

# Corporate Governance Report

The objective of corporate governance is to ensure that the Mycronic Group is managed as efficiently as possible in order to create shareholder value. This is achieved through a clear division of responsibilities between shareholders, the Board and Group management, as well as through clear regulations and transparent processes.

## Framework for corporate governance

Corporate governance is based on external governing instruments such as the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Code of Corporate Governance (the Code), as well as internal governance systems. In 2019, Mycronic complied with the Code in all respects.

The vision, mission, values and Code of Conduct form the basis for internal governance systems. Internal regulations include the Articles of Association, the rules of procedure for the Board of Directors, the Board policy for the CEO and several other policy documents that are updated annually. Examples of steering documents include the Code of Conduct, communication policy, and authorization policy.

## Shareholders

Mycronic is a Swedish public limited liability company registered in Täby. The share is listed on Nasdaq Stockholm, Large Cap. Share capital amounts to SEK 97,916,509 spread over 97,916,509 shares. Each share carries one vote.

At the end of 2019, Mycronic had 13,854 shareholders (15,483). Bure Equity AB was the largest shareholder with 27.9 percent of capital and votes at the end of the year. More information on Mycronic's share and shareholders can be found in The Mycronic share section of this report on pages 37–38.

## The Annual General Meeting (AGM)

The AGM is the company's highest decision-making body. All shareholders have the right to participate in the AGM and to exercise their voting rights relative to their shareholdings. Rules regarding the AGM can be found in the Swedish Companies Act and the Articles of Association. Notice to attend the AGM shall be made four to six weeks prior to the meeting through an announcement in Post- och Inrikes Tidningar and in a press release published on the company website. Issuance of the notice shall be announced in Svenska Dagbladet. Shareholders who wish to attend the Meeting must submit an application in accordance with information in the official notification.

## 2019 Annual General Meeting

The AGM was held in Stockholm on May 9, 2019. The AGM was attended by shareholders representing 67.2 percent of the share capital and votes.

The AGM took decisions in accordance with the Board's and the Nomination Committee's proposals on:

- Adoption of the balance sheet and profit and loss accounts
- Disposal of earnings through a dividend of SEK 3.00 per share

- Discharge of Board members and the CEO from liability to the company
- There should be six elected Board members with no deputy Board members
- Selection of a registered public auditing firm
- Board fees totaling SEK 2,430,000 (unchanged), of which SEK 700,000 for the Chairman and SEK 275,000 to each of the other elected Board members. In addition, SEK 100,000 was allocated to the Audit Committee Chairman, SEK 50,000 to other members of the Audit Committee, as well as SEK 75,000 to the Remuneration Committee Chairman and SEK 40,000 to other members of the Remuneration Committee
- Anna Belfrage, Katarina Bonde, Ulla-Britt Fräjdin-Hellqvist, Robert Larsson and Patrik Tigerschiöld were re-elected to the Board. Staffan Dahlström was newly elected. Patrik Tigerschiöld was elected Chair of the Board. Per Holmberg declined re-election. In addition to the elected members, two union representatives were appointed from the unions Unionen and Akademikerna to represent employees. The auditing firm Ernst & Young was appointed auditor with authorized public accountant Erik Sandström as auditor-in-charge
- Adoption of guidelines for remuneration to senior executives
- Adoption of principles for the Nomination Committee

## Corporate governance at Mycronic

In order to govern the Mycronic Group in an efficient manner, governance, management and control has been distributed between shareholders, the Board, the CEO and Group management, with committees and collaborative bodies within specific areas.

Control is exercised by the external auditor and through internal control activities.



- Resolution to authorize the Board of Directors to decide on a new issue and buy-back of own shares limited to a maximum of 5 percent of shares outstanding in Mycronic AB

Information on the AGM including all proposals and minutes can be found at [www.mycronic.com](http://www.mycronic.com).

### 2020 Annual General Meeting

The AGM will be held on May 7, 2020, at 5:00 p.m. at Vasateatern, Vasagatan 19, 111 20 Stockholm, Sweden.

### Nomination Committee

The Nomination Committee represents the shareholders. Its task is to present proposals to the AGM for resolution regarding the election of the Chair of the AGM, Board members, the Chair of the Board, auditor, fees as well as proposals of principles for the composition of the Nomination Committee.

