the Nomination Committee. This should be done well in advance of the AGM in order for the Nomination Committee to have adequate time to make relevant assessments of the proposed candidates. The largest shareholders are Sven Sahle through company and AC Cleantech Growth Fund I Holding AB. For further information regarding the share and shareholders, please refer to Swedish Stirling’s annual report 2020, page 40.



Annual General Meeting

According to the Swedish Companies Act, the Annual General Meeting (AGM) is the highest decision-making body in a Swedish public company and the shareholders exercise their voting rights at these meetings. Swedish Stirling's AGM is held each year before the end of June. In addition to the AGM, an Extraordinary General Meeting (EGM) can be carried out if required. Swedish Stirling's AGM is held in Gothenburg, where the Company has its registered office, or in Stockholm.

Resolutions made by the AGM include, among others, the adoption of the consolidated income statement and balance sheet, allocation of the Company's profit or loss, discharge from liability for the members of the Board and the CEO, election of Board members, Chairman of the Board and statutory auditor, remuneration to Board members and auditor as well as guidelines for remuneration to CEO and other senior executives. The shareholders of Swedish Stirling also decide on other issues of importance at the AGM, for example amendments to the Articles of Association.

All shares confer equal rights to the Company's assets and profits and entitle their holders to one vote at the AGM. At the AGM, each shareholder with voting rights may vote the full number of shares owned and represented by such party without any restrictions on voting rights.

The Annual General Meeting 2020

The 2020 AGM was conducted on 24 April in Gothenburg. The AGM resolved, among other things, to re-elect the Board members Sven Sahle, Andreas Ahlström, Gunilla Spongh, Erik Wigertz and David Zaudy. Carina Andersson was elected as new Board member. Sven Sahle was re-elected as Chairman of the Board. Furthermore, board fees of SEK 200,000 each were decided to be paid to the Board members Carina Andersson and Gunilla Spongh. A remuneration of SEK 100,000 was decided to be paid to the Chairman of the Audit Committee. The auditing firm Öhrlings PricewaterhouseCoppers AB (PwC) was elected as the Company's new auditor until the time of the next AGM. PwC announced that the Authorized Public Accountant Johan Malmqvist will be the auditor in charge. It was decided that the auditor's fee will be paid according to approved invoices.

Furthermore, the AGM resolved, in accordance with the Board's proposal, that no dividend will be distributed and that the retained profits shall be carried forward to the new accounts. The Board was authorized to resolve on new share issues, within the framework of the Articles of Association. Such resolution on share issues can be made with provisions of contribution in-kind, set-off or cash payment. The number of shares issued based on the authorisation may not exceed 30 percent of the registered share capital at the time of the resolution.

Extraordinary General Meetings 2020

In 2020, Swedish Stirling held two Extraordinary General Meetings (EGM), on 8 April 2020 and on 22 December 2020.

The EGM on 8 April 2020 was held in Gothenburg. The meeting resolved to approve the Board of Directors' proposal to issue convertible bonds of SEK 100,000,000. Further, the meeting resolved to amend the limits for the number of Board members by amending the Articles of Association and resolved, in accordance with the proposal of the Nomination Committee, to appoint David Zaudy as new ordinary Board member.

The EGM on 22 December 2020 was held only by postal voting without any physical presence. The meeting resolved, in accordance with the proposal of the Board of Directors, and in accordance with the announced agreement with the holders of convertible bonds 2019/2021:2 (KV3), to amend the conversion price for convertible bonds 2019/2021:2 (KV3) from SEK 10 per share to SEK 9 per share.

Annual General Meeting 2021

The 2021 AGM will be held on 23 April. The protocol from the AGM will be made available on www.swedishstirling.com.

With regard to the current circumstances, the Board has decided that the 2021 AGM will be held solely through postal voting with the support of temporary statutory rules. This means that the AGM will be held without physical presence shareholders, delegates or external parties, and that shareholders' exercising of their right to vote can only be done by advance voting. Publication of the notice is intended to take place by a press release on 22 March 2021.

Nomination Committee

According to the Code, companies must have a Nomination Committee tasked with preparing resolutions to the AGM regarding the appointment of Chairman of the AGM, Board of Directors, Chairman of the Board and auditor, remuneration to Board members (distributed between Chairman of the Board and other Board members as well as remuneration for committee work) and remuneration to the auditor. The 2018 AGM resolved on instructions for the Nomination Committee to apply until further notice, including among other things that the Nomination Committee should consist of representatives from the three largest shareholders, in terms of votes, according to the share register kept by Euroclear Sweden AB as at the last banking day in August each year.

