

# Corporate governance report

Proact IT Group AB (publ) is a parent company in the Proact Group which consists of a number of subsidiaries as outlined in the annual report, Note 17.

This corporate governance report has been compiled in accordance with the Swedish Company Accounts Act and the Swedish Code of Corporate Governance.

The parent company and Group are governed via the General Meeting, the Board of Directors and the CEO in accordance with the Swedish Companies Act, the Swedish Company Accounts Act, the company's Articles of Association, the listing agreement with Nasdaq Stockholm and the Swedish Code of Corporate Governance. Any deviations from the Code are explained in the relevant sections.

## Annual General Meeting

The General Meeting is the supreme governing body of Proact. The Annual General Meeting of Proact IT Group AB is held annually in April or May adjacent to the company's head office in Kista. The time and date of the meeting are published at the latest when the interim report for the third quarter is issued and published simultaneously on the company's website. The Annual General Meeting elects Proact's Board of Directors and its Chairman. The other tasks of the Annual General Meeting also include

- approving and adopting the company's income statements and balance sheets
- making decisions on allocation of the company's profit
- making decisions on changes to the Articles of Association
- electing auditors
- making decisions on discharge from liability for Board members and the Managing Director
- making decisions on remuneration for the Board of Directors and auditors
- approving the appointment of the nomination committee

Shareholders who do not have the opportunity to attend the Annual General Meeting in person may instead participate via a representative.

The "Ownership" section in the Directors' Report indicates the direct or indirect shareholdings in the company which represent at least one-tenth of the voting rights for all shares in the company.

The "Shares" section also indicates the restrictions on how many votes each shareholder can cast at a General Meeting.

## Annual General Meeting 2016

24 shareholders, representing 46.1 per cent of both the number of shares and the total number of votes in the company, participated in Proact's Annual General Meeting which took place in Kista on 2 May 2016. The Board of Directors, executive team and company's auditors were present at this meeting. Among other things, the following decisions were made:

- Chairman of the Board Anders Hultmark was appointed Chairman of the meeting.
- The income statement and balance sheet, and the consolidated income statement and consolidated balance sheet were approved and adopted.
- Establishment of a proposed dividend of SEK 2.70 per share.
- The Board of Directors and Chief Executive Officer were granted discharge from liability for the 2015 business year.
- Remuneration payable to the Board of Directors was set at a total of SEK 1,600,000.

- Remuneration to the auditors will be paid in accordance with an approved invoice.
- Anders Hultmark, who was also elected Chairman of the Board, was re-elected as a Board member. Other Board members re-elected were:
  - o Christer Holmén
  - o Eva Elmstedt
  - o Christer Hellström
  - o Pia Gideon
- Establishment of guidelines on remuneration for senior executives.
- Establishment of principles for the appointment of a nomination committee for the 2017 Annual General Meeting.
- A decision was made to authorise the Board to make decisions on the new issue of shares. It was noted that payment through offsetting must only take place in connection with company acquisitions.
- A decision was made to authorise the Board to implement acquisitions and transfers of the company's own shares. It was also decided that the Board can only buy back shares in such numbers that bought-back shares, together with any newly issued shares according to the authorisation decided upon in the section above, do not exceed a total of 10 per cent of the now outstanding number of shares. The restriction in question is to be incorporated in a proposal for corresponding authorisation at the next Annual General Meeting. It was noted that payment through offsetting must only take place in connection with company acquisitions and that the company is not allowed to sell its own shares on Nasdaq Stockholm.

## Nomination committee

At Proact's Annual General Meeting, held on 2 May 2016, it was decided that the nomination committee is to consist of representatives of the four biggest shareholders and the Chairman of the Board, and that the Chairman of the Board should contact the biggest shareholders in accordance with Euroclear Sweden's list of shareholders as at 30 September 2016.

The names of the members of the nomination committee must be published as soon as the nomination committee has been appointed. If any of the biggest owners declines to appoint a representative on the nomination committee, the next shareholder in order of size must be given the opportunity to appoint such a representative. A representative of the shareholders is appointed chairman of the nomination committee. The mandate period of the nomination committee continues until a new nomination committee has been appointed.

If any significant change in the ownership structure takes place once the nomination committee has been appointed, the composition of the nomination committee must be amended in accordance with the principles above.

