

CORPORATE GOVERNANCE

Extract from the Annual Report 2023



Corporate Governance report

Introduction

GomSpace Group AB is a Swedish public limited liability company with its registered office in Stockholm, Sweden. Through its subsidiaries, the company develops and manufactures small satellites and components and turnkey solutions for satellites and has been listed on Nasdaq First North Premier Growth Market since June 2016.

As a company listed on Nasdaq First North Premier Growth Market, the company must comply with the Swedish Corporate Governance Code (the “Code”) and prepare an annual corporate governance report as from the 2019 financial year. The company has not deviated from the Code in any respect during 2023, except that the company’s six- or nine-month report for 2023 has not been reviewed by the company’s auditor. This deviation is described further under heading “Internal controls of financial reporting.”

GomSpace considers good corporate governance essential and an important part of its core business. Consequently, the company complies with the Code in all essential and obligatory aspects when preparing this corporate governance report, except for the deviation described above.

Corporate governance structure

The Swedish Companies Act contains basic rules for the company’s organization. It stipulates that there should be three decision-making bodies: the general meeting of shareholders, the board of directors, and the Chief Executive Officer (CEO), in a hierarchical relationship with each other. There must also be a monitoring body, the auditor, appointed by the general meeting of shareholders.

Governance, management, and control are distributed between the shareholders, the board of directors, the CEO, and company management according to applicable laws, rules and recommendations, GomSpace’s articles of association, the board of directors’ rules of procedure, and other internal instructions.

The current articles of association are kept available on the company’s webpage.

The regulatory framework consists of the Swedish Companies Act, the rules applicable to the market where the company’s shares are listed for trading (Nasdaq First North Growth Market – Rulebook for Issuers of Shares) incl. the rules applicable for the Premier Segment, and the Code.

Shareholders

The company has one shareholder with a direct or indirect shareholding in the company representing at least one tenth of the voting rights for all shares, The Hargreaves Family No. 14 Settlement with 41,606,536 shares, corresponding to 29.58% of the shares and votes in the company.

General meeting of shareholders

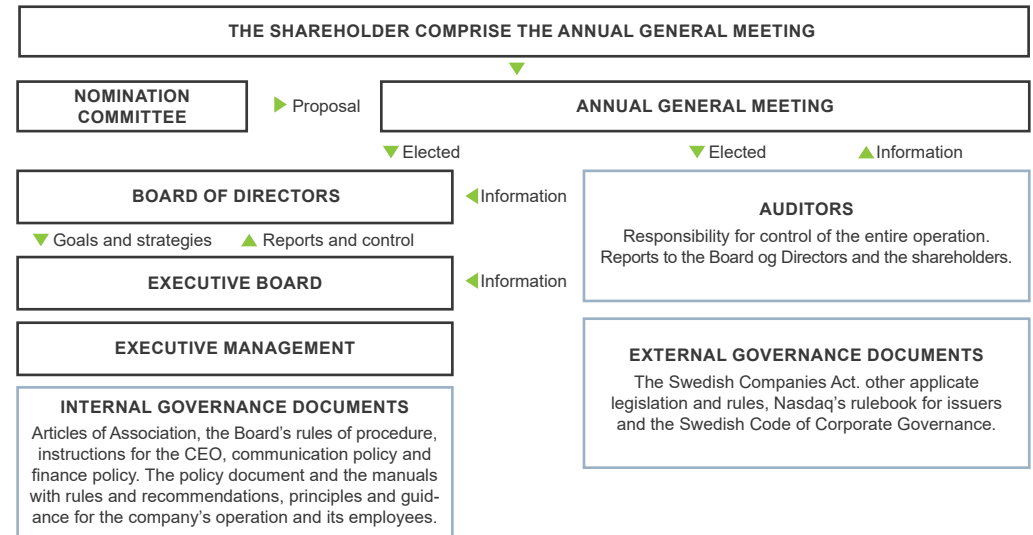
The annual general meeting of shareholders (“AGM”) is held in Stockholm within six months of the end of the financial year. The AGM adopts the financial statements (annual report) and decides how to allocate the result. Further, the AGM decides on discharge from liability for the board of directors and the CEO, elects members of the board of directors and auditor(s) and determines their fees. The AGM also decides on other matters the board of directors includes in the notice convening the AGM.

Regarding general meetings, the company has not deviated from the Code.

