

# CORPORATE GOVERNANCE REPORT

**AAC Clyde Space AB is a Swedish public limited liability company with corporate registration number 556677-0599 whose share is listed on the Nasdaq First North Premier Growth Market. The company's registered office is in Uppsala.**

The goal of corporate governance is to ensure that the company is managed as efficiently as possible for shareholders and to ensure that AAC Clyde Space adheres to existing guidelines. Corporate governance also aims to create an orderly system for the Board as well as management. Through a clear structure, rules and processes, the Board can ensure that management and employees focus on developing the business to create value for shareholders.

## Framework for corporate governance

Corporate governance is based on external governance instruments including the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq First North Premier Growth Market Stockholm's regulations and the Swedish Corporate Governance Code as well as internal governance instruments such as the Articles of Association, instructions, policies and guidelines.

## Applying the Swedish Corporate Governance Code

Since November 2018, AAC Clyde Space has adhered to the Swedish Corporate Governance Code and its principle of "comply or explain." AAC Clyde Space had no deviations to report in 2020.

## The share and shareholders

There were 123,204,310 shares in issue at 31 December 2020. The number of shares increased to 147,204,310 through the acquisition of SpaceQuest in January 2021. All shares have equal right to the company's assets and profit.

Since 21 December 2016, the share has been traded on Nasdaq First North Stockholm, under the symbol AAC and, since March 2019, has been traded on the Nasdaq First North Premier Growth Market. Since 21 August 2020, AAC Clyde Space's share has also been traded on the American OTCQX market under the symbol ACCMF. Erik Penser Bank is AAC Clyde Space AB's Certified Adviser.

On 31 January 2021, the number of shareholders totalled 12,188. The single largest owner was the acquired company SpaceQuest's former owners with 24,000,000 shares corresponding to 16.3% of the capital and votes. The share register is maintained electronically by Euroclear Sweden AB.

More information about AAC Clyde Space's shares and shareholders are in the section The share on page [xx].

## Articles of Association

The company's registered name pursuant to the Articles of Association is AAC Clyde Space AB (publ) and the financial year follows the calendar year from 1 January to 31 December. The full Articles of Association in their current form were adopted at the general meeting on 2 June 2020, refer to the company's website [www.aac-clyde.space](http://www.aac-clyde.space)

## General meeting

The company's decision-making body is the general meeting, where shareholders exercise their influence in the company. Shareholders who wish to participate in the general meeting, personally or via proxy, must be entered into the register five business days before the general meeting and submit an application in accordance with the notice.

Notice to attend the general meeting is issued through an announcement in

Post- och Inrikes Tidningar (Official Swedish Gazette) and on the company's website ([www.aac-clyde.space](http://www.aac-clyde.space)). An announcement of the publication of the notice is made in Dagens Industri.

The AGM is held within six months of the end of the financial year. At the AGM, shareholders resolve on, inter alia, the Board, auditors and discharging the Board and CEO from liability for the previous year. Decisions are also taken regarding certifying the annual report, appropriation of profits or handling loss and fees for the Board and auditors.

Shareholders have the right to have an issue addressed at the AGM, in which case they must submit it in writing to the Board. The issue will be taken up at the AGM if the request has been received by the Board no later than seven weeks ahead of the AGM.

## 2020 Annual General Meeting

The AGM was held in Uppsala on 2 June 2020. Votes represented at the meeting amounted to 21.3% of the votes in the company, of which 21.0% were postal votes. The Chairman of the Board, the company's auditor and the Chief Financial Officer were present. The AGM resolved in accordance with the Board's proposals:

- to adopt the statement of profit or loss and the statement of financial position
- to carry forward the year's loss
- to discharge the Board members and CEO from liability
- for fees to the Board and auditor
- to re-elect Board members Rolf Hallencreutz, Per Aniansson, Anita Bernie, Per Danielsson and William Whitehorn. Rolf Hallencreutz was also elected Chairman of the Board.
- for guidelines for remuneration of senior executives
- for the incentive scheme for employees and the Board
- to authorise the Board to issue shares.

