

# CORPORATE GOVERNANCE REPORT

## General

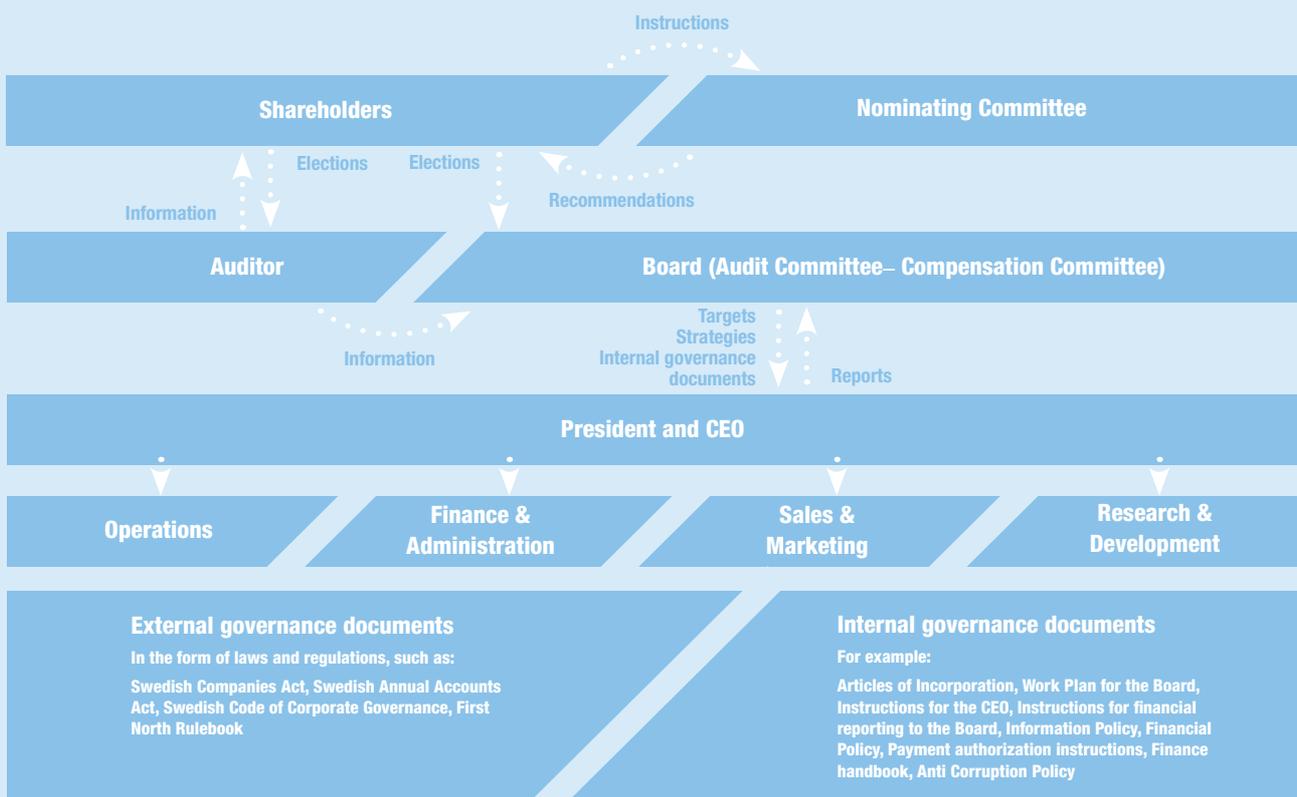
INVISIO Communications AB (publ.) (“INVISIO Communications” or “the Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. The Swedish Code of Corporate Governance applies to Swedish limited liability companies whose shares are available for trading in a regulated market in Sweden, currently NASDAQ OMX Stockholm and NGM Equity. The rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting. However, the basis of the corporate governance used by INVISIO Communications is the same as for companies listed on a regulated market and emanates from the Swedish Companies Act, Swedish Annual Accounts Act, the Swedish Code of Corporate Governance and

other applicable Swedish and foreign laws and rules. No departures from the Swedish Code of Corporate Governance have been noted. The document “Overview of INVISIO Communications’ application of the Swedish Code of Corporate Governance” (original title: “Översikt av INVISIO Communications tillämpning av Svensk kod för bolagsstyrning”) can be found on the INVISIO Communications website [www.invisio.com](http://www.invisio.com). This corporate governance report, which has been compiled in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance, has been audited by the Company’s auditor.

## Overview of corporate governance at INVISIO Communications

Governance and control of INVISIO Communications are divided among shareholders attending general meetings, the Board of Directors, and the CEO. An overview of the organization, governance, and control (including external and internal governance documents) of INVISIO Communications and the Group is provided below.