Where appropriate, the nomination committee must prepare and submit to the Annual General Meeting proposals for:

- election of a Chairman for the meeting
- election of a Chairman of the Board and other company directors
- directors' fees divided between the Chairman and other members, plus remuneration for committee work
- election of and payment to auditors (where appropriate)
- decisions on principles for the appointment of a nomination committee

## Work of the nomination committee

The composition of the nomination committee was published on 31 October 2016. It comprises Chairman of the Board Anders Hultmark (IGC), Stephanie Gabriellsson (Skandia Liv) – Chairman of the nomination committee –

Håkan Berg (Swedbank Robur) and Jens Ismunden (Grens specialisten). The nomination committee represents in total around 37 per cent of votes in Proact as at 30 September 2016.

All shareholders have the opportunity to consult the nomination committee with suggestions for Board members. The nomination committee has held several minuted meetings, where it has assessed – among other things – the Board's overall suitability on the basis of an assessment of Proact's future development and challenges.

A report on the work of the nomination committee is published on the Proact website – www.proact.se – in connection with the publication of its proposal to the 2017 annual general meeting concerning election of the Board of Directors.

### Board of Directors

Proact's Board of Directors makes decisions on issues relating to Proact's strategic focus, investments, finance, organisational issues, acquisitions and divestments and more important policies. The Board must also ensure that correct information is given to Proact's stakeholders in accordance with the governing regulations mentioned above.

According to the Articles of Association, the Board of Directors must consist of three to eight members, with at most five deputy members. These members, and where appropriate their deputies, are elected each year at the Annual General Meeting for the period until the next Annual General Meeting. At the Annual General Meeting held on 2 May 2016, it was decided that the Board would consist of five members and no deputies for the period until the next Annual General Meeting.

The Articles of Association contain no provisions relating to the appointment or compulsory retirement of Board members or to amendments to the Articles of Association.

The Board is deemed to be compliant with the stock exchange rules from Nasdaq Stockholm and the Swedish Code of Corporate Governance in respect of requirements for independent Board members.

Every business year, the Board of Directors carries out – either independently or with the help of external parties – a review of the work of the Board and CEO by means of:

- Evaluation of the work of the Board A questionnaire provided by Styrelse-Akademien was implemented during the fourth quarter of the financial year. The results of the questionnaire will be discussed by the Board and communicated to the nomination committee. The nomination committee will then hold interviews with all members during the first quarter of next year.
- Evaluation of the work of the Managing Director.
- The CEO's view of the work of the Board.

This review forms the basis for the Board's future working methods.

### Board remuneration

The Annual General Meeting held on 2 May 2016 established the total remuneration to the Board at SEK 1,600,000 million. The Chairman of the Board will be paid a fee of SEK 500,000, while other members will be paid SEK 200,000 each, plus SEK 300,000 for committee work to be distributed SEK 2000,000 to the audit committee and SEK 100,000 to the remuneration committee. No further payments have been made to the Board over the year.

Board members are not included in any share or share price-related incentives schemes.

### The Board's procedures

The work of the Board is governed by a set of procedures established annually which regulate the members' mutual division of work, decision-making arrangements, signing on behalf of the company, a meeting agenda for the Board and the tasks of the Chairman. The work of the Board follows a set agenda intended to ensure that the Board's information needs are satisfied and that there is an appropriate distribution of work between the Board and the CEO.

In 2016, the Board held ten meetings compared with eleven in the previous year. The control issues arising at Board meetings are dealt with by the Board where appropriate following preparation by the remuneration committee or audit committee. In addition, the company's auditors report directly at least once a year to the Board their observations from the review and their assessments of the company's internal accounting control.

Besides the ongoing follow-up and monitoring of business, over the year the Board of Directors has dealt with strategies, expansion to new countries, capital structure and organisational issues.

### Composition of the Board and attendance at Board meetings, 2016

| Board member       | Remuneration committee | Audit committee | Attendance at Board meetings |
|--------------------|------------------------|-----------------|------------------------------|
| Anders Hultmark    | •                      |                 | 100%                         |
| Christer Hellström |                        | •               | 100%                         |
| Christer Holmén    |                        | •               | 100%                         |
| Eva Elmstedt       | •                      |                 | 90%                          |
| Pia Gideon         |                        | •               | 100%                         |

### Board members' independence in respect of Proact, Proact's executive and major owners

| Board member       | Function | Date of birth | Nationality | Elected | Independent | Shareholding 31 Dec 2016 |
|--------------------|----------|---------------|-------------|---------|-------------|--------------------------|
| Anders Hultmark    | Chairman | 1954          | Swedish     | 2005    | Yes         | 560,378 <sup>1)</sup>    |
| Christer Hellström | Member   | 1964          | Swedish     | 2013    | Yes         | 16,093                   |
| Christer Holmén    | Member   | 1960          | Swedish     | 2009    | Yes         | 31,000 <sup>1)</sup>     |
| Eva Elmstedt       | Member   | 1960          | Swedish     | 2009    | Yes         | 2,500                    |
| Pia Gideon         | Member   | 1954          | Swedish     | 2015    | Yes         | 800 <sup>1)</sup>        |

