

# Corporate governance

**Corporate governance in Mycronic AB guides the business towards set targets. At the same time, it ensures openness to all of the company’s stakeholders. Good corporate governance is created through a clear division of roles and responsibilities between various company bodies.**

**THE ANNUAL GENERAL MEETING (AGM)** is the company’s highest decision-making body. All shareholders have the right to participate and exercise their voting rights. Each share grants the holder one vote. The AGM elects the Board of Directors and auditor, adopts the income statement and balance sheet, and passes resolutions on the appropriation of profits and the discharge from liability for Board members and the CEO. The AGM also decides on the remuneration of the Board and auditor and establishes guidelines for the remuneration of senior executives.

**THE NOMINATION COMMITTEE** represents the company’s shareholders and prepares proposals for the election of the chairman of the AGM and the election and remuneration of the Board, Chairman of the Board and auditors. The AGM decides how the Nomination Committee shall be appointed. The composition of the Nomination Committee is announced no later than six months before the AGM.

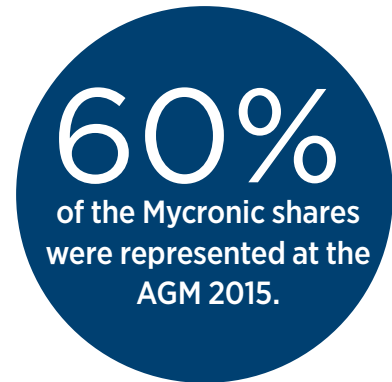
**THE BOARD OF DIRECTORS** has the overall responsibility for the company’s organization and management. The Board follows up on operations, ensures a suitable organization and establishes guidelines and internal control. The Board establishes strategies and targets and decides on major investments. The responsibilities of the Board are prescribed by the Swedish Companies Act and the Board’s formal work plan. The Board consists of six members elected by the AGM and two union

representatives. The AGM appoints the Chairman of the Board.

**THE AUDIT COMMITTEE** is appointed by the Board and consists of three Board members. The Audit Committee reports to the Board. Its task is to ensure the quality of the financial reporting. This comprises reviews of material accounting and valuation issues. The Committee is the main contact with the external auditor, evaluates the audit and assists the Nomination Committee with proposals for the election of the auditor. The Committee determines which non-audit services the company may procure from the elected auditors. Employees do not participate during part of certain meetings between the Audit Committee and the external auditors.

**THE REMUNERATION COMMITTEE** is appointed by the Board and consists of three Board members. The Remuneration Committee reports to the Board. Its task is to recommend salaries, other remuneration and terms of employment for the CEO. The Committee prepares proposals on principles for remuneration and terms of employment for other executives and subsidiary presidents as well as proposals on incentive programs. The Remuneration Committee shall ensure compliance with established guidelines for remuneration of senior executives.

**MYCRONIC COMPLIES WITH THE** Swedish Code of Corporate Governance (the Code). The Code is based on the “follow or explain” principle.



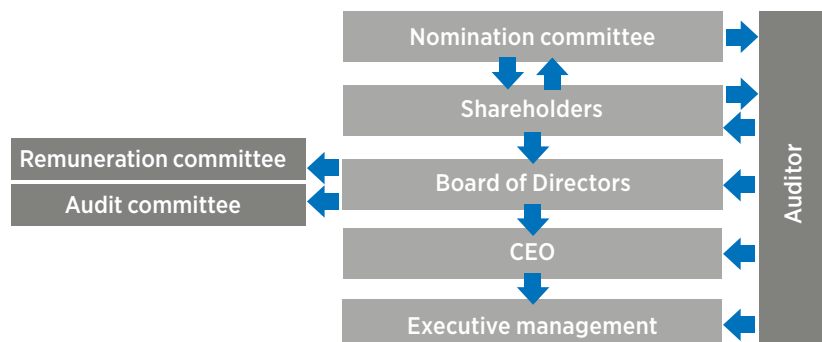
**APPLICATION OF THE CODE**  
Mycronic complies with the Code without deviation.

**EXTERNAL REGULATIONS**  
Corporate governance is based on the Swedish Companies Act and NASDAQ Stockholm’s Rule Book for Issuers, as well as Swedish and international accounting legislation and the Swedish Code of Corporate Governance.



