

# Corporate governance report

Stillfront observes the Swedish Code for Corporate Governance (the Code) since June 2017. Corporate governance defines the decision-making systems through which shareholders, directly or indirectly, control the company. This corporate governance report has been established by Stillfront's board of directors and was approved for publication May 4, 2018. The Corporate governance report is not a part of the Directors' report.

## Principles for corporate governance

Corporate governance at Stillfront is based on external regulations, such as the Swedish Companies Act, the Swedish Bookkeeping Act, the Swedish Annual Accounts Act, the Swedish Code of Corporate Governance and Nasdaq/OMX Stockholm's regulations for issuers. Stillfront's Articles of Association are also key regulatory documents for Stillfront's corporate governance. The Articles of Association establish, among other things, the name of the company, headquarters of the Board of Directors, the operations of the company and aspects of the share capital.

## SHAREHOLDING

As of 2017-12-31, Stillfront had 6,425,008 shares, each with one vote. The largest owner was FKL Holding GmbH, which owned 14.48% of the shares at year-end. FKL Holding GmbH was the only shareholder with an ownership greater than 10% of outstanding shares. In connection with the acquisition of Altigi GmbH, completed in January 2018, a total of 16,868,623 shares were issued. At the issue of this corporate governance report, Laureus Capital GmbH had 6,283,570 shares and was the only shareholder with more than 10% of the shares.

## ANNUAL GENERAL MEETING

The highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM is issued no earlier than six and no later than four weeks before the meeting. The notice contains information on registration, participation and voting at the AGM, an agenda with the issues to be addressed, information on the recommended dividend and the main content of other recommendations. Shareholders or their proxies may vote for the full number of shares they own or represent.

At the AGM, Stillfront's shareholders should determine the following, among other things:

- Who shall serve on Stillfront's Board and who shall be company auditors
- Determination of directors' and auditors' fees
- Adoption of the Income Statement and Balance Sheet and
- Consolidated Income Statement and Consolidated Balance Sheet
- Appropriation of profits or losses
- Discharging the members of the Board of Directors and the president from liability
- Guidelines for remuneration to leading executives

**This Corporate Governance Report is an excerpt from the 2017 Annual Report. Please refer to the Annual Report page 2 Translation disclaimer.**

In addition, shareholders resolve upon any changes to the Articles of Association of the company. The Articles of Association establish, inter alia, the operations of the company, aspects of the share capital, the shareholders' right to participate in the AGM and what matters shall be dealt with at the AGM. Extra general meetings can be summoned when necessary. Information, including the notice and suggestions for the AGM, as well as minutes from previous AGM/EGMs are available on Stillfront's website, Stillfront.com.

## ANNUAL GENERAL MEETING 2017

The AGM 2017 was held at the offices of the law firm DLA Piper Sweden, Kungsgatan 9, Stockholm, Sweden, on May 19. During the meeting shareholders were provided the opportunity to ask the Chairman of the Board and the CEO questions. A total of 13 shareholders who were entitled to vote participated at Stillfront's AGM 2017. They represented 1 784 068 shares or approximately 29.8 percent of the capital and votes.

At the AGM, the Chairman of the Board and three Board Members – of which one was the CEO – participated. The elected auditor also participated. Chairman of the AGM was the Attorney at Law, Peter Ihrfelt.

At the AGM, the shareholders resolved the following inter alia:

- That the Board shall consist of six members elected by the AGM, with no deputies
- That Board members Annette Brodin Rampe, Alexander Bricca and Mark Miller were re-elected and Birgitta Henriksson, Sture Wikman and Ulrika Viklund were elected until the end of the next AGM
- That Annette Brodin Rampe was elected as Chairman of the Board
- That remuneration to the Chairman shall be 150,000 SEK and 75,000 to each of the Board Members elected by the AGM
- That the auditing firm MAZARS SET Revisionsbyrå was appointed as auditors with Michael Olsson appointed as chief auditor
- A fee to the auditor in accordance with approved invoices
- Authorization for the board of directors to, with or without deviation from the shareholders' preferential rights, on one or several occasions resolve to issue shares, convertible instruments and/or warrants. The increase of the share capital, may correspond to a dilution of a maximum of 10 percent of the share capital.

