

Corporate governance report

Knowit adheres to the Swedish Code for Corporate Governance without deviation.

Shareholders

As of December 31, 2015 Knowit AB had 5,371 shareholders. More information on ownership distribution and the share is found on page 42.

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.

Annual General Meeting

The highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM 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 AGM, an 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 AGM, 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 AGM, the shareholders' right to participate in the AGM and what matters shall be dealt with at the AGM. Information, including the notice and suggestions for the AGM, as well as minutes from previous AGMs are available on Knowit's website, www.knowitgroup.com.

Annual General Meeting 2015

The AGM 2015 was held at Knowit's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 28. 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 16 shareholders who were entitled to vote participated at Knowit's AGM 2015. They represented 4,400,844 shares or approximately 23.9 percent of the capital and votes.

At the AGM, the Chairman of the Board and all Board Members participated. The elected auditor 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 59.8 million
- That the Board shall consist of seven members elected by the AGM, with no deputies
- That Board members Carl-Olof By, Camilla Monefeldt Kirstein, Cecilia Lager, Mats Olsson, Jon Risfelt and Pekka Seitola are re-elected and that Liselotte Högertz Engstam is elected until the end of the next AGM
- That Mats Olsson is re-elected as Chairman of the Board
- That remuneration to the Chairman shall be SEK 405,000 and SEK 175,000 to each of the Board Members elected by the AGM
- That the auditing firm 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 or more occasions prior to the next annual general meeting, approve new issues of up to a combined maximum of 500,000 shares.

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 2016

On October 22, 2015 Knowit announced that the AGM 2016 will take place on April 27, 2016 at 4 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, www.knowitgroup.com.

Nomination committee

In accordance with the resolution of the Annual General Meeting on April 28, 2015, 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 2016 consists of

- Mats Olsson, Chairman of the Board and convener
- Pia Axelsson, Fjärde AP-fonden (AP4)

- Katja Bergqvist, Handelsbanken fonder
- Lennart Francke, Swedbank Robur fonder

The duties of the Nomination committee are to propose, during the AGM 2016, 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 2016: The committee suggests that the Board Members Carl-Olof By, Camilla Monefeldt Kirstein, Liselotte Högertz Engstam, Mats Olsson, Jon Risfelt and Pekka Seitola are reelected. Cecilia Lager has declined reelection. As new Board Member, the nomination committee suggests Eva Elmstedt. Mats Olsson is proposed as chairman. Eva Elmstedt has a background from managerial position at Nokia Networks and Ericsson. She is a board member in the listed companies Addtech, Gunnebo and Proact.

The Nomination Committee has focused on an even gender distribution in the board. If the AGM accepts the committee's proposal, the proportion of female board members will be unchanged at 42 percent.

The Nomination Committee proposes that remuneration be paid to the Board Members with a total of SEK 1,535,000, of which SEK 425,000 is allocated to the Chairman and SEK 185,000 to each of the members elected at the AGM. Further, it proposes that the accountancy firm PricewaterhouseCoopers AB is re-elected for the period up to the end of the AGM 2017, with Anna-Clara af Ekenstam as principal auditor.

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 2015 re-elected Carl-Olof By, Camilla Monefeldt Kirstein, Cecilia Lager, Mats Olsson, Jon Risfelt and Pekka Seitola and elected Liselotte Hägertz Engstam. 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. More information on the Board and management can be found on pages 44-45 of this annual report.

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, liquidity, annual accounts and interim reports. One recurring matter has been the streamlining of the Group 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

	10 feb	17 feb	27 apr	28 april	09 jun	16 jul	23/24 sep	21 oct	1 dec6
Mats Olsson	●	●	●	●	●	●	●	●	●
Ben Wrede	●	●	●	●	●	●	●	●	●
Camilla Monefeldt Kirstein	●	●	●	●	●	●	●	●	●
Carl-Olof By	●	●	●	●	●	●	●	●	●
Cecilia Lager	●	●	●	●	●	●	●	●	●
Liselotte Hägertz Engstam	●	●	●	●	●	●	●	●	●
Jon Risfelt	●	●	●	●	●	●	●	●	●
Pekka Seitola	●	●	●	●	●	●	●	●	●

● Present ● Absent ● Not applicable

were devoted to the Group's forecast and focus of operations. At the first Board meeting of the year the Group's auditor reports 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. The Board has held one extra board meeting during the year, to discuss a new start-up.

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 all Board members were present at all Board meetings during 2015, excepting Ben Wrede who could not attend one meeting.

The President and CEO of Knowit takes part in Board Meetings to submit reports. During 2015, 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. 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 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 2015, the corporate management team consisted of the Group's president, the CFO, the EVP of sales and EVPs for the business fields design and digital, management consultancy and IT South/West, IT Mid and IT Stockholm. In June the management team changed as the EVP of IT Stockholm left the group and thus also the management group, without being replaced. At the end of the year, the EVP of sales left the group. The management team thus consisted of the Group's president, the CFO, the EVPs for the three business fields and the EVP of business development.

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 and the heads of the Group's administrative, IT and communication departments also took part.

Remuneration

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2015, the AGM determined a total fee of SEK 1,455,000, of which SEK 405,000 to the Chairman of the Board and 175,000 to each of the Directors.

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 2015 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor

until the end of the AGM 2016.

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 2015 accounts and internal controls began during the period October-December. The adjustment, review and audit of the financial statements will be carried out in January-February and of the annual report in March.

In 2015, the auditors performed brief audits of the company's third interim report and of the Year-End Report. In connection with the Year-End Report, the auditors reported significant observations from their audit to the Board during the board meeting preceding publication of the report.

In accordance with the Swedish Companies Act chapter 8, section 49 a-b, an audit committee should be instated. 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 traded 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 CFO annually reviews the company's internal control and routines. This review is both informal and formal and also covers follow-up of monthly financial reports in comparison with forecasts and other targets. Knowit's auditor reviews one of the company's interim reports. During the first Board meeting of the calendar year, the auditor presents significant observations from the audit.

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. 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's report on internal control of financial reporting

The report in 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.

Good internal control 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. Instructions on governing documents, accounting principles, guidelines and routines are regularly presented to affected employees. Economists within the group regularly meet to discuss matters related to financial reporting. The groups 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.

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 (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 website.