

# CORPORATE GOVERNANCE

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Extract from the Annual Report 2019



# Corporate Governance

## Introduction

GomSpace Group is a Swedish public limited liability company with its registered office in Stockholm. The company, through its subsidiaries, develop and manufacture nanosatellites as well as components and turnkey solutions for satellites and has been listed on Nasdaq First North Premier since June 2016.

As a company listed on Nasdaq First North Premier, the company must comply with the Swedish Corporate Governance Code and prepare an annual corporate governance reporting as from the 2019 financial year.

The corporate governance reporting takes the revised version of the Swedish Corporate Governance Code which entered into force on 1 January 2020 into consideration.

GomSpace considers good corporate governance to be essential and an important part of its core business.

Consequently, GomSpace Group complies with the revised Code in all essential and obligatory aspects at the time of preparing this Corporate Governance reporting. However, as a result of a rule change during 2019 and the implementation of the rules, GomSpace did not fully comply with the Code during the year. GomSpace did not comply with the sustainability and environmental policies, however, the work has been initiated and is in progress.

## Corporate governance structure

The Swedish Companies Act contains basic rules for the Company's organisation and 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 hierarchal relationship with each other. There must also be a monitoring body, the auditor, who is 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 in accordance with applicable laws, rules and recommendations and GomSpace's Articles of Association, the Board's rules of procedures and other internal instructions.

The current Articles of Association are included on the company's [webpage](#).

The regulatory framework consists of the Swedish Companies Act, the rules that apply to the regulated market where the company's shares are listed (Nasdaq First North Growth Market – Rulebook) for trading and from 2019 also the Swedish Corporate Governance Code.

## Shareholders

The composition of shareholders and shares are included on page 26 in the Annual Report.

## Shareholders' meeting

GomSpace Group's Annual General Meeting (AGM) shall be held in Stockholm within six months of the end of the financial year. The AGM appoints the Board of Directors and the auditors and determines their fees. The AGM also adopts the financial statements, decides on the appropriation of profits and on discharge from liability for the Board of Directors and the CEO, and decides on other matters according to the Articles of Association or Nomination committee.

All corporate governance rules to execute the shareholders meeting are met.

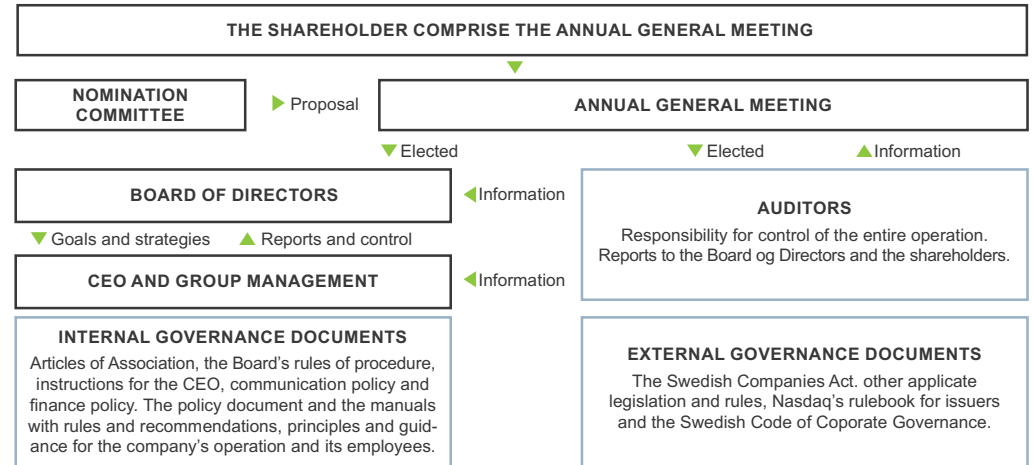
The AGM in 2019 took place on 26 April 2019. Resolutions are included on the company's [webpage](#) in section for "General meetings".

GomSpace's AGM in 2020 will take place 24 April 2020 at 10.00 at Setterwalls Advokatbyrå's office at Sturegatan 10 in Stockholm, Sweden.

## Nomination Committee

Nomination of Board Members prior to the election at AGM takes place by means of a Nomination Committee. Moreover, the Nomination Committee proposes fees for the Board member as well as it proposes the election of and fees for the auditor.

At the AGM in the Company, held on April 26, 2019, it was resolved to adopt principles for the appointment of a nomination committee 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 shareholders exercising their right to appoint a member to the nomination committee were Hansen & Langeland ApS, Borean, Longbus Holding and NOVI. Each of the aforementioned shareholders have appointed the following members:

- Jens Langeland, appointed by Hansen & Langeland ApS
- Stefan Gardefjord, appointed by Borean and Longbus Holding
- Henrik Lundum, appointed by NOVI

The nomination committee is to appoint a chairman among its members. The chairman of the board of directors may not be appointed chairman of the nomination committee.

Chairman of the board, Jukka Pertola, is considered to be independent of the company's largest shareholder.

According to instructions, the nomination committee shall be composed and perform such tasks which are stated from time to time in the Swedish Corporate Governance Code.

The current instructions for the nomination committee in GomSpace can be found in the corporate governance section on the Company's [website](#), in the minutes from the AGM.

A diversity policy is not legally required for the nomination committee in its work nor required by Swedish Corporate Governance Code.

## Tasks of directors

The updated and adopted rules of procedures including principle tasks of the board of directors are meeting the corporate governance rules and thereby compromise the following:

- 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, with the aim of ensuring 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 characterised by openness, and that they are accurate, reliable and relevant

In line with rules of procedures each director 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.
- responsible for committing the time required to carry out the work of the board in the context of the director's other assignments and commitments.

