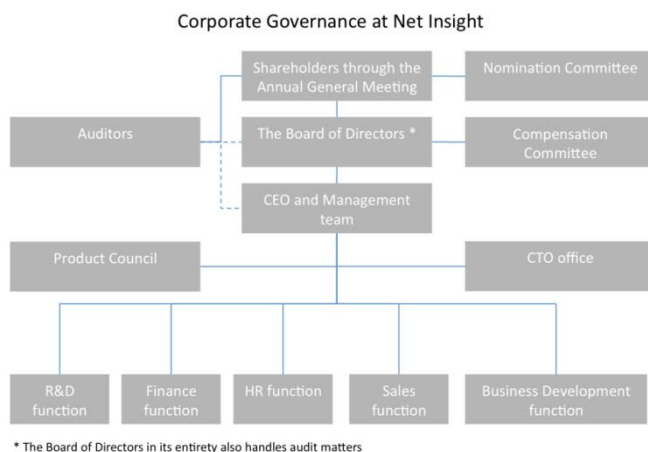


# Corporate Governance Report

Net Insight AB (publ) is a public limited company with its registered office in Stockholm. Net Insight's shares are listed on Nasdaq OMX Nordic Exchange Stockholm. The basis for governance of the Company and Group includes its Articles of Association, the Swedish Companies Act and the regulations of the Nasdaq OMX Stockholm AB rules for issuers, including the Swedish Code of Corporate Governance, applicable from 1 February 2010.



## Introduction

The Articles of Association describe the business of the company, its share capital, the number and classes of share, allocation of votes, the number of directors and auditors, notices of, and matters to be dealt with at, the Annual General Meeting (AGM), and the requirement that this meeting be held in Stockholm. In the period between AGMs, Net Insight's (publ) Board of Directors is the highest decision-making body in the Company. The duties of the Board are regulated by the Swedish Companies Act and the Articles of Association. The current Articles of Association were adopted at the AGM held on 28 April 2009. The full Articles of Association are available at [www.netinsight.net](http://www.netinsight.net).

## AGM

The AGM of Net Insight AB publ was held on 25 April 2013. The company's Nomination Committee is responsible for proposing a chairman for the AGM. Lars Berg was elected Chairman of the Meeting. The AGM made the following resolutions:

- Adoption of annual financial statement, appropriation of profits and discharging the Board members and CEO from liability
- The number of Board members should be six.
- Lars Berg, Gunilla Fransson and Anders Harrysson were re-elected as Board members. Cecilia Beck-Friis, Crister Fritzon and Regina Nilsson were elected as Board members.
- Lars Berg was re-elected Chairman of the Board.
- PriceWaterhouseCoopers AB was elected as the company's auditors.
- The AGM decided that Directors' fees should amount to SEK 1,275,000, to be allocated with SEK 400,000 to the Chairman of the Board and SEK 175 000 to each of the other Board members not employed by the company. Remuneration to the auditor, PriceWaterhouseCoopers, to be on approved account.
- The AGM resolved to approve the proposed procedures for appointment of the Nomination Committee and the Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for senior executives.

The complete minutes of the AGM, as well as the supporting documentation, are available at: [www.netinsight.net/agm](http://www.netinsight.net/agm)

## Nomination Committee

The Nomination Committee is responsible for submitting nominations for the Chairman and other members of the Board, as well as fees and other compensation to each member for their Board duties. The Nomination Committee is also responsible for submitting proposals for the election of the auditor and audit fees. The members of the Nomination Committee should be appointed, or the method for appointing the members should be decided, at the AGM. In accordance with AGM resolution, Net Insight's Nomination Committee consists of the Chairman of the Board of Net Insight AB and the company's four largest shareholders as of the last banking day each August, who are then each entitled to appoint a member to the Nomination Committee. The composition of the

Nomination Committee was published on 2 October 2013. Net Insight's Nomination Committee for 2014 has the following members: Clifford H. Friedman (Constellation Growth Capital), Lars Bergkvist (Lannebo Fonder), Annika Andersson (Swedbank Robur fonder), Ramsay Brufer (Alecta) and Lars Berg (Chairman of the Board of Net Insight AB and European Venture Partner of Constellation Growth Capital). The Nomination Committee appointed Lars Bergkvist (Lannebo Fonder) as its Chairman. The Nomination Committee held four meetings when minutes were kept in preparation for the AGM 2014.

