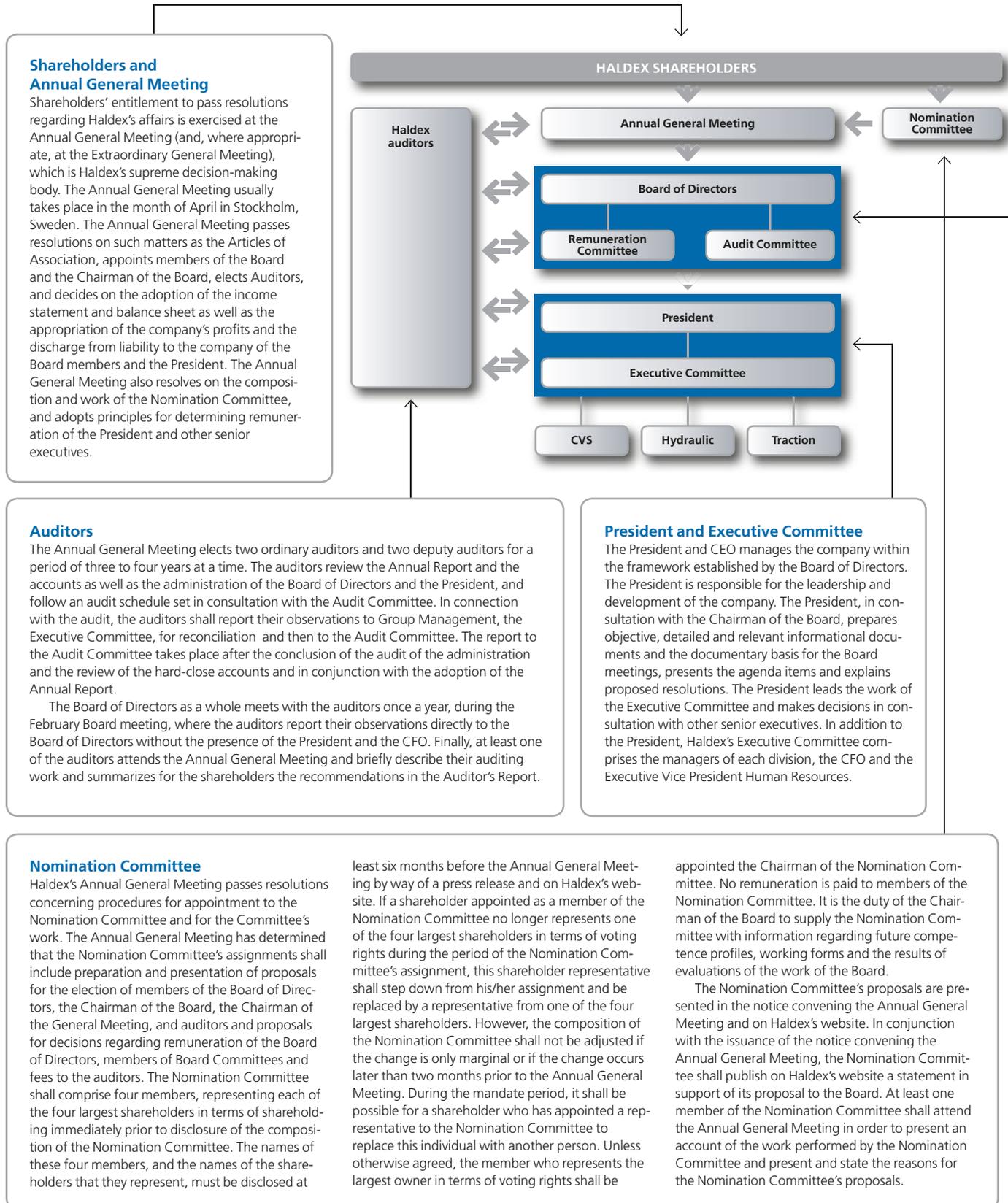


# Corporate Governance Report

## How Haldex is governed



## Board of Directors

### Board of Directors' composition

In accordance with the Articles of Association, Haldex's Board of Directors shall comprise not fewer than three and not more than eight members elected each year by the Annual General Meeting for the period that extends until the close of the next Annual General Meeting. In recent years, the Annual General Meeting has elected seven individuals. The President makes regular reports to the Board and the Group's CFO serves as the Board's secretary. Other salaried employees participate in Board meetings in connection with presentations of particular issues. In addition to the elected members, the Board consists of two employee representatives and two deputy representatives appointed by the employees.

