

# Corporate Governance Report

**Haldex complies with no exceptions to the Swedish Code of Corporate Governance – hereinafter called “the Code” – and prepares a Corporate Governance Report in accordance with the Code. The Corporate Governance Report is unaudited.**

## Corporate governance in Haldex

Haldex is a publicly traded Swedish limited liability company. Responsibility for the governance and control of the Haldex Group is divided among the shareholders, the Board of Directors, its selected committees and the President, in accordance with the Swedish Companies Act, applicable regulations for publicly traded companies (including the Swedish Code of Corporate Governance), other relevant laws and regulations, Haldex’s Articles of Association and the internal rules of the Board of Directors. An overview of Haldex Corporate Governance is illustrated below.

For information about Haldex shareholders, refer to a specific section on page 72.

## Annual General Meeting 2008

The 2008 Annual General Meeting was held on Tuesday, April 15 in Stockholm. Sune Karlsson, Chairman of the Board, was elected Chairman of the Annual General Meeting, as proposed by the Nomination Committee.

The Annual General Meeting resolved that:

- In accordance with the Board of Directors’ proposal to pay dividend of SEK 4.50 per share for 2007 (unchanged dividend).
- The Board shall comprise seven members with no deputies. The Meeting re-elected Lars-Göran Moberg, Arne Karlsson, Caroline Sundewall, Cecilia Vieweg, Anders Thelin and Anders Böös. Dr Reiner Beutel was newly elected. Lars-Göran Moberg was elected Chairman and Dr Reiner Beutel Vice Chairman of the Board.

## Haldex control structure



- Fees for the Board of Directors shall be paid totaling SEK 1,925,000 including fees for committee work, of which SEK 450,000 pertains to the Chairman, SEK 300,000 to the Vice Chairman and SEK 175,000 to other Board members who are not employed by the Company. Fees to auditors will be paid as invoiced.
- The Board was authorized, during the period up to the next ordinary Annual General Meeting, to acquire/repurchase up to 10% of all shares in the Company. Such treasury shares may be used for transfer in connection with possible future acquisitions and to cover costs for the long-term incentive program LTI 2007.

The resolutions passed by the Meeting are presented in the minutes from the 2008 Annual General Meeting, which are available at [www.haldex.com](http://www.haldex.com).

## Appointment of the Nomination Committee for the 2009 Annual General Meeting

The 2008 Annual General Meeting resolved that the Nomination Committee for the 2009 Annual General Meeting shall have four members, representing each of the four largest shareholders in terms of voting rights. The names of these four representatives, and the names of the shareholders that they represent, must be disclosed at least six months before the Annual General Meeting and be based on shareholdings immediately prior to such disclosure. The assignment of such members will cease when a new Nomination Committee has been appointed. Assuming that the members do not agree to an alternative course of action, the member representing the largest shareholder in terms of voting rights shall be appointed chairman of the Nomination Committee.

The composition of the Nomination Committee was disclosed through a press release and on Haldex’s website on October 16, 2008. Following ownership changes that occurred at the end of the year, the composition of

the Nomination Committee changed, as disclosed through a press release and on Haldex's website on February 13, 2009. The Nomination Committee ahead of the 2009 Annual General Meeting comprises representatives of the three largest and the seventh largest shareholders, jointly representing 20.74% of the voting rights.

Stefan Dahlbo, Investment AB Öresund, Tomas Ramsälv, Odin Fonder, Carl Rosén, Second AP Fund and Björn Cederlund, Unionen comprise the Nomination Committee prior to the 2009 Haldex Annual General Meeting.

The Nomination Committee's assignments include preparation and presentation of proposals for the election of Chairman of the General Meeting, members of the Board of Directors, Chairman of the Board of Directors, auditors and proposals for decisions regarding remuneration to the Board of Directors and fees to the auditors.

The company's shareholders have the opportunity to raise comments and suggestions with the Nomination Committee via the instructions listed on the company's website. Once the proposals that fall under the responsibility of the Nomination Committee are finalized, they are presented in the notification to the Annual General Meeting and on Haldex's website, [www.haldex.com](http://www.haldex.com). An account of the procedures followed by the Nomination Committee is also published on the webpage. The Nomination Committee will present its proposals and report its activities at the Annual General Meeting 2009. Shareholders wishing to make proposals to the Nomination Committee may do so by e-mail.

Addresses are available on Haldex website under the headings Investors – Corporate Governance – Annual General Meeting – 2009 Annual General Meeting.