The regulatory framework consists of the Swedish Companies Act, the rules that apply to the market where the company’s shares are listed for trading, Nasdaq First North Growth Market Rulebook for Issuers of Shares (incl. the rules applicable for the Premier Segment) and the Code.

The AGM to be held in 2023 has taken place on 31 May 2023 at 10.00 at Setterwalls Advokatbyrå’s office at Sturegatan 10 in Stockholm, Sweden.

At the AGM held on 31 May 2023, it was resolved to authorize the board of directors to – during the period until the next annual general meeting and at one or more occasions – resolve upon issuance of new shares, warrants and/or convertible debentures with or without deviation from the shareholders’ preferential rights. Payment may be made in cash, in kind, through setoff of claims or otherwise be conditional. Through issuances resolved upon with



support from the authorization – with deviation from the shareholders’ preferential rights – the company’s share capital and shares may be increased by an amount and number corresponding to not more than 20 percent of the share capital and number of shares/votes in the company (i.e. corresponding to a maximum dilutive effect of approximately 16.67 percent) at the first time the authorization is used with deviation from the shareholders’ preferential rights.

The AGM to be held in 2024 will take place on 17 May 2024 at 10.00 at Setterwalls Advokatbyrå’s office at Sturegatan 10 in Stockholm, Sweden.

Nomination committee

The nomination committee is to present proposals to the AGM regarding the chairman of the meeting, the election of chairman and other members of the board of directors, auditor(s), and fees and other remuneration payable to each member of the board of directors and the auditor(s). Further, the nomination committee is to present proposals on any changes to the principles for the appointment of and instructions to the nomination committee.

At the AGM held on 31 May 2023, it was resolved not to change the principles for the appointment of and instructions to the nomination committee, which were adopted at the AGM held in 2019. The nomination committee is to be composed of the chairman of the board of directors and three members appointed by the three largest shareholders by votes at the end of the third quarter each year.

The nomination committee is to appoint a chairman among its members. The chairman of the board of directors may not be appointed as chairman of the nomination committee. In respect of the AGM to be held in 2024, the following shareholders have exercised their right to appoint a member to the nomination committee: Peter Hargreaves, Black Pepper Invest ApS and Longbus Holding ApS. Each of the aforementioned shareholders has appointed the following members:

- Hans Bloch, appointed by Peter Hargreaves
- Dino Dogan, appointed by Black Pepper Invest ApS
- Anne Breüner, appointed by Longbus Holding ApS

The chairman of the board of directors (Stefan Gardefjord) is considered independent of the company’s largest shareholders.

General Information

Pursuant to the principles for the appointment of and instructions to the nomination committee, the nomination committee shall be composed and perform such tasks stated from time to time in the Code.

The principles for the appointment of and instructions to the nomination committee are available on the corporate governance section on the company's website, included as an appendix to the AGM's minutes in 2019. A diversity policy is not legally required for the nomination committee in its work nor required by Code.

Tasks of the board of directors

The board of directors' rules of procedure includes, amongst other, the following tasks:

- appointing, evaluating and, if necessary, dismissing the CEO,
- establishing the overall goals and strategy of the company,
- identifying how sustainability issues impact risks to and business opportunities for the company,
- defining appropriate guidelines to govern the company's conduct in society, to ensure its long-term value creation capability,
- ensuring that there is an appropriate system for follow-up and control of the company's operations and the risks to the company that are associated with its operations, ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations, as well as the application of internal guidelines, and
- ensuring that the company's external communications are characterized by openness and is accurate, reliable, and relevant.

In line with rules of procedure, each board member is:

- to form an independent opinion on each matter considered by the board and to request whatever information he or she believes necessary for the board to make well-founded decisions,
- to acquire continuously the knowledge of the company's operations, organization, markets, etc. that is necessary to carry out the assignment, and

- responsible for committing the time required to carry out the board's work in the context of the board member's other assignments and commitments.

If required, work among board members is divided based on competencies. The board is to approve any significant assignments the CEO has outside the company.

Size and composition of the board of directors

According to the articles of association, the board of directors consists of not less than three and not more than seven ordinary members without deputy members. Board members are elected for a period of one year.

On 18 January 2023, it was announced that the chairman of the board of directors, Jens Maaløe, would resign from the board due to health issues and that Jukka Pertola would take over as chairman of the board of directors.

At the AGM held on 31 May 2023, the following six board members were elected, with the re-election of Jukka Pertola, Kenn Herskind, Nikolaj Wendelboe, and Steen Hansen, and the new-election of Stefan Gardefjord and Henrik Kølle. Jukka Pertola was further elected as chairman of the board.