The Board has established two committees from within its ranks: the Compensation Committee and the Audit Committee.

**The Compensation Committee** is responsible for more thorough preparation of compensation matters. Based on the guidelines adopted by the Annual General Meeting, the Compensation Committee issues to the Board proposals concerning the President's salary and other employment terms. Furthermore, the Compensation Committee shall establish the salary and other employment terms for the other members of the Executive Committee based on proposals from the President. Prior to each Annual General Meeting, the Compensation Committee shall also assist the Board in preparing a motion concerning guidelines for the remuneration of senior executives for the forthcoming year. The purpose of these guidelines shall be to determine the salary and other employment terms in respect of the President and other senior executives of the company.

**The Audit Committee** prepares matters that concern accounting, financial reporting, auditing and

internal control. The Committee is responsible for the preparation of the Board's activities by ensuring that that system for auditing, internal control and risk management fulfills the requirements of applicable laws and regulations and that it promotes operational efficiency, generates accurate accounting documents and provides reliable financial information. The Committee reviews the principles for accounting and financial control and establishes guidelines for the procurement of services other than auditing from the company's auditors. The Committee meets regularly with the auditors during the year to discuss such matters as audit reports and audit plans. The Committee is responsible for the evaluation of the auditors' work and the auditors' efficiency, qualifications, fees and independence. The Audit Committee must also assist the Nomination Committee with proposals for potential auditors. The Committee also assists Haldex management in determining how identified risks will be handled in order to ensure effective internal control and risk management.

### Responsibilities of the Chairman of the Board

The Chairman organizes and directs the Board's activities, promotes efficiency in these activities, ensures that they are conducted in accordance with the Swedish Companies Act and other applicable laws and regulations, and ensures that the resolutions of the Board are implemented. The Chairman ensures that the Board members receive the required education and continuously enhance their knowledge of the company and is responsible for evaluating the Board's activities. The Chairman proposes the agenda for Board meetings in consultation with the President and ensures that the Board receives satisfactory information and decision-making documentation. The Chairman has regular communication with the President, relays opinions from the shareholders to other

Board members and acts as spokesperson on behalf of the Board. The Chairman also represents a vital link to the Nomination Committee and reports the results of the year's evaluation of Board work to the Nomination Committee.

### Responsibilities of the Board of Directors

The Board of Directors is responsible for the company's and Group's organization, management and administration, and for ensuring that the follow-up and control of accounting, management of assets and financial circumstances is otherwise satisfactory. The Board of Directors monitors and evaluates the work of the President and the Executive Committee and is responsible for decisions regarding, and the follow-up of, company strategies by establishing plans and objectives and through decisions regarding the acquisition and divestment of operations, major investments, appointments and replacements in the management team, and by conducting regular reviews during the year.

The Board of Directors also approves the annual financial statements. In addition, the Board of Directors ensures that the information distributed externally by the company is characterized by transparency and objectivity. It is also the duty of the Board of Directors to establish guidelines and policy documents pertaining to such matters as financial activities, information publication, insider issues and ethical conduct.

The following standing items on the agenda are discussed at Board meetings: The Group's performance and status, the business climate, organizational issues, monthly accounts, press releases, disputes, acquisitions/divestments, major business agreements, development projects and investments.

## STEERING INSTRUMENTS

### External

Steering instruments that form the basis for corporate governance in Haldex primarily include the Swedish Companies Act, the Annual Accounts Act, applicable regulations for publicly traded companies on the Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance and other pertinent legislation and rules.

