

CORPORATE GOVERNANCE REPORT

AAC Clyde Space AB is a Swedish public limited liability company with corporate registration number 556677-0599 whose shares are traded on Nasdaq First North Premier Growth Market. The share is also traded on the American OTCQX. The Company's registered office is in Uppsala, Sweden.

The goal of corporate governance is to ensure that the Company is managed in a manner that is as efficient as possible for the shareholders, but also that AAC Clyde Space complies with the rules that exist. Corporate governance also aims to create an orderly system for both the Board of Directors and management. By having a clear structure, rules and processes, the Board can ensure that management and employees are focused on developing the business to create shareholder value.

Corporate governance framework

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

Application of the Swedish Code of Corporate Governance

Since November 2018, AAC Clyde Space has followed the Swedish Code of Corporate Governance, and its principle of "comply or explain". For the year 2023, AAC Clyde Space had no deviations to report.

The share and shareholders

On 31 December 2023, the number of shares amounted to 5,703,835 following a reverse share split during the year where 50 shares were consolidated into one. All shares have equal rights to the Company's assets and profits.

The share is traded under the ticker AAC on Nasdaq First North Premier Growth Market. The stock is also traded on the US OTCQX market under the symbol ACCMF. Carnegie Investment Bank AB is the Company's Certified Adviser.

The number of shareholders as of December 31, 2023 was 12,188. The largest individual owner was the acquired company SpaceQuest's former owner Dino Lorenzini with family with 624,000 shares corresponding to 11.0 percent of the capital and votes. The share register is maintained electronically by Euroclear Sweden AB.

For more information about the AAC Clyde Space share and shareholders, please refer to the section The share on page 116.

Articles of Association

According to the Articles of Association, the Company's name is AAC Clyde Space AB (publ) and the financial year is 1 January to 31 December. For the Articles of Association in its entirety, which in its current form was adopted at the Annual General Meeting on 1 November 2023, see the Company's website www.aac-clyde.space

General meeting

The Company's highest decision-making body is the General Meeting where the shareholders' influence in the Company is exercised. Shareholders who wish to participate in a General Meeting, in person or by proxy, must be registered in the share register five weekdays prior to the General Meeting and give notice of attendance in accordance with the notice.

Notice of General Meetings will be given through an announcement in Post-och Inrikes Tidningar (the Swedish Official Gazette) and on the Company's website (www.aac-clyde.space). Information that notice has been issued is announced in Dagens Industri.

The Annual General Meeting shall be held within six months of the end of the financial year. At the Annual General Meeting, the shareholders decide on the Board of Directors, auditors, discharge from liability for the Board of Directors and the CEO for the past year. Decisions are also made on the adoption of the annual report, appropriation of profits or treatment of losses, fees to the Board of Directors and the auditors.

Shareholders have the right to have a matter addressed at the Annual General Meeting and must then make a written request to the Board of Directors. The matter shall be addressed at the Annual General Meeting if the request has been received by the Board of Directors no later than seven weeks prior to the Annual General Meeting.

Annual General Meeting 2023

The Annual General Meeting was held on 25 May 2023 in Uppsala. At the meeting, 12.07 percent of the votes in the Company were represented. The Annual General Meeting resolved in accordance with the Board of Directors' proposal on:

- to adopt the statement of profit or loss and the statement of financial position
- to carry forward the loss for the year
- to discharge the members of the Board of Directors and the CEO from liability
- fees to the Board of Directors and the auditor
- to re-elect Rolf Hallencreutz, Per Aniansson, Anita Bernie, Per Danielsson and Will Whitehorn as members of the Board of Directors, and elect Dino Lorenzini as a new member of the Board. Rolf Hallencreutz was also re-elected as Chairman of the Board.
- re-election of the accounting firm Öhrlings PricewaterhouseCoopers (PwC) as the company's auditor
- adoption of new Articles of Association with amended limits for share capital and number of shares
- to authorize the Board to issue shares
- directed issue of warrants within the framework of three incentive programs

Extraordinary General Meeting 26 June 2023

An Extraordinary General Meeting was held on 26 June 2023 in Uppsala. At the meeting, 13.26 percent of the votes in the Company were represented. The Annual General Meeting resolved in accordance with the Board of Directors' proposal on:

- approval of the Board of Directors' resolution to issue shares

Extraordinary General Meeting 1 November 2023

An Extraordinary General Meeting was held on 1 November 2023 in Uppsala. At the meeting, 11.59 percent of the votes in the Company were represented. The Annual General Meeting resolved in accordance with the Board of Directors' proposal on:

