Corporate governance report

NetEnt AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm, Large Cap. NetEnt applies the Swedish Code of Corporate Governance and hereby submits its corporate governance report for 2017. NetEnt has no divergences to report. The report has been reviewed by the Company’s auditor.

Corporate governance model for the NetEnt Group

Corporate governance foundation
NetEnt endeavours to apply strict standards and efficient processes so that its entire operations create long-term value for shareholders and other stakeholders. This requires maintaining an efficient organisational structure, internal control and risk management systems, and transparent internal and external reporting. There have been no material changes in corporate governance from the preceding year.

Important external regulations
• The Companies Act
• The Annual Accounts Act
• The stock exchange’s rules for issuers (Nasdaq Stockholm)
• The Swedish Code of Corporate Governance (the Code)
• The Securities Market Act
• The EU Market Abuse Regulation (MAR)

Important internal regulations
• Articles of association
• Rules of procedure for the Board of Directors
• Information security policy, finance policy, financial handbook, etc.
• Policies for anti-bribery, money laundering prevention, etc.
• Processes for internal control and risk management
• IR and insider policy
1. Shares and shareholders
The number of shares is 240,130,860, divided into 33,660,000 A shares and 206,470,860 B shares, equalling 543,070,860 votes in total. One A share entitles to ten votes and one B share entitles to one vote when voting at the AGM. The two share classes have equal rights to the Company’s assets and profit. At the AGM shareholders can vote the full number of shares represented. Holders of A shares have the right to convert one or more A shares to B shares by written request to the Board of Directors, within the limits of the maximum number of B shares that may be issued according to the Articles of Association. At December 31, 2017, the number of shareholders at the end of 2017 were 16,350. The largest shareholders at the end of 2017 were the Hamberg family with 6.3 percent of share capital and 19.7 percent of the votes, and the Lundström family with 6.5 percent of the shares and 14.3 percent of the votes. NetEnt’s ten largest owners held shares equaling 41.0 percent of share capital and 73.9 percent of votes in the Company.

2. Annual General Meeting
The Annual General Meeting (AGM) is NetEnt’s highest governing body, through which the shareholders exercise their influence in the Company. The AGM of the Company is held within six months from the end of the financial year. The date, time and location are announced no later than in connection with the third quarter earnings report. Information on how a shareholder can have a matter addressed at the meeting, and by when such a request must be received by the Company in order to ensure it is brought up at the AGM, is announced on NetEnt’s website no later than when the third quarter earnings report has been published. Notice of the AGM is announced at least four weeks prior to the meeting, and will subsequently be available on the Company’s website.

To be entitled to vote at the AGM, shareholders must be recorded in the share register on the fifth business day before the meeting, including Saturdays that are not Swedish public holidays, and notify the Company of their participation no later than the date stated in the notice of the meeting. Shareholders who cannot attend in person may participate through representatives.

Decisions at the meeting are normally made by a simple majority of votes. However, certain types of resolutions require sanctioning by a higher proportion of the votes and shares represented at the meeting, pursuant to the Swedish Companies Act. Extraordinary General Meetings may be held as needed.

Annual General Meeting 2017
The 2017 AGM was held on April 21 at Berns in Stockholm. The meeting was attended by shareholders representing 59.0 percent of all votes and 39.1 percent of all shares. All members of the Board of Directors, the Company’s auditor, the CEO and a number of other senior executives attended the AGM. The AGM elected in a new board member, Maria Hedengren, who was CFO of NetEnt 2011–2016. The AGM also decided on customary matters as well as on a cash distribution to shareholders of SEK 2.25 per share in the form of a new incentive scheme with stock options for all employees of the Company - see page 63 and Note 11 for more details about the stock option scheme.

For more information about the 2017 AGM, visit NetEnt’s website (www.netent.com/en/annual-general-meeting-2017), where all documents for the AGM are available, including the minutes of the meeting and the Articles of Association.

Annual General Meeting 2018
The AGM 2018 will take place on April 25 at 3 p.m. at the IVA Conference Center in Stockholm. Notice of the meeting will be provided on the Company’s website (www.netent.com/agm) well ahead of the meeting, together with all required documents.

The AGM decides on:
• Adoption of the annual financial statements and consolidated financial statements
• Appropriation of profit and dividend
• Discharge from liability for the Board of Directors and CEO
• Election of Board members and, where appropriate, auditors
• Remuneration for the Board and auditors
• Guidelines for senior executive remuneration
• Any other issues (important or formal).

### Participation at NetEnt’s AGM

<table>
<thead>
<tr>
<th>Year</th>
<th>% of capital</th>
<th>% of votes</th>
<th>Number of shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>50</td>
<td>60</td>
<td>250</td>
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<tr>
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<tr>
<td>2017</td>
<td>70</td>
<td>80</td>
<td>50</td>
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No. 250
3. Nominating Committee
The AGM decides on how the Nominating Committee shall be appointed. At the AGM in April 2017, it was decided that the Chairman of the Board of Directors, Vigo Carlund, shall convene a Nominating Committee consisting of a representative from each of the three largest shareholders at August 31, 2017 who, together with the Chairman of the Board, shall be members of the Nominating Committee ahead of the AGM 2018. The composition of the Nominating Committee is based on the excerpt from Euroclear of registered shareholders, and other reliable ownership information as of the last business day in August. The new Nominating Committee was presented in a press release in September 2017 and consists of John Wattin, chairman (appointed by the Hamberg family), Christoffer Lundström (appointed by Novobis AB), Fredrik Carlsson (appointed by the Knutsson family) and Vigo Carlund (Chairman of the Board of Directors).

