

# Corporate Governance Report 2019

The page references in this document refer to Net Gaming Europe’s 2019 Annual Report.

## Introduction

Corporate governance in Net Gaming Europe AB (publ) (“Net Gaming”) is based on the articles of association, the Swedish Companies Act, Nasdaq Stockholm’s Rules for Issuers, the Swedish Corporate Governance Code (available at www.bolagsstyrning.se) (“the Code”) and other applicable laws and rules. The Code forms part of the self-regulation of the Swedish corporate sector and is based on the comply or explain mechanism. This means that companies are not obliged to comply with every rule in the Code, but must openly report every deviation, describe the alternative solution they have chosen and explain their reasons for doing so. This corporate governance report relates to both the Parent Company Net Gaming Europe AB and the Group.

## Principles of corporate governance

Net Gaming applies statutory or other regulatory rules and the Code. The Company complies with the Code’s rules apart from deviations regarding the Nomination Committee (see below).

## Corporate governance structure

At the AGM/shareholders’ meeting, the shareholders make the decisions and set the guidelines that form the basis for Net Gaming’s corporate governance. The organisational chart below summarises how corporate governance is organised in Net Gaming.

## Control Instruments

The external control instruments that provide the framework for corporate governance within Net Gaming include the Companies Act, the Annual Accounts Act, Stock Exchange rules,

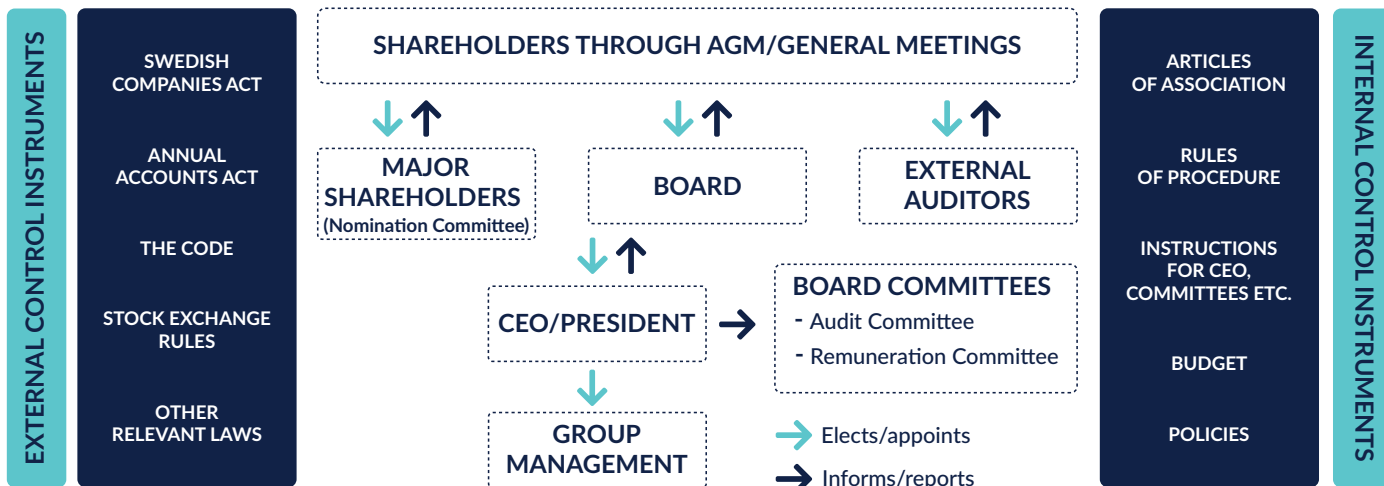
the Code and other relevant laws. Foreign subsidiaries apply the laws and regulations that apply in their own country, but also ensure that the Group’s guidelines for governance and control are followed.

The Board of Directors is ultimately responsible for the Company’s organisation and the management of its affairs. Supervision is exercised by authorities and their appointed bodies, partly through the Company’s reporting to them and partly through their own regular controls. Internal control instruments include the articles of association adopted by the shareholders’ meeting, the Board’s rules of procedure, the CEO’s instructions, the Board’s committees and financial reporting. In addition, there are financial and quantitative targets, budgets, reports, policies, values and codes of conduct. The policies adopted by the Board are the code of conduct, financial policy, communication policy, responsible gaming policy, authorisation policy and insider policy. The CEO decides on the crisis management policy, IT security policy and work environment policy, which are communicated to the Board. There are also other governance documents drawn up by the CEO or persons appointed by the CEO.