## Extraordinary General Meeting, 5 November 2020

An Extraordinary General Meeting was held in Uppsala on 5 November 2020. Votes represented at the meeting amounted to 51% of the votes in the company. The EGM resolved in accordance with the Board's proposals:

- for the new issue of shares as payment-in-kind for all of the shares outstanding in SpaceQuest Ltd
- for the new issue of shares as payment-in-kind for all of the shares outstanding in Hyperion Space B.V.

## Nomination Committee

The meeting has decided that the Nomination Committee is to consist of representatives appointed by the four largest shareholders in terms of votes at 31 August and the Chairman of the Board. Should any of these shareholders choose not to appoint a member, their right falls to the next largest shareholder

in terms of votes. As long as the company has its registered office in Sweden, a majority (3/4) of the members of the Committee must also be residents in Sweden. The Committee chooses its Chairman.

If a member represents a shareholder who has sold the majority of their holdings and is no longer one of the four largest shareholders, the Committee can resolve that the member step down. If the Committee is not complete after the departure of a member and more than three months remains until the next AGM, the Committee is to offer representation to the next-largest shareholder in the company.

The Committee is to submit proposals for the Chairman and members of the Board as well as for fees to the Chairman and other Board members. If the company is electing an auditor, the Nomination Committee is to submit proposals for the auditor and auditor's fees.

The Committee will inform the company of its proposal in good time so that the information can be presented in the notice for the AGM. The Committee is also to provide a short report on how its work was conducted. The Committee is to continuously evaluate its instructions and its work, and to submit proposals to the AGM for changes it deems appropriate.

Ahead of the 2021 AGM, shareholders representing 6% of the votes formed a Nomination Committee consisting of:

- Anders Axelsson appointed by Biljon AB
- John Wardlaw appointed by Coralinn LLP
- Mathias Dittrich appointed by Soltorpet AB
- Rolf Hallencreutz, Chairman of the Board of AAC Clyde Space AB

The Committee's proposal to the 2021 AGM will be presented in conjunction with the notice of the AGM and made available on the company's website.

## The Board

### The Board's work

The Board's primary task is to manage the interests of the company and shareholders, appoint the CEO and ensure that the company follows the applicable laws and the Articles of Association. It is also incumbent on the Board to identify how sustainability issues impact the company's risks and business opportunities. The Board is responsible for ensuring that the Group has an appropriate structure so that the Board, in the best possible manner, can exercise its owner responsibility over the Group's subsidiaries and that the accounting, administration of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Board is to meet the company's auditor without the presence of company management at least once per year as well as continuously and at least once a year evaluate the work of the CEO.

### The Board's composition

According to the Articles of Association, the Board of AAC Clyde Space is to consist of at least three and no more than seven members who are elected at the AGM for a term lasting until the next AGM.

The 2020 AGM decided that the number of members would be five and re-elected Rolf Hallencreutz as Chairman, as well as Per Aniansson, Anita Bernie, Per Danielsson and William Whitehorn. For information about the Board members' assignments outside the Group and their holdings in AAC Clyde Space, see pages [xx] and [www.aac-clyde.space](http://www.aac-clyde.space).

### The Board's independence

According to the Swedish Corporate Governance Code, the majority of the Board members elected by the AGM must be independent in relation to the company and company management, and at least two must also be independent in relation to the company's largest shareholders.

Out of the five Board members, four are independent in relation to the company and company management, and five are independent in relation to the company's largest shareholders.

### Board committees

Based on its size and composition, the Board has previously judged that the work of the Remuneration Committee and the Audit Committee are best performed by the Board in its entirety. The Remuneration and Audit Committees were established in January 2020.

### Remuneration Committee

The work of the Committee has been carried out by Chairman of the Board Rolf Hallencreutz and Board member Will Whitehorn since January 2020.