The Nominating Committee has prepared proposals to the 2018 AGM for resolutions regarding the chair of the meeting, the Chairman of the Board and other members of the Board of Directors, auditors where appropriate, remuneration for the Board of Directors and the auditors, as well as principles for appointing the Nominating Committee. The Nominating Committee’s mandate period runs until the new Nominating Committee is appointed in accordance with the resolution on selecting the Nominating Committee at the AGM 2018. The composition of the Nominating Committee meets the Code’s requirements for independent members. Following the AGM 2017 and until the end of the year, the Nominating Committee met twice.

Nominating Committee ahead of the AGM 2018
In its work, the Nominating Committee has evaluated the Board of Directors and its work, as well as the Chairman of the Board’s report on the Company’s activities, goals and strategies, in order to make correct assessments concerning the composition of the Board of Directors. In addition, the Nominating Committee has analysed the skills and experience of the members of the Board of Directors, as well as the gender balance, and compared them with identified needs. The Nominating Committee is of the opinion that the members of the Board of Directors hold a wide range of extensive experience from business activities, technology, the gaming industry and financial markets. The Board of Directors presently consists of three female members and five male members.

The Nominating Committee’s proposal, its justified opinion on the proposed Board of Directors, and supplementary information regarding the nominated members of the Board of Directors are announced in connection with the notice of the AGM, and will be presented at the AGM 2018 together with a report on the Nominating Committee’s work.

Members of the Nominating committee
• John Wattin
  (appointed by the Hamberg family)
• Christoffer Lundström
  (appointed by Novobis AB)
• Fredrik Carlsson
  (appointed by the Knutsson family)
• Vigo Carlund
  Chairman of the Board of Directors

The duties of the Nominating Committee include submitting proposals to the AGM regarding:
• Chair of the meeting
• Members of the Board of Directors
• Chairman of the Board of Directors
• Board fees
• Remuneration for committee work
• Amendments to the instructions for the Nominating Committee, if needed
• Auditor and audit fees when decisions are to be made on this at the following AGM.

4. Board of Directors
Board duties
The Board of Directors has overarching responsibility for NetEnt’s organisation and administration by establishing business goals and strategies, evaluating the executive management and securing systems for monitoring and control of established goals. It is also incumbent upon the Board of Directors to ensure that there is sufficient control over the Company’s compliance with laws and other regulations applicable to the Company’s business, and that the requisite ethical guidelines are established for the Company’s conduct. The Board of Directors

<table>
<thead>
<tr>
<th>Presence at meetings in 2017</th>
<th>Board of Directors</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration Committee</td>
<td></td>
<td></td>
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<tr>
<td>Vigo Carlund, Chairman</td>
<td>14 of 14</td>
<td>1 of 1</td>
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<tr>
<td>Pontus Lindwall</td>
<td>14 of 14</td>
<td>1 of 1</td>
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<tr>
<td>Fredrik Erbing</td>
<td>14 of 14</td>
<td>1 of 1</td>
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<tr>
<td>Maria Redin</td>
<td>11 of 14</td>
<td>1 of 1</td>
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<tr>
<td>Maria Hedengren</td>
<td>10 of 10</td>
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<tr>
<td>Mikael Gottschlich</td>
<td>4 of 4</td>
<td></td>
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<tr>
<td>Peter Hamberg</td>
<td>14 of 14</td>
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<tr>
<td>Michael Knutsson</td>
<td>14 of 14</td>
<td></td>
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<tr>
<td>Jenny Rosberg</td>
<td>14 of 14</td>
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</tbody>
</table>

At the AGM in April 2017, the following members were elected
shall also ensure that the Company’s communication is accurate, relevant, reliable and transparent. Between AGMs, the Board of Directors is the Company’s highest governing body.

**Board composition**
The Board of Directors is elected by the shareholders at the AGM with a mandate period extending from the AGM until the end of the following AGM. NetEnt’s articles of association do not contain specific provisions on the appointment and dismissal of Board members. According to the articles of association, the Board of Directors shall comprise three to nine members and no deputies. The AGM decides the exact number of members. The members of the Board of Directors shall devote requisite time and attention to NetEnt, and acquire the necessary knowledge to protect the interests of the Company and its shareholders.

**Independence**
The Board of Directors is considered to meet the independence requirements. Vigo Carlund, Pontus Lindwall, Fredrik Erbing, Maria Redin and Jenny Rosberg are independent in relation to the Company, executive management and major shareholders of the Company.

Peter Hamberg is independent in relation to the Company and executive management but not independent in relation to major shareholders because he is a close relative of one of the Company’s largest shareholders. Michael Knutsson is independent in relation to the Company and executive management but not independent in relation to the major shareholders because he is a large shareholder of the Company. Maria Hedengren is independent in relation to the Company’s owners but not independent in relation to the Company and its management because she was CFO of NetEnt from 2011 to 2016.

**Rules of procedure and Board meetings**
The work of the Board of Directors is regulated by the rules of procedure, in addition to laws and recommendations. The rules of procedure are adopted by the Board of Directors and reviewed annually. The rules of procedure are divided into different sections in order to clarify and regulate the Board of Directors’ work and duties. The sections consist of the Board of Directors’ rules of procedure and instructions for the CEO and Audit Committee. The Remuneration Committee consists of the entire Board of Directors.

The rules of procedure comprise the Board’s general obligations, distribution of duties within the Board, how Board meetings shall be recorded, and provision of information to the Board of Directors before and between Board meetings. Before each Board meeting, members receive written documentation about the matters to be discussed at the Board meeting. Also, each month, a monthly report is distributed on operational and financial performance.