## Division of responsibilities

Shareholders exercise their influence over Net Gaming Europe AB at the shareholders’ meeting, which is the Company’s highest decision-making body, while responsibility for the Company’s organisation and management of its affairs rests with the Board and the CEO in accordance with Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the articles of association and the Board’s internal control instruments.

## CORPORATE GOVERNANCE STRUCTURE



### The share and shareholders

According to Euroclear Sweden's share register, Net Gaming had 1,146 shareholders at 31 December 2019. The ten largest owners had a total holding corresponding to 85.8 percent of share capital. At 31 December 2019, share capital amounted to EUR 1,913, thousand divided into 75,604,487 shares. The Company has one class of shares – A shares. Each share entitles the holder to (1) vote at the shareholders' meeting. Following the change of presentation currency, share capital was converted to EUR 1,912,618.10 on 1 January 2019. In addition, the Company has a total of 600,000 employee share options and 250,000 warrants outstanding at the end of the year. More details about the share, shareholders and related information can be found on pages 28-29. Information is also available on the Company's website.

### Shareholders' meeting

The shareholders' meeting is Net Gaming Europe AB's highest decision-making body. The Annual General Meeting, held in Stockholm within six months of the end of the financial year, deals with the adoption of the income statements and balance sheets, the dividend, discharging of Board members and the CEO from liability, election of the Board, Board fees, the appointment of an auditor if relevant, auditors' fees, statutory matters, guidelines on remuneration of senior executives, and any other business from the Board and shareholders. All shareholders registered in the share register on the specified record date, and who have provided timely notification of their intention to attend, are entitled to participate in the meeting and vote the total number of shares held. Shareholders may be represented by proxy. To be eligible to attend and exercise voting rights at the shareholders' meeting, shareholders who have registered their shares in the name of a nominee must temporarily re-register the shares in their own name as prescribed in the notice convening the meeting. The 2019 AGM was held on 23 May. The financial statements for the Group and Parent Company and the related audit reports were presented at the meeting. In connection with this, the Chairman of the Board provided information about the work of the Board and reported on the cooperation with the auditors. In addition, the Company's former CEO Marcus Teilman gave a presentation of the Group's operations in 2018.

The auditors presented their audit to the AGM in the form of the published audit report and an oral presentation of the work during the last year. The 2019 AGM made the following decisions:

- The presented income statements and balance sheets were adopted, and Board members and the CEO were discharged from responsibility for the 2018 financial year.
- Board fees were set at SEK 160,000 for each non-executive Board member. Fees for the Chairman of the Remuneration and Chairman of the Audit Committee were set at SEK 40,000, while fees for each member of these committees were set at SEK 20,000. Auditors' fees are to be paid on approved account.

- Jonas Bertilsson, Henrik Kvick and Marcus Teilman were re-elected to the Board, and Fredrik Rüdén and Peter Åström were newly elected. Henrik Kvick was re-elected as Chairman. The auditing firm Öhrlings PricewaterhouseCoopers AB was appointed as auditor, with Aleksander Lyckow as chief auditor.
- The Board was authorised to decide to issue up to sixty million new shares. The share issue may be in cash, provided new shares are paid for in kind or by set-off, or otherwise in accordance with Chapter 13, section 5, first paragraph (6) of the Companies Act. The issue may be conducted with a derogation from shareholders' preferential rights. The authorisation may be exercised on one or more occasions in the period up to the next Annual General Meeting. The purpose of the authorisation is to strengthen the Company's cash in a time-effective way or to facilitate acquisitions for which payment is in cash or with own shares.
- New articles of association were adopted to reflect the change of presentation currency to EUR and to adjust the business description.
- Establishment of a warrant-based incentive programme for the Group's incoming Head of M&A and Business Development.

Notice of the meeting will be given by announcement in Post och Inrikes Tidningar and on the Company's website. When the notice has been published, information to this effect shall be announced in Dagens Nyheter. Notice of the AGM and any EGM convened to consider amendment of the articles of association must be made no earlier than six weeks and no later than four weeks before the meeting.