The work is based on the instructions that are determined annually by the Board. They include submitting proposals for guidelines for remuneration to senior executives, submitting proposals to the Board for the CEO's salary and other employment terms, determining salaries and employment terms for other members of the management team and developing proposals for incentive schemes and other bonuses or similar compensation for employees. The CEO can present issues pertaining to the Committee's tasks but does not participate in establishing his own salary and employment terms.

At the AGM, the Board presents its proposals for guidelines for determining the salary and other remuneration for the CEO and other members of the company's management, which are to be approved by the shareholders.

For a further description of the employment terms for senior executives and remuneration to the Board, refer to the Administration Report.

### Audit Committee

The work of the Committee is carried out by Chairman of the Board Rolf Hallencreutz and Board members Per Danielsson and Per Aniansson.

The work is based on the instructions that are determined annually by the Board and included in the Board's formal work plan. These include monitoring and ensuring the quality of the financial statements as well as the efficiency of the company's internal control systems and risk management.

The Committee meets the company's auditors, evaluates the audit, the auditors' independence and determines which additional services the company can receive from external auditors.

### The Board's instructions and policies

The Board reviews and annually determines a formal work plan. The Board also determines the instructions for the CEO and the financial reporting. The formal work plan and instructions regulate, inter alia, the distribution of work among the Board, Board members, the CEO and auditor, quorum, conflicts of interest, internal and external reporting, notification procedures, meetings and the minutes.

The Board meets according to a schedule established each year. In addition to these Board meetings, additional Board meetings may be convened to address matters that cannot be referred to a scheduled Board meeting. In addition to the Board meetings, the Chairman and CEO maintain an ongoing dialogue regarding the administration of the company.

### Instructions and policies

The Board reviews and annually determines the following instructions and policies:

- Formal work plan for the Board
- Instructions for the CEO
- Instructions for financial reporting
- Communication and IR policies
- Insider policy

## Evaluation of the Board's work

The Board's work is evaluated annually in order to improve the Board's work forms and efficiency. The Chairman of the Board is responsible for the evaluation and for presenting it to the Nomination Committee. The evaluation is intended to capture the Board members' opinions about how the work of the Board is being conducted and which measures can be taken to streamline the work and whether the Board is well balanced in terms of skills.

The evaluation is an important support for the Nomination Committee ahead of the AGM. In 2020, the Chairman conducted the evaluation in writing through a questionnaire sent to all Board members. The results of the evaluation were reported and discussed by the Board and the Nomination Committee.

### The Board's work

The Board's formal work plan states that the Board is to meet six times a year in addition to the statutory meeting and, in addition, when circumstances so require. The Board is to address the Group's strategic focus on risks and the business plan at one of these meetings.

The CEO and CFO and the Board's Secretary normally attend Board meetings. Other members participate as needed to present specific issues. The Board's formal work plan also states that the Board is to meet the company's auditor at least once each year without any member of management being present to evaluate the work of the Board and the CEO.

Board meetings normally start with discussion of the business status and the company's financial performance. Financial reports and the annual report are reviewed and approved prior to publication.

Other matters addressed at Board meetings include: general strategy issues, general business issues, potential acquisitions, long- and short-term goals, HR issues, regulatory and policy compliance, and remuneration models. At the last meeting of the year, the CEO and CFO normally present the budget for the coming year. The budget is discussed and following any adjustment is approved.

## CEO and the Group management

The CEO is appointed by the Board and leads the business according to the Board's instructions and is responsible for the ongoing management of the company's and the Group's operations according to the Companies Act. The CEO also decides, together with Chairman of the Board, which issues will be addressed at Board meetings.

The Board continuously evaluates the CEO's assignments and work. The CEO is responsible for providing the Board with information and the necessary support for decisions and for presenting proposals at Board meetings regarding issues that are handled by company management. The CEO keeps the Board and the Chairman continuously informed about the company's and the Group's financial position and development.

At 31 December 2020, the Group management consisted of its Chief Executive Officer, Chief Financial Officer, VP Business Development, Chief Operating Officer, Chief Technology Officer and UK Head of Finance. For information about the CEO and other members of company management, see page [Xx].