In accordance with the resolution by the AGM, the Nomination Committee consists of four persons: representatives from the three largest known owners as of August 31 and the Chair of the Board. The composition of the Nomination Committee is published at the latest six months prior to the AGM. The Nomination Committee's proposals are presented in the Notice of the AGM and on Mycronic's website.

The annual evaluation of the Board's work is presented to the Nomination Committee and is the basis for its work in proposing Board members. The Nomination Committee bases its work on the requirements of the Swedish Companies Act and the Code, as well as company-specific requirements. In its work, the Nomination Committee applies section 4.1 of the Code as the diversity policy. The intention is to have an appropriate Board composition, which shall be characterized by versatility and

breadth including age, gender, education, background and experience. The Board of Directors is presented on pages 50–51. Additional information is available in the Nomination Committee's reasoned statement regarding its proposal to the 2020 AGM.

The Nomination Committee for the 2020 AGM consists of Henrik Blomquist (Bure Equity), Thomas Ehlin (Fjärde AP-fonden), Hans Ek (SEB Investment Management) and Patrik Tigerschiöld (Chair of the Board).

### Board of Directors

The Board of Directors (the Board) has overall responsibility for the company's organization and management. The Board monitors operations, ensures a suitable organization, and establishes guidelines for internal control. The Board establishes strategies and goals and makes decisions on major investments. The CEO is appointed by the Board and is responsible for ongoing administration.

The responsibilities of the Board are governed by the Swedish Companies Act and in the rules of procedure. Division of labor between the Board and the CEO is established through written instructions.

The Board consists of six members appointed by the AGM, and two representatives appointed by Unionen and Akademikerna.

### Board activities

The Board works according to the rules of procedure, which shall ensure that the Board is well-informed and that all Board-related issues are addressed. The rules of procedure, which are established annually, describes the division of responsibilities between the Board and its committees, and between the Board and the CEO. The Board takes decisions on strategy and budget, confirms financial reports and signifi-

cant policies including the authorization policy, appoints the CEO and evaluates the CEO's work, establishes regulations for internal control and monitors the effectiveness of internal control, decides on major investments and agreements, appoints the Audit and Remuneration Committees, and evaluates the work of the Board. The Board monitors that approved guidelines on remuneration of senior executives are followed and proposes guidelines for remuneration for consideration by the AGM.

The Chair of the Board leads the work of the Board and also represents the company on ownership issues.

Board meetings are prepared by the Chair of the Board, together with the CEO. The CEO and the company's CFO, who is responsible for recording the minutes of Board meetings, attend. In addition, other employees attend when necessary in relation to individual cases. Materials are distributed prior to each meeting. Some questions are prepared in committees.

Recurring items at Board meetings are reviews of the business situation and financial reporting. Board committees report on their activities and raise issues for decision.

In 2019, the Board held nine meetings. In addition, the Board met during a strategy seminar.

### Board committees

The committees' tasks and work plan are established by the Board in written instructions. The main task of the committees is to prepare matters for Board decision-making.

### Remuneration Committee

The Remuneration Committee is appointed by the Board and consists of three Board members. The Committee is tasked with proposing the CEO's salary, other remuneration, and terms of employment. The Committee also proposes

## The Board's work 2019

During 2019, the Board held nine meetings, of which one was the statutory meeting, one was by circulation and two were telephone meetings.

### Fourth quarter

- Budget for 2020 established
- Interim Report January–September

### Third quarter

- Interim Report January–June.



### First quarter

- Interim Report for the fourth quarter and full-year 2018, proposal on dividend
- 2018 Annual Report adopted

### Second quarter

- Review of business operations in acquired companies
- Review of forecast and update on development projects
- Statutory meeting with decisions on financial signing authority, policies, etc. directly after the AGM
- Strategy seminar, with adjacent board meeting
- Interim Report January–March

guidelines for remuneration and terms of employment for other senior executives and the directors of subsidiaries, and proposals for incentive programs. The Remuneration Committee ensures compliance with established guidelines for remuneration of senior executives.

Since the 2019 AGM, the Remuneration Committee consists of Patrik Tigerschiöld (Chair), Ulla-Britt Fräjdin-Hellqvist and Robert Larsson. The Remuneration Committee held three meetings in 2019.