### Nomination Committee

In view of the composition of the shareholders, a nomination committee has not been considered necessary. Proposals for the election of the Chairman at the AGM, the election of the Board and, where applicable, the auditors, and proposals for the remuneration of Board members and the auditors are therefore submitted by the Company's major shareholder and presented in the notice of the AGM and on the Company's website. This is therefore a derogation from the Code's rules regarding a nomination committee.

### Auditors

Net Gaming's auditors are elected at the AGM. At the 2019 meeting, Öhrlings PricewaterhouseCoopers AB, with authorised public accountant Aleksander Lyckow as chief auditor, was elected as auditor for the period up to and including the 2020 AGM. Net Gaming's articles of association do not contain any term of office for the auditor. This means that the election of an auditor in Net Gaming takes place annually in accordance with the Companies Act. The audit is reported to shareholders in the form of an audit report, which constitutes a recommendation to shareholders prior to their decisions at the AGM on the

adoption of the income statement and balance sheet for the Parent Company and the Group, the appropriation of the Parent Company's profit and whether to discharge Board members and the CEO from liability. The work includes control of compliance with the articles of association, the Companies Act, the Annual Accounts Act and International Financial Reporting Standards (IFRS), issues regarding valuation of items in the balance sheet, follow-up of material accounting processes, as well as governance and financial control.

The Company's auditor attends at least one Board meeting or Audit Committee meeting each year. The auditors have been present at most of the Audit Committee meetings and at the 2019 AGM to present the audit report.

In addition to the audit assignment, the Company has consulted Öhrlings PricewaterhouseCoopers on matters primarily concerning tax management. Fees paid to Öhrlings PricewaterhouseCoopers are shown on page 63. As auditor to Net Gaming and subsidiaries, Öhrlings PricewaterhouseCoopers AB is obliged to review its independence before deciding to also provide other services. Fees to the audit firm for 2019 are shown in note 7 of the annual report.

## The Board and its work

### Composition of the Board

According to the articles of association, the Company's Board shall consist of three to ten directors with a maximum of ten deputies elected by the AGM for the period until the end of the next AGM. During 2019, Net Gaming Europe AB's Board, which was appointed by the 2019 AGM, consisted of five directors including the CEO.

As mentioned, the Company's major shareholders submit proposals for, among other things, the election of the Board. The Board must have a composition that is appropriate to the Company's operations and phase of development, with directors having diversity and breadth of qualifications, experience and background. The 2019 AGM elected five directors, in line with the proposal of the major shareholders.

The composition of the Board in 2019 and directors' fees for 2019 and 2018 are shown in the table in note 8. For further information and details of directors' current assignments, see the Board presentation on page 40.

### Independence of the Board

According to the Code, the majority of the directors elected by the shareholders' meeting must be independent of the Company and its executive management and at least two of these directors must also be independent of the Company's major shareholders. All directors are considered independent of the Company and its management, with the exception of former CEO Marcus Teilman (in his capacity as CEO). After the change of CEO in February 2020, the CEO is

no longer a member of the Board but is co-opted to all Board meetings, apart from meetings with evaluation of the work of the Board and the CEO on the agenda. Other Company employees also attend in a reporting capacity as needed. The Company's CFO is Board secretary. Net Gaming Europe's Board of Directors is therefore assessed as compliant with the Code's requirements on independence.

### Evaluation of the Board's work

To ensure quality in the work of the Board and identify any needs for additional skills and experience, the Chairman of the Board conducts an annual evaluation of the Board's work, in accordance with the Board's rules of procedure. The Chairman has had individual discussions with each Board member in order to obtain an idea of Board members' views on how Board work is conducted and what measures could make it more efficient. The results of the evaluation have been discussed jointly by the Board. The purpose is to develop the work of the Board and to provide major shareholders with relevant decision-support material before the AGM.

### Chairman of the Board

Henrik Kvick was elected Chairman of the Board at the 2019 AGM. The Chairman organises and leads the work of the Board so that it is conducted effectively and in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies (including the Code) and the Board's internal control instruments. The Chairman monitors the business in dialogue with the CEO, and is responsible for ensuring that other Board members receive satisfactory information and decision-support material and for communicating shareholders' views to the Board. The Chairman also ensures that the Board regularly updates and develops its knowledge of the Company, and receives any appropriate training that will improve the efficiency of Board work.

