

# Corporate governance report

Know IT AB is a Swedish corporation listed on Nasdaq OMX Stockholm. The company is the parent company in the Know IT Group. Corporate governance within the Know IT Group is based on applicable legal regulations, mainly the Swedish Code for Corporate Governance (the Code), the regulations of Nasdaq OMX Stockholm for issuers and other rules, regulations and recommendations applicable to the Company. Know IT monitors development in the corporate governance field and continuously updates its corporate governance principles, to create value for the owners and other interested parties through ensuring that shareholders receive accurate information, that owners have actual influence and through efficient management and board work.

As of February 1, 2010, the Swedish Code for Corporate Governance has been updated. For Know IT, the update does not require any significant changes to Know IT's corporate governance work.

## Application of the corporate governance code

This report, which was drawn up in accordance with the regulations of the corporate governance code, is Know IT's corporate governance report for the business year 2010. It depicts how corporate governance was carried out within Know IT during the year. The report has been reviewed by Know IT's auditors.

Know IT does not deviate from the Swedish Code for Corporate Governance. Corporate governance defines the decision making systems through which the shareholders, directly or indirectly run the company.

## Division of responsibility

The responsibilities of the management and control over the Group is divided between shareholders at the AGM, the Board of Directors and the President/CEO, in accordance with the Swedish Companies Act, other legal regulations, current regulations for listed companies, the Articles of Association and the Board's internal governance documents.

## Shareholders

As of December 31, 2010 Know IT AB had 6,369 shareholders.

## Articles of Association

Know IT's Articles of Association are also key regulatory documents for Know IT'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.

## 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.

At the AGM, Know IT's shareholders should determine the following, among other things:

- » Who shall serve on Know IT'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. Information, including the notice and suggestions for the AGM, as well as minutes from previous AGMs are available on Know IT's website, [www.knowit.se](http://www.knowit.se).

## Annual General Meeting 2010

The AGM 2010 was held at Know IT's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 22. 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 communica-



tion technology. A total of 38 shareholders who were entitled to vote participated at Know IT's AGM 2010. They represented 4,194,474 shares or approximately 25.8 percent of the capital and votes.

At the AGM, the Chairman of the Board and all Board Members participated, except Carl-Olof By. 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 2.25 per share, for a total of SEK 36.6 million
- » That the Board shall consist of six members elected by the AGM, with no deputies
- » That all Board members are re-elected until the next AGM
- » That Mats Olsson is Chairman of the Board
- » That remuneration to the Chairman shall be SEK 320,000 and SEK 140,000 to each of the Board Members elected by the AGM
- » A fee to the auditor in accordance with approved invoices
- » Authorization for the Board to resolve upon one or several new issues before the next AGM
- » Authorization for the Board to resolve upon acquisitions and sale of shares in the company, totaling ten percent of all shares in the company.

Further, the shareholders at the AGM resolved upon guidelines for remuneration to leading executives as proposed by the Board, namely:

- » The remuneration 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, Know IT 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 2011

On October 22, 2010 Know IT announced that the AGM 2011 will take place on April 20, 2011 at 3 p.m. and on February 3, 2011 it announced that it 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.knowit.se](http://www.knowit.se).

### Nomination committee

In accordance with the resolution of the Annual General Meeting on April 22, 2010, at the end of the third quarter the Chairman of the Board convenes Know IT's three largest shareholders to each select one representative for the Nomination committee.

The Nomination Committee for the AGM 2011 consists of

- » Mats Olsson, Chairman of the Board
- » Ben Wrede, Atine Group Oy
- » Frank Larsson, Handelsbanken fonder
- » Björn Franzon, Swedbank Robur fonder, Chairman of the Nomination committee

The duties of the Nomination committee are to propose, during the AGM 2010, 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.

By studying the results of the evaluation of the Board and the availability of the current Board Members, the Nomination Committee assesses whether the current Board meets the requirements that will be placed upon the Board based on the Company's situation and future aims or if the composition of competencies and experiences should be altered.

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 2011:

... that the current Board be re-elected in full: Mats Olsson, Chairman, Carl-Olof By, Pekka Seitola, Kerstin Stenberg, Ann Vikström Persson and Ben Wrede. The proposed remuneration is SEK 1,170,000 of which SEK 370,000 to the Chairman of the Board. A more detailed introduction to the Board can be found in page 34 of the annual report.

... that the accountant firm PricewaterhouseCoopers AB be re-elected until the end of the ACM 2012, with Anna-Clara af Ekenstam appointed as chief auditor

... the annual general meeting resolve to establish a Nomination Committee for the AGM 2012 consisting of a representative for each of the three largest registered shareholders, in terms of votes, in the register handled by Euroclear Sweden AB, as per September 30, 2011, and the Chairman of the Board, to convene the first meeting of the committee. The chairman of the nomination committee will be the representative of the largest shareholder, or else the member of the committee who volunteers. If any of the three largest shareholders in terms of votes refrains from taking a seat on the nomination committee, that place will be offered to the fourth biggest shareholder in terms of votes, etc., until such time as the owners are represented by three shareholders. In the case of one member leaving the committee before its work is complete and the committee finds it desirable to name a replacement, such replacement should be found from the same shareholder or if this shareholder is no longer among the largest shareholders, from the shareholder that is next in line in terms of size. The names of the members of the Nomination Committee with information about which shareholders they represent will be announced in conjunction with the Company's third quarter report 2011. The task of the Nomination Committee is to put forward proposals at the 2012 shareholders' meeting for the AGM chairman, Board of Directors, Chairman of the Board, fees for Directors



and auditors, as well as proposals for nomination procedures. The Nomination Committee is appointed for the period until such time as the next committee is appointed. No fee is paid to the members of the Nomination Committee. The Company shall recompense any costs that arise in connection with the Nomination Committee's work.

