

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. The purpose of corporate governance is to guarantee the group's commitments to its stakeholders, such as shareholders, clients, suppliers, creditors, society, and employees.

As of December 31 2017 Knowit AB had 6,707 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.

SHAREHOLDERS

Knowit's share is listed on Nasdaq Stockholm. At year-end, the share capital was SEK 19.1 million, divided over 19,139,217 shares with a quota value of SEK 1. There is one type of share in Knowit. The number of shareholders was 6,707. The proportion of foreign shareholders was 52 percent. At year-end, 23 percent 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 28-29.

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. Each share is entitled to one vote and all shares have an equal right to part of the company's assets and profits. 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 for the past year
- Guidelines for remuneration to leading executives.
- Authorization regarding increase of share capital through share issues and authorization regarding repurchase of shares.

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

ANNUAL GENERAL MEETING 2017

The AGM 2017 was held at Knowit's offices on Klara-bergsgatan 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 46 shareholders who were entitled to vote participated at Knowit's AGM 2017. They represented 4,660,293 shares or approximately 24.6 percent of the capital and votes.

At the AGM, a Board at quorum, with the Chairman of the Board and five out of six other Board Members participated. 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 3.75 per share, for a total of SEK 70.9 million
- That the Board shall consist of six members elected by the AGM, with no deputies
- That Board members Carl-Olof By, Eva Elmstedt, Liselotte Hägertz Engstam, Camilla Monefeldt Kirstein, Mats Olsson and Jon Risfelt are re-elected until the end of the next AGM. Pekka Seitola declined re-election.

- That Mats Olsson is re-elected as Chairman of the Board
- That remuneration to the Chairman shall be SEK 475,000 and SEK 200,000 to each of the Board Members elected by the AGM
- That remuneration to the Chairman of the auditing committee shall be SEK 75,000 and SEK 50,000 to each member of the auditing 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 PricewaterhouseCoopers AB be re-elected, with Anna-Clara af Ekenstam appointed as auditor-in-charge
- 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 220,000 shares, aimed at the sellers of shares in Dataess AS and Quality Management Oslo AS, Norway, and for acquisition of non-controlling interests in the subsidiary Knowit eCommerce AB.
- 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 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 2018

On October 25 2017 Knowit announced that the AGM 2018 will take place on April 26 2018 at 4 p.m. and that the AGM will be held in the Company's offices at Klara-bergsgatan 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.knowiteu.com.

NOMINATION COMMITTEE

In accordance with the resolution of the Annual General Meeting on April 25 2017, 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 2018 consists of

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

The duties of the Nomination committee are to propose, during the AGM 2018, 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 nomination committee proposes to the AGM that the Board shall consist of seven members with no deputies. The committee proposes that the Board Members Camilla Monefeldt Kirstein, Mats Olsson and Jon Risfelt are re-elected and that Gunilla Asker, Stefan Gardefjord, Kia Orback-Pettersson and Peder Ramel are elected. Carl-Olof By, Eva Elmstedt, and Liselotte Hågertz-Engstam have declined re-election. Mats Olsson is proposed as chairman.

The nomination committee has applied the diversity policy of the Swedish Code of Corporate Governance in drafting its proposal ahead of election of Board Members. If the AGM adopts the nomination committee's proposal, the proportion of female board members would be 43 percent and the Board would meet the Code's requirement on striving for an even gender distribution.

The nomination committee proposes that remuneration for 2018 be paid to the Board Members as follows: SEK 525,000 is allocated to the Chairman, SEK 220,000 to each of the members elected at the AGM, SEK 100,000 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.

The nomination committee proposes new election of the accountancy firm KPMG as the company's auditor. KPMG has announced that the auditor-in-charge would be Helena Arvidsson Älgne. Auditor's fees are proposed to be paid as per account.

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.

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

Participation	08 FEB	23 FEB	24 APR	25 APR	09 MAY	14 JUNE	16 JULY	25-26 SEPT	25 OCT	01 NOV	17 NOV	05 DEC
Mats Olsson	●	●	●	●	●	●	●	●	●	●	●	●
Camilla Monefeldt Kirstein	●	●	●	●	●	●	●	●	●	●	●	●
Carl-Olof By	●	●	●	●	●	●	●	●	●	●	●	●
Eva Elmstedt	●	●	●	●	●	●	●	●	●	●	●	●
Jon Risfelt	●	●	●	●	●	●	●	●	●	●	●	●
Liselotte Hågertz Engstam	●	●	●	●	●	●	●	●	●	●	●	●
Pekka Seitola	●											

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 keep in mind.

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 30-31 of this annual report.

BOARD WORK

During the fiscal year the Board convened twelve 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. 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 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 four extra board meetings during the year, to discuss decisions on a group-wide economy system, two offset issues, and a decision on fixed-price tenders, respectively.

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 2017, the CFO served as secretary for the Board, as an 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 2017, the corporate management team consisted of the Group's president, the CFO, the CCO 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.

Information on the CEO and management team can be found on page 31 of the annual report.

REMUNERATION

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 four times during the year, at which meetings the entire committee has been present, 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 8 in the annual report.

Fees are paid to the auditors in accordance with the signed agreement.

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 AGM 2017 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2018. The auditor-in-charge is Anna-Clara af Ekenstam. Öhrlings PricewaterhouseCoopers AB has conducted the audit of Knowit AB and the majority of its subsidiaries.

In 2017, 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 except one 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.

AUDIT COMMITTEE

In accordance with the Swedish Code of Corporate Governance, the Board has instated an audit committee, which consists of Jon Risfelt, Chairman, and Eva Elmstedt. The year 2017 was the first full year of activity for the committee, as the Board has formerly dealt with committee matters jointly. The Audit Committee has held six meetings during the year, discussing 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.

A procurement of auditing services has during the year been managed by the audit committee, resulting in the nomination committee's suggestion to elect as auditor a new accounting firm, KPMG.

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 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

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. 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 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 (www.knowit.eu). 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.