

# Corporate Governance Report

ContextVision AB is registered in Sweden and is controlled by its Articles of Association according to the Companies Act in Sweden and Swedish law. Since 1997, the company has been listed on the Oslo Stock Exchange under the ticker COV and operates under Oslo Stock Exchange rules & regulations. ContextVision complies with the majority of applicable guidelines and procedures, which are stipulated in the Norwegian Code of Practice for Corporate Governance, issued October 30, 2014. The deviations are explained in this document.

This report was adopted by the Board of Directors in April 2018 and shall be valid until the next annual general meeting. This Corporate Governance Report includes the measures implemented for the efficient management of and control over ContextVision's operations. The Board of Directors and the executive management of ContextVision are dedicated to managing shareholders' and other stakeholders' demands for effective business operations, which shall be run independently by the Board of Directors and the executive management.

## Business

The company shall carry on the development, production, marketing and sales of products for images, aiming at increasing the value of the images or sequences of images through image enhancement or image analysis. Corporate values and ethical guidelines have been updated and documented. In general, being a company providing products and solutions in the health care market, it is driven by the patients' best interests. If there are reasons to believe that certain actions do not follow our corporate values or involve other unethical behavior related to the company's activities, there are procedures in place to address such issues.

## Equity and dividends

The company is to have an equity capital at a level appropriate to its objectives, strategy and risk profile. Presently the strong cash balance is appropriate to fund the future growth ambitions. The Board of Directors is regularly informed of the equity capital to ensure it is on an appropriate level.

## Equal treatment of shareholders and transactions with close associates

ContextVision has only one share class, whereby all

shares have equal voting rights. Transactions carried out in own shares are managed by a third party through the stock exchange. The company is using the services of Norne Securities AS who is acting as market maker for the company's shares. The function of the market maker is to ensure that there is liquidity maintained in the company's shares. The market maker guarantees to buy or sell shares within certain limits, according to sales orders and purchase orders on the market, without affecting the market pricing of the share. The operation of the market maker is surveyed by the Oslo Stock Exchange. Executive management and the Board of Directors are instructed and obliged to notify the Board if they have any material interest in any transactions entered by the company. There are three individual shareholders, representing 10 percent or more each of the company, please see the table on page 26 for details. The shareholder "Monsun AS" is controlled by Board member Magne Jordanger with family.

## Freely negotiable shares

There is no form of restriction of the negotiability of the shares in the company's articles of association.

## General meeting

The Articles of Association stipulates and the Swedish Companies Act regulates the annual general meeting according to Swedish law. These rules govern the guidelines as they are stated in the code of practice for corporate governance. The auditor shall be present at the annual general meeting upon request and motivation from a shareholder that announces attendance at the general meeting. The chairman of the general meeting is elected by the general meeting; this is considered sufficient to ensure the independence of the chairman. The shareholders are given the opportunity to vote individually for each candidate to the Board. Notice of general meeting is distributed four to six weeks before the date of the meeting by announcement at the stock exchange and in Swedish press, along with e-mailed invitations to shareholders. Enclosed is the procedure a shareholder must observe in order to participate and vote at the general meeting. All information related to the general meeting is kept available at the company's offices and is also provided on the company's website.

There are no specific rules in the company's articles of association for the procedure of electing or dismissing Board members, or for changing the articles of association. In these cases, the company is following the Swedish Company Act. There are no restrictions in the rights of a shareholder to vote for the full number of shares owned.

#### **Nomination committee**

The code of practice recommends the use of a nomination committee, which the Board does not intend to do. Because of the relatively strong shareholder concentration, a nomination committee is considered ineffective.

#### **Corporate assembly and Board of Directors: Composition and independence**

According to its Articles of Association, the Board of Directors should have three to seven members, with a maximum of four deputies. The present Board consists of five members. Members of the Board of Directors serve for a term of one year and are elected at the annual general meeting. The present Board of Directors includes the main shareholder. The ContextVision Board does deviate from the recommendations set forth in the Norwegian code in that the company's CTO holds a position on the Board. The CTO is considered to be an asset to the work of the Board through his insight into the technical details of a variety of matters, and he is also a major shareholder. The Norwegian Code of Practice for Corporate Governance states that at least two of the members of the Board should be independent of the company's main shareholder (s). The Board consists of the main shareholder and two large shareholders, together with the chairman and one more Board member who are both independent.

