

23





En nytänkande kraft

KÄRLEK

Med fokus på innovation, hållbarhet och design, utvecklar GARO kommersiella lösningar för elbussar.

VISION

Överskåda framtidens möjligheter och skapa världens största och mest innovativa elbussar.

MISSION

Vår gemensamma vision är att utveckla framtidens elbussar genom kundskap, innovation och engagemang.

KÄRLEK

En nytänkande kraft.

Corporate governance report

GARO AB (publ) is a Swedish public limited liability company and is therefore regulated in part by Swedish legislation, primarily through the Swedish Companies Act, in part by Nasdaq Stockholm's Rulebook for Issuers that requires the application of the Swedish Corporate Governance Code (the "Code"). GARO has its registered office in Gnosjö Municipality, Jönköping County, has applied the Code since 2016 and provides the Corporate Governance Report for the 2023 fiscal year here. The Corporate Governance Report has been audited by the company's auditors.

Guidelines on the Code are available on the website for the Swedish Corporate Governance Board (www.corporategovernanceboard.se). The Code is based on the principle of "comply or explain", which means that companies that apply the Code can deviate from individual rules, but then provide an explanation for the deviation. GARO made no such deviations in 2023. Nor has GARO breached Nasdaq Stockholm's Rulebook for Issuers or good practice on the stock market.

SHAREHOLDERS AND GENERAL MEETING

The shareholders' right to decide on GARO's affairs is exercised at the Annual General Meeting (or if applicable, the Extraordinary General Meeting), which is GARO's highest decision-making body. The Annual General Meeting (AGM) is held in Gnosjö, Malmö or Stockholm every calendar year before the end of June. An Extraordinary General Meeting is held when necessary.

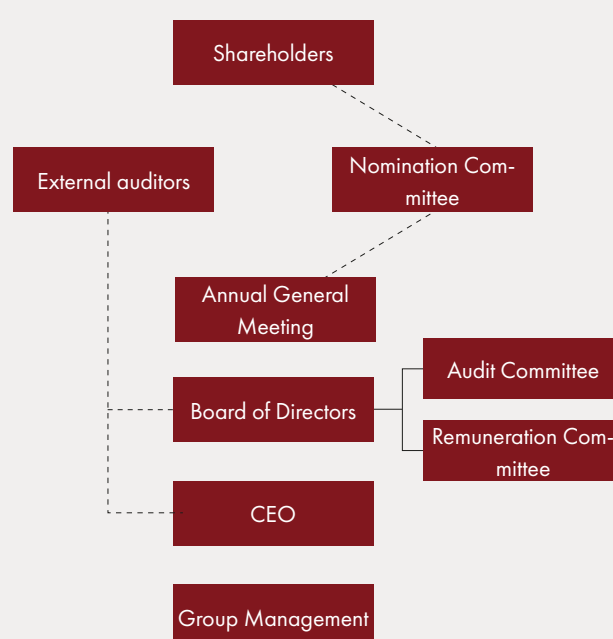
The General Meeting passes resolutions on a number of matters, including the adoption of the income statement and balance sheet, appropriation of GARO's profit or loss, discharge from liability to the company for the members of the Board and the CEO, the composition of the Nomination Committee, election of the Board members (including the Chairman of the Board) and the auditor, remuneration of Board members and auditors, guidelines for the remuneration of the CEO and other senior executives and any changes to the Articles of Association.

The company's Articles of Association contain no limitations regarding how many votes each shareholder can exercise at a General Meeting. The company's Articles of Association contain no provisions regarding appointment or dismissal of Board members or amendments to the Articles.

There were 17,346 shareholders (18,672) at year-end. The largest single shareholder is Lars Svensson whose total ownership amounted to 35.7% (35.7). For more information on the ownership structure, share capital, share price development, etc., refer to the section on the GARO share on pages 44–45 and to Note G22 in this Annual Report.

