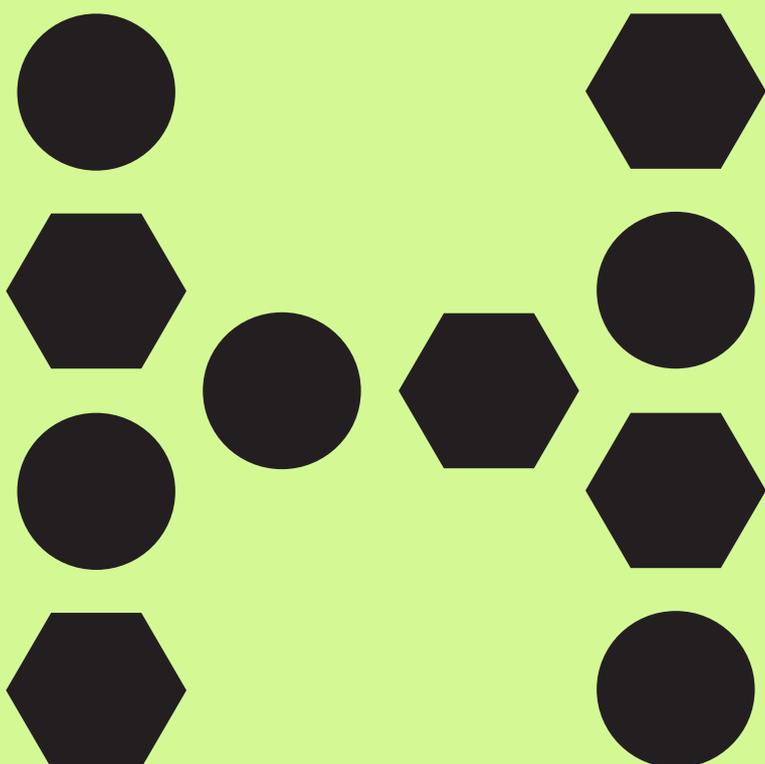


# Corporate governance report



# Corporate governance report

The purpose of Hexatronic Group's corporate governance is to create a good decision making system and a proper distribution of responsibilities between the different company bodies, with the purpose of driving growth and good governance.

Hexatronic Group is a Swedish limited liability company, publicly traded on Nasdaq Stockholm.

The corporate governance principles adhered to by Hexatronic Group are based on Swedish law, mainly the Swedish Companies Act and the Swedish Annual Accounts Act (Sw. årsredovisningslagen) the Swedish Corporate Governance Code ('the Code'), Nasdaq Stockholm's rulebook for issuers, the EU's market abuse regulation as well as other relevant laws and regulations.

The Code applies to all Swedish companies whose shares are admitted for trading on a regulated market in Sweden. Hexatronic Group has applied the Code as of 18 December 2015, when the Hexatronic Group's shares were admitted for trading on Nasdaq Stockholm. The Corporate Governance Report for 2023 describes Hexatronic Group's corporate governance, management and administration, as well as its internal control for financial reporting.

The Articles of Association adopted by the AGM and the rules of procedures for the Board, set out the principles on governance of the Board and its committees and includes the instructions for the CEO, instructions for financial reporting and instructions for the Remuneration Committee and Audit Committee. These documents constitute the most important internal steering documents. In addition, the Group has a number of policies and instructions with rules and principles for the Group's operations and employees.

## Deviations from the Code

The Code is based on the "comply or explain" principle, meaning that companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they deem to be better suited to their circumstances provided that they report all deviations, describe the alternative solution and explain the reason for the deviation in the Corporate Governance Report. The company does not deviate from the Code in any respect.

## General meeting of shareholders

Under the Swedish Companies Act (2005:551), general meetings of shareholders are the company's highest decisionmaking body and shareholders can exercise their voting right at these meetings. Shareholders who are entered into the share register on the record day and have registered to attend the general meeting by the deadline stated in the notice to attend are entitled to participate in the meeting, either in person or through a representative. Decisions at general meetings of shareholders are usually made using a simple majority.

For certain issues, however, the Swedish Companies Act requires a minimum attendance for a quorum, or qualified majority voting. An Annual General Meeting (AGM) must be held within six months of the close of the financial year.

