

# Corporate Governance Policy

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## Background and purpose

To ensure that MilDef Group (MilDef) is complying with applicable laws and regulations and that MilDef's values and desired ways of conducting business are communicated and followed throughout the entire organization, MilDef has developed a number of governing documents, including this policy.

## Policy Statement

Proper management of MilDef's business is crucial for reaching the vision and long-term goals. The following areas are for that reason structured and regulated within MilDef.

### 1. Board of Directors

The Board of Directors is responsible for the Rules of Procedure for the Board of Directors, including Instructions for the Audit Committee and Instructions for the Remuneration Committee, CEO Instructions and Instructions for financial reporting to the Board of Directors. These documents are the fundamentals of managing MilDef.

Through the Group Policy Portfolio, MilDef's values and ways of working are established. All Group Policies are approved by the Board of Directors.

### 2. CEO

The CEO is responsible for defining, maintaining and running an appropriate organization capable of reaching MilDef's vision and goals in accordance with the CEO Instructions.

### 3. Governing documents

To ensure that MilDef complies with applicable laws and that MilDef's values and ways of working are valid throughout the entire organization, MilDef has developed a number of policies, including this policy. In accordance with this, MilDef has defined a structure and process for managing governing documents (policies, procedures and instructions), including ownership and accountability for compliance of these documents.

The Group Policy Portfolio shall include, but not be limited to, the following key areas:

- Corporate Governance, including procedure for policy- and risk management
- Finance
- IT
- Information Security & Data Privacy
- People & Culture
- Communication
- Insider
- Sustainability
- Dividend
- Anti-Corruption
- Antitrust
- Quality
- Remuneration
- Intellectual Property Rights

In addition to the policies, MilDef has a Code of Conduct with mandatory principles regarding management and employee behavior.

Each policy has an assigned Policy owner. The Policy owner's roles and responsibilities are stipulated in the Governing Documents procedure.

Group policies shall annually be approved by the Board of Directors, following a review by the policy owner for content and correctness.

#### **4. Management of compliance**

MilDef shall comply with applicable laws and the governing documents are a support for this. Management and employees have the responsibility for compliance within the working areas that they are responsible for.

Each policy has an appointed owner who is responsible for following up on the policy within the Group. The CEO is responsible for reporting on policy compliance to the Board of Directors annually.

Any exceptions noted from the Group Policy Portfolio are reported by the CEO to the Audit Committee and the Board of Directors promptly.

#### **5. Business processes and MilDef Management System (MMS)**

MilDef has defined a number of processes managing the business and delivering the value. These processes are divided into management-, operating-, and support processes and are evident from the Group Process Map. Further descriptions (procedures and instructions) within the Group shall be aligned with these processes. The CEO is responsible for the process structure within the Group. The processes shall be described in a uniform way and where there is a policy, the process must be aligned with that policy.

There shall be a Management System (MilDef Management System) in place with a defined structure and scope. The MMS describes the management responsibility and document management.

#### **6. Business planning and follow up**

MilDef shall continuously plan to achieve the vision and long-term objectives. MilDef shall annually prepare a business plan and a budget. Business plans and budgets must follow a uniform format. Appropriate reporting and follow up are presented to the Board of Directors. The CEO is responsible for the Business planning and follow-up with support of the CFO.

#### **7. Financial reporting**

In order to meet financial requirements a Finance Manual (procedure) shall be formalized. The Finance Manual shall give guidance and summarize the sections required to uphold a high standard of financial accounting and reporting.

The Finance Manual shall be updated annually and be approved by the Audit Committee.

#### **8. Risk Management and Internal Control**

MilDef identifies, assesses and manages risks based on MilDef's vision and goals. A risk assessment of strategic, operational, and financial risks shall be performed annually by management and documented in a risk map. The Annual Risk Management review (risk reporting) shall be conducted and presented to the Audit Committee and the Board of Directors annually. The COO is responsible for the Annual Risk Management review and the

presentation to the Audit Committee and the Board of Directors.

More detailed risk assessments shall be performed for key processes at least annually. Based on the risk identification and assessments performed, internal controls shall be designed and implemented to cover the risks where applicable. The internal controls shall be phrased as requirements in order to describe the minimum level of efforts expected to establish an effective internal control environment throughout the respective business processes.

A self-assessment of minimum requirements of defined controls mitigating identified risks for each business process shall annually be performed and reported to the Audit Committee and the Board of Directors. The CFO is responsible for the self-assessment process.

Risk Management and Internal Control is further described in the Risk Management and Internal Control procedure.

### **9. Crisis management**

MilDef must be prepared for a crisis of any kind and shall have a Business Continuity Plan (BCP) in place. The COO is responsible for crisis management.

### **10. Human Rights**

MilDef commits to respect human rights, which means to avoid infringing on the human rights of others and to address these impacts where they occur, as set out in the UN Guiding Principles on Business and Human Rights. MilDef commits to respect any internationally recognized human rights standards – understood, at a minimum, as the International Bill of Rights and the ILO's Declaration on the Fundamental Principles and Rights at Work.

## **Audience**

The policy applies to all entities within the Group.

## **Roles and responsibilities**

The CEO is the owner of this policy.

## **Exceptions**

There are no exceptions to this policy. Any need of exceptions to this policy must be clearly defined and documented. All exceptions shall be approved by the Board of Directors.

## **Monitoring of compliance**

The policy is approved by Board of Directors. The policy is reviewed annually and revised if needed. All employees are required to understand and comply with this Policy, violations may result in disciplinary actions including termination of employment.

- Group policies are annually approved by the Board of Directors, following a review by the policy owner for content and correctness.
- The CEO annually reports on policy compliance to the Board of Directors.
- The Annual Risk Management review (risk assessment) is annually reported to the Audit Committee and to the Board of Directors.
- A self-assessment of compliance with minimum internal control requirements is annually performed and reported to the Audit Committee and the Board of Directors.
- There is a Management System (MMS) with a defined structure and scope in place.
- The business plan and the budget follow a uniform format and presented to the Board of Directors.
- There is a Business Continuity Plan (BCP) in place.

## References

Governing Documents Procedure  
Risk Management and Internal Control Procedure  
Finance Manual  
Group Process Map  
MilDef Management System  
Business Continuity Plan