The Nomination Committee consists of Stanislav Kotov, appointed by East Guardian SPC, Sebastian Burmeister, appointed by AC Cleantech Growth Fund I Holding AB, and Sven Sahle, appointed by Dagny OÜ. The Nomination Committee is chaired by Stanislav Kotov.

Work of the Nomination Committee before the Annual General Meeting

The Nomination Committee held one recorded meeting in preparation for the 2021 AGM, in addition to having several interactions over email and telephone.

The evaluation of the current Board's work, competence, experience, and composition has been based on the following information:

- The Chairman of the Board's report on the Board's work.
- Survey with answers from all Board members.
- Reports from the Chairman of the Board, CEO and management team regarding the Company's operations, targets and strategy.

Auditor

The auditing firm Öhrlings PricewaterhouseCoopers AB (PwC), with address Skånegatan 1, 405 32 Gothenburg, was elected by the 2020 AGM to serve as Swedish Stirling's auditors through the conclusion of the 2021 AGM.

Johan Malmqvist, Authorised Public Accountant, acts as auditor in charge and is a member of Financial Accounting and Reporting (FAR), the industry association for auditors in Sweden.

The auditor has completed the audit for the annual accounts the annual accounts and consolidated accounts for the year 2020-01-01 to 2020-12-31. The auditor has also made the statement that this corporate governance report has been prepared and that information herein is consistent with the annual accounts and consolidated accounts. The auditor's review is described primarily through the auditor's report but also through certain statements regarding the corporate governance report. These are presented to the AGM. In addition, the auditor has provided more detailed reports on both the planning of the audit as well as observations made to the Audit Committee and the Board. In the parts concerning the review of the company management, the reporting has been done without the presence of management. The invoiced auditor's fees for the last two financial years are reported in note 6 in the annual report 2020.

Board of Directors

The Board has the overall responsibility of Swedish Stirling's organisation and management. The Board's tasks are regulated in the Swedish Companies Act, the Company's Articles of Association and the Code. In addition, the Board's work is regulated by rules of procedure adopted annually by the Board. The rules of procedure regulate, among other things, the division of work and responsibilities between the Board members, the Chairman of the Board, and the CEO, and contains procedures for financial reporting. The Board also resolved instructions for the Board's committees.

Composition of the Board

According to the Company's Articles of Association, the Board should consist of no less than four (4) and no more than eight (8) ordinary Board members. The Board has since the 2020 AGM consisted of six members: Chairman of the Board Sven Sahle, Andreas Ahlström, Erik Wigertz, Gunilla Spongh, Carina Andersson and David Zaudy. For further information on members of the Board see pages 52-53.

Chairman of the Board

The Chairman of the Board is proposed by the Nomination Committee and is elected by the AGM. In addition to the Board members' regular responsibilities the Chairman shall lead the Board's work, convene board meetings, prepare agendas and make sure that adequate follow-up is performed, and that the Board's work is carried through as well-organised and efficient as possible. The Chairman of the Board also keeps himself informed about the Company through ongoing dialogue with the CEO and the Executive Team, in addition to Board meetings and committee work. The Chairman shall also make sure that existing, as well as newly added members of the Board, receive sufficient information to get acquainted with the Company's operations and that they have the right conditions to continuously update and deepen their knowledge in matters concerning the Company.

Work of the Board

The Board meets at predetermined dates during the year, as well as when it is considered necessary, depending on information disclosure or when certain decisions are to be made. In addition to the Board members, the Company's CEO and the CFO participate in the Board meetings as rapporteurs.

Material events that occurred during the year of 2020

During 2020, the Board held 22 meetings relatively evenly distributed over the year. The reason for the large number of board meetings was matters concerning, among other things, measures taken due to the corona pandemic, decisions regarding the listing on Nasdaq First North Premier Growth Market, as well as capital issues, and agreements with convertible loan holders regarding conversion. In addition to Board meetings, Swedish Stirling's Board of Directors conducts an annual strategy meeting. In June 2020, the Board held a strategy meeting where the strategic plan for the years 2020 to 2028 was presented by the Company's CEO and CFO, and subsequently resolved by the Board.

Board committees

The Company has established an Audit Committee and a Remuneration Committee. The committees' work is mainly of preparatory and advisory nature, but the Board may in certain cases delegate decision-making power to the committees.