### Tasks and responsibilities of the Board

The Board oversees the CEO's work through continuous monitoring of operations during the year and is responsible for ensuring that the organisation, management and guidelines for managing the Company's affairs are appropriately structured. The Board also ensures that there is satisfactory internal control, with system support in place for monitoring the business and its risks, and compliance with laws, regulations and internal guidelines. The Board is also responsible for developing and reviewing the Company's strategies through plans and goals, decisions on acquisitions and disposals of operations, major investments, the appointment and remuneration of management, and regular monitoring of operations during the year. The Board also adopts budgets and annual financial statements.

### The Board's rules of procedure

The Board of Directors adopts annual written rules of procedure which govern the work of the Board and division of tasks among directors, the decision-making process within the

Board, the Board's meeting schedule, the Chairman's duties and instructions for financial reporting. The Board's rules of procedure also include special CEO instructions with regard to the division of work between the Board and the CEO.

The inaugural Board meeting is held immediately after the AGM or immediately after any EGM at which a new Board is elected. At Net Gaming's inaugural Board meeting on 23 May 2019, members of the Board committees were appointed and the above-mentioned rules of procedure were adopted. In addition to the inaugural meeting, the Board holds at least six regular meetings per year, with additional meetings when the Chairman considers it appropriate or within 14 days of a request for a meeting from a director or the CEO. Twelve Board meetings were held in 2019. The work of the Board follows a pre-established plan with certain fixed decision points during the financial year:

- In January/February, the Board deals with the year-end report, the Board's recommendation regarding a dividend and any supplement to the budget and business plan. The Board also evaluates its working methods and decision-making procedures and considers improvements to them.
- In March/April the public annual report is dealt with. The Company's auditors report on observations made during the audit. The Board also deals with remuneration issues.
- The quarterly results are dealt with in May, August and November.
- In June, the Company's strategy, goals and investment plans are reviewed.
- In November, the business plan for the coming year is dealt with, which will form the basis for the preparation of the annual budget in December. The business plan is based on the cornerstones of a defined strategy.
- In December, the Board deals with preparations for the year-end accounts, and approval of the budget and business plan for the coming year.

Other business is dealt based on the nature of the business in question. On one occasion during the year, the Board deals with the evaluation of the CEO's work, with no member of executive management present. The Board also approves any significant assignments the CEO has outside the Company. Attendance at the year's Board meetings was exceptionally good. The Group's CFO attends Board meetings and is also Board secretary. Other executives attend Board meetings in a reporting capacity for special matters or when otherwise deemed appropriate.

#### **The Board's control of financial reporting**

The Board monitors the quality of financial reporting through instructions in this regard and through instructions to the CEO. The CEO, together with the CFO, is tasked with reviewing and

ensuring the quality of all external financial reporting, including year-end reports, interim reports, annual reports, press releases with financial content and presentation material in connection with meetings with the media, owners and financial institutions. The Board's Audit Committee helps to ensure that correct, high-quality financial reporting is prepared, finally approved by the Board and communicated. The Board receives monthly financial reports and each Board meeting deals with the financial situation of the Company and the Group. The Board also deals with interim reports and annual reports. To ensure that the Board's information needs are met, the Company's auditors, in addition to the Audit Committee, also report to the Board on their observations from the audit and their assessment of the Company's internal control each year. At least once a year, the Company's auditors report to the Board on whether the Company has ensured efficient accounting, administration and financial control, after which the Board engages in dialogue with the auditors, not in the presence of the CEO or any other member of executive management.

#### **Remuneration of the Board**

Remuneration of Board members elected by the shareholders' meeting is decided by the meeting following a proposal from the Company's largest shareholders. The 2019 AGM adopted total Board fees, payable from the 2019 AGM to the 2020 AGM, of SEK 800,000, distributed as follows: SEK 160,000 to the Chairman and SEK 160,000 to each of the other members elected by the AGM, apart from the CEO. The Chairman of the Audit Committee and Chairman of the Remuneration Committee receive an additional fee of SEK 40,000, while members of these committees receive an extra fee of SEK 20,000.

#### **The Board's committees**

The Board has full knowledge of, and responsibility for, all matters on which it has to make decisions. Work was conducted in two committees appointed by the Board during the year: the Audit Committee and the Remuneration Committee.

