

CORPORATE GOVERNANCE REPORT

GENERAL

Desenio ("the Company") is a Swedish public joint-stock company. The Company's Articles of Association are based on Swedish law, particularly the Swedish Companies Act (2005:551), the Nasdaq First North Growth Market Rule Book and the Company's Articles of Association and internal rules (including, for example, the formal workplan of the Board of Directors and the CEO Instruction). The Company's bond has been listed on Nasdaq since 14 December 2021, and this obliges the Company to comply with the Swedish Code of Corporate Governance ("the Code").

The Code is based on the principle of "comply or explain", which means that a company which applies the Code need not comply with every rule in the Code on all occasions. If a company determines that a certain rule is not appropriate with reference to the company's specific circumstances, that company may choose to derogate from this rule, and this must then be reported by specifying the reasons for the derogation in the Corporate Governance Report. This is the Company's second Corporate Governance Report, and, since derogations have taken place from the Code, these are reported in the Company's Corporate Governance Report.

GENERAL MEETING OF SHAREHOLDERS

GENERAL

Under the provisions of the Companies Act, the General Meeting of Shareholders is the Company's highest decision-making body, and the shareholders exercise their voting right on key issues, such as the adoption of income statements and balance sheets, the appropriation of the Company's profit or loss, discharging the Board of Directors and the Chief Executive Officer from liability, the election of members of the Board of Directors and auditors and fees for the Board and the auditors. In addition to the Annual General Meeting, Extraordinary General Meetings can also be convened. Under the Articles of Association, notification is given of General Meetings of Shareholders through advertisements in Post- och Inrikes Tidningar [the Swedish Official Gazette] and through the notification being posted on the Company's website. The fact that a notification has been issued is advertised simultaneously in the daily newspaper, Svenska Dagbladet.

RIGHT TO PARTICIPATE AT GENERAL MEETINGS OF SHAREHOLDERS

To participate in a General Meeting of Shareholders, a shareholder must be entered in the share register kept by Euroclear six (6) banking days before the General Meeting, and must notify the Company no later than on the date

specified in the notification of the General Meeting. Shareholders whose shares are nominee-registered with a bank or other nominee must, to be entitled to participate at the General Meeting, over and above informing the Company, request that their shares are temporarily registered in their own name in the share register kept by Euroclear no later than four (4) banking days before the General Meeting. Shareholders should inform their nominees of this in good time before the record date. Shareholders may attend the General Meeting in person or through proxies, and may be accompanied by a maximum of two (2) assistants.

INITIATIVES FROM SHAREHOLDERS

A shareholder who wishes to have a matter considered at the General Meeting must send a written request to this effect to the Board of Directors. Such a request must normally be in the hands of the Board no later than seven (7) weeks before the General Meeting.

GENERAL MEETINGS DURING THE YEAR

The Annual General Meeting held on 12 May 2022 resolved to adopt the Annual Report, the Consolidated Financial Statements, to appropriate the net profit for the year in accordance with the Board of Directors' proposal, to grant the members of the Board of Directors and the Chief Executive Officer discharge from liability, to approve fees to the Board of Directors and the auditors and to re-elect all members of the Board and the auditors. The Annual General Meeting decided on guidelines for appointing members of the Nominations Committee and the Nominations Committee's tasks. The Annual General Meeting further resolved on the customary recalculation and subsequent change of terms of the incentive programmes for 2017/2022 and 2018/2023. The Annual General Meeting resolved on an incentive programme 2022/2025 for employees in accordance with the Board's proposal and to authorise the Board to decide on a new share issue.

Desenio's Annual General Meeting 2023 will be held on Thursday, 25 May 2023. For further information, see the Company's website, www.deseniogroup.com.



NOMINATIONS COMMITTEE

The Nominations Committee represents the shareholders. The Nominations Committee's task is to prepare and submit proposals for resolutions to be voted on by shareholders at the Annual General Meeting. The proposals concern the number and election of Board Members, the Chair of the Board, the remuneration of the Board and its committees, the election and remuneration of the auditors and, where appropriate, the process and criteria for appointing the members of the Nominations Committee.