**Chairman of the Board of Directors**
The Chairman of the Board of Directors is appointed by the AGM. The Chairman organises and heads the work of the Board of Directors so that it is conducted efficiently, and such that the Board of Directors honors its obligations. Vigo Carlund was appointed Chairman of the Board of Directors by the 2017 AGM.

| Board remuneration as decided by the AGM 2014–2017, SEK thousands |
|----------------|----------------|----------------|
|                | 2017 | 2016 | 2015 |
| Chairman of the Board | 700  | 630  | 610  |
| Audit Committee chair | 410  | 370  | 330  |
| Audit Committee member | 330  | 295  | 255  |
| Board member | 300  | 275  | 255  |

**Board work in 2017**
The Board’s rules of procedure describe which items shall be on the agenda of each Board meeting, the annual cycle of items over the financial year, and the agenda for inaugural Board meetings. In 2017 the Board held 14 meetings, including the inaugural meeting, three for adoption of interim reports and one for adoption of the year-end report. Two meetings were held per caput.

All meetings held during the year followed an agenda which, together with the documentation for each agenda item, was provided to Board members ahead of the meetings. Also present at Board meetings are the CEO and the CFO, who also records the minutes. The CEO reports on operational performance at each ordinary Board meeting, and the CFO reports on financial performance. Also, various senior executives, and auditors if needed, deliver presentations on various specific topics.

The key points at the Board meetings in 2017 were matters concerning strategy, business risk management, and approval of business plan, budget, forecasts, key policies such as for anti-bribery, anti-money laundering, annual report, earnings report and interim reports.

Other matters addressed by the Board were an incentive scheme for employees and financial targets for the Company.
The Board addresses and decides on Group-wide matters such as:
- Primary targets, strategic focus
- Material matters pertaining to financing, investments, acquisitions and divestments
- Monitoring and control of operations, provision of information and organisational matters, including evaluation of the Group’s executive management
- Choice of and, if needed, dismissal of the CEO of the Company
- Approval of financial reports and appropriation of profits
- Overall responsibility for efficient internal control and risk management systems
- Key policies, see page 56.

The Chairman’s duties include ensuring that:
- new Board members undergo the necessary introductory training
- the Board regularly updates and deepens its knowledge of the Company, the industry, and its performance
- the Board of Directors discharges its duties
- the Board of Directors receives adequate information and source materials for decision-making in its work
- Board decisions are efficiently executed
- the Board conducts an evaluation of its own work and that the Nominating Committee is informed of the evaluation
- together with the CEO, the agenda of Board meetings is adopted
- contact with the owners occurs regularly and the opinions of the latter are communicated to the Board of Directors. In addition, the Chairman shall serve as support for the CEO.

Ensuring quality in financial reporting
- The rules of procedure annually resolved by the Board contain detailed instructions regarding which financial reports and financial information shall be submitted to the Board. Besides the year-end report, interim reports and annual report, the Board reviews and evaluates comprehensive financial information, pertaining both to the Group as a whole and various Group entities.
- The Board also reviews, primarily through the Board’s Audit Committee, the most material accounting policies applied in the Group for financial reporting, as well as material amendments to reporting policies. Minutes are recorded at all Audit Committee meetings and the minutes are available to all Board members and to the auditors.
- At the Board meeting in February 2017, Auditor in Charge Erik Olin, from Deloitte, presented his conclusions from the 2016 audit. At the meeting, the members of the Board had the opportunity to ask the auditor questions without the presence of Company management.

Evaluation of Board work
- The Chairman of the Board of Directors annually evaluates the work of the Board through a systematic and structured process, with the purpose of developing the Board’s work and efficiency. Board evaluation includes rating the knowledge and dedication exhibited by each Board member. The Board of Directors continually evaluates the CEO’s work, and the Board addresses this matter without the presence of any Company management members.

Board remuneration
- Remuneration for the Board of Directors is proposed by the Nominating Committee and decided by the AGM, and is paid to Board members who are not employed by the Company. Monetary data regarding remuneration for the Board of Directors by financial year is shown in the table on page 59.

5. Audit Committee
The Audit Committee is responsible for monitoring and quality assurance of the Company’s financial reporting. In terms of financial reporting, the Audit Committee monitors the efficiency of the Company’s internal controls and risk management. The Committee stays informed about the audit of interim reports, the annual financial statements and the consolidated financial statements, reviews and monitors the auditor’s impartiality and independence and evaluates the services that the auditor provides to the Company, particularly if the auditor provides the Company with services other than auditing. The Committee is also responsible for the Board’s ongoing communication with the Company’s auditors, establishing guidelines for which services may be procured by the auditors in addition to the audit, evaluation of the audit process, advising the Nominating Committee when preparing auditor proposals, and fees for the audit assignment.

Furthermore, the Committee has established an annual plan for its work and an updated risk analysis for the business with a special focus on financial reporting and the link to internal controls. The Committee has also approved the auditor’s audit plan, read and evaluated the auditor’s review, evaluated the internal controls and the process improvements carried out by the Company in that regard. In addition, the Committee has dealt with the finance policy, the financial handbook and other policies and accounting matters, including sustainability reporting, including the future application of IFRS 9 and IFRS 15.

The Audit Committee met five times during the year and the auditor took part in all meetings.

Audit Committee members:
- Fredrik Erbing (Chair)
- Maria Redin
- Jenny Rosberg

The duties of the Audit Committee include:
- reviewing the financial reports
- monitoring the efficiency of internal controls, including risk management, with respect to financial reporting
- keeping informed about the external audit
- reviewing and, as appropriate, granting prior approval when external auditors are appointed for assignments other than audit services
- evaluating the objectivity and independence of external auditors
- follow-up on previous matters.
Recurring items at scheduled Board meetings have been the status report from the CEO, feedback from the Committees, the risk report, financial report and other current projects and matters, including addressing forecasts, policies and taxes.

