

# Corporate Governance Report

Haldex AB is a publicly traded Swedish limited liability company with its registered office in Landskrona. The company is listed on Nasdaq Stockholm in the Nordic Mid Cap segment. Haldex applies the Swedish Corporate Governance Code and hereby presents its 2015 Corporate Governance Report. The Report has been reviewed by the company's auditors.



Responsibility for management and control of the Haldex Group is divided between shareholders, the Board of Directors, its elected committees and the President, as shown in the illustration above.

## Deviations from the Code

In 2016, Haldex complied with the Swedish Code of Corporate Governance in all respects except for item 2.4, which concerns the composition of the Nomination Committee. The Swedish Corporate Governance Code stipulates that "neither the chairman nor any other member of the Board may chair the Nomination Committee." According to a resolution at the 2016 Annual General Meeting, the four largest shareholders have appointed representatives to the Nomination Committee and the member representing the largest shareholder in terms of votes is to be appointed Chairman of the Committee, unless otherwise agreed.

The Chairman of Haldex, Göran Carlson, was appointed Chairman of the Nomination Committee for 2016, since he is the company's largest shareholder. The Nomination Committee has stated that the reason for this is that Göran Carlson was considered best suited to lead the Committee's work by the Nomination Committee.

## Shareholders and Annual General Meeting

*The shareholders' influence is exercised at the Annual General Meeting (AGM), which is Haldex's supreme decision-making body. The AGM adopts the Articles of Association and at the AGM, which is the annual ordinary general meeting, the shareholders elect Board members, the Chairman of the Board and auditors, and determine their fees. The AGM also decides on the adoption of the income statement and balance sheet, on allocation of the company's profit and on discharge from liability for the Board members and President. The AGM also resolves on the Nomination Committee's appointment and duties, and the principles for remuneration and employment for the President and other senior executives. Haldex normally holds its AGM in April or May.*

At year-end, the number of shareholders was 8,533. The largest shareholders were ZF with 17.1 percent and Knorr-Bremse with 14.7 percent of the shares and votes. Swedish ownership totaled 16.8 percent at year-end. Each share carries entitlement to one vote at the AGM. For more information about shareholders and the share, see pages 18-20 and [corporate.haldex.com](http://corporate.haldex.com).

### 2016 Annual General Meeting

The 2016 AGM was held on May 3, 2016 at Haldex's premises in Landskrona, Sweden. Some 68 shareholders attended the Meeting in person and a number of others through a representative, as well as several assessors and visitors.

The shareholders in attendance represented 18.6 percent of the total voting rights. The Chairman of the Board, Göran Carlson, was elected Chairman of the Meeting, according to the Nomination Committee's proposal. All Board members elected by the Annual General Meeting were present.

The full minutes and information about the AGM are available on [corporate.haldex.com/en/investors](http://corporate.haldex.com/en/investors). The AGM adopted resolutions on:

- Dividend according to the Board's proposal of SEK 2.00 per share for the 2015 fiscal year.
- Reelection of Board members Göran Carlson, Magnus Johansson, Staffan Jufors, Carina Olson and Annika Sten Pärson.
- New election of Anders Nielsen.
- Reelection of Göran Carlson as Chairman of the Board.
- Determination of remuneration of the Board in accordance with the Nomination Committee's proposal.
- Adoption of the Board's proposed guidelines for remuneration of senior executives.
- Approval of the Board's proposal to establish a long-term incentive program, LTI2016, as well as hedging measures in view of the program.

## The Board's work in 2016



- In accordance with the Board's proposal, authorize the Board to decide on the acquisition/transfer of own shares on one or more occasions during the period until the 2017 AGM.
- Process for the Nomination Committee's appointment and duties.