#### **EXTRA GENERAL MEETING 2017**

At an extra general meeting April 18, 2017, it was resolved to issue warrants to be used in incentive program. 299 189 warrants were issued. The warrants give the holder the right to subscribe to shares at a price of 152.74 SEK during the period May 15, 2020 – June 1, 2020.

#### **EXTRA GENERAL MEETING 2018**

At an extra general meeting January 9, 2018, it was resolved to issue shares to be used as part of the consideration in conjunction with the acquisition of Altigi GmbH. 16 868 623 shares were issued. Further, it was resolved that the board should have 7 members and Dr Christian Wawrzinek was elected as board member.

#### **ANNUAL GENERAL MEETING 2018**

The AGM 2018 will take place May 30, 2017 at 11 a.m. at the offices of the law firm DLA Piper Sweden, Kungsgatan 9, Stockholm, Sweden. All shareholders wishing to raise an issue during the AGM could make suggestions to the Chairman of the Board, or present nominations to the nomination committee. It will not be possible to follow or participate from other locations with the help of communication technology. Information regarding the AGM is published on the website, Stillfront.com.

#### **NOMINATION COMMITTEE**

In accordance with the resolution of the Annual General Meeting on May 19, 2017, the Chairman of the Board, shall convene, at the end of the third quarter, Stillfront's three largest registered shareholders, to elect one representative each for the nomination committee.

The Nomination committee for the AGM 2018 initially consisted of

- Annette Brodin Rampe, Chairman of the Board and convener
- Felix Faber, FKL Holding
- Joachim Spetz, Swedbank Robur fonder
- Niclas Ericsson, representing himself and related parties.

Upon the completion of the acquisition of Altigi GmbH, there was major change in the ownership of Stillfront Group, whereas the nomination committee was reformed according to the following:

- Annette Brodin Rampe, Chairman of the Board and convener
- Joachim Spetz, Swedbank Robur fonder
- Dr. Kai Wawrzinek, Laureus Capital GmbH
- Ossian Ek Dahl. Första AP-fonden.

The duties of the Nomination committee is to propose, for the AGM 2018, the Chairman of the AGM, the Board members to be elected by the AGM, the Chairman of the Board, Directors' fees, auditors' fees and the Nomination committee's procedures.

The nomination committee proposes the following to the AGM 2018: Re-election of the board members Birgitta Henriksson and Ulrika Viklund and election of Katarina Bonde, Erik Forsberg, Fabian Ritter and Jan Samuelson. Annette Brodin Rampe, Mark Miller, Sture Wikman, Christian Wawrzinek and Alexander Bricca have declined re-election. Jan Samuelson is proposed as chairman.

The Nomination Committee has attached weight to the matter of equal gender distribution in the Board. If the AGM adopts the committee's suggestion, the proportion of female Board Members will be 50 percent.

The Nomination Committee proposes that remuneration be paid to the Board Members with a total of 1,425,000 SEK, distributed as follows: 425,000 is allocated to the Chairman, 200,000 to each of the members elected

at the AGM. Board members that have other remuneration from the company shall not be entitled to board remuneration. In addition, 100,000 SEK shall be paid to the chairman of the audit committee and 50,000 each to the members of the committee. Further, 60,000 SEK shall be paid to the chairman of the audit committee and 30,000 each to the members of the committee.

### BOARD OF DIRECTORS

According to Stillfront's Articles of Association, the Board of Directors shall consist of at least three and at most eight members, with a maximum of eight deputies, elected each year at the AGM to serve until the end of the next AGM. There is no rule on the maximum period a Director may serve on the Board.

The AGM 2017 reelected Annette Brodin Rampe, Alexander Bricca and Mark Miller and elected Birgitta Henriksson, Sture Wikman and Ulrika Wiklund. The AGM elected Annette Brodin Rampe as Chairman. An extra general meeting January 9, 2018 resolved to extend the board with one member and to elect Dr. Christian Wawrzinek as board member.

The nomination committee considers all board members except Dr. Christian Wawrzinek and Mark Miller independent in relation to the Company and management, in accordance with the Swedish code of corporate governance. Dr. Christian Wawrzinek is owner of 50% of Laureus Capital GmbH which is Stillfront's largest shareholder. Further, Dr. Wawrzinek is the CSO of Goodgame Studios. Mark Miller has been an adviser to FKL Holding which was Stillfront's largest shareholder. More information on the Board and management can be found on page 21 of this annual report.

