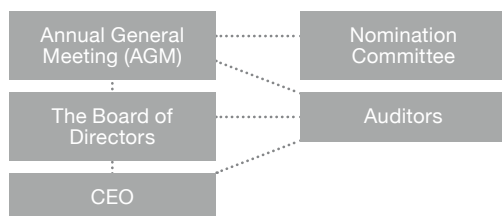


Corporate Governance Report

MSAB applies the revised Swedish Corporate Governance Code as of 1 January 2020. Corporate Governance at MSAB is based on Swedish legislation, and the regulations and recommendations set out by relevant organisations such as the Swedish Corporate Governance Board, Nasdaq Stockholm, the Swedish Securities Council and others. Corporate Governance is conducted via the AGM, the Board of Directors ("the Board") and the Chief Executive Officer (CEO). The Company's auditors, appointed by the AGM, review the financial statements and the administration of the Company as conducted by the Board and CEO. The Nomination Committee prepares proposals to the AGM on the election and remuneration of the Board and auditors. The Code is built on the principle comply or explain, which means that a Company that applies the Code may deviate from its provisions provided that each deviation can be explained in a satisfactory manner.



Annual General Meeting (AGM)

The AGM is the Company's highest decision-making body. The Company complies with the Swedish Companies Act with regard to how the AGM is organised, how shareholders exercise their rights and what decision-making powers the AGM has. The AGM was held on 15 May 2019 on the premises of Spårvagnshallarna Stockholm. Resolutions at the AGM included:

- adoption of the income statement and balance sheet, as presented in the annual report, and discharge of Board members and the CEO from liability
- approval of the Board's proposed dividend of SEK 2.20 per share
- re-election of Henrik Tjernberg as Board Chair, and election of Linda Nyberg, Jan-Olof Backman, Carl Bildt and Ann Hellenius as Board members
- election of Deloitte AB, with Erik Olin as Auditor-in-Charge for the period up to the conclusion of the next AGM
- adoption of the Nomination Committee's proposal for non-employee Board member remuneration in the amount of SEK 185,000 and SEK 500,000 to the Board Chair
- adoption of the Board's proposal for remuneration of senior executives
- adoption of the Board's proposal authorising the Board to make decisions regarding issuance of shares, share warrants and convertibles
- adoption of the Board's proposal authorising the Board to make decisions on transfer of shares held in treasury
- election of Henrik Tjernberg and Leo Gillholm as members of the Nomination Committee and appointment of Erik Hermansson as Chair of the Nomination Committee.

The full minutes from the AGM are available on the Company's website, msab.com.

Share ownership

The Company's B share (MSABB) are listed on the Nasdaq Stockholm exchange. The total number of shareholders on 31 December 2018

was 2,974. At the end of the period, Henrik Tjernberg held shares or votes exceeding 10 percent.

Nomination Committee

The Nomination Committee is elected by the AGM. At the 2019 AGM, Erik Hermansson and Henrik Tjernberg were re-elected to the committee. The Nomination Committee is responsible for preparing proposals for fees for the AGM Chair, Board Chair, Board members and auditors, and for preparing proposals for procedures for the Nomination Committee itself. Shareholders wishing to submit proposals to the Nomination Committee can do so via email to: valberedning@msab.com.

The Board and its work in 2019

The Board consisted of five members elected by the AGM. The Board is ultimately responsible for how the Company is organised and for administration of the Company's affairs. Information about the business and its economic and financial status is provided regularly at Board meetings. As part of the internal control of financial information, the Board reviews financial year-end reports, interim reports and annual reports, and poses control questions on process descriptions and procedures prepared by senior management. The CEO and the Board Chair communicate frequently regarding the business. The Board is also responsible for ensuring that appropriate policies are drawn up and implemented within the organisation. The distribution of tasks between Board members, the Board Chair and CEO are defined in the following written instructions:

- the rules of procedure for the Board,
- the distribution of tasks between the Board and CEO, and
- instructions to the CEO.

Evaluation of Board and CEO performance

The Board continuously evaluates the CEO's performance within the framework of the regular work of the Board. The Board's evaluation has been performed partly via the Chair's reporting to the Nomination Committee on the Board's work and how it functions, and partly via jointly compiled surveys completed by each board member. Great emphasis is placed on following up on former high-profile issues and on continuity in the process of change and improvement. When necessary, complementary, in-depth interviews with individual Board members are conducted. The results have served as a basis for the Nomination Committee's ongoing work and have to a certain extent been reported back to the Board. During 2019, the Board held nine Board meetings in Stockholm.

