



CORPORATE GOVERNANCE REPORT 2018



Corporate Governance Report

Hexatronic Group is a Swedish public limited liability company listed on Nasdaq Stockholm Mid Cap.

Hexatronic Group's corporate governance is mainly regulated by the Swedish Companies Act and other Swedish legislation, by Nasdaq Stockholm's rules for issuers, the EU's market abuse regulation and the Swedish Corporate Governance Code ('the Code').

The Code, which can be viewed at www.bolagsstyrning.se, 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 2018 describes Hexatronic Group's corporate governance, management and administration, as well as its internal control for financial reporting.

REGULATORY COMPLIANCE

External control systems

The external control systems that provide the framework for Hexatronic Group's corporate governance mainly comprise the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's rules, the Swedish Corporate Governance Code, the EU's market abuse regulation as well as other applicable regulations and legislation.

Internal control systems

The Articles of Association adopted by the AGM and the documents adopted by the Board of Directors regarding the for-

mal work plan for the Board of Hexatronic Group, instructions for the CEO, the authorisation manual as well as instructions for the Remuneration Committee and Audit Committee constitute the most important internal control systems. In addition, the Group has a number of policies and instructions with rules and principles for the Group's operations and employees.

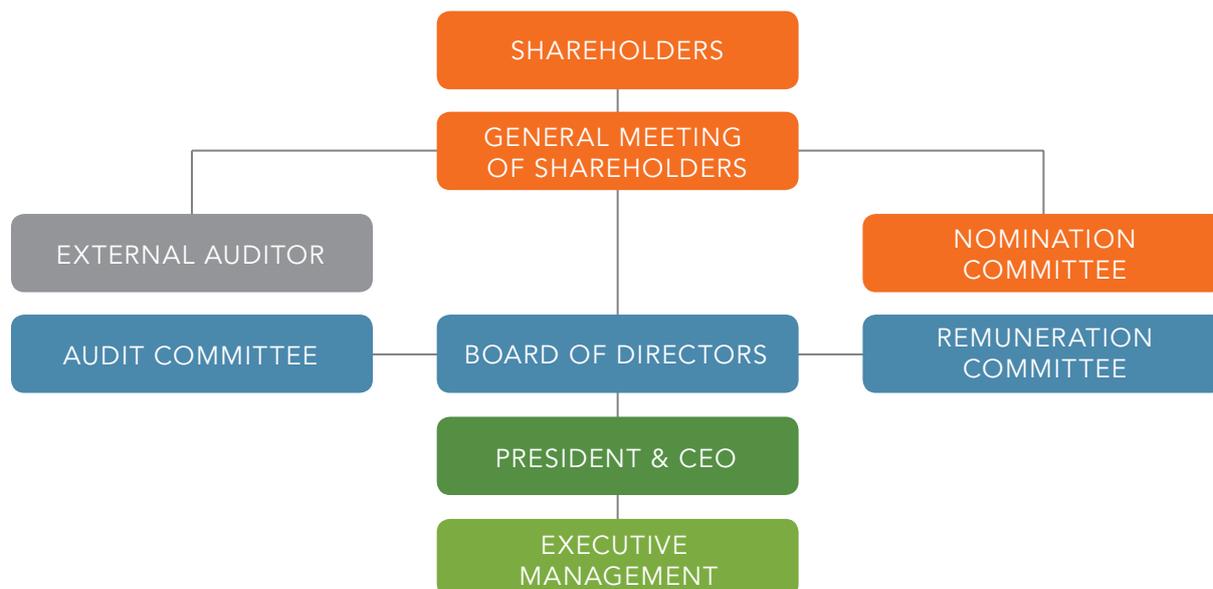
Deviations from the Code

Companies are not obliged to comply with all of the rules in the Code at all times, instead they may 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 (in accordance with the principle of 'comply or explain'). 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 decision-making 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

CORPORATE GOVERNANCE STRUCTURE



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. Hexatronic Group's AGM is usually held in May.

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 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 of shareholders 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. 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. An announcement that the notice to attend has been published shall appear in *Dagens Industri* at the same time. 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 www.hexatronicgroup.com.

SHAREHOLDERS

Hexatronic Group's share was listed on the Nasdaq Stockholm Small Cap exchange on 18 December 2015. On 2 January 2018, the share was moved up to Nasdaq Stockholm Mid Cap. The share capital on 31 December 2018 totalled SEK 1,825,590.95, divided between 36,511,825 shares. All shares are of the same type and all shares in the company

have equal rights in every respect. The number of shareholders on 31 December 2018 was 7,779. The biggest shareholders on this date were Accendo Capital (12.8% of the share capital), Handelsbanken Fonder (8.7%), Jonas Nordlund privately and via companies (8.2%), Martin Åberg and Erik Selin via Chirp AB (4.9%) and Fondita Nordic Micro Cap (4.8%).

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

ANNUAL GENERAL MEETINGS

Decisions at the 2018 AGM

The following decisions were made at the AGM on 19 April 2018:

- 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, Malin Persson, Malin Frenning and Erik Selin.
- New election of Board Members: Jaakko Kivinen.
- Election of registered public accounting firm Öhrlings PricewaterhouseCoopers as the company's audit firm with authorised public accountant Johan Palmgren as the main auditor.
- Principles for appointing members of the Nomination Committee were adopted.
- Guidelines for remuneration to senior executives were agreed.
- Decision to introduce an incentive programme through a targeted issue of up to 1,000,000 warrants for certain senior executives and key employees within the Group. The Board was authorised to acquire or transfer its own shares respectively in accordance with the Board proposal and to decide on new issues of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.

- Remuneration to the Board shall be SEK 400,000 for the Chairman of the Board and SEK 150,000 per Board Member.
- Remuneration for the Audit Committee shall be SEK 72,000 for the Chairman and SEK 48,000 for its other members.