2023 ANNUAL GENERAL MEETING

At GARO's Annual General Meeting on May 11, 2023, Lars Kongstad was elected as a new Board member and Rickard Blomqvist, Susanna Hilleskog, Lars-Åke Rydh, Mari-Katharina



The illustration above provides a general description of corporate governance in GARO.

Jonsson Kadowaki, Martin Althén and Johan Paulsson were re-elected. Rickard Blomqvist was re-elected Chairman. Board fees were decided to be paid in a total amount of SEK 2,525,000, of which SEK 725,000 was to the Chairman and SEK 300,000 to each of the other elected Board members who are not employed in the Group. This entailed an increase of Board fees by 85,000 SEK, 3%, compared with 2022. Furthermore, the AGM resolved that fees to members of the Audit Committee remain unchanged and consist of SEK 100,000 to the Chairman and SEK 50,000 to each of the other members of the Audit Committee. For members of the Remuneration Committee, unchanged fees of SEK 50,000 to the Chairman and SEK 25,000 to each of the other members of the Remuneration Committee were also decided upon. In accordance with the Board's proposal, the AGM resolved that a dividend of SEK 0.80 would be paid for the 2022 fiscal year.

NOMINATION COMMITTEE

GARO's Annual General Meeting passes resolutions regarding procedures for the appointment and work of the Nomination Committee. The Nomination Committee's task comprises the preparation and compilation of proposals on the election of Board members, the Chairman of the Board, the Chairman of the General Meeting, and auditors, as well as proposals regarding fees to the Board members, members of any Board committees and the auditor.

The Annual General Meeting on May 4, 2017 resolved that the Nomination Committee shall be comprised of representatives of the three largest shareholders in terms of votes as indicated by the share register kept by Euroclear Sweden on August 31 of every year, together with the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder by votes shall be appointed the Chairman of the committee. If, before two months prior to the Annual General Meeting, one or more of the shareholders that appointed members to the Nomination Committee are no longer among the three largest shareholders by votes, members appointed by these shareholders shall relinquish their seats on the committee and shareholders that have joined the three largest shareholders by votes shall have the right to appoint one representative each. If a member leaves the Nomination Committee before its work is complete and the Nomination Committee finds it desirable for a replacement to be appointed, such a replacement shall be obtained from the same shareholder or, if this shareholder is no longer among the largest shareholders by votes, from a shareholder who is next in line in terms of holdings. The composition of the Nomination Committee prior to each AGM shall be published no later

than six months before the AGM. No compensation shall be payable to the members of the Nomination Committee. Any necessary overhead costs for the Nomination Committee's work shall be covered by the company. The Nomination Committee's mandate period continues until the following Nomination Committee's composition has been published. The Nomination Committee's independence according to the "Code" is considered to be fulfilled.

EXTERNAL AUDITORS

The company's auditor, elected at the Annual General Meeting, examines GARO's annual report and consolidated financial statements, the Board's and CEO's administration, the Board's proposed appropriation of profit or loss for the year, and the annual reports of subsidiaries, and submits an audit report.

Ernst & Young AB were reelected auditors at the 2023 Annual General Meeting, with Joakim Falck as Auditor in Charge. The auditor from Ernst & Young participated in parts of the Audit Committee's meetings in 2023 and reported on the observations from the 2023 audit. The audit of the Group's companies is coordinated by Ernst & Young. The Ernst & Young network audit the Group's companies, except those in Poland, Germany, the UK and Ireland.

BOARD OF DIRECTORS

COMPOSITION AND INDEPENDENCE

According to the Articles of Association, GARO's Board of Directors shall consist of at least three and at most seven elected members. At the Annual General Meeting on May 11, 2023, seven Board members were elected, two women and five men. IF Metall and Unionen also elected an employee represen-