- resolution on reverse share split including an equalisation issue
- amendment of the Articles of Association regarding number of shares
- reverse share split

Nomination committee

The AGM has resolved that the Nomination Committee shall consist of the four largest shareholders in the Company in terms of votes as of 31 August, as well as the Chairman of the Board. If any of these owners refrains from appointing a member, his or her right shall be given to the owner who is directly below in terms of voting rights. As long as the Company's domicile is in Sweden, the majority (3/4) of the members of the Nomination Committee shall also be registered in Sweden. The Nomination Committee elects its Chairman.

If a member represents a shareholder who has sold the majority of its shareholding and who is no longer to be regarded as one of the four largest shareholders, the Nomination Committee may decide that the member shall resign. If the Nomination Committee is not complete due to the resignation of a member and more than three months remain until the next Annual General Meeting, the Nomination Committee shall offer representation to the next largest shareholder in the Company.

The Nomination Committee shall submit proposals for the Chairman and members of the Board of Directors as well as fees to the Chairman and other Board members. If the election of auditor for the Company is to take place, the Nomination Committee shall submit a proposal for election and remuneration of the auditor.

The Nomination Committee shall inform the Company of its proposals in good time so that the information can be presented in the notice of the Annual General Meeting. The Nomination Committee shall also provide a brief account of how its work has been conducted. The Nomination Committee shall continuously evaluate its instructions and the work of the Nomination Committee and submit proposals to the Annual General Meeting for changes that the Nomination Committee deems appropriate.

Ahead of the 2024 Annual General Meeting, shareholders representing approximately 13 percent of the shares and votes have formed a Nomination Committee consisting of:

- Dino Lorenzini for himself and his family
- Mathias Dittrich, appointed by Soltorpet AB
- Nils Bernhard on his own account
- Rolf Hallencreutz, Chairman of the Board of AAC Clyde Space AB

The Nomination Committee's proposal to the Annual General Meeting 2024 will be presented in connection with the notice and made available on the Company's website.

Board

Duties of the Board of Directors

The primary task of the Board of Directors is to safeguard the interests of the Company and its shareholders, appoint the CEO and ensure that the Company complies with applicable laws and the Articles of Association.

The Board's tasks also include identifying how sustainability issues affect the Company's risks and business opportunities. The Board of Directors is responsible for ensuring that the Group has an appropriate structure so that the Board can exercise its ownership responsibility over the subsidiaries included in the Group in the best possible way and that accounting, asset management and the Company's financial conditions in general can be controlled in a satisfactory manner.

At least once a year, the Board of Directors shall, without the presence of the executive management, meet with the Company's auditor and continuously and at least once a year evaluate the work of the CEO.

Composition of the Board of Directors

According to the Articles of Association, AAC Clyde Space's Board of Directors shall consist of a minimum of three and a maximum of seven members who

are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.

The Annual General Meeting 2023 resolved that the number of members shall be six and re-elected Rolf Hallencreutz as Chairman and Per Aniansson, Anita Bernie, Per Danielsson, and William Whitehorn and elected Dino Lorenzini as a new Board member. Anita Bernie stepped down from the Board in January 2024 to avoid any potential conflicts of interest. For information about the Board members' assignments outside the Group and holdings of shares and warrants in AAC Clyde Space, see pages 112-113 and www.aac-clyde.space.

Independence of the Board of Directors

According to the Swedish Corporate Governance Code, the majority of the members of the Board of Directors elected by the Annual General Meeting shall be independent in relation to the Company and its management, and at least two of these shall also be independent in relation to the Company's major shareholders.

Of the six members of the Board of Directors, four are independent in relation to the Company and its management and five are independent in relation to the Company's major shareholders. After Anita Bernie's resignation, three of five members were independent in relation to the Company and its management and four were independent in relation to the Company's major shareholders.

Committees of the Board of Directors

Since January 2020, the Board of Directors has had a Remuneration and Audit Committee.

Remuneration Committee

Since January 2020, the Remuneration Committee's tasks have been performed by the Chairman of the Board, Rolf Hallencreutz, and by Board member Will Whitehorn.

