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Corporate Governance Report 2024

Ependion AB is a Swedish public limited company quoted on the Nasdaq Stockholm Main Market's Mid Cap List, with the ticker EPEN. Ependion applies the Swedish Code of Corporate Governance. The complete Code is available at www.bolagsstyning.se.

The Corporate Governance Report for the financial year 2024 has been prepared in accordance with the Code's recommendations. Ependion has no instances of non-compliance to report.

Ependion's Auditors have performed a statutory review of this Corporate Governance Report.

Shareholders and Articles of Association

There were 4,641 (5,438) shareholders at the end of the year. The largest shareholder was Stena Adactum AB with 29.5% of the votes. Of total share capital at year-end, just over 17% (17) was held by foreign investors. Ependion has two share classes, ordinary shares and class C shares, and the maximum permitted issue of class C shares is 5% of all Ependion shares, which carry 1/10 of a vote per share. The share capital amounts to 9,781,405 SEK, divided between 29,344,214 shares, of which 29,050,025 ordinary shares each carrying 1 vote, corresponding to 29,050,025 votes, and 294,189 class C shares each carrying 1/10 vote, corresponding to 29,418.9 votes. Each ordinary share has a quotient value of approx. 0.33 SEK. For more information on the share and shareholders, see pages 13-14. Information on shareholders is updated quarterly, and is also available at the group's website, www.ependion.com.

Ependion's Articles of Association contain no special provisions regarding the appointment or dismissal of Board members or amendments to the Articles of Association. For such resolutions at shareholders' meetings, the majority requirements stated in the Swedish Companies Act apply.

Annual General Meeting 2024

The AGM was held on 14 May 2024. Shareholders were able to participate at the Meeting in Malmö in person, or by postal voting, and the Meeting was streamed on the Internet. 62 shareholders representing some 70% of the votes of Ependion attended the Meeting. Departing Chairman of the Board Bo Elisson was elected Chairman of the Meeting.

Ependion's President & CEO Jenny Sjö Dahl reviewed the group's operating activities over the past year and the first quarter of 2024, the operations of the two business entities through a number of summaries on different parts of the world where the group is active. The auditors reported on their review of Ependion's accounting records and administration at the Meeting and reviewed their work over the past year.

The minutes of the Meeting are available from Ependion and have been uploaded to ependion.com. Some of the resolutions of the Meeting follow:

- Dividend of 1.00 SEK per ordinary share.
- That the Board of Directors shall consist of five members with no deputies.
- To re-elect the Board members Johan Wester, Karin Gunnarsson, Lars Eklöf and Jonas Hård.
- To elect Peter Nilsson as a new Board member.
- To elect Peter Nilsson as Chairman of the Board in accordance with the Nomination Committee's proposal.
- To appoint registered public accounting firm KPMG AB as Ependion's auditor for the period until the end of the AGM 2025.
- Fees of 650,000 SEK to the Chairman of the Board and 270,000 SEK to each of the other Board members.
- Unchanged fees for service on the Board of Directors' Audit Committee of 100,000 SEK to the Chairman of the Committee, and 55,000 SEK to other members.
- Fees for service on the Board of Directors' Remuneration Committee of 50,000 SEK to the Chairman of the Committee and 30,000 SEK to other members.
- Fees to auditors would be payable according to approved account.
- To approve the remuneration report for 2024.
- To authorize the Board of Directors to decide on the new issue of a maximum of 2,890,000 ordinary shares on one or more occasions in the period until the next AGM 2025.
- To adopt a long-term share-based incentive program for 2024 (LTI 2024/2027) covering up to 25 employees of the Ependion group. This resolution also included the resolution to authorize the Board of Directors to decide on a private placement of class C shares, authorization for the Board to re-purchase issued

class C shares and the transfer of ordinary treasury shares to participants in LTI 2024/2027.

