



Corporate governance report

Corporate governance defines the decision-making systems through which shareholders, directly or indirectly, control the Company. The purpose of corporate governance is to guarantee the Group's commitments to its stakeholders, such as shareholders, clients, suppliers, creditors, society, and employees.

Legislation and regulations

Corporate governance at Knowit is based on both external and internal regulations. The external regulations include the Swedish Companies Act, the Nasdaq/OMX Stockholm's regulations for issuers, the Swedish Code for Corporate Governance (the "Code"), and other applicable Swedish statutes and regulations. The Company's internal framework encompasses the articles of association, the rules and guidelines for corporate governance, the working order of the Board, the instruction to the CEO, and the policy documents adopted by the Company. The articles of association are the fundamental governing document for the Company, setting out the type of operations that the Company shall perform, the size of the share capital and the number of shares, the shareholders' rights to participate at meetings, election and dismissal of board members, and what should be discussed at the AGM. The Company observes the Code without deviation.

Shareholders

Knowit's share is listed on Nasdaq Stockholm. At year-end, the share capital was SEK 19.3 million, divided over 19,253,760 shares with a quota value of SEK 1. There is one type of share in Knowit. The number of shareholders was 10,865. The proportion of foreign shareholders was 47 percent. At year-end, 33.2% was owned by financial, institutional shareholders. As far as the Company is aware, there is not direct or indirect ownership in the Company that represents at least one tenth of the votes for all shares in the Company. For further information on Knowit's share and the ownership distribution, see the section on the share, pages 36-37.

General Meeting

The highest decision-making body is the General Meeting (GM), and it is here that shareholders can exercise their influence on the Company. The GM shall be held within six months of the end of the financial year. All shareholders that are registered in the share register, and have given notice of their participation in due time, have the right to participate at the GM. Shareholders can vote for the total number of shares they hold and may be accompanied by two advisors. Shareholders that cannot participate may be represented by a proxy.

The GM covers matters including election of the Board, election of an auditor, if necessary, dividend, adoption of income statement and balance sheet, and discharge of liability for the board members and the CEO. Shareholders have the right to have matters raised at the GM if an appropriate notification has been made to the Company in due time before notice to the GM is sent out.

Information, including the notice and proposals for the AGM, as well as minutes from previous AGMs are available on Knowit's website, www.knowit.eu.

Annual General Meeting 2019

The AGM 2019 was held at Knowit's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 26. During the meeting, shareholders were provided the opportunity to ask the Chairman of the Board and the President questions, which were answered during the AGM. A total of 99 shareholders who were entitled to vote participated at Knowit's AGM 2019. They represented 5,982,363 shares or 31 percent of the capital and votes.

At the AGM, the shareholders determined the following among other things:

- A dividend of SEK 5.80 per share, for a total of SEK 111.7 million.
- That the Board shall consist of seven members elected by the AGM, with no deputies.
- That Mats Olsson, Jon Risfelt, Camilla Monefeldt, Gunilla Asker, Stefan Gardefjord, Kia Orback Pettersson, and Peder Ramel be re-elected as Board Members until the time of the next AGM.
- That Mats Olsson be re-elected as Chairman of the Board.
- That remuneration to the Chairman shall be SEK 575,000 and SEK 235,000 to each of the Board Members elected by the AGM.
- That remuneration to the Chairman of the audit committee shall be SEK 100,000 and SEK 50,000 to each member of the audit committee.
- That remuneration to the Chairman of the remuneration committee shall be SEK 50,000 and SEK 35,000 to each member of the remuneration committee.
- That the auditing firm KPMG AB be elected, with Helena Arvidsson Älgne appointed as auditor-in-charge.
- A fee to the auditor in accordance with approved invoices.
- Authorization for the Board to approve an increase of the share capital by at most SEK 500,000 through one or more issues of at most 500,000 shares, waiving shareholders' preferential rights and/or with conditions regarding non-cash consideration and/or offsetting or otherwise with conditions, with the purpose of using said authorization for acquisitions of companies or operations.

Further, the shareholders at the AGM resolved upon guidelines for remuneration to senior executives as proposed by the Board, namely:

- The fee shall consist of a fixed salary, a variable component in the form of annual variable compensation, pension and other benefits.
- The annual variable compensation is on condition that, among other things, Knowit not report a loss for the year the compensation pertains to.
- The annual variable compensation will be subject to a ceiling and never exceed the fixed component. It is not pensionable.
- Severance pay ought not to occur.

Annual General Meeting 2020

The AGM 2020 will take place on April 28 2020 at 1 p.m. and will be held in the Company's offices at Klarabergsgatan 60, Stockholm. Information regarding the AGM is published on the website, www.knowit.eu.