## ABOUT CORPORATE GOVERNANCE

Corporate governance defines the decision-making system through which the owners, directly or indirectly, control the company. Governance, management and control are divided between the shareholders, Board, CEO and executive management. Control is exercised by the external auditor and through internal control activities. More information about corporate governance and the Swedish Code of Corporate Governance is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se).



## INTERNAL REGULATIONS

The basis of the internal systems of governance is comprised of the vision, mission, values and Code of Conduct.

Internal regulations include the Articles of Association, the Board's formal work plan, the terms of reference issued by the Board to the CEO and a number of policy documents that are updated annually. Examples of steering documents include the communication and diversity policy and the authorization policy.

## CORPORATE GOVERNANCE IN 2015

### ANNUAL GENERAL MEETING

At the AGM on May 5, 2015, 60 percent of the shares were represented. The AGM was held on the company's premises. Before the AGM, the shareholders were given the opportunity to see part of the operations during a tour.

The Board of Directors was present as well as the CEO, CFO and the company auditor.

The AGM addressed customary matters. All Board members were re-elected. Patrik Tigerschiöld was elected the Chairman of the Board. The public accounting firm EY was re-elected as the auditor with Heléne Siberg Wendin as the Auditor-in-Charge. The AGM resolved to approve an ordinary dividend of SEK 0.80 per share, as well as an extra dividend of SEK 3.20 per share. The AGM adopted the Board's proposal regarding guidelines for remuneration of senior executives. The AGM authorized the Board, until the next AGM, to decide on a new share issue and on the buy back of the company's own shares.

### NOMINATION COMMITTEE

The composition of the Nomination Committee for the 2016 AGM was announced on 7 October, 2015. In December the Nomination Committee was expanded by one member as the ownership structure changed before the Nomination Committee had completed its task. The Nomination Committee's proposals to the Board is submitted in connection with the notice for the upcoming AGM.

### BOARD OF DIRECTORS

The AGM elected six Board members for the period until the end of the next AGM. In addition, the unions Unionen and Akademikerna each appoint one representative and one deputy representative to the Board.

### BOARD REMUNERATION

The 2015 AGM resolved on an unchanged Board fee of SEK 1,500,000 for the period until the end of the next AGM.

Of the fee, SEK 500,000 pertains to remuneration of the Chairman of the Board and SEK 200,000 pertains to remuneration of each of the other Board members elected by the AGM. In addition, a remuneration of SEK 50,000 was established for the chairman of the Audit Committee.

### BOARD ACTIVITIES

It is the Board's responsibility to manage the Group's operations to best safeguard the interests of the owners. The work follows a written formal work plan that shall ensure that the Board is well informed and that all Board-related matters are brought up for discussion. The plan describes the division of responsibilities between the Board and its

committees and between the Board and the CEO. The Board decides on strategy and budget, approves external financial reports, key policies and authorization policy, appoints the CEO and evaluates the performance of the CEO, establishes rules for internal control and follows up on how internal control is working, decides on major investments and agreements, appoints an Audit Committee and Remuneration Committee, and evaluates the performance of the Board. The Board will ensure that the adopted guidelines on the remuneration of senior executives are complied with and proposes guidelines for remuneration to the AGM.