## Overview of corporate governance at INVISIO Communications



## Shareholders

### SHAREHOLDERS' VOTING RIGHTS

INVISIO Communications has been listed on First North, Stockholm since mid-2006, and more specifically under the First North Premier Segment, Stockholm since July 9, 2009. The Company's share capital at December 31, 2013 amounted to SEK 42.2 m (38.4), divided into 42 240,161 shares (38,440,162), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at December 30, 2013, was approximately SEK 213 m (192).

### NUMBER OF SHAREHOLDERS

As per December 30, 2013, INVISIO Communications had 408 (209) shareholders. Major shareholders are SIX SIS AG, on behalf of clients, with 19.6 percent of the stock and the votes, Yggdrasil AB with 16.5 percent of the stock and the votes, and Lage Jonason (with family and companies) with 15.2 percent of the stock and the votes.

### GENERAL MEETINGS OF SHAREHOLDERS

The shareholders' right to decide on INVISIO Communications' business activities is exercised at general meetings of shareholders. Shareholders who are registered in the shareholder register as per the record date and who have provided sufficient advance notice of their participation have the right to participate at general meetings and to vote on the basis of all their shares. Shareholders who are represented by proxy must issue a dated power of attorney for said proxy.

The Annual General Meeting (AGM) of INVISIO Communications must be held within six months after the end of the financial year and is usually held in April, in Stockholm. At the AGM, resolutions are adopted concerning – among other things – adoption of the Company's income statement and balance sheet, the consolidated income statement and consolidated balance sheet, disposition of the Company's profit or loss, discharging the board members and CEO from liability to the Company, election of directors, the Chair of the Board, and auditors, the setting of directors' and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. Extraordinary general meetings are held when the Board finds reason for such pursuant to the Swedish Companies Act.

### 2013 ANNUAL GENERAL MEETING

The 2013 Annual General Meeting and Extraordinary General Meeting were held in Stockholm on April 24. A total of 9 shareholders or their proxies were present, representing 49.6 percent of the number of shares and votes. The minutes from the Annual General Meeting and Extraordinary General Meeting can be found on the INVISIO Communications website at [www.invisio.com](http://www.invisio.com). A number of the resolutions that were passed follow below.

Chair of the board Lars Röckert was elected to chair the AGM. The AGM resolved to adopt the Company's income statement and balance sheet for 2012, to adopt the consolidated income statement and consolidated balance sheet for 2012, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2012 Board of Directors' report (that is, to carry it forward), and to discharge the board members and the CEO from liability for the 2012 financial year.

The AGM also resolved to authorize the Board, on one or more occasions before the next AGM, with or without deviation from the shareholders' pre-emption rights, to make decisions on the issue of new shares, stock options, and/or convertibles.

The reason for deviating from the shareholders' pre-emption rights is to spread ownership in the Company through any listing of the Company's stock on NASDAQ OMX Stockholm, to allow the Company to be refinanced, or, should such a need arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 3,800,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to approximately 9.9 percent of the number of shares and votes outstanding at that

time. Cash issues or set-off issues conducted with deviation from the shareholders' pre-emption rights may only be carried out at a price equal to the market value of the share, stock option, or convertible and on the basis of any altered terms the Board may deem necessary in order to complete the issue.

In the case of issues invoking shareholders' pre-emption rights, the Board decides on the price. The authorization encompasses the right to decide on cash issues and set-off issues and otherwise in compliance with the conditions stipulated in Chapter 2, Section 5, Paragraph 2, Items 2, 3, and 5 of the Swedish Companies Act.

Lars Röckert, Anders Persson, Mats Wärstedt, Jan Samuelson and Lage Jonason were re-elected as directors. Lars Röckert was elected to serve as Chair of the Board. The Meeting resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. The AGM also resolved that fees shall be payable to the auditor in accordance with an approved invoice and decided on guidelines for compensation of the CEO and other senior executives. Further, the AGM adopted a set of instructions for the Nominating Committee.

A decision was made at the extraordinary general meeting to establish an employee stock option program, Employee Stock Option Program 2013/2017, comprising a decision to issue stock options, plus approval of the transfer of stock options. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. In the event of full subscription and full exercising of stock options, this increase in the company's share capital will amount to SEK 2,000,000.

### 2014 ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held at 1 p.m. on Wednesday, May 7, 2014, at the premises of Advokatfirman WestmarkAnjou AB, Sergels Torg 12, Stockholm. Notice of the AGM can be found on the INVISIO Communications website at [www.invisio.com](http://www.invisio.com).

### Nominating Committee

A nominating committee shall be appointed and shall work during the time until a new nominating committee has been appointed on the drafting and presentation of recommendations to the shareholders at the AGM regarding the number of directors, election of directors, the Chair of the Board and the auditor, as well as on the fees to be paid to the Board of Directors and auditor and other matters that may be incumbent upon a nominating committee pursuant to the Swedish Code of Corporate Governance.