The Audit Committee

The tasks of the Audit Committee include, among others, supporting the work of the Board to ensure the quality of the Company's financial reporting, overlook of the internal audit function and reporting, meeting regularly with the Company's statutory auditor, assisting the Board in preparing a report on internal control and risk management, monitoring compliance status and incidents reported, monitoring significant disputes and damage claims, establishing guidelines on the non-auditing services the Company may procure from its statutory auditor and evaluating the statutory auditor's performance. At the Audit Committee meetings representatives from the Company may participate as rapporteurs on relevant matters. The Audit Committee consists of Gunilla Spongh (Chairman), Andreas Ahlström and Sven Sahle. The Audit Committee held six meetings during 2020. The Company's CFO participates as secretary at all meetings. The auditor participated in three meetings in 2020. The Audit Committee continuously reports to the Board.

The Remuneration Committee

The Remuneration Committee develops guidelines and frameworks for the Company's senior executives regarding salary and other terms of employment and provides the Board with proposals regarding the CEO's salary and other benefits, in accordance with the remuneration policy annually determined by the AGM. Furthermore, the Remuneration Committee decides upon salary and other terms of employment for other senior executives, following a proposal from the CEO. The Remuneration Committee held one meeting during 2020. The Remuneration Committee reports to the Board and comprises, as of the 2020 AGM, Erik Wigertz (Chairman) and Sven Sahle.

Remuneration to the Board

Remuneration to the Board and committees is determined by the AGM. At the 2020 AGM it was decided that remuneration to the Company's Board members Carina Andersson and Gunilla Spongh was set at SEK 200,000, respectively. The Chairman of the Audit Committee is paid an additional fee of SEK 100,000.

CEO and Executive Team

The Executive Team comprises the CEO and five to six senior executives. The CEO is appointed by and receives instructions from the Board. The CEO in turn is responsible for the appointment of members in the Executive Team and for the day-to-day management of the Company's operations in accordance with the Board's instructions. The CEO has legal responsibilities and in addition, the division of work between the Board and the CEO is regulated in the CEO instructions, which the Board has decided upon at its statutory Board meeting. In summary, the CEO's instructions imply that the CEO is responsible for the following areas:

- Manage the Company's day-to-day operations
- Take necessary measures to ensure that the organisation and the control of the Company's accounting is satisfactory and that the accounting is conducted in accordance with applicable rules and regulations
- Decide on certain urgent matters which otherwise would have required a board decision
- Prepare necessary information and supporting documents prior to Board meetings
- Ensure that the Board continuously receive such information that is required in order to assess the financial situation of the Company
- Generally promote the interest of the Company

During 2020 the Executive Team, apart from the CEO, comprised of Chief Financial Officer (CFO), Chief Technical Officer (CTO), Chief Operating Officer (COO), Chief Communication Officer (CCO), Chief Marketing and Sales Officer and R&D Manager. For more information on the Executive Team please refer to the pages 54-55.

Remuneration to the CEO and other senior executives

Remuneration to the CEO and other senior executives shall be paid in accordance with the Company's guidelines for remuneration to senior executives, adopted by the AGM. The total remuneration varies in relation to the individual executive's responsibilities and performance and shall consist of fixed cash salary, any variable cash remuneration, pension benefits and

other benefits. In the financial year of 2020, variable remuneration was paid out to certain executives based on the achievement of set performance targets. Variable remuneration to other senior executives is determined by the CEO.

A mutual notice period of twelve months applies between the Company and the CEO and six months between the Company and the CFO. No agreements have been reached between the Company and the CEO or any other senior executives regarding severance pay. For more information regarding remuneration to the CEO and other senior executives, please refer to note 7 in Swedish Stirling's annual report 2020.

Internal control and risk management

The Board is responsible for the internal control regulated by the Swedish Companies Act, the Annual Accounts Act and the Swedish Code of Corporate Governance. The Board should make sure that the Company has good internal control and formalised routines that ensure that determined principles for financial reporting and internal control are followed and that there are appropriate systems in place for follow-up and control of the Company's processes and other risks that the Company is associated with. The routines for the internal control regarding the financial reporting have been developed to ensure reliable overall financial reporting and external reporting in accordance with IFRS, applicable laws and regulations as well as other requirements applicable to companies listed on Nasdaq First North Premier Growth Market.