Nomination committee

In accordance with the resolution of the Annual General Meeting on April 26 2019, the nomination committee shall consist of one representative from each of Knowit's three largest registered shareholders on September 30, and the Chairman of the Board, who shall convene the committee to its first meeting.

The nomination committee for the AGM 2020 consists of: Lennart Francke, Swedbank Robur fonder, Malin Björkmo, SHB fonder, Jan Särilvik, Nordea Funds, and Mats Olsson, Chairman of the Board and convener. The duties of the nomination committee are to propose, during the AGM, 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. Shareholders who want to make proposals to the nomination committee can do so by email to valberedning@knowit.se.

No fees have been paid to the members of the nomination committee for their work.

Board of Directors

During 2019, the Board consisted of Gunilla Asker, Stefan Gardefjord, Camilla Monefeldt Kirstein, Mats Olsson (Chairman), Kia Orback Pettersson, Peder Ramel, and Jon Risfelt.

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

In electing a Board, it is desirable that the Board as a whole has the knowledge and experience required for board work, as regards the societal, cultural and business conditions at hand in the regions and market segments where Knowit's main operations are conducted.

Under the Swedish Code of Corporate Governance, which Knowit observes, the Board should, given its operations, developmental stage and other conditions, have a suitable composition, characterized by diversity and breadth regarding the competence, experience and background of the elected members. Under the Code, the Company should strive for an even gender distribution.

All assignments in Knowit's Board are based on competence, where the main purpose is to ensure and improve the efficiency of the Board as a whole. To achieve this, a broad set of characteristics and competencies are desirable, and it is explicitly stated that diversity, as regards, i.e., age, gender, geographic origin, education, and professional experience, are important to take into account.

All Directors are independent in relation to the Company and management, in accordance with the Stockholm Stock Exchange's ongoing listing requirements and the Swedish Code of Corporate Governance. More information on the Board and management can be found on pages 38-39 of this annual report.

Board work

During the financial year, the board convened ten meetings at which the minutes were recorded. The board's prioritized matters have been the Group's risk-related work and sustainability efforts. At its scheduled meetings, the board discussed the fixed items on the agenda in compliance with its rules of procedure, such as business conditions, orders, forecasts, financial outcomes, liquidity, annual accounts and interim reports. Further, general questions regarding strategic orientation, structure, organizational changes, and acquisitions, have also been dealt with. One recurring matter has been the streamlining of the Group, prioritized developmental projects, and achieving financial targets.

Four of the board meetings were held prior to the release of interim reports. One meeting addressed the Company's operational planning and a review of mission, vision, business concept and strategies. Two board meetings were devoted to the Group's targets, forecast, and focus of operations. At the first board meeting of the year, the chairman of the audit committee reviews the year-end report from the auditors, with any comments from the review of the Group's internal control and year-end report. An inaugural board meeting held after the AGM reached decisions on signatories, the Board's rules of procedure, the instructions for the President, and a plan for scheduled board meetings during the year. The Board has held two extra board meetings during the year, to discuss decisions matters related to acquisitions.

Prior to board meetings, the Directors have received written material regarding the issues to be discussed. Part of this material is the President's written report on operations, which is also sent to the Board each month.

The President and CEO of Knowit takes part in board meetings to submit reports. During 2019, the CFO served as secretary for the Board. When necessary, other officials have presented reports for the Board. These officials have been present during such reports.

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

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, current regulations for listed companies (including the Code) and the Board's internal governing documents. The Chairman monitors operations through continuous contact with the CEO and is in charge of the other Board Members. 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. The Chairman represents the Company in ownership matters.

Evaluation of the Board's work

Once a year, the Chairman of the Board initiates an evaluation of the Board's work, by asking each Director to fill in a questionnaire. The questions relate to internal

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climate, breadth of knowledge and how board work is carried out. The purpose is to find out how the Directors feel the Board is run and what actions can be taken to make board work more efficient. The results are presented to the Board by the Chairman. Results of the evaluation are also presented to the nomination committee.

The Board continuously evaluates the work of the President, by monitoring the development of the organization and by studying the President's written reports, sent to the Board on a monthly basis. Once a year, the President is evaluated at a meeting where he himself does not participate. The results of the evaluation are presented to the President by the Chairman of the Board.

Remuneration and remuneration committee

Remuneration to the Board of Directors is determined for the next year during the AGM.

