

# Corporate governance report

Know IT follows the Swedish Code for Corporate Governance without deviation. Corporate governance defines the decision making systems through which the shareholders, directly or indirectly run the company.

## Shareholders

As of December 31, 2011 Know IT AB had 6,345 shareholders.

## External and internal regulations

Corporate governance of Know IT is based on external rules and regulations, such as the Swedish Accounting Act, the Book-keeping Act, the Annual Accounts Act, the Swedish Code of Corporate Governance and Nasdaq/OMX Stockholm's regulations for issuers and partly on internal rules and regulations such as Know IT's Articles of Association, the rules of procedure of the Board and the CEO instructions.

## 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, 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. Know IT's Articles of Association are also key regulatory documents for Know IT's corporate governance, where information regarding the company's operation, the size of the share capital, the number of shares, the shareholder's right to participate in the AGM and what matters shall be dealt with at the AGM can be found. Information, including the notice and suggestions for the AGM, as well as minutes from previous AGMs are available on Know IT's website, [knowitgroup.com](http://knowitgroup.com).

## Annual General Meeting 2011

The AGM 2011 was held at Know IT's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 20. 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 32 shareholders who were entitled to vote participated at Know IT's AGM 2011. They represented 3,563,360 shares or approximately 20.8 percent of the capital and votes.

At the AGM, the Chairman of the Board and all Board Members participated, except Carl-Olof By and Anna Vikström Persson. 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 2.75 per share, for a total of SEK 47.1 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 370,000 and SEK 160,000 to each of the Board Members elected by the AGM.
- That the auditing firm PricewaterhouseCoopers AB be re-elected until the end of the AGM 2012, with Anna-Clara af Ekenstam appointed as chief auditor.
- A fee to the auditor in accordance with approved invoices.
- Authorization for the Board to, on one more occasions prior to the next annual general meeting, approve an increase in share capital up to a maximum of SEK 1,000,000 through one or more issues up to a combined maximum of 1,000,000 shares.
- Authorization for the Board to, on one or more occasions prior to the next annual general meeting, decide to repurchase a maximum of as many of the Company's shares so that its holdings do not at any time exceed ten percent of all shares in the Company. The purpose of the authorization is to enable the Board to use repurchased shares in connection with acquisitions of companies or businesses.

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

- The compensation 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 2012

On October 21, 2011 Know IT announced that the AGM 2012 will take place on April 25, 2012 at 3 p.m. and on February 9, 2012 it announced 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 20, 2011, the Nomination committee shall consist of a representative for each of Know IT's 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. to each select one representative for the Nomination committee.

The Nomination committee for the AGM 2012 consists of Mats Olsson, Chairman of the Board and convener Frank Larsson, Handelsbanken fonder Björn Franzon, Swedbank Robur fonder Mats Gustafsson, Lannebo fonder.

The duties of the Nomination committee are to propose, during the AGM 2012, 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 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: Board Members Carl-Olof By, Mats Olsson, Pekka Seitola, Anna Vikström Persson and Ben Wrede are re-elected. Kerstin Stenberg does not wish to be re-elected. For election, the committee proposes Cecilia Lager.

The committee suggest that remuneration be unchanged for 2012 and be paid to the Board Members by a total of SEK 1,170,000, of which SEK 370,000 to the Chairman and SEK 160,000 to each of the members elected at the AGM.

## 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. The

AGM 2011 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 pages 35-36.

In addition to the Directors elected by the AGM, the employees elected one Director for a term of two years. Elisabeth Hagberg was elected as employee representative in March 2011, from the time of the AGM and for a term of two years, until the AGM 2013.

## Board work

During the fiscal year the Board convened eleven 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 2012. 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.

Chairman Mats Olsson and Director Kerstin Stenberg were present at all Board meetings during 2011. Directors Carl-Olof By and Pekka Seitola were on one occasion unable to attend throughout full meeting. Director Ben Wrede was unable to participate at one meeting, Director Elisabeth Hagberg was unable to participate at two meetings and Director Anna Vikström Persson at three.

## PARTICIPATION

	02 FEB	19 APR	20 APR	09 JUN	18 JUL	25 AUG	26 AUG	10 OCT	20 OCT	28 NOV	02 DEC	15 DEC
Mats Olsson	●	●	●	●	●	●	●	●	●	●	●	●
Carl-Olof By	●	●	●	●	●	●	●	●	●	●	●	●
Pekka Seitola	●	●	●	●	●	●	●	●	●	●	●	●
Kerstin Stenberg	●	●	●	●	●	●	●	●	●	●	●	●
Anna Vikström Persson	●	●	●	●	●	●	●	●	●	●	●	●
Ben Wrede	●	●	●	●	●	●	●	●	●	●	●	●
Göran Åkerström	●	●	●	●	●	●	●	●	●	●	●	●
Elisabeth Hagberg	●	●	●	●	●	●	●	●	●	●	●	●

● PRESENT ● PRESENT FOR PART OF THE MEETING ● ABSENT

The President and CEO of Know IT takes part in Board Meetings to present 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 2011, 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 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.

### Role of the chairman

The chairman leads and organizes the work in the Board so that it functions in accordance with the Swedish Companies Act, other laws and regulations, rules for stock market companies (including the Code) and the Board's internal control system. The chairman follows the operation through frequent contacts with the President and is responsible for that the other Board members get satisfactory information and documentation for decisions. The chairman also sees to that an annual evaluation of the Board's and the President's work is done and that the nomination committee gets information about the result of the evaluation. The chairman represents the company in questions regarding ownership.

### Evaluation of the Board's work

Once a year, the Chairman of the Board initiates an evaluation of the Board's work, by talking to the Board as a whole and by talking to each individual member. 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 2011, 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. In addition, the heads of the subsidiaries Know IT Business Consulting and Know IT Stockholm have during this year become part of the management team.

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 companies also took part.

At the time of publication of the year-end report for 2010 on February 3, Per Wallentin supplanted Anders Nilsson as President and CEO of Know IT. For a presentation of the CEO and corporate management team, see page 36 of the annual report.

### Remuneration

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2011, the AGM determined a total compensation of SEK 1,170,000, of which SEK 370,000 to the Chairman of the Board and 160,000 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, 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 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 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 2011 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2012. The chief auditor is Anna-Clara af Ekenstam. Öhrlings PricewaterhouseCoopers AB has conducted the audit of Know IT AB and the majority of its subsidiaries.

The review of the 2011 accounts and internal controls began during the period October-December. The adjustment, 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 2011, 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. According to the Swedish Companies Act chapter 8, section 49 a, the Board should have separate audit committee. In accordance with the Swedish Companies Act chapter 8, section 49 a, second item, the Board has decided to, in its entirety, fulfill the duties falling on such an audit committee.

### Internal control and risk assessment

Financial reporting followed the regulations and rules applicable to companies quoted on the Nordic Exchange in Stockholm. In addition, there are internal instructions, routines, systems and a system for delegating roles and responsibility, to ensure good internal control. The group's results and development are reviewed on a monthly basis internally, with analyses and comments.

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 auditor reviews two of the company's interim reports. During the first Board meeting of the calendar year, the auditor presents a review of the company's control and routines to the Board.

The Board has not instated a separate audit function for 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.

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.

### The Board's report on internal control of financial reporting

The report in internal control regarding financial reporting, which means interim reports, year-end report and annual report, is made by the Board of Know IT AB. The report describes how internal control regarding financial reporting is organized, without making any statement of how well it works. The report has not been reviewed by the company's auditors.

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.

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.

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.

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.

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.

### 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 (knowitgroup.com). 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.