- To authorize the Board of Directors on one or more occasions in the period until the following AGM to reach decisions on transferring ordinary treasury shares, a maximum of 27,000 ordinary shares, on Nasdaq Stockholm at a price per share in the share price interval recorded at the time.

Nomination Committee for the AGM 2025

The Nomination Committee was presented on 22 October 2024 and has four members, with one representative of each of the four largest shareholders before publication (holdings on the last business day of August 2024). The Chairman of the Board is co-opted to the Nomination Committee. Anders Wassberg, representing Stena Adactum AB, leads the work of the Nomination Committee. The Nomination Committee's duty is to consult on proposals for Board members, the Chairman of the Board, fees to Board members and Auditors, and Chairman of the next AGM. The Nomination Committee remains in place until a new Committee is appointed. The Nomination Committee held six meetings where minutes were taken. A number of informal telephone and email discussions were also held. All Board members have been interviewed by the Nomination Committee and responded to a survey on the Board's work.

Nomination Committee Name	Owner's representative of	Votes, % 31 Aug. 2024
Anders Wassberg	Stena Adactum AB	29.78
Fredrik Carlsson	Svolder AB	15.29
Bengt Belfrage	Nordea Fonder	14.56
Lovisa Runge	Fourth AP Fund	8.45
Peter Nilsson, Chairman of the Board, co-opted		
Total		68.08

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In its work on proposing a Board of Directors for the forthcoming term of office, the Nomination Committee appraised the work of the Board. The findings of this appraisal included the Board members being very committed, and their attendance was high. Generally, the Nomination Committee was able to conclude that Board work was effective, and that the members of the Board of Directors represent broad competence, with thorough industrial and financial knowledge, as well as knowledge of international trading conditions and markets.

When preparing its proposal for the Board of Directors, the Nomination Committee especially considered the stipulations of rule 4.1 of the Swedish Code of Corporate Governance, i.e. that the Board of Directors should have an expedient composition in terms of Ependion's operations, developmental phase and other circumstances, featuring diversity and breadth in terms of members' competence, experience and backgrounds, and that an even gender balance should be pursued. The Nomination Committee applied the relevant provision of the Swedish Code of Corporate Governance as its diversity policy when preparing its proposal and the Nomination Committee will continue to pursue an improved gender division on the Board over time.

The Nomination Committee's proposal for the Board of Directors to the AGM was presented on 26 February 2025.

The Nomination Committee proposes that the Board of Directors consists of six members. The Nomination Committee is proposing

re-election of the Board members Peter Nilsson, Johan Wester, Karin Gunnarsson, Lars Eklöf and Jonas Hård, and the election of Per Allmér. The Committee also proposes that Peter Nilsson is re-appointed Chairman.

The proposed Board members represent broad-based skills, including thorough industrial and financial know-how, as well as knowledge of international trading conditions and markets.

Per Allmér, the proposed new Board member, brings broad-based sector knowledge. He possesses especially valuable experience in the rail segment both domestically and internationally, which the company prioritizes.

In its reasoned statement regarding its proposal to the Board, the Nomination Committee stated that the Board has an expedient composition, featuring versatility and breadth in terms of Directors' skills, education, age, experience, background and length of service. Even gender division remains one of the Nomination Committee's highest priorities, and the Committee will continue to endeavor to improve gender division on the Board of Directors over time.

The rules stipulating Board member independence in accordance with the Swedish Code of Corporate Governance have been observed. According to the Nomination Committee, all proposed Board members apart from Johan Wester are independent of Ependion's major shareholders. All Board members are independent of Ependion.