### Internal

Internal binding steering instruments include the Articles of Association adopted by the Annual General Meeting, and documents approved by the Board that include the Operating Procedures of the Board of Directors in Haldex, Directives for the Compensation and Audit Committees, Instructions for the President in Haldex, the Communications Policy and the Treasury Policy. In addition to the above, the Group has a number of policies and manuals that contain binding regulations as well as recommendations that specify principles and provide guidance for the Group's operations and employees. An example of one of these documents is Haldex's Vision & Values.

### Operating Procedures of the Board of Directors

The Operating Procedures regulates the Board of Directors' internal division of work, the line of decision within the Board of Directors, the procedural rules for Board meetings and the duties of the Chairman of the Board. The work of the Board follows a fixed procedure aimed at ensuring that the Board of Directors' information requirements are met.

### Instructions for the President

The Instructions for the President establishes the boundaries for the President's responsibility for the operational administration, the forms for reporting to the Board of Directors and what this shall contain, requirements for internal steering instruments and matters that require the approval of the Board of Directors or that notification be provided to the Board of Directors.

### Values

Haldex's values – *customer first, respect for the individual and elimination of waste* – are linked to the Group's mission, vision and strategies, and pro-

vide guidance to employees in day-to-day activities. Customer first requires that Haldex's employees base their decisions and actions with a focus on what is best for the customer – fully aware that the values created for the customer also generate value for Haldex, Haldex's employees and Haldex's shareholders. Respect for the individual requires that colleagues are shown respect through open communication, encouraging others to take initiative, cooperation, support, professional development and advancement, performance-based compensation and active responsibility for all individuals. The elimination of all waste entails a responsibility to manage all resources in the most efficient and profitable manner possible.

# Corporate Governance at Haldex in 2009

Haldex AB is a publicly traded Swedish limited liability company with its registered office in Stockholm. With no exceptions, Haldex complies with the Swedish Code of Corporate Governance and hereby submits its Corporate Governance Report for 2009. The report has not been reviewed by the company's auditors.

## Shareholders

Haldex has been listed on the NASDAQ OMX Stockholm Stock Exchange since 1960. The share capital in Haldex AB totals SEK 221,079,850 m, represented by 44,215,970 shares. Each share confers one voting right and all shares carry equal entitlement to dividends.

The number of Haldex shareholders amounted to 10,486 at year-end. Investment AB Öresund represented the largest owner with about 10.59% of the share capital. Swedish ownership totaled 79% at year-end 2009. Information concerning ownership is updated each month on Haldex's website, [www.haldex.com](http://www.haldex.com). See also page 78, for further information.

## Annual General Meeting

Shareholders representing 22.97% of the voting rights attended the 2009 Annual General Meeting held on April 16, 2009, in Stockholm. Board Chairman Lars-Göran Moberg was elected Chairman of the meeting. All Board members and the company's auditors attended the meeting.

## Resolutions

The minutes of the meeting are available on Haldex's website [www.haldex.com](http://www.haldex.com).

The resolutions passed include the following:

- In accordance with the Board of Directors' proposal, it was decided that no dividend would be paid for the 2008 fiscal year.
- It was decided that the Board shall comprise seven members with no deputies. The Meeting re-elected Lars-Göran Moberg, Anders Böös, Arne Karlsson, Caroline Sundewall, Anders Thelin and Cecilia Vieweg. Stefan Charette was newly elected. Lars-Göran Moberg was elected Chairman of the Board.
- For the period up until the close of the 2010 Annual General Meeting, it was decided that fees for the Board of Directors shall be paid totaling SEK 1,800,000 (including fees for committee work), of which SEK 450,000 pertains to the Chairman and SEK 175,000 to each of the other Board members. Fees for committee work shall be paid as follows: Chairman of the Audit Committee SEK 100,000, members of the Audit Committee SEK 50,000, Chairman of the Compensation Committee SEK 50,000 and members of the Compensation Committee SEK 25,000. Fees to auditors relating to auditing assignments shall be paid in accordance with the tender submitted by the auditing company.

Authorized Public Accountant Liselott Stenudd presented the Auditors' Report and the Group auditors' report for the 2009 fiscal year.