## The Board of Directors

### Chairman of the Board

The Annual General Meeting 2008 elected Lars-Göran Moberg as Chairman until the 2009 Annual General Meeting. Lars-Göran Moberg has been a Member of the Haldex Board since 2007.

The Chairman 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 is responsible for evaluating the Board's activities and sharing the evaluations with the Nomination Committee. The Chairman proposes the agenda for Board meetings in consultation with the President. 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.

### Members of the Board

The Board of Directors consists of seven members elected by the Annual General Meeting. There are no deputy members. The 2008 Annual General Meeting elected Lars-Göran Moberg, Reiner Beutel, Anders Böös, Arne Karlsson, Caroline Sundewall, Anders Thelin and Cecilia Vieweg as members. None of the representatives for Group Management are

currently members of the Board. However, 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 members are presented in the Annual Report, page 70. The table below shows remuneration to Board members, attendance at Board meetings and committee participation.

## Independence

The Nasdaq OMX Nordic Exchange and the Swedish Code for Corporate Governance state that the majority of the Board's members should be independent in relation to the company and its Group Management and that at least two of the independent members must be independent in relation to the company's largest shareholders. The Board of Haldex is deemed to have fulfilled this requirement since all Board members are independent in relation to Haldex, its management and Haldex's largest shareholders.

## Board Activities 2008

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

During 2008, the Board met 17 times. The Board visited a number of the Group's subsidiaries in different constellations during 2008 to gain deeper insight into the Group's operations.

The Board's activities during the year included the following:

- January/February – Financial accounts, Annual Report, meetings with auditors, evaluation of the President's administration.
- Spring/autumn – Establishment of the Board of Director's work procedures and the instructions for the President, as well as strategic and organizational issues, long-term investment plans
- November/December – Finance policy, budget review. Time schedule for forthcoming year.

### 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

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

## Board committees

### Compensation Committee

The Board appoints from among its members a Compensation Committee to formulate issues concerning remuneration. The members of the Compensation Committee are appointed annually at the statutory Board meeting immediately following the Annual General Meeting.

The Compensation Committee issues to the Board proposals concerning the President's salary and other employment terms. The Compensation Committee shall also establish the salary and other employment terms for the other members of Group Management.

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.

During 2008, Lars-Göran Moberg, Anders Thelin and Cecilia Vieweg were members of the Committee. Cecilia Vieweg was its Chairman. The Committee held 7 meetings during the year. The Chairman of the Compensation Committee was paid a fee of SEK 50,000 and the members received a fee of SEK 25,000 each.

### Audit Committee

The Board of Directors appoints from its members an Audit Committee that formulates issues concerning accounting, financial reporting, auditing and internal control. The members of the Audit Committee are appointed annually at the statutory Board meeting immediately following the Annual General Meeting.

The Audit Committee is responsible for the preparation of the Board's activities by a system for auditing, internal control and risk management that fulfills the requirements of applicable laws and regulations and for ensuring that this system promotes operational efficiency, generates accurate accounting documents and provides reliable financial information. The Committee reviews the principles for accounting and financial control and the auditors' work 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 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 good internal control and risk management.

During 2008, its members were Lars-Göran Moberg, Arne Karlsson and Caroline Sundewall. Caroline Sundewall was the Committee's Chairman. The Committee held 6 meetings during 2008. The Chairman of the Audit Committee received a fee of SEK 100,000 and members received a fee of SEK 50,000.

### Evaluation of Board activities in 2008

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 an internal review of its activities. The result of the evaluation process for 2008 was discussed in conjunction with the Board meeting in December 2008.

### Remuneration to the Board of Directors

In accordance with the resolution from the 2008 Annual General Meeting, director fees shall total SEK 1,925,000, including remuneration for committee participation. All remuneration to the Board comprises fixed payments and does not contain any variable parts. In accordance with the resolution of the General Meeting, the Chairman of the Board received SEK 450,000, the Vice Chairman of the Board received SEK 300,000 and the other Board members received SEK 175,000 each. Fees for a total of SEK 300,000 were paid for committee participation and were divided among the Committee members in the manner shown in the table below.

