



Press release

Mars 31, 2022

Notice to the Annual General Meeting in GARO Aktiebolag (publ)

The shareholders of GARO Aktiebolag (publ) ("GARO" or the "Company"), Reg. No. 556051-7772, are hereby invited to attend the Annual General Meeting (the "AGM") to be held at 5 p.m. CEST on Wednesday, 11 May 2022 at Gnosjöandans Kunskapscenter, at the address Fritidsvägen 4, Gnosjö, Sweden. Registration will commence at 4.30 p.m. CEST.

A. RIGHT TO PARTICIPATE IN THE AGM

A person who wishes to participate in the AGM must:

firstly, be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB concerning the circumstances on Tuesday, 3 May 2022, and

secondly, notify the Company of its intention to attend the AGM under the address GARO AB, "AGM", P.O. Box 203, SE-335 25 Gnosjö, Sweden, by calling +46 (0)370 332 800, by e-mail to arsstamma@garo.se, or at the Company's website <https://www.garo.se/en/> no later than Thursday, 5 May 2022.

In connection with notification, shareholders must state their name, address, telephone number, personal or corporate identity number and number of any assistants. Shareholders or proxies for shareholders at the AGM may take a maximum of two assistants with them to the AGM. Assistants may accompany to the AGM only if the shareholder gives notice of their attendance in connection with the shareholder's own notification of participation.

For shareholders who wish to be represented by a proxy, a power of attorney must be attached to the notification. Form of proxy is available on the Company's website, <https://www.garo.se/en/>, and will be sent by mail to shareholders who contact the Company and state their address. If the shareholder is a legal entity, copy of certificate of incorporation, or corresponding authorisation document for the legal entity, must be attached.

Nominee-registered shares

In order to be entitled to participate in the AGM, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the AGM, register its shares in its own name so that the shareholder is listed in the presentation of the share register concerning the circumstances on Tuesday, 3 May 2022. Such registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee in accordance with the nominee's routines at such a time in advance as decided by the nominee. Voting rights registrations that have been made by the



nominee no later than Thursday, 5 May 2022 will be taken into account in the presentation of the share register.

B. AGENDA OF THE AGM

Proposal for agenda

1. Opening of the Meeting.
2. Election of Chairman of the Meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of persons to approve the minutes of the Meeting.
6. Determination of whether the Meeting has been duly convened.
7. The Managing Director's report.
8. Presentation of
 - a) the annual report and the auditors' report, as well as the consolidated financial report and auditors' report on the consolidated financial report for the financial year 2021, and
 - b) statement from the Company's auditor confirming compliance with the remuneration guidelines for the CEO and other senior managers.
9. Resolutions regarding
 - a) adoption of the income statement and the balance sheet, and of the consolidated income statement and the consolidated balance sheet, all as per 31 December 2021,
 - b) appropriation of the Company's profit as set forth in the adopted balance sheet and record date for dividend, and
 - c) discharge of the Board of Directors and the Managing Director from personal liability for the financial year 2021.
10. Determination of the number of members of the Board and auditors.
11. Determination of the fees to be paid to the Board members and auditor.
12. Election of members of the Board.
13. Election of auditor.
14. Resolution on approval of the remuneration report.
15. Resolution on guidelines for remuneration for senior executives
16. Resolution on an incentive program for Group Management by way of (A) directed issue of subscription warrants and (B) transfer of subscription warrants of series 2022/2025.
17. Closing of the Meeting.

Proposals

Proposals by the Nomination Committee (Items 2 and 10-13)

The Nomination Committee prior to the AGM 2022 comprising of Lars Kongstad (Mannheimer Swartling Advokatbyrå) appointed by Lars Svensson, Fredrik Carlsson appointed by Svolder AB (publ), Ulrik Grönvall appointed by Swedbank Robur fonder and Rickard Blomqvist, in his capacity of Chairman of the Board of GARO, has made the following proposals in respect of the AGM 2022:



Chairman of the AGM: The Chairman of the Board, Rickard Blomqvist, or if he is prevented from participating, the person appointed by the Nomination Committee, shall be elected as Chairman of the AGM.

Board of Directors: The number of Board members shall be seven (without deputies). Re-election shall be made of the Board members Martin Althén, Rickard Blomqvist, Ulf Hedlundh, Susanna Hilleskog, Mari-Katharina Jonsson Kadowaki, Johan Paulsson and Lars-Åke Rydh. Re-election shall be made of Rickard Blomqvist as the Chairman of the Board.

Information about all Board members proposed for re-election is available on the Company's website, <https://www.garo.se/en/>.

