

Corporate Governance

Report 2015

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarter in Jönköping. The governance of the company is based on external as well as internal governing documents. The objective of corporate governance is to ensure that this is conducted in a clear, effective, reliable and business-oriented manner. Corporate governance is designed to support the company's long-term strategies, market presence and competitiveness. At the same time, it should help maintain confidence in Sensys Gatsos among shareholders, customers, suppliers, capital market, society and employees.



Shareholders and General Meetings of shareholders

The shareholder's rights to decide on Sensys's affairs are exercised at the Annual General Meeting (AGM), or when applicable extraordinary general meeting, which is the company's highest decision-making body. The AGM is to be held no later than six months after the end of the financial year and is usually held in April / May. At the AGM, the shareholders elect the company's Board of Directors, appoint external auditors, and decide on their fees. Furthermore, the AGM resolves on whether to adopt the income statements and balance sheets, to approve the appropriation of the company's profit and to discharge the Board and CEO from its liabilities. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other group management.

The number of shareholders at year end was 23,471. The largest individual shareholder is Cooperative Centrale (Gatso Special Products BV) with a total of 17.6 per cent. For more information on the ownership structure, share capital, share price, etc, please notice the Sensys Gatso share on page 11.

2015 Annual Meeting

The 2015 AGM was held on April 22nd in Jönköping. A total of 17 (19) shareholders were presented at the meeting, representing 17.7 per cent of the votes. The CEO informed about the position of the company and commented on the results for 2014, and the first quarter of 2015. During the AGM, the shareholders were given the opportunity to ask questions. Minutes from the AGM can be found on Sensys Gatso's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting;

- » It was resolved that no dividend for 2014 was to be made.
- » Ingemar Skogö, Claes Ödman, Gunnar Jardelöv, Karin Ahl and Helena Nordman-Knutson were re-elected to the Board of Directors.
- » Gunnar Jardelöv was re-elected Chairman.
- » Claes Ödman was elected vice Chairman.
- » It was resolved that the nomination committee shall be constituted by offering the four largest shareholders the possibility to each appoint their representative.

Extra General meeting

In 24 July, Sensys held an extra general meeting in order to seek the approval of shareholders for the acquisition of Gatso Beheer. A total of 14 shareholders were present at the meeting, representing 24,3 per cent of the votes. Minutes from the GM can be found on Sensys website. All proposals were passed unanimously.

Below is a selection of the resolutions passed at the meeting;

- » to authorize the Board, on one or more occasions during the period until the next Annual General Meeting, with or without deviation from the shareholders' preferential

rights, to decide on the new issue of shares corresponding to no more than ten (10) per cent of the total number of shares outstanding in the company. This authorization has not been used during 2015.

- » it was resolved to approve the Board's proposal to rename the company to Sensys Gatso Group AB.
- » it was resolved, in accordance with the proposal of the Board and Gatso Beheer B.V, to (a) expand the Board by one member, (b) elect Jochem Garritsen as a new member, (c) with a pro rata Board fee for the period until the next Annual General Meeting based on an annual Board fee of SEK 130,000.

The acquisition of Gatso Beheer was executed on 31 July.

Nomination Committee

A nomination committee is formed each year at the initiative of the Chairman of the Board. According to the AGM, the nomination committee shall represent the four largest shareholders of the company. The work of the nomination committee takes place during the end- and the beginning of the financial year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. The nomination committee's proposals, with regard to the election and remuneration of Board members, are presented in the notice of the Annual General Meeting as well as on the company's website.

During 2015, the nomination committee has consisted of Tomas Klevbo (DDB, Chairman), Gunilla Nyström (AMF Fonder), Jan Johansson (Inger Bergstrand), Timo Gatsonides (for own and others' holdings) and Gunnar Jardelev (in his capacity as chairman of the company). No remuneration has been paid for the work of the nomination committee.

All shareholders are entitled to approach the nomination committee with proposals for the AGM. No such proposals were received before the AGM in 2015.

External auditors

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the CEO's and Board of Directors's administration of the company, the annual accounts of subsidiaries and submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden. At the AGM 2015, Öhrlings PricewaterhouseCoopers was appointed as auditor with Magnus Brändström and Martin Odqvist (as the auditor in charge). Martin

Odqvist personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2014 at the Board meeting in January 2015.

From August 2015 auditing of the Group's subsidiaries has been coordinated by Öhrlings Pricewaterhouse Coopers. All of the activities in companies with a significant scope of operations has been audited by BDO in the respective country.

Remuneration to the auditors in 2015, was paid in accordance with the table in note 22.

THE BOARD OF DIRECTORS

The Board of Directors (BoD) currently consists of six members elected by the general meeting and extra general meeting. Company employees participate in Board meetings in a reporting capacity. For further information concerning the Board of Directors, please notice pages 22 of this annual report.