1) Holding via legal entity

### Other information on Board members

- Anders Hultmark (Board work and contractor, experience from Kinnevik, Hilleshög, Mars Inc., TeknoTerm, et al.)  
Chairman at Proact IT Group AB, HMark Holding AB, Industrial Growth Company AB, Provexa Holding AB, Permanova AB and Pulsteknik AB.  
Member of the Board at IGC Growth Consulting AB, Provexa AB and Tetrafix AB.
- Christer Hellström (Board work and investments)  
Chairman at Krauthammer Investments Holding Priority Foundation, Krauthammer Investments Holding Supervisory Board, Burt AB and Third Tier AB.  
Member of the Board at Serendipity Ixora AB, Premune AB and Curamando AB.
- Christer Holmén (Dr. Econ.)  
Chairman of the Brainheart Energy Sweden Group, his own family company group and Svenska Hus AB.  
Member of the Board at AB Gullringsbo Egendomar, Hemfridgruppen and Wangeskog Hyrcenter AB.

- Eva Elmstedt (Board work and investments, previous senior positions at companies including Nokia, Ericsson, 3 and IBM)  
Member of the Board at Addtech AB, Axiell Group AB, Gunnebo Group AB, Knowit AB and Syntavia AB.
- Pia Gideon (Board work, previous senior positions within the Ericsson group)  
Chairman at Klövern AB.  
Member of the Board at Metria, Mindoktor.se, Qlucore and Svevia.

### Remuneration committee

The job of the remuneration committee is to examine the principles for remuneration, including performance-based remuneration and pension terms for the company's senior executives, and to give recommendations to the Board concerning these issues. Issues relating to the Managing Director's terms of employment, remuneration and benefits are prepared by the remuneration committee and decided upon by the Board of Directors. This committee also discusses the general starting points for setting salary levels within the Group.

At the Annual General Meeting on 9 May 2017, the Board will present for the approval of the Board proposals for principles for remuneration and other terms of employment for the corporate executive.

More information on remuneration to the Chief Executive Officer and other corporate executive staff can be found in the annual report, Note 9.

The remuneration committee has held five meetings over the year, as well as maintaining constant contact by telephone and e-mail.

### Audit committee

The job of the audit committee is to prepare Board work on quality assurance of the company's financial reporting. This committee maintains constant contact with the company's external auditors in order to keep abreast of the focus and scope of the audit and to discuss views on the company's risks. Decisions by the Board are required for services other than auditing exceeding 10 per cent of the budgeted audit fee. This committee is also tasked with providing its evaluation of the audit work to the nomination committee and with assisting the nomination committee with production of the nomination committee's proposals to the Annual General Meeting concerning the election of auditors and the size of the audit fee.

The audit committee consists of three Board members. The Chairman of the audit committee prepares and convenes the meetings of the audit committee.

The audit committee has held five meetings over the year, as well as maintaining constant contact by telephone and e-mail.

### External auditors

The Annual General Meeting which was held on 2 May 2016 elected the firm of auditors Ernst & Young AB (EY), with Rickard Andersson as principal auditor, for the period up to the 2017 Annual General Meeting.

The auditors review the Board's and the CEO's management of the company and the quality of the company's accounts documentation.

The auditors' report on the results of their review to shareholders by means of the auditor's report, which is presented at the Annual General Meeting. In addition, the auditors submit detailed reports at the meetings of the audit committee with the committee and to the Board of Directors at least once a year.

The company's half-yearly and nine-monthly reports have not been reviewed by the auditors. This is a deviation from the recommendation in the Swedish Code of Corporate Governance. The Board is of the opinion that any such review on the basis of a cost perspective is not necessary, given the company's degree of complexity and business risks.

EY performs certain services for Proact in addition to audits. When EY is engaged to provide services other than auditing, this takes place in accordance with the rules decided upon by the audit committee for approval of the nature and scope of the services and remuneration for the same. Proact is of the opinion that execution of these services is within the guidelines and has not impacted upon EY's independence.

Further information on remuneration to the auditors can be found in the annual report, Note 8.