**Board meetings in 2017**

**Meetings, 3 in number**
- Roadmap with new products for 2018
- Decision on financial targets and budget

**Ordinary meeting**
- Approval of the interim report

**Ordinary meeting**
- Various matters, including foreign exchange effects

**Ordinary meeting**
- Approval of the interim report

**Ordinary meeting**
- Approval of the year-end report
- Distribution to shareholders
- Auditors’ report
- Questions for the AGM

**Ordinary meetings, 3 in number**
- Approval of the interim report
- Update on Live Casino
- Decisions from the AGM

**Per capsulam**
- Approval of premium and redemption price for the stock option program 2017–2020

**Ordinary meeting**
- Decisions on strategy and overarching targets 2017–2020

**Per capsulam**
- Determination of allocation for the stock option program 2017–2020
6. Remuneration Committee
The Remuneration Committee is responsible for matters pertaining to remuneration and benefits for senior executives, including those of the CEO, and matters of principle for all senior executives. The Board of Directors establishes guidelines for senior executive remuneration that are presented to and approved by the AGM. The guidelines for senior executive remuneration are monitored and evaluated annually, including variable remuneration schemes for the Company management that are in progress and that ended during the year. The current remuneration policy is appended to the AGM minutes, which are available on the website.

The Remuneration Committee consists of all eight Board members. The Chairman of the Board of Directors is the chair of the Committee. Seven of the members were independent in relation to the Company. Maria Hedengren was not independent because she was CFO of NetEnt during 2011 to 2016. The Remuneration Committee met once in 2017.

The duties of the Remuneration Committee include:
• preparing and evaluating guidelines for remuneration to the Group Management.
• preparing and evaluating goals and policies for variable remuneration.
• preparing terms and conditions for pensions, termination of employment, severance pay and other benefits for the Company’s management.
• preparing and evaluating NetEnt’s long-term incentive program.

7. Audit
Auditors are elected by the AGM and review the Company’s accounts and administration on behalf of the AGM. According to the Articles of Association, NetEnt AB (publ) shall have one or two auditors. Deloitte AB was elected auditor at the AGM in April 2017 for the period until the AGM 2018 and Erik Olin was appointed chief auditor. The auditor has presented his conclusions of the synoptic review of the interim report for January to September 2017, the audit for the 2017 full year, and internal control for the Audit Committee and the Board of Directors. The auditor also met with the Board of Directors and the Audit Committee without the presence of anyone from the Company management. In addition to the audit, the auditor has had a limited number of other assignments for the Company. These have included audit-related services concerning accounting and reporting, as well as assistance in preparing the Company’s tax returns. Remuneration for the auditor is set out in Note 24 on page 98.

Auditors
The AGM on April 21, 2017, elected Deloitte AB as the Company’s independent auditor for the period until the 2018 AGM.

• Erik Olin
Chief Auditor, born 1973
Auditor of the Company since 2015.
Authorised public accountant and member of FAR SRS.
Other audit assignments: CLX Communications, IAR Systems, Telia Sweden and Microsoft Sweden.

8. CEO and Group management
NetEnt’s Group management is thoroughly experienced and works to create a platform for profitable growth, in line with NetEnt’s strategy. Besides the CEO, Group management includes seven more people, four of whom are women.

A dynamic Group management team with in-depth knowledge about industry conditions is crucial for achieving profitable growth.

The CEO is appointed by and receives instructions from the Board of Directors. In turn, the CEO appoints other Group management members and is responsible for the ongoing administration of the Group’s operations in accordance with the guidelines and instructions of the Board. Group management meetings are held once every two weeks to review profit, update forecasts and plans, and to discuss strategic matters.

Instructions for the President and CEO
The Board of Directors has prepared and adopted instructions regarding the CEO’s duties and responsibilities, as well as obligations towards the Board of Directors. The CEO is responsible — within the framework of the Swedish Companies Act, the Company’s strategy plan, instructions for the CEO, and guidelines and instructions provided by the Board — for managing and developing the Company and running the ongoing administration of the Company’s affairs. In the internal work, the CEO shall: monitor to ensure that the Company’s organisation is professional and efficient; ensure that internal controls are appropriate and efficient; implement the Company’s strategy and goals; and process and suggest qualitative and quantitative goals for the Company’s various business units.

For the Board of Directors, the CEO shall, continuously and before each ordinary Board meeting, prepare, compile, and present data requested by the Board of Directors for assessing the Company’s financial situation, such as reports, key figures and comments, proposals for the business plan, budgets, forecasts, year-end report, interim reports and annual reports.

Important matters addressed by the CEO and Group management in 2017 included:
• Growth strategy and new geographical markets
• Leadership development
• Risk management
• Sustainability.
Senior executive remuneration

In order to achieve attractive long-term value growth for shareholders, NetEnt seeks to offer its employees competitive remuneration and an attractive workplace that enable hiring and retaining the right expertise. For senior executives, the Board of Directors has prepared guidelines for remuneration, as outlined below. Detailed information about remuneration for employees and senior executives is provided in Note 6 on pages 90–91.

Guidelines adopted by the AGM 2017

Fundamental principles
These guidelines shall be applied for the Chief Executive Officer of NetEnt and other senior executives in the Company. The Board of Directors shall be able to diverge from the guidelines provided that there are special grounds in a specific case. Management’s total remuneration consists of fixed and variable salary, share-based incentive schemes and pension benefits. The remuneration should be performance-based, and the variable component should therefore make up a significant share of the total remuneration.

Fixed and variable salary
Fixed salary shall be market-based, competitive, individual, and based on the individual’s responsibility, role, skills, and experience in relevant positions. Annual variable salary shall be measured and paid on a yearly basis. The annual variable salary shall be capped at 65 percent of the fixed salary for the Chief Executive Officer and at 60 percent of the fixed salary for other members of the Group Management. It shall be based on actual outcomes in relation to financial and operational targets. Goals for variable salary are determined annually by the Board of Directors for the CEO, while the CEO in turn determines the variable salary for the other members of the Group Management, to ensure that they are in line with the Company’s business strategy and objectives. The conditions for variable salary shall include a minimum performance level in relation to the targets, for which no variable salary will be received.