## **Board of Directors**

The Board administers the company's affairs in the interests of the company and all of its shareholders. The size and composition of the Board ensures its ability to administer the company's affairs effectively and with integrity. The Board's duties include establishing business goals and strategies, deciding on acquisitions and divestitures, capitalization of the company, appointing, appraising, and determining the compensation of the CEO, ensuring that there are effective systems to monitor and control the company's business, ensuring that the necessary ethical guidelines for the company's conduct are established, and appraising the Board's work. The Board's rules of procedure are established annually at the Board Meeting following election, or as required. In addition to the above duties, the rules of procedure stipulate items including Board meeting procedures, instructions for the company's CEO, decision-making procedures within the company, division of responsibilities, and the disclosure of information between the company and the Board. The Board monitors and appraises the CEO's performance, including implementation of the Board's decisions and guidelines annually. The Board held six meetings during the year when minutes were kept, not counting three per capsulam meetings. At these meetings, the Board considered standing agenda items for each Board meeting such as the state of the business, year-end and interim reports, budgets, as well as the appointment of a new CEO in the year. General issues such as the prevailing economic situation, long-term strategies, business plans and partners were also considered. At the Board Meeting following election, the Board considered and adopted the rules of procedure for the Board and instructions for the CEO. Directors' fees totaled 1,275,000 SEK, of which 400,000 SEK was paid to the Chairman of the Board and 175,000 SEK each to the other Board members not employed by the company.

## **Independence of the Board**

All Board members are independent of the company and management. Five Board members are independent of the company's principal owners. Chairman of the Board Lars Berg is not independent of Constellation Growth Capital, the largest shareholder of Net Insight.

For information on Board members and the CEO, see page 59.

## **Remuneration Committee**

The Board's overall responsibility cannot be delegated, but it has instituted a Remuneration Committee charged with consulting on issues concerning salaries, compensation and other terms of employment for the CEO, as well as compensation programs of a broader nature, such as option programs, for final decision by the Board. The Remuneration Committee decides on issues regarding salaries and compensation and other terms of employment for all staff that report directly to the CEO. The Committee reports to the Board on a continuous basis. The Remuneration Committee members are Chairman of the Board Lars Berg and Board member Gunilla Fransson, who replaced Bernt Magnusson. During the year, the Committee held three meetings when minutes were kept, and consulted on the following matters: the CEO's variable remuneration for 2012 to be decided by the Board; a decision on variable remuneration for 2012 for the rest of management; the CEO's business goals for 2013 and compensation structure and the business goals for the rest of the management team.

## **Audit process and Auditors**

Net Insight's Board of Directors has decided against a separate audit committee; instead, the whole Board deals with audit matters. The Board has decided on this approach since it is suitable as long as the company has a relatively uncomplicated business and audit structure. In consultation with the company's auditors, the Board has also proactively discussed new accounting recommendations that may affect future company accounting and reporting. Twice a year, after the third and fourth quarter financial statements, the Group's auditors report their observations from their audit to the whole Board. These meetings also keep the Board informed of the direction and scope of the audit, as well as discussing the coordination of the external audit, internal controls and the

auditor's view of risks in the company. During two of these meetings, the auditors present and discuss their views without management being present.

In addition to normal auditing duties, PriceWaterhouse-Coopers AB also provides Net Insight with general accounting and tax consultancy. It is the responsibility of PriceWaterhouseCoopers AB to guarantee its independence as an audit firm in its role as advisor. The legally mandated term of auditors is one year. The company's audit firm, PricewaterhouseCoopers AB, was re-elected at the AGM 2013 for a term lasting until 2014. Mikael Winkvist was appointed as Auditor in Charge.