The AGM decides on a number of mandatory issues in accordance with the Companies Act and Articles of Association, such as electing Board Members and the Chairman of the Board, electing auditors and deciding whether or not to adopt the income statement and balance sheet and approve the proposed appropriation of profits, and assessing whether the Board Members and CEO should be granted discharge from liability vis-à-vis the company. The AGM also decides, where appro-

appropriate, whether to adopt the principles for the Nomination Committee's appointments and work, and it decides on principles for remuneration and employment terms for the CEO and other senior executives.

Shareholders can ask questions about the company and its results for that year at the AGM. Extraordinary general meetings may also be held in addition to the AGM.

The company's AGMs are held in Gothenburg every calendar year before the end of June. Hexatronic Group's AGM is usually held in May. According to the Articles of Association, the notice to attend the AGM shall be announced in the publication "Post- och Inrikes Tidningar" and on the company's website.

Simultaneously, an announcement with information that the notice has been issued shall be published in Dagens Industri. The Articles of Association have no special rules on appointing or dismissing Board Members or on amending the Articles of Association.

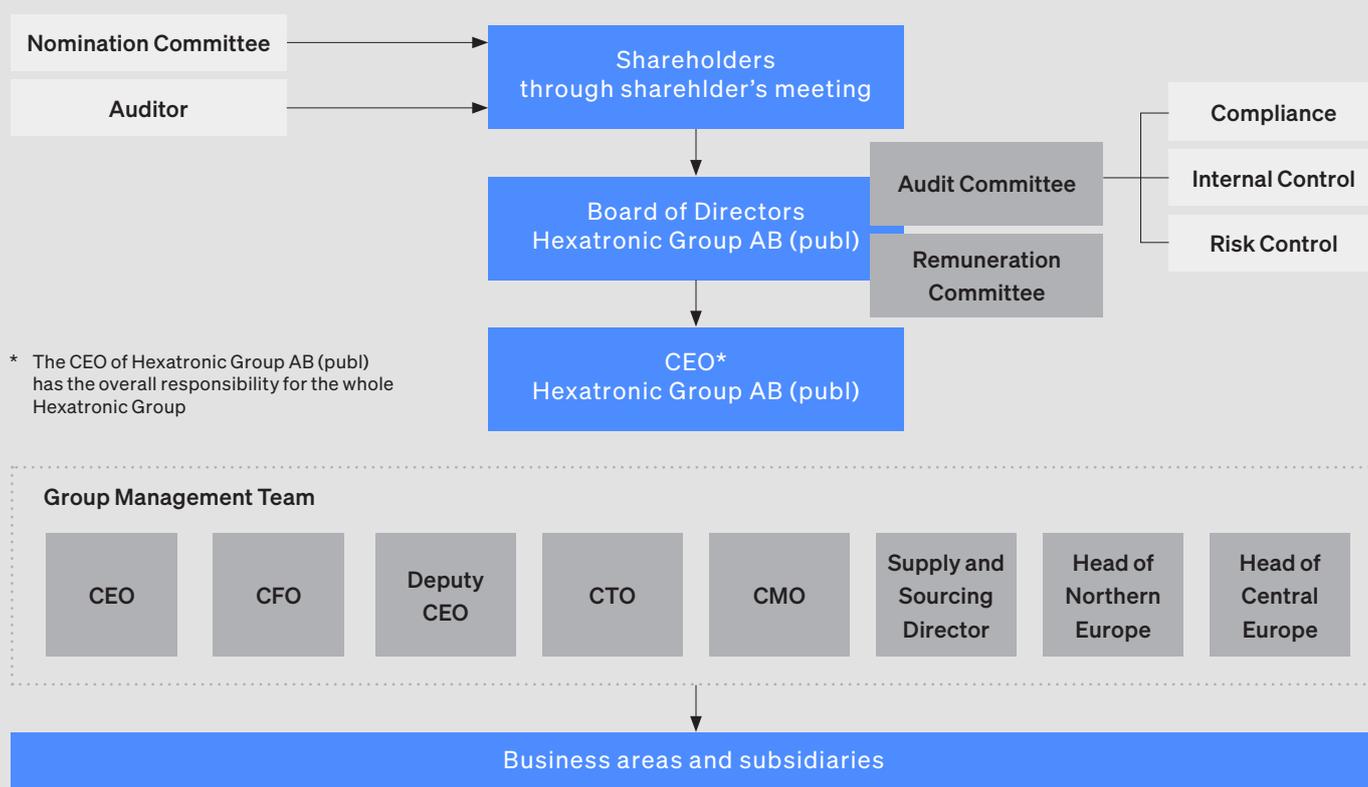
To see the Articles of Association in full, please visit [group.hexatronic.com](http://group.hexatronic.com).