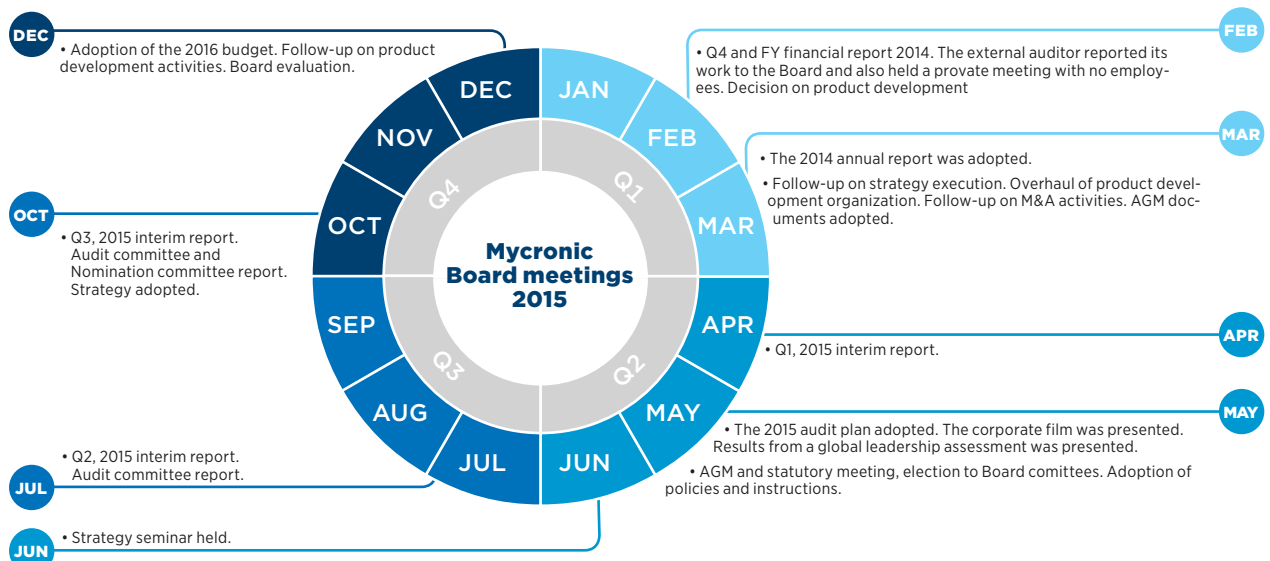
The Chairman leads the Board's work. The Chairman also represents the company in owner matters.

The Board meetings are prepared by the Chairman, together with the CEO. The minutes from these meetings are recorded by the company's CFO. Ahead of each Board meeting, Board members are provided with written material. Certain matters are prepared in the committees.

Recurring items at the meetings are a review of the business situation and financial reporting. The Board committees present reports and put forth issues for decision. Issues addressed in 2015, besides recurring items, include the review of and continuous follow-up of the strategy and business plan, follow-up of acquisition activities and decisions regarding product development efforts. In 2015, the Board held ten meetings and one strategy seminar. The Board's work year is illustrated below.

## THE BOARD'S WORK 2015

During 2015 the Board held ten meetings, of which one was the statutory meeting and three were by circulation.



## EVALUATION OF BOARD PERFORMANCE

The Board's work is evaluated annually. This evaluation takes place through a structured process, either external evaluation or self-assessment. The objective of the evaluation is to develop, set targets and measure the Board work, as well as to provide the Nomination Committee a basis for the task of preparing proposals on Board appointments to the upcoming AGM.

The Chairman of the Board is responsible for the evaluation. In 2015, the evaluation was done by an external party with the help of adapted survey documentation and interviews. After compiling the results, feedback was made to the Chairman, the Board and the Nomination Committee.

## BOARD COMMITTEES

### AUDIT COMMITTEE

The Audit Committee consists of Magnus Lindquist (Chair), Katarina Bonde and Eva Lindqvist. In 2015, the Audit Committee held four meetings. Part of some of the Audit Committee meetings take place without the presence of employees and without the external auditor.

### REMUNERATION COMMITTEE

The Remuneration Committee consists of Patrik Tigerschiöld (Chair), Anders Jonsson and Ulla-Britt Fräjdin-Hellqvist. In 2015, the Remuneration Committee held three meetings. Part of some of the Committee meetings take place without the presence of employees.

## EXTERNAL AUDIT

At the 2015 AGM, EY was elected as the auditor, with Authorized Public Accountant Heléne Siberg Wendin as the Auditor-in-Charge. Audit of the annual report and the consolidated financial statements as well as the Board's and the CEO's management is done in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden.

The auditor continuously meets the Audit Committee and meets the whole Board annually. In 2015, the auditors also conducted a review of one interim report.

## CEO AND EXECUTIVE MANAGEMENT

Executive management comprises eight people, including the CEO. The work of the executive management is led by the CEO. The executive management makes joint

decisions. The CEO is responsible for keeping the Board informed of the company's development. Executive management holds meetings every two weeks. In 2015, Johan Franzén began as the Senior Vice President for Research and Development. A global management meeting is arranged three times a year to strengthen uniform communication and governance within the Group.