### 2017 Annual General Meeting

Haldex will hold its AGM on Thursday, May 4, 2017 at 4.00 p.m. at Hotell Öresund, Selma Lagerlöfs väg 4 in Landskrona, Sweden

### Nomination Committee

*The Nomination Committee represents the company's shareholders and nominates Board members and auditors, and proposes their fees.*

The Nomination Committee shall consist of four members, representing the largest number of voting shareholders based on the shareholdings immediately prior to the publication of the composition of the Committee. On the publication of the Annual Report, no shareholders had announced their representatives on the Committee. The Nomination Committee's proposal will be presented in the notice convening the AGM. No remuneration is paid to the Nomination Committee's members. The Chairman of the Board is responsible for informing the Nomination Committee of the Board's future competence profile, working methods and the results of the evaluation of the Board's work.

The company's shareholders are able to make comments and proposals to the Nomination Committee by e-mail or phone, since the members' contact details are published on the company's website.

### Board of Directors

*The Board is responsible for the organization of Haldex and management of the company's affairs. According to the Articles of Association, the Board is to consist of at least three and not more than eight members, with a maximum of three deputies. Board members are elected annually at the AGM for the period until the end of the next AGM.*

In 2016, the Board consisted of six members elected by the AGM. The employees appointed two representatives and one deputy to the Board. The Group's President and CEO, Bo Annvik, and CFO, Andreas Ekberg (until September) and Åke Bengtsson (from

October), attend Board meetings. Other employees participate during the meetings when required to report on particular matters. For further information about Board members, refer to pages 74-75 and note 10 for the Group pages 47-48.

### Board of Director's independence

The Swedish Corporate Governance Code states that the majority of Board members elected by the AGM should be independent in relation to the Group and the Group Management, and that at least two of the independent members must also be independent in relation to the company's major shareholders. All members of Haldex's Board are considered independent.

### The Board's work

The Board of Directors held 25 meetings (12) in 2016. The large increase in the number of meetings is a direct result of the Board's work necessitated by the three public offers for Haldex announced in 2016. The principal issues discussed during the meetings were the company's financial position and market position, its strategy, quality work, product development, brand platform, personnel and organizational issues, as well as the on-going public offer process and related matters. Attendance at Board and Committee meetings is presented on pages 72-73.

### Evaluation of the Board's work

Annual evaluations are conducted of the Board's collective work. The Chairman is evaluated on his ability to prepare and lead the Board's work and his ability to motivate and cooperate with the President. The evaluation of the Board's combined activities is conducted via a shared internal review of its activities. The results of the evaluation process for 2016 were discussed in conjunction with the Board meeting in December 2016 and is made available to the Nomination Committee.

### Board Committees

*The Board has established two internal committees – the Audit Committee and Compensation Committee. The work of the committees cannot be delegated by the Board, but is viewed as preparatory work upon which the Board, in its entirety, subsequently resolves on.*

**Audit Committee**

The Audit Committee prepares matters that concern accounting, financial reporting, auditing and internal control. The Committee reviews the principles for accounting and financial control and establishes guidelines for purchasing services other than auditing from the company's auditors.

In 2016, the Audit Committee comprised Carina Olson, Göran Carlson, Arne Karlsson (until April) and Anders Nielsen (from May) Arne Karlsson was chairman until April, when Carina Olson took over. The Audit Committee held six (six) meetings in 2016..

**Compensation Committee**

Based on the guidelines adopted by the AGM, the Compensation Committee submits a proposal to the Board regarding remuneration and other terms of employment for the President and other senior executives, based on a proposal from the President.

In 2016, the Compensation Committee consisted of Magnus Johansson, Staffan Jufors and Annika Sten Pärson. Magnus Johansson was the Chairman of the Committee. The Compensation Committee held two (two) meetings in 2016.

**Remuneration of Board members**

Remuneration of Board members elected by the AGM is approved by the AGM based on proposals from the Nomination Committee. In 2016/17, remuneration will be paid in accordance with an AGM resolution, as set out in the table on pages 74-75. Payment for 2016 is reported in note 10 for the Group on pages 47-48.