## Number of shareholders and ownership structure

Hexatronic Group's share was listed on the Nasdaq Stockholm Small Cap exchange on 18 December 2015 and in 2022, the share was moved to the segment Large Cap. On 2 January 2024, the share was moved to the segment Mid Cap. The share capital on 31 December 2023 amounted to SEK 2,053,236.50, divided between 205,323,650 shares; 203 026 610 of these were ordinary shares and 2 297 040 were Class C shares. Class C shares carry one-tenth of a vote. The number of shareholders on 31 December 2023 was 65 692.

The biggest shareholders on this date were Handelsbanken Fonder (7.3%), AMF Pension & Fonder (7.0%), Accendo Capital (6.0%), Jonas Nordlund privately and via company (5.5%), and Chirp AB (4.4%).

## Hexatronic Group's corporate governance structure



Further information about the share and shareholders is available on the company's website.

### Annual general meetings

#### Decisions at the 2023 AGM

The following decisions were made at the AGM on May 9, 2023:

- The AGM adopted the annual accounts, appropriation of profits and discharge from liability for the Board and CEO.
- Re-election of Board Members: Anders Persson, Jaakko Kivinen, Erik Selin, Helena Holmgren, Per Wassén and Charlotta Sund.
- Re-election of Anders Persson as Chairman of the Board.
- Re-election of registered public accounting firm Öhrlings Pricewaterhouse-Coopers as the company's audit firm with authorised public accountant Johan Malmqvist as the auditor in charge.
- To establish a performance-based long-term incentive plan (LTIP 2032) for senior executives and other key

personnel within the Group who are resident in Sweden, and to issue a maximum of 261,071 Class C shares for delivery of any performance shares under LTIP 2023, and to secure any social expenses which may arise under LTIP 2023.

- To establish a long-term incentive programme (Warrant Programme 2023) to offer to senior executives and certain key personnel within the Group who are resident in and outside of Sweden through a targeted issue of a maximum of 441,000 warrants.
- The Board was authorised to make decisions on acquisitions and the transfer of a maximum of one-tenth of the company's own shares in accordance with the Board's proposal.
- The Board was authorised to decide, on one or more occasions and with or without the shareholders' preferential right, on the new issue of shares, warrants and/or convertibles amounting to up to 10 per cent of the registered share capital in the company.

- The remuneration report for financial year 2022 prepared by the Board was approved.
- The entire minutes from the 2023 AGM can be found at [group.hexatronic.com](http://group.hexatronic.com).

#### The 2024 AGM

The 2024 AGM will be held on Tuesday May 7, 2024. For further information, visit the Hexatronic Group website ([group.hexatronic.com](http://group.hexatronic.com)).

#### Nomination Committee

Under the Code, a company listed on Nasdaq Stockholm shall have a Nomination Committee. In accordance with the instruction adopted by Hexatronic Group's AGM, the Nomination Committee shall include four members appointed by each of the four largest shareholders in terms of voting rights as of August 31, 2023, which desire to appoint a member. In addition, the Chair of the Board of Hexatronic Group shall be included as an adjunct member. Should the Chair of the Board directly or indirectly be one of the four largest shareholders, the Chair shall

decline to nominate a member for the Nomination Committee.

Should shareholders decline to appoint members, the right to nominate members shall transfer to the shareholder with the next highest number of votes.

The Chair of the Nomination Committee shall be the largest shareholder in terms of votes at the time the Committee is appointed, unless the Nomination Committee agrees otherwise, and may not be the Chair of the Board or another Board Member.

Should a member leave the Nomination Committee before its work is complete, the Committee shall appoint a new member in line with the above principles, but on the basis of Euroclear Sweden AB's print-out of the share register as soon as possible after the member leaves their post.

Changes to the composition of the Nomination Committee shall be published immediately.

The Nomination Committee is obliged to perform its tasks according to the Code. The composition of the Committee meets the requirements concerning the independence of the Committee. The AGM documents related to the Nomination Committee are published on Hexatronic Group's website. Prior to the AGM, the Nomination Committee is tasked with proposing a Chair of the Board and other Board Members, producing a reasoned opinion regarding the proposal, suggesting fees and other remuneration for Board assignments for each of the Board Members (including any remuneration for committee work), drawing up proposals for auditors and their fees and for someone to be Chair at the AGM and (where appropriate) proposing changes to Nomination Committee appointments. Furthermore, the Nomination Committee shall also judge the independence of the Board Members in relation to the company and major shareholders.