BOARD OF DIRECTORS

AGM-elected Board	Elected	Born	Remuneration	Remuneration Audit Committee	Remuneration Committee	Number of shares/ votes	Independent in relation to the share- holders	Independent in relation to the company	No. meetings attended
Rickard Blomqvist, Chairman	2015	1971	725,000	50,000	50,000	2,235,750	No	Yes	11/11
Susanna Hilleskog, member	2018	1963	300,000	0	25,000	0	Yes	Yes	10/11
Johan Paulsson, member	2021	1963	300,000	0	0	0	Yes	Yes	11/11
Lars Kongstad, member	2023	1963	300,000	0		30,000	Yes	Yes	6/6
Martin Althén, member	2021	1968	300,000	50,000	0	20,000	Yes	Yes	10/11
Mari-Katharina Jonsson Kadowaki, member	2019	1964	300,000	0	25,000	1,001	Yes	Yes	11/11
Lars-Åke Rydh, member	2018	1953	300,000	100,000	0	25,000	Yes	Yes	11/11
Jonas Lohlander, employee representative	2019	1974	0	0	0	184	Yes	No	11/11
My Bäck, employee representative	2023	1990	0	0	0	16	Yes	No	6/6
Total			2,525,000	200,000	100,000	2,311,951			

NOMINATION COMMITTEE FOR THE 2024 ANNUAL GENERAL MEETING

Nomination Committee member	Represents	Holdings/votes
Niklas Bogefors, Chairman	Lars Svensson	35.7%
Johan Ståhl	Svolder AB	12.4%
Emma Englén	Spiltan Fonder	4.8%
Rickard Blomqvist	Chairman	4.5%

tative each to be included in the Board. No representative of company management is on the Board. The President and CEO participates in Board meetings to present reports. Other officers in GARO participate in the Board's meetings as presenters in particular matters. The company's CFO serves as the Board's secretary.

In the Nomination Committee's reasoned statement ahead of the 2023 AGM, the Nomination Committee stated that the Board applied rule 4.1 of the Code as its diversity policy in preparing its proposals on Board members. The aim of the policy is for the Board to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The Board members are collectively to exhibit diversity and breadth of qualifications, experience and background, and the company is to strive for gender balance on the Board. The 2023 AGM resolved to appoint Board members in accordance with the Nomination Committee's proposals, which resulted in the current Board. The Nomination Committee established when it prepared its proposals that the gender balance in the proposed Board was not satisfactory. However, the Nomination Committee believed that continuity on the Board was of greater importance.

In accordance with the Code, a majority of the elected Board members shall be independent in relation to the company and its management. To determine if a Board member is independent, a collective assessment shall be made of all circumstances that can give cause to question the member's independence in relation to GARO or company management, such as if the Board member was recently employed in GARO or a related company. At least two of the Board members who are independent in relation to the company and company management shall also be independent in relation to the company's major shareholders. To assess this independence, the scope of the member's direct or indirect relationships to major shareholders shall be taken into account. In the Code, major shareholders refers to shareholders who directly or indirectly control 10% or more of the shares or votes in the company.

The Nomination Committee's assessment of the Board members' independence in relation to the company, its management and major shareholders is presented in the section "Board, Group Management and auditor." All Board members elected by the AGM are deemed to be independent in relation to the company and its management. Six of them are also independent in relation to the company's major shareholders. GARO thereby meets the Code's requirements on independence.

For further information concerning the Board members, refer to the section concerning the Board of Directors on page 116–117 of this Annual Report.

RESPONSIBILITY AND WORK

The work of the Board of Directors is regulated by the Swedish Companies Act and the Articles of Association. The work of the Board of Directors is also regulated by the written rules of procedure that the Board adopts annually. The rules of procedure regulate, among other things, the division of responsibility between the Board, the Chairman of the Board and the CEO, as

well as the decision procedure in the Board, the Board's meeting plan and the Board's work on accounting and audit-related issues and financial reporting. The Board of Directors has also established terms of reference for the CEO and adopted other special policy documents.

The Board of Directors is responsible for the Group's organization and management of its affairs, setting the Group's overall objectives, development and follow-up of the overall strategies, decisions on major acquisitions, divestments and investments, decisions on capital placement and loans in accordance with the finance policy, continuous follow-up of operations, establishment of interim and year-end reports and the continuous evaluation of the CEO and other members of Group Management. The Board is also responsible for ensuring the quality of the financial reporting, including systems for monitoring and internal control of GARO's financial statements and position. The Board shall also ensure that GARO's external information provisioning is marked by openness and is correct, relevant and clear. At the Board meetings, the following items are recurring on the agenda: business status, future prospects and economic and financial reporting.