### BOARD WORK

During 2017 20 meetings were held at which minutes were recorded. At its scheduled meetings, the Board agenda in compliance with its rules of procedure, such as business con- outcomes, liquidity, annual accounts and interim reports. One recurring matter has been the streamlining of targets.

Four of the Board meetings were held prior to the release of interim reports. One meeting addressed the Company's operational planning and budget. A constitutional meeting was held in conjunction with the AGM resolving signatories, working procedures of the board, CEO-instructions and schedule for the meetings of the year. The other board meetings were dedicated to inter alia acquisitions and financing.

Prior to Board meetings, the Directors have received written material regarding the issues to be discussed. Part of this material for the meetings that deal with the interim reports is the CEO's written report on operations.

The CEO of Stillfront takes part in Board Meetings to submit reports. During 2017, the CEO served as secretary for the Board.

The Board resolves on written rules of procedure for its work as well as CEO-instructions including reporting instructions for the CEO. The rules of procedure determine the work that is required over and above the Companies Act and Articles of Association.

### BOARD MEMBER

### PRESENT/NUMBER OF MEETINGS

Annette Brodin Rampe	19/20
Per Skyttvall	11/11
Jörgen Larsson	11/11
Fredrik Åhlberg	9/11
Alexander Bricca	17/20
Birgitta Henriksson	9/9
Mark Miller	17/20
Sture Wikman	8/9
Ulrika Wiklund	8/9

### THE CHAIRMAN'S ROLE

The Chairman organizes and manages the Board's work so that is conducted in accordance with the Swedish Companies Act, other legal acts and regulations, the Code and the Board's internal governing documents. The Chairman monitors operations through continuous contact with the CEO and is responsible for the making sure that the other board members receive relevant information. The Chairman ensures that the Board's and CEO's work is evaluated annually and that the Nomination Committee is informed about the results of the evaluation.

### EVALUATION OF THE BOARD'S WORK

Once a year, the Chairman of the Board carries out an evaluation of the Board's work, partly through a questionnaire, and partly through individual discussions with the members. Several different issues are highlighted, such as the climate of cooperation, the breadth of knowledge and how the board work has been carried

out. The intention is to get a picture of how the members perceive that the board work has been carried out and what measures can be taken to streamline and improve the work. The Chairman reports the evaluation to the Board and, in addition, to the Nomination Committee.

The Board evaluates the work of the CEO by monitoring the development of the business and by reviewing the CEO's written reports.

### **THE CORPORATE MANAGEMENT'S WORKING METHODS**

Group management consists of CEO and CFO. Group management has ongoing meetings with subsidiaries. In the management meetings, business development, financial monitoring and business plans are discussed. The subsidiaries have high operational freedom within the agreed framework. Group management monitors that these boundaries are not crossed. Effective management structures have been established within each subsidiary.

### **REMUNERATION**

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2017, the AGM determined a total fee of 525,000 SEK, of which 150,000 SEK to the Chairman of the Board and 75,000 to each of the Directors.

A compensation committee was established consisting of Annette Brodin Rampe (chair), Sture Wikman and Alexander Bricca.

Remuneration to the CEO and other officials consists of a basic salary, a variable performance remuneration, other benefits and pension.

The Chairman of the Board negotiates the remuneration and terms of employment for Stillfront CEO and CFO. The remuneration is approved by the Board.

The CEO negotiates the remuneration and terms of employment for the heads of subsidiaries who report to the CEO. For further information, see Note 9 in the annual report.

### **AUDIT**

An auditor is elected by the AGM, for a term running up until the end of the AGM during the financial year after the election. The auditor is assigned to review Stillfront's annual report, accounting records and the administration performed by the Board and President. The auditor delivers a report to the AGM. Shareholders have the opportunity to ask the auditor questions during the AGM.

The AGM 2017 elected the accounting firm of MAZARS SET Revisionsbyrå as auditor until the end of the AGM 2017. The chief auditor is Michael Olsson. MAZARS has conducted the audit of Stillfront and the majority of its subsidiaries.