The composition of the Nomination Committee for the AGM is published on the company's website at least six months before the meeting. No remuneration shall be paid to members of the Nomination Committee. The company shall pay necessary and reasonable expenses that the Nomination Committee may incur within the framework of its work. The Nomination Committee's term of office shall end when the subsequent Nomination Committee has been announced.

## Nomination Committee ahead of the 2024 AGM

The composition of the Nomination Committee is published on the Hexatronic Group website [group.hexatronic.com](http://group.hexatronic.com).

**The Nomination Committee for 2024 AGM** is based on the ownership structure as of August 31, 2023 and was announced in a press release on October 20, 2023.

The nomination Committee's members are:

- Mark Shay, Accendo Capital, Chairman
- Staffan Ringvall, Handelsbanken Fonder
- Angelica Hanson, AMF Pension & Fonder
- Oscar Bergman, Swedbank Robur
- Anders Persson, Chairman of the Board of Hexatronic Group, adjunct member

The Nomination Committee has had 4 minuted meetings between the 2023 AGM and the date the Annual Report was submitted. As a basis for its proposals ahead of the 2024 AGM, the Nomination Committee has assessed whether the current composition of the Board is appropriate and meets the requirements placed on the Board as a result of the company's operations, position and general circumstances. The Nomination Committee has interviewed the company's Board Members and discussed the primary requirements that should be set for Board Members including the requirement for independent members, taking into account the number of Board assignments each member has in other companies.

When it comes to the composition of the Board, the diversity policy has been applied as stipulated in rule 4.1 of the Code, which has resulted in the Nomination Committee proposal to the AGM regarding the election of Board Members

## Board of Directors

The Board of Directors, which is the highest decision-making body after the General Meeting, bears ultimate responsibility for Hexatronic Group's organisation, management and control of the Company's financial conditions. The Board of Directors shall further ensure that the Company applies the Code and complies with applicable laws and regulations,

Nasdaq Stockholm's rulebook for issuers, the Company's Articles of Association and the rules of procedures for the Board.

## Composition in 2023

According to the Articles of Association, Hexatronic Group's Board shall comprise a minimum of three and a maximum of nine members elected by the AGM for a term of office up to the end of the next AGM. There are no representatives of the Executive Management on the Board.

Hexatronic Group's CEO, Deputy CEO and CFO usually participate in the Board meetings, during which the CFO acts as the secretary for the Board. Other office personnel in the company participate in Board meetings to report on specific matters.

## Independence of the Board

Under the Code, the majority of Board Members elected at the AGM shall be independent of the company and its management. The Board Members' positions regarding independence are shown in the Board composition table. All current Board Members are independent of the company and its management. All of the members are also independent of the company's major shareholders.

The company therefore meets the Code's requirements on independence.

## The Chairman of the Board's responsibilities

The Chairman of the Board leads and controls the Board's work and ensures that the activities are carried out efficiently. The Chairman of the Board ensures that the company complies with the Swedish Companies Act and other applicable laws and regulations, and that the Board is given the necessary training and improves its knowledge of the company. The Chairman monitors the business in close dialogue with the CEO, communicates shareholders' views to other Board Members and acts as a spokesperson for the Board. Furthermore, the Chairman of the Board is responsible for providing other Board Members with information and data to make decisions, and for ensuring that the Board's decisions are implemented. The Chairman is

also responsible for ensuring that annual evaluations of the Board's work are carried out.

## The Board's responsibilities and work

The Board's duties are primarily regulated in the Swedish Companies Act and the Code. The work of the Board follows an annual plan in order to allow the Board to address matters within the scope of its responsibility on a yearly basis. The annual plan is adopted annually by the Board. The annual plan sets out the division of responsibilities between the Board, the Chair of the Board and CEO and specifies the CEO's financial reporting. The Board also approves instructions for the Board's committees.

The Board's duties include setting strategies, business plans and budgets; submitting interim reports and accounts and approving policies and guidelines. The Board shall also monitor financial developments, safeguard the quality of financial reporting and control functions, and also evaluate the company's operations based on the goals and guidelines established by the Board. Ultimately the Board also makes decisions about major investments as well as organizational and operational changes in the company. The Chairman of the Board shall monitor the company's results in close collaboration with the CEO, and chair Board meetings. The Chairman of the Board is also responsible for ensuring that the Board evaluates its work annually and has sufficient information to carry out its work effectively.