## Attendance in 2013

Attendance by each Board member is presented below.

Name	Attendance at Board meetings	Remuneration Committee
Lars Berg	6/6	3/3
Bernt Magnusson	1/6	1/3
Clifford H. Friedman	1/6	
Gunilla Fransson	6/6	2/3
Arne Wessberg	1/6	
Anders Harrysson	6/6	
Fredrik Trägårdh	2/6	
Cecilia Beck-Friis	5/6	
Crister Fritzon	4/6	
Regina Nilsson	5/6	

# Board of Directors' report on internal controls over financial reporting

## Purpose of internal controls

The purpose of Net Insight's work on internal controls is to:

- Ensure satisfactory compliance with applicable laws, rules and ordinances.
- Ensure that financial reporting gives a fair and true view of the company's financial situation and gives accurate decision-support data for shareholders, the Board and management.
- Ensure the company's operations are organized and managed so financial and operational objectives are realized and that significant risks are dealt with in a timely and appropriate manner.

## Roles and responsibilities

Net Insight's Board is responsible for ensuring that internal controls over financial reporting meet the standards of the Swedish Companies Act and Swedish Code of Corporate Governance. For Net Insight, internal controls over financial reporting are an integral part of corporate governance. These controls contain processes and methods to safeguard the group's assets and accuracy in financial reporting, in order to protect owners' investments in the company. The Board adopts rules of procedure yearly, which formalizes the work of the Board and managing issues. The Board issues instructions to the CEO, which stipulate the matters for which the CEO may exercise his authority to act on behalf of the company, subject to the Board's authorization or approval. These instructions are reviewed annually. The Board also issues instructions to the CEO regarding financial reporting. According to his instructions, the CEO is responsible for reviewing and ensuring the quality of all financial reporting, as well as ensuring that the Board otherwise receives the reports it needs to be able to continually assess the group's accounting position. The whole Board considers audit matters.

## External reporting

The Board monitors and evaluates quality assurance through quarterly reports on the company's business and earnings trends, and by considering the Group's financial situation at each scheduled Board meeting. On two occasions each year, the company's auditor attends Board meetings to present the outcome of the full year audit and the third-quarter financial statement. On these occasions the Auditor also presents any changes to accounting policies that affect the company. Coincident with the presentation of the full year audit, the auditor also states his view, on the adequacy of the organization and competence of the finance function, without management's attendance.

To support the accuracy of external reporting and risk management, the internal reporting and control system builds upon annual financial planning, monthly reports and daily monitoring of key financial ratios. The group's finance department inspects and monitors reporting, as well as compliance with internal and external regulations.

Besides laws and ordinances, internal policies and guidelines include finance policies, an approvals list, a financial handbook, credit and accounting policy and documented procedures for the most important tasks of the finance department. These policies and guidelines are updated regularly. Identified risks concerning financial reporting are managed through the company's control activities. For example, the IT system has automated controls that manage access rights and signatory authority, as well as manual controls such as duality, in regular book-keeping and closing entries. The business-specific controls are complemented by detailed financial analyses of the company's results and follow-ups against budget and forecasts, which provides overall confirmation of the quality of reporting.

Improvements regarding primary documentation of the financial statement process and improved management of basic customer data were conducted in 2013. All major policies were updated simultaneously, with amendments implemented.

## Internal audit

Each year, the Board evaluates whether there is a need to create a dedicated internal audit function. The Board judged that there was no such need in 2013. In its reasoning, the Board stated that internal control is primarily exercised through:

- The central accounting function
- Management's supervisory controls.

These factors, combined with the company's size and limited complexity, means that the Board considers that such a further function would not be financially justifiable at present.

# Auditor's Report on Corporate Governance Report

To the annual meeting of the shareholders of Net Insight AB (publ), corporate identity number 556533-4397

It is the Board of Directors who is responsible for the Corporate Governance Report for the year 2013 (on pages 60-62) and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on that reading and our knowledge of the company and the group, we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and of substantially less scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden, 13 February 2014  
PricewaterhouseCoopers AB

Mikael Winkvist