The Annual General Meeting decides on the rules for the appointment and work of the Nominations Committee. The Company shall have a Nominations Committee consisting of members appointed by each of the three largest shareholders in terms of votes and the Chair of the Board of Directors. When forming the Nominations Committee, the ownership structure of the Company, based on information from Euroclear Sweden AB on the last business day in August and other reliable ownership information provided to the Company at that time, shall determine which are the three largest shareholders in terms of votes. The majority of the Nominations Committee's members shall be independent in relation to the Company and its management. The Chief Executive Officer or any other member of the Executive Management Team shall not be a member of the Nominations Committee. At least one of the members of the Nominations Committee shall be independent in relation to the largest shareholder or group of shareholders in the Company in terms of voting rights. Members of the Board of Directors may be members of the Nominations Committee, but may not constitute a majority of its members. If more than one Board Member is on the Nominations Committee, no more than one of them may be dependent in relation to the Company's major shareholders.

The Chair of the Company's Board of Directors shall convene the first meeting and shall ensure that the Nominations Committee promptly receives the relevant information regarding the results of the Board's evaluation of its work. Such information shall be provided in October at the latest and shall include information on the working methods of the Board and the effectiveness of its work, etc. The members of the Nominations Committee shall not receive any remuneration from the Company.

In accordance with the adopted instructions, a Nominations Committee for the Annual General Meeting 2023 has been constituted consisting of Chair Jacob Wiström appointed by Ver dane Capital, Thomas Blomqvist appointed by MBHB Holding and Alexander Hars in his capacity as third largest owner and chairman of the board of Desenio Group.

THE BOARD OF DIRECTORS

The Board of Directors is the Company's second highest decision-making body after the General Meeting of Shareholders. The Board of Directors is appointed by the owners to be ultimately responsible for the organisation of the Company and the management of the Company's affairs in the best interests of the Company and its shareholders. Members of the Board are normally elected by the Annual General Meeting for the period until the close of the next Annual General Meeting. The Articles of Association state that the Board shall consist of a minimum of three (3) and a maximum of seven (7) members. As at the date of this Corporate Governance Report, the Board of Directors of the Company consists of seven (7) ordinary members, who are presented in the "Board of Directors" section on pages 12-13.

The tasks of the Board are regulated by the Companies Act and the Company's Articles of Association. The work of the Board is further regulated by the formal workplan for the Board of Directors which the Board establishes annually. The formal workplan regulates the division of tasks between the Board of Directors, the Chair of the Board of Directors and the Chief Executive Officer. The Board also approves instructions for the Board's committees, as well as an instruction for the Chief Executive Officer (including instructions relating to the CEO's financial reporting).

The Board is responsible for the Company's organisation and the administration of the Company's affairs, which includes responsibility for drawing up overall, long-term strategies and goals, the establishment of guidelines to ensure that the Company's operation generates long-term value, taking decisions on issues affecting investments and sales, capital structure and Dividend Policy. The Board is also responsible for the development and adoption of the Company's central policies, ensuring that there is a control system in place for monitoring that policies and guidelines are complied with, ensuring that a control system is in place for monitoring the operation and risks, appointing the Company's Chief Executive Officer and setting salaries and other remuneration for the Chief Executive Officer and other senior executives.

THE COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS 1 JANUARY – 31 DECEMBER 2022

Member of the Board	Board meetings	Audit Committee	Remuneration Committee
Alexander Hars	15/15		2/2
Cecilia Marlow	15/15	4/4	2/2
Jakob Tolleryd	11/15		
Martin Blomqvist	13/15		
Max Carlsén	15/15	4/4	
Nathalie du Preez	15/15		2/2
Sarah Kauss	13/15	2/4	

THE WORK OF THE BOARD OF DIRECTORS

During the financial year, 15 minuted meetings were held, of which 12 were ordinary meetings. Board meetings have a recurrent structure with structured main points. One consistent issue for the year was the Company's sales trends. During its ordinary meetings, the Board dealt with the fixed items which arose at each Board meeting in accordance with the formal workplan of the Board of Directors, such as the business situation, financial outcomes, forecasts, liquidity, the annual financial statements and Interim Reports. Four of the Board meetings were held in preparation for Interim Reports. The Extraordinary Board meetings dealt with issues and decisions related to the company's redundancies in June. Policies and guidelines adopted during the year related to the formal workplan of the Board of Directors, the work plans of the committees, CEO instructions, instructions for financial reporting, the Code of Conduct and delegation arrangements, as well as policies for anticorruption, internal controls, financing, related party transactions, whistleblowers, IT, GDPR, information, information security, insider trading, continuity planning and risk management.