The work of the Board

The work of the Board is regulated by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board. The BoD determines issues concerning the Group's strategic focus, finances, investments, acquisitions, sales and organisational issues and rules and policies. The BoD is informed of the company's operations partly through monthly reports provided by the CEO, and partly through their own work. Informal contact is also maintained among the members of the Board. Normally, six board meetings are held each year whereof one statutory board meeting in conjunction with the AGM. Four of the board meetings are held prior to the publication of interim reports and one board meeting per year is assigned additional time, and at this meeting a specific focus is placed on strategic issues. The auditor of the company is present at board meetings whenever needed, normally once a year. Notices and supporting documents are sent to the Board one week in advance of the Board meetings.

The work of the Board 2015

The Board held twelve minuted meetings during the financial year (9). In conjunction with the Annual General Meeting, a statutory Board meeting was held at which decisions were made regarding company signatories, the Board's rules of procedure, CEO instructions and scheduled Board meetings throughout the year. Four of the Board meetings were held prior to the publication of interim reports. The Board has also held three minuted strategy meetings with the company's management.

The Nomination Committee ahead of 2015 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes	Member of the Nomination Committees since
Pehr-Olof Malmström, (Chairman)	DDB	28,504,532/4.34	2015
Gunilla Nyström	AMF fonder	10,550,000/1.61	2014
Jan Johansson	Inger Bergstrand	22,563,637/3.43	2014
Timo Gatsonides	for own holdings	115,920,763/17.64	2015
Gunnar Jardelev	chairman of the board	2,225,000/0.34	2014

CEO took part in all the Board meetings to present the reports. During 2015, Sensys Gatso Group AB's financial manager served as the board's secretary, and the Group's CFO reported of the finances. For information on the CEO, see page 23 of the Annual Report. Important matters dealt with during the year included, amongst other things:

- » Long-term operational goals
 - Major investments
 - Policies and instructions
 - Review of the Group's risk management
- » The strategic focus of the operations
 - Interim reports and annual accounts
- » Business plans, financial plans and forecasts
 - Follow up on the external audit
 - Minimum Control Requirements (MCR)

Board of Directors' independence

According to the Swedish Corporate Governance Code, the majority of the elected Board members must be independent in relation to the company and management team. At least two of these must also be independent in relation to the company's largest shareholders. All members of the Sensys Gatso's Board are independent in relation to the company and in relation to the company's largest shareholders.

No member of the Board is employed by the Group. The nomination committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal. For further information please see page 11 and 22.

Evaluation of the work of the Board

The work of the Board is evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. Among other things, the process includes a questionnaire in which Board members have the opportunity to express their opinion of the Board's work and to propose ways to improve it. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods. The Board continuously evaluates the work of the CEO.

Special committees

The Board does not include any special committees. The Chairman of the Board takes responsibility for, and makes decisions concerning the salaries and incentive programs of the CEO and the company's management on the basis of policies determined by the Annual General Meeting.

All members of the Board of Directors assume responsibility for ensuring that audit activities are conducted in an effective manner and that the company has appropriate internal control procedures in place and produces high-quality financial reports. The Board fulfils this duty by maintaining regular contact with the auditor and by examining their plan for the audit activities and the remuneration for this work.

CEO and Group Management

The CEO of Sensys Gatso Group is responsible for leading and developing operating activities according to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board.

The CEO is assisted by group management consisting of the Heads of business areas. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work and for the Board to make informed decisions. The CEO is responsible for bringing matters to the attention of the Board and for motivating proposed decisions. Also the CEO leads the work of the group management and makes decisions in consultation with other members of management. Group management has at least 12 meetings per year during which it follows up operations, discusses matters affecting the Group and drafts proposals for strategic plans and budgets, which the CEO presents to the Board for decision.

At year-end the management team for the Group consisted of Torbjörn Sandberg (CEO), Johan Frilund, Göran Löfqvist, Niki Gatsonides, Timo Gatsonides and Edmar van der Weijden.

Management of subsidiaries

Sensys Gatso Group's operations comprise four active subsidiaries. The operations of the respective subsidiaries are controlled by their management teams. Sensys has a decentralised structure, with a strong focus on responsibility and performance.

Board of Directors

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Gunnar Jardelöv	12/12	1947	2012	225,000	2,225,000	swedish	chairman of the board	independent
Karin Ahl	10/12	1978	2014	130,000	0	swedish	board member	independent
Helena Nordman-Knutson	11/12	1964	2014	130,000	1,000	finnish	board member	independent
Ingemar Skogö	10/12	1949	2011	130,000	75,552	swedish	board member	independent
Claes Ödman	12/12	1965	2011	175,000	50,000	swedish	vice chairman of the board	independent
Torbjörn Sandberg	6/6	1966	2012	130,000	50,000	swedish	board member	independent
Jochem Garritsen	6/6	1972	2015	130,000	25,000	dutch	board member	independent

*Independent in relation to the company and/or the owners.

