

# CORPORATE GOVERNANCE

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Extract from the Annual Report 2020



## Corporate Governance

### 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 manufacture nanosatellites as well as 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 from the 2019 financial year.

GomSpace considers good corporate governance to be essential and an important part of its core business. Consequently, the company complies with the Code in all essential and obligatory aspects at the time of preparing this corporate governance report.

### 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 hierarchal 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, and 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, which applies to the market where the company’s shares are listed for trading (Nasdaq First North Growth Market – Rulebook) and the Code.

### Shareholders

Information about shareholders in the company is included on page 27 in the annual report.

### 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 included by the board of directors in the notice convening the AGM.

In respect of general meetings, the company has not deviated from the Code.

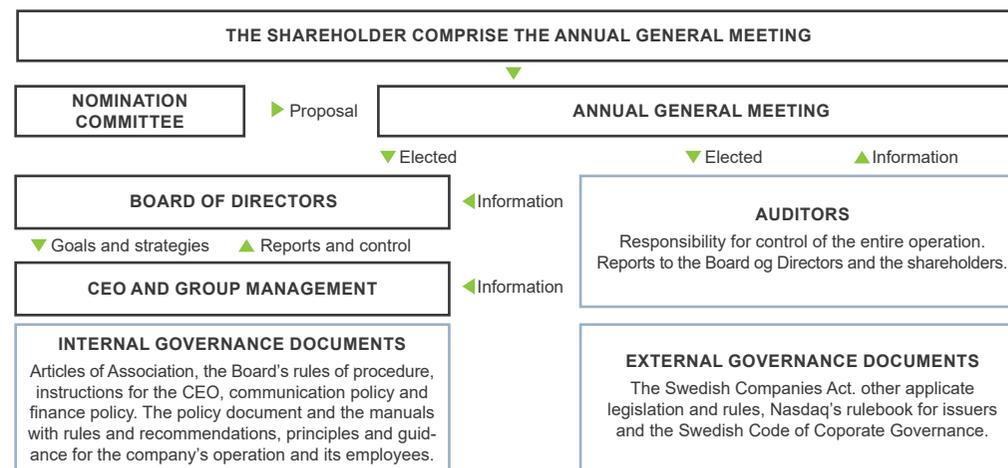
The AGM held in 2020 took place on 24 April 2020. A copy of the meeting minutes is available on the company’s web page under the “[General meetings](#)” section.

The AGM to be held in 2021 will take place on 23 April 2021 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 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 nomination committee’s appointment and instructions.

At the AGM held on 24 April 2020, it was resolved not to change the principles for the appointment of and instructions to the nomination committee adopted at the AGM held in 2019. The nomination committee is 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 2021, the following shareholders have exercised their right to appoint a member to the nomination committee: Hansen & Langeland ApS, Borean, Longbus Holding, and NOVI. Each of the shareholders, as mentioned earlier, has appointed the following members:

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

As a result of decreased shareholding, the member (Henrik Lundum) appointed by NOVI resigned from the nomination committee on 1 January 2021. The nomination committee is in the process of appointing a new member following the principles for the appointment of and instructions to the nomination committee.

The previous chairman of the board of directors (Jukka Pertola) and the current chairman of the board of directors (Jens Maaløe) are both considered to be independent of the company’s largest shareholders.

Following 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 at 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 directors

The board of directors’ rules of procedure includes, amongst others, 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,

## General Information

- 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 that they are 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 members of the board 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 association articles, the board of directors is to consist 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.

At the AGM held in 2020, five board members were elected.

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 related to the company's

major shareholders.

A detailed presentation of the board members, including information about other assignments and holding of GomSpace shares, is to be found under [Board of Directors](#) in the Corporate Governance section at the company's website.

Furthermore, information about board meeting attendance during the last financial year is included as part of ESG reporting. In 2020 the attendance rate was 98%. Henrik Schibler was absent at one out of thirteen board meetings resulting in an attendance rate of 92%, and the other board members had an attendance rate of 100%.

Since the last AGM, 11 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. It 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.

Following 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 fulfills 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's responsibilities.

The chair maintains regular contact with members of the management team 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 following legislation, applicable accounting standards and other requirements for listed companies.

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

- 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.

An audit committee is not statutory, and the entire board performs relevant tasks of such committee.

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

The board of directors ensures that the statutory auditor reviews the company's half-year or third-quarter report. The most recent review was performed as of 30 September 2020.

### 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 CEO's instructions. 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 at the Company's website.

### 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 result of the evaluation.

The annual evaluation of the board work follows an established procedure in line with the corporate governance rules. The chair has evaluated in collaboration with an external consultant through individual discussions with the board members. Several different observations are highlighted, such as the breadth of knowledge within the international space economy and market, systematic evaluation of managing director and top management including mapping of competencies, the composition of the board, and how the board work has been carried out.

The most recent evaluation was performed in February 2021.

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 most recent evaluation was performed in February 2021.

### Remuneration of the board of directors and executive management

The entire board performs the tasks of a remuneration committee following the Code.

Suppose the board uses the services of an external consultant. In that case, the board ensures no conflict of interest regarding other assignments; this consultant may have for the company or its executive management.

## General Information

The AGM adopts guidelines for remuneration for executive management in line with principles set out in the Code. 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 that the executive management is 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, see appendix 2 to the minutes from the AGM held in 2020, available at the company's [webpage](#).

At the company's AGM held in 2020, 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 1,350,000, 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 2020 is estimated to cost the company not more than approximately SEK 3,600,000.

### 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 is included in the annual report (page 11) 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 programs, are included in note 4 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 in terms of external financial reporting reliability and ensure that the financial reporting has been prepared following 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.

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.

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 on pages 18-20 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.