**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 2009 re-elected the Board in full. The re-elected members were Carl-Olof By, Mats Olsson, Pekka Seitola, Kerstin Stenberg, Ann Vikström Persson and Ben Wrede. 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. Further information on the Board can be found on page 34.

In addition to the Directors elected by the AGM, the employees elected one Director for a term of two years. Göran Åkerström was elected as employee representative in March 2009, from the time of the AGM and for a term of two years. This means a new employee-elected member will be appointed in April 2011.

**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, 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 2011. 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. 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. 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.

	03 FEB	23 FEB	20 MAR	22 APR	23 APR	06 JUN	16 JUL	01 SEPT	08 OCT	21 OCT	12 NOV	03 DEC
Mats Olsson	●	●	●	●	●	●	●	●	●	●	●	●
Carl-Olof By	●	●	●	●	●	●	●	●	●	●	●	●
Pekka Seitola	●	●	●	●	●	●	●	●	●	●	●	●
Kerstin Stenberg	●	●	●	●	●	●	●	●	●	●	●	●
Anna Vikström Persson	●	●	●	●	●	●	●	●	●	●	●	●
Ben Wrede	●	●	●	●	●	●	●	●	●	●	●	●
Göran Åkerström	●	●	●	●	●	●	●	●	●	●	●	●

● PRESENT ● PRESENT FOR PART OF THE MEETING ● ABSENT

Chairman Mats Olsson and Directors Pekka Seitola and Kerstin Stenberg were present at all Board meetings during 2010. Directors Carl-Olof By was on one occasion unable to attend throughout full meeting. Directors Anna Vikström Persson and Ben Wrede were unable to participate at one meeting and Director Göran Åkerström was unable to attend one meeting and on another occasion was unable to attend throughout the meeting.

The President and CEO of Know IT takes part in Board Meetings to submit reports. Other officials have also taken part in Board meetings. 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 in 2010, as were the VP for Strategy and Business Development and the VP of marketing. 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.

During 2010, the Board has gained good insight into the operations of acquired companies. At the annual strategy meeting, which runs over two days, the subsidiary heads of the acquired Endero Oy and Reaktor AS have given deeper introductions into the business operations in their respective companies.

**The role of the Chairman**

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 2010, the corporate management team consisted of the Group's president, CFO, Senior VP Corporate Communications, VP for Strategy and Business Development and VP of Marketing.

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 Know IT's Group com companies also took part.

Know IT's President and CEO, Anders Nilsson, announced in November 2010 that he was leaving the company at his own request, at the time of publication of the year-end report for 2010 on February 3, 2011. The Board appointed Per Wallentin, head of Know IT Göteborg AB, as new president. For a presentation of the CEO and corporate management team, see page 35 of the annual report.

### **Remuneration**

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2010, the AGM determined a total fee of SEK 1,020,000, of which SEK 320,000 to the Chairman of the Board and 140,000 to each of the Directors. The employee representative does not receive remuneration.

The Board of Directors has chosen to be jointly responsible for issues regarding compensation.

Remuneration to the President and other officials consists of a basic salary, a variable performance remuneration, other benefits and pension.

The Chairman of the Board negotiates the remuneration and terms of employment for Know IT 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 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 chief 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 2010 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-March.

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 2010, the auditors reported to the Board on two occasions, in connection with the Year-End Report and when an audit was performed on the company's third interim report.

The Board of Directors has chosen to be jointly responsible for audit-related issues.

### **Internal control of financial reporting**

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is in charge of internal control. This account has been created in accordance with the Swedish Annual Accounts Act and describes how the internal control regarding financial reporting is organized. The financial reporting follows rules and regulations applicable to companies listed on Nasdaq OMX Stockholm.

### **Control environment**

Good internal control requires an organization with well-defined responsibilities and authorities, and clear policies and guidelines. 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.



### **Risk assessment**

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 items, depending on each item's complexity, or where the effects of errors could be significant.

Know IT's operations are affected by a number of risk factors that cannot be fully controlled by the company. For a more detailed description of financial and share-related risks, see note 2 in the annual report.

### **Control activities**

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.

Know IT's CFO annually reviews the company's internal control and routines. This review includes loan structure, amortization rate, intangible assets and liquidity. Know IT's accountant reviews two of the company's interim reports. During the first Board meeting of the calendar year, the accountant presents a review of the company's control and routines to the Board.

### **Information and communication**

Know IT's internal control regarding financial report is made to handle risks in the financial reporting and to ensure high quality in external reporting.

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 into English.

### **Follow-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. 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.

### **Internal auditing**

Know IT has an operating structure including small and mid-sized companies with varying conditions for internal control. Conformity to Know IT's governance and internal control systems is regularly followed-up by corporate management.

The Board has not instated 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