The tasks follow from instructions adopted annually by the Board of Directors. These include submitting proposals for guidelines for remuneration to senior executives, submitting proposals to the Board of Directors regarding the CEO's salary and other terms of employment, determining salaries and terms of employment for other members of the management team, and preparing proposals for incentive programmes and other forms of bonuses or similar compensation to employees. The CEO may report on matters relating to the Remuneration Committee's tasks, but does not participate in the processing of the their own salary and terms of employment.

At the Annual General Meeting, the Board of Directors presents proposals for guidelines for determining salaries and other remuneration to the CEO and other members of the Company's management for approval by the shareholders.

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

Audit committee

The duties of the Audit Committee are carried out by the Chairman of the Board, Rolf Hallencreutz, and by the Board members Per Aniansson and Per Danielsson.

The tasks follow from instructions adopted annually by the Board of Directors and are included in the Board's rules of procedure. These include monitoring and quality assuring the financial reporting and the effectiveness of the Company's internal control system and risk management.

The Committee meets with the Company's auditors, evaluates the audit efforts, the auditors' independence and approves which additional services the Company may procure from the external auditors.

Board of Directors' instructions and policies

The Board reviews and adopts annual rules of procedure for its work. The Board of Directors also adopts instructions for the CEO and instructions for financial reporting. The rules of procedure and instructions regulate, among other things, the division of work between the Board of Directors, the Chairman of the Board, the CEO and the auditor, quorum, conflict of interest issues, internal and external reporting, procedures for convening, meetings and minutes.

The Board of Directors meets according to an annually established schedule. In addition to these Board meetings, additional Board meetings may be convened to address matters that cannot be referred to an ordinary Board meeting. In addition to the Board meetings, the Chairman of the Board and the CEO have an ongoing dialogue regarding the management of the Company.

Instructions and Policies

The Board of Directors reviews and adopts the following instructions and policies annually:

- Rules of procedure for the Board of Directors
- Instructions for the CEO
- Instructions for financial reporting
- Communication and IR Policy
- Insider Policy

Evaluation of the work of the Board of Directors

The work of the Board of Directors is evaluated annually with the aim of developing the Board's working methods and efficiency. The Chairman of the Board is responsible for the evaluation and for presenting it to the Nomination Committee. The purpose of the evaluation is to obtain an understanding of the Board members' views on how the work of the Board is conducted and what measures can be taken to streamline the work of the Board, as well as whether the Board is well balanced in terms of competence.

The work of the Board of Directors

According to the Board's rules of procedure, the Board shall, in addition to a statutory meeting, meet six times a year and in addition when the situation so requires. At one of the meetings, the Board of Directors will discuss the Group's strategic direction, risks and business plan.

The CEO and CFO, who is also the secretary of the Board, normally attend Board meetings. Other officials participate as necessary to present specific cases. According to the rules of procedure, the Board of Directors shall meet with the Company's auditor at least once a year without the presence of the Company's management, evaluate the work of the Board of Directors and evaluate the CEO.

Board meetings normally start with a discussion about the business and the Company's financial results. Financial reports and the annual reports are reviewed and approved before publication.

Other matters addressed at Board meetings includes; strategy, general business issues, potential acquisitions, long- and short-term goals, HR issues, security issues, compliance with policies and laws and remuneration models.

At the last meeting of the calendar year, the CEO and CFO normally present the budget for the following year. The budget is discussed and, following any adjustments, approved.

The work of the Board of Directors in 2023

In 2023, the Board of Directors placed particular emphasis on issues related to business strategy, growth, organisation and acquisitions. The number of Board meetings in 2023 amounted to 20, of which 6 were ordinary and 14 extra. The extraordinary Board meetings have mainly dealt with quarterly reports, capital raise, consolidation of shares and acquisition opportunities.

Chairman of the Board

The Chairman of the Board is elected by the Annual General Meeting and Rolf Hallencreutz was re-elected as Chairman of the Board at the 2023 Annual General Meeting. Rolf Hallencreutz has been Chairman of the Board since 2014.

The Chairman of the Board shall lead the work of the Board and ensure that the Board fulfils its duties and has a special responsibility for ensuring that the Board's work is well organised, conducted efficiently and monitors the development of the business. The Chairman of the Board ensures that the Board's decisions are implemented effectively and is responsible for ensuring that the Board's work is evaluated annually and that the Nomination Committee is informed as a result of the evaluation.

CEO and Group Management

The CEO is appointed by the Board of Directors and leads the business in accordance with the instructions adopted by the Board of Directors and is responsible for the day-to-day management of the Company's and the Group's operations in accordance with the Swedish Companies Act.

