

# The Board's Corporate Governance Report

Net Insight AB (publ) is a public limited company with its registered office in Stockholm, Sweden. Net Insight's shares are listed on Nasdaq Stockholm. The basis for governance of the company and group includes its Articles of Association, the Swedish Companies Act and Nasdaq Stockholm's regulations for issuers, including the Swedish Code of Corporate Governance, applicable from December 1, 2016 as well as internal regulations and policies.

## 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, Sweden. In the period between AGMs, Net Insight's 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 on April 28, 2009. The full Articles of Association are available at [www.netinsight.net](http://www.netinsight.net).

No divergences from the Code were reported in 2016. Nor has the company contravened Nasdaq Stockholm's Issuer Rules or accepted practice on the stock market.

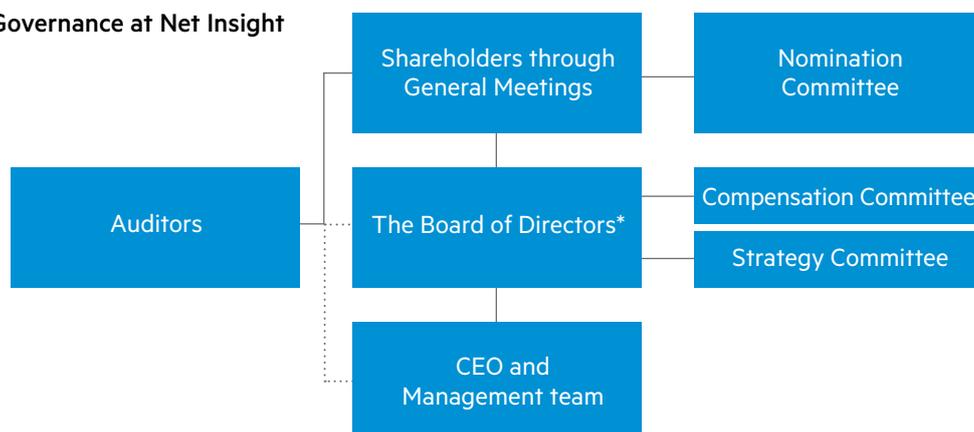
## Annual General Meeting, AGM

The AGM of Net Insight AB (publ) was held on May 10, 2016. 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 seven.
- Lars Berg, Gunilla Fransson, Anders Harrysson, Cecilia BeckFriis, Crister Fritzson and Jan Barchan were reelected as Board members and Charlotta Falvin was elected as Board member.
- Lars Berg was re-elected Chairman of the Board.
- PricewaterhouseCoopers AB was elected as the company's audit firm, with Mikael Winkvist as Auditor in Charge.
- The AGM decided that Directors' fees should amount to SEK 1,870,000 to be allocated with SEK 550,000 to the Chairman of the Board and SEK 220,000 to each of the other Board members not employed by the company. Remuneration for Committee work, payable to members appointed by the Board of Directors, is SEK 10,000 per meeting.

## Corporate Governance at Net Insight



\* The Board of Directors in its entirety also handles audit matters.

- Remuneration to the auditor, PricewaterhouseCoopers AB, to be on approved account.
- The AGM resolved to approve the proposed procedures for appointing of the Nomination Committee and the Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for senior executives.
- The Annual General Meeting decided to introduce a cash-based option program related to Net Insight's share price performance. The program will be completed by issuing synthetic options. Synthetic options will be offered to all the 140 or so Swedish-domiciled employees of the Net Insight group's Swedish organization.
- The AGM decided to authorize the Board of Directors to, in the period until the next AGM is held, repurchase own shares totaling up to 5 percent of all shares in the company, and to reach Board resolutions regarding the transfer of own shares.

The complete minutes of the AGM, as well as the supporting documentation, are available at: <https://investors.netinsight.net/corporate-governance/>.

### **Nomination Committee**

According to a decision at the AGM, 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 of the Nomination Committee. The composition of the Nomination Committee was published on October 4, 2016. Net Insight's Nomination Committee for 2017 has the following members: Jan Barchan (Briban Invest), Lars Bergkvist (Lannebo Fonder), Ramsay Brufer (Alecta), Christian Brunlid (Handelsbanken fonder) and Lars Berg (Chairman of Net Insight AB). The Nomination Committee appointed Lars Bergkvist (Lannebo Fonder) as its Chairman. The Nomination Committee held five meetings when minutes were kept in preparation for the AGM 2017.

### **Auditor**

According to the Articles of Association, Net Insight shall appoint one to two Auditors with or without Deputy Auditors. The stipulated term of office for Auditors is one year. The company's Auditors, PricewaterhouseCoopers AB, were re-elected at the AGM 2016 to serve in the period until the AGM 2017. Mikael Winkvist was appointed Auditor in Charge. In addition to regular audit work, PricewaterhouseCoopers AB also assists Net Insight with general advice relating to accounting and tax. PricewaterhouseCoopers AB is required to guarantee its independence in regard to carrying out its role as adviser.

