

Corporate governance report

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

As of December 31 2016 Knowit AB had 5,875 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.

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, knowitgroup.com.

ANNUAL GENERAL MEETING 2016

The AGM 2016 was held at Knowit's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 27. 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 35 shareholders who were entitled to vote par-

ticipated at Knowit's AGM 2016. They represented 5,585,080 shares or approximately 30.4 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, Liselotte Hågertz Engstam, Camilla Monefeldt Kirstein, Mats Olsson, Jon Risfelt and Pekka Seitola are re-elected and that Eva Elmstedt 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 425,000 and SEK 185,000 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 approve directed issues of up to a combined maximum of 550,000 shares, aimed at the sellers of shares in Amende AS, Norway, and as partial payment for the acquisition of these companies, acquisition of non-controlling interests in Knowit Experience Holding AS, Knowit Stavanger AS, Knowit Infra Syd AB and Knowit Infrastructure Göteborg AB, and payment for synthetic options in Knowit Skåne 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 2017

On October 25 2016 Knowit announced that the AGM 2017 will take place on April 25 2017 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, knowitgroup.com.

NOMINATION COMMITTEE

In accordance with the resolution of the Annual General Meeting on April 27 2016, 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 2017 consists of

- Mats Olsson, Chairman of the Board and convener
- Malin Björkmo, SHB fonder
- Lennart Francke, Swedbank Robur fonder
- Jan Särilvik, Nordea Funds

The duties of the Nomination committee are to propose, during the AGM 2017, 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

	09 FEB	26 APR	27 APR	11 MAY	14 JUNE	17 JULY	27 SEPT	28 SEPT	24 OCT	13 DEC
Mats Olsson	●	●	●	●	●	●	●	●	●	●
Camilla Monefeldt Kirstein	●	●	●	●	●	●	●	●	●	●
Carl-Olof By	●	●	●	●	●	●	●	●	●	●
Cecilia Lager	●	●								
Eva Elmstedt			●	●	●	●	●	●	●	●
Jon Risfelt	●	●	●	●	●	●	●	●	●	●
Liselotte Hågertz Engstam	●	●	●	●	●	●	●	●	●	●
Pekka Seitola	●	●	●	●	●	●	●	●	●	●

The entire Board has been present at all Board meetings during 2016.

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 2017: The committee suggests that the Board Members Carl-Olof By, Eva Elmstedt, Liselotte Hågertz Engstam, Camilla Monefeldt Kirstein, Mats Olsson and Jon Risfelt are re-elected. Pekka Seitola has declined re-election. As new Board Member, the nomination committee suggests Eva Elmstedt. Mats Olsson is proposed as chairman.

The Nomination Committee has attached weight to the matter of equal gender distribution in the Board. If the AGM adopts the committee's suggestion, the proportion of female Board Members will increase to 50 percent.

The Nomination Committee proposes that remuneration be paid to the Board Members with a total of SEK 1,685,000, distributed as follows: SEK 475,000 is allocated to the Chairman, SEK 200,000 to each of the members elected at the AGM, SEK 75,000 to the Chairman of the Audit Committee, SEK 50,000 to the member of the Audit Committee, SEK 50,000 to the Chairman of the Remuneration Committee and SEK 35,000 to the Member of the Remuneration Committee.

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 2016 re-elected Carl-Olof By, Liselotte Hågertz Engstam,

Camilla Monefeldt Kirstein, Mats Olsson, Jon Risfelt and Pekka Seitola and elected Eva Elmstedt. 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 on-going listing requirements and the Swedish code of corporate governance. More information on the Board and management can be found on pages 36-37 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 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 meetings during the year, to discuss a decision on offset 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.

The President and CEO of Knowit takes part in Board Meetings to submit reports. During 2016, 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 2016, the corporate management team consisted of the Group's president, the CFO, the head of business development and EVPs for the business fields Experience, Insight and Solutions.

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 2016, the AGM determined a total fee of SEK 1,535,000, of which SEK 425,000 to the Chairman of the Board and 185,000 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 2016 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2017. The chief auditor is Anna-Clara af Ekenstam. Öhrlings PricewaterhouseCoopers AB has conducted the audit of Knowit AB and the majority of its subsidiaries.

In 2016, the auditors have, in addition to reviewing the company's books, performed brief audits of the company's third interim report and of the Year-End Report. The auditors have participated at two Board meetings during the year, ahead of the Year-End Report and again in connection with the third interim report, which they reported significant observations from their audit. Further, the auditors have participated at all Audit Committee meetings.

AUDIT COMMITTEE

During the year, the Board has decided to instate an Audit Committee. The Audit Committee was instated in September and consists of Jon Risfelt, Chairman, and Eva Elmstedt. The Audit Committee has held two meetings during the year, discus-

sing internal governance and review, the auditors' review and reporting, internal financial reporting, depreciation tests of goodwill and valuation of shares in subsidiaries.

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 regulations and rules applicable to companies traded on the Nordic Exchange in Stockholm, as well as Swedish legislation such as the Companies Act, the Annual Accounts Act and the Code of Corporate Governance. 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 subsidiaries are grouped into three business fields, with an EVP in each business field, who is usually the chairman or board member in the subsidiaries in his or her field. The EVPs govern and develop the subsidiaries in their field, in some cases with the help of a management team for the field.

The EVPs are part of Knowit's corporate management team.

Knowit's decentralized organization, with many subsidiaries, entails demanding requirements on the 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 field, and the management teams and boards of the subsidiaries is well-defined and that the communication between all these units works well.

Rules of procedure and authori-

zation 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.e., approval of significant agreements, follow-up of risk exposure, checking account balances and analyzing results.

INFORMATION AND COMMUNICATION

Knowit has instructions for Financial reporting is governed by Knowit's financial manual, which is updated annually. Economists within the group regularly meet 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.

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 necessary 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 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.