#### **Audit Committee**

The Committee consists of at least three representatives of the Board. Its preparatory tasks include:

- Preparing the Board's work on quality assurance of the Company's financial reporting.
- Monitoring and making recommendations and proposals to ensure the reliability of reporting with regard to the efficiency of the Company's internal controls and risk management.
- Assisting in the procurement of audit services and the preparation of the election and remuneration of auditors.
- Reviewing the scope and focus of the audit assignment.
- Preparing audit issues and evaluating the audit work.

- Establishing guidelines for the procurement of permitted non-auditing services from the Company's auditor and, if applicable, approving such services in accordance with guidelines.
- Following up and assessing the application of current accounting principles and the introduction of new accounting principles and other accounting requirements prescribed in legislation, generally accepted accounting principles and applicable stock exchange rules.

The Company's chief auditor and representatives of the audit firm are co-opted to the majority of meetings. Where appropriate, senior executives are co-opted. Since the 2019 AGM, the Committee has consisted of Fredrik Rüdén, Henrik Kwick and Jonas Bertilsson. Fredrik Rüdén is Chairman of the Committee. The Audit Committee held two meetings in 2019 and the Board received minutes from the meetings. The auditors were present at one of the Audit Committee meetings.

#### Remuneration Committee

The Committee may consist of any number of representatives of the Board. The main tasks of the Committee are to prepare the Board's decisions on matters concerning remuneration principles, remuneration and other terms of employment for executive management, as well as current general remuneration structures and remuneration levels in the Company. Remuneration of the CEO and principles for remuneration of Company management are decided by the Board. Remuneration of other senior executives is decided by the Remuneration Committee within the framework established by the Board and the AGM. Since the 2019 AGM, the Remuneration Committee has consisted of Peter Åström, Henrik Kwick and Jonas Bertilsson. Peter Åström is Chairman of the Committee. The Committee held one meeting in 2019 and the Board received minutes from the Remuneration Committee.

#### CEO/President

In accordance with the rules of the Swedish Companies Act and other legislation, the CEO is responsible for managing the Company's day-to-day business according to the Board's guidelines and instructions, and taking the measures necessary to ensure that the Company's accounting is managed in a satisfactory manner. The CEO must also ensure that the Board continuously receives the information it needs to monitor the Company's and the Group's financial situation, position and development in a satisfactory way and otherwise fulfil its reporting obligations regarding financial conditions. The Company's CEO manages the business within the framework established by the Board in the special CEO instructions. The instructions include the CEO's responsibility for the day-to-day business and matters that always require a Board decision or notification to the Board, and the CEO's

responsibility for financial reporting to the Board. In consultation with the Chairman, the CEO produces information and decision-support material prior to Board meetings, presents the points of business and explains proposals for decision. The Board continuously evaluates the CEO's work.

#### Group management

The CEO leads the work of Group management and makes decisions in consultation with other members of the management team, which in 2019 consisted of the CEO and four other individuals: the CFO, COO, CTO and Head of M&A and Business Development. Information about the CEO and Group management is presented on page 41 of the annual report. Group management conducts regular operational reviews led by the CEO.

#### Articles of Association

The articles of association specify the nature of the Company's operations, the number of Board members and auditors, the procedure for issuing notice of the general meeting, business to be dealt with at the meeting and where the meeting will be held. For the current articles of association, which were adopted by the 2019 Annual General Meeting, see the Company's website [www.netgaming.se/en](http://www.netgaming.se/en) under Corporate Governance/Articles of Association.

#### Information

The Company's information to shareholders and other stakeholders is communicated through the annual report, year-end and interim reports, press releases and the Company's website, [www.netgaming.se](http://www.netgaming.se). The website also contains information on corporate governance. The Company's information disclosure follows an information policy adopted by the Board.

#### Net Gaming's system for internal control and risk management in connection with financial reporting

In accordance with the Swedish Companies Act and the Code, the Board is responsible for internal control. The Annual Accounts Act states that the corporate governance report must contain information on the main elements of the Company's system for internal control and risk management in connection with financial reporting.

Net Gaming's internal control structure is predominantly based on the COSO model according to which reviews and assessments are conducted in the areas of control environment, information and communication, risk assessment, control activities and follow-up.