The Board is entitled to reclaim variable remuneration if it has been disbursed on the basis of information that has later proved to be evidently erroneous.

Long-term incentive scheme
Key employees are invited to participate in an ongoing share-based incentive scheme in the form of stock options or other share-based incentive schemes issued at market price to motivate long-term engagement and better align their interests with those of shareholders. Share-based incentive schemes, which are issued on market terms, can be combined with cash bonuses that are payable in conjunction with the redemption periods of stock option schemes. Such payment can be made to employees who are still employed at the time of redemption and shall, net of tax, not exceed 70 percent of the premium paid for the stock options.

Retirement benefits and employment termination
Pension benefits of the CEO and other members of the Company’s management shall be competitive and based on defined contribution pension plans, in which the premium shall be capped at 35 percent of the pensionable salary. Other benefits, such as company cars, health insurance, etc, shall constitute a minor part of total remuneration, and be in line with market conditions. The CEO can have a maximum notice period of twelve months. Other members of the Company’s management can have a maximum notice period of six months. In addition to salary during the notice period, termination benefits may be paid. However, the total of salary and termination benefits during the notice period shall not exceed the equivalent of 18 months’ salary.

Guidelines determined by the Board of Directors and proposed to the AGM 2018
For the 2018 AGM, the Board of Directors has proposed to adopt the same guidelines for remuneration to senior executives as in the preceding year.
1 Vigo Cartund
Other board assignments: Los Naranjos S.L.
Previous assignments: CEO of Investment AB Kinnevik, Korsnäs AB and Transcom World-Wide AB, and chairman of Tele 2 AB.
Shareholding: 3,670,000 B shares.
In relation to the Company, executive management and major shareholders of the Company.

2 Fredrik Erbing
Assignments: Vice President, Acando AB.
Education: MSc. in Engineering, Royal Institute of Technology, Stockholm.
Shareholding: 120,000 B shares.
Shareholding in endowment policy: 120,000 B shares.
Independent in relation to the Company, executive management and major shareholders of the Company.

3 Pontus Lindwall
Assignments: CEO and board member of Betsson AB (publ), chairman of Mostphotos AB and board member of Solporten Fastighets AB.
Education: MSc. in Engineering, Royal Institute of Technology in Stockholm.
Shareholding: 4,046,000 B shares.
Shareholding in endowment policy: 2,109,000 A shares, 720,420 B shares.
Independent in relation to the Company, executive management and shareholders. Pontus Lindwall is chairman of Betsson AB, which is a customer of NetEnt.

4 Maria Hedengren
Assignments: CFO of NetEnt.
Education: BSc. in Business Administration, San Francisco State University, USA.
Shareholding: 4,046,000 B shares.
Shareholding in endowment policy: 1,218,000 A shares, 580,400 B shares.
Independent in relation to the Company and executive management. Peter Hamberg is a close relative of one of the Company’s major shareholders.

5 Peter Hamberg
Assignments: CEO and board member of Hamberg Förvaltningar AB and board member of C-RAD AB and Solporten Fastighets AB.
Education: Bachelor’s degree in international business admin-
istration, San Francisco State University, USA.
Shareholding: 1,281,000 A shares, 580,400 B shares.
Independent in relation to the Company and executive management. Peter Hamberg is a close relative of one of the Company’s major shareholders.

6 Michael Knutsson
Education: BSc. in Business Administration from the University of Gothenburg.
Shareholding: 6,000,000 A shares, 10,000,000 B shares.
Independent in relation to the Company and executive management, not independent in relation to major shareholders.

7 Jenny Rosberg
Member of the Board of Directors. Born 1985. Elected 2015. CEO and board member of ROPA Management AB.
Assignments: Board member of Nordax, Nordax Bank and AB Persson Invest.
Education: MBA from the Stockholm School of Economics.
Shareholding: 15,600 B shares.
Independent in relation to the Company, executive management and major shareholders.

8 Maria Redin
Assignments: CFO of MTG
Education: BSc. in Business Administration from the University of Gothenburg.
Shareholding: 11,880 B shares.
Independent in relation to the Company, executive management and major shareholders of the Company.

The stated shareholdings at December 31, 2017 include holdings through family and companies.
SENIOR EXECUTIVES
7. The stated shareholdings at December 31, 2017 include holdings through family and companies.
Internal control of financial reporting

NetEnt’s control systems ensure that the Company’s targets are realised in terms of appropriate and efficient operations, reliable financial reporting, and compliance with laws and regulations.

NetEnt’s control system has been devised to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and ordinances, accounting standards and other requirements for listed companies.

Internal control refers to the process that is influenced by the Board of Directors, Company management and other staff, and is designed to provide reasonable assurance that the goals of the Company are achieved in terms of:

- appropriate and efficient operations,
- reliable financial reporting,
- compliance with applicable laws and regulations.

NetEnt applies the established framework for internal control issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). This framework encompasses five principal areas: control environment, risk assessment, control activities, monitoring/improvement and communication.

Control environment
The foundation of NetEnt’s control system is the control environment, which determines the individual and collective approaches in the Group. It is defined through policies and procedures, manuals and codes, and is upheld with the help of NetEnt’s organisational structure with clear responsibilities and powers based on shared values. Soundly devised internal control not only creates conditions for reliable financial reporting, but also contributes to a healthy and sustainable business with greater profitability as a result.

Work on the design of internal processes and monitoring thereof is becoming increasingly important as the Company grows. This is particularly important in terms of the systems that NetEnt develops and operates on behalf of customers.