The Chairman of the Board monitors GARO's operations through continuous contacts with the CEO. The Chairman organizes and leads the Board's work and is responsible for other Board members receiving satisfactory information and decision data. The Chairman is also responsible for the Board continuously updating and deepening its knowledge of GARO and otherwise receiving the training required for the Board work to be able to be conducted effectively. It is also the Chairman who is responsible for ensuring that the Board annually evaluates its work. An evaluation of the Board was performed in 2023 and the Chairman reported the results to the Board and the Nomination Committee.

In 2023, the Board held ten ordinary Board meetings and one statutory meeting. The Board meetings have been devoted to financial follow-up of the business, strategic issues, budget discussions, investment decisions, adoption of policies and instructions and external economic information. Attendance at the Board meetings is presented in the table above.

The Board meetings are prepared by the CEO and CFO. The CEO provides the members with written reports and documentation at least five work days before the respective meeting. Continuously during the year, the Board members received monthly reports, which shed light on the Group's financial and operational development. These reports were prepared jointly by the CEO and CFO.

BOARD COMMITTEES

According to the Code and the Swedish Companies Act, the Board shall establish a remuneration committee and an audit committee from within its ranks. The CEO participates in the work incumbent on the Remuneration Committee and Audit Committee only as the presenter.

The Board of Directors works according to set instructions for issues that are incumbent on the Audit Committee and Remuneration Committee.

AUDIT COMMITTEE

Three of the seven member of the Board comprise the Audit Committee, which performs the duties incumbent on the Audit Committee. The CFO participates in the work incumbent on the Audit Committee only as the presenter.

The main duties of the Audit Committee are to monitor GARO's and the Group's financial reporting, the effectiveness of its internal controls, internal audit and risk management, and keep informed on the audit of the annual report and consolidated financial statements, examine and monitor the auditor's impartiality and independence and thereby pay particular attention to whether or not the auditor provides the company services other than audit services. The Audit Committee shall also assist the Nomination Committee with regard to the election of auditors. The Audit Committee shall also assist the Nomination Committee with regard to the election of auditors. The Audit Committee is in continuous contact with the company's auditor with the aim of creating a continuous exchange of opinions and information between the company and the auditor in audit matters. During the year, the committee held four meetings, of which the company's auditors participated in three. All Board members have otherwise attended the meetings.

REMUNERATION COMMITTEE

Three of the seven member of the Board comprise the remuneration committee, which performs the duties incumbent on the remuneration committee. The remuneration committee has an advisory and a preparatory function for decision matters before discussion and decision by the company's Board. The remuneration committee works according to rules of procedure that have been adopted by the Board. The main duties of the remuneration committee are to prepare the Board's decisions in matters that concern remuneration principles, remuneration and other terms of employment for company management, to monitor and evaluate programs for variable remuneration of company management and to monitor and evaluate the application of the guidelines for remuneration to senior executives that the AGM approved and applicable remuneration structures and levels in the company. During the year, the committee held two meetings. At these meetings, all members were present.

REMUNERATION OF THE BOARD

Remuneration of elected Board members is chosen by the Annual General Meeting according to a proposal from the Nomination Committee. The table on page 110 presents the fees that are payable to the elected Board members for the period 2022–2023.

CEO AND GROUP MANAGEMENT

GARO's President and CEO as well as the Business Area Manager and CEO of GARO E-mobility AB are responsible for leading and developing operating activities pursuant to the guidelines and instructions issued by the Board. The scope is comprised of written terms of reference for the CEO that are approved annually by the Board.

The CEO leads the work of Group Management, which is responsible for overall business development. Besides the CEO, Group Management consisted of GARO's CFO, CTO, Purchasing & Logistics Director and the Business Area Manager of GARO E-mobility.