Tomas Ramsälv, Odin Fonder, presented the Nomination Committee's proposal for a resolution regarding the Nomination Committee for the 2010 Annual General Meeting.

## Nomination Committee for the 2010 Annual General Meeting

In accordance with a decision by the 2009 Annual General Meeting, the four largest shareholders have each appointed representatives to form the Nomination Committee for the 2010 Annual General Meeting. At the end of September 2009, these shareholders were Investment Öresund AB, Afa Försäkring AB, Göran Carlson through companies and Andra AP-fonden. Combined, they represented 22.95% of the voting rights in Haldex AB at September 30, 2009. The shareholders' representatives who will comprise members of the 2010 Nomination Committee are:

Stefan Dahlbo (Chairman), Investment Öresund, Anders Algotsson, Afa Försäkring, Göran Carlson and Martin Jonasson, Andra AP-fonden.

The composition of the Nomination Committee was disclosed through a press release and a posting on Haldex's website, [www.haldex.com](http://www.haldex.com), on October 15, 2009.

The company's shareholders were given the opportunity to submit opinions and proposals to the Nomination Committee via e-mail to the address specified on the company's website under the heading Investors – Corporate Governance – Annual General Meeting – 2010 Annual General Meeting.

The Nomination Committee proposes that the 2010 Annual General Meeting elect Göran Carlson as a new Member of the Board.

Göran Carlson, born in 1957, is a graduate in Business Administration and an MBA. His previous experience includes being District Manager at Industrifinans AB, President of Ur & Penn – Erling Persson AB, President of c/o Departments & Stores AB and founder of Medstop AB, a new chain of pharmacies. Notable Board assignments include Deputy Chairman of Medstop AB and Board member of Svenskt Tenn AB. Göran Carlson holds, through companies, 4.2% of the shares and voting rights in Haldex.

The Nomination Committee proposes the re-election of all current members of the company's Board and that Lars-Göran Moberg continue as Chairman.

The Nomination Committee also proposes reelection of PricewaterhouseCoopers' Authorized Public Accountant Michael Bengtsson and election of Authorized Public Accountant Ann-Christine Häggglund, as well as reelection of Christine Rankin Johansson and Cesar Moré as deputy auditors, for the period up to the close of the 2014 Annual General Meeting.

The proposals were presented in the notice convening the Annual General Meeting on March 16, and on Haldex's website. A report on the activities of the Nomination Committee was published on the company's website.

## Board of Directors

### Board of Director's independence

The Swedish Code of Corporate Governance state that the majority of the Board members elected by the Annual General Meeting should be independent in relation to the company and its Group Management and that at least two of the independent members must also be independent in relation to the company's largest shareholders. This is the case since all Board members are independent in relation to Haldex and its management, and all but one Board member are independent in relation to Haldex's largest shareholders.

### Board activities

The Board of Directors held a statutory meeting immediately following the Annual General Meeting.

During 2009, the Board of Directors met 15 times. The main issues addressed were:

- January/February – Financial accounts, Annual Report, meetings with auditors, evaluation of the President's administration.
- Spring/autumn – Establishment of the Board of Directors' work procedures and the Instructions for the President, as well as strategic and organizational issues. Long-term investment plans.
- November/December – Treasury policy. Budget review. Time schedule for 2010.

Board members visited a number of the Group's companies in different groupings during 2009 to gain deeper insight into the Group's operations. These visits included facilities in Landskrona, Sweden, several plants in the US, and the Group's plant in Birmingham, UK.

In connection with strategy reviews, the various division managers were given an opportunity for a more in-depth presentation of their operations.

### Board Committees

In 2009, the Audit Committee comprised Board members Lars-Göran Moberg, Arne Karlsson and Caroline Sundewall. Caroline Sundewall was the Chairman of the Committee. The Audit Committee was convened 5 times during 2009.

In 2009, the Compensation Committee consisted of Board members Lars-Göran Moberg, Anders Thelin and Cecilia Vieweg. Cecilia Vieweg was its Chairman. The Committee held 10 meetings during 2009.