Control environment

A good internal control is based on a well-functioning control environment. At Swedish Stirling, the control environment consists of, among other things, organisational structure, policies, instructions, guidelines, reporting and defined areas of responsibility. The Board has the overall responsibility for the internal control regarding the financial reporting. The Board's division of work is stated in the Board's rules of procedure. It has been decided, in the Board's instructions to the CEO as well as a formal reporting instruction, how the financial reporting to the Board shall be carried out. The Board has also delegated the responsibility to the CEO to ensure an efficient control environment, even though the Board remains ultimately responsible.

Systems and routines have been created to provide the Executive Team with appropriate reports for them to be able to continuously assess risks and meet the requirements on correct financial reporting. The Board has, based on the current assessment of a good control environment in place along with limited scope, determined that there are no certain circumstances in the Company's operations or other engagements that justify the establishment of an internal audit function.

Risk assessment

Swedish Stirling's assessment of risks connected to the financial reporting aims to identify and evaluate the most significant risks that affect the internal control regarding the financial reporting throughout the Company. The most significant risks identified connected to the financial reporting are handled through control structures that are based on the reporting of deviations from established targets or budgets.

Control activities

The design of control activities within Swedish Stirling is based on clear roles in the organisation that enables an efficient division of responsibility regarding specific control activities which, among other things, include authorization and controls in IT systems, ERP systems and certification routines. The continuous analysis performed in the financial reporting function is essential to ensure that the financial reporting does not contain significant inaccuracies.

Information and communication

The internal information and communication is to ensure that those of the Company's employees who can affect the financial information or manage identified risks are updated regarding changes in policies, guidelines, laws or regulations. When needed, the Executive Team handles these matters at meetings and employees are informed continuously regarding changes that affect their ability to make decisions or that impact their decisions' effect on the financial reporting. The external information aims to keep the market updated regarding the Company's development and to make sure that Swedish Stirling meets the requirements on correct information to the market. This is also governed by the information policy defined by the Company and resolved by the Board.

Follow-up, evaluation and reporting

The Board receives financial reporting on a monthly basis and tracks the Company's financial development. The financial position, capital needs, investments, and cost are discussed at every Board meeting. Reconciliation versus budget and actuals from previous years are conducted continuously and larger deviations are reported to the Board. The internal controls are closely monitored and evaluated, and new routines are established regularly to further strengthen the internal control of the Company's financial reporting and to handle risks identified. The external auditors, the Company's financial department and the Audit Committee have ongoing interactions throughout the financial year to, at an early stage, identify potential risks and handle issues that might affect the financial reporting. The auditors also report continuously to the Audit Committee and at least once a year to the Board.

Board of Directors

Sven Sahle

Born 1974.

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Chairman of the Board since 2016 and board member since 2015. Member of the Audit Committee and the Remuneration Committee.

Education:

Business Administration at Stockholm University and Svenska Handelshögskolan in Helsinki.

Other ongoing assignments/

positions: Director at Dagny OU (EE) and SIA Hank Rearden.

Shareholding: 28,485,700 shares.

Independence towards the Company and management. Dependence towards major shareholders.

Gunilla Spongh

Born 1966.

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Member of the Board since 2018. Chairman of the Audit Committee.

Education:

M.Sc in Engineering from Linköping University.

Other ongoing assignments/

positions: Member of the Board at Momentum Group AB, AQ Group AB, Byggmax Group AB, Pierce Group AB, Lernia AB, Systemair Aktiebolag, Consivo Group AB and G Spongh Förvaltning AB.

Shareholding: 10,000 shares.

Independence towards the Company, management and major shareholders.

Andreas Ahlström

Born 1976.

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Member of the Board since 2013. Member of the Audit Committee.

Education:

M.Sc in Economics from Hanken.

Other ongoing assignments/

positions: CEO of AC Cleantech Management Oy. Member of the Board at Suominen Oyj and Scandinavian Biogas Fuels.

Shareholding: –

Independence towards the Company and management. Dependence towards major shareholders.

Carina Andersson

Born 1964.

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Member of the Board since 2020.

Education:

M.Sc in Materials Engineering from Royal Institute of Technology.

Other ongoing assignments/

positions: Member of the Board at Beijer Alma AB, Gränges AB, Systemair AB, BE Group AB (publ), eiCandersson AB and Detection Technology.

Shareholding: 6,000 shares.

Independence towards the Company, management and major shareholders.

Erik Wigertz

Born 1971.

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Member of the Board since 2019. Chairman of the Remuneration Committee.

Education:

M.Sc in Economics from Stockholm School of Economics.

