

# Corporate governance report

Knowit follows the Swedish Code for Corporate Governance without deviation. Corporate governance defines the decision making systems through which the shareholders, directly or indirectly run the company.

## Shareholders

As of December 31, 2012 Knowit AB had 6,102 shareholders.

## External and internal regulations

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

## General Meeting

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

At the GM, Knowit's shareholders should determine the following, among other things:

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

In addition, shareholders resolve upon any changes to the Articles of Association of the company. Knowit's Articles of Association are also key regulatory documents for Knowit's corporate governance. The Articles of Association establish, among other things, the name of the company, headquarters of the Board of Directors, the operations of the company,

aspects of the share capital, the number of Board Members and deputies, how notice be given of the GM, the shareholders' right to participate in the GM and what matters shall be dealt with at the GM. Information, including the notice and suggestions for the AGM, as well as minutes from previous GMs are available on Knowit's website, knowitgroup.com.

## Annual General Meeting 2012

The AGM 2012 was held at Knowit's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 25. The meeting was conducted in Swedish and the material presented was in Swedish. 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. It was not possible to follow or participate from other locations with the help of communication technology. A total of 48 shareholders who were entitled to vote participated at Knowit's AGM 2012. They represented 4,337,608 shares or approximately 25 percent of the capital and votes.

At the AGM, the Chairman of the Board and all Board Members participated, except Elisabeth Hagberg, Pekka Seitola and Anna Vikström Persson. The elected auditors also participated. Chairman of the AGM was the Chairman of the Board, Mats Olsson.

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

- A dividend of SEK 3.25 per share, for a total of SEK 56.3 million
- That the Board shall consist of six members elected by the AGM, with no deputies
- That Board members Carl-Olof By, Mats Olsson, Pekka Seitola, Anna Vikström Persson and Ben Wrede are re-elected until the next AGM and that Cecilia Lager is elected for the same period
- That Mats Olsson is Chairman of the Board
- That remuneration to the Chairman shall be SEK 370,000 and SEK 160,000 to each of the Board Members elected by the AGM
- That the auditing firm Öhrlings PricewaterhouseCoopers AB be re-elected, with Anna-Clara af Ekenstam appointed as chief auditor
- A fee to the auditor in accordance with approved invoices
- Authorization for the Board to, on one more occasions prior to the next AGM, approve an increase in share capital up to a maximum of SEK 1,000,000 through one or more issues up to a combined maximum of 1,000,000 shares
- Authorization for the Board to purchase and sell company shares amounting to at most ten percent of the shares in the company
- To change the company name to Knowit AB (formerly Know IT AB).

Further, the shareholders at the AGM resolved upon guidelines for remuneration to leading 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 2013

On October 23, 2012 Knowit announced that the AGM 2013 will take place on April 25, 2013 at 3 p.m. and that the AGM will be held in the Company's offices at Klarabergsgatan 60, Stockholm. All shareholders wishing to raise an issue during the AGM could make suggestions to the Chairman of the Board, or present nominations to the nomination committee. It will not be possible to follow or participate from other locations with the help of communication technology. Information regarding the AGM is published on the website, knowit.se.

## Nomination committee

In accordance with the resolution of the Annual General Meeting on April 25, 2012, the Chairman of the Board, shall convene, at the end of the third quarter, Knowit's three largest registered shareholders, to select one representative each for the nomination committee.

The Nomination committee for the AGM 2013 consists of  
 Mats Olsson, Chairman of the Board and convener  
 Frank Larsson, Handelsbanken fonder  
 Björn Franzon, Swedbank Robur fonder  
 Mats Gustavsson, Lannebo fonder.

The duties of the Nomination committee are to propose, during the AGM 2013, the Chairman of the AGM, the Board members to be elected by the AGM, the Chairman of the Board, Directors' fees, auditors' fees and the Nomination committee's procedures.

The suggestions of the Nomination committee are presented in the Notice to the AGM and on the company website. The nomination committee proposes the following to the AGM 2013: The committee suggests that the Board Members Carl-Olof By, Mats Olsson, Pekka Seitola, Anna Vikström Persson, Cecilia Lager and Ben Wrede are re-elected and that Jon Risfelt is elected.