Effective as of 1 October 2023, Jukka Pertola resigned from the board of directors due to growing focus on good corporate governance casting a critical view on how many board positions a board member should have. On 26 September 2023, the board of directors resolved to appoint Stefan Gardefjord as new chairman of the board, effective as from 1 October 2023.

The requirements to size and composition according to the Code, including but not limited to in respect of independence, are fulfilled. No board member is a member of the executive management, and most board members are independent of the company and its executive management. Only one current board member is dependent in relation to the company's major shareholders.

A detailed presentation of the board members, including information about other assignments and holding of GomSpace shares, is found under the Board of Directors in the Corporate Governance section on the company's website.

Furthermore, information about board meeting attendance during the last financial year is included in ESG reporting. In 2023 the attendance rate was 97%. Steen Hansen was absent at one out of 27 board meetings resulting in an attendance rate of 96%, Stefan Gardefjord and Henrik Kølle were each absent at one out of 12 board meetings held during the period they have served as board members resulting in an attendance rate of 92% each, Jens Maaløe was absent at the only board meeting held during the period he served as board member during 2023 resulting in an attendance rate of 0%, and the other board members had an attendance rate of 100%. Since the last AGM, 14 board meetings have taken place.

The CEO and CFO usually attend the board meetings, and other persons within the company group can participate in board meetings from time to time (as decided by the board of directors).

Chair of the board of directors

The chair of the board of directors leads the work of the board. The chair has a special responsibility to follow the group's development between board meetings and ensure that the board members are continually provided with the information necessary to perform the work satisfactorily.

Pursuant to the board of directors' rules of procedure and in line with the Code, the chair ensures that the board's work is performed efficiently and that the board of directors fulfils its obligations.

The general meeting elects the chair of the board. The current chair is not an employee of the company or has duties assigned by the company regarding his chair responsibilities.

The chair maintains regular contact with the CEO and CFO and holds meetings with them as required.

Board procedures

The board of directors is responsible for ensuring that the group has good internal controls and ensures that the group has formalized routines to ensure that approved principles for financial reporting and internal controls are applied as well as to ensure that the company's financial reports are produced pursuant to legislation, applicable accounting standards and other requirements for listed companies.

The following policies and plans have been implemented and are regularly reviewed and updated:

- Rules of procedure for the board of directors
- Rules of procedure for duties incumbent upon an audit committee
- Rules of procedure for duties incumbent upon a remuneration committee
- Instructions for the CEO
- Instructions for financial reporting
- Accounting policy
- Authority rights
- Information policy
- Insider policy
- IT policy and Disaster Recovery plan
- Business continuity plan
- Code of Conduct

A detailed description of the group's internal controls is included in a separate section below, including the board's monitoring measures that the internal controls related to financial reports and reporting to the board function adequately.

A separate internal audit function has not been established. The board of directors believes that the limited size of the company's business in a centralized organization does not require a more extensive audit function in an internal audit function. The assessment is updated annually.

The board of directors has decided not to establish an audit committee, given that the board finds it more appropriate that the entire board fulfils the duties of the audit committee.

At least once a year, the board meets the company's statutory auditor without the CEO or any other executive management member.

CEO and executive management

The CEO is primarily responsible for the continuous management of the company's affairs and daily operations. The division of work between the board of directors and CEO are outlined in the board of directors' rules of procedure and the instructions for the CEO.

General Information

The CEO is responsible for keeping the board of directors informed of the company's operations, results of operation, and financial position. The CEO is also responsible for preparing reports, compiling information ahead of board meetings, and reporting the board meetings' materials.

A detailed presentation of the CEO and the entire executive management team, including information about other assignments and holding of GomSpace shares, is to be found under Executive Management in the Corporate Governance section on the company's website.

On 18 January 2023, it was announced that Niels Buus would step down as CEO and that CFO Troels Dalsgaard would take over as interim CEO until a new CEO has been appointed. On 13 March 2023, Carsten Drachmann was appointed as CEO.

Evaluation of the board of directors and CEO

The chair is to ensure that the board's work is evaluated annually and that the nomination committee is informed of the evaluation result.