## EXTERNAL FINANCIAL REPORTING

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

In connection with interim reports, presentations are held for financial analysts, professional investors and the media. Company management also meets analysts and professional investors at other external and internal events. Representatives for Mycronic also participate in events arranged, for example, by the Swedish Shareholders' Association.

Financial statements, press releases and other relevant information are presented on the company's website.

Mycronic applies a silent period 30 days before the publication of financial statements during which the company does not communicate with investors, analysts or the media.

## INSIDERS

Members of the Board, executive management, the company's auditor and employees who are considered to have access to unpublished information are registered with the Swedish Financial Supervisory Authority as insiders. These individuals are obliged to report changes in their holdings of securities in Mycronic.

The company is also obliged to maintain a logbook over individuals who have access to insider information during a limited period of time in connection with individual events. Besides insiders, this may be other individuals, employees or contractors, who have such information without being registered as insiders.

## INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control is comprised of processes and methods to limit risks for material mis-

statement in the financial statements and thereby provide a reasonable assurance of the reliability and accuracy of the financial reporting.

Internal control is maintained by the Board, management and employees. Mycronic's internal control is comprised of the control environment, risk assessment, control activities, information and communication as well as follow-up.

## CONTROL ENVIRONMENT

A good control environment is made of a suitable organization, decision-making procedures, and powers and responsibilities, which are expressed in policies and guidelines. Common values provide a consensus with the intention of strengthening internal control. Relevant targets and their follow-up are significant to achieving good internal control. Mycronic's Code of Conduct describes the approach that the employees are expected to have in business ethics matters and social issues.

Steering documents include the formal work plan of the Board and its committees, as well as the Board's terms of reference to the CEO. The Board establishes certain policy documents, including authorization policy and communication policy.

The accounting and controller function supports the efficiency enhancements of the operations. Responsibility for creating processes with a high degree of internal control is assigned to each department manager.

## RISK ASSESSMENT

A review of risk areas is done annually. Critical business processes are identified and assessed in terms of efficiency and risk. The most critical processes and the most significant values are found in the Swedish operations.

In an assessment of the risks that affect internal control regarding financial reporting, an evaluation is done based on probability and impact. This assessment is done at the Group and company level. Risks are linked to processes. Significant processes include product development, purchasing, production, sales, installation and supporting processes such as financial closing and IT. The processes for the administration of salaries and pensions are also deemed to be critical and subject to evaluation. The risk assessment also covers risks of impropriety and fraud.

## CONTROL ACTIVITIES AND FOLLOW-UP

Control activities should prevent, discover and resolve deviations. Controls exist at all levels in the company and within all functions. Each identified risk shall be covered by controls.

Control activities may be automated by being built-in in IT systems, such as authorization structures. They may also be manual, such as double checks in disbursements and reconciliations in connection with account closing. Recurring analyses of results sup-

## NOMINATION COMMITTEE

Name	Representing	Holdings at 31 August, 2015, %
Henrik Blomquist	Bure Equity <sup>1)</sup>	38,0
Katja Bergqvist	Handelsbanken Fonder	5,6
Thomas Ehlin	Fjärde AP-fonden <sup>1)</sup>	2,1
Ulf Strömsten	Catella Fonder	3,6
Patrik Tigerschiöld	Chairman of Mycronic AB	0,2

1) In november the Nomination Committee was extended when Fjärde AP-fonden increased its holdings to 5.4 percent. At the same time Bure sold part of its holdings to 29.9 percent.



The Board had ten meetings during 2015. Most of the meetings are held at the premises in Täby outside Stockholm. The picture shows Tobias Böök, Katarina Bonde, Patrik Tigerschiöld and Peter Sundström at one of these meetings.