NetEnt’s Board bears overarching responsibility for establishing an efficient internal control system. The responsibility for establishing an efficient control environment has been delegated to the CEO. The CEO delegates powers to those reporting to him, both directly and through established guidelines and manuals at the Company. Corporate values are an important element in this respect, providing guidance for daily work.

NetEnt’s finance function reports to the Audit Committee and to the Company’s Chief Financial Officer, and works to develop and improve internal control in financial reporting in the Group, both proactively with a focus on the internal control environment, and by reviewing how internal control works.

NetEnt reviews its internal control processes in accordance with a recurring time cycle each year, and makes changes to the extent required. The Audit Committee sees both the self-assessment and the review performed by external advisors. The Company has also established a framework and a process for internal audit of the finance function and the financial reporting that is based on a combination of self-assessment and independent review with the support of an external auditing firm.

Compliance
Moreover, the Group has a function comprising people with specific responsibility for compliance, as well as quality and processes. The function was established to secure enhancement of the Company’s processes and procedures for industry-specific compliance. The compliance department regularly reports its observations directly to the CEO and meets at least once a year with the Audit Committee without the presence of any members of management.

Internal governance instruments
Internal governance instruments for financial reporting primarily consist of the Group’s finance policy, information policy, financial handbook, and authorisation instructions that define accounting and reporting rules, as well as the Group’s definition of processes and minimum requirements for sound internal control in financial reporting. In addition, the Company has policies regarding, for example, trade in the Company’s shares, IT and information security, dividend, anti-bribery, prevention of money laundering and terrorist financing, drugs and gambling.

Risk assessment
Each year, NetEnt conducts a structured risk assessment to identify risks that affect the internal control of financial reporting, and to identify where those risks are present. Risks in financial reporting are evaluated and monitored by the Board of Directors through the Audit Committee.
The main risks to the Company are attributable to areas such as regulated activity, the invoicing process and revenue recognition, development expenditure and taxes, and the Company’s substantial cash and cash equivalents.

During the risk assessment, particular attention has been paid to the risk of irregularities and undue favouring of other parties at the Company’s expense, and the risk of loss or misappropriation of assets. Matters are prepared by the Audit Committee before consideration by the Board of Directors. The risk assessment results in control objectives that support meeting the fundamental financial reporting requirements. The risk assessment is updated annually by the Company, and is reported to the Audit Committee.

Moreover, the Company has a risk management process designed to constantly identify, prioritise and manage material business risks in general. The risk landscape is in some respects similar to the risk assessment for financial reporting, but includes other risks such as the availability of competent staff and political decisions. The Audit Committee shall continually monitor this process and report regularly to the Board of Directors. For a complete description of the industry and business-related risks that affect NetEnt, see the “Risk factors” section on pages 52–55 and Note 26 on pages 98–99.

**Control activities**

The most material risks identified in terms of financial reporting are managed through control structures in processes. Control activities are designed and documented at the process level, and include both overarching and more specific controls with the purpose of preventing, detecting and correcting errors and discrepancies. When devising control activities, accurate and timely performance thereof is ensured.
INTERNAL CONTROL

Control activities span everything from the review and monitoring of performance outcomes to specific account reconciliations.

General IT controls are established for the systems that support the processes that affect internal control regarding financial reporting. The design of processes and control activities within IT is also affected by regulations issued by the gaming authorities, such as Malta Gaming Authority (MGA), Alderney Gambling Control Commission (AGCC), Gibraltar Regulatory Authority (GRA), UK Gambling Commission and external reviews in connection with licences and certifications. Such reviews are conducted both by independent auditing agencies for certification in relation to requirements from authorities, and by the Company’s external auditors as part of the audit.

Areas that are covered by control activities include:
• due authorisation of business transactions
• ERP systems that affect financial reporting, including verification management
• the accounting process, including year-end reports and consolidated financial statements and their compliance with applicable regulations in the form of generally accepted accounting principles, prevailing laws and regulations, and requirements for listed companies. The process is also designed to ensure proper source materials for decision making for the Board of Directors and management
• significant and unusual or complex business transactions, as well as business transactions or valuations of assets or liabilities that contain significant elements of judgment,
• all new employees are subject to prior background screening.

Monitoring
Monitoring of control activities is continuously conducted to ensure that risks have been satisfactorily observed and addressed. Monitoring encompasses both formal and informal procedures applied by the Company. Such procedures include monitoring profit vs. budget and plans, analyses and key figures. The Board of Directors continuously evaluates the information provided by Company management. The process includes both reconciliation of monthly financial reports vs. budget and goals, and reporting at Board meetings. Through the Audit Committee, the Board of Directors examines and assesses the internal control organisation and function. The Company’s policies and instructions are evaluated and updated annually at a minimum with respect to appropriateness and functionality – or more often if needed.

The Company’s CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings. The results of the Audit Committee’s work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

Information and communication
Information and communication about internal governance instruments for financial reporting are available for all employees to whom these apply via the Company’s intranet. NetEnt has information and communication channels with the purpose of promoting complete and accurate financial reporting. Only a limited number of people in the functions Finance, IR, and the CEO’s office have access to information that is confidential in nature such as budgets, forecasts, financial outcome reporting, Board material and remuneration. Access to such confidential information is in accordance with the powers bestowed upon the Company’s staff in the organisation.

Guidelines and manuals of importance for financial reporting are updated and communicated to those concerned as new employees are introduced, and in the event of potential changes, to all affected staff. There are both formal and informal communication channels to senior executives and the Board of Directors for information from employees. In order for all employees to feel secure in reporting deviances from the Company’s rules, there is a confidential and efficient whistleblowing procedure in place. For external communication, there are guidelines for the Company with stringent demands on accurate and relevant information for the market. The Board of Directors annually adopts an information policy for the Company, which includes guidelines for contacts with analysts and the media.

