

Corporate governance report

This corporate governance report is created in accordance 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 three deviations from the code during 2009:

A member of the Board of Directors cannot serve as chairman of the nomination committee.

Instating of an audit and compensation committee

Training of Directors.

The deviations from the code are declared and accounted for in each respective section of the corporate governance report.

Shareholders

As of December 31, 2009 Know IT AB had 6,609 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, and the regulations and recommendations issued by relevant organizations such as the Swedish Industry and Commerce Stock Exchange Committee. Know IT's Articles of Association are also key regulations 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, 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.

Annual General Meeting 2009

The AGM 2009 was held at Know IT's offices on Klarabergsgatan 60, Stockholm, Sweden, on April 23. 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 39 shareholders who were entitled to vote and represented approximately 23.5 percent of the capital and votes, corresponding to 3,301,764 shares, participated at Know IT's AGM 2009.

Extraordinary General Meeting 2009

An Extraordinary General Meeting was held at Know IT's offices on Klarabergsgatan 60, Stockholm on December 29, 2009. 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 meeting. It was not possible to follow or participate from other locations with the help of communication technology. A total of 13 shareholders who were entitled to vote and represented approximately 13.4 percent of the capital and votes, corresponding to 2,007,317 shares, participated at the Extraordinary General Meeting.

The meeting approved the Board's suggestion of a new issue totaling 1,345,050 shares, waiving shareholders right, aimed at Atine Group Oy as partial consideration for shares in Endero Oy. Through this decision, Know IT AB could complete the acquisition of Endero Oy.

Annual General Meeting 2010

On July 17, 2009 Know IT announced that the AGM 2010 would take place on April 22, 2010 and on February 4, 2010 it announced that it would be held at 3 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, 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.

Nomination committee

The AGM on April 23, 2009 determined that 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.

The nomination committee for the AGM 2010 consists of Chairman of the Board Mats Olsson, convener, Gunnar Lindberg, Länsförsäkringar Småbolagsfond, Björn Franzon, Swedbank Roburs småbolagsfond and Pekka Seitola, Rebank S.a.r.l.

The task of the nomination committee is 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.

The committee's suggestion is presented in the notice of the AGM and on the company's website. The nomination committee proposes the AGM 2010 re-elect the current Board in full: Mats Olsson, Chairman, Carl-Olof By, Pekka Seitola, Kerstin Stenberg, Anna Vikström Persson and Ben Wrede. The proposed Directors' fee is SEK 1,020,000 including SEK 320,000 for the Chairman of the Board.

Know IT deviates from the Swedish Code of Corporate Governance by having Chairman of the Board, Mats Olsson, as Chairman of the nomination committee. According to the Swedish Code of Corporate Governance, a member of the Board of Directors cannot be 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. He is considered to be very well suited for leading 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 Carl-Olof By, Mats Olsson, Pekka Seitola and Kerstin Stenberg and elected Ann Vikström Persson. Ulrika Simons had declined re-election. The AGM re-elected Mats Olsson as Chairman.

In December, the Extraordinary General Meeting decided to expand the number of elected Directors to six and Ben Wrede was elected to serve on 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 Swedish Code of Corporate Governance. Ben Wrede is employed by a large shareholder, Atine OY, which on January 1, 2010 had holdings of 8,3 percent in Know IT. The other directors are independent in relation to large shareholders.

In addition to the Directors elected by the AGM, the employees choose one Director. Göran Åkerström was elected as

employee representative in March 2009 is elected, from the time of the AGM and for a term of two years.

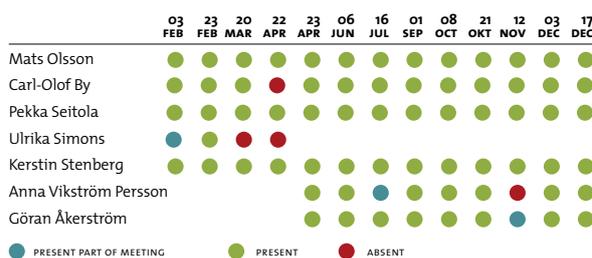
Board work

During the fiscal year the Board convened thirteen 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 2010. 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 Directors Pekka Seitola, Kerstin Stenberg and Göran Åkerström were present at all Board meetings during 2008. Directors Carl-Olof By and Anna Vikström Persson were unable to attend one meeting and Director Ulrika Simons was unable to attend two meetings.



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 during 2009; both were adjunct members of the Board in 2009. The VP for Strategy and Business Development was also as adjunct member in 2009. 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.

The Board has chosen not to instate an audit and compensation committee. The work of such a committee is performed by the Board. Time is set aside at Board meetings when necessary, to handle issues pertaining to auditing and compensations.

According to the Swedish Code of Corporate Governance, the Chairman is responsible to ensure that Directors get adequate training in the operations of the company. Such training was given when the Board took over in 2006. As only one new Director has been elected since 2006, there has been no need for further joint training, besides the recurring information given during Board meetings by company representatives. The new Director was given an introductory training by the Chairman and corporate management team upon admission.

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 2009, 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 companies also took part.

The President and corporate management team are presented on page 27 of the annual report.

Remuneration

Remuneration to the Board of Directors is determined for the next year during the AGM. For 2009, 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 fee to the Director elected at the extraordinary general meeting was deter-

mined to correspond to other Directors' fees, relative to the time up until the next AGM. Ben Wrede's fee was set at SEK 45,000. The employee representative does not receive remuneration.

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.

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 auditors 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 2009 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 2009, 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 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'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.

The Board 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 describes 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.

An organization with well-defined responsibilities and authorities, and clear policies and guidelines, will have better internal control. 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 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). 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.