### Chief Executive Officer and Group executive

Jason Clark, born in 1973, has been the President and CEO of Proact IT Group AB since 8 January 2016. He was employed by B2net Ltd in 2001, which subsequently became part of Proact in 2011. Before taking over as President and CEO, he was Head of Business Unit UK, which covers the company's business in the United Kingdom. Jason Clark owned 92,000 shares in the company as at 31 December 2016. Jason Clark has no significant shareholdings or co-ownership in companies with which Proact has significant business relationships.

The Chief Executive Officer manages operations in accordance with the instructions of the Board of Directors and the approved distribution of work between the Board and the Chief Executive Officer. The Managing Director is responsible for keeping the Board informed and for ensuring that the Board is provided with the requisite decision data. The Managing Director presents reports to the Board but is not a Board member. This is in accordance with applicable policy, in which either the Managing Director or another senior executive must be a Board member in the parent company. In ongoing contact, the Managing Director keeps the Chairman informed of the development and financial position of the company and the Group besides providing periodic reporting.

The CEO and other members of the corporate executive hold regular meetings in order to review results development, update forecasts and plans, and make decisions on various issues.

As at 31 December 2016, Proact's Group executive consisted of the Chief Executive Officer and eleven other senior executives.

The subsidiaries running operations report to the relevant Business Unit Directors, who in turn report directly to the CEO. Reporting takes place on a monthly basis, with more in-depth quarterly reviews of the operations in question. The Boards of Directors of the subsidiaries principally consist of members of Proact's Group executive. The Chairman positions at the subsidiaries are held either by the Managing Director of Proact IT Group AB or by the relevant Business Unit Directors.

### Remuneration to senior executives

The Annual General Meeting held on 2 May 2016 assumed principles concerning remuneration to senior executives, which means that remuneration must be made up of a set salary, variable remuneration, other customary benefits and pension. Total remuneration to officers must be in line with market conditions and competitive on the labour market on which the officer is active, and significant performance must be reflected in the total remuneration.

The set salary and variable remuneration must be related to the responsibilities and authorisations of the officials. The total variable remuneration for all senior executives must be maximised (to an amount corresponding, on average, to eight monthly salaries), based on results in relation to targets set, and coincide with the interests of shareholders.

### **Provision of information**

Proact strives to maintain communication with its shareholders and other stakeholders which is correct, clear, factual, reliable and quick. It must also be characterised by openness.

Proact regularly publishes interim reports and annual reports in Swedish and English. Events which are deemed to affect rates are published as press releases. The Proact website also includes a wide range of company information which is updated regularly.

In addition, Proact communicates with the capital market and the media by means of meetings with analysts and journalists in connection with the publication of the interim reports and annual reports. Representatives of Proact also take part regularly in various meetings of shareholders and analysts.

## **The Board's report on internal inspection**

### **Inspection environment**

Internal controls at Proact are based on a control environment which includes organisation, decision paths, authorisations and responsibilities. This is documented and communicated in steering documentation such as internal policies, guidelines and instructions. For example, this is applicable to the distribution of work between the Board of Directors and the Chief Executive Officer, and between the various units within the organisation, and also via instructions for rights of authorisation, accounting and reporting, etc. The Board follows up to ensure compliance with set principles for financial reporting and internal controls, and also maintains the appropriate relationships with the company's auditors.

The corporate executive reports to the Board based on established procedures. The corporate executive is responsible for the system of internal controls which is required for handling significant risks in ongoing operations. For example, guidelines and instructions for various officials are compiled in order to reinforce understanding and the importance of their respective roles, and hence also to contribute towards good internal control.

### **Risk assessment and inspection activities**

The Board holds overall responsibility for risk management. Clear organisation and decision-making arrangements aim to create good awareness of risks among employees and well considered risk-taking. The risk assessment includes identification, charting and assessment of risks at all levels within the Group. Activities and reporting take place regularly in order to maintain good internal control, and hence to prevent and detect risks.

### **Information and communication**

Essential guidelines, manuals, etc. which affect financial reporting are updated and communicated regularly to the relevant personnel within the Group. There are both formal and informal information channels for the corporate executive and Board for essential information from employees. For external communication, the company complies with the governing rules discussed previously.

### **Follow-up**

The Board receives monthly financial statements. The Board regularly evaluates the information submitted by the corporate executive. The work of the Board also includes ensuring that measures are implemented with regard to any shortcomings and proposals for measures which have arisen during external audits. Given the size of the company, there is no separate department for internal audits. Instead, this work is carried out from the Group finance function. The outcome is reported to the CEO, CFO and Board of Directors.