The Nominating Committee shall consist of three to four members, who shall be appointed as follows:

Before the end of the third quarter, the Chair of the Board shall contact the three to four largest shareholders of the Company, who then each appoint one member to serve on the Nominating Committee. Board members shall not constitute a majority of members serving on the Nominating Committee. One of the members of the Nominating Committee shall be appointed to serve as committee chair. If any of the three to four largest shareholders refrain from appointing a nominating committee member, the Chair of the Board shall urge another major owner to appoint a member. Shareholders who have appointed a member have the right at any time to replace their designated member with another representative. In addition, the Chair of the Board shall be a member of the Nominating Committee, but shall not be appointed as committee chair. As part of the Nominating Committee's work, the Chair of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be important to the composition of the Board. Individual shareholders of the Company shall be able to submit nominations for board members to the committee for further evaluation within the framework of the committee's work.

Information on the composition of the Nominating Committee shall be made public on INVISIO's website at least six months before the Annual General Meeting. The Nominating Committee shall have the right to charge the Company reasonable costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board. The Nominating Committee shall report its work at the Annual General Meeting.

The Nominating Committee prior to the 2014 Annual General Meeting comprised Ramsay Brufer, who also acted as Committee

Chairman and representing Alecta Pensionsförsäkringar, mutually, Lage Jonason representing himself (with family and companies), Erik Åfors representing Yggdrasil, and Chairman of the Board Lars Röckert.

## Board

### THE BOARD'S RESPONSIBILITY, DUTIES, AND DELEGATION OF DUTIES

As prescribed by the Swedish Companies Act, INVISIO Communications' Board is responsible for the Company's organization and the administration of the Company's affairs. The Board shall continuously assess the economic situation of both the Company and the Group. The Board shall also ensure that the Company's organization is designed in such a manner that the bookkeeping, asset management, and the Company's economic situation in general are controlled in a reassuring manner.

Each year, in connection with the board meeting following the election of the Board, and in conjunction with other board meetings if necessary, the Board of INVISIO Communications adopts a work plan (the Work Plan for the Board of Directors of INVISIO Communications). According to this work plan, the Board's duties include setting targets and strategies, adopting internal governance documents, approving important agreements, approving investments according to certain criteria, approving capital expenditures (including acquisitions of operations, shares in companies, real property, and intangible rights), approving sales of operations, shares in companies, real property, and intangible rights, approving loans raised according to pre-determined criteria, approving important surety and guarantee obligations, evaluating the CEO and other members of management and ensuring succession planning, overseeing the CEO's work through continuous monitoring of operations, and evaluating the work of the Board.

In addition to the Board's duties as outlined above, the Board's Work Plan also clarifies the Board's and its committees' internal divisions of responsibility, including the Chair's role, board meeting structure, the minimum number of board meetings, procedures for issuing summonses to board meetings, the Board's meeting plan, items of business to be discussed at board meetings, quorums of the Board, procedures for recording the minutes of board meetings, and procedures for providing material for decision-making to the Board.

The Chair of the Board shall lead the Board's work and conduct oversight to ensure that the Board fulfills its duties pursuant to the Swedish Companies Act and other obligations, as well as ensure that the Board's work is conducted effectively. In particular, the Chair shall organize and lead the Board's work on creating the best possible conditions for the Board's work, ensure that new board members are provided necessary orientation training and other training that the Chair and such member both consider suitable, ensure that the Board continuously updates and deepens its knowledge about the Company, assume responsibility for contacts with the owners on owner matters and convey views from the owners to the Board, ensure that the Board receives satisfactory information and material for decision-making and its work, set a proposed agenda for board meetings in consultation with the CEO, check whether Board decisions are implemented, and ensure that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work methods and effectiveness.

The Board has established two working committees, the Audit Committee and the Compensation Committee.

### AUDIT COMMITTEE

The Board is responsible for ensuring that the Company has good internal control and formalized routines that ensure compliance with established principles for financial reporting and internal control and that the Company's financial reporting is prepared in compliance with law, applicable accounting standards, and other requirements placed on the Company.

The Audit Committee's duties and responsibilities include:

- Monitoring the Company's financial reporting;
- Regarding the financial reporting, monitoring the effectiveness of the Company's internal control and risk management;

- Staying informed about the audits of the annual accounts and the consolidated accounts;
- Examining and monitoring the external auditor's impartiality and independence and therewith paying particular attention to whether the external auditor provides the Company with services other than auditing; and
- Assisting with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

Monitoring of the Company's financial reporting is normally conducted in such a way that the Audit Committee reviews all critical accounting issues and the financial reports issued by the Company. The Audit Committee is tasked with, among other things, considering matters such as internal control, regulatory compliance, significant uncertainties in reported values, uncorrected errors, post-balance sheet events, changes in estimations and assumptions, any confirmed improprieties, and other circumstances that may affect the quality of the financial reporting.

