

# CORPORATE GOVERNANCE REPORT

THROUGH GOOD CONTROL AND A HEALTHY CORPORATE CULTURE, RAYSEARCH'S CORPORATE GOVERNANCE SHALL ENSURE SYSTEMATIC RISK MANAGEMENT AND LONG-TERM VALUE CREATION FOR SHAREHOLDERS.

This Corporate Governance Report was prepared by RaySearch's Board of Directors and describes RaySearch's corporate governance during the 2019 fiscal year. The report has been audited, and the Auditor's opinion can be found at the end of the report.

## GENERAL

RaySearch is a Swedish public limited liability company with its registered office in Stockholm, and the company's Class B shares have been admitted to trading on Nasdaq Stockholm. This means that RaySearch's corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act and applicable EU regulations, and the rules and practices that apply to companies listed on Nasdaq Stockholm. RaySearch also applies the Swedish Corporate Governance Code ("the Code"), with the exceptions set out below. The aim of the Code is to build confidence in Swedish listed companies by promoting good corporate governance in these companies. The current Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se)

Companies that apply the Code must take an active position on the company's approach to the various provisions of the Code. If a company chooses to deviate from the Code's provisions, this must be reported in accordance with the "comply or explain" principle. This means that the company does not have to follow every provision of the Code but can choose other solutions deemed more appropriate under the given circumstances, provided the company openly states any such deviation, describes the solution it has chosen instead, and provides a good explanation. The size and complexity of companies applying the Code are varied and for individual companies, solutions other than the Code may also ensure good corporate governance. RaySearch is a relatively small company with a clear majority shareholder who is also active as the CEO of the company. In most cases, this is the reason why RaySearch has chosen to deviate from some of the Code's provisions.

In addition to the external regulatory framework, there is an internal framework with a number of Group-wide governing documents, of which the most important are the Articles of Association as adopted by the AGM, the Board's rules of procedure and the Board's instructions for the CEO. In addition, there is a large number of internal policies, instructions and dele-

gations that clarify responsibilities and powers within various areas. RaySearch's most important governing documents are gathered in the company's quality management system, which also describes the company's main processes and joint working methods.

## GENERAL MEETING

The General Meeting is the company's supreme decision-making body. The date and location of the Annual General Meeting (AGM) is announced in connection with the third-quarter report and is simultaneously published on the company's website. Following motions by the shareholders, the Board of Directors and Chairman of the Board are elected at the AGM for a term of office until the close of the following AGM. Based on the Board's proposals, a Meeting Chairman and audit firm are elected. The AGM is to be held within six months of the end of the fiscal year to resolve on matters including adoption of the income statement and balance sheet, and the allocation of profit. There are no special provisions regarding the function of the AGM in either the Articles of Association or, to the knowledge of RaySearch, in shareholder agreements. Nor are there any provisions in the Articles of Association regarding the appointment and dismissal of Board members, or amendments to the Articles of Association.

RaySearch may issue two classes of shares: Class A and Class B. RaySearch's Articles of Association do not contain any restrictions on how many votes each shareholder may cast at a general meeting. When voting at the AGM, each Class A share carries ten votes and each Class B share carries one vote. At December 31, 2019, the total number of shares in RaySearch was 34,282,773, comprising 8,454,975 Class A and 25,827,798 Class B shares, and the total number of votes was 110,377,548. Shareholders representing 60.2 percent of the total number of shares and 78.3 percent of the total number of votes in the company participated in RaySearch's AGM on May 21, 2019 in Stockholm, Sweden.

## AUTHORIZATIONS PROVIDED BY THE AGM

The AGM has not currently authorized the Board to make decisions regarding a new issue of shares or a repurchase of own shares

### NOMINATION COMMITTEE

The company deviates from the rules of the Code by not appointing a Nomination Committee. In view of the shareholders' composition, a Nomination Committee has not been considered necessary. Proposals for, and the required information about, the Chairman of the Meeting, Board members, Chairman of the Board, audit firms and fees paid to Board members and audit firms, have instead been submitted by shareholders and the Board.

### BOARD OF DIRECTORS

Under the Articles of Association, RaySearch's Board shall comprise no fewer than three and no more than eight members, with no more than three deputies. The company's Board of Directors is responsible for the company's organization and management of the company's affairs and, together with the CEO and company management, defines and continuously supervises the company's vision, mission and values. The role of the Chairman of the Board includes leading the Board's work and ensuring that the Board of Directors fulfills its duties.