### Evaluation of Board activities in 2009

Annual evaluations are conducted of the Board's collective work. The Chairman is evaluated on his ability to prepare and lead the Board activities and his ability to motivate and cooperate with the President. The evaluation of the Board's activities as a whole is conducted via a shared internal review of its activities. The result of the evaluation process for 2009 was discussed in conjunction with the Board meeting in December 2009.

### Board members, attendance 2009

Name	Board meetings
Lars-Göran Moberg	15
Reiner Beutel*	6
Anders Böös	14
Stefan Charette **	9
Arne Karlsson	12
Anders Thelin	15
Caroline Sundewall	15
Cecilia Vieweg	13

\* Retired from the Board at the Annual General Meeting on April 15, 2009.

\*\* Joined the Board at the Annual General Meeting on April 15, 2009.

### Auditors

At the 2007 Annual General Meeting, Authorized Public Accountants Liselott Stenudd and Michael Bengtsson from PricewaterhouseCoopers AB were re-elected and elected, respectively, as auditors until the 2010 Annual General Meeting. Authorized Public Accountant Christine Rankin Johansson was re-elected as deputy auditor – elected at the 2007 Annual General Meeting, while Authorized Public Accountant Cesar Moré was newly elected as deputy auditor by the 2009 Annual General Meeting.

Liselott Stenudd has been an Authorized Public Accountant since 1986, and is the elected auditor of such companies as SinterCast AB, Eltel AB, the Swedish Cargotec companies and Diamyd Medical AB.

Michael Bengtsson has been an Authorized Public Accountant since 1988, and is the elected auditor of such companies as Enea AB, Onoff AB, Perstorp Holding AB and Carnegie Investment Bank AB.

Neither Liselott Stenudd nor Michael Bengtsson has assignments in other companies that are associated with Haldex's largest owners or President.

During 2009, the auditors had extra assignments outside the scope of the ordinary audit. These assignments included consultations in tax and accounting issues and other company issues. These assignments have been procured in accordance with the guidelines established by the Audit Committee for such procurement.



Liselott Stenudd

Michael Bengtsson

# Remuneration of the Board of Directors and Senior Executives

## Guidelines

In compliance with a motion to be addressed by the 2010 Annual General Meeting, the Board of Directors proposes that the following guidelines shall apply up to the 2011 Annual General Meeting. The guidelines are to apply to all employment contract entered into after the resolution by the Annual General Meeting and to all amendments to existing agreements that are made after the Meeting's resolution.

Remuneration of the President and CEO and other senior executives shall consist of a well-balanced combination of fixed salary, annual bonus, long-term incentive programs, pension and other benefits and conditions concerning termination of employment/severance payment. The total remuneration shall be competitive in the market and based on performance. The fixed remuneration shall be determined individually and based on each individual's responsibility, role, competence and position. The annual bonus shall be based on outcomes of predetermined financial and individual objectives and not exceed 30–50% of the fixed annual salary.

In exceptional situations, special remuneration may be paid to attract and retain key competence or to induce individuals to move to new places of service or accept new positions. Such remuneration may not be paid out for periods exceeding 36 months and may not exceed the equivalent of twice the remuneration the executive would otherwise have received. The Board of Directors may propose that the General Meeting resolve on long-term incentive programs.

Pension benefits shall be based on defined-contribution plans and, for employees in Sweden, shall provide entitlement to pension at age 65. Upon termination of employment by the company, the notice period for the President and CEO is 12 months and for other senior executives six months. In addition, when entering into new employment contracts, agreement may be made on severance pay not exceeding the equivalent of 12 months' fixed salary. The Board shall be entitled to depart from the guidelines if there are specific reasons for doing so in individual cases.

The above guidelines are essentially unchanged in relation to the guidelines adopted by the 2009 Annual General Meeting.

## Remuneration of the Executive Committee in 2009

### President

In 2009, the President and CEO received a fixed salary and variable salary as detailed in the table below.

In addition to a reciprocal 12-month period of notice, the President will, in the event of termination of employment by the company, receive severance pay equivalent to 12 months' salary. In the event of resignation by the President, no severance pay may be claimed.