Work of the Board of Directors in 2024

Board member	Elected	Position	Attendance		Board meetings	Fee*, SEK	Dependent on	
			Audit Committee	Remuneration Committee			Ependion	Major shareholders
Bo Elisson ¹⁾	2013	Chairman		2/3	6/12	650,000	no	no
Peter Nilsson	2024	Chairman		1/3	6/12		no	no
Johan Wester ²⁾	2015	Member	3/3	3/3	12/12	330,000	no	yes
Karin Gunnarsson ³⁾	2018	Member	3/3		12/12	340,000	no	no
Lars Eklöf	2018	Member			12/12	250,000	no	no
Jonas Hård	2022	Member	2/3		12/12	250,000	no	no
Charlott Samuelsson	2023	Member			6/12	250,000	no	no
Total						2,070,000		

¹ Fee includes compensation of 50,000 SEK for committee work.

² Fee includes compensation of 50,000 SEK for service on the Audit Committee and 30,000 SEK on the Remuneration Committee.

³ Fee includes compensation of 90,000 SEK for service on the Remuneration Committee.

* Fees paid in arrears and the above fees were approved by the AGM 2023. Bo Elisson and Charlott Samuelsson left the Board at the AGM 2024. Peter Nilsson was elected at the AGM 2024 (and accordingly has not received any compensation). Bo Elisson was replaced by Peter Nilsson on the Remuneration Committee in 2024. Jonas Hård joined the Audit Committee in 2024.

Board of Directors

The Board of Directors bears ultimate responsibility for Ependion's organization and administration and taking decisions on Ependion's overall goals and strategy. The duties of the Board of Directors also include identifying how sustainability issues impact Ependion's risks and business opportunities. In the financial year 2024, the company's Board of Directors had five members appointed by the AGM.

Ependion has not set any specific age limit for Board members, nor any time limit for how long a Board member can serve on the Board of Directors. For detailed information on Board members, see ependion.com and pages 137-138.

The role of the Chairman of the Board

Apart from leading the Board of Directors' work, the Chairman of the Board continuously monitors progress by maintaining ongoing contact with the Chief Executive Officer on strategic matters. The Chairman of the Board represents the group on ownership-related matters.

The Board of Directors' working methods

The Board of Directors' work conforms to a yearly plan. Decisions are taken by the Board after an open discussion led by the Chairman. Ependion's Chief Financial Officer, also Compliance Officer for the Code of Corporate Governance, serves as Secretary of the Board of Directors. Apart from the Board meeting following election, which is held coincident with the AGM, the Board normally meets five times per year (scheduled meetings). Extra meetings are convened when necessary. The Board of Directors' and Chief Executive Officer's rules of procedure are adopted yearly at the Board meeting following election.

Each meeting follows an agenda, with supporting documentation provided to Board members in good time before each Board meeting.

The Annual Accounts, proposed appropriation of profits and the financial statement are considered each financial year in the first scheduled Board meeting of the financial year. Coincident with this process, Ependion's Auditors submit a report to the Audit Committee regarding the Auditors' observations and judgments of the audit conducted.

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The Chief Executive Officer is assigned to submit Interim Reports approved by the Board of Directors at scheduled meetings later in the financial year. Each scheduled meeting also includes several other matters on its agenda, including a report on the current results of operations.

The Board of Directors appraises its own work, and that of the Chief Executive Officer, on an ongoing basis. In addition, a formal appraisal is conducted led by the Chairman of the Board. In 2024, the appraisal was completed in the form of a survey presented to each Board member. Board members sent their responses to an external party, independent of the Board of Directors and Ependion, who collated the responses. The appraisal was then presented to the Chairman and to other Board members at the Board meeting in December 2024.

Work of the Board in 2024

In the financial year 2024, the Board of Directors held 12 (11) Board meetings including the Board meeting following election. Extensive contact was maintained between Ependion, the Chairman of the Board and other members between Board meetings. Ependion's Auditors attended the first Board meeting of the year, reporting their observations on the group's internal controls and financial statement. The Auditors met the Board of Directors' Audit Committee on two other occasions.