Other ongoing assignments/

positions: CEO of East Guardian Asset Management AG, member of the Board at Mara Social Media Limited and East Guardian SPC and partner at OÜ Capital Coordination.

Shareholding: 500,000 shares.

Independence towards the Company and management. Dependence towards major shareholders.

David Zaudy

Born 1979.

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Member of the Board since 2020.

Education:

CFA (Certified Financial Analyst) and Business Administration from University of Lund.

Other ongoing assignments/

positions: Chairman of the Board at Dulcinea Invest AB and member of the board at Cervantes Capital AB.

Shareholding: 200,000 shares, 8,000,000 convertibles 2020/2025 (KV4) and 312,500 call options.

Independence towards the Company, management and major shareholders.

Executive Team

Gunnar Larsson

Born 1962.



CEO since 2009.

Education and professional

experience: M.Sc in Engineering from Chalmers. Previous division manager at Ericsson and CEO of Saab Kockums.

Other ongoing assignments/

positions: Member of the Board at Estreet AB

Shareholding: 2,000,000 shares and 250 warrants.

Heléne Öqvist

Born 1962.



Chief Financial Officer and Human Resources Manager since 2019.

Education and professional

experience: M.Sc in International Business Economics from Gothenburg School of Business, Economics and Law. More than 30 years' experience from work within finance, strategy and business management. Previous management consultant at Capacent AB and CFO of Volvo Penta of the Americas Inc.

Other ongoing assignments/

positions: Vice president of Handelshögskolans i Göteborg Alumniförening (HHGA).

Shareholding: 10,000 shares.

Dennis Andersson

Born 1966.



Chief Marketing and Sales Officer since 2020.

Education and professional

experience: DIHM Marketing at IHM Business School. More than 25 years' experience in marketing and sales. Previous experiences from senior positions in international companies such as Ericsson and Ascom.

Other ongoing assignments/

positions: –

Shareholding: 10,600 shares.

Fredrik Abrahamsson

Born 1979.



Chief Operating Officer since 2017 and employee since 2010.

Education and professional

experience: Previous experiences as quality manager, production manager and Key Account Manager from several different industries.

Other ongoing assignments/

positions: Site Manager for the operations in Sibbhult since 2017.

Shareholding: 1,741 shares and 7 warrants.

Sven Ljungberg

Born 1966.



Chief Communication Officer since 2018.

Education and professional

experience: Studies at Uppsala University. Close to 30 years' experience from communication in different roles. Previous Communications and Brand Manager at Skandia.

Other ongoing assignments/

positions: Chairman of the Board and Vice President at Almedalens Bed & Breakfast & Fik AB, CEO and deputy board member at SK Ljungberg Konsult AB and member of the Board at Stratminds AB, JAC Gastronomi AB, Caelesti AB and Föreningen Centrum för Näringslivshistoria.

Shareholding: 10,000 shares.

Ulrika Grimfeldt

Born 1974.



R&D Manager since 2018 and acting CTO.

Education and professional

experience: M.Sc in Chemical Engineering with engineering physics from Chalmers. Previous Manager exhaust aftertreatment systems at Volvo Penta.

Other ongoing assignments/

positions: –

Shareholding: –

Amount in SEK thousands

Name	Position	Elected	Independence	Remuneration	Remuneration Remuneration Committee	Remuneration Audit Committee	Attendance Board meetings	Attendance Remuneration Committee meetings	Attendance Audit Committee meetings
Sven Sahle	Chairman	2015	Company and management				22 of 22	1 of 1	6 of 6
Andreas Ahlström	Member	2013	Company and management				20 of 22		3 of 3
Erik Wigertz	Member	2019	Company and management				22 of 22		
Gunilla Spongh	Member	2018	Company, management and major shareholders	200		100	22 of 22		6 of 6
Carina Andersson	Member	2020	Company, management and major shareholders	200			13 of 13		
David Zaudy	Member	2020	Company, management and major shareholders				14 of 14		

The reason for the large number of board meetings was matters concerning, among other things, measures taken due to the corona pandemic, decisions regarding the listing on Nasdaq First North Premier Growth Market, as well as capital issues, and agreements with convertible loan holders regarding conversion.

Signatures

Gothenburg 19 March 2021

Sven Sahle

CHAIRMAN

Andreas Ahlström

DIRECTOR

Erik Wigertz

DIRECTOR

Gunilla Spongh

DIRECTOR

Carina Andersson

DIRECTOR

David Zaudy

DIRECTOR

Gunnar Larsson

CEO



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