

# Corporate governance report

As of July 1, 2008 all companies listed on the Nordic Exchange are required to comply with the Swedish Code of Corporate Governance. Corporate Governance defines the rules of procedure, through which the shareholders directly or indirectly run the company.

Know IT had one deviation from the code during 2008:  
– A member of the Board of Directors cannot serve as chairman of the nomination committee.

The deviation is declared and explained in the following.

## Shareholders

As of December 31, 2008 Know IT AB had 5 397 shareholders.

## Legislation and Articles of Association

Corporate governance at Know IT is based on Swedish legislation such as the Companies Act, the Accounting Act and the Annual Accounts Act, the listing agreement with the Stockholm Stock Exchange including the Swedish Code of Corporate Governance, and the regulations and recommendations issued by relevant organizations such as the Swedish Industry and Commerce Stock Exchange Committee. Know IT's Article of Association is also a key regulation for 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), which decides on the composition of the Board of Directors, the dividend and the election of the auditors. 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, a numbered agenda with the issues to be addressed, information on the recommended dividend and the main content of other recommendations. Shareholders or their proxies may vote for the full number of shares they own or represent.

## 2008 Annual General Meeting

The AGM 2008 was held at Know IT's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 17. 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. No change is planned in this respect for AGM 2009. A total of 38 shareholders who were entitled to vote and represented approxi-

mately 15 percent of the capital and votes, corresponding to 1,903,989 shares, participated at Know IT's AGM 2008.

## 2009 Annual General Meeting

On July 16, 2008 Know IT announced that the AGM 2009 would take place on April 23, 2009 and on February 4, 2009 it announced that it would be held at 4 p.m. (CET) 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, of present nominations to the nomination committee, up until Feb 23, 2008. Information regarding the AGM is published on the website, [www.knowit.se](http://www.knowit.se).

## Nomination committee

As determined at the AGM on April 17, 2008, at the end of the third quarter, the Chairman of the Board convenes the three largest shareholders by number of votes, to choose one representative each for the nomination committee. A fourth representative, not representing any of the large shareholders, must also be part of the committee.

The Nomination committee for the AGM 2009 consists of Chairman of the Board Mats Olsson, convener; Anette Ejebratt, representing smaller shareholders; Frank Larsson, Handelsbanken Nordiska; and Pekka Seitola, Rebank S.a.r.l.

The task of the Nomination committee is to propose, during the AGM 2009, 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 committee's suggestion is presented in the notice of the AGM and on the company's website.

The nomination committee proposes the AGM 2009 re-elect the Board Members Carl-Olof By, Pekka Seitola, Kerstin Stenberg and Chairman Mats Olsson. Anna Vikström Persson is suggested as a new Board member. The proposed Directors' fee is the same as during 2008: SEK 795,000 including SEK 265,000 for the Chairman of the Board.

According to the Swedish Code of Corporate Governance, a member of the Board of Directors cannot be Chairman of the nomination committee. Know IT deviates from this code by having Chairman of the Board, Mats Olsson, as Chairman of the nomination committee. Mats Olsson has been a member of Know IT's Board since 1997 and has extensive knowledge of Know IT's history, culture and operations, ensuring continuity in view of the company's ownership distribution.

## Board of Directors

According to Know IT'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 2008 reelected the sitting Board, consisting of five Directors elected by the AGM: Carl-Olof By, Mats Olsson, Pekka Seitola, Ulrika Simons and Kerstin Stenberg. The AGM reelected Mats Olsson as Chairman of the Board.

All Directors are independent in relation to the Company and management, in accordance with the Stockholm Stock Exchange's ongoing listing requirements and the code, at year-end 2008.

In addition to the Directors elected by the AGM, the employees choose one Director. The employee representative is elected for a term of two years. In 2008 Erika Stadling-Holm was reelected by the employees. Erika Stadling-Holm left the Board when she left Know IT's employ in Dec 2008. The new employee representative was elected in March 2009. Göran Åkerström will be part of the Board, from the time of the 2009 AGM, for a term of two years.

### Board work

During the fiscal year the Board convened seventeen meetings at which the minutes were recorded. At its scheduled meetings, the Board discussed the fixed items on the agenda in compliance with its rules of procedure, such as business conditions, orders, forecasts, financial outcomes, annual accounts and interim reports. In addition, Group-wide issues were discussed relating to strategic orientation, structure and organizational changes, as well as acquisitions.