The Audit Committee consists of all of the board members and is chaired by the Chair of the Board. Minutes from Audit Committee meetings are included in the minutes from Board meetings.

At Board meetings, the Audit Committee discussed the interim report for January – March 2013, the half-year report for January – June 2013, the interim report for January – September 2013, the year-end report for January – December 2013, and the 2013 Annual Report. At board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

### COMPENSATION COMMITTEE

The Compensation Committee's duties and responsibilities include preparing matters for board decisions on issues related to compensation principles, compensation and other terms of employment for company management, and following and evaluating programs (both current and those completed during the year) for variable compensation for company management, as well as following and evaluating the application of the guidelines for compensation of senior executives (which in accordance with the law shall be determined by the AGM) and of compensation structures and compensation levels at the Company.

The Compensation Committee consists of all board members and is chaired by the Chair of the Board. Minutes from Compensation Committee meetings are included in the minutes from board meetings. At board meetings, the Compensation Committee discussed matters that are incumbent upon the Compensation Committee.

### COMPOSITION OF THE BOARD AND ITS COMMITTEES AND DIRECTORS' INDEPENDENCE

According to the Articles of Incorporation, the Board of INVISIO Communications shall consist of a minimum of three and maximum of eight directors. The Board currently consists of five directors, who were elected for terms extending until the 2013 Annual General Meeting. These directors are Lars Röckert, Anders Persson, Mats Warstedt, Jan Samuelson and Lage Jonason. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board 2013" below. The same table also shows the Board's assessments of directors' independence in relation to the Company and company management and the Company's largest shareholders. The table also shows that INVISIO Communications complies with the requirement of the Swedish Code of Corporate Governance from July 1, 2008 that a majority of directors shall be independent in relation to the Company and company management and that at least two of these shall also be independent in relation to the Company's major shareholders. The Board's assessments of directors' independence is the same even in relation to the requirements in the Swedish Code of Corporate Governance from February 1, 2010 that are applied only to directors elected after July 1, 2010.

## COMPOSITION OF THE BOARD

2013	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chair	2010	yes	Chair	Chair
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Wärstedt	1962	Member	2008	yes	Member	Member
Jan Samuelsson	1963	Member	2011	yes	Member	Member
Lage Jonason	1951	Member <sup>1</sup>	2012	no <sup>2</sup>	Member	Member

<sup>1</sup>Director as of 2012 AGM

<sup>2</sup>Lage Jonason is not independent of major shareholders and independent of the Company and Company management.

## COMPOSITION OF THE BOARD

2012	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chair	2010	yes	Chair	Chair
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Wärstedt	1962	Member	2008	yes	Member	Member
Jan Samuelsson	1963	Member	2011	yes	Member	Member
Lage Jonason	1951	Member <sup>1</sup>	2012	no <sup>2</sup>	Member	Member

## THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Communications' board shall meet at least six times each year, excluding the Board meeting following the election of the Board. In 2013, the Board held 20 meetings. The attendance of board members at board meetings is shown in the table "Directors' attendance 2013" below. The main issues covered at board meetings in 2013 were:

- Year-end report 2012
- Annual report 2012
- Internal governance documents
- Evaluating the CEO and other members of management and ensuring succession planning
- Compensation of CEO and other senior executives
- Evaluating the work of the Board
- Sales processes and sales activities

- Production matters
- Follow up on goals and strategies
- Financial accounting and reporting
- Internal prognoses regarding sales, profits and liquidity
- Liquidity and financing matters, including raising external loans and new share issues
- Interim report January – March 2013
- Goals and strategies
- The auditor's audit plan
- Half-year report January – June 2013
- Interim report January – September 2013
- The CEO's report and business follow-up
- The outcome of the auditor's assignment

The secretary at the Board's meetings is normally the Company's Head of Finance.

## BOARD MEMBERS' ATTENDANCE

2013	Position	Board meetings
Lars Röckert	Chair	20 of 20
Anders Persson	Member	18 of 20
Mats Wärstedt	Member	19 of 20
Jan Samuelsson	Member	20 of 20
Lage Jonason	Member <sup>1</sup>	19 of 20

<sup>1</sup>Member of 2012 AGM

2012	Position	Board meetings
Lars Röckert	Chair	15 of 15
Anders Persson	Member	15 of 15
Mats Wärstedt	Member	15 of 15
Jan Samuelsson	Member	15 of 15
Lage Jonason	Member <sup>1</sup>	9 of 9

<sup>1</sup>Member as of 2012 AGM

## EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chair of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. For 2013, evaluation took place, as in 2012, with the Nominating Committee carrying out separate interviews with each individual director. These interviews were carried out by Ramsey Brufer representing Alecta Pensionsförsäkringar, mutually, and Erik Åfors representing Yggdrasil.