**Audit Committee**

The Audit Committee is appointed by the Board and consists of three Board members. The Committee is tasked with ensuring the quality of financial reporting. This comprises reviews of significant accounting and valuation issues. The Audit Committee evaluates the external auditing and assists the Nomination Committee with proposals for the election of the auditor. Employees do not participate during part of certain meetings between the Audit Committee and the external auditor.

Since the 2019 AGM, the Audit Committee consists of Anna Belfrage (Chair), Katarina Bonde and Ulla-Britt Fräjdin-Hellqvist. In 2019, the Audit Committee held five meetings.

**Evaluation of Board performance**

The Board's work is evaluated annually. The evaluation is done by external evaluation or self-assessment. The objective is to develop, set targets for, and measure the work of the Board, but also to provide the Nomination Committee a basis for the task of preparing proposals on Board appointments to the upcoming AGM. The Chair of the Board is responsible for the evaluation.

**CEO and Group management**

Group management consists of nine persons, including the CEO, see pages 52–53.

The CEO leads the work of Group management, which meets every other week. Issues addressed include financial performance, development projects, leadership and skills provision and other strategic issues. The CEO is responsible for keeping the Board informed of the company's development. In 2019, two global management meetings were organized to strengthen unified communication and control throughout the Group. In addition to Group management, there are several collaborative bodies that prepare and coordinate strategic and operational issues.

**External audit**

The auditor is appointed by the AGM to review the company's annual financial statements and the consolidated accounts, as well as the Board's and CEO's administration. Audits are conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. Group management is briefed on audit results continuously. The auditor meets with the Audit Committee on an ongoing basis and with the entire Board annually. The auditor submits the Auditor's Report to shareholders at the AGM. In 2019, the auditor performed, in addition to the audit, a synoptic review of the third quarter report. Fees to the auditor are paid on an ongoing basis as invoices are approved. See Note 10 for information on auditor remuneration.

**External financial reporting**

In accordance with the established communication policy, Mycronic continuously reports information on the company's performance and financial position through interim reports, the annual report and sustainability report and press releases in conjunction with significant events.

In conjunction with interim reports, presentations are held for financial analysts, institutional investors, and the media. Company man-

agement and Director Investor Relations meet analysts and institutional investors at other external and internal arrangements. Representatives from Mycronic also participate at events arranged by, for example, investment banks and the Swedish Shareholders' Association. Financial reports, press releases and other relevant information are presented on the company's website.

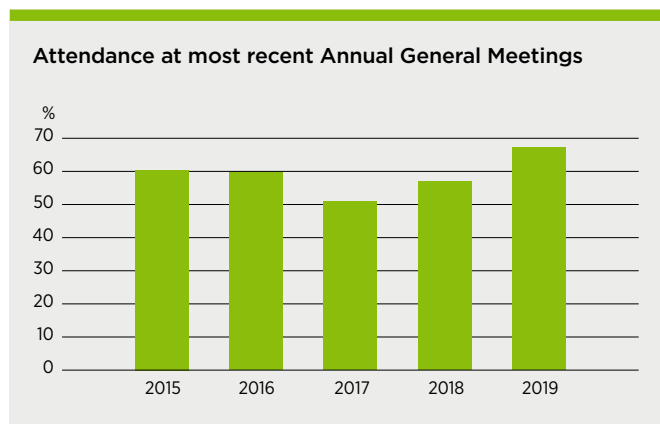
Mycronic observes a 30-day silent period before publication of financial reports, during which the company does not communicate with the financial market by means other than public press releases.

**Insiders**

In accordance with the EU's Market Abuse Regulation (MAR), Mycronic is obligated to maintain a register of persons discharging managerial responsibilities and parties closely related to them. This group consists of Board members and Group management. These persons are obliged to report all transactions in Mycronic securities to Finansinspektionen (Sweden's financial supervisory authority) and to the company. The company is also required to maintain a temporary insider register (log book) of persons who have access to non-public information for a limited period in connection with particular events. This might be the Board, employees or contractors.

**Internal control of financial reporting**

Internal control is comprised of processes and methods that limit risks for material misstatement in the financial statements, and provide a reasonable assurance of the reliability and accuracy of the financial reporting. Internal control is maintained by the Board, management and employees. Mycronic has chosen to describe its work with internal control based on COSO's components: the control environment, risk assessment, control activities, information and communication, and monitoring.