Board and Committee fees: Board fees, excluding Committee fees, shall be paid in a total of SEK 2,440,000 (previously SEK 2,100,000), of which SEK 700,000 (previously SEK 600,000) to the Chairman of the Board and SEK 290,000 (previously SEK 250,000) to each of the other Board members elected by the AGM who are not employed by the group. Fees for assignment in the Audit Committee shall continue to be paid in a total of SEK 200,000, of which SEK 100,000 to the Chairman and SEK 50,000 to each of the other members of the Audit Committee. Fees for assignment in the Remuneration Committee shall continue to be paid in a total of SEK 100,000, of which SEK 50,000 to the Chairman and SEK 25,000 to each of the other members of the Remuneration Committee.

Auditor and auditor fees: The number of auditors shall be one without deputies. In accordance with the Audit Committee's recommendation, the registered audit firm Ernst & Young AB is proposed for re-election as GARO's auditor for a period of one year until the end of the AGM 2023. Ernst & Young AB has notified that the authorised public accountant Joakim Falck will continue as auditor in charge, if Ernst & Young AB is elected as auditor by the AGM. The auditor's fee is proposed to be paid according to approved invoice.

Proposed appropriation of the Company's profit (Item 9 b)

The Board proposes that a dividend of SEK 1.40 per share is distributed for the financial year 2021. The record date for the dividend is proposed to be on 13 May 2022. If the Meeting resolves in accordance with the proposal, the dividend is expected to be paid by Euroclear Sweden AB on 18 May 2022.

Resolution on approval of remuneration report (Item 14)

The Board of Directors proposes that the AGM resolves to approve the Board of Directors' remuneration report pursuant to Chapter 8, Section 53 a of the Swedish Companies Act.

The Board's proposal regarding guidelines for remuneration for senior executives (Item 15)

The Board of Directors proposes that the AGM resolves on the following guidelines for remuneration for senior executives. In relation to the current guidelines, the proposal mainly implies, in addition to certain editorial amendments, a possibility for the Board of Directors to resolve on additional variable cash remuneration to the CEO and other senior executives in order to promote the Group's strategic initiatives during 2022-2023. The Board of Directors has not received any views from the shareholders on the existing guidelines for remuneration to senior executives.



Scope of the guidelines, etc.

The persons that during the guidelines duration are part of the Group management and other senior executives that report directly to the CEO and Board Members that are employed by the Company, hereinafter referred to as “senior executives”, fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the AGM 2022. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

If a Board Member conducts work for the Company that is not Board work, remuneration shall be paid on market terms taking into account the nature and effort of the work. The remuneration shall be determined by the Board (or the General Meeting if required by law). Board Members employed by the Company shall not receive separate remuneration for Board assignments in the Company or affiliate companies.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

The guidelines’ promotion of the Company’s business strategy, long-term interests and sustainability

In short, the Company’s business strategy is to, with a focus on innovation, sustainability and design, provide profitable complete solutions for the electrical industry. For more information regarding the Company’s business strategy, please see <http://corporate.garo.se/en/about-garo/our-mission>. A prerequisite for the successful implementation of the Company’s business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. These guidelines enable the Company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the Company’s business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. The Board of Directors has proposed that the AGM 2022 resolves on a long-term incentive program through issuance and transfer of subscription warrants to the CEO and other senior executives.

Variable cash remuneration

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration for the CEO may not amount to more than MSEK 2 per year and shall not be pensionable income. The variable cash remuneration to other senior executives shall not exceed 30 per cent of the fixed annual cash salary. The variable cash remuneration shall be linked to clear performance related criteria in easy and transparent designs. The criteria can be financial, non-financial or be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the Company’s



business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. Currently, these criteria include among others sales and earnings based financial criteria.

When the measurement period has ended, an assessment/evaluation to which extent the criteria for awarding variable cash remuneration have been satisfied shall be made. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on established financial data for the relevant period.

In addition to the maximum amounts set out above, the Board of Directors shall, in order to promote strategic initiatives during 2022-2023, have the possibility to resolve on variable cash remuneration corresponding to a maximum of nine (9) monthly salaries to be paid to the CEO and other senior executives. Such additional variable cash remuneration shall be linked to the fulfilment of predetermined objectives that promote the Group's strategic initiatives during 2022-2023. Accordingly, there shall be a measurement period of two financial years and assessment/evaluation to which extent the criteria for payment have been satisfied shall be made after the AGM 2024. The CEO and other senior executives have the right, provided that it is cost-neutral for GARO, to receive a maximum of 30 per cent of such additional variable cash remuneration as pension benefit, which shall be exempted from the cap for pension premiums of 30 per cent as set out below.

