

## THE BOARD'S CORPORATE GOVERNANCE REPORT

Net Insight AB (publ) is a public stock company domiciled in Stockholm. Net Insight's stock is listed on the Nasdaq OMX Nordic Exchange Midcap Stockholm. The basis for governance of the Company and Group includes the Articles of Association, the Swedish Companies Act and the regulations of the Stockholm Stock Exchange, including the Swedish Code of Corporate Governance as of July 1, 2008.

### Introduction

Net Insight follows the Swedish Code of Corporate Governance, deviating from the code in two respects:

<b>Rule</b>	<b>Deviation</b>	<b>Explanation</b>
<b>2.4</b>	The Nomination Committee includes more than one (two) Board Members, and both of them are dependent in relation to the largest shareholder. The Chairman of the Nomination Committee is Chairman of the Board as well.	The Chairman of the Board is represented on the Nomination Committee due to his experience and many years with the Company; moreover he serves as the Chairman of the Nomination Committee for the same reasons. The fact that the principal owner is a member of the Nomination Committee as well as the Board of Directors is an expression of active ownership.

### Articles of Association

The Articles of Association describe the business of the Company, its share capital, number and types of shares, and allocation of votes, as well as the number of Directors and auditor, notices of, and matters to be dealt with at, the Annual Shareholders' Meeting, as well as the requirement that this meeting be held in Stockholm.

During the period between Annual Shareholders' Meetings, the Board of Directors of Net Insight AB (publ) is the highest decision-making body of the Company. The duties of the Board are regulated in the Companies Act and the Articles of Association.

The current Articles of Association were adopted at the Annual Shareholders' Meeting held on April 26, 2007. The Articles of Association are available in their entirety at [www.netinsight.net](http://www.netinsight.net).

### Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Net Insight AB (publ) was held on April 28, 2009. The Company's Nomination Committee is responsible for proposing a Chairman for the Annual Shareholders' Meeting. Lars Berg was elected the Chairman of the meeting.

The Annual Shareholders' Meeting made the following decisions:

- Approval of the annual report 2008, allocation of result and discharge the board members and the managing director from liability
- Lars Berg, Clifford H. Friedman, Bernt Magnusson, Ragnar Bäck, Gunilla Fransson and Arne Wessberg were re-elected to the Board. Lars Berg was re-elected Chairman of the Board.
- Approval of the board of directors' proposal regarding guidelines for remuneration and other terms of employment for the group management
- Approval of the employee stock option plan 2009/2013
- Amendment of the summons procedure for general meetings in the articles of association.

The AGM's resolution is conditional upon that an amendment to the summons procedure for general meetings in the Swedish Companies Act has come into force, entailing that the proposed wording is in conformity with the Swedish Companies Act.

The complete minutes of the Annual Shareholders' Meeting, as well as the underlying documentation, is available at [www.netinsight.net/corporate\\_governance.asp](http://www.netinsight.net/corporate_governance.asp)

### **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 auditors' fees. The members of the Nomination Committee should be appointed, or the method for appointing the members should be decided, at the Annual Meeting. In accordance with the decision of the Annual Meeting, 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 September 30 each year, who are then each entitled to appoint a representative to be a member of the Nomination Committee. The composition of the Nomination Committee was published on October 22, 2008. Net Insight's nomination committee for the 2009 Annual Shareholders' Meeting has the following composition: Cliff Friedman (Constellation Growth Capital), Åsa Nisell (Swedbank Robur funds), Ramsay Brufer (Alecta), Christer Bohm (representing the three founders), and Lars Berg (Chairman of the Board of Net Insight AB and European Venture Partner of Constellation Growth Capital). The Nomination Committee elected Lars Berg as its chairman. The Nomination Committee has held two meetings in preparation for the 2009 annual shareholders' meeting.

Net Insight deviates from the Swedish Code of Corporate Governance concerning the composition of the Nomination Committee, in that the Chairman of the Board is also the Chairman of the Nomination Committee, and the two Board members who are also members of the Nomination Committee are dependent on the Company's largest shareholder.

### **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 guarantees its ability to administer the Company's affairs effectively and with integrity. The Board's tasks include establishing business goals and strategy, deciding on acquisitions and sales, appointing, evaluating and deciding 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 evaluating the Board's work. The Board's work plan is established annually at the Statutory Board Meeting or when it is necessary. In addition to the assignments mentioned above, the work plan stipulates items including Board meeting procedures, instructions for the Company's CEO, decision-making procedures within the Company, allocation of work, and the provision of information between the Company and the Board.

The Board monitors the CEO's performance of his duties, including implementation of the Board's decisions and guidelines, and evaluates his efforts annually. The Board held five meetings during the year, 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, etc.. In addition overarching issues such as the prevailing economic situation, long-term strategies, business plans and partners were considered. At the Statutory Board Meeting, the Board considered and adopted the work plan for the Board and instructions for the CEO. Fees to the Board totaled MSEK 1.1, SEK 350,000 of which was paid to the Chairman of the Board, and SEK 150,000 each to the other Board members.