The President's pension benefits are premium-based and comprise an ITP scheme and an annual provision for 25% of fixed salary exceeding 20 "basic amounts" (base figure for Swedish social security). Retirement age is 65.

## Remuneration of Executive Committee 2009, SEK thousands

President	Basic salary	Variable remuneration	Pension
Joakim Olsson	3,968	1,901	959
<b>Other senior executives (Executive Committee) (6 people, of whom 0 women)</b>	12,030	2,643	2,932

### Other senior executives

According to guidelines approved by the Annual General Meeting, the President, in consultation with the Board's Compensation Committee, prepares remuneration issues concerning Group and divisional management, which are subject to resolution by the Annual General Meeting. Compensation consists of a fixed salary and a variable salary.

The variable part is based on goals established by the President and the Compensation Committee on a yearly basis and may amount to 30–50% of the fixed annual salary. All members of the Executive Committee have a reciprocal six-month period of notice and, in the event of termination of employment by the company, will receive severance pay equivalent to between 12 and 24 months' salary. The pension benefits are regulated in pension plans adapted to local practice in the countries in question, with the retirement age starting at 65.

### Incentive program

The Annual General Meeting resolved in April 2007 to introduce a long-term performance-based incentive program under which senior executives and key personnel would be allotted employee stock options on condition that the participants become shareholders by making their own investment in Haldex shares in the stock market.

Each share acquired in the market provides entitlement, free of charge, to an allotment of ten employee stock options, whereby each option provides entitlement to the acquisition of 1.5 Haldex share.

A condition for allotment is that Haldex's pretax income has increased in relation to the preceding fiscal year by more than 7%. Maximum allotment occurs on condition that pretax income has increased in relation to the preceding fiscal year by 20% or more.

Employee stock options can be issued in three series and, in accordance with decisions by the Board of Directors, could be allotted during 2008, 2009 and 2010.

No allotment of the 2008 or 2009 options occurred on the basis of the company's earnings outcome. However, an allotment will occur during 2010. For further information, see Note 8.

### Remuneration of the Board of Directors for the period April 2009 – April 2010

Remuneration of Board members elected by the Annual General Meeting is approved by the Annual General Meeting following proposals from the Nomination Committee. For 2009, remuneration was paid in accordance with the table below. All remuneration of the Board comprises fixed payments and does not contain any variable parts. No remuneration is paid to members who are employed by the Group.

### Remuneration of the Board 2009, SEK

Name	Compensation Committee	Audit Committee	Board fees	Total
Lars-Göran Moberg	25,000	50,000	450,000	525,000
Anders Böös			175,000	175,000
Stefan Charette			175,000	175,000
Arne Karlsson		50,000	175,000	225,000
Caroline Sundewall		100,000	175,000	275,000
Anders Thelin	25,000		175,000	200,000
Cecilia Vieweg	50,000		175,000	225,000
<b>Total</b>				<b>1,800,000</b>

### Auditing fees 2009, SEK m

<i>PricewaterhouseCoopers</i>	
Audit assignments	8
Other assignments	10
	<b>18</b>

# Internal control and risk management

Internal control at Haldex is a process that is regulated by the Board of Directors and the Audit Committee and performed by the President and the Executive Committee. It is designed to ensure that to the greatest extent possible Haldex's reporting is appropriate and reliable and that the company complies with applicable legislation and regulations. The process is based on a control environment that provides structure for other parts of the process, including risk assessment, control activities, information, communication and follow-ups. It is based on the framework for internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report on internal control and risk management was prepared in accordance with Sections 10.5 of the Swedish Code of Corporate Governance and is thus limited to a description of the material elements of Haldex's systems for internal control and risk management with regard to financial reporting.

The Board of Directors monitors and ensures the quality of external financial reporting in the manner documented in the Operating Procedures of the Board of Directors, the Instructions for the President and the Group's Treasury Policy

It is the responsibility of the President together with the CFO to review and quality-assure all external financial reporting, such as interim reports, year-end reports, Annual Reports, press releases containing financial information and presentation material in conjunction with meetings with the media, the owners and financial institutions. The President presents all interim reports, year-end reports and Annual Reports to the Board of Directors for review. The reports are then approved and published by the Board of Directors. The Board of

Directors is responsible for ensuring that the company's financial reports are prepared according to law, accounting standards and other requirements concerning listed companies.