Pension benefits

For the CEO, pension benefits, including health insurance (Sw: *sjukförsäkring*), shall be premium defined. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the pensionable income. For other executives, pension benefits, including health insurance, shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the pensionable income.

Other benefits

The non-cash remuneration to the Group management, e.g. car allowance, computer, cell-phone, additional private health insurance or private health service, can be paid to the extent considered to be in accordance with relevant market terms for senior executives at other corresponding positions on the market on which the Company operates. Such benefits may amount to not more than 15 per cent of the fixed annual cash salary.

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the Company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed cash salary for two years, and one year for other executives. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time,



in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The Remuneration Committee's tasks include to prepare the Board of Directors' proposal for guidelines for remuneration to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

The Board's proposal regarding an incentive program for Group Management by way of (A) directed issue of subscription warrants and (B) transfer of subscription warrants of series 2022/2025 (Item 16)

The Board of Directors proposes that the AGM 2022 resolves on an incentive program for the Group Management (the "**Participants**") based on issue and transfer of subscription warrants ("**Warrant Program 2022/2025**") on the following conditions.

The purpose of the incentive program is to, in an easy way, offer the Group Management the opportunity to take part in the long-term increase in value that is related to GARO's joint goals and the strategic initiatives that shall be given priority within the group. The Board of Directors believes that it is of benefit to the Company and the shareholders that the Participants are in this way given a personal ownership commitment in the Company. An incentive program is also expected to contribute to the possibilities to recruit and retain competent, motivated and committed employees and to being a competitive and attractive employer on a fast-growing market. The structure of the program with a three-year term is estimated to contribute to the fulfilment of the Company's long-term business plan, strategy and financial targets.

A. Issue of subscription warrants

In order to implement the Warrant Program 2022/2025, the Board proposes that the AGM resolves on a directed issue of subscription warrants with deviation from the shareholders' preferential right on the following conditions.

1. A maximum of 200,000 subscription warrants shall be issued.



2. The right to subscribe for the subscription warrants shall, with deviation from the shareholders' preferential right, be granted to the Company, with right and obligation for the Company to transfer the subscription warrants to the Group Management in the GARO Group, in accordance with the principles below. The Company shall not be entitled to dispose of the subscription warrants in any other way.
3. The subscription warrants shall be issued free of charge to the Company.
4. Subscription for the subscription warrants shall be made on 30 June 2022 at the latest, with a right for the Board to extend the subscription period.
5. Each subscription warrant shall entitle to subscription for one (1) share in the Company.
6. Subscription for shares by virtue of the subscription warrants may be effected as from 5 June 2025 – 30 June 2025. There will be no over-subscription.
7. The subscription price per share shall correspond to 120 percent of the volume weighted average share price according to Nasdaq Stockholm's official price list for share in the Company during the period from and including 12 May 2022 up to and including 25 May 2022.
8. If all subscription warrants are exercised for subscription of new shares, the share capital will increase by a maximum of SEK 80,000.
9. Shares that have been subscribed for by virtue of the subscription warrants will entitle to dividends as of the first record date for dividends occurring immediately after the shares have been registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*).
10. If the subscription price at subscription for new shares exceeds the quota value of the previous shares, the surplus amount shall be contributed to the unrestricted premium reserve.
11. The subscription warrants may be subject to re-calculation in accordance with customary principles for re-calculation due to, *inter alia*, bonus issue, consolidation or share split, rights issue or similar events.
12. The complete terms and conditions for the subscription warrants are set forth in the "*Terms and conditions for subscription warrants series 2022/2025*".

B. Transfer of subscription warrants

In order to implement the Warrant Program 2022/2025, the Board proposes that the AGM resolves to approve that transfer of subscription warrants is made from the Company to the Participants on the following conditions.

1. The subscription warrants shall be transferred by the Company, on one or several occasions, to employees within the GARO Group in accordance with the guidelines stated below.
2. A maximum of 200,000 subscription warrants of series 2022/2025 may be transferred.

3. Transfer of the subscription warrants shall be made for a consideration corresponding to the market value of the subscription warrants at the time of transfer, to be established by an independent valuation institute, by application of the Black & Scholes valuation method, based on the market conditions at the time of transfer. The valuation is based on the variables risk-free interest rate, volatility, the term of the subscription warrants, expected share dividends during the term of the subscription warrants, the share price at the time of transfer and the subscription price for shares when exercising the subscription warrants (strike price).
4. Right to acquire subscription warrants shall, with deviation from the shareholders' preferential right, accrue to the Participants in accordance with the following guidelines:

Category	Number of subscription warrants
CEO	Maximum 50,000
Group Management (4 persons)	Maximum 25,000 per person

The first allotment is expected to take place during June 2022. There will be no over-subscription.