#### PRESENCE AND REMUNERATION FOR BOARD MEMBERS ELECTED BY THE AGM

Name	Elected	Independent <sup>1)</sup>	Holdings	PRESENCE			REMUNERATION	
				Board	Audit committee	Remuneration committee	Board	Audit committee
Patrik Tigerschiöld, chairman <sup>2)</sup>	2009	no	235,170	10/10		3/3	500,000	
Anders Jonsson	2011	yes	63,836	9/10		3/3	200,000	
Magnus Lindquist <sup>3)</sup>	2007	yes	-	9/10	4/4		200,000	50,000
Katarina Bonde	2010	yes	2,000	10/10	4/4		200,000	
Ulla-Britt Fräjdin-Hellqvist	2012	yes	10,000	10/10		3/3	200,000	
Eva Lindqvist	2012	yes	1,500	10/10	4/4		200,000	

1) According to the Swedish Code of Corporate Governance.

2) Chairman of the remuneration committee

3) Chairman of the audit committee

plement daily controls. The controller function for the business areas and for product development and production constitutes a significant part of the control structure.

**INFORMATION AND COMMUNICATION**  
The Board and the executive management have established communication channels to ensure complete and accurate financial reporting.

Internal communication channels comprise quality assurance systems and analysis tools, the intranet and regular meetings. A financial manual ensures uniformity with regard to financial reporting within the Group. Every month, financial information is compiled and distributed to the Board and executive management.

External communication takes place in accordance with the established communication policy.

#### MONITORING

Mycronic has no separate review function in the form of internal audit. The Board has determined that monitoring of internal control shall be conducted through self-assessment.

Self-assessment means that employees are involved, which increases the understanding of the significance of internal control. Processes are documented and assessed based on identified risks and controls. Responsibility for developing the processes lies within each unit.

The evaluation of internal control follows a plan approved by the Audit Committee. The risks of material misstatement or deficiencies in financial reporting are reported. Self-assessment of critical processes is supplemented by external evaluation or statements of opinion.

Personnel from the headquarters' accounting and controller function regularly visit the subsidiaries to monitor the earnings trend and evaluate the internal controls.

In 2015, Mycronic implemented a new methodology for the review and evaluation of the foreign subsidiaries' operations. Pilot studies have been done together with the external auditors. After evaluation, it was decided to use the methodology in all units. About once every two years, a controller conference is held in Sweden with representatives from the accounting functions of every company. In 2015, this experiential exchange was expanded to include HR managers in the Group.

To continuously develop awareness regarding IT-security issues, a seminar was held during the year for all line managers together with external parties. Mycronic has also had an external party conduct an audit focused on IT-security issues.

The Audit Committee monitors the internal control work and has continuous contact with the external auditor. This contributes to the Board's collective view of internal control of financial reporting.

## Board of directors and auditor



	<b>PATRIK TIGERSCHIÖLD</b>	<b>KATARINA BONDE</b>	<b>ULLA-BRITT FRÄJDIN-HELLQVIST</b>	<b>ANDERS JONSSON</b>
	Chairman of the Board since 2012	Member of the Board	Member of the Board	Member of the Board
<i>Elected year</i>	2009	2010	2012	2011
<i>Born</i>	1964	1958	1954	1950
<i>Position</i>	Chairman of the Board	President Kubi LLC	Adviser, Fräjdin-Hellqvist AB	Industrial adviser, Triton Advisers Ltd
<i>Education</i>	M.Sc. in Business and Economics	Master of Engineering, engineering physics	Master of Engineering, engineering physics	Master of Engineering, and IFL Handelshögskolan in Stockholm
<i>Other Board assignments</i>	Chairman of Bure Equity AB, The Association for Generally Accepted Principles in the Securities Market and The Swedish Association of Listed Companies. Board member of Cavotec SA, Mercuri International AB, Stockholms University and Fondbolaget Fondita AB.	Chairman of Propellerhead Software AB. Board member of Aptilo Networks AB, Avega Group AB, Fingerprint Cards AB, Image Systems AB, Microsystemation AB, Nordax Bank and Sjätte AP-fonden.	Chairman of Karlstad Innovation Park, Kongsberg Automotive ASA and Vindora Holding. Board member of Anna+Cie, DataRespons ASA, e-man AB, HRM Affärsutveckling, Fräjdin&Hellqvist AB and UBFH Management AB.	Chairman of Talis Group GmbH. Board member of Alimak Hek Group AB and Rejler Group. Vice chairman of Swedish Swiss Chamber of Commerce in Zürich.
<i>Previous positions</i>	CEO Bure Equity AB 2010-2013, CEO Skanditek Industriförvaltning 1999-2010, CEO SEB Allemansfonder AB 1995-1999.	CEO UniSite Software Inc 2000-2003, CEO Captura International 1997-2000, Marketing director Dun&Bradstreet Software Inc 1996-1997, Vice President Timeline Inc 1994-1995, CEO Programator Industri AB 1989-1992.	Leading positions in Svenskt Näringsliv 2001-2006, leading positions in Volvo Personvagnar 1979-2001.	Member of ABBs executive management, Zürich and manager Robot Division 2006-2010, manager ABB Automation Segment in Chins 2004-2005, global management positions in ABB Zürich 1988-2004, various management positions in ABB Sweden 1979-1988
<i>Dependency</i>	Yes. According to the Swedish Code of Corporate Governance.	No	No	No
<i>Shareholding in Mycronic</i>	235,170	2,000	10,000	63,836