### **Board of Directors**

The Board of Directors 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 compensation to 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.

### **Work of the Board**

The Board held six meetings during the year when minutes were kept, not counting six 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, business goals, risks, compensation issue to management with principles for variable salary portions, as well as monitoring these issues and audit matters. During the year, the Board focused particularly on the progress of Live OTT and the following up the acquisition of ScheduALL. The Board meeting following election addressed and adopted the Board of Directors' Agenda and the instructions for the CEO.

Each year, the Chairman initiates an evaluation of the Board's work. The evaluation for 2016 was completed by an independent consultant through interviews and a survey. The consultant subsequently reported the findings to the Board, and then to the Nomination Committee.

The Nomination Committee then carried out its own evaluation on the basis of this information.

The Board of Directors continuously appraises the CEO on the basis of specific targets. A formal appraisal is carried out once annually.

### **Independence of the Board**

Net Insight's Board of Directors is considered to satisfy the Code's standard of independence: all Board members are independent of the company and management. Six Board members are independent of the company's principal owners.

For information on Board members and the CEO, see page 26 and 27 respectively.

### **Remuneration Committee**

The Board has instituted a Remuneration Committee charged with consulting on issues concerning salaries, compen-

sation 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 Anders Harrysson. During the year, the Committee held five meetings when minutes were kept, not counting per capsulam meetings, and consulted on the following matters: the CEO's variable remuneration for 2015 to be decided by the Board; a decision on variable remuneration for 2015 for the rest of management; business goals and compensation structure for the CEO for 2016 to be decided by the Board and the remuneration structure for the rest of management.

### **Strategy Committee**

The Board has also appointed a Strategy Committee to prepare and evaluate questions regarding the company's strategic development, by means including analyzing and initiating corporate acquisitions and other strategic collaborations and presenting the necessary measures for final authorization by the Board of Directors. The Committee includes Lars Berg, Anders Harrysson and Jan Barchan. One meeting was held in the year. Strategic issues were mainly addressed in regular Board meetings.

### **Audit**

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. At both of these meetings, the auditors presented and discussed their views without management being present.

#### Attendance in 2016

Attendance by each Board member at meetings when minutes were kept is presented below:

| Name                           | Attendance at Board meetings | Remuneration Committee |
|--------------------------------|------------------------------|------------------------|
| Lars Berg                      | 6/6                          | 5/5                    |
| Anders Harrysson               | 5/6                          | 5/5                    |
| Gunilla Fransson               | 6/6                          |                        |
| Cecilia Beck-Friis             | 6/6                          |                        |
| Crister Fritzon                | 6/6                          |                        |
| Regina Nilsson <sup>1)</sup>   | 2/6                          |                        |
| Jan Barchan                    | 5/6                          |                        |
| Charlotta Falvin <sup>2)</sup> | 4/6                          |                        |

<sup>1)</sup> Regina Nilsson declined re-election at the AGM 2016.

<sup>2)</sup> Charlotta Falvin was elected to the Board at the AGM 2016.

#### CEO and Management

The CEO leads the company according to the terms of the instructions to the CEO, reports to the Board of Directors on financial and operational progress against financial and operational objectives set by the Board of Directors on a monthly and quarterly basis. The CEO attends Board meetings and provides the Board of Directors with the necessary information and decision-support data. The company's CFO serves as Board secretary. The company

is organized into functions, with each functional manager also being members of management. Management holds regular meetings with a standing agenda, and weekly reviews, as well as additional meetings when required.

For more information on the CEO and members of management, see page 27.

#### The Board's report on internal controls

##### 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 processing 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 and risks. The Board of Directors determines important policies, including Finance Policy, Guidelines for Business Ethics and Whistleblower policy.

#### **Risk identification and monitoring**

Net Insight's overarching risk evaluation, meaning identifying and evaluating the risk of not reaching business targets, is carried out as part of the company's strategy process where probabilities and measures are discussed with the Board of Directors. This process is repeated in connection with the budget process. These risks are also evaluated and managed in the company's line organization on an ongoing basis. In its reporting to the Board of Directors, management regularly presents significant risk areas that have been identified, such as the company's competitive situation, credit risk and technology trends. For an overview of the company's risks and risk management, see pages 30-31 in the Administration Report.

#### **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 review. 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 ERP system has automated controls that manage access rights and signatory authority, as well as manual controls such as duality, in regular bookkeeping 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.

In 2016, the work associated with improving Net Insight's processes primarily focused on harmonizing accounting and reporting procedures relating to the acquisition of Schedu-ALL, the introduction of a global ERP system, bringing a new consolidation system on stream and improving documentation and routines for accounts payable. All major policies were updated and amendments were 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 2016. 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.