At the AGM on May 21, 2019, six Board members were elected without deputies, including the Chairman of the Board, for the period until the close of the 2020 AGM. Lars Wollung was elected a new member of the Board and appointed Chairman of the Board. Carl Filip Bergendal, Johan Löf (CEO), Britta Wallgren, Hans Wigzell and Johanna Öberg were re-elected as Board members. The composition of the Board fulfills the Code's requirements in respect of the independence of Board members. The independence of Board members is presented in the table below. The Board is presented on page 58, along with the members' other significant assignments and shareholdings in RaySearch. Once each fiscal year, the Board undertakes an eval-

uation of its own performance using a systematic and structured process. The evaluation provides a basis for the Board's future work. The Board also evaluates the CEO's performance and instructions regularly, at least once annually, but in this respect the company deviates from rule 8.2 of the Code's provisions by allowing the CEO to participate in the evaluation. The reason being that the CEO is a Board member, and the Board believes that the CEO's participation will not have a negative effect on the evaluation.

Those shareholders (representing approximately 67 percent of the voting rights in the company) who submitted a proposal for the composition of the Board prior to the 2019 AGM applied rule 4.1 of the Corporate Governance Code as a diversity policy. The aim of the policy is that the Board should be characterized by versatility and breadth in terms of the skills, experience and background of the AGM-elected members with consideration for the company's operations, phase of development and otherwise appropriate composition, and strive to achieve an even gender distribution. The 2019 AGM resolved in accordance with the submitted proposal, whereby the Board as of the 2019 AGM has consisted of six members (five reelected and one newly elected), of whom two members were women (33 percent women). The members also have a broad mix of professional backgrounds and skills, and represents various sectors of the business community.

### THE BOARD'S WORK IN 2019

The Board's work is governed by a formal work plan that is adopted annually and regulates such issues as the decision-making structure in the company, the Board meeting schedule and the duties of the Chairman. The Board as a whole addresses internal control issues that are its responsibility.

### THE BOARD'S INDEPENDENCE

Name	Position	Independent in relation to the company and its management	Independent in relation to major shareholders
Carl Filip Bergendal	Board member,	Yes	Yes
Johan Löf	Board member, CEO	No (CEO of the company)	No (is personally such a shareholder)
Britta Wallgren	Board member	Yes	Yes
Hans Wigzell	Board member	Yes	Yes
Lars Wollung	Board member, Chairman	Yes	Yes
Johanna Öberg	Board member	Yes	Yes

### OWNERSHIP STRUCTURE – SHAREHOLDERS WITH AT LEAST 10 PERCENT OF TOTAL VOTES

Name	Class A shares	Class B shares	Total shares	Capital, %	Votes, %
Johan Löf	6,243,084	418,393	6,661,477	19.4	56.9
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Others	1,061,730	25,009,405	26,071,135	76.0	32.3
<b>Total</b>	<b>8,454,975</b>	<b>25,827,798</b>	<b>34,282,773</b>	<b>100.0</b>	<b>100.0</b>

In addition, the company's auditor personally reports their review observations to the Board every year. The Board held 11 meetings during the year, one of which was per capsulam. The attendance of the members is presented below. Considering the size of the Board, it was not deemed necessary to introduce a separate delegation of duties among Board members.

The Board has considered the need to establish Remuneration and Audit Committees, but found it more appropriate that these tasks be carried out by the Board in its entirety under the leadership of the Chairman. The reason being that the size of the Board and the company is not deemed to motivate special committees for these duties, and that it is important that the Board has full insight into, and takes an active role in, these important tasks.

The Board determines the CEO's remuneration (without the CEO's participation). The remuneration of other senior management is determined following negotiations between the CEO and the individual employees, based on the guidelines adopted by the AGM. Application of the guidelines is monitored and evaluated by the Board, which also evaluates the variable remuneration of senior management.

#### ATTENDANCE AT BOARD MEETINGS 2019

Name	Attendance at Board meetings
Carl Filip Bergendal	11/11
Johan Löf	10/11
Britta Wallgren	7/11
Hans Wigzell	10/11
Lars Wollung	7/11 <sup>1</sup>
Johanna Öberg	9/11

<sup>1</sup> Lars Wollung was appointed new Board member by the 2019 AGM, and participated in all subsequent Board meetings.