Name	Representing	Holdings, % August 31, 2019
Henrik Blomquist	Bure Equity	27.9
Thomas Ehlin	Fjärde AP-fonden	9.1
Hans Ek	SEB Investment Management	6.1
Patrik Tigerschiöld	Chair of the Board of Mycronic AB	

### Control environment

The control environment consists of a suitable organization, decision-making procedures, authorization and responsibilities, as expressed in policies and guidelines. Common values provide consensus with the intention of strengthening internal control. Mycronic's Code of Conduct describes the approach that employees are expected to maintain in matters relating to business ethics and social issues. Examples of steering documents include the rules of procedure for the Board and its committees, terms of reference issued by the Board to the CEO, the authorization policy, Code of Conduct, and insider and communication policies. Ensuring processes include a high degree of internal control is the responsibility of the respective department manager. Process descriptions and steering documents are gathered in a digital, Group-wide management system. The Group's finance and control organization, centrally and at the level of each unit, plays an important role in the reliability of financial information and is responsible for ensuring that complete, accurate financial reporting is completed on time.

### Risk assessment

Included in risk assessment is the identification and evaluation of the risk for material misstatements in accounting and reporting and the risks of irregularities and fraud. When assessing risks that affect internal control as it relates to financial reporting, the evaluation is based on likelihood and impact. Risks are linked to processes. Critical processes are evaluated with respect to their efficiency and risk. Critical processes include product development, sourcing, manufacturing, sales, salary and support processes such as financial closing and IT.

### Control activities

Control activities should prevent, reveal and

resolve deviations. There are controls at all levels within the company and across all departments. Control activities may be automated by being built into IT systems, such as authorization structures. They may also be manual, such as double checks for disbursements and reconciliations in connection with financial closings. Recurring analysis of results complement daily controls. A financial handbook ensures uniformity of financial reporting within the Group. One system is used across the entire Group for financial reporting. In 2019, Mycronic further developed the standardization of a number of key controls within critical processes. These controls comprise unified Group-wide tools for internal control and governance. Control requirements are important aids for the Board to manage and evaluate information from management and assume responsibility in relation to the risks identified.

### Information and communication

The Board and management have established channels for communication to ensure that financial reporting is complete and accurate. Internal communication channels include quality systems and analysis tools as well as the intranet. One way to educate staff on Group-wide rules is through e-learning, which can be linked to tests after completion of the training. Each month, financial information is compiled and distributed to Board members and Group management. External communication is carried out in accordance with the established communication policy. Financial reporting is published in accordance with applicable regulations. The Board approves the Group's annual report and year-end statement and issues quarterly reports. For the first and third quarters, the Board has instructed the CEO to issue the quarterly reports.

### Monitoring

Mycronic's follow up of the internal control occurs through self-assessment. Self-assessment entails employee involvement, which increases understanding of the importance of internal control. Evaluation of internal control follows a plan approved by the Audit Committee. Risk for material misstatements or deficiencies in the financial reporting are reported. Self-assessment of critical processes is complemented by external evaluation or statements of opinion.

In 2019, Mycronic continued to develop an overarching process for reporting units to establish the effectiveness of key controls. Under this process, a self-assessment of the effectiveness of key controls must be performed for each reporting unit. The results are followed up and compiled at the Group level and presented to the Audit Committee, which in turn reports the results to the Board. In 2019, the company strengthened its system support for the internal control.

Representatives of the central finance and controller department regularly visit the subsidiaries to review and evaluate internal controls. One of the visits to subsidiaries in 2019 was carried out together with representatives from Ernst & Young. The reviews focused on inventories, customer receivables and authorization procedures. Experiences are continuously shared among representatives from the Group's finance and HR departments, for example, through global conferences.

In 2019, Mycronic has not had a review function in the form of an internal audit. The Audit Committee decided to establish such a function in 2020. The Audit Committee monitors the internal control work and has ongoing contact with the external auditors. This contributes to the Board's collective insight into internal control as it relates to financial reporting.