Before the Board meetings, the members of the Board received documentation concerning the matters which were intended for consideration. This material included the report of the Chief Executive Officer. The Chief Executive Officer and the Chief Financial Officer attended Board meetings as rapporteurs. As required, other members of staff reported on various matters to the Board of Directors. The Board of Directors approved a written formal workplan for the Board and a CEO instruction including a reporting instruction for the Chief Executive Officer.

THE ROLE OF THE CHAIR OF THE BOARD OF DIRECTORS

The Chair of the Board of Directors is responsible for matters including ensuring that all necessary documents are provided for Board meetings along with the information required to enable the Board to carry out its work. The Chair of the Board of Directors shall, in close collaboration with the Chief Executive Officer, monitor the Company's performance, and shall prepare and chair Board meetings. The Chair of the Board of Directors is also responsible for ensuring that the Board of Directors evaluates both its own work and that of the Chief Executive Officer on an annual basis. The Board meets in accordance with a predetermined schedule. Over and above these meetings, additional Board meetings may be called to consider issues which cannot be delayed until the next ordinary Board meeting.

EVALUATION OF THE WORK OF THE BOARD

The Chair ensures that the Board and its work is evaluated annually and that the results of the evaluation are passed

on to the Nominations Committee. The evaluation during the year was a self-assessment in which members responded in writing to questions on various topics related to the Board's work. Several issues were highlighted, including the climate of cooperation, breadth of knowledge, the execution of the meetings and the documentation for the meetings. The intention is to obtain a picture of how the members perceived the running of the work of the Board and to identify measures which can be taken to increase efficiency and improve the work. The outcome of the evaluation was that a small number of areas which could be improved were identified, and these improvements will be rolled out over the course of 2023.

The Board in addition evaluates the ongoing work of the Chief Executive Officer in a similar way.

REMUNERATION COMMITTEE

The company has a Remuneration Committee consisting of Alexander Hars (Chair), Nathalie du Preez and Cecilia Marlow. The duties of the Remuneration Committee are set out in the formal workplan of the Remuneration Committee which is established annually. The Remuneration Committee shall prepare proposals in respect of remuneration principles and other terms and conditions of employment for senior executives, and will consult the CEO in respect of the remuneration of senior executives. The Remuneration Committee reports the results of its work to the full Board on a regular basis. The Committee held two meetings during the year. The Committee dealt with issues related to incentive programmes, remuneration for the CEO and Executive Management Team, and succession planning. The Head of HR at the Company acted as rapporteur on specific issues.

AUDIT COMMITTEE

The company has an Audit Committee consisting of Cecilia Marlow (Chair), Sarah Kauss and Max Carlsén. The Audit Committee has both an advisory (following up and evaluating) and a preparatory function for decision items before these are considered and decided by Desenio's Board. The Audit Committee's duties are set out in its formal workplan which is established annually. The Audit Committee is also responsible for maintaining and improving contacts with the Group's auditors and for exercising supervision of the procedures for accounting and financial reporting. The Audit Committee shall, in addition, monitor the effectiveness of the Company's internal controls, internal auditing and risk management. The Audit Committee reports the results of its work to the full Board on a regular basis. The Chief Financial Officer and the Chief Executive Officer attended all meetings during the year and acted as rapporteurs. The Company's auditors participated at all of the Committee's meetings during the year. During the year, the Committee dealt with issues of the Company's Interim Reports, risk management and internal controls, and also assessed whether internal audits were appropriate for the Company.

THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR EXECUTIVES

The Chief Executive Officer is subordinate to the Board, and is responsible for the Company's ongoing administration and the day-to-day operation of the Company. The allocation of work between the Board and the Chief Executive Officer is set out in the formal workplan for the Board and the instruction for the Chief Executive Officer, as well as the instruction for financial reporting.