In addition, the CEO, together with the Chairman of the Board, decides which matters are to be dealt with at Board meetings.

	Elected	Attendance at meetings	Audit committee	Remuneration Committee	Independence in relationship with the Company and Company management	Independence in relation to major shareholders	Total compensation
The Board		20			5/7	6/7	1,575,000 SEK
Rolf Hallencreutz	2014	20	Ja	Ja	Nej	Ja	450,000 SEK
Per Aniansson	2014	20	Ja	Nej	Ja	Ja	225,000 SEK
Anita Bernie	2019	19	Nej	Nej	Ja	Ja	225,000 SEK
Per Danielsson	2014	20	Ja	Nej	Ja	Ja	225,000 SEK
William Whitehorn	2018	19	Nej	Ja	Ja	Ja	225,000 SEK
Nicole Robinson*	2021	16	Nej	Nej	Ja	Ja	93,750 SEK
Dino Lorenzini**	2023	14	Nej	Nej	Nej	Nej	131,250 SEK

* Nicole Robinson was not re-elected to the Board at the 2023 Annual General Meeting

** Dino Lorenzini has been present at all Board meetings since he was elected

The Board of Directors continuously evaluates the CEO's duties and work. The CEO is responsible for ensuring that the Board receives information and the necessary documentation for decision-making, and reports and proposes matters at Board meetings on issues prepared by the Company management. The CEO continuously keeps the Board of Directors and the Chairman informed of the Company's and the Group's financial position and development.

As of December 31, 2023, the Group Management Team consisted of the Chief Executive Officer, the Chief Financial Officer who is also the Deputy CEO, the Chief Operating Officer, the Chief Commercial Officer, the Chief Technology Officer, the President of Data & Services, the Chief Scientific Officer and the Chief People Officer. The Chief Operating Officer function was discontinued in January 2024. For information about the CEO and other members of the executive management, see pages 114-115.

Group management holds regular, normally weekly, management meetings. The meetings are focused on the Group's strategic and operational development as well as performance monitoring. In addition to these meetings, there is close day-to-day cooperation between senior executives on various issues.

Auditor

The auditor is appointed by the Annual General Meeting to review the Company's annual report and accounting records as well as the administration of the Board of Directors and the CEO. The auditors' report to the owners takes place at the Annual General Meeting through the auditor's report.

At the 2023 Annual General Meeting, the accounting firm Öhrlings PricewaterhouseCoopers AB was re-elected as auditor for the period until the 2024 Annual General Meeting. The authorised public accountant Johan Engstam is the auditor in charge.

Financial reporting

The Board of Directors is responsible for ensuring that the Company's organisation is designed so that the Company's financial conditions can be controlled in a satisfactory manner and that financial reports such as interim reports and annual accounts to the market are prepared in accordance with the law, applicable accounting standards and other requirements that exist for listed companies. The Board of Directors shall monitor financial developments, ensure the quality of financial reporting and internal control, and regularly monitor and evaluate operations.

A monthly financial statement is prepared for the Group, which is submitted to the Board of Directors and management. A profit and loss budget, balance sheet and investment budget are drawn up for each financial year, which are normally adopted at the ordinary Board meeting in December.

External financial information is provided regularly in the form of interim reports, annual reports, press releases on important news that is expected to affect the share price, presentations and meetings with representatives in the financial market.

Internal control and risk management regarding financial reporting

Introduction

The responsibility of the Board of Directors and the CEO for internal control is regulated in the Swedish Companies Act. The responsibilities of the Board of Directors are also regulated in the Swedish Code of Corporate Governance. The Annual Accounts Act contains requirements for disclosure of the most important elements of the Company's system for internal control and risk management in connection with financial reporting.

AAC Clyde Space's process for internal control over financial reporting is designed to reasonably ensure the quality and accuracy of the reporting. The process is to ensure that the reporting is prepared in accordance with applicable laws and regulations as well as requirements for listed companies in Sweden.

A prerequisite for achieving this is that there is a good control environment, that reliable risk assessments are carried out, that there are established control structures and control activities, and that information and communication as well as follow-up function in a satisfactory manner.

Internal audit

The Board of Directors has evaluated the need for an internal audit function and concluded that such a function is not justified in AAC Clyde Space in view of the scope of the business and that the Board's follow-up of internal control is deemed sufficient to ensure that the internal control is effective. The Board reassesses the need when changes occur that may give rise to a reassessment and at least once a year.