## Auditors

### Auditors' assignment

The auditors follow an audit schedule that was set in consultation with the Audit Committee. In connection with the audit, the auditors shall report their observations to Group Management for reconciliation and

### Board of Directors during 2008

Name	Board member since	Nationality	Board meetings	Compensation Committee	Audit Committee	Board fees	Committee fees
Lars-Göran Moberg	2007	Swedish	17	6	5	450,000	75,000
Reiner Beutel*	2008	German	8			300,000	
Anders Böös	2007	Swedish	17		1	175,000	
Sune Carlsson**	2004	Swedish	8	2			
Arne Karlsson	2003	Swedish	15		5	175,000	50,000
Caroline Sundewall	2003	Swedish	17		6	175,000	100,000
Anders Thelin	2007	Swedish	15	3		175,000	25,000
Cecilia Vieweg	2000	Swedish	15	7		175,000	50,000

\* Elected to the Board at the Annual General Meeting on April 15, 2008

\*\* Retired from the Board at the Annual General Meeting on April 15, 2008

then to the Audit Committee. The report to the Audit Committee takes place after the conclusion of the audit of the administration and the review of the hard-close accounts and after the Annual Report is adopted.

The Board of Directors as a whole meets with the auditors once a year, during the February Board meeting where the auditors report their observations directly to the Board of Directors partly without the presence of Group Management. Finally, the auditors participate in the Annual General Meeting and briefly describe their auditing work and summarize for the shareholders the recommendations in the Auditor's Report.

### Auditors 2008

The Annual General Meeting elects two ordinary auditors and two deputy auditors for a period of three to four years at a time.

At the 2007 Annual General Meeting, Authorized Public Accountants Liselott Stenudd and Michael Bengtsson from PricewaterhouseCoopers AB were elected as auditors until the 2010 Annual General Meeting. Authorized Public Accountants Christine Rankin-Johansson and Ronnie Ekman were newly elected as deputy auditors.

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, Onoff, Perstorp Holding AB and Morphic Technologies. Neither Liselott Stenudd nor Michael Bengtsson has assignments in other companies that are associated with Haldex's largest owners or President.

Between 2004 and 2008, 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 are not considered to be in violation of the Code's regulations.

### Group Management

#### Members of Executive Committee

In addition to the President, Haldex's Executive Committee comprises the managers of each division, the CFO and the Executive Vice President Human Resources. The President manages the Company within the framework established by the Board of Directors. The President is responsible for the leadership and development of the Company. The President, in consultation with the Chairman of the Board, prepares and formulates objective, detailed and relevant informational documents and the documentary basis for the Board meetings, presents the agenda items and explains proposed resolutions. The President leads the work of the Execu-

tive Committee and makes decisions in consultation with other senior executives. The Executive Committee met on 6 occasions in 2008.

#### Remuneration of senior executives

On an annual basis, the Annual General Meeting establishes guidelines for determining the remuneration to be paid to the President and other senior executives of the company, including Heads of Divisions and Group Staff units. The Board and its Compensation Committee decide, based on the guidelines adopted by the Meeting, on the design of remuneration systems and the size of structures for the remuneration of senior executives.

#### Remuneration of the President

In 2008, the Board of Director's Compensation Committee prepared issues related to remuneration of the President, with decisions made by the Board. The President receives a fixed salary and a variable salary. The variable salary is based on a target bonus that is established annually.

In addition to a reciprocal twelve-month period of notice, the President will, in the event of termination of employment by the company, receive severance pay equivalent to twelve 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 consist of 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.

#### Other senior executives

According to Guidelines for remuneration to Senior Executives as resolved by the Annual General Meeting, the President, in consultation with the Board's Compensation Committee, prepares remuneration issues concerning the Executive Committee and divisional management, which are subject to resolution by the Annual General Meeting. Remuneration consists of a fixed and variable part. 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.

See Note 9 for a more detailed description of the remuneration of the President and other members of the Executive Committee.

### Board of Directors' report regarding internal control

Internal control within Haldex is a process that is regulated by the Board of Directors and the Audit Committee and performed by the President and Group Management. It is designed to ensure that to the 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 was prepared in accordance with Sections 3.7.2 and 3.7.3 of the Swedish Code of Corporate Governance and is thus limited to a description of Haldex's internal control with regard to financial reporting. This report is not a part of the formal annual report documents.

The Board of Directors' report on internal control regarding financial reporting has not been examined by the company's auditors.

The Board of Directors monitors and ensures the quality of external financial reporting in the manner documented in the working procedure for the Board of Directors, the instructions for the President and the Group's financial 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 changes of 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 consisting of 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 issues concerning 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 Group management.

### 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 consist of 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 2008, 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 and
- through Group management's supervisory control.

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