## Attendance at meetings in 2019 and remuneration to Board members elected by the Annual General Meeting

Name	Elected	Independent <sup>1)</sup>	Holdings	Attendance			Remuneration		
				Board of Directors	Audit Committee	Remuneration Committee	Board	Audit Committee	Remuneration Committee
Patrik Tigerschiöld, Chair	2009	No	235,170	9/9		3/3	700,000		75,000
Katarina Bonde	2010	Yes	2,000	9/9	5/5		275,000	50,000	
Ulla-Britt Fräjdin-Hellqvist	2012	Yes	10,000	8/9	5/5	3/3	275,000	50,000	40,000
Per Holmberg <sup>2)</sup>	2016	Yes	5,000	4/4		1/1			
Anna Belfrage	2018	Yes	-	9/9	5/5		275,000	100,000	
Robert Larsson	2018	Yes	-	9/9		2/2	275,000		40,000
Staffan Dahlström	2019	Yes	3,000	4/5			275,000		

1) According to the Swedish Code of Corporate Governance, in relation to the company's largest shareholders.

2) Replaced at the 2019 Annual General Meeting by Staffan Dahlström.

# Board of Directors and auditor

## Patrik Tigerschiöld



Chair of Board since 2012 and Board member since 2009

**Born:** 1964

Dependent Board member

**Education:** MSc Business and Economics

**Other Board assignments:** Chair of Board of Bure Equity AB, Cavotec SA, the Association for Generally Accepted Principles in the Securities Market and the Swedish Association for Listed Companies. Board member of Ovzon AB, Fondbolaget Fondita AB and member of Ingenjörsvetenskapsakademien

**Previous positions:** CEO of Bure Equity AB 2010–2013, CEO of Skanditek Industriförvaltning 1999–2010, and CEO of SEB Allemansfonder AB 1995–1999.

**Committee in Mycronic:** Chair of the Remuneration Committee

**Shareholding in Mycronic:** 235,170

## Anna Belfrage



Board member since 2018

**Born:** 1962

Independent Board member

**Education:** MSc Business and Economics

**Other Board assignments:** Board Member of NOTE AB, Serneke AB, Isofol Medical AB and Ellevio AB

**Previous positions:** CFO Södra Skogsägarna ekonomisk förening 2017–2019, Acting CEO Beijer Electronics Group 2014–2015, CFO Beijer Electronics Group 2011–2014, CFO ABS Group (a division of the Cardo Group) 2004–2010, various roles and positions at Dresser Wayne AB, Obducat AB, Åkerlund & Rausing AB, and auditor at Price Waterhouse 1986–1994

**Committee in Mycronic:** Chairman of the Audit Committee

**Shareholding in Mycronic:** –

## Katarina Bonde



Board member since 2010

**Born:** 1958

Independent Board member

President of Kubi LLC

**Education:** MSc, Engineering Physics

**Other Board assignments:** Chair of Board of Imint Intelligence AB, Opus Group AB, Mentimeter AB, Flatfrog Laboratories AB and Reason Studios AB. Board Member of Stillfront Group AB

**Previous positions:** CEO of UniSite Software Inc 2000–2003, CEO of Captura International 1997–2000, Marketing director Dun & Bradstreet Software Inc 1996–1997, Vice President at Timeline Inc 1994–1995, and CEO of Programator Industri AB 1989–1992.

**Committee in Mycronic:** Member of the Audit Committee

**Shareholding in Mycronic:** 2,000

Shareholding as of December 31, 2019.

**Ulla-Britt Fräjdin-Hellqvist**

Board member since 2012

**Born:** 1954

Independent Board member  
CEO of Fräjdin & Hellqvist AB

**Education:** MSc, Engineering Physics

**Other Board assignments:** Board Member of DataRespons ASA, Holmbergs First Holding AB, Insplorion AB, Triboron International AB and Fräjdin & Hellqvist AB and Chair of the research programs Smartare Elektroniksystem and FFI-EMK

**Previous positions:** Chair of Board of among others SinterCast AB (OMX) and Kongsberg Automotive ASA (Oslo stock exchange). Chair of Board and Board member of a number of private, listed and state-owned companies since 1992. Leading positions in Svenskt Näringsliv 2001–2006, and Volvo Personvagnar 1979–2001

**Committee in Mycronic:** Member of the Audit Committee and the Remuneration Committee

**Shareholding in Mycronic:** 10,000

**Erik Sandström**

Auditor-in-Charge,  
Ernst & Young AB

**Born:** 1975

Authorized Public Accountant and member of FAR

**Other assignments:** Autoliv, Gränges, Praktikertjänst, Ratos, Tradedoubler and Transcom

**Staffan Dahlström**

Board member since 2019

**Born:** 1967

Independent Board member  
CEO of HMS Networks AB (publ) since 2009

**Education:** Data Engineer, MBA

**Other Board assignments:** Board Member of Clavister AB (publ)

**Previous positions:** Co-founder HMS Networks since 1989

**Committee in Mycronic:** –

**Shareholding in Mycronic:** 3,000

**Johan Densjö**

Board Member 2012–2014 and since 2019

Employee representative appointed by Unionen

**Born:** 1971

Training Team Leader, Business Area Pattern Generators

**Education:** Engineer

**Shareholding in Mycronic:** –

**Robert Larsson**

Board member since 2018

**Born:** 1967

Independent Board member  
EVP and Head of Industrial & Digital Solutions at AFRY