All of the Board meetings follow an

agenda that has been set in advance. Attendance at the meetings is reported in the table further down. In 2023, the Board mainly dealt with issues relating to the operations, acquisitions, financing, investments and other ongoing legal issues relating to reporting and the company.

## Board meetings

In accordance with the rules of procedures for the Board, the Board is expected to meet six to ten times per year at venues to be agreed by the Board. The Board has held thirteen (13) meetings during 2023, of which five (5) were per capsulam.

The table on page 81 shows the Board members' attendance to the Board meetings.

## The Board's committees

The Board has two committees: the Remuneration Committee and the Audit Committee. The topics discussed at the committee meetings are reported either in writing or verbally. Each committee's work is carried out in accordance with written instructions and an annual plan issued by the Board.

## Remuneration Committee

The Remuneration Committee is tasked with preparing issues relating to remuneration and other terms of employment for the CEO and other senior executives. This work includes proposing guidelines for dividing between fixed and variable remuneration and the relationship between results and compensation, the main terms for bonus and incentive programmes, terms for other benefits,

pensions, notice periods and severance pay, as well as drawing up proposals for individual compensation packages for the CEO and other senior executives. The Remuneration Committee shall also monitor and evaluate the outcome of the variable remuneration and how the company complies with the guidelines for remuneration adopted by the AGM. The Remuneration Committee comprises the whole of the Board of Directors.

## Audit Committee

The Board has assigned an Audit Committee to oversee corporate governance, financial reporting, ESG (Environmental, Social and Governance) reporting and risks and compliance with external and internal regulations.

The Audit Committee is primarily tasked with ensuring that the Board's monitoring responsibilities are carried out regarding internal control, audits, internal audits, risk management, reporting and financial reporting, as well as preparing certain reporting and audit issues. The Audit Committee shall also review the processes and procedures for reporting and financial control. In addition, the Audit Committee shall monitor the auditor's impartiality and independence, evaluate the audit work and discuss coordination between external audits and internal work on internal control issues with the auditor.

The Audit Committee shall also assist the company's Nomination Committee in drawing up proposals for auditors and recommendations for auditor fees.

The Audit Committee has held four (4) meetings during 2023. Audit Committee meetings and attendance are shown in

## Present (total number of meetings)

Member	Elected	Born	Board of Directors	Remuneration Committee	Audit Committee	Independent of the company	Independent of major shareholders	Fees <sup>1)</sup>	Audit Committee fees <sup>1)</sup>
Anders Persson (Chairman)	2014	1957	13 (13)	2 (2)		Yes	Yes	750,000	-
Erik Selin	2014	1967	11 (13)	2 (2)		Yes	Yes	350,000	-
Jaakko Kivinen	2018	1970	13 (13)	2 (2)	4 (4)	Yes	Yes	350,000	75,000
Helena Holmgren	2020	1976	13 (13)	2 (2)	4 (4)	Yes	Yes	350,000	125,000
Per Wassén	2021	1961	13 (13)	2 (2)		Yes	Yes	350,000	-
Charlotta Sund	2022	1963	13 (13)	2 (2)		Yes	Yes	350,000	-

1) Fee decided for work from the 2023 AGM to the 2024 AGM.

the table with board meetings.

The Audit Committee at Hexatronic Group comprises two members: Helena Holmgren (Chair) and Jaakko Kivinen. The Audit Committee complies with the Swedish Companies Act's and the Code's requirements for independence as well as accounting and audit competence.

## Evaluation of the Board's work in 2023

The Board, through an external provider, conducts an annual survey of its work performed during the year. The results of the evaluation have been presented and discussed, in both the Board and the Nomination Committee. The evaluation focused on the Board's work in general and on the work of the members, Chairman and CEO.

## Auditor

The auditor is appointed at the AGM each year. The auditor reviews the company's and subsidiaries' financial reports and accounts as well as the Board and CEO's administration. The auditor participates in the Board meeting that deals with the year-end report. At that Board meeting, the auditor runs through, for example, the financial information and discusses the audit with the Board Members without the CEO and other senior executives present.