If required, work among members of the board are divided based on competences.

The board is to approve any significant assignments the CEO has outside the company.

#### Size and composition of the board

According to the articles of Association GomSpace's board should consist of no less than 3 and no more than 7 Board members. Board members are elected for a period of one year.

At the AGM in 2019 4 members were elected. No deputy board members have been appointed.

The requirements to size and composition according to corporate governance rules including independence are in focus and met.

In line with the rules 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, may be found under [Board of Directors](#) in the Corporate Governance section on the Company's website.

Furthermore, board meeting attendance at board meetings during the last financial year is included as part of ESG reporting, in 2019 the attendance rate was 96% - one board member was absent at one out of seven board meetings resulting in an attendance rate of 86%, the other board members had an attendance rate of 100%.

Since the last AGM, 9 board meetings have taken place.

The CEO and CFO usually attend the board meetings, and other officers in the Group can participate in board meetings as a reporting member or secretary.

#### Chair of the board

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

Based on rules of procedures and in line with the corporate governance rules, the Chair ensures that the work of the board is conducted efficiently and that the board fulfils its obligations.

The chair of the board is to be elected by the shareholders' meeting and is not an employee of the company or has duties assigned by the company in addition to his or her responsibilities as chair.

The Chair maintains regular contact with members of the Management team and holds meetings with them as required.

#### Board procedures

The board 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 the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

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

- Accounting policy
- Authority rights
- Information policy
- Insider policy
- IT policy and Disaster Recovery plan
- Business continuity plan

A detailed description of the Group's internal controls is included in a separate section below, including the board's measures for monitoring 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 is for now of the opinion that a business of GomSpace Group's scope, in a centralized organization, does not require a more extensive audit function in the form of an internal audit function. The assessment is updated annually.

An audit committee is not statutory, and any relevant tasks are performed by the Board.

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

The board of directors ensures that the company's half-year or third quarter report is reviewed by the statutory auditor. The most recent review was performed as at 30 September 2019.

#### CEO and Executive management

The CEO is primarily responsible for the continuous management of the company's affairs and the daily operations. The division of work between the Board of Directors and CEO is set forth in the company's rules of procedure for the Board of Directors and the instructions for the CEO. 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 and compiling information ahead of Board meetings and is the reporting person of the materials at the Board meetings.

A detailed presentation of the CEO and the entire executive management team, including information about other assignments and holding of GomSpace shares, may be found under [Executive Management](#) in the Corporate Governance section on the Company's website.

#### Evaluation of the Board of Directors and Chief Executive Officer

The Chairman is to ensure that the work of the Board is evaluated annually and to ensure that the Nomination Committee is informed of the result of the evaluation.

The annual evaluation of the board work follows an established procedure in line with the corporate governance rules.

The most recent evaluation was performed in February 2020.

Furthermore, the Chairman must ensure that the work of the CEO is evaluated annually, the board continuously evaluates the work of the CEO. 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 most recent evaluation was performed in March 2020.

#### Remuneration of the board and executive management

The entire board performs the tasks of the remuneration committee in accordance with the corporate governance rules.

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.

Guidelines for remuneration for executive management are adopted by the AGM in line with principles according to corporate governance rules.

The following guidelines are highlighted:

- The main principle is that remuneration and other employment conditions for members of the senior management shall be based on market terms and competitive in order to ensure that the group can attract and retain competent members of the senior management at a reasonable cost for the company.
- The total remuneration for the senior management shall consist of fixed salary, variable remuneration, pension and other benefits. In order to avoid that the senior management is encouraged to take inappropriate risks, there shall be a fundamental balance between fixed and variable remuneration.
- The fixed salary shall thus be large enough in relation to the total remuneration paid to the senior management in order to render it possible to reduce the variable remuneration to zero.
- The variable remuneration to a member of the senior 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.

The board of directors shall each year consider whether the annual general meeting is to be proposed to adopt a share-based incentive program. Proposed incentive programs shall contribute to a long-term value growth.

For further details, see appendix 2 to the minutes of the 2019 AGM on the company's [webpage](#).

At the company's AGM 2019, it was resolved that the fees payable to the Board of Directors for the period until the end of the next annual general meeting shall amount to a total of SEK 1,125,000 out of which SEK 450,000 shall be paid to the chairman and SEK 225,000 to each of the other ordinary board members.

The company's commitment as regards variable salary to the group's executive management for 2019 is estimated to cost the company not more than approximately SEK 14,100,000.

#### Information on sustainability and remuneration

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

Furthermore, the Group is not legally required to publish a remuneration report. Disclosures of management remuneration, including share-price related incentive program, are included in note 4 of annual report and may also be found on company's [webpage](#) in separate section.

#### Internal controls of financial reporting

Internal controls regarding financial reporting aim both to provide reasonable certainty in terms of the reliability of external financial reporting and to ensure that the financial reporting has been prepared in accordance with the law, applicable reporting standards and other requirements.

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

The control environment for financial reporting is based on the allocation of roles and responsibilities within the organisation and accounting policies, instructions and routines.

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

The Board of Directors is responsible for identifying and addressing material financial risks and risk of error occurring in financial reporting.

At each Board meeting, Management reports its assessment of existing risks and any other issues concerning internal control. The Board can then call for further measures if considered necessary.

Description of risk management and assessment are included in pages 17-18 of the Annual Report.

Control activities within Gomspace Group take place in the entire organisation at all levels and include approval of projects and agreements as well as ongoing monitoring of earnings performance on projects.

Financial reporting and statements are analysed and validated by the Group finance team.

The Group's financial department under the management of the Group's CFO conducts an annual evaluation of the internal control in the companies.