

Corporate governance report

ITAB Shop Concept AB (publ) is a Swedish registered limited liability company. ITAB's comprehensive ambition is to create long-term value for its shareholders and other stakeholders. The foundation for governance for the Group comprises Corporate Governance, Swedish laws and regulations such as the Swedish Companies Act and the Listing Agreement with NASDAQ OMX Nordic Exchange Stockholm ("the stock exchange") as well as rules and recommendations such as the Swedish Code of Corporate Governance ("the Code").

The provisions of the Code apply to ITAB as of July 2008. The Corporate Governance Report describes ITAB's corporate governance, management and administration as well as internal controls regarding financial reporting. The Corporate Governance Report for 2009 is not part of the formal annual report and has not been examined by the company's auditors.

The Code is built on the principle "comply or explain", which means that a company may deviate from individual rules but must in such case explain the deviation.

ANNUAL GENERAL MEETING

The Annual General Meeting is the company's highest decision-making body and a forum for shareholders to exercise influence. The Annual General Meeting convenes once a year in order to decide on whether to adopt the Annual Report and consolidated account, on the discharge of liability for members of the board and the CEO, and on the appropriation of profits or losses. The Meeting also elects the Board and, when so is required, the auditors. All shareholders registered in the shareholders' register and given notice of attendance may participate in the Meeting and vote according to the number of shares owned. Shareholders who are unable to attend in person may exercise their rights by proxy.

ANNUAL GENERAL MEETING 2009

ITAB 2009 Annual General Meeting was held Thursday 6 May. 36 shareholders representing 87 per cent of the votes and 67 per cent of the total number of shares participated at the Meeting. ITAB's Board of Directors, management and the auditors were present at the Meeting. The following decisions were taken:

- Dividends to the shareholders of SEK 1.25 per share, for a total of SEK 17.9 million.
- Anna Benjamin, Thord Johansson, Johan Rapp, Per Rodert and Stig-Olof Simonson were re-elected as members of the Board and Lottie Svedenstedt was elected for the first time.
- Thord Johansson was elected Chairman of the Board.
- Stefan Engdahl and Håkan Sundberg were elected auditors
- Fees to the Board and auditors, guidelines for remuneration to senior executives and the

composition of the Nomination Committee for the 2010 AGM.

- Authorisation to the Board to decide on a directed new share issue.
- Authorisation to the Board of Directors to decide on the purchase and transfer of company-owned shares.

ANNUAL GENERAL MEETING 2010

ITAB's 2010 Annual General Meeting will be held on Wednesday 5 May at 3 pm in the company's offices at Instrumentvägen 2 in Jönköping, Sweden.

NOMINATION COMMITTEE

The Nomination Committee is the Meeting's body for proposing the AGM's decisions regarding appointment issues that provides conditions for well-informed decision making in these issues.

At the 2009 AGM, a Nomination Committee was appointed comprising Ulf Gustafsson as Chairman, Lars Persson and Johan Rapp. The Nomination Committee's task for the 2010 AGM is to propose candidates for chairman of the Board and Board members, for the post of Meeting chairman and auditors, as well as fees and other remuneration for the Board and audit. The Nomination Committee has evaluated the work of the Board and prior to the AGM, convened once with all members present, and had several other contacts.

THE BOARD OF DIRECTORS

The tasks of the Board of Directors is to manage the company's affairs.

ITAB's Board of Directors consists of six members. The AGM elected Board includes members who represent ITAB's major shareholders as well as independents. The CEO and other Group officials participate at Board meetings, either to present reports or in an administrative capacity.

In addition to current laws and recommendations, ITAB's Board work is governed by the Board's rules of procedure stipulated once a year. The rules of procedure include rules for the division of responsibilities between the Board and the CEO, financial reporting and investments.

The Board convened on six occasions in 2009. In addition to operational information, predetermined reports and resolution items are addressed at every regular meeting in accordance with the Board's rules of procedure. The Board also takes decisions in issues of a general nature, such as the Group's strategy, structural and organisational issues policies and guidelines, and major investments.