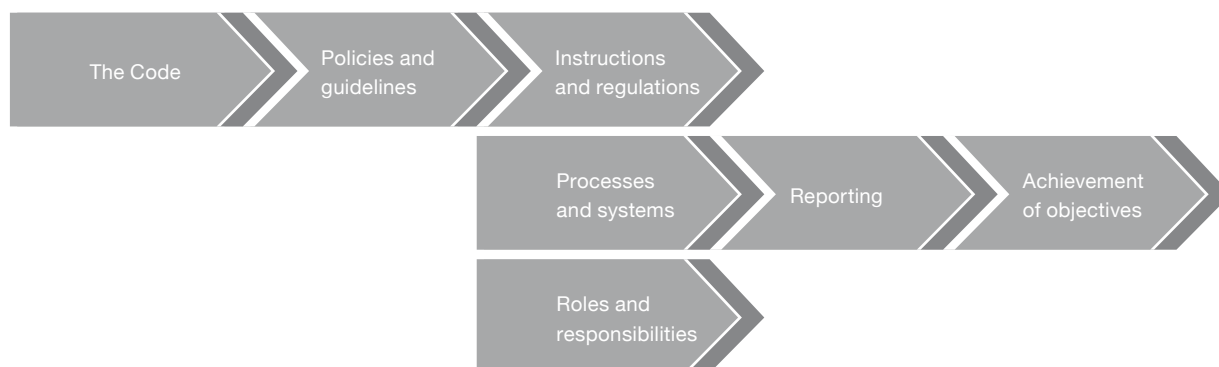
Attendance at the year's Board meetings was as follows:

Board of Directors 2019	Function	Elected	Independent	Attendance at Board meetings
Henrik Tjernberg	Chair	1986	No	9 out of 9
Jan-Olof Backman	Board member	1999	Yes	9 out of 9
Linda Nyberg**	Board member	2019	Yes	5 out of 5
Ann Hellenius**	Board member	2019	Yes	5 out of 5
Katarina G. Bonde	Board member	2011	Yes	4 out of 4
Robert Ahldin*	Board member	2013	No	4 out of 4
Carl Bildt	Board member	2016	Yes	4 out of 9

* Left the Board at the 2019 AGM

**Elected to the Board at the 2019 AGM

Corporate Governance



Board independence

The Board of Directors considers itself independent in relation to major shareholders, management and the Company, with the exception of Henrik Tjernberg, Chair, whose voting rights exceed 10 percent.

The Board has not established special committees for remuneration and auditing as the Company and Board employ relatively few people. These issues are dealt with by the Board as a whole. The Board has discussed the Company's focus, product development, growth, future strategy and other significant operational issues. MSAB works actively according to targets set by the Board, communicated to operational units via the CEO and management.

Senior management

The CEO is responsible for preparing and implementing MSAB's strategies for achieving agreed targets. The CEO oversees regular meetings with operational management teams, and with a team dedicated to product development issues. Meetings are also regularly convened for the entire Company, or certain departments, to disseminate information and review activities with the Company's employees.

Auditors

At the 2019 AGM, the audit firm Deloitte was elected as the Company's external auditor for the period until the next AGM. Mattias Lötbörn is the Auditor-in-Charge. The auditor reports its conclusions to the Board and the Audit Committee annually and meets with the Board without management presence in accordance with the Swedish Code of Corporate Governance.

Internal control

The Board has overall responsibility for effective internal control of the Company. The CEO is responsible for ensuring that a process and organisation are in place that assure internal control and the quality of the financial reporting to the Board and the market. The essential components of the Company's internal control structure are the control environment itself, risk assessment, control activities and monitoring.

Control environment

The basis of MSAB's control environment is the corporate culture established in the Company. MSAB works actively to communicate the Company's values to ensure that high morals, ethics and integrity permeate the organisation. The framework for internal control is built on the Company's guidelines, instructions, policy documents and the accountability and authority structure adapted to the organisation. During the year, the Board established a Code of Conduct to ensure good behaviour vis-à-vis customers, suppliers, employees and other stakeholders, and to ensure long-term value creation by the Company. The Group-wide ERP system has been upgraded and to some extent integrated into the Company's

Group-wide CRM system. The intention is to assure efficiency in the sales process, reduce the need for manual processing and contribute to reinforcing the internal control environment.

Sustainability

MSAB's mission is to deliver solutions world-wide that empower law enforcement authorities to effectively secure evidence recovered from digital devices. This means that, through its solutions, the Company strives to create a more legally secure society where more crimes are cleared up and prevented. In this way, the Company's entire existence is a major contribution to a sustainable society. Since the Company is essentially engaged in developing software, its impact on the environment is limited. However, the Board also strives to ensure that the Company complies with the environmental requirements in the various markets in which the company operates.