#### **The work of the Board of Directors**

The Board of Directors' principal obligations include providing strategic guidance for ContextVision, monitoring the executive management to ensure its effectiveness, controlling and monitoring the company's financial situation, ensuring the company's accountability towards its shareholders and providing appropriate communication to its shareholders and other interested parties. The rules of procedure for the Board of Directors control the scope and proceedings of the body's obligations. The rules

of procedure govern that an annual plan for the work of the coming year shall be settled at the last meeting of the fiscal year. The same meeting shall include an evaluation of the work performed by the Board of Directors during the fiscal year. The rules of procedure are reviewed at the Board meeting directly following the annual general meeting. The rules of procedure for the CEO are likewise reviewed on a yearly basis at this meeting. The rules of procedure emphasize the clear internal allocation of responsibilities and duties. The company has a general system of internal control with descriptions of work processes and procedures in its quality system. The Board of Directors ensures its internal control through regular written reporting by the executive management. The CEO is present and reports at all Board meetings. There are generally one to two Board meetings per quarter. There are no specific committees within the Board, such as audit committee or remuneration committee. Such committees are regarded as not efficient, taking account of the small size of the company. To comply with the rules of the Swedish Companies Act, the company has chosen to let the Board as a whole fulfill the requirements to be performed by the Audit Committee.

#### **Risk management and internal control**

The purpose of the company's risk management and internal control procedures is to manage, not to eliminate, the risks associated with the environment in which the company operates. The established procedures aim to manage risk aspects that are not only related to the actual operation but also commercial and financial risks. Management updates the Board of Directors continuously on important current events and potential risks. Included in the internal control procedures is also the assurance of producing accurate financial statements. For further details regarding financial risks, see note 21.

#### **Remuneration of the Board of Directors**

Remuneration for the Board of Directors is determined by the annual general meeting and is disclosed in the annual report, please refer to note 5. The annual results should not reflect the level of remuneration. As of December 2017, all members of the Board hold shares in the company at a total of 50 percent of the company value. Members of the

Board are not entitled to stock options in ContextVision.

#### **Remuneration of executive management**

At ContextVision, "executive management" is the CEO of the company. ContextVision shall offer its executive management competitive remuneration based on current market standards, company and individual performance. The remuneration program shall ensure that the executive personnel and shareholders share common interest. The remuneration consists of a basic salary. There is no individual performance based bonus for the executive management. The company has, in 2011, set up a foundation. The idea of the foundation is to build a long term incitement program for all employees in the company. Each year the company will form strategic and operational goals, and the yearly transfer to the foundation will be based on the fulfillment of these goals. Every employee, including executive management, has a share of the foundation based on nothing else than working hours during the year. The transfer to the foundation in the beginning of each year is based on achievements the previous year. The CEO has currently a 3 percent participation in the foundation, based on working hours. For details on the remuneration of executive management, please see note 5.

#### **Information and communication**

The Board endeavors to provide equal, timely and accurate communication to all shareholders. The primary channels for communication are the annual report, the quarterly interim reports, press releases and presentations for shareholders and investors. Public company information is disclosed on the web site of the Oslo Stock Exchange [www.ose.no](http://www.ose.no), as well as ContextVision's own website, [www.contextvision.com](http://www.contextvision.com). A video presentation is gene-

rally organized in connection with the release of quarterly reports. The dates for such presentations are announced on the company's web site.

#### **Take-overs**

The Board of Directors shall not seek to hinder or obstruct take-over bids for the company's activities of shares unless there are particular reasons for doing so. In the event of a takeover bid for the company's shares, the company's Board of Directors shall not exercise mandates or pass any resolutions that obstruct the take-over bid unless such actions are approved by the general meeting following the announcement of the bid.

#### **Auditor**

The auditor serves for a period of one year at a time, and is elected at the annual general meeting. The auditor participates in a yearly Board meeting in February. This occasion allows a review of any material changes in the company's accounting principles and a report on any disagreement that may have occurred between the executive management and the auditor concerning the annual accounts. The meeting shall also include a review of the company's internal control procedures and give the auditor the opportunity to discuss matters without any member of the executive management present. Any performance of non-audit services and payments related thereto by the auditor are monitored by the Board of Directors. The Board shall advocate for the auditor to present the framework of the company's audit to the Board on an annual basis and for the auditor to provide a yearly written statement as to whether the auditor continues to satisfy the requirements for independence.