### **Independence of the Board**

The Board occupies an independent position vis-à-vis the Company since all its members are also independent in relation to the Company. Four of the Board's members are independent of the company's principal owners. None of Net Insight's Board members work for the company in an operative capacity.

Clifford H. Friedman, who represents the largest owner Constellation Growth Capital, is also member of the board and chairman of MediaXstream, one of Net Insight's largest customers.

Constellation Growth Capital is also a major owner of MediaXstream.

For information about the Board members and the CEO see:  
<http://www.netinsight.net/people.asp>

### **Remuneration Committee**

The Board's overall responsibility cannot be delegated, but it has instituted a remuneration committee charged with preparing questions concerning salaries, compensation and other terms of employment for the CEO and other members of the management team, as well as compensation programs of a broader nature, such as option programs, for final decision by the Board. The committee reports to the Board on a continuous basis.

The remuneration committee consists of Chairman of the Board Lars Berg and Board member Bernt Magnusson. During the year the committee held three meetings at which minutes were kept, discussing the following matters: the CEO's variable compensation for 2007 to be decided by the Board; a decision on variable compensation for 2007 for the rest of the management team; the CEO's business goals for 2008; and the salary structure for the rest of the management team.

### **Audit Process and Auditors**

The Board of Directors of Net Insight has chosen not to have a separate Audit Committee; instead, the Board in its entirety handles audit issues. The Board has chosen 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 recommendations in the field of accounting that may affect future company accounting and reporting. Once a year, the auditors report personally to the Board of Directors about their audit reviews and their assessment of internal controls. In addition to the normal auditing functions, Öhrlings PricewaterhouseCoopers also provides Net Insight with general advice in the areas of accounting and taxes. The legally mandated term of auditors is four years. The Company's auditor, Öhrlings PricewaterhouseCoopers AB, was re-elected at the 2007 Annual Shareholders' Meeting for a term lasting until the 2011 annual meeting. Sten Håkansson was appointed the new auditor in charge.

Once a year, when the books are closed, the Group's auditors report their observations from their audit to the entire Board. The Board also meets with the auditors at least once a year – without the management team being present – in order to stay informed on the direction and scope of the audit, as well as to discuss the coordination of the external audit and internal controls, and the auditors' views of risks to the Company.

Attendance by each Board member is presented below.

### **2008 Attendance**

<b>Name</b>	<b>Presence at Board meetings</b>	<b>Remuneration Committee</b>
Lars Berg	5/5	2/2
Bernt Magnusson	5/5	2/2
Clifford H. Friedman	5/5*	
Ragnar Bäck	5/5	
Gunilla Fransson	4/5**	
Arne Wessberg	3/5**	

\* Participated in two out of five meetings by telephone

\*\* Elected at Annual Shareholders' Meeting on April 10, 2008

### **Board's report on internal controls regarding financial reporting**

Net Insight's objective is to fulfill the requirements for ongoing risk management and internal controls which are incumbent upon the Company because it follows the Swedish Code of Corporate Governance. For Net Insight, internal controls of 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 thereby protect the owners' investment in the Company.

The Board supervises the quality of financial reporting in several ways. The Board establishes a work plan every year, which regulates the work of the Chairman of the Board and the CEO among other things. 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 financial position. The CEO's instructions stipulate the issues where the CEO may exercise his authority to act on behalf of the Company after receiving authorization or approval from the Board. Net Insight has performed a risk analysis of its financial reporting and initiated a review and verification of existing governance and internal controls, in order to provide the Board with a basis for establishing the level of internal governance and controls. The internal reporting and control system builds upon annual financial planning, monthly reports and daily monitoring of key business ratios.

The Group's finance department inspects and monitors reporting, as well as compliance with internal and external regulations. Risks concerning financial reporting that have been identified are managed through the Company's control activities. For example, the IT-based system has automated controls that manage access rights and signatory authority, as well as manual controls such as duality, in both current and closing entries of transactions. The business-specific controls are complemented by detailed financial analyses of company results and follow-up checks against the budget and forecasts, which provides an overall confirmation of the quality of reporting. Because the Board does not have an audit committee, the Board instead ensures that financial reporting maintains a high standard of quality. 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 every regular Board meeting.

Every year the Board evaluates whether there is a need to establish a special internal review office (internal audit). The Board determined that there was no need for this in 2008. In their reasoning, the Board noted that internal controls were principally performed through:

- the central finance department and
- supervisory controls by management.

Due to these factors and the size and limited complexity of the Company, it is the Board's view that for the present having an additional office cannot be justified financially.