Jon Risfelt is a Board Member in the quoted companies Ortivus AB and Bilia AB and a Board Member in Vanna AB, Braganza AS (Norway) and a Board Member and Chairman in Braganza AS's Swedish subsidiary, Ticket Business Travel AB. Mats Olsson is proposed as Chairman of the Board.

The committee suggest that remuneration be unchanged for 2013 and be paid to the Board Members by a total of SEK 1,330,000, an increase by SEK 160,000 as the Board is suggested to be expanded by one member. The remuneration is divided, SEK 370,000 to the Chairman and SEK 160,000 to each of the members elected at the AGM.

## Board of Directors

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.

The AGM 2012 re-elected Carl-Olof By, Mats Olsson, Pekka Seitola, Ann Vikström Persson and Ben Wrede and elected Cecilia Lager. The AGM re-elected Mats Olsson as Chairman.

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. Further information on the Board can be found on pages 33-34.

In addition to the Directors elected by the AGM, the employees elected one Director for a term of two years. Elisabeth Hagberg was elected as employee representative in March 2011, from the time of the AGM and for a term of two years, until the AGM 2013. This means a new employee representative will be elected in March 2013.

## Board work

During the fiscal year the Board convened nine meetings at which the minutes were recorded. 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, annual accounts and interim reports. In addition, Group-wide issues were discussed relating to strategic orientation, structure and organizational changes, as well as acquisitions.

Four of the Board meetings were held prior to the release of interim reports. One meeting addressed the Company's strategic focus and operational planning. One Board meeting was devoted to the Group's forecast and focus of operations for 2013. At the first Board meeting of the year the Group's auditor reports his observations from the examination of the Group's internal control and financial statements. 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. Other Board meetings decided mainly on acquisition issues.

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.

Chairman Mats Olsson and Directors Carl-Olof By, Kerstin Stenberg and Cecilia Lager present at all Board meetings during 2012. Directors Elisabeth Hagberg, Anna Vikström Persson and Ben Wrede were unable to participate at one meeting each.

	08 FEB	23 FEB	24 APR	06 MAY	26 JUN	19 JUL	30/31 AUG	22 OCT	11 DEC
Mats Olsson	●	●	●	●	●	●	●	●	●
Carl-Olof By	●	●	●	●	●	●	●	●	●
Elisabeth Hagberg	●	●	●	●	●	●	●	●	●
Cecilia Lager	●	●	●	●	●	●	●	●	●
Pekka Seitola	●	●	●	●	●	●	●	●	●
Kerstin Stenberg	●	●	●	●	●	●	●	●	●
Anna Vikström Persson	●	●	●	●	●	●	●	●	●
Ben Wrede	●	●	●	●	●	●	●	●	●

● PRESENT ● PRESENT FOR PART OF THE MEETING ● ABSENT

The President and CEO of Knowit takes part in Board Meetings to submit reports. Other officials have also taken part in Board meetings. Either the Senior VP Corporate Communications or the CFO served as secretary for the Board. Both were as a rule adjunct members of the Board in 2012. When necessary, other officials have presented reports for the Board. These officials have been present only 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 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.

### The corporate management's working methods

The President has chosen a corporate management team. During 2012, the corporate management team consisted of the Group's president, CFO, Senior VP Corporate Communications, VP for Strategy and Business Development and VP of Marketing. In addition, the heads of the subsidiaries Knowit Reaktor AS and Knowit Stockholm AB have during this year become part of the management team.

The team convenes every two weeks on average, but also works very closely, with contact on a daily basis. During the year it handled issues of both an operational and strategic nature. When needed, larger meetings have been held in which senior executives from Knowit's Group companies also took part.

### Remuneration

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2012, the AGM determined a total fee of SEK 1,170,000, of which SEK 370,000 to the Chairman of the Board and 160,000 to each of the Directors. The employee representative does not receive remuneration.

The Board of Directors has chosen to be jointly responsible for issues regarding compensation, in accordance with item 9.2 of the Swedish Code of Corporate Governance.