In connection with the introduction of new employees, the latter are informed of the laws and guidelines followed by the Company regarding example managing insider information and trade in the Company’s shares. Prior to each quarterly earnings report, a reminder is sent about the rules to all staff.

Internal audit
The Company already had an internal audit function in place regarding anti-money laundering procedures. The most recent complete internal audit took place in 2016 and was performed by EY.
NetEnt has identified a number of sustainability areas that are of particular importance to the company and its stakeholders. Read more about NetEnt’s aims for greater sustainability on pages 16–17.

NetEnt is a provider of digitally distributed games and gaming systems for online casino, used by gaming operators around the world. The company’s revenues essentially consist of royalties, which are determined as a percentage of the game win (player bets less player wins) generated by NetEnt’s games for the customers. NetEnt is an operating and development company and does not conduct any gaming operations of its own in relation to players. For further information about the business model, see pages 14–15.

Governance of NetEnt’s sustainability efforts is integrated into the ordinary operations and ensured through the policies, targets and key figures within the various parts of the organisation (read more in the Corporate Governance Report on pages 56–63). The Board of Directors bears ultimate responsibility.

In the group management, the Communication Director bears overarching responsibility for sustainability work, and the rest of the management group are responsible for specific areas, shown in the table below.

NetEnt supports the UN initiative Global Compact as well as the UN global Sustainable Development Goals (SDG), which place demands on continual improvements in sustainability. Read more about this on pages 16–17.

In dialogue with its stakeholders, NetEnt has identified the most material areas of sustainability. These are shown in the table below together with targets and outcomes for the year in each area.

<table>
<thead>
<tr>
<th>Area</th>
<th>Targets and indicators</th>
<th>Outcome 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible gaming</td>
<td>• Compliance with laws and rules regarding responsible gaming on regulated markets</td>
<td>The goals are considered fulfilled.</td>
</tr>
<tr>
<td></td>
<td>• Offer customers technology to support responsible gaming</td>
<td></td>
</tr>
<tr>
<td>Anti-corruption and anti-money laundering</td>
<td>• The Company has zero tolerance of corruption and money laundering</td>
<td>The goals are considered fulfilled.</td>
</tr>
<tr>
<td>Work environment/society</td>
<td>• Employee satisfaction. Net Promoter Score (eNPS): &gt;30</td>
<td>eNPS = 42</td>
</tr>
<tr>
<td>Environment</td>
<td>• CO2 emissions in relation to no. gaming transactions to decrease by 20 percent until 2020</td>
<td>CO2 emissions/transaction 2017 = 22.6 mg (2016 = 22.9 mg)</td>
</tr>
<tr>
<td></td>
<td>• Offices shall be operated with a green and sustainable mindset</td>
<td></td>
</tr>
<tr>
<td>Diversity and equality</td>
<td>• Gender breakdown, target of 50 percent women in 2020</td>
<td>39 percent women in December 2017 (40)</td>
</tr>
<tr>
<td>Regulations</td>
<td>• Increase presence on regulated markets in no. licenses and certifications</td>
<td>NetEnt is present on 17 regulated markets (15)</td>
</tr>
</tbody>
</table>
Responsible gaming

Promoting responsible gaming is fundamental to NetEnt and a condition for the licences it holds.

It’s important to play for the right reason – to have fun. Although NetEnt has no direct contact with the individual players, the company works actively and in close cooperation with other market participants to prevent gaming-related problems. For some people, gaming can turn into an addiction that threatens physical, psychological and social wellbeing. The Public Health Agency (2017) estimates that around 2 percent of the population aged between 16 and 84 have issues with their gaming. Out of people who have placed in the past year, the percentage of problematic gaming is estimated at 3 percent of players.

Product design with safety functions

NetEnt’s product design is aimed at helping customers promote responsible gaming. This means that the games are designed with functions that enable the operators to allow the player to stay in control of their gaming, for example by setting an upper limit to their bets or gaming time, by reducing playing speed or by turning off certain functions.

Internal guidance and training

All employees are trained in responsible gaming, and those with special responsibility undergo in-depth training. Formal guidance in the area is also provided through the following policies and processes, which contribute to the company’s ability to fulfill its sustainability targets.

• NetEnt Responsible Gaming Policy
  Comprehensive guide for all employees in matters relating to responsible gaming.

• NetEnt Self-Exclusion Procedure
  Description of how NetEnt shall proceed when a player expresses a desire to be closed off from further playing.

• NetEnt Regulatory Training Policy
  Presentation of the requirements placed on employee training in responsible gaming.

• Player Communication Guideline
  Guide for communication with players in the event of players contacting NetEnt directly regarding gaming problems.

eCOGRA-certified

Players can rest assured that the games fulfill set requirements and game rules, are random, and that wins are possible. At the same time, players should be aware that gaming, just like other forms of entertainment, costs money and that losing is also possible.

NetEnt’s games and platform are regularly tested for randomness by independent accredited testing agencies, which is one of the requirements set by the gaming authorities where the company operates. NetEnt is also verified by the
international testing agency eCOGRA (e-Commerce and Online Gaming Regulation and Assurance) – a London-based industry organisation that works to promote safe and responsible gaming. Each year eCOGRA examines the development environment at NetEnt, verifies and ensures that the software is securely and reliably maintained and operated, and that the company is continuously tested by other independent agencies. eCOGRA also examines, in purely general terms, how the operations and games meet the agency’s responsible gaming requirements.

Global Gambling Guidance Group (G4)
NetEnt is certified for responsible gaming according to the Global Gambling Guidance Group (G4). By developing responsible gaming software and training programs for the employees of gaming companies, and by offering support lines and personal counseling, G4 works to prevent and minimise the damage and problems that arise from gambling addiction.