Group Management has meetings once a month to follow up operations, discuss matters affecting the Group and draft proposals for strategic plans and budgets, which the CEO presents to the Board for decision.

The CEO ensures that the Board receives such factual and relevant information as is required for the Board to be able to make decisions. The CEO monitors that GARO's targets, policies and strategic plans set by the Board are complied with and is responsible for informing the Board of GARO's development between the Board's meetings.

GUIDELINES FOR REMUNERATION

According to the Swedish Companies Act, the General Meeting will resolve on guidelines for remuneration of the CEO and other senior executives. The following guidelines were approved by the Annual General Meeting in May 2022 and apply until further notice.

GARO is to offer remuneration levels and employment conditions that are deemed to be reasonable to recruit and retain a management team that is highly skilled and with the right capacity for achieving established targets. The overall principle for salaries and other remuneration of GARO senior executives is to be market-based.

Senior executives are to receive a fixed salary. Variable cash remuneration can be paid in addition to fixed salary as a reward for clearly defined, target-related performance in the context of a simple and transparent structure. Variable salary for the CEO is not to exceed MSEK 2 (2), including social security contributions, per year and does not comprise pensionable salary. Variable remuneration for other members of senior management is not to exceed 30 percent of fixed salary.

Non-monetary benefits for Group Management, such as company cars, computers, mobile phones, additional health insurance or occupational health services, may be awarded to the extent that this is deemed market practice for senior executives in equivalent positions in the market in which the company operates. The total value of these benefits may total a small percentage of total remuneration.

Senior executives are encompassed by the ITP plan applicable at any time or a defined-contribution occupational pension plan that does not exceed 30% of pensionable salary. Alternatively, senior executives residing outside Sweden or who are foreign citizens and receive their main pension from a country outside Sweden can be offered different pension solutions that are reasonable in the relevant country.

Salary for notice periods and severance pay for members of senior management is not to exceed a total of 24 monthly salaries for the CEO and 12 monthly salaries for other members.

The Board is entitled to deviate from these guidelines if this is justified by special circumstances in individual cases, provided that this is subsequently reported and reasoning

provided. For further information regarding salaries and remuneration, see Note 8.

INCENTIVE PROGRAM

In conjunction with the 2022 AGM, a directed share issue of 200,000 warrants for senior executives was resolved. The program has a three-year term and is expected to contribute to achieving GARO's long-term business plan, strategy and financial targets. In 2022, 42,500 warrants were subscribed. The subscription of shares using the warrants can take place in June 2025. Oversubscription may not take place.

The Board believed it to be to the company's and the shareholders' advantage that, in this way, the participants were provided with a personal ownership commitment in the company.

PERIOD OF NOTICE AND SEVERANCE PAY

In the termination of the CEO's employment contract, there is a period of notice of nine months, regardless of which party terminates the employment. In the event of the termination of the employment contract by GARO, the CEO also has a right to severance pay equivalent to six monthly salaries. For other senior executives, there is a period of notice of six to 12 months in the event of termination of the employment contract by GARO. Upon resignation by the employee, there is a period of notice of three to six months. In addition to the CEO, the senior executives are not entitled to severance pay.

EXTERNAL AUDIT

The Annual General Meeting elects an external audit for one year at a time. The auditor examines the annual report and accounts and the Board's and CEO's management, and works according to an audit plan that is established in consultation with the Board. In connection with the audit, the auditor reports his or her observations to Group Management for reconciliation, and then to the Board. The Audit Committee meets the auditor at least once a year when the auditor reports his or her observations directly to the Committee without the presence of GARO's CEO or CFO. The auditor lastly participates in the Annual General Meeting where he or she briefly presents the audit work and the recommendation in the audit report.

INTERNAL AUDIT

GARO has well-developed governance and internal control systems. The Board of Directors follows up on the management's assessment of the internal controls. In light of the above, the Board chose not to establish a separate internal audit.