Risk assessment

Risks relating to the financial reporting are evaluated and monitored continuously by the Board and management. Risks are assessed at both the Company and functional level for critical processes, including the IT environment. The Company's accounting is characterised by precautionary principles and management strives to limit financial risks. In addition, management's objective is that the Company's IT environment should be reliable and risk-minimised, and that the Company's business systems should be fit-for-purpose, given the nature of the Company's operations. The Company strives to maintain strong control of the production flow, such as by ensuring that all development and design takes place within the Company's organisation, and that all designs are proprietary. The Company is not dependent upon any single supplier, although some production is external. MSAB's operations are affected by a number of business risks that impact on the Company's earnings and financial strength. When assessing future developments, it is important to weigh opportunities for growth in profitability against the risks. The most significant risks identified relating to business operations are currently:

- Exposure in various foreign currencies. The value of the Swedish krona relative to relevant currencies fluctuates, which creates uncertainties in forecasting future revenue in Swedish kronor. More than 90 percent of the Company's total sales are for export, while approximately 60 percent of expenses are in Swedish kronor.
- Competition for customers is intensifying, and the Company is working continuously on product improvements and packaging to meet customer requirements for the best tools.
- The speed of technological advance and the launch rate of new and more advanced mobile phones is placing even greater demands on development resources.
- Legal risks.

Control activities

Several control activities are performed in the day-to-day business processes to ensure that any errors or deviations in financial reporting are prevented, detected and corrected. The aim is to operate an authorisation structure where the same individual cannot perform and control the same task. Finance personnel are also involved in ongoing dialogue with subsidiaries and make visits to monitor and ensure that routines and policies are adhered to in accordance with Group management instructions.

Monitoring

The CEO reports monthly to the Board through a report covering the trend of the Group's earnings compared to budget and the previous year, as well as the Group's financial position. MSAB does not have a separate audit function, i.e. an internal audit, as the Company is relatively small. The Board's view is that the Company's business model, current structure and scope do not require such a function. The function is instead performed by Group management and the Group's finance department, with support from the external auditors. An ongoing dialogue is maintained between the Company and its external auditor, and the controls performed by Group management are currently assessed as adequate in ensuring that the internal control is of a good standard. This assessment will be evaluated continuously and will be reviewed again in 2020.

Remuneration of Board of Directors and senior executives

The Nomination Committee prepares proposals for remuneration of the Board. The fees are presented to the AGM for approval and are paid to Board members who are not Company employees. The amounts for remuneration to the Board, shown by fiscal year, are reported in Note 8.

Principles of remuneration

Remuneration to the Board Chair and other Board members is subject to approval by the AGM. The overall principles governing remuneration to senior executives are based on position, individual performance and the Group's profits, and that the remuneration should be competitive. Total remuneration for senior executives shall consist of fixed salary, and variable salary in the form of incentives based on performance targets. In addition, conditions apply governing termination and severance pay. In 2020, Group management comprised one senior executive and the Chief Executive Officer. All senior executives were employed throughout the year. In addition to senior executives, the Group also has an operational management team, whose remuneration principles do not differ from those described above for senior executives.

Long-Term Incentive Programme 2018–2021

On 15 May 2018, MSAB's AGM voted to implement a long-term incentive programme for the Company's senior executives and certain key persons (a maximum of 20 persons). Participants are to be offered the chance to subscribe for share warrants at a fair market consideration (according to the Black & Scholes method). These entitle the holder to subscribe for new Series B shares in the Company in the period 1 June 2021 up to and including 31 August 2021, at a price equal to 130 percent of the average volume-weighted closing price for the Company's Series B shares in the period 16 May up to and including 29 May 2018. The maximum number of share warrants offered to any programme participant shall not exceed 40,000.

Pensions

The contractual retirement age for the CEO and other senior executives is 65 years. Pension premiums for the CEO amount to no more than of 22 percent of pensionable salary and are paid under a defined-contribution pension plan. Other senior executives also subscribe to a defined-contribution pension plan. In 2019, pension premiums amounted to an average of 18 percent of basic salaries. Variable remuneration is not pensionable, either for the CEO or for other senior executives. All pensions are unvested, that is, they are not conditional upon future employment.

Severance pay

At year-end 2019, the CEO had a fixed annual salary of SEK 3,240,000 and variable remuneration of no more than 8 monthly salary payments (SEK 2,160,000). In the event of termination of employment, the CEO is entitled to compensation corresponding to one year's fixed salary. The Company pays insurance compensation relating to severance pay. Severance pay is not offset against other income. When termination of employment of other senior executives is initiated by the Company, the Swedish Employment Protection Act (LAS) applies.

Auditor's Review of the Corporate Governance Report

To the Annual General Meeting of shareholders in Micro Systemation AB (publ), Corp. ID no. 556244-3050

The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the review

Our review has been conducted in accordance with FAR's Statement RevU 16 Auditor's Review of the Corporate Governance Report. This means that our review of the corporate governance report has a different focus to, and is substantially lesser in scope than, an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the review has provided us with sufficient grounds for our opinions.

Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, section 6, paragraph 2, points 2–6 of the Swedish Annual Accounts Act and Chapter 7, section 31, paragraph 2 of the same law are consistent with the other parts of the annual report and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Stockholm, 22 April 2020
KPMG AB

Mattias Lötborn
Authorised Public Accountant