The Chief Executive Officer is responsible for leading the operation in accordance with the Board's guidelines and instructions, and for ensuring that the Board receives information and essential decision-making data. The Chief Executive Officer leads the work of the Company's Executive Management Team and takes decisions after consulting its members. Furthermore, the Chief Executive Officer acts as Rapporteur at Board meetings and shall ensure that the members of the Board are provided with the information needed to follow the financial position, results, liquidity and development of the Company and the Group.

The Chief Executive Officer and other senior executives are presented in detail in the "Executive Management Team" section on pages 10-11.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR EXECUTIVES

REMUNERATION OF THE BOARD OF DIRECTORS

For work on the Company's Board of Directors, according to the resolution of the Annual General Meeting on 12 May 2022, a fee of SEK 400,000 is paid to the Chair of the Board of Directors, SEK 200,000 to Board Members who are not employed by the Company and do not represent major shareholders, an additional SEK 75,000 to the Chair of the Audit Committee and SEK 30,000 to each of the other members of the Audit Committee who do not represent a major shareholder and an additional SEK 45,000 to the Chair of the Remuneration Committee and SEK 20,000 to each of the other members of the Remuneration Committee who do not represent a major shareholder. It was also resolved in accordance with the major shareholders' proposal that Board Member Jakob Tolleryd receive retroactive board fees for the period from 1 October 2021 to 30 April 2022, amounting to SEK 116,667.

A statement of the fees per member is given in Note 6.

GUIDELINES FOR THE REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR EXECUTIVES

The Company has not issued guidelines for the remuneration of the Chief Executive Officer and other senior executives since the company is not listed on a regulated market in Sweden. The Company does, however, have a bond which is listed on a regulated market.

INTERNAL CONTROLS IN RESPECT OF FINANCIAL REPORTING

The Board's responsibility for internal controls is regulated by the Companies Act, the Swedish Annual Accounts Act (1995:1554) and the Code. Among other things, the Board must ensure that the Company has effective internal controls and formalised procedures which ensure that the established principles for reporting and internal controls are observed, and also that there are appropriate systems for monitoring and controlling the Company's operation and the risks to which the Company and its operation are exposed. The procedures for internal controls in respect of financial reporting have been formulated for the purpose of ensuring accurate overall financial internal and external reporting in accordance with IFRS, applicable laws and regulations, as well as the other requirements applicable to listed companies.

The whole operation of the Company is covered by the internal control, with the internal control of financial reporting, regulatory compliance and the Company's internal management being essential.

Internal control is based on the COSO framework, and covers primarily the following components (which are described below under the appropriate section) "Goals", "Internal control environment", "Risk assessment", "Control activities", "Evaluation of processes and key controls" and "Reporting and information flows".

GOALS

The Board of Directors sets strategies, objectives and focus areas for Desenio's operation, and the definition of goals constitutes a cornerstone for internal control and its procedures. Risk is defined as an event which, if it occurs, may have a negative effect on the Company's ability to achieve the set goals.

INTERNAL CONTROL ENVIRONMENT

At Desenio, the control environment consists, among other things, of the organisation's structure with defined areas of responsibility and reporting paths, as well as a systematic approach to quality control and governing documents in the form of policies, procedures for standardised work, work instructions and authorisation instructions. The Company's business plan, strategy and budget also constitute a part of the control environment. The nature of the operation, e-commerce in an international environment, is in its nature risk-aware, and, consequently, the Company works on all aspects through documentation, follow-up and feedback to provide an effective control environment.

The Board has overall responsibility for internal control, and the allocation of the Board's work is set out in the formal workplan of the Board of Directors. The CEO instruction as well as the Company's Internal Control Policy

set out how reports to the Board are to be drawn up. The Board has also delegated responsibility for maintaining an effective control environment to the CEO, even though the Board continues to be ultimately responsible. Procedures have been set up to provide the Board with the necessary reports to enable the Board to assess risks and meet the requirements for adequate internal control and reporting on an ongoing basis.

Based on the assessed good control environment and the size of the Company, the Board has judged that there are no special circumstances in the operation or other circumstances which would justify the formation of an internal audit function.