The Group management meets regularly, normally every two weeks. The meetings are focused on the Group's strategic and operative development and on monitoring results. In addition to these meetings, there is close daily collaboration between senior executives.

### Auditor

Auditors are appointed by the AGM to review the company's annual report and accounting as well as the work of the Board and the CEO. The auditors' reporting to the owners is presented to the AGM through the auditors' statement.

At the 2020 AGM, the registered public accounting firm Öhrlings PricewaterhouseCoopers AB was appointed auditor for the period until the 2021 AGM. The authorised public accountant Lars Kylberg is Auditor in Charge.

	Elected in	Meeting attendance	Audit Committee	Remuneration Committee	Independent in relation to the company and its management	Independent in relation to major shareholders	Total remuneration
The Board		20			4/5	5/5	SEK 900,000
Rolf Hallencreutz	2014	20	Yes	Yes	No	Yes	SEK 300,000
Per Aniansson	2014	20	Yes	No	Yes	Yes	SEK 150,000
Anita Bernie	2019	20	No	No	Yes	Yes	SEK 150,000
Per Danielsson	2014	20	Yes	No	Yes	Yes	SEK 150,000
William Whitehorn	2018	19	No	Yes	Yes	Yes	SEK 150,000

### The Board's work in 2020

In 2020, the Board has devoted particular focus to issues pertaining to business strategy, financing and acquisitions. In 2020, the Board held 20 meetings, of which six were scheduled and 14 extra. The extra Board meetings primarily addressed decisions in conjunction with financing and acquisitions.

### Chairman of the Board

The Chairman of the Board is elected at the AGM and the 2020 AGM re-elected Rolf Hallencreutz to the position. Rolf Hallencreutz has been Chairman since 2014.

The Chairman of the Board leads the Board in its work and ensures that the Board completes its assignments. The Chairman is also responsible for ensuring that the Board's work is organised and conducted efficiently as well as for monitoring business development. The Chairman of the Board ensures that the Board's decisions are effectively implemented and is responsible for annually evaluating the work of the Board and presenting the results of the evaluation to the Nomination Committee.

## Financial reporting

The Board is responsible for ensuring that the company's organisation is designed so that the company's financial situation is controlled in a reassuring manner and that financial reports such as interim reports and the annual accounts to the market are presented in accordance with the law, applicable accounting standards and other requirements for listed companies. The Board monitors financial development, ensures the quality of the financial statements and the internal controls and regularly monitors and evaluates operations.

A report is prepared for the Group every month, which is submitted to the Board and company management. An income statement, balance sheet and investment budget for the financial year is typically prepared for adoption at the Board meeting in December. External financial information is presented regularly in the form of interim reports, annual reports and press releases with important news deemed relevant to the share price as well as presentations to and meetings with representatives of the financial market.

## Internal controls and risk management regarding the financial reporting

### Preface

The Board and CEO's responsibility for the internal controls is regulated in the Swedish Companies Act. The Board's responsibility is also regulated in the Swedish Corporate Governance Code. The Swedish Annual Accounts Act includes requirements for disclosures regarding the key elements of the company's internal control system and risk management in conjunction with financial reporting.

AAC Clyde Space's process for internal controls regarding financial reporting are designed so that the quality and accuracy of the statements are reasonably ensured. The process is to ensure that the statements are prepared in accordance with applicable laws and ordinances as well as requirements for listed companies in Sweden.

A robust control environment, reliable risk assessment, established control structures and activities in addition to well-functioning information, communication and review channels are necessary preconditions for accomplishing this.

### Internal audits

The Board has evaluated the need for an internal audit function and concluded that one is not necessary for AAC Clyde Space with respect to the operations scope. Moreover, the Board's monitoring of the internal controls is deemed sufficient for ensuring that the internal controls are effective. The Board re-evaluates the need as changes arise that prompt re-evaluation and at least once per year.