One of the company's auditors participates in at least one of the Board's meetings every year. At this time, the auditor presents observations made when auditing the company's accounts, procedures and internal audits.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee tasked with preparing guidelines for remuneration to senior executives. Effective May 2009, this Committee comprised Board members Thord Johansson (chairman), Stig-Olof Simonsson and Lottie Svedenstedt, with CEO Ulf Rostedt as additional member.

AUDIT COMMITTEE

The tasks of the audit committee entail examining the financial policy, reviewing the company's financial reporting and internal reporting and control systems, following up risks and evaluating the external audit. The Audit Committee in 2009 comprised Board members Anna Benjamin (chairman), Thord Johansson and Per Rodert.

CORPORATE MANAGEMENT

The Chief Executive Officer is appointed by the Board to be responsible for the company's day-to-day management in line with the Board's guidelines and instructions. Group management comprises CEO Ulf Rostedt, Deputy CEO Mikael Gustavsson and CFO Magnus Olsson.

AUDITORS

The auditors are appointed by the shareholders at the AGM. The auditors examine the company's annual accounts, consolidated accounts and accounting records as well as the administration of the Board of Directors and CEO.

The company's auditors are Stefan Engdahl and Håkan Sundberg, both of Ernst & Young AB. The appointment is valid until and including the 2013 AGM. Alongside his duties for ITAB Shop Concept AB, Stefan Engdahl has auditing assignments for XANO Industri AB, Hexpol AB, Kabe AB, and Liljedahlsbolagen AB. Håkan Sundberg has duties for EAB AB and Gislaved Gummi AB.

PRINCIPLES FOR REMUNERATION TO SENIOR EXECUTIVES, INCENTIVE SCHEMES, ETC.

The Board proposes the AGM should decide on procedures for determining salary and other remuneration to the CEO and other members of executive management. The procedures decided at the 2009 AGM stipulate that the terms should be market rate. In addition to a basic salary, members of executive management may receive a limited variable remuneration that is result-based against stipulated targets. Senior executives are to have market-rate, premium-based pension terms and conditions. All members of corporate management may terminate their employment with six months notice. In the event the CEO is given notice from the company, an 18-month severance pay will be paid. The Board has the right to deviate from the guidelines should mitigating circumstances

so require. There is an outstanding incentive scheme in the Group. The scheme is performance-based and involves some fifty senior executives and key employees. The scheme will run from October 2008, with the option to subscribe during the period September 2011 to March 2012.

INTERNAL CONTROLS FOR FINANCIAL REPORTING

According to the Company's Act and the Swedish Code of Corporate Governance, the Board is responsible for internal controls aimed at protecting the company's assets and thereby the investments of its owners.

FINANCIAL REPORTING

All units submit monthly reports concerning economic outcomes. The reporting is consolidated and constitutes the basis for interim reports and operative follow up. Operative follow-up follows an established structure in which orders received, invoicing, liquidity, earnings, capital tied-up and other for the Group important key ratio are compiled and constitute the basis for analysis and measures from management and controllers at various levels. Other important and Group-wide parts of the internal control include business plans and the annual forecast process.

For communication with external parties, the Group has an information policy intended to ensure that all information obligations are complied with, correctly and in full.

CONTROL ENVIRONMENT

The Audit Committee's primary task is to monitor the accounting and reporting processes and to ensure the quality of these reports and processes. The responsibility for

maintaining an effective control environment and day-to-day risk management and internal controls in terms of financial reporting has been delegated to the CEO. Executives at various levels of the company are in turn responsible within their respective areas.

Responsibility and authorisation is defined in the instructions to the CEO, instructions for approval lists, handbooks and other policies, routines and codes. The Board determines the Group's important policies concerning communication, credit, financing and risk management. Group management determines other policies and instructions, and Group functions issues guidelines and oversee the application of the company's regulatory framework.