The entire minutes from the 2018 AGM can be found at www.hexatronicgroup.com.

The 2019 AGM

The 2019 AGM will be on Thursday 9 May 2019 at 17:00 CET in Gothenburg. For further information, visit the Hexatronic Group website (www.hexatronicgroup.com).

NOMINATION COMMITTEE

The Nomination Committee shall comprise four members and the Chairman of the Board shall be co-opted onto the Committee. The members shall be appointed by the company's four largest shareholders in terms of number of votes at the end of August, on the basis of a list of registered shareholders provided by Euroclear Sweden AB and other reliable information obtained by the company. Should the Chairman of the Board directly or indirectly be one of the four largest shareholders, the Chairman 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 Chairman 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 Chairman 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 printout 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. Prior to the AGM, the Nomination Committee is tasked with proposing a Chairman 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 Chairman 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 usually 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 2019 AGM

The composition of the Nomination Committee was published in a press release and on the Hexatronic Group website (www.hexatronicgroup.com) on 15 October 2018.

The Nomination Committee in the run-up to the 2019 AGM comprises Jonas Nordlund (representing: himself), Erik Selin (Chirp AB), Henri Österlund (as Chairman and Accendo Capital), Staffan Ringvall (Handelsbanken Fonder) and Anders Persson (Chairman of the Board of Hexatronic Group) as co-opted. The Nomination Committee has had four minuted meetings between the 2018 AGM and the date the Annual Report was submitted. As a basis for its proposals ahead of the 2019 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, along with relevant goals relating to this, has been applied as stipulated in rule 4.1 of the Corporate Governance Code, which has resulted in the Nomination Committee proposal to the AGM regarding the election of Board Members.

COMPOSITION OF THE NOMINATION COMMITTEE

Name	Representing	% of votes on 31 December 2018
Henri Österlund	Accendo Capital	12.8%
Staffan Ringvall	Handelsbanken Fonder	8.7%
Jonas Nordlund	Himself	8.2%
Erik Selin	Chirp AB	4.9%
		34.6%



BOARD OF DIRECTORS

Composition in 2018

The Board is tasked with managing the company's affairs on behalf of shareholders. According to the Articles of Association, Hexatronic Group's Board shall comprise a minimum of three and a maximum of five members elected by the AGM for a term of office up to the end of the next AGM. At the AGM on 19 April 2018, Board Members Anders Persson, Erik Selin, Malin Frenning and Malin Persson were re-elected and Jaakko Kivinen was elected onto the Board. There are no representatives of the Executive Management on the Board. Hexatronic Group's CEO and CFO sometimes participate in Board meetings, during which the CFO acts as the secretary for the Board. Other office personnel in the company take part in Board meetings to report on specific issues.

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. Four 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 Board's work is also regulated by the formal work plan, which is adopted annually by the Board. The formal work plan sets out the division of responsibilities between the Board, the Chairman of the Board and CEO and specifies procedures for the CEO's financial reporting. The Board also approves instructions for the Board's committees.

The Board's duties include drawing up 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 organisational 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. During the financial year, the Board had 15 Board meetings, two of which were per capsulam. 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 2018, the Board chiefly dealt with issues relating to the operations, acquisitions, fi-

ancing, investments and other ongoing legal issues relating to reporting and the company.

THE BOARD'S COMMITTEES

The Board has two committees: the Remuneration Committee and the Audit Committee. The topics discussed at the committee meetings is reported either in writing or verbally. Each committee's work is carried out in accordance with written instructions and a formal work 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 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 at Hexatronic Group comprises two members: Malin Persson (Chair) and Jaakko Kivinen. The Audit Committee meets the requirements on accounting and audit expertise as stipulated in the Swedish Companies Act. The Audit Committee held four meetings during the 2018 financial year and the members' attendance at the meetings is shown in the table below.

EVALUATION OF THE BOARD'S WORK IN 2018

The Chairman of the Board is responsible for evaluating the Board's work. In 2018, all of the members took part in a survey. 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 consoli-

PRESENT (TOTAL NUMBER OF MEETINGS)

Member	Elected	Born	Board of Directors	Remuneration Committee	Audit Committee	Independent of the company	Independent of major shareholders	Remuneration paid, SEK ¹⁾
Anders Persson (Chairman)	2014	1957	15 (15)	1 (1)		Yes	Yes	400,000
Erik Selin	2014	1967	13 (15)	1 (1)		Yes	Yes	150,000
Malin Persson	2014	1968	15 (15)	1 (1)	4 (4)	Yes	Yes	222,000
Malin Frenning ²⁾	2016	1967	14 (15)	1 (1)		Yes	Yes	150,000
Jaakko Kivinen ¹⁾	2018	1970	11 (11)	1 (1)	3 (4)	Yes	No	198,000
Mark Shay ²⁾	2016	1972	4 (4)	0 (0)	1 (4)	Yes	No	64,000

1) Elected Board Member and member of the Audit Committee at the AGM on 19 April 2018.

2) Left position as Board Member and member of the Audit Committee at the AGM on 19 April 2018.

dated 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 at the end 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 tax consultancy and consultancy on accounting issues. 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 Palmgren is the auditor in charge.

REMUNERATION TO AUDITORS IN 2018	MSEK
PWC	
Audit engagement	1.8
Audit business in addition to audit engagement	0.3
Tax consultancy	0.1
Other services	0.1
Total	2.3

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 formal work plan for the Board and instructions for the CEO. 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.

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 impor-

tant 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 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 guidelines, 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 monitoring 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).



Hexatronic Group AB, Sofierogatan 3A, SE-412 51 Göteborg, Sweden
Tel +46 (0)31 742 53 30 info@hexatronic.se hexatronicgroup.com