Remuneration Committee

The Remuneration Committee is appointed yearly by the Board of Directors. The Remuneration Committee consults on the Board of Directors' decisions on remuneration of the Chief Executive Officer, decides on remuneration to other senior executives and consults on proposals for potential incentive programs. The Remuneration Committee collects decision support data and views from other Board members, the CEO and CFO. The Committee also collects comparative decision support data externally. In 2024, the members of the Remuneration Committee were Peter Nilsson and Johan Wester, with Peter Nilsson serving as Chairman. In the financial year 2024, the Remuneration Committee held 3 (3) meetings. Remuneration for committee work is payable in accordance with the resolution of the Annual General Meeting 2024.

Audit Committee

The Audit Committee members are Karin Gunnarsson, Johan Wester and Jonas Hård, with Karin Gunnarsson serving as Chairman. The duty of the Committee is to analyze, discuss and supervise Ependion's risk management, governance and internal controls, and financial reporting. The Committee maintains contact with Ependion's Auditors to stay informed on the audit of the accounts, reviewing and supervising auditor impartiality, and to discuss the orientation and Scope of audit work. The Audit Committee has adopted guidelines for other services apart from auditing Ependion can purchase from its auditors. The complete guidelines are available at ependion.com. Remuneration for committee work is payable in accordance with the resolution of the Annual General Meeting 2024.

Remuneration to the Board and Management in 2024

In 2024, the Chief Executive Officer of Ependion, also President of the Group, and other senior executives drew basic salary and other benefits that are reported in Note 6, pages 106-108. Other senior executives mean the five people that made up Group Management in 2024 including the Chief Executive Officer. For more information on remuneration pursuant to the guidelines approved by the AGM, see the presentation of the Board of Directors in the remuneration report.

Remuneration to the CEO

Apart from contracted basic salary, for the financial year 2024, the Chief Executive Officer is also entitled to variable remuneration. Variable remuneration is based on the group's EBIT, order intake and free cash flow, and is a maximum of six months' salary. Pension and other customary benefits are additional. Each year, 30% of gross salary excluding bonus is provisioned as pension assurance for the CEO. This pension is defined contribution and becomes payable at age 65. According to agreement, the CEO has a notice period from Ependion's side of 12 months, which cannot be claimed for termination initiated by the CEO. The notice period from the Chief Executive Officer's side is six months. No other remuneration upon termination has been agreed.

Remuneration to other senior executives

Other senior executives have basic salary with a variable component. The variable component is based partly on the group's and partly on each business entity's EBIT, order intake and cash flow. Yearly variable remuneration is a maximum of six months' salary. Other senior executives have defined contribution pension agreements on market terms. Other customary benefits are additional. Maximum notice periods of 12 months for termination from Ependion's side have been agreed for other senior executives.

Incentive programs

The purpose of incentive programs is to promote senior management's commitment to the group's progress and thus increase value for the group's shareholders. In accordance with a resolution by the AGM 2023, the AGM 2024 resolved to create a long-term share-based incentive program, LTI 2024/2027 for Management and a number of key individuals within the group. The plan measures performance in 2024, but has a three-year term, and involves up to 25 employees of the group. Participants in the plan undertake to hold Ependion shares themselves, to then receive what are termed performance shares on satisfying or exceeding performance targets for 2024.

Directors' fees

Directors' fees, including fees for committee work, resolved by the AGM 2023, were 2,070,000 (2,070,000) SEK, which were disbursed in 2024, and allocated as in the above table. The AGM in May 2024 resolved on Directors' fees including fees for committee work, of 2,020,000 SEK for 2024, to be disbursed in 2025.

Management and corporate structure

The Chief Executive Officer is responsible for Ependion's ongoing administration, which covers all matters that are not reserved for the Board and administered by Management. Instructions approved by the Board of Directors formalize the Chief Executive Officer's authorization to make decisions regarding investments, company acquisitions and divestments and finance matters.

Senior executives currently consist of the President and CEO of Ependion, also CEO of the Westermo business entity, the

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EVP/CFO, Head of Sustainability and CEO of the Beijer Electronics Business entity. Group Management meetings are held regularly to discuss the group's strategic and operational progress and to monitor results of operations. For more information on the members of Group Management, see Ependion's website and page 144.