RISK ASSESSMENT

Based on the set goals for the operation, a risk assessment is carried out for the purpose of identifying and evaluating the most significant risks which, if they occur, could have a negative effect on the Company's ability to achieve the set goals. The Board and the Executive Management Team ensure that specific risk assessments are carried out on a regular basis based on the set goals. The Executive Management Team is responsible for risk mapping, in which identified risks are assessed and categorised into areas such as customers, competitors, finance and IT. A risk assessment was carried out on the financial reporting using the Company's ICFR framework (Internal Control over Financial Reporting). The most important risks in respect of the operation, market trends and financial risks are described in the Administration Report in the "Information on risks and uncertainty factors" section.

CONTROL ACTIVITIES

The most significant risks are reviewed regularly and are managed through identified and documented key controls which describe how the Company is to manage and maintain control over risks. The formulation of control activities is based on the internal control environment with clear organisational structure defined reporting paths and a quality system with procedures and IT systems which are constantly improved to ensure that they are updated and comprehensive. Key controls linked to risks related to financial reporting may include, for example, procedures for authorising and approving disbursements and reports.

EVALUATION OF PROCEDURES AND KEY ROLES

The company regularly evaluates the procedures for internal control to ensure that all components are functioning and that the Board can maintain adequate oversight. The Company also specifically evaluates the identified controls linked to the more significant risks to ensure that they are correctly formulated and manage the risks in the intended way. The procedures which are evaluated based on the Company's ICFR framework and cover general controls, financial follow-up, employment, customer orders, purchases, inventories and general IT controls.

The external auditors, the Company's Finance Department and the Audit Committee are in regular contact throughout the financial year with the aim of detecting possible risks and dealing with problems which may affect financial reporting. The auditors also provide regular reports to the Board.

REPORTING AND INFORMATION FLOWS

Reporting and information flows are a very important component of the internal control procedures. The Board received continuous reports from the Company's Executive Management Team, for example as monthly reports, and can monitor the progress and status of the operation in relation to set goals and identified risks. The Group's operation, financial position, capital requirements, investments and cost base are discussed at every Board meeting. Reconciliations against the budget and outcome from previous years are made monthly, and major deviations are also reported to the Board at each Board meeting.

Internal information and communication deal with ensuring that the Company's staff are updated in respect of relevant internal control procedures, and that the latest versions of the policies, procedures for standardised work and work instructions are available to all members of staff.

External information, which primarily takes place through press releases, financial statements and Interim Reports the Annual Report and the Company's website (deseniogroup.com), aims to keep the market updated on the progress of the Company's operation and ensure that Desenio lives up to the requirements for releasing accurate information to the market in accordance with the regulations of the First North Growth Market. This is also governed by the Company's adopted Information Policy. The Policy specifies what is to be communicated, by whom and in which way the information is to be released to ensure that both external and internal information are accurate and complete. The Chief Executive Officer has overall responsibility for the Company's IR operation. During the year, the Company engaged an external consultant who has handled part of the practical execution of the work.

INTERNAL AUDIT

Given the Group's size, structure and the nature of the operation, the Audit Committee determined that it was not appropriate to establish a separate Internal Audit function. The Board agreed with the Committee's recommendation.

EXTERNAL AUDIT

The auditor shall audit the Company's Annual Reports, financial statements and bookkeeping, as well as the administration of the Company by the Board of Directors and the Chief Executive Officer. The audit of the Company's financial reports and financial statements, as well as the administration of the Company by the Board of Directors and the Chief Executive Officer are carried out in accordance with generally accepted audit standards in Sweden. After each financial year, the auditor shall submit an Auditor's Report and a Consolidated Auditor's Report to the Annual General Meeting. The Auditor carried out a general audit of the Company's Interim Report for the third quarter.

KPMG AB has been the Company's auditor since 2017, and was re-elected as the Company's auditor at the Annual General Meeting 2022 for the period until the close of the Annual General Meeting 2023. The auditor in charge is Mathias Arvidsson. Mathias Arvidsson is an Authorised Public Accountant and a member of FAR (FAR – the industry organisation for accounting, auditing and consulting).