### Auditor

INVISIO Communications' auditor audits the annual accounts, the consolidated accounts, and the bookkeeping, as well as the administration of the Board and the CEO. In addition, for a company whose shares are available for trading in a regulated market, the auditor also audits the corporate governance report. The auditor works according to an audit plan and reports any observations to the Audit Committee at board meetings. The auditor participates at the Annual General Meeting in order to present the audit report, which describes the audit work and the auditor's conclusions.

At the Board's request, the auditor also conducted a review of the interim report for January – September 2013.

At the 2008 AGM, the certified public accounting firm PricewaterhouseCoopers AB was elected to serve as auditor for the time extending through the end of the Annual General Meeting held in the fourth financial year following the financial year in which the auditor was elected. The auditor-in-charge is Michael Bengtsson, Certified Public Accountant.

## CEO, management, departments, and employees

According to the Swedish Companies Act, the CEO shall be responsible for the day-to-day administration in accordance with the Board's guidelines and instructions. Each year, in connection with the board meeting following the election of the Board, the Board of INVISIO Communications adopts a set of instructions for the CEO. According to these instructions, the CEO shall, in consultation with the Chair of the Board, ensure that matters are properly prepared for ahead of Board meetings and that satisfactory written documentation for decision-making, characterized by objectively presented facts, thoroughness, and relevance, is provided to the Board. At Board meetings, the CEO shall make presentations and suggest recommendations on matters prepared by management. The CEO's report on the business situation, future outlook, and financial reporting is a standing agenda item at regular board meetings.

INVISIO Communications' operations are organized into four business areas; Operations, Finance & Administration, Sales & Marketing, and Research & Development. INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 31 (29) employees as per December 31, 2013, and 14 (13) of those employed worked in Research & Development.

# BOARD OF DIRECTORS

## ● LARS RÖCKERT (BORN 1950)

*Member of the Board since April 2010 and Chairman since April 2011*

Lars Röckert trained as an officer at Karlberg Military College 1973-74 and the Military College Higher Course 1982-1984, which corresponds to a higher academic exam. Röckert was an active officer between 1974 and 1984. From 1984, Lars Röckert was active in the Swedish defense industry at companies such as SAAB, Ericsson and Bofors/BAE Systems. Lars Röckert held various marketing and sales manager positions there. Most lately, he was Head of Marketing at BAE Systems AB, legal owner of Bofors and Hägglunds. He left this position in 2011, when he also left BAE Systems in order to run his own company. Röckert was also a Board member at BHIC Bofors Asia Sdn Bhd from 2004 until March 2011, and he was formerly also a director and Chairman at H-B Utveckling AB.

In addition to his duties at INVISIO, Lars Röckert holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
L.M.R. Business Development AB	Board member

Lars Röckert owns 30,336 shares in INVISIO Communications.

## ● ANDERS PERSSON (BORN 1957)

*Member of the Board since April 2009*

Anders Persson holds an M. Sc. Eng in Engineering Physics from Chalmers University of Technology, Gothenburg. Anders Persson is a Board member at Net Insight Consulting AB and deputy Board member of Ten Tech AB, and works as deputy CEO and development manager of Net Insight AB. Anders Persson has many years of experience from the Ericsson Group, where he was most recently General Manager for Network Design and Performance Improvement. Anders Persson has also held a number of other executive positions at Ericsson.

In addition to his duties at INVISIO, Anders Persson holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Net Insight Innovation AB	Chair
Net Insight Intellectual Property AB	Chair
Net Insight Consulting AB (publ)	Board member and CEO
Persson Executive Consulting AB	Board member and CEO
Net Insight AB	Deputy CEO
TEN TECH AB	Deputy Board member and CEO
Q2 Labs AB	Board member

Anders Persson privately owns 53,336 shares in INVISIO Communications.

## ● MATS WARSTEDT (BORN 1962)

*Member of the Board since December 2008*

Mats Warstedt holds an M.Sc. Econ from Stockholm School of Economics and an M.Sc. Eng in aviation technology from Stockholm's Royal Institute of Technology (KTH). Mats Warstedt is the CEO of RUAG Space AB. Former CEO of Innovativ Vision AB, and prior to that marketing director of SAAB AB (publ.) and CEO of Saab Barracuda AB.

In addition to his duties at INVISIO, Mats Warstedt holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Mats Warstedt AB	Board member
RUAG Space AB	Board member and CEO
RUAG Sweden AB	Board member

Mats Warstedt privately owns 29,362 shares in INVISIO Communications.