Business entities

The group's operations are organized into two business entities. The CEOs of each business entity are members of Group Management, and are responsible for the Income Statement and Balance Sheet of each entity.

Internal controls over financial reporting

In tandem with adopting the Interim Report for the third quarter and annual Financial Statement, Ependion's Auditors report their observations from auditing and evaluating the company's internal controls. Ependion's Auditors participate in Board meetings and special meetings with the Audit Committee, which enables Board members to ensure that internal control is satisfactory and that reporting to the Board is effective.

According to the Swedish Companies Act, the Board is responsible for internal controls. This responsibility includes issuing annual financial reports. The Board of Directors receives the reports and sets standards on their content and presentation to assure quality. This implies that financial reporting should be expedient by applying applicable accounting standards and other requirements of listed companies.

The CEO presents a financial report to the Board of Directors at least once monthly, presented in a manner specified by the Board of Directors in advance. This enables the Board of Directors to monitor any divergences in terms of reporting or content.

Control environment, risk assessment and control structures

Ependion structures and organizes its operating activities proceeding from decentralized responsibility for profitability. The base of internal controls in a decentralized operation consists of a well-secured process intended to define targets and strategies for each business.

Defined decision-paths, authorizations and responsibilities are communicated through internal instructions, regulations and policies adopted by the Board of Directors. The group's primary financial policy documents are its accounting policies, finance policy and a reporting manual, including instructions for each financial statement. Ependion has an established control structure to manage the risks the Board of Directors and Management consider significant to internal controls regarding the group's accounting organization.

Accounting managers at all levels play a key role in terms of integrity, skills and the ability to create the environment necessary to achieve transparent and accurate financial reporting. Another important overall control activity is the monthly update on results that is conducted via the internal reporting system, and analyzed and subject to comment in reports to the Board. Monitoring the results of operations includes reconciliation against targets set, the most recent forecast and monitoring established key financial ratios.

In accordance with the Code's provisions, the Board of Directors has taken a view on the need for a dedicated internal audit function, and concluded that at present, there is no need to create such resources within the group. Coincident with its evaluation of this need, the Board of Directors considered the group's size, risk outlook and the control functions already established within the group, which include regular internal audits operated by the central finance function.

Financial reporting and information

The company's communication processes are intended to provide the market with relevant, reliable, accurate and up-to-date information on the group's progress and financial position. Financial information is regularly submitted in the form of financial statements, interim reports, annual reports and press releases on important news and events that can materially affect the share price. Presentations and teleconferences for financial analysts, investors and the media are held on the day of publication of annual and quarterly reports. All reports, presentations and press releases are published on the group's website and intranet.

Insider Policy

Ependion's Board of Directors has adopted an Insider Policy supplementing the Swedish Market Abuse Act. This Policy states the rules on registering insiders, their holdings and reporting, alerts and black-out periods for trading in financial instruments. The complete insider policy is available from ependion.com.

Code of Conduct

Ependion's operations should be conducted with high standards of integrity and ethics. The group has adopted a number of values that function as a framework for employees and promote good judgment and consistent decision-making. Ependion's Board of Directors approves the Code of Conduct each year for the group's operations, which also includes guidelines for the group's conduct in society in order to ensure its long-term value-creating ability. The document is available in full at ependion.com.

Staff can anonymously report grievances like discrimination and harassment to their first-line managers, direct to HR or via a whistleblower function that is also available to external stakeholders. The group works systematically in the segment using a whistleblower policy, communicated as part of its Code of Conduct. No situations of discrimination and harassment were reported in 2024.

Values

The overarching values and principles of the Code of Conduct adopted in October 2023 apply to the group and all group companies. The group's operations are based on autonomous business entities with their own values, with Ependion's role being to support these operations and invest in people, technologies and products for a secure and connected world.