The annual evaluation of the board work follows an established procedure in line with the corporate governance rules. The evaluation was conducted through a third party by means of a survey which was answered by the board members, in the aim of gaining an idea about the board members' views on how the board work has been conducted and which measures can be taken to improve the board work as well as which matters the board members deem should be given more attention and in which areas it could possibly be suitable to have additional expertise on the board. The results of this evaluation were reported to and discussed by the board. The results of the evaluation have further been reported to the nomination committee.

Furthermore, the chair is to ensure that the CEO's work is evaluated annually, and the board continuously evaluates the CEO's work. A formal examination is carried out at least once a year, and no member of the executive management is to be present during this evaluation process. The formal evaluation of the CEO will take place at the board meeting on May 16, 2024.

Remuneration of the board of directors and executive management

The board of directors has decided not to establish a remuneration committee, given that the board finds it more appropriate that the entire board fulfils the duties of the remuneration committee. If the board uses the services of an external consultant, the board ensures that there is no conflict of interest regarding other assignments this consultant may have for the company or its executive management.

The AGM adopts guidelines for remuneration for executive management in line with principles set out in the Swedish Corporate Governance Board's Rules on Remuneration of the Board and Executive Management and on Incentive Programs. The following guidelines are highlighted:

- The main principle is that remuneration and other employment conditions for executive management members shall be based on market terms and competitive to ensure that the group can attract and retain competent members of the executive management at a reasonable cost for the company.
- The total remuneration for the executive management shall consist of fixed salary, variable remuneration, pension, and other benefits. To avoid the executive management being encouraged to take inappropriate risks, there shall be a fundamental balance between fixed and variable remuneration.
- Thus, the fixed salary shall be large enough concerning the total remuneration paid to the executive management to render it possible to reduce the variable remuneration to zero.
- The variable remuneration to a member of the executive management whose function or total remuneration level implies that he or she can have a material effect on the company's risk profile may not be greater than the fixed salary.

Each year, the board of directors shall consider whether the AGM is to be proposed to adopt a share-based incentive program. Proposed incentive programs shall contribute to long-term value growth.

For further details regarding the company's guidelines for remuneration for executive management, see appendix 2 to the minutes from the AGM held in 2020, available on the company's webpage. The guidelines apply until the AGM to be held in 2024, and the board of directors intends to propose that the AGM to be held on 17 May 2024 resolves to re-adopt the current guidelines with no changes. The board of director's proposal will be included in the notice convening the AGM.

At the company's AGM held in 2023, it was resolved that the fees payable to the board of directors for the period until the end of the next AGM shall amount to a total of SEK 1,575,000, out of which SEK 450,000 shall be paid to the chair and SEK 225,000 to each of the other board members. The company's commitment regarding variable salary to the group's executive management for 2023 is SEK 4,277,604.

Information on sustainability and remuneration

The group is not legally required to publish a sustainability report. Still, an ESG reporting based on the Center for ESG Research's Integrated Ratio Guideline has been compiled voluntarily and included in the annual report (page 9) since 2019.

Furthermore, the group is not legally required to publish a remuneration report. Disclosures of management remuneration, including share-price related incentive programs, are included in Note 4 and 5 of the annual report and are also found on the company's webpage.

Internal controls of financial reporting

Internal controls regarding financial reporting aim to provide reasonable certainty regarding external financial reporting reliability and ensure that the financial reporting has been prepared pursuant to law, applicable reporting standards, and other requirements.

The control environment includes how targets are set, how earnings are monitored, and how risks are managed.

Financial reporting's control environment is based on allocating roles and responsibilities within the organization and accounting policies, instructions, and routines.

The authorization instructions in place regulate the decision-making process for important contracts, major investments, and other significant decisions, thus becoming an important part of the group's control environment.

The board of directors is responsible for identifying and addressing material financial risks and the risk of financial reporting errors.

Management reports its assessment of existing risks and any other issues concerning internal control continuously to the board. The board can then call for further measures if considered necessary.

The company's six- or nine-month report for 2023 has not been reviewed by the company's auditor, which is a deviation from rule 7.7 of the Code. The board of directors has made the assessment that the additional cost for such a review during 2023 cannot be motivated. The intention is that the company's nine-month report for 2024 is reviewed by the auditor.

Description of risk management and assessment are included on pages 13–15 of the annual report.

Control activities within GomSpace take place in the entire organization at all levels and include approval of projects and agreements and ongoing monitoring of earnings performance on projects.

Financial reporting and statements are analyzed and validated by the group's finance team.

Under the management of the group's CFO, the group's finance department conducts an annual evaluation of the company group's internal control.