From left: Mats Warstedt, Lars Röckert, Lage Jonason, Jan Samuelsson, Anders Persson

### ● JAN SAMUELSON (BORN 1963)

*Member of the Board since April 2011*

Jan Samuelson holds an M.Sc. Econ from Stockholm School of Economics and is one of the founders of the private equity fund Accent Equity. Jan Samuelson has extensive experience of acquiring and developing companies from an ownership perspective and extensive experience of Board work and stock exchange and shareholder matters. His former employers, besides his role as Senior Partner at Accent Equity Partners AB, include EF Education, Carta Corporate Advisors AB and Indevo AB. His current Board positions include Resurs Holding AB and Solid Försäkringsaktiebolag.

In addition to his duties at INVISIO, Jan Samuelson holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Independia Invest AB	Board member
Independia AB	Board member
Solid Försäkringsaktiebolag	Board member
Resurs Holding AB	Chair
Tigerholm Grupp AB	Chair
Axholmen AB	Board member
Business Partner Sweden AB	Board member

Jan Samuelson owns 150,000 shares in INVISIO Communications via his wholly-owned company Business Partner AB.

### ● LAGE JONASON (BORN 1951)

*Member of the Board since May 2012*

Lage Jonason holds a BA and an M.Sc. Econ from Lund University. After working for the university system and the judiciary between 1974 and 1980, Lage Jonason began working for Handelsbanken before moving on later to Investment AB Skrinet, Förvaltnings AB Ratos and Veckans Affärer. Lage Jonason has held a number of CEO positions, including six years as CEO of Bankaktiebolaget JP Nordiska (now Ålandsbanken Sverige) and a range of directorships for a large number of listed and unlisted companies, including Holmens Bruk, Scandic Hotel, NetInsight, Posen Kassa & Bank and CityMail. Over the past decade, Lage Jonason has mainly been active as an advisor on corporate finance and independent investments in early-stage companies.

In addition to his duties at INVISIO, Lage Jonason holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Lage Jonason AB	Board member and CEO
INSPI AB	Board member
Aktiebolaget Drottningholms Konsthandel	Board member
Aktiebolaget Paternum	Board member
Aktiebolaget G C Lapidem	Board member
Aktiebolaget I.V. Numen Adest	Board member
QQM Fund Management	Board member

Lage Jonason (with family and companies) owns 6,409,298 shares in INVISIO Communications.

# SENIOR EXECUTIVES

Below we present the senior executives of INVISIO Communications, with their backgrounds, positions, and years of service.

## ● LARS HØJGÅRD HANSEN (BORN 1963)

*CEO* since July 2007, prior to which he was *acting CEO* for the period February–June 2007

Lars Højgård Hansen has a Graduate Diploma (HD) from Copenhagen Business School and an Executive MBA from Lund University, School of Economics. Lars Højgård Hansen has been employed at INVISIO Communications since 2006, and as well as being its CEO he is a Board member for INVISIO's subsidiaries Nextlink Patent AB and Nextlink IPR AB. Lars Højgård Hansen has a long record of experience from executive positions in the telecom industry, including Vice President Marketing for GN Netcom A/S and Sales and Marketing Director for cellphone accessories in Europe, the Middle East, and Africa for Ericsson Mobile Communications AB and SonyEricsson Mobile Communications AB.

In addition to his duties at INVISIO, Lars Højgård Hansen holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Lars Højgård Hansen owns 184,722 shares and 116,667 employee stock options in INVISIO Communications.

## ● THOMAS LARSSON (BORN 1964)

*CFO* since April 2012

Thomas Larsson has an economics degree from Växjö University. Larsson has been employed by INVISIO since 2012 and has previous experience from positions such as CFO at Systemtextgruppen AB and Head of Finance at Doro Nordic AB.

In addition to his duties at INVISIO, Thomas Larsson holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Thomas Larsson owns 35,560 shares in INVISIO Communications and 50,000 employee stock options.

## ● JAN LARSEN (BORN 1962)

*Vice President Research & Development* since May 2007 and also *Head of Operations* since March 2010

Jan Larsen has a degree in Electrical Engineering (B. Sc. EE) from the Technical University of Denmark and a Graduate Diploma (HD-O) from Copenhagen Business School. Jan Larsen has been with INVISIO since 2007, prior to which he has a long record of experience from executive positions in product development for various types of hearing and acoustics applications, including Vice President R&D for GN Netcom A/S and UnoMedical A/S and various positions at Oticon A/S.

In addition to his duties at INVISIO, Jan Larsen holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Jan Larsen owns 15,666 shares in INVISIO Communications and 50,000 employee stock options.