MAGNUS LINDQUIST



EVA LINDQVIST



TOBIAS BÖÖK



PETER SUNDSTRÖM

Member of the Board	Member of the Board	Representing Akademikerna	Representing Unionen
2007	2012	2014	2012
1963	1958	1966	1976
Co-managing partner, Cordet Capital		Controller	Specialist, software development
Economist	M.Sc. in Business and Economics and Master of Engineering	Economist	Master of Engineering, engineering physics
Member of Axcel Advisory Board.	Board member of Alimak Hek Group AB, Assa Abloy AB, Bodycote AB, Caverion Oy, Sweco AB and Tieto Oy.		
Investment adviser Triton Advisers AB 2008-2015, CFO Autoliv 2001-2008, CFO Perstorp 1996-2001, CFO Stora Cell Group 1993-1996.	CEO Xelerated Holding AB 2009-2011, CEO TeliaSonera International Carrier 2002-2007, Sr VP Telia Equity 2000-2002, leading positions Ericsson 1981-1999.		
No	No	Auditor <b>Heléne Siberg Wendin</b> , born 1965 Auditor in Mycronic since 2013. Authorized accountant, Ernst & Young AB. Other assignments: IKEA, Lantmännen, Husqvarna, Papyrus, Ovako.	
-	1,500		

## Executive management



LENA OLVING



NIKLAS EDLING



PER EKSTEDT



SILKE ERNST

	LENA OLVING	NIKLAS EDLING	PER EKSTEDT	SILKE ERNST
	CEO and President	Sr Vice President, Strategy and Product Management, Head of sourcing and production	Sr Vice President, CFO	Sr Vice President, HR
<i>Employed since</i>	2013	2011	2012	2013
<i>Present position</i>	2013	2013	2012	2013
<i>Born</i>	1956	1963	1964	1967
<i>Education</i>	Master of Engineering, Mechanical engineering	Master of Engineering, Mechanical engineering and MBA	Bachelor of Business and administration	M.Sc linguistics and MBA
<i>Board assignments</i>	Board member of Novozymes A/S (Denmark)			
<i>Previous positions</i>	Vice President and COO of Saab AB (publ), leading positions and member of Executive Management Volvo Personvagnar AB, CEO of Samhall Högland AB.	VP Supply Chain & Manufacturing Laerdal Medical, VP Operations Hudson RCI.	CFO Selecta, CFO Group4 Securicor and CFO Siemens Business Services.	VP HR Business Division Asset Optimisation & Trading Vattenfall, Vice HR manager Vattenfall BG Nordic, HR manager BU Distribution Vattenfall.
<i>Shareholding in Mycronic</i>	104,700	70,000	9,650	450

### REMUNERATION

#### Senior executives

The Mycronic Executive team include the CEO and seven other members of the executive team, a total of 8 (8) individuals, of which 3 (3) women.

#### Principles

The principles for remuneration of senior executives are approved by the AGM. The main principle is to offer market-based remuneration and terms of employment.

In handling matters related to remuneration external advice is sought when necessary to get or evaluate information on market-based levels. Total remuneration consist of:

- Basic salary
- Short-term incentive, STI
- Long-term incentive, LTI
- Pension benefits
- Other benefits
- Severance pay.