Control environment

AAC Clyde Space's organisation is designed to be able to operate dynamically in an emerging market, which is why operational decisions are made by the executive management and at the Company level. Decisions on strategy, direction, acquisitions, and overall financial issues are made by the Board of Directors and executive management.

The Board's work on internal control includes internal control over financial reporting and internal control from an operational perspective.

Risk management is an integral part of the Board's work with internal control, the purpose of which is to ensure that operations are managed in an appropriate and efficient manner.

Control structures

The Board's rules of procedure and instructions for the CEO and the Board's committees ensure a clear division of roles and responsibilities.

The Board of Directors has overall responsibility for internal control.

The CEO is responsible for the system of routines, processes and controls that have been developed for day-to-day operations. This includes, among other things, guidelines and role descriptions for various executives, as well as regular reporting to the Board of Directors based on established procedures.

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

Risk assessment

At least once a year, a review is conducted to identify and evaluate AAC Clyde Space's risk profile. The work also involves assessing what preventive measures should be taken to reduce and prevent the Group's risks. This work includes ensuring that the Group is properly insured and preparing a basis for decisions regarding any changes to policies, guidelines and insurances.

AAC Clyde Space's system for identifying, reporting and remediating risks is an integral part of the ongoing reporting to the executive management team and the Board of Directors and constitutes an important basis for the assessment of risks of errors in financial reporting.

As part of the process, the items in the income statement and balance sheet where the risk of material error is elevated are identified. For AAC Clyde Space, the percentage of completion method of projects may give rise to risk in the financial reporting. Particular attention has therefore been paid to the design of controls to prevent and detect shortcomings in this area.

Control activities

The primary purpose of control activities is to prevent and detect errors in financial reporting at an early stage so that they can be managed and corrected. Control activities exist at both general and more detailed levels and are of both manual and automated nature.

Access rights to IT systems are restricted in accordance with authorisations.

The finance function compiles monthly financial reports in which earnings and cash flow are reported and budget deviations are analysed and commented on. For larger projects that last longer than 12 months, the Company sets up special steering groups that analyse how projects are developing in relation to budget. Steering groups meet quarterly and in the event of deviations.

Follow-up takes place through regular meetings for review of financial reports and analyses with management teams and project steering groups. In these ways, significant fluctuations and deviations are monitored, which minimises the risk of errors in financial reporting.

The year-end and annual report work are processes where there is an additional risk of errors in financial reporting arising. This work is of a less repetitive nature and contains more elements of an assessment nature.

Important control activities include ensuring that there is a well-functioning reporting structure in which the Group's companies report in accordance with standardised reporting templates, and that important income statement and balance sheet items are specified and commented on.

Information and communication

AAC Clyde Space's information and communication channels shall contribute to complete, accurate and timely financial reporting. This is achieved by making all relevant guidelines and instructions for internal processes available to all relevant employees. Where necessary, regular updates and notifications of changes to accounting rules/guidelines, reporting requirements and disclosure requirements are provided.

Information activities are regulated in an information policy. For external communication, there are guidelines that ensure that the Company meets high standards for correct information to shareholders and the financial market. AAC Clyde Space's communication shall be accurate, transparent, timely and simultaneously to all stakeholders. All communication shall be in accordance with the rules of Nasdaq First North Premier Growth Market. The financial information should provide a comprehensive and clear picture of the Company, its operations, and financial development.

The Board of Directors adopts annual reports, year-end reports and interim reports. All financial reports are published on the website (www.aac-clyde.space) after they have first been published in accordance with the Exchange's rules. The annual report is held available on the website.

Follow-up

The Board of Directors' follow-up of internal control over financial reporting is carried out, among other things, by following up the work and reports of the CFO and the external auditors. The work includes ensuring that measures are taken regarding the deficiencies and proposals for measures that have emerged from the external audit.

The follow-up is conducted with a focus on AAC Clyde Space's compliance with its regulations and the existence of efficient and appropriate processes for risk management, corporate governance and internal control. The external auditor follows up on selected parts of the internal control within the framework of the statutory audit on an annual basis. The auditor reports the outcome of his or her review to the Board of Directors and executive management. Where applicable, significant observations are reported directly to the Board of Directors.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in AAC Clyde Space AB
(publ), corporate identity number 556677-0599

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2023 on pages 106-110 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 25 April 2024

Öhrlings PricewaterhouseCoopers AB

Johan Engstam
Auditor in charge

Andreas Mattsson
Authorized Public Accountant