In 2017, the auditors have, in addition to reviewing the company's books, performed brief audits of the company's third interim report and of the Year-End Report. The auditors have participated at two Board meetings during the year, ahead of the Year-End Report and again in connection with the third interim report, which they reported significant observations from their audit.

### **AUDIT COMMITTEE**

The audit committee consists of the entire board.

### **INTERNAL CONTROL AND RISK ASSESSMENT REGARDING FINANCIAL REPORTING**

The Board is charged with ensuring the company's internal control and review and that financial reporting follows the regulations and rules applicable to companies traded on the NASDAQ First North in Stockholm, as well as Swedish legislation such as the Companies Act, the Annual Accounts Act and the Code of Corporate Governance. In addition, there are internal instructions, routines, and a system for delegating roles and responsibility, to ensure good internal control.

### **CONTROL ENVIRONMENT**

Stillfront's operations are organized in independent subsidiaries. Each subsidiary appoints a entity head in charge of the subsidiary's governance, development and management.

Stillfront's decentralized organization, with many subsidiaries, entails demanding requirements on the management teams of subsidiaries, as well as their competence, common values and ethics. Further, this requires understanding and respect for delegation of roles. This also requires that the division of responsibility within and between the group management team and the management teams of the subsidiaries is well-defined and that the communication between all these units works well.

Instructions on governing documents, accounting principles, guidelines and routines are regularly distributed to affected employees.

The authorization instructions in Stillfront and all its subsidiaries regulate the decision process for important contracts, large investments and other significant decisions, thus becoming an important part of the group's control environment.

### **RISK MANAGEMENT**

Stillfront's operations are affected by a number of risk factors that cannot be fully controlled by the company. The Board has a work agenda determined at the constituting meeting. It provides the basis for the Board's work and for effective handling of the risks to which the company is exposed. For a more comprehensive description of financial risks, see Note 2 in the annual report.

The Board is responsible for identifying and managing significant financial risks and risks of errors in the financial reports. The focus is on significant income and balance items, transactions with high complexity and/or where the effects of any errors could be significant.

Stillfront's CFO annually reviews the company's minimum requirements for internal control and routines for financial reporting. These minimum requirements serve to prevent, uncover and correct errors and deviations in the financial reporting. Reviews include, i.a., approval of significant agreements, follow-up of risk exposure, checking account balances and analyzing results.

### **INFORMATION AND COMMUNICATION**

The group CFO is responsible for the implementation of group policies regarding internal information and communication.

The Group's financial position is discussed at Board meetings in conjunction with interim reports.

### **FOLLOW-UP**

The subsidiaries' observance of Stillfront's requirements of internal review and processes for financial reporting is monitored continuously by the CFO during visits to subsidiaries, which are selected based on particular needs and timed depending on internal reviews already performed.

The group's subsidiaries report income and balance sheets in a monthly basis, as well as relevant key figures. The monthly reports of the subsidiaries and the consolidated monthly report of the group are analyzed by corporate management.

### **INTERNAL REVIEW**

Given the group's structure and processes for internal review of financial reporting, the Board has not assessed it necessary to instate a special function for internal review.

### **INFORMATION**

The Company's external information follows the information policy for Stillfront established by the Board. The policy states what should be communicated, by whom and in what manner – to ensure that both external and internal information is correct and complete.

Stillfront provides information to shareholders and other stakeholders through published press releases, interim and year-end reports, the annual report and the Company's website (stillfront.com). The press releases, financial reports and presentation materials for the past

few years are all published on the website, along with information on corporate governance. Interim reports, annual reports and press releases are translated into English and published on the company website.

## **Auditor's report on the corporate governance statement**

To the annual meeting of the shareholders in Stillfront Group AB (publ)  
Corporate identity number 556721-3078

### **ENGAGEMENT AND RESPONSIBILITY**

It is the board of directors who is responsible for the corporate governance statement for the financial year 2017 on pages 75-79 and that it has been prepared in accordance with the Annual Accounts Act.

### **THE SCOPE OF THE AUDIT**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### **OPINIONS**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the

same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

**Stockholm 2018-05-04**

## **Mazars SET Revisionsbyrå AB**

**MICHAEL OLSSON**

Authorized Public Accountant