## ● CARSTEN AAGESEN (BORN 1968)

*Vice President Sales* since May 2008 and *Vice President Sales and Marketing* since January 2011 Carsten Aagesen has an M.Sc. Econ., with a major in Marketing and Strategic Management from Copenhagen Business School. Carsten Aagesen has been employed by INVISIO since May 2007, prior to which he had many years' executive experience in international sales and marketing, including Sales & Marketing Manager and Marketing Manager, Nordic Region and Benelux for Apple Inc, Director, Global Marketing for GN Great Nordic A/S/GN Netcom A/S, and Director, Sales & Product Sourcing for F Group A/S.

In addition to his duties at INVISIO, Carsten Aagesen holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Carsten Aagesen owns 15,500 shares in INVISIO Communications and 50,000 employee stock options.



From left: Lars Højgård Hansen, Carsten Aagesen, Jan Larsen, Thomas Larsson

# EMPLOYEES AND ORGANIZATION

## GENDER DISTRIBUTION AS PER 12/31/13

	2013	2012
Men	24	23
Women	7	6
<i>Total</i>	<i>31</i>	<i>29</i>



## GEOGRAPHIC DISTRIBUTION AS PER DECEMBER 31, 2013

	2013	2012
Denmark	30	28
Sweden	1	1
<i>Total</i>	<i>31</i>	<i>29</i>



## ORGANIZATIONAL STRUCTURE



## Compensation of the Board, auditor, CEO, and other senior executives

### DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2013 Annual General Meeting resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

Directors' fees are described in more detail in Note 9.

### AUDITOR'S COMPENSATION

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2013 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other services pertain primarily to consulting on accounting matters and other services.

Auditors' fees are described in more detail in Note 6.

SEK 000s	2013	2012
<b>PwC</b>		
Auditing assignments	330	419
Auditing activities in addition to auditing assignments	84	158
Tax consultancy		42
Other services	103	0
<i>Total</i>	<i>517</i>	<i>619</i>

### COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Company shall offer market terms for the countries in which they work to the CEO and other senior executives and thereby enable the Company to recruit, develop, and retain senior executives. The Company gathers and evaluates information on current compensation levels for executives in relevant industries and countries. Individual remuneration shall be based on the executive's experience, expertise, responsibilities, and performance. A combined gross level of compensation shall be set for each executive, and within this framework the concerned employee can influence the allocation among fixed salary, pension, and other benefits. Any pension benefits shall be decided by charges. Any other benefits shall have a limited value in relation to the total fixed gross salary. In addition, a variable salary based on clear and quantifiable targets set by the Board can be offered. Variable salary shall not exceed 50 percent of the fixed salary.

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees. Compensation of the CEO and other senior executives is shown in the following table.

2013, SEK 000s	Salary	Pension	Other remuneration	Total
<b>Management</b>				
Lars H. Hansen, CEO	3,510	58	89	3,657
Other executives	4,892	148	140	5,180
<i>Total</i>	<i>8,402</i>	<i>206</i>	<i>229</i>	<i>8,837</i>
<b>2012, SEK 000s</b>	<b>Salary</b>	<b>Pension</b>	<b>Other remuneration</b>	<b>Total</b>
<b>Management</b>				
Lars H. Hansen, CEO	2,743	58	68	2,869
Other executives	4,063	138	140	4,341
<i>Total</i>	<i>6,806</i>	<i>196</i>	<i>208</i>	<i>7,210</i>

Compensation of the CEO and other senior executives is described in more detail in Notes 8 and 9.

### Long-term incentive program

At an Extraordinary General Meeting held on April 24, 2013, a decision was made in accordance with a proposal by the Board of Directors, to establish an employee stock option program; Employee Stock Option Program 2013/2017. This program is described in more detail in Note 8.

### Notice period

According to his employment contract, the CEO has a twelve-month notice period in the event the Company serves notice. In the event the CEO leaves of his own accord, the notice period is eight months.

According to their respective employment contracts, other senior executives have a six-month notice period in the event the Company serves notice. In the event the other senior executives leave on their own accord, the notice period is three months.

### Board's report on internal control and risk management pertaining to financial reporting

The Board's responsibility for internal control and risk management is regulated in the Swedish Companies Act and, for Swedish limited liability companies whose shares are available for trading on a regulated market in Sweden (currently NASDAQ OMX Stockholm and NGM Equity), also in the Swedish Code of Corporate Governance. In addition to the rules in the Swedish Code of Corporate Governance regarding information about corporate governance, the rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting, since the Company's shares are not available for trading on a regulated market, although the Code serves as an important reference for corporate governance within the Company. According to the Swedish Annual Accounts Act, the corporate governance report shall include information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting.