#### MAJOR DIRECT OR INDIRECT SHAREHOLDINGS

Shareholders with a direct or indirect shareholding in RaySearch who represent at least one-tenth of the votes in the company are presented in the table on the preceding page.

#### COMPANY MANAGEMENT

RaySearch's CEO leads the operations based on the framework established by the Board and appoints other members of senior management. RaySearch's senior management consists of the company's CEO, Deputy CEO, CFO, General Counsel, Chief Science Officer, Director of Research, Director of Development, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Service, Head of Machine Learning and the company's Quality and Regulatory Affairs Director.

During the year, business briefings under the CEO's leadership were conducted at least monthly, except during holiday periods when they occurred less frequently.

Company management also meets representatives of the US and European sales and marketing organizations on a regular basis, mainly through the CEO and Director of Sales and Marketing, respectively, to monitor and evaluate the Group's operations in their entirety. Monitoring is based on the Group's annually established targets and budgets, including RaySearch's strategies, short and long-term targets, operational objectives,

and competitor analyses. The Board is continuously informed about senior management's monitoring and evaluation measures.

#### INTERNAL CONTROL AND RISK MANAGEMENT

The role of the Board is to ensure that RaySearch has sound internal control and continuously remains informed of, and evaluates, the effectiveness of the company's internal control system. In view of the company's limited size and operational structure, the Board, in its annual assessment of the possible need for a separate function to review the company's internal financial controls, has concluded that there is no need for an internal audit function.

The control environment underlies all other components of RaySearch's internal control and risk management. In order to create and maintain a functioning control environment for financial reporting, the Board has established a number of basic documents, including special rules of procedure for the Board and instructions for the CEO. The Board has delegated responsibility for maintaining the Board's control environment framework to the CEO. The Board also determines the authorization instructions that delegate the CEO's authorization responsibilities to other senior executives at RaySearch. The CEO submits regular reports on the business situation and financial performance in relation to the budget and forecast to the Board and senior management. In addition, reports are also submitted by RaySearch's auditor. The internal control also builds upon a management system based on RaySearch's organization and manner of conducting business with clearly defined roles and areas of responsibility, and delegated authority. RaySearch has also documented the division of responsibilities within the organization through policies and instructions. RaySearch is a process-oriented company and has integrated risk assessment with business processes. RaySearch's senior management regularly assesses risks of material misstatement of the financial statements, as well as other operational risks. Risk management is also incorporated into each process and systematic methods are used to assess and mitigate risks, and to ensure that risks linked to the company's operations are managed in accordance with established regulations, instructions and monitoring procedures.

RaySearch's control structure includes clear roles and an effective delegation of responsibilities aimed at timely prevention of the risk of material misstatement of the financial statements. Company management has been tasked with implementing, further developing and maintaining the company's control structure. Process managers at various levels are responsible for the implementation of controls in respect of financial reporting. The closing accounts and reporting processes include checks in respect of valuations, reporting principles and estimates. RaySearch's CFO plays a key role in the internal control process by ensuring that financial reporting is accurate, timely and complete.

RaySearch has information and communication systems and processes to ensure complete and accurate financial reporting. The relevant employees are regularly informed about changes in accounting policies and reporting requirements or other information. The Board receives regular financial statements. External information and communication is governed by RaySearch's communication policy, which describes the company's general principles for information disclosure. The Board and senior manage-

ment monitor RaySearch's compliance with adopted policies and guidelines. A whistleblower system is also in place to enable employees and others to report their concerns regarding suspected errors in RaySearch's financial reporting, failure to comply with the company's policies and regulations or other serious irregularities. RaySearch's financial situation is addressed at all scheduled Board meetings. The Board and management review the financial reporting before Interim and Annual Reports are published. The auditor's duties also include an annual review of RaySearch's internal control, and a review of half-yearly and nine-monthly interim

reports. On at least one occasion each year the Board of Directors meets the auditor without the attendance of the CEO or any other members of company management when the auditor presents an account, and a discussion is held concerning the audit's focus and observations.

#### FURTHER INFORMATION

For more information about the Board and the CEO, refer to pages 58–59 and to Note 5 in the Annual Report. For more information about the auditors, refer to page 58 and Note 6 in the Annual Report.

Stockholm, April 29, 2020

Lars Wollung  
Chairman of the Board

Carl Filip Bergendal  
Board member

Johan Löf  
CEO and Board member

Britta Wallgren  
Board member

Hans Wigzell  
Board member

Johanna Öberg  
Board member