Levels of remuneration are based on position, competence, experience and performance.

#### Basic salary <sup>1)</sup>

The monthly basic salary to the CEO in 2015 amounted to SEK 335,000.

#### Short-term incentive, STI <sup>2)</sup>

STI is paid according to the fulfillment of group financial targets at a maximum of 80 percent of the basic salary. STI for 2015 to the CEO amounts to SEK 2 596 thousand and to other senior executives to SEK 3 120 thousand. The 2015 STI equals 81 percent of the maximum outcome.

#### Long-term incentive, LTI <sup>3)</sup>

LTI shall encourage the acquisition of shares in Mycronic. If a senior executive buys shares, the company will match this through cash payment of the same amount. The matching amount shall be used for the acquisition of shares in the company. The shares shall be held for a minimum of four years. The amount is maximized to SEK 100 thousand after tax for the CEO and SEK 50 thousand after tax for other senior executives.

#### Other benefits <sup>4)</sup>

Other benefits comprise company car and free health insurance. For the CEO it also include the benefits of housing and travels by train.

#### Pension <sup>5)</sup>

The pension is premium based. For the CEO the pension premiums equals 35 percent of the basic salary and for other senior executives it equals a maximum of 30 percent of basic salary. The employment contract with the CEO specifies a retirement age of 62 years, while the retirement age for other senior executives is 65 years. Except for the defined contribution pension premiums, there are no other pension obligations.

#### Employment terms and severance

The employment contract with the CEO specifies a notice period of twelve months in the event of dismissal by the company. During the notice period, the CEO is entitled to basic salary and other benefits, after which no benefits are payable. After the notice period she is entitled to termination benefits corresponding to 12 months' salary.

For other senior executives there is a notice period of six months in the event of dismissal by the company, and after that period termination benefits equal to six months' salary. During the notice period, the employment contract is valid with related benefits.



JOHAN FRANZÉN



ROBERT GÓTHNER



MAGNUS RÅBERG



CHARLOTT SAMUELSSON

Sr Vice President, Research&Development	Sr Vice President, General Manager business area SMT	Sr Vice President, General Manager business area PG	Sr Vice President, Operational excellence
2015	2007	1996	1996
2015	2009	2011	2014
1978	1959	1966	1963
Master of Engineering, electronic design	Master of Engineering, industrial economics	Master of Engineering, system engineering	Master of Engineering, system engineering, engineering physics
Manager SW Applications Volvo CE, Manager Global EL and Elektronikutveckling Volvo CE, Manager Global technical Support Volvo CE.	Vice President marketing within the Mycronic Group, Partner Nordic Venture Partners and Innovations-Kapital, executive positions IBM Corporation.	Manager global support, Manager system sales and other positions in the Mycronic Group.	Manager global aftermarket, Manager system and application development and business development in the Mycronic Group.
3,000	7,276	333	16,200

Remuneration 2015	Basic salary <sup>1)</sup>	Other remuneration	STI <sup>2)</sup>	LTI <sup>3)</sup>	Other benefits <sup>4)</sup>	Pension costs <sup>5)</sup>	Total
Lena Olving, CEO	4,020	348	2,596	238	294	1,488	8,984
Other senior executives (7 persons)	10,201	533	3,120	613	1,488	3,068	19,023
<b>Total</b>	<b>14,221</b>	<b>881</b>	<b>5,716</b>	<b>851</b>	<b>1,782</b>	<b>4,556</b>	<b>28,007</b>

Remuneration 2014	Basic salary <sup>1)</sup>	Other remuneration	STI <sup>2)</sup>	LTI <sup>3)</sup>	Other benefits <sup>4)</sup>	Pension costs <sup>5)</sup>	Total
Lena Olving, CEO	3,898	314	2,654	232	289	1,581	8,968
Other senior executives (7 persons)	9,523	1,506	2,991	557	276	2,505	17,357
<b>Total</b>	<b>13,421</b>	<b>1,819</b>	<b>5,645</b>	<b>789</b>	<b>565</b>	<b>4,086</b>	<b>26,325</b>