5. The total number of subscription warrants issued in Warrants Program 2022/2025 exceeds the number of subscription warrants expected to be allotted in the first allotment. The subscription warrants remaining after the first allotment may be allotted to future employees or employees who have been promoted at market value, applicable from time to time, in accordance with the allotment principles stated above, whereby the above stated number of employees in each category may be changed. Transfer of subscription warrants may not occur after the AGM 2023.
6. Right to allotment in the Warrants Program 2022/2025 requires that the employee, at the time for allotment, holds its position or has signed an agreement regarding it and has not, at such time, informed or been informed that the employment will be terminated.
7. When acquiring the subscription warrants, the warrant holder shall enter into a pre-emption agreement with the Company, on customary conditions established by the Board. The agreement shall entitle the Board, under certain circumstances and in whole or in part, to reclaim acquired subscription warrants (or value received from dispositions of subscription warrants), subject to the limitations which may follow from applicable law.

Reason for deviation from the shareholders' preferential right

The reason for the deviation from the shareholders' preferential right is that the Board wishes to create an incentive program which offers the Group Management the opportunity to take part in the long-term increase in value of the Company share. The basis for the subscription price is the market value of the share at the time of issue.

Participants in other jurisdictions

For participants in jurisdictions other than Sweden, it is implied that the further transfer of the subscription warrants is legally possible and that further transfer, in the Board's opinion, can be carried out with reasonable



administrative and financial efforts at their established market value. The Board shall have the right to adjust the terms of the Warrants Program 2022/2025 to the extent required in order for allotment and exercise of subscription warrants to participants in other jurisdictions, to the extent practically possible, to be carried out under the same conditions imposed by the Warrants Program 2022/2025.

Costs, dilution etc.

The costs for the program will mainly consist of limited costs for the implementation and administration of the program. For this reason, no hedging arrangements for the program have been made. Assuming that all 200,000 subscription warrants in the Warrants Program 2022/2025 are exercised for subscription of new shares, the Company's share capital will increase by a maximum of SEK 80,000, resulting in a maximum dilution effect equivalent to approximately 0.4 per cent calculated as the number of new shares in proportion to the number of existing shares. The above is subject to re-calculations of the subscription warrants in accordance with the customary terms stated in the complete terms and conditions.

The preparation of the proposal

The Board's proposal has been prepared by the Board's Remuneration Committee and the Board. The Remuneration Committee has consulted the Company's three largest shareholders in connection with the preparation of the proposal in order to receive feedback and suggestions on the form of the proposal. These shareholders are positive to the final proposal although it shall be noted that they are not legally obliged to support the proposal at the general meeting.

Authorisation

The Board of Directors proposes that the Chairman of the Board, or a person appointed by the Board, is authorised to make any minor adjustments that might be required in connection with registration with the Swedish Companies Registration Office and Euroclear Sweden AB.

Majority requirement

The resolution of the general meeting above is proposed to be adopted as one joint resolution. A valid resolution requires that shareholders representing at least nine tenths (9/10) of the votes cast and the shares represented at the general meeting support the resolution.

C. NUMBER OF SHARES AND VOTES IN THE COMPANY

The total number of shares and voting rights in the Company amounts to 50,000,000. The Company does not hold any own shares.

D. AVAILABLE DOCUMENTATION

The financial statements and the auditor's statement, the Board's statement pursuant to Chapter 18, Section 4 in the Swedish Companies Act, the remuneration report for the financial year 2021, as well as the auditors' statement regarding whether the guidelines have been complied with and the Board's complete proposals concerning Items 15–16 will be available at the Company's head office in Gnosjö and on the Company's website <https://www.garo.se/en/> no later than Wednesday, 20 April 2022. In other respects, the complete proposals are set out under each respective item in the notice.



Information about all Board members proposed for election and the Nomination Committee's reasoned statement etc. are available on the Company's website <https://www.garo.se/en/>.

The documents are presented at the AGM by being kept available at the Company and on the Company's website. The documents will be sent to shareholders who so request and state their address.

E. SHAREHOLDERS' RIGHT TO RECEIVE INFORMATION

The Board of Directors and the CEO shall, if any shareholder so requests and the Board of Directors believes that it can be done without material harm to the Company, provide information regarding circumstances that may affect the assessment of an item on the agenda, the assessment of the Company's or its subsidiaries' financial situation and the Company's relation to another group company.

F. PROCESSING OF PERSONAL DATA

For information on how your personal data is processed, see

<https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>.

Gnosjö in March 2022
GARO Aktiebolag (publ)
The Board of Directors

For more information, please contact:

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