Remuneration to the President and other officials consists of a basic salary, a variable performance remuneration, other benefits and pension. In accordance with item 9.6 of the Code, the Board has considered making an exception for variable remuneration to leading management officials and found that no such exception should be made.

The Chairman of the Board negotiates the remuneration and terms of employment for Knowit AB's President. The remuneration is approved by the Board.

The President negotiates the remuneration and terms of employment for the employees on the corporate management team, and for those heads of subsidiaries who report to the President. The variable remuneration is approved by the Chairman of the Board. For further information, see Note 8 in the annual report.

Fees are paid to the auditors based on a fixed-price agreement, and for extra work as invoiced.

### Audit

An auditor is elected by the AGM, for a term running up until the end of the AGM during the financial year after the election. The auditor is assigned to review 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 Articles of Association state that one to two auditors, with or without deputies, be chosen to review the company's annual report, accounts and the President's and Board's administration.

The AGM 2012 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2013. The chief auditor is Anna-Clara af Ekenstam. Öhrlings PricewaterhouseCoopers AB has conducted the audit of Knowit AB and the majority of its subsidiaries.

The review of the 2012 accounts and internal controls began during the period October-December. The adjustment, review and audit of the financial statements and annual report will be carried out in January-March.

The Board receives a report whether the Company's organization is structured to ensure that the bookkeeping, administration of funds and financial position in other respects are controlled in a satisfactory manner. In 2012, the auditors reported to the Board on two occasions, in connection with the Year-End Report and when an audit was performed on the company's third interim report.

In accordance with the Swedish Companies Act chapter 8, section 49 a, second item, the Board has decided to, in its entirety, fulfill the duties falling on such an audit committee.

## Internal control and risk assessment

Financial reporting followed the regulations and rules applicable to companies quoted on the Nordic Exchange in Stockholm. In addition, there are internal instructions, routines, systems and a system for delegating roles and responsibility, to ensure good internal control. The group's results and development are reviewed on a monthly basis internally, with analyses and comments.

Knowit's management team annually reviews the company's internal control and routines. This review includes loan structure, amortization rate, intangible assets and liquidity. Knowit's auditor reviews two of the company's interim reports. During the first Board meeting of the calendar year, the auditor presents a review of the company's control and routines to the Board.

The Board has not instated a separate audit function for internal control, since the Board has determined that there are no special circumstances in the business or other conditions that warrant the establishment of such a unit.

Knowit's operations are affected by a number of risk factors that cannot be fully controlled by the company. For a more detailed description of financial and share-related risks, see note 2 in the annual report.

## The Board's report on internal control of financial reporting

The report on internal control regarding financial reporting, which means interim reports, year-end report and annual report, is made by the Board of Knowit AB. The report describes how internal control regarding financial reporting is organized, without making any statement of how well it works. The report has not been reviewed by the company's auditors.

Knowit's internal control regarding financial report is made to handle risks in the financial reporting and to ensure high quality in external reporting. The Board has not instated a separate audit function for internal auditing, since the Board has determined that the Board itself can review the financial reporting in a satisfactory way.

Good internal control environment requires an organization with well-defined responsibilities and authorities, and clear policies and guidelines. Knowit is organized with operations in independent subsidiaries, which places high demands on the Boards and management teams of the subsidiaries, in terms

of competence, ethics and understanding of their respective roles. In addition, it is important to have well-defined division of responsibilities between the management teams of subsidiaries and the parent company, and a working communication between these teams.

Knowit has instructions for financial reporting, and updates these instructions annually. Rules of procedure for the Boards of subsidiaries, and instructions for the CEOs are reviewed annually.

Knowit's Board is responsible for the identification and handling of significant financial risks and risks of errors in the financial reporting. Special attention is paid to risks of errors in financial reporting regarding important result and balance items, depending on each item's complexity, or where the effects of errors could be significant.

To ensure the financial reporting presents a fair and balanced picture, there are a number of built-in control activities, targeted at preventing, discovering and correcting errors and deviations. These controls include, for example, approval of important agreements, follow-up of risk exposure, balancing accounts and analyzing results.

The financial reports are analyzed by the management team of the parent company.

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.

## 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 website, 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 website.