Four of the Board meetings were held prior to the release of interim reports. One meeting addressed the Company's strategic focus and operational planning. One Board meeting was devoted to the Group's forecast and focus of operations for 2009. At the first Board meeting of the year the Group's auditor reports his observations from the examination of the Group's internal control and financial statements. A Board meeting held after the AGM reached decisions on signatories, the Board's rules of procedure, the instructions for the President and a plan for scheduled Board meetings during the year. Other Board meetings decided mainly on acquisition issues.

Prior to Board meetings, the Directors have received written material regarding the issues to be discussed. Part of this material is the President's written report on operations, which is also sent to the Board each month.

Chairman Mats Olsson and Director Kerstin Stenberg were present at all Board meetings during 2008. Directors Carl-Olof By and Pekka Seitola were unable to attend one meeting, Director Erika Stadling Holm was unable to attend three meetings and Director Ulrika Simons was unable to attend five meetings.

The President and CEO of Know IT presents reports at the meetings. Other officials are also present at the meetings. Either the Senior VP Corporate Communications or the CFO served as secretary for the Board during 2008; both were adjunct members of the Board in 2008. The VP for Strategy and Business Development was also as adjunct member in 2008. 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 work. The rules of procedure determine the work that is

required over and above the Companies Act and Articles of Association.

### 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. Responses are compiled by the Chairman and presented to the Board. The Chairman also meets with each Director individually. The 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 does not participate. The results of the evaluation are presented to the President by the Chairman of the Board.

### Corporate management's working methods

The President has chosen a corporate management team. During 2008, the corporate management team consisted of the Group's president, CFO, Senior VP Corporate Communications and VP for Strategy and Business Development. During the fall, Know IT has recruited a VP of Marketing, who is also part of the management team. The team works very closely, with contact on a daily basis, but also convenes every two weeks, on average. 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 Know IT's Group companies also took part.

The President and corporate management team are presented on page 22 of the annual report.

### Remuneration

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2008, the AGM determined a total fee of SEK 795,000, of which SEK 265,000 to the Chairman of the Board and 132,500 to each of the Directors. The employee representative does not receive remuneration.

Remuneration to the President and other officials consists of a basic salary, a floating performance remuneration, other benefits and pension. The Chairman of the Board negotiates the remuneration and terms of employment for Know IT AB's President, which are 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 determined 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.

The Swedish Code for Corporate Governance states that a compensation committee should be instated. The Board of Directors has chosen to be jointly responsible for issues regarding compensation.

### **Audit**

An auditor is elected by the AGM, for a term running up until the end of the AGM during the fourth financial year after the election. The auditor is assigned to review Know IT'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 2007 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2011. The responsible auditor is Lars Wennberg. Öhrlings PricewaterhouseCoopers AB has conducted the audit of Know IT AB and the majority of its subsidiaries.

The review of the 2008 accounts and internal controls began during the period October-December. The reconciliation, review and audit of the financial statements and annual report will be carried out in January-February.

The Board receives a report whether the Company's organization is structured to ensure that the bookkeeping, administration of funds and financial position in other respects are controlled in a satisfactory manner. In 2008 the auditors reported to the Board on one occasion.

As of July 1, 2008 Know IT fully applies to Code. Therefore, the interim reports for the 2nd and 3rd quarter have not been reviewed by the auditors. During 2009, Know IT plans to have the auditors review the interim report for the 3rd quarter.

The Swedish Code for Corporate Governance states that an audit committee should be instated. The Board of Directors has chosen to be jointly responsible for audit-related issues.

### **Internal control**

The financial reporting complies with the laws and regulations for firms listed on the Nordic Exchange in Stockholm. Know IT also has internal instructions, procedures, systems and a delegation of roles and responsibilities for the purpose of maintaining good internal control. The Group's results and development are monitored internally on a monthly basis with analyses and comments.

Know IT does not have a separate audit function (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.

### **The Board's report on internal control regarding financial reporting**

The report on internal control regarding financial reporting, which includes interim and year-end reports and the annual report, is delivered by Know IT AB's Board. The report de-

scribes how the internal control regarding financial reporting is organized, without stating how well it works. The report has not been reviewed by the auditors.

Know IT's internal control regarding financial reporting is designed to handle risks in financial reporting and to attain high quality in external reporting.

A good internal control environment requires an organization with clearly defined responsibilities and rights and clear guidelines and policies. Know IT 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.

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

Know IT'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 sheet 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, reconciliation accounts and analyzing results.

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

The economic situation of the company is discussed at each Board meeting and the Board receives extensive monthly reports from the President, regarding the economic position and the development of operations.

### **Information**

The Company's information releases follow the information policy for the Know IT 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.

Know IT 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](http://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 to English and published on the Company's website.