

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 Organizations 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 her, both directly and through the established guidelines and manuals at the company. Corporate values are an important element in this respect, providing guidance for daily work.

The group's finance function reports to the Audit Committee and to the group'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 evaluates its internal control environment in accordance with a recurring time cycle each year, and makes changes to the extent necessary. The Audit Committee sees both the self-assessment and the review performed by external advisors. The company also has 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

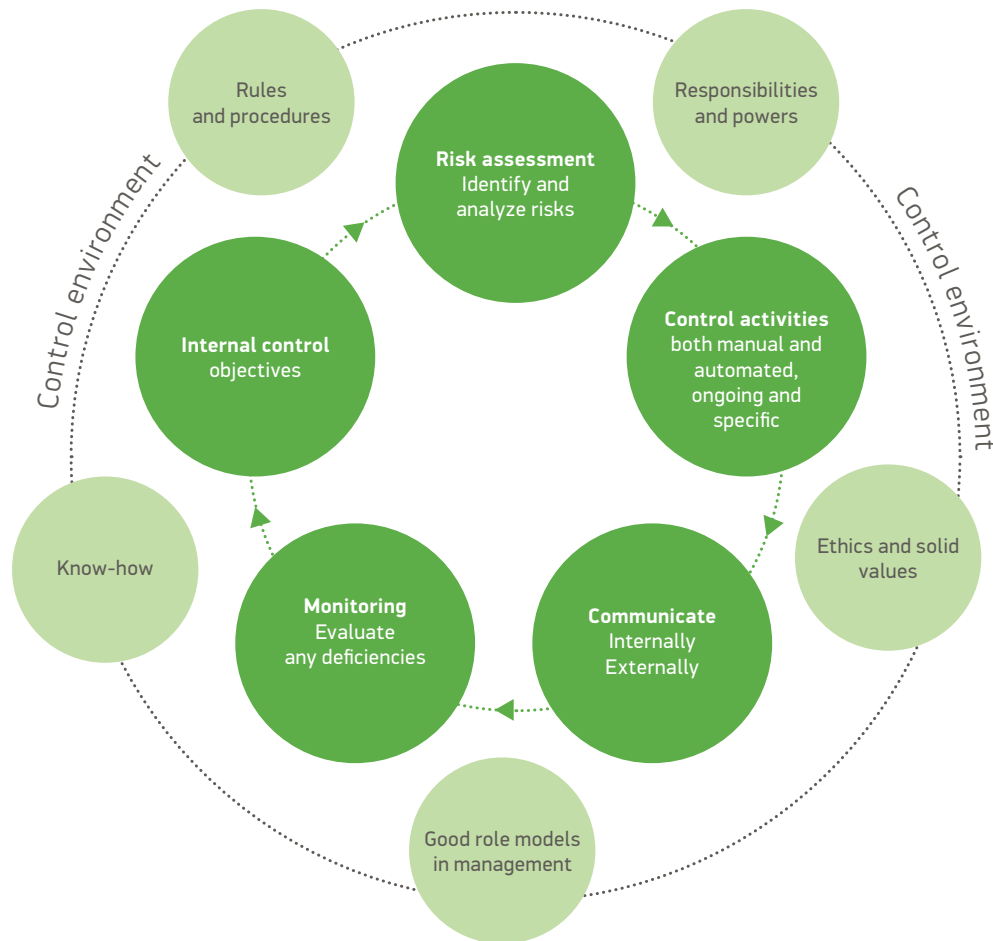
The group also has a team of people with particular responsibility for ensuring effective processes relating to industry-specific compliance. The compliance department regularly reports its observations directly to the CEO and meets at least once a year with the Audit Committee without the presence of any members of management.

Internal governance instruments

Internal governance instruments for financial reporting primarily consist of the group's policy for internal control, finance policy, information policy 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, anti-bribery, prevention of money laundering and terrorist financing, drugs and gambling.

Risk assessment

NetEnt conducts ongoing structured risk assessments to identify risks that affect the internal control of financial reporting, and to identify where these 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 favoring 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, prioritize 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. For a complete description of the industry- and business-related risks that affect NetEnt, see the "Risk factors" section on pages 48-51 and Note 26 on page 107-109.

Control activities

Control activities include the policies and routines that contribute to ensuring compliance with management directives and that necessary measures are adopted to highlight the risks that may prevent the company from achieving its goals. The most material risks identified in terms of financial reporting are managed through control structures in routines and 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. 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 (UKGC) and external reviews in connection with licenses 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 judgement

- all new employees are subject to prior background screening.

Monitoring

Monitoring of control activities is continually 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 versus 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 group'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 concerned on 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 important information from employees. In order for all employees to feel secure in reporting deviations 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 for example managing insider information and trading 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 has an internal audit function in place regarding anti-money laundering procedures. The most recent internal audit took place in 2018 and was performed by EY. ●