#### Control environment

The Board of Directors has drawn up a number of governing documents for the Company's internal control and governance, including the Board's rules of procedure and instructions for the CEO and the Board's committees, and reporting instructions, all of which aim to ensure a clear division of roles and responsibilities. Financial information is reported



through a Group-wide reporting system. The CEO and Group management are responsible for maintaining an effective control environment and for the ongoing work on internal control and risk management, and they report to the Board in accordance with established procedures. Managers at various levels in the Company have the same responsibility within their respective areas of responsibility and in turn report to Group management.

### Information and communication

Internal information and external communication are regulated at an overall level by an information policy. Internal communication between Board and management takes place through management's regular information meetings. Another important communication channel is the Company's intranet, which enables all employees to obtain access to up-to-date information. Internal policies, guidelines, instructions and corresponding documents that govern and support the business are published on the intranet.

### Risk assessment

Net Gaming continuously updates its risk analysis for the assessment of risks that may lead to errors in financial reporting. This is mainly done by Group management in dialogue with the Company's employees. During the risk reviews, Net Gaming identifies areas where there is increased risk exposure.

### Control activities

Monthly financial reports are prepared for all companies within the Group together with consolidated financial reports. These form the basis for ongoing financial monitoring and governance of operating activities. The CEO and operational managers participate in these control activities and special analysis is made of traffic flow, leads, NDCs, conversion, profitability per site, cost control, investments and cash flow. The Company holds weekly financial function meetings which the CFO, Head of Group Accounting, Financial Controller and Business Controller attend. At these meetings, particular emphasis is placed on following up any problems and ensuring accurate financial reporting. Forecasts are updated at least every four months for all Group companies. Through the Audit Committee, the Board monitors the reliability of the financial reporting, evaluates recommendations for improvement and deals with issues related to the identified risks. The Audit Committee presents regular oral reports to the Board and makes recommendations on matters that require a decision from the Board. The control environment is created through shared values, corporate culture, rules and policies, communication and follow-up,

as well as the way in which the business is organised. The main tasks of Group management and the Company's financial function are to implement, further develop and maintain the Group's control routines and to conduct internal control analyses of business-critical issues. Net Gaming's auditors examine the financial information for the third quarter and the annual accounts. The auditors also examine a selection of controls and processes each year, and report identified areas of improvement to Group management and the Board. The chief auditor also attends most Audit Committee meetings.

### Follow-up

The Company continuously evaluates internal control over financial reporting and the efficiency of reporting to the Board. This is mainly done by asking questions and obtaining information about the financial function's work. The Board receives quarterly reports with financial results, and monthly reports including management's comments on business operations. The financial situation is dealt with at every ordinary Board meeting. The Company's auditor attends Audit Committee meetings on two occasions during the year and reports on observations about the Company's internal routines and control system. Members then have the opportunity to ask questions. The Board assesses significant risk areas and evaluates internal control on an annual basis.

### Internal Audit

The Company has a simple legal and operational structure and developed governance and internal control systems. The Board follows up the Company's assessment of internal control in various ways, including close dialogue with the Company's auditors. On the basis of what is stated above, the Board has decided not to have a special internal audit function.

### Further information available at [www.netgaming.se](http://www.netgaming.se)

- Articles of Association
- Information from previous annual general meetings (notice, minutes, decisions, CEO presentation)
- Information about the nomination committee/majority owner
- Corporate Governance Report (included in the annual report for each year)

# Auditor's Statement on the Corporate Governance Report

To the Annual General Meeting of Net Gaming Europe AB (publ), reg. no. 556693-7255

## Engagement and responsibility

The Board is responsible for the 2019 Corporate Governance Report on pages 32-37, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

## Focus and scope of the examination

Our examination was conducted in accordance with FAR's statement RevU 16 'The auditor's examination of the corporate governance report'. This means that our examination is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. We believe that our examination has provided us with sufficient basis for our opinion.

## Opinion

A corporate governance report has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph (2-6) of the Annual Accounts Act and chapter 7, section 31, second paragraph, of the same Act are consistent with the annual accounts and consolidated financial statements and are in accordance with the Annual Accounts Act.

**Stockholm, 29 April 2020**

Öhrlings PricewaterhouseCoopers AB

**Aleksander Lyckow**

**AUTHORISED PUBLIC ACCOUNTANT**