Internal control and risk management with respect to financial reporting are part of INVISIO Communications' overall internal control and risk management and comprise a central component of the Company's corporate governance. INVISIO Communications defines internal control and risk management as a process that is influenced by the Board, the Audit Committee, the CEO, other Company management, and other employees and that is designed so as to provide reasonable assurance that INVISIO Communications' goals are achieved with respect to suitable and effective operations, reliable reporting, and compliance with applicable laws and statutes. This process is based on a control environment that fosters discipline and structure for the other four components of the process – risk assessment, control structures, information and communication, and follow-up. The process is based on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO), [www.coso.org](http://www.coso.org).

Board's report on internal control and risk management pertaining to financial reporting can be found below and gives information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting. This report has been audited by the Company's auditor.

Internal control and risk management with respect to financial reporting are aimed at providing reasonable assurance regarding the reliability of the external financial reporting in the form of interim reports, annual reports, and year-end reports and ensuring that the external financial reporting is prepared in accordance with law, applicable accounting standards, and other requirements on listed companies.

### CONTROL ENVIRONMENT

The control environment encompasses the values and the ethics that the Board, the Audit Committee, the CEO, and other members of management communicate and adhere to, as well as the organizational structure, leadership, decision-making channels, authority, responsibilities, and competence held by the employees. An overview of the Company's organization, governance, and control – including external and internal governance documents that are important aspects of INVISIO Communications' control environment –

is provided on page 32 in the Corporate Governance Report. INVISIO Communications is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

The Board has overarching responsibility for internal control and risk management with respect to financial reporting. The Board has adopted a Work Plan for the Board of INVISIO Communications that forms an internal governance document. This document stipulates the Board's responsibility and regulates the internal division of duties among the Board, its committees, and its members.

The Board has appointed an Audit Committee, comprised of all board members, tasked with and responsible for monitoring the Company's financial reporting and, in this context, also monitoring the effectiveness of the Company's internal control and risk management. The Audit Committee shall also stay informed about the audits of the annual accounts and the consolidated accounts, examine and monitor the external auditor's impartiality and independence and therewith pay particular attention to whether the external auditor provides the Company with services other than auditing, and assist with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

The Board has also established internal governance documents in the shape of a set of instructions for the CEO of INVISIO Communications, as well as instructions for financial reporting to the Board of INVISIO Communications.

As regards financial reporting, responsibility for maintaining an effective control environment and for the ongoing work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2013, INVISIO Communications continued the review of internal governance documents in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements on listed companies. As a result of this review, several internal governance documents have been updated. In addition to this, the focus in 2013, as in 2012, was on effective financial governance and control in the form of follow-ups of targets and plans and clear divisions of responsibility for income and expenses.

### Risk assessment

As regards financial reporting, INVISIO Communications' risk assessment is designed to identify and evaluate the most significant risks affecting internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed using various control structures, with the aim of ensuring that the basic requirements of financial reporting are fulfilled. The risk assessment that has been performed shows that the most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. As per December 31, 2013, the assessment is that the reported value of these items corresponds to their fair value.

The Company's risk management is described further in the Board of Directors' Report and in Note 2.

### CONTROL STRUCTURES

The most significant risks identified with respect to the financial reporting are managed using various control structures to ensure that the basic requirements of the external financial reporting are fulfilled. These control structures include both overarching and more detailed controls designed to prevent, discover, and correct errors and deviations, and which can be both formal and informal in nature. Areas covered by the controls include authorized approval of business transactions, the reliability of business systems, compliance with laws, applicable accounting standards, and other requirements placed on listed companies, and areas that contain significant elements of estimation.

### INFORMATION AND COMMUNICATION

As regards financial reporting, information and communication about internal governance documents are available to the Company's employees in INVISIO Communications' document management system, High Stage. High Stage is a web-based tool for managing business documents in a central database and features automatic version management as well as control of authorization, reviews, and approval. Information and communication on internal governance documents are also provided in connection with staff meetings.

As regards financial reporting, the CEO and the Company's CFO report the results of their work on internal control and risk management at Audit Committee meetings.

External financial reporting is conducted in accordance with laws, applicable accounting standards, and other requirements on listed companies, as well as in accordance with relevant internal governance documents, such as the Finance Handbook, instructions for financial reporting to the board, and the Information Policy.

### FOLLOW-UP

Follow-ups to ensure the effectiveness of internal control and risk management with respect to financial reporting are conducted by the Board, the Audit Committee, the CEO, and other management. This includes follow-ups of the CEO's monthly business reports to the Board, of monthly financial reports against budgets and targets, of any reports from the CEO and the Company's CFO concerning identified shortcomings in internal control with respect to the financial reporting, and of reports from the Company's auditor.

INVISIO Communications does not have a dedicated internal audit function. The Board has evaluated the need for such a function and has concluded that the organization's size and the scope of operations do not warrant such a function.

### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders of INVISIO Communications AB (publ), corporate identity number 556651-0987

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 32-41 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 24, 2014

PricewaterhouseCoopers AB

Michael Bengtsson  
Authorized Public Accountant