DIVERSITY

With regard to diversity, refer to the company's Sustainability Report on pages 28–43 and 102–107 in this Annual Report.

INTERNAL CONTROL

The Board's and CEO's responsibility for internal control is regulated in the Swedish Companies Act. The Board's responsibility is also regulated in the Code and the Annual Accounts Act,

which also contain requirements on annual external information disclosures regarding how the internal control is organized insofar as it pertains to financial reporting.

The aim of the internal control is in part to ensure that GARO's objectives are achieved in terms of suitable and effective operations, reliable reporting and compliance to applicable laws and ordinances. Internal control regarding financial reporting intends to provide reasonable certainty regarding the reliability of the external financial reporting and that the external financial reporting is prepared in accordance with law and applicable accounting standards.

CONTROL ENVIRONMENT

The Board of Directors bears the overall responsibility for internal control of the financial reporting. With the aim of creating and maintaining a functioning control environment, the Board has established a number of basic documents of significance to the financial reporting. This particularly concerns the Board's rules of procedure and terms of reference to the CEO. The Board ensures that established principles for financial reporting and internal control are complied with. The responsibility for maintaining an effective control environment and the daily work with internal control regarding the financial reporting is delegated to the CEO. The CEO regularly reports to the Board based on established procedures.

The internal control structure is also based on a management system based on GARO's organization with clear financial roles, areas of responsibility and delegation of powers. Operational decisions are made at the company or business area level while decisions on strategy, overall financial issues, acquisitions and major investments are made by GARO's Board and Group Management. The steering documents concerning accounting and financial reporting constitute the most significant parts of the control environment when it comes to financial reporting. These documents are continuously updated in the event of changes of e.g. accounting standards and legislation.

RISK ASSESSMENT

With regard to financial risk assessment, the risk that errors may be made when reporting the company's financial position and results is considered the primary risk. To minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. A Group-wide system for reporting annual accounts has also been introduced.

The Board deals with the outcome of the company's processes for risk assessment and risk management, in order to ensure that these cover all significant areas, and establishes, when appropriate, any necessary measures to be implemented. In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting GARO's business from an operational and financial perspective. Read more about the risks on page 60, Note G3 in this Annual Report.

CONTROL ACTIVITIES

The risks that have been identified regarding the financial reporting are handled through GARO's control activities, such as authorization controls in IT systems and approval controls.

The control structure consists of clear roles in the organization that enables an effective division of responsibilities of specific control activities that aim to discover or prevent the risk of errors in the reporting on time. The continuous analysis done of the financial reporting together with the analysis done at the Group level is very important to ensure that financial reporting does not contain any material misstatements. The Group's controller organization plays an important role in this internal control process, which is responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner.

INFORMATION AND COMMUNICATION

The Group has information and communication channels that aim to promote completeness and accuracy in the financial reporting. Policies, guidelines and internal instructions regarding the financial reporting are available in electronic form over GARO's intranet and on the company's website. Regular updates and messages regarding changes of accounting policies, reporting requirements or other information disclosures are made available and known to the concerned employees.

FOLLOW-UP, EVALUATION AND REPORTING

The CEO is responsible for the internal control being organized and followed up according to the guidelines that the Board has established. The CEO is also responsible for ensuring independent objective audits are done with the aim of systematically evaluating and proposing improvements of the Group's processes for governance, internal control and risk management. Financial governance and control are carried out by local accounting functions and the Group accounting function. GARO's management conducts a monthly earnings follow-up with an analysis of deviations from budget, forecast and previous years and all monthly closings are discussed with the management of the respective segments. The Board of Directors is sent monthly financial statements and the financial reporting is followed up at every Board meeting. Prior to publication of the annual report, the Board and management go through the financial reporting.

The Corporate Governance Report has been audited by the company's auditor.

Gnosjö, April 9, 2024

The Board of Directors

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of GARO AB (publ), corporate identity number 556051-7772

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2023 on pages 109–113 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Jönköping, April 9, 2024

Ernst & Young AB

Joakim Falck

Authorized Public Accountant