Code of Conduct

Our global presence requires that our employees and business partners take responsibility for themselves and for each other. Therefore, we have a regulatory framework, our Code of Conduct.

The Code of Conduct is to be followed by everyone in our Group, employees as well as the Board and management. We also communicate our Code of Conduct to our business partners, with the expectation that they are to comply with it.

Our Code of Conduct states amongst other things, that we will act as a reliable and honest partner, who lives up to its commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

The Code clarifies our position on issues related to human rights, labour conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees regardless of their position.

REMUNERATION TO THE MANAGEMENT AND THE BOARD

Guidelines for remuneration

Remuneration to the CEO and other group management consists of basic salary, variable remuneration, other benefits and pensions. The balance between basic salary and variable remuneration is to be in proportion to the employee's responsibilities and authority. For the CEO, annual variable remuneration is capped at six months' salary. For other group management, annual variable remuneration is capped at one to six month's salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for turnover, operating profit and the outcome of individual activity plans. These guidelines are also proposed for the coming year.

Remuneration to the Board

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on the committees. In 2015, remuneration was paid in accordance with note 2.

Remuneration to the Auditors

In 2015 remuneration to the auditors was paid in accordance with note 22.

INTERNAL CONTROL AND FINANCIAL REPORTING

The purpose of internal control is to create an effective decision-making process in which requirements, goals and frameworks are clearly defined. Ultimately, internal control is aimed at protecting the company's assets and thereby the shareholders' investment. The company also has a set of internal instructions, procedures, systems and responsibilities in place to improve internal control.

Financial reporting to the Board

The CEO is responsible for ensuring that the Board of Directors receives the reports required to enable the Board to continually assess the company's financial position. The company's results and development are followed up on a monthly and quarterly basis and reported with analyses and comments to the Board. The company's business plan and reviews of the business plan constitute an important means of ensuring internal control. The company's financial reporting complies with the laws and regulations applicable to companies listed on the Stockholm Stock Exchange. The Company does not have a separate review function (internal audit).

Risk assessment

The financial risk assessment is mainly related to the potential for material misstatement in the reporting of the company's financial position and performance. To minimize these risks, governing documents have been established for accounting, procedures for annual reporting and follow-up of reported annual accounts. The financial reporting is managed through the Group's control structure. In addition, the management works continuously to identify and manage significant risks effecting the financial reporting. Further details about the company's risk management are provided under note 25.

Control activities and follow-up

Control activities involve all levels of the organisation. To ensure completeness and accuracy in the financial reporting, instructions and guidelines are being put into place and communicated to the relevant personnel. Control activities also include follow-up and comparisons of earnings and order intake, account reconciliations and balance as well as accounting and valuation principles.

Activities in 2015

During the year, focus has been on integrating the recently acquired company Gatsos Beheer BV in the Group's internal control and on quarterly follow-up's along with the implementation of Minimum Control Requirement (MCR) in the subsidiaries.

Information and communication

Sensys Gatso continuously provides information about the Group's performance and financial position to the market. The CEO is responsible for the accuracy and high quality of all information provided, for example, financial press-releases and presentation materials for various meetings with the media, shareholders and investors. An information policy applies for external communication that provides guidelines to the presentation of such information. The policy is intended to ensure that Sensys Gatso's information requirements are met in an accurate and complete manner. The most important governing documents, in the form of policies and instructions, are kept up-to-date and are communicated via the appropriate channels, mainly electronically. Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities. Sensys Gatso's whistleblower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Shareholders

Sensys Gatso's shares have been listed on the Stockholm Stock Exchange since 2001. Sensys Gatso has a share capital of SEK 32.9 million. The number of outstanding shares in Sensys Gatso at year-end was 657 155 077 (541,234,314) and the number of shareholders totaled 23,471 (10,446). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. As detailed on page 11, the company has one shareholder (Cooperatieve Centrale (Gatso Special Products BV)) with number of shares that exceeds 10 percent of the company's total number of shares. For 2014 was Danske Capital Sverige AB the largest shareholder with 17.7% of the total shares. For further information about the ownership structure, trading and share price movements, see page 11. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

Articles of association

The Articles of Association of Sensys Gatso Group AB state that the company's business is to develop and market traffic enforcement and traffic informatics products. During the extra general meeting in July 2015 it was resolved to change the company name in the article of association to Sensys Gatso Group AB. The Board of Directors shall consist of at least three and no more than seven Board members with no more than three Deputy Board members. The Board of Directors shall have its registered office in Jönköping in the Municipality of Jönköping. The company's accounts shall be examined by one or two auditors with up to two deputy auditors or a registered auditing firm. The Board is responsible for ensuring that there is an effective system for internal control and risk management. Responsibility for creating a good environment for working on these issues has been delegated to the CEO.