### Control environment

AAC Clyde Space's organisation is designed so that it can act dynamically in an emerging market, which is why operative decisions are taken by company management as well as on the company level. Decisions regarding strategy, direction, acquisitions and general financial issues are taken by AAC Clyde Space's Board and company management.

The Board's work with internal control encompasses internal controls related to financial reporting and to operations. Risk management is an integral part of the Board's work with internal control and its purpose is to ensure that operations are governed appropriately and effectively.

### Control structures

The Board's formal work plan as well instructions for the CEO and the Board's respective committees ensure a clear delegation of roles and responsibilities.

The Board has overall responsibility for internal control.

The CEO is responsible for the system of procedures, processes and controls and develops them for operating activities. This includes, inter alia, guidelines and role descriptions for different executives and regular reporting to the Board based on established procedures.

Policies, processes, procedures, instructions and templates for financial reporting and the ongoing work of the financial administration and issues are documented.

### Risk assessment

At least once per year a review is performed to identify and evaluate AAC Clyde Space's risk scenario. The work also includes assessing which preventative measures to take to reduce and prevent the Group's risks. This work includes ensuring that the Group is adequately insured and preparing support for decisions regarding any changes in policies, guidelines and insurance.

AAC Clyde Space's system for identifying, reporting and countering risks is an integral part of the ongoing reporting to the management team and the Board. It is also an important basis for assessing the risk of errors in the financial reporting.

As a part of the process, items are identified in the statement of profit or loss and statement of financial position that have an increased risk of material errors.

For AAC Clyde Space, the gradual income recognition of projects leads to risks in the financial reporting. Particular attention has therefore been given to designing controls to prevent and detect deficiencies in this area.

### Control activities

The primary purpose of control activities is to prevent errors in the financial reporting, or to detect them at an early stage so they can be managed and corrected. There are overall control activities and also at more detailed levels, and they are both manual and automated in nature.

Access to IT systems is limited according to authorisation and rights.

The financial function assembles monthly financial statements where earnings and cash flow are reported and deviations from the budget are analysed and commented on. For major projects lasting for more than 12 months, the company establishes separate steering groups that analyse how the project is progressing in relation to its budget. The steering groups meet quarterly and as needed.

Follow up is conducted through regular meetings to review and analyse the financial statements with the management team and project steering groups. Significant fluctuations and deviations are thus reviewed, which minimises the risk of error in the financial statements.

There is an addition risk for errors in the financial statements in year-end and annual reports, since they are less repetitive in nature and contain more assessments. Important control activities include a well-functioning reporting structure where the Group's companies report according to a standardised framework and the specification and commentary on important items in profit and loss and balances.

## Information and communication

AAC Clyde Space's information and communication paths aim to promote comprehensive and accurate financial statements presented in good time. This is achieved through making all relevant guidelines and instructions for internal processes available to all employees concerned. Regular updates and statements regarding changes in accounting rules/guidelines and requirements for reporting and disclosure are provided as needed.

Information operations are regulated by an information policy.

For external communications there are guidelines that ensure that the company adheres to the stringent requirements for accurate information to shareholders and the financial market. AAC Clyde Space's communication is to be accurate, open, and timely and conducted with all stakeholders simultaneously, in accordance with the regulations for Nasdaq First North Premier Growth Market. The financial information is to clearly and comprehensively represent the company, its operations and financial development.

The Board certifies annual reports, year-end reports and interim reports. All financial statements are published on the website ([www.aac-clyde.space](http://www.aac-clyde.space)) after they are first made official, according to the stock exchange's regulations. The Annual Report is available on the website.

## Monitoring

The Board monitors the internal controls for financial reporting through, inter alia, reviewing the work and statements from the CFO and the external auditors. The work includes ensuring that measures are taken to address deficiencies and proposals for measures that were suggested in the external audit.

Monitoring is focused on how AAC Clyde Space adheres to its regulations and the existence of effective and appropriate processes for risk management, operations management and internal controls. The external auditor annually reviews select portions of the internal controls within the framework of the statutory audit. The auditor reports the outcome of their review to the Board and company management. Material observations are reported directly to the Board when necessary.