In accordance with the Swedish Code of Corporate Governance, the Board has established a remuneration committee, consisting of Mats Olsson, chairman, and Camilla Monefeldt Kirstein. The committee has met two times during the year and discussed remuneration, incentive programs and guidelines for incentive programs, as well as employment conditions for the corporate management team. No share-based incentive programs are proposed to the AGM.

The committee and Board propose that the guidelines on remuneration to executives shall include a basic salary, a variable performance remuneration, other benefits and pension. The total compensation package shall be market-based and competitive, reflecting the employee's area of responsibility and the complexity of the position.

The President negotiates the remuneration and terms of employment for the employees on the corporate management team. The total compensation package shall be market-based and competitive, reflecting the employee's area of responsibility and the complexity of the position. For further information, see Note 9 in the annual report.

Fees are paid to the auditors based on approved invoices.

Auditing and audit committee

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 Knowit'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 2019 elected the accounting firm of KPMG AB as auditor until the end of the AGM 2020. The auditor-in-charge is Helena Arvidsson Älgne. KPMG AB has conducted the audit of Knowit AB and its subsidiaries.

During the year, the auditors have, in addition to reviewing the Company's books, performed brief audits of the Company's third interim report. The auditors have participated at all of the audit committee's meetings and twice presented reports on significant observations in connection with the third interim report and in connection with the year-end report. Following the review of the annual report, the auditors present an audit report.

The auditors' written reports have been distributed to the entire Board and the chairman of the audit committee has presented significant items from the reports. The auditors also report a summary of the review directly to the Board at one occasion during the year.

The Board has instated an audit committee, which consists of Jon Risfelt, Chairman, and Kia Orback Pettersson. The audit committee has held four meetings during the year and has discussed, among other things, internal governance and review, the auditors' review and reporting, internal financial reporting, depreciation tests of goodwill, valuation of shares in subsidiaries, the status of implementation of a new economy system, and made an inventory of company risks.

The corporate management team

The CEO has designated a corporate management team. During 2019, the corporate management team has consisted of the Group's CEO, the CFO, the CCO, and the EVPs of the business areas Experience, Insight, and Solutions.

The corporate management team meets every fourteenth day, on average, but also works very closely, with nearly daily contact. During the year, matters of an operative and strategic matter have been managed continually. When necessary, larger meetings have been held where senior executives from Knowit's subsidiaries and the heads of the Group departments for administration, IT, and communication have also participated. Information on the CEO and corporate management team can be found on page 39 in the annual report.

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 legislation and rules applicable to companies traded on NASDAQ OMX Nordic in Stockholm. In addition, there are internal instructions, routines, systems and a system for delegating roles and responsibility, to ensure good internal control.

Control environment

Knowit's operations are organized in independent subsidiaries. Each subsidiary appoints a board, with a chairman in charge of the Company's governance, development and management. The CEO of the subsidiary is in charge of day-to-day operations and operative management is in line with group-wide policies, the articles of association, instructions to the board, and applicable legislation. The subsidiaries are grouped into three business areas, with an EVP in each business area, who is usually the chairman or a board member in the associated subsidiaries. The EVPs govern and develop the subsidiaries in their area, in some cases with the help of a management team for the area.

The EVPs are part of Knowit's corporate management team. Knowit's decentralized organization, with many subsidiaries, entails demanding requirements on the

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Board's and 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 corporate management team, the management team of the business area, and the management teams and boards of the subsidiaries is well-defined and that the communication between all these units works well, as the internal control is strongly connected to each respective subsidiary.

Rules of procedure and authorization instructions for subsidiary boards and CEO instructions for subsidiaries are reviewed and determined at the first constitutive meeting in each subsidiary. Instructions on governing documents, accounting principles, guidelines and routines are regularly distributed to affected employees.

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

Risk management

Knowit'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 detailed description of financial and share-related 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. Knowit'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

Financial reporting is governed by Knowit's financial manual, which is updated annually. Economists within the Group meet regularly to discuss matters related to financial reporting.

The Group's financial position is discussed at each board meeting and the Board gets extensive reports from the CEO on a monthly basis, regarding the financial position and development of operations.

Follow-up

The subsidiaries' observance of Knowit's minimum requirements of internal review and processes for financial reporting is monitored continuously by the CFO and/or the head of accounting during visits to subsidiaries, which are selected based on particular needs and timed depending on internal reviews already performed. Observations made through internal control are reported to the audit committee.

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 as appropriate to instate a special function for internal review.

Information

The Company's information releases follow the information policy for the Knowit Group 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.

Knowit provides information to shareholders and other stakeholders through published press releases, interim and year-end reports, the annual report and the Company's Swedish website (www.knowit.se). 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's international website (www.knowit.eu). **k**