NetEnt is regularly examined by G4 to ensure that the Company’s operations and products support the following consumer protection guidelines of the organisation:
• Protecting minors and at-risk individuals
• Protecting players’ rights
• Promoting responsible gaming in a safe environment, for instance through integral protective functions
• Ensuring the reliability of games and gaming devices
• Keeping online casino games free from criminal activity, such as money laundering
• Compulsory training for employees in responsible gaming

Preventive work on our markets
In order to support preventive work and the treatment of gambling addiction, NetEnt has undertaken to make annual donations to the Responsible Gambling Trust and Gambling Therapy in the UK – two organisations that work nationally and internationally to reduce gaming-related problems in society.

Anti-corruption and anti-money laundering
Zero tolerance, clear guidelines and staff training.
NetEnt applies zero tolerance and clear guidelines against money laundering and corruption. All employees undergo training in the work against corruption and money laundering. The following policy instruments are used in this area to realise the sustainability targets:
• Anti-Money Laundering policy
• Anti-Bribery policy
• Handbook against money laundering and combating the financing of terrorism (Handbook for AML/CFT)

Work environment and society
Dedicated employees are fundamental to NetEnt’s success and contribute to a better society
Motivated employees who feel good are crucial to NetEnt’s ability to reach its goals, and this also contributes towards a better society. NetEnt prioritises measures to ensure that staff thrive and develop in their workplace. There is a great focus on the regular employee survey that is conducted several times each year and followed up with analysis and measures to improve the work environment. There is an emphasis on personal development, and NetEnt aims to offer good advancement and internal career opportunities. Health is a particularly important part of the Company’s employee strategy – employees are encouraged
to have a healthy lifestyle with exercise, sound eating habits and mental balance, such as through wellness benefits and many shared activities and initiatives. In 2015 a health coach was appointed, serving both at an overall strategic level, and at the individual level in matters relating to health and mental balance. NetEnt has the following policies that contribute to realising the sustainability targets:

- Work Environment Policy
- Alcohol and Drugs policy
- Anti-Slavery and Human Trafficking Policy

Environment
A relatively low environmental impact can be reduced further.
From an environmental perspective, NetEnt’s digital business model is a better alternative than traditional, physical casino environments that consume more resources. At the beginning of 2017, an environmental policy was introduced at the company. The company’s electricity consumption is the greatest burden on the environment, and is mainly attributable to different types of technical equipment such as servers, PCs and monitors. As far as possible, travel is to be avoided in favour of video or phone meetings, which also supports the efficiency and profitability of the business.

The objective is to reduce CO2 emissions per gaming transaction by 20 percent over the next three years. In terms of operating the offices, the company strives to be green with measures such as recycling and the reduction of paper and disposables. As the company grows and needs new premises, the environmental aspect is considered when evaluating new options. At the beginning of 2017 NetEnt relocated to a new office on Vasagatan in Stockholm, in a property owned by Vasakronan. The latter is goal-oriented in reducing environmental impact, and is climate-neutral and certified according to ISO 14001.

Diversity and equality
Equal opportunity for everybody is a key feature at NetEnt.
At NetEnt, diversity notably leads to a better exchange of perspectives and experience, which promotes innovation. Also, diversity bolsters the corporate culture, which is a success factor. NetEnt strives to offer equal opportunity for all staff irrespective of gender, age, ethnicity, sexual orientation or religion. All evaluations of existing and new employees are exclusively based on factors such as competence, experience and attitude. 64 nationalities were represented among staff in 2017. The group-wide language is English, and in most cases knowledge of Swedish is not required for employment.

An important part of the company’s employee strategy is the objective to achieve a 50/50 balance between male and female employees by 2020. The male/female breakdown in the management team is 50/50 compared with an average of 21 percent women for all listed Swedish companies.

For the entire NetEnt Group, the proportion of women was 39 percent at the end of 2017 - a relatively high figure compared with other companies in the IT sector.

For the third consecutive year, NetEnt was among the finalists when the AllBright foundation issued its 2017 award for the best listed company in terms of gender equality.
The Company applies an Equal Opportunities Policy, which serves as support in the field of diversity in realising sustainability targets.

The following policies are available to attain the sustainability targets in this area:

- NetEnt Compliance Management Policy
- NetEnt Crime and Disorder Policy
- NetEnt Fair and Open Policy
- NetEnt Regulatory Training Policy
- NetEnt Software and Testing Standards Policy
- Information Security Policy
- Authorisation Policy
- Insider Policy
- IR Policy.

Regulations and compliance
Regulations mean healthy developments for the gaming industry.
NetEnt welcomes regulation in the gaming industry because this leads to a safer environment for both players and gaming companies. NetEnt is a member of the Swedish online gaming industry association, BOS, which represents gaming companies and game developers. NetEnt is also an associate member of the World Lottery Association (WLA), a global member-based organisation that promotes the interests of state-authorised lotteries and gaming operators. Commercially reasonable rules regarding taxes and product provisions provide solid fundamentals for regulated markets to grow and develop. NetEnt’s strategy is to grow in regulated markets and, for many years, the Company has invested resources to build up an organisation with the capacity to apply for and maintain licences and certifications.

The Compliance Department supports the organisation in matters regarding laws, regulations and directives, and ensures the company’s compliance to policies and processes. The department also assists with customer due diligence. In order for all employees to feel secure in reporting deviations from the company’s rules, a whistleblowing function is in place - procedures enabling employees, confidentially and efficiently, to raise their concerns.

The following sustainability risks can have implications for the company’s future development:

- Responsible gaming
- Anti-corruption and anti-money laundering
- Regulated operations and compliance.

These, and other operational risks, and how they are managed, are described in more detail on pages 52-55.

Sustainability risks
The following sustainability risks can have implications for the company’s future development:

- Responsible gaming
- Anti-corruption and anti-money laundering
- Regulated operations and compliance.