**Education:** MSc, Mechanical Engineering

**Previous positions:** A number of senior positions in ABB in Sweden, China and Switzerland

**Committee in Mycronic:** Member of the Remuneration Committee

**Shareholding in Mycronic:** –

**Jörgen Lundberg**

Board member since 2019

Employee representative appointed by Akademikerna

**Born:** 1964

Sr Program Manager Project Office

**Education:** MSc, Mechanical Engineering

**Shareholding in Mycronic:** 100

# Group management

**Anders Lindqvist**



President and CEO  
Employed since 2019

**Born:** 1967

**Education:** Mechanical engineer and university-level studies in marketing

**Previous positions:** President and CEO of Piab Group AB 2013–2019, Divisions Director for Atlas Copco 2007–2013, President of Atlas Copco China 2006–2007, President of Atlas Copco Nordic 2004–2006

**Board assignments:** Chair of Board of Dafo Vehicle Fire Protection AB. Board member of Norican ApS

**Shareholding in Mycronic:** 12,000

**Lena Båvegård**



Sr VP Global Functions  
Employed since 2018

**Born:** 1967

**Education:** MSc, Electrical Engineering

**Previous positions:** Various senior positions in Transmode and Infinera, most recently as Sr Dir, Corporate Quality & Sustainability and various senior positions in Q-Med and Ericsson

**Board assignments:** Board alternate of SIQ Intressentföreningen Kvalitetsutveckling

**Shareholding in Mycronic:** 2,000

**Michael Chalsen**



Sr VP Assembly Solutions  
Global Technologies

Employed since 1984

**Born:** 1959

**Education:** BSc Mechanical Engineering, MBA

**Previous positions:** VP Operations, MRSI Group, GM Newport/MRSI, President, MRSI Systems LLC

**Shareholding in Mycronic:** 2,412

**Anette Mullis**



Sr VP, Human Resources  
Employed since 2018

**Born:** 1965

**Education:** BSc in Social Work, from Lund University

**Previous positions:** Various senior global and regional positions as HR Director in the USA and Europe in Ericsson, CSL Behring, Wyeth Pharmaceuticals (now Pfizer) and IKEA

**Shareholding in Mycronic:** 1,092

**Charlott Samuelsson**



Sr VP Pattern Generators  
Employed since 1996

**Born:** 1963

**Education:** MSc, Engineering Physics

**Previous positions:** Head of global after-market, Head of system and application development and Head of business development in the Mycronic Group.

**Board assignments:** Board member of Invisio Communications AB

**Shareholding in Mycronic:** 21,790

**Niklas Edling**

Sr VP Corporate Development  
and Vice CEO

Employed since 2011

**Born:** 1963

**Education:** MSc, Mechanical Engineering  
and MSc in Economics and Business  
Administration

**Previous positions:** VP Supply Chain &  
Manufacturing Laerdal Medical and VP  
Operations Hudson RCI

**Board assignments:** Board member of  
Aritco AB and Cavotec SA

**Shareholding in Mycronic:** 30,131

**Ivan Li**

Sr VP Assembly Solutions High Volume  
Employed since 2008

**Born:** 1983

**Education:** MSc Mechanical Engineering

**Previous positions:** VP Global Dispensing  
Mycronic & General Manager Axxon

**Shareholding in Mycronic:** -

**Torbjörn Wingårdh**

CFO

Employed since 2016

**Born:** 1964

**Education:** MSc in Economics and  
Business Administration

**Previous positions:** CFO Business area  
Saab SDS and senior positions at Investor  
AB in Sweden and the USA

**Shareholding in Mycronic:** 25,000

*The appointment of the Sr VP Assembly  
Solutions High Flex is ongoing at the time of  
publication of the annual and sustainability  
report.*

Shareholding as of December 31, 2019.