



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.

Knowit is a group with a large number of subsidiaries in each business area. The Group has chosen a decentralized governance model, where the responsibilities are large distributed downwards in the corporate structure. This selected governance model enables greater flexibility in the organization, as the affected parties are closer to the operations and can thus make more tailored and relevant decisions. Each company has its own management team and board, which acts mostly autonomously, which requires high integrity and high levels of local accountability.

Shareholders

Knowit's share is listed on Nasdaq Stockholm. At year-end, the share capital was SEK 19.7 million, divided over 19,652,179 shares with a quota value of SEK 1. There is one type of share in Knowit. The number of shareholders was 13,405. The proportion of foreign shareholders was 57 percent. At year-end, 61.9 percent was owned by financial, institutional shareholders. As far as the Company is aware, there is no 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 40-41.

Annual General Meeting

The highest decision-making body is the Annual General Meeting (AGM), and it is here that shareholders can exercise their influence on the Company. The AGM 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 AGM.

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 AGM 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 AGM if an appropriate notification has been made to the Company in due time before notice to the AGM 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. The AGM 2020 was held at Knowit's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 28. During the meeting, shareholders that provided the opportunity to ask the Chairman of the Board and the President questions, which were answered during the AGM. A total of 101 shareholders who were entitled to vote participated at Knowit's AGM 2020. They represented 7,409,306 shares or 38 percent of the capital and votes. At the AGM, the shareholders decided, among other things, that no dividend would be paid out for 2019, and that the proposed guidelines for remuneration to leading executives be adopted. Further, the AGM decided to authorize the Board to decide on an increase of share capital by at most SEK 800,000 through one or more issues of at most 800,000 shares in total, under certain circumstances. For more information, see the minutes from the AGM 2020 on Knowit's website, knowit.eu.

The AGM 2021 will take place on May 11, 2020 at 1 p.m. Due to the extraordinary situation during the COVID-19 pandemic, the meeting will be held in a different way than usual. To decrease the risk of infection, and because of authority guidelines on avoiding meetings, the AGM will – in accordance with temporary regulations – be held through advance voting (postal voting). There will be no meeting with the possibility to participate in person or through a proxy; i.e., the AGM will be held without physical participation. 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 28, 2020, 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 consisted of Lennart Francke, Swedbank Robur fonder, Malin Björkmo, Handelsbanken fonder, Jan Särilvik, Nordea Funds, and Mats Olsson, Chairman of the Board and convener. The nomination committee for the AGM 2021 consists of Lennart Francke, Swedbank Robur fonder, Malin Björkmo, Handelsbanken fonder, Jan Särilvik, Nordea Funds, and Jon Risfelt, 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

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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 2020, the Board consisted of Gunilla Asker, Stefan Gardefjord, Camilla Monefeldt Kirstein, Mats Olsson (Chairman), Kia Orback Pettersson, Peder Ramel, and Jon Risfelt. All members were re-elected at the AGM 2020, except Mats Olsson who declined re-election. In connection with the AGM, Mats Olsson left the post of Chairman, and Jon Risfelt was elected new Chairman.

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.

Under the Swedish Code of Corporate Governance, which Knowit observes, the Board should have a suitable composition, given its operations, developmental stage and other conditions, and be 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 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 19 meetings at which the minutes were recorded. Given that this was a unique year, the Board has focused in particular on the development of the COVID-19 pandemic and its consequences. This has characterized the work, in that a large and heavy weight has been placed on managing the operations in the best possible way, while also adhering to the recommendations of the authorities. The Board has continuously worked to assess and decide on measures, effects, and consequences for the operations due to the pandemic. Further, the Board has focused on maintaining the Company's strong financial position in order to ensure a liquidity buffer, but also to enable seizing future possibilities. Thus, the Board has had financing matters high up on the agenda on several occasions. During the year, in particular during the fall, the Board has had an extensive and ongoing strategy discussion connected to the mega trends at hand, as well as continued consolidation on the market. Further, the discussions have on several occasions been related to the acquisition strategy, which resulted in – among other things – the acquisition of Creuna, which was communicated on October 21, 2020.

At its regular 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, as well as the management and effects of COVID-19, which have of course been a topic of discussion during most of the year.

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 auditing 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 eleven extra Board meetings during the year, to discuss decisions matters related to acquisitions and matters related to COVID-19.

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 Board has received this material digitally, which enable for efficient and, most importantly, safe communication.

The President and CEO of Knowit takes part in Board meetings to submit reports. During 2020, the CFO served as secretary for the Board. When necessary, other officials have presented reports for the Board. These officials have then 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

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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. Further, the committee has reviewed the new Remuneration report to be published ahead of the AGM 2021.

The committee and Board propose that the guidelines on remuneration to executives shall, in accordance with the rules adopted at the AGM 2020, include a basic salary, a variable performance remuneration, and pension and other benefits. 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.

Audit committee and auditing

The Board has instated an audit committee, which consists of Kia Orback Pettersson (who replaced Jon Risfelt as Chairman in connection with the AGM), Jon Risfelt, and Peder Ramel. The audit committee has held seven 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. At four of the meetings, the committee has discussed the interim reports, for further discussion at Board meetings. The committee has also assisted the Company's nomination committee with drafting a suggestion for the AGM's decision on electing an auditor.

During the year, the committee has focused in particular on policies and guidelines. New policies have been drafted by the management team and approved by the committee and, where necessary, the Board. The focus during this year has been on corporate governance, certification rights, and company signatories. The decentral-

ized governance model used by the Group requires clear rules and guidelines to facilitate governance of the subsidiaries.

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 2020 elected the accounting firm of KPMG AB as auditor until the end of the AGM 2021. The auditor-in-charge is Helena Arvidsson Ålgne. 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 seven 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 Corporate Management Team

The CEO has designated a Corporate Management Team. During 2020, the Corporate Management Team has consisted of the Group's CEO, the CFO, the CCO, and the EVPs of the business areas Solutions, Experience, and Insight.

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, develop-

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ment 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 business area, in some cases with the help of a management team for the business area. Decision-making in the organization is, thanks to the decentralized governance model, often close to operations and decisions can thus be made more quickly and by the most relevant people. The decentralized model thus also places demands on the management teams and boards of subsidiaries.

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 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. The decentralized governance model places a large responsibility on each individual subsidiary, to ensure that risk management is at an acceptable level. 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. The Board annually reviews the work done and is informed of any deviations or observations made.

Aside from the aforementioned risks, the COVID-19 pandemic is a risk for the Company. COVID-19 is a unique event, in the sense that it is unpredictable, hard to assess, and creates a risk for the markets on which the Company and its clients operate. Thus, a large part of the risk management performed during the year has been related to the pandemic and the short- and long-term effects thereof.

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 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's website. ■