The Group's accounting and reporting rules are stipulated in the economy handbook available to all accounting staff. Together with laws and other external regulatory frameworks, the organisational structure and internal regulatory frameworks is the control environment.

RISK ASSESSMENT

ITAB makes regular risk analyses in which the risks for error in the financial reporting of significant income statement and balance sheet items are examined. Also operational risks are mapped.

CONTROL ACTIVITIES

The purpose of control activities is to discover, prevent and correct errors and deviations. Policies and guidelines are particular important for accurate accounting, reporting and information dissemination and define also which control activities should be conducted. Within ITAB, policies and guidelines are regularly updated, both in writing and at

meetings. Control activities include approval routines, reconciliation of accounts, analytical follow-up and control of IT systems.

FOLLOW UP

Corporate management and controllers regularly follow-up economic and financial reporting, as well as key business events. At each board meeting, economic performance is monitored against forecast and it is examined whether investments follow plan. The Audit Committee regularly evaluates the internal control, the code of corporate governance and significant accounting issues.

ITAB has as yet not found reason to establish a separate internal audit function. Internal control work is conducted within the framework of the rest of the operations and conducted primarily with central resources. It is the company's assessment that this evaluation largely corresponds to the work completed in other companies by an internal audit function. Parts of the internal control are regularly examined by the auditors. The issue of a separate internal audit function will be retested in 2010.

This Corporate Governance Report has not been subject to review by the company's auditors.

Thord Johansson
Chairman of the Board
Anna Benjamin
Johan Rapp
Per Rodert
Stig-Olof Simonsson
Lottie Svedenstedt
Ulf Rostedt
CEO

COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES, 2009

| Name | Commissions | Remunerations Committee | Audit Committee | Independent in relation to the company and corporate management | Independent in relation to larger shareholders | Participation in Board meetings | Participation in Remuneration Committee | Participation in Audit Committee | Board fee including committee remuneration (SEK) |
|---------------------|--------------|-------------------------|-----------------|---|--|---------------------------------|---|----------------------------------|--|
| Thord Johansson | Chairman | x | - | No ¹⁾ | No ²⁾ | 6 (6) | 2 (2) | 1 (1) | 150,000 |
| Anna Benjamin | Board member | - | x | Yes | Yes | 6 (6) | - | 1 (1) | 70,000 |
| Erik Josefsson | Board member | - | - | Yes | Yes | 1 (2) ³⁾ | - | - | 70,000 |
| Johan Rapp | Board member | - | - | Yes | No ²⁾ | 6 (6) | - | - | 70,000 |
| Per Rodert | Board member | - | x | Yes | Yes | 5 (6) | - | 1 (1) | 70,000 |
| Stig-Olof Simonsson | Board member | x | x | Yes | Yes | 5 (6) | 2 (2) | - | 70,000 |
| Lottie Svedenstedt | Board member | x | - | Yes | Yes | 4 (4) | 0 (0) ⁶⁾ | - | 70,000 |
| Ulf Rostedt | CEO | x | - | No | Yes | - | 2 (2) ⁵⁾ | - | - |

¹⁾ Thord Johansson is employed by the company.

²⁾ Thord Johansson and Johan Rapp each control, via their own holdings and holdings through companies, more than ten per cent of the shares and votes in ITAB, which according to the Code is not to be considered as independent in relation to larger shareholders.

³⁾ Erik Josefsson resigned his position on the Board at the Annual General Meeting in May 2009.

⁴⁾ Lottie Svedenstedt was elected to the Board of Directors at the Annual General Meeting in May 2009 and has participated in all Board meetings thereafter.

⁵⁾ Ulf Rostedt resigned his position in the Remuneration Committee in May 2009, and has thereafter participated as deputy at the Remuneration Committee's meetings.

⁶⁾ Lottie Svedenstedt was elected to the Remuneration Committee in May 2009.