The Board of Directors' instructions for the President also include requirements that the Board of Directors must be continuously provided with internal summary reports on financial matters. These reports, which must include income statements, balance sheets, valuation issues, assessments, forecasts, any changes and their consequences, possible amendments to accounting rules, legal matters and disputes, are reviewed by the Audit Committee and thereafter submitted to the Board of Directors. With regard to the Board of Directors' communication with the company's auditors, see below.

## Control environment

The Board of Directors has adopted a number of control documents for the company's internal control and governance.

Within the Board of Directors, there is an Audit Committee comprising three Board members elected by the Annual General Meeting: Arne Karlsson, Lars-Göran Moberg and Caroline Sundewall. The Audit Committee, which prepares matters for the Board of Directors, considers such issues as the internal control process, follows up reporting issues and discusses accounting principles and the consequences of changes of these principles. Furthermore, the Audit Committee maintains regular contact with the external auditors. The Committee is responsible for evaluating auditing work and the auditors' efficiency, qualifications, fees and independence. In addition, the Audit Committee must assist the Nomination Committee in nominating auditors and procuring their services



**Risk assessment**

Haldex's risk assessment with respect to financial reporting, meaning the identification and evaluation of the principal risks in terms of financial reporting in the Group's companies, divisions and processes, provides the foundation for risk management. The risks may be managed by accepting the risks or by reducing or eliminating them, subject to the controls and control levels within the framework established by the Board of Directors, the Audit Committee, the President and the Executive Committee.

**Control activities**

Work to enhance internal control activities and governance continued during the year. The main focus of this work was on documentation of the financial processes and evaluation and improvement of existing controls.

**Information and communication**

The company has a system for information and communication that is intended to result in complete and correct financial reporting. The company has a reporting system in which all Group companies report monthly according to an established format and to fixed accounting principles. In conjunction with reporting, the reporting units perform risk assessments and decide on the need for any provisions. The central finance department produces reports from the Group-wide system, which is structured according to the Group's established reporting format. Responsible managers and controllers at various levels in the Group have access to the information in this system relating to their area of responsibility.

The company's financial reporting is followed up continuously, in part by business management at various levels in the company and in part by the finance organization and controllers in the various divisions and business units. Follow-ups take place each month in conjunction with reporting and comprise both analysis and reviews by the relevant controllers and meetings between the relevant business managers and the reporting units. The CEO and the CFO have monthly meetings with divisional managers and divisional controllers. At these meetings, the division's income statement, balance sheet, cash-flow statement and other financial key data are discussed.

**Follow-ups**

The Audit Committee communicates constantly with the company's external auditors and the CFO, both at and between meetings. The Board of Directors receives a monthly report on business development. More detailed reporting is provided primarily by the President at all Board meetings. The Board of Directors constantly assesses the risks relating to financial reporting based on significant and qualitative factors.

Each year, the Board of Directors evaluates the need to establish a special internal audit function. In 2009, the Board did not consider this necessary. The Board considered that internal control is primarily exercised by:

- operative managers at various levels
- local and central finance functions
- through the Executive Committee's supervisory control

Due to this, in combination with the company's size, the Board of Directors currently does not consider it justifiable in financial terms to establish yet another function.

**Comprehensive information about Corporate Governance at Haldex is available on the [www.haldex.com](http://www.haldex.com) website:**

- Articles of Association
- Information about Annual General Meeting
  - Time and place
  - Registration procedure for participation
  - Registration procedure for reporting business to be addressed by the Annual General Meeting
  - Notice convening the Meeting
  - Agenda
  - Minutes
  - President's address
- Information about the Nomination Committee
  - Summary
  - Contact details
- The Members of the Board (updated continuously in terms of changes that occur during the year)
- Members of Executive Management (updated continuously in terms of changes that occur during the year)
- Preceding year's corporate governance reports