The auditor stays in contact with the Chairman of the Board, Audit Committee and Executive Management. Hexatronic Group's auditor shall review the Annual Report and consolidated financial statements for Hexatronic Group AB, as well as the administration of the Board and CEO. The auditor follows a review plan, which is discussed with the Audit Committee. Reporting has partly taken place

during the course of the audit to the Audit Committee and partly when the year-end report is approved in its entirety for the Board. The auditor shall also participate in the AGM where he/she describes the audit work and findings in an auditor's report. In addition to the audit, the auditor has had certain audit-related consultancy assignments during the year, which have primarily related to accounting related matters and tax consultancy. Öhrlings PricewaterhouseCoopers AB is responsible for auditing all of the Swedish subsidiaries in the Group and monitors the audits of other companies as part of the audit for the Group.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2013/14. Johan Malmqvist is the auditor in charge.

## CEO and other senior executives

The CEO is subordinate to the Board and responsible for the company's ongoing administration and day-to-day operations. The division of work between the Board and CEO is set out in the rules of procedure for the Board and follows the Swedish Companies Act. The CEO is also responsible for preparing reports and compiling information from management ahead of Board meetings and reports back on material at the Board meetings. In accordance with the instructions for financial reporting, the CEO is responsible for financial reporting in Hexatronic Group and, as a result, must ensure that the Board is given sufficient information to be able to continuously evaluate the financial position of the company and Group.

The CEO keeps the Board updated about developments in Hexatronic Group's operations, sales development,

Hexatronic Group's results and financial position, its liquidity and credit situation, important business events as well as any other event, circumstance or relationship that could be considered to be of material importance to the company's shareholders. Information about remuneration, share-related incentive programmes and terms of employment for the CEO and other senior executives can be found on the company's website.

The CEO leads the work of the Group Management Team ('GMT'), which is responsible for the overall business development and operations of Hexatronic Group. In addition to the CEO, the GMT consists of the CFO, Deputy CEO, CTO, CMO, Supply & Sourcing Director, Head of Northern Europe and Head of Central Europe. The GMT's role is to assist the CEO in the operation of Hexatronic Group's business. The GMT has monthly meetings.

## Internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act, the Annual Accounts Act (1995:1554) and the Code. Information on the most important elements of the company's systems for internal control and risk management relating to financial reporting shall be included in the company's Corporate Governance Report each year. The procedures for internal control, risk assessment, control activities and monitoring with respect to financial reporting have been designed to ensure reliable, comprehensive financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations and other requirements on companies listed on Nasdaq Stockholm. This work involves the Board, Audit Committee, Executive Management and other personnel.

## Control environment

The Board has established instructions and steering documents with the aim of regulating the division of roles and responsibilities between the CEO and the Board. The way in which the Board monitors and ensures the quality of the internal control is set out in the Board's formal work plan and Hexatronic Group's finance policy. The control environment

## Remuneration to auditors in 2023

Name	MSEK
PWC	
Audit engagement	6
Audit business in addition to audit engagement	1
Tax consultancy	0
Other services	0
<b>Total</b>	<b>7</b>



also includes the Board evaluating the operations' performance and results via monthly and quarterly report packages, which contain outcomes, budget comparisons, forecasts, operational objectives, strategic plans, investments, assessments and evaluations of financial risks as well as analyses of important financial and operational key metrics.

Responsibility for presenting the report package to the Board, along with responsibility for maintaining an effective control environment and the ongoing work on risk assessment and internal control with regard to financial reporting, is delegated to the CEO. However, the Board is ultimately responsible for this.

## Information and communication

The company's steering documents for financial reporting chiefly comprise guide-

lines, policies and manuals, which are continuously updated and communicated to the employees concerned via relevant information channels. As regards external communications, there is an information policy with guidelines on how to publish information externally. The aim of the policy is to ensure that the company fulfils its requirements to provide the market with accurate and complete information.

## Monitoring, evaluation and reporting

The Board continuously evaluates the information provided by the Executive Management. It also receives regular updates about Hexatronic Group's development between Board meetings. Hexatronic Group's financial position, strategies and investments are discussed at each Board meeting.

The Board is also responsible for moni-

toring internal control and assessing the Group's risk management. This work includes, for example, ensuring that measures are taken to manage any shortcomings and monitoring proposed measures brought up in connection with the external audit.

## Internal audit

In accordance with the Swedish Corporate Governance Code, an evaluation shall be carried out during the year to examine the need for a special review function to ensure compliance with established principles, standards and other applicable laws relating to financial reporting.

Taking into account the work carried out on internal control, the Board judged that there is not currently any need to introduce a special review function (internal audit function).