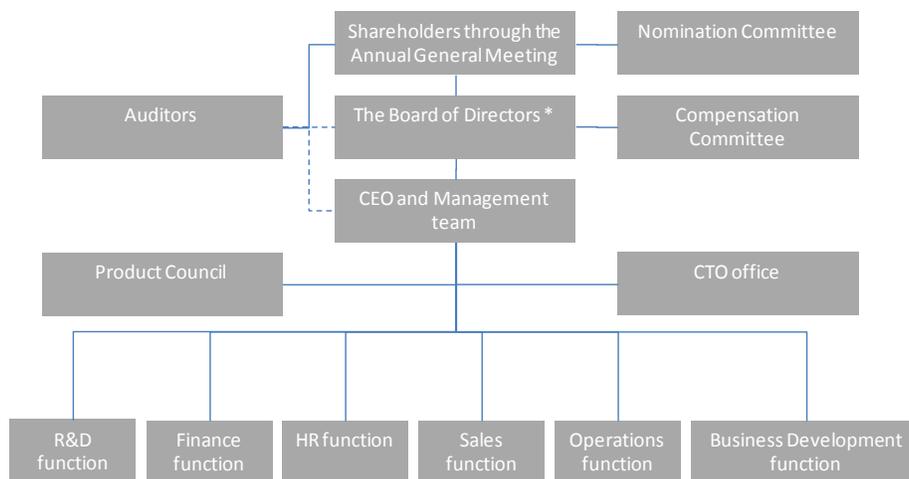


# The Board's Corporate Governance Report

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 its Articles of Association, the Swedish Companies Act and the regulations of the Nasdaq OMX Stockholm AB issuers' rules, including the Swedish Corporate Governance Code as of February 1, 2010.

Corporate Governance at Net Insight



\* The Board of Directors also acts as audit committee

The Board's Corporate Governance Report does not constitute a formal part of the annual report and as such is not audited.

## Introduction

Net Insight follows the Swedish Code of Corporate Governance, deviating from the code in one respect:

Rule	Deviation	Explanation
2.4	The Nomination Committee includes two Board members who are dependent in relation to the second largest shareholder	The Chairman of the Board is represented on the Nomination Committee due to his experience and many years with the Company. The fact that the second largest owner is a member of the Nomination Committee as well as the Board of Directors is an expression of active ownership

The Articles of Association describe the business of the Company, its share capital, the number and types of shares, allocation of votes, the number of directors and auditors, notices of and matters to be dealt with at the Annual General Meeting, and the requirement that this meeting be held in Stockholm. During the period between the Annual General Meetings, Net Insight's Board of Directors is the highest decision-making body in 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 General Meeting held on April 28, 2009. The Articles of Association are available in their entirety at [www.netinsight.net](http://www.netinsight.net).

## Annual General Meeting

The Annual Shareholders' Meeting of Net Insight AB (publ) was held on April 29, 2010. The Company's Nomination Committee is responsible for proposing a chairman for the Annual General Meeting. Lars Berg was elected chairman of the meeting. The Annual General Meeting made the following decisions:

- Adoption of annual financial statements, appropriation of results and discharge from liability for board of directors and CEO.
- The number of board members should be seven.
- Lars Berg, Clifford H. Friedman, Bernt Magnusson, Ragnar Bäck, Gunilla Fransson and Arne Wessberg were re-elected to the Board. Anders Harrysson was new-elected member of the board.
- Lars Berg was re-elected Chairman of the Board.
- The remuneration to the board should be SEK 1,250 thousand to be allocated with SEK 350 thousand to the chairman of the board of directors and SEK 150 thousands to each member of the board of directors.
- Approval of the Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for group management.

The complete minutes of the Annual General Meeting, as well as the supporting 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 General Meeting. In accordance with the decision of the annual general 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 for membership on the Nomination Committee. The composition of the Nomination Committee was published on October 21, 2010. Net Insight's nomination committee for the 2011 Annual General Meeting is as follows: Lars Bergkvist (Lannebo Fonder), Clifford H. Friedman (Constellation Growth Capital), Åsa Nisell (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 elected Lars Bergkvist as its chairman. The Nomination Committee has held 3 meetings in preparation for the 2011 Annual General Meeting. Net Insight deviates from the Swedish Corporate Governance Code concerning the composition of the Nomination Committee in that the two Board members who are also members of the Nomination Committee, are dependent in relation to the Company's second 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 strategies, deciding on acquisitions and divestitures, capitalization of the company, appointing, evaluating 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 evaluating the Board's work. The Board's work plan is established annually at the Statutory Board Meeting or when 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, including implementation of the Board's decisions and guidelines, and evaluates his efforts annually. The Board held six meetings during the year, not counting two 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. General issues such as the prevailing economic situation, long-term strategies, business plans and partners were also 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 SEK 1,250 thousand, of which SEK 350 thousand was paid to the Chairman of the Board and SEK 150 thousands 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. Five Board members are independent in relation to the company's principal owners. Two board members Lars Berg and Clifford H. Friedman, are dependent in relation to Constellation Growth Capital, the second largest shareholder of Net Insight. None of Net Insight's Board members work for the company in an operative capacity.

For information about the Board members and CEO, see page 64 and 70 in the annual report.

### **Compensation Committee**

The Board's overall responsibility cannot be delegated, but it has instituted a compensation committee charged with preparing questions 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 Compensation Committee resolves questions regarding salaries and compensation and other terms of employment for all direct reports to the CEO. The committee reports to the Board on a continuous basis. The compensation committee consists of Chairman of the Board Lars Berg and Board member Bernt Magnusson. During the year, the committee held two meetings at which minutes were kept, discussing the following matters: the CEO's variable compensation for 2009 to be decided by the Board; a decision on variable compensation for 2009 for the rest of the management team; the CEO's business goals for 2010; the compensation structure for the rest of the management team.

### **Audit Process and Auditors**

Net Insight's Board of Directors has chosen not to have a separate audit committee; instead, the full Board acts in this capacity. 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 accounting recommendations that may affect future company accounting and reporting. Twice a year, after the third and fourth quarter closing of the books, the Group's auditors report their observations from their audit to the entire Board. These meetings also serve the purpose of keeping 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 views of risks in the Company. During one of these meetings, the auditors present and discuss their views without the presence of Company management.

In addition to normal auditing functions, ÖhrlingsPricewaterhouseCoopers also provides Net Insight with general accounting and tax advice. It is the responsibility of ÖhrlingsPricewaterhouseCoopers to ensure its independence as auditors in its role as advisor. The legally mandated term of auditors is four years. The Company's auditor, ÖhrlingsPricewaterhouseCoopers AB, was re-elected at the 2007 Annual General Meeting for a term lasting until the 2011 annual meeting. Sten Håkansson was appointed the new auditor in charge.

## 2010 Attendance

Attendance by each Board member is presented below.

Name	Presence at Board meetings	Compensation Committee
Lars Berg	6/6	2/2
Bernt Magnusson	6/6	2/2
Clifford H. Friedman	5/6	
Ragnar Bäck	6/6	
Gunilla Fransson	6/6	
Arne Wessberg	6/6	
Anders Harrysson	5/6	