Remuneration of the Board comprises fixed payment only (no variable remuneration is paid). No remuneration is paid to members who are also employed by the Group.

**Auditors**

*The AGM appoints auditors who examine annual reports, accounting and consolidated accounts, the management of the Board and the President, as well as the annual reports and accounting of subsidiaries, and provide an audit opinion.*

Öhrlings PricewaterhouseCoopers AB was elected as the company's auditors for the period until the end of the 2017 AGM. Main responsibility has the Authorized Public Accountant Bror Frid. Bror Frid is elected auditor of such companies as Chalmers, Elos, and Jula. The Board of Directors, in its entirety, meets the auditors once a year, at the Board meeting in February, where the auditor's present their findings directly to the Board, without the presence of the President and the CFO. At least one auditor attends the AGM and briefly describes the audit process and summarizes its recommendations in the Auditor's Report for shareholders.

**Group Management**

*The President and CEO are responsible for ongoing management of the Haldex operations within the framework established by the Board. The President is assisted by Group Management, comprising the business area managers and staffs.*

At the end of 2016, the management team consisted of 11 people. In September 2016, Walter Frankiewicz was appointed as SVP North American Sales, Fredrik Seglö as SVP Product Management and Andreas Jähnke as SVP R&D, with a position on the management team, see pages 76-77.

**Remuneration of senior executives**

Principles for remuneration of senior executives adopted by the AGM are:



**REMUNERATION OF AUDITORS, SEK M**

PwC	2016	2015
Audit assignments	5	5
Audit activities other than audit assignment	0	0
Tax advice	1	5
Other assignments	1	1
<b>Total</b>	<b>7</b>	<b>11</b>

- 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 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 50 percent 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 for periods exceeding 36 months and shall be capped at the equivalent of twice the remuneration the executive would otherwise have received.
- The Board may propose that the AGM resolve on long-term incentive programs.
- Pension benefits shall be based on defined-contribution plans and, for employees in Sweden, provide entitlement to pension at the age of 65.

Upon termination of employment by the company, the notice period for the President and CEO is 12 months and for other senior executives up to six months. The Board shall be entitled to depart from the guidelines if there are specific reasons for doing so in individual cases. In 2016, the Board of Directors chose to depart from the adopted guidelines to introduce a retention program. For further information, see page 78.

For additional information concerning remuneration of senior executives, refer to note 10, page 47-48.

**Remuneration in 2016**

*President*

In 2016, the President and CEO received fixed 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

*Continued on page 78*

## Board of Directors



Göran Carlsson



Staffan Jufors



Anders Nielsen



Magnus Johansson

Name	Göran Carlsson	Magnus Johansson	Staffan Jufors	Anders Nielsen
<b>Role on the Board</b>	Chairman of the Board since 2011. Not chairman on matters relating to the public offer for Haldex since August 2016.	Board member Chairman of the Compensation Committee. Acting Chairman on matters relating to the offer for Haldex since August 2016.	Board member	
<b>Current employment</b>	Investor	Advisor and Director, Mejex AB.	Board assignments	Chief Technology Officer i Volkswagen Truck & Bus.
<b>Education</b>	MBA	BA in Behavioral Studies.	MBA	Industrial economics
<b>Elected</b>	2010	2011	2013	2016
<b>Born</b>	1957	1955	1951	1962
<b>Resident</b>	Sweden	Sweden	Portugal	Sweden
<b>Other assignments</b>	Vice Chairman of Svenskt Tenn AB.	Chairman of the Board in Elektroautomatik AB and EA Group.	Board member of ÅF, Akelius Residential Property AB and Nordens Ark.	-
<b>Dependent</b>	No	No	No	No
<b>Previous experience</b>	Previously President of Ur & Penn, CEO and owner of c/o Departments & Stores and founder of pharmacy chain Medstop AB.	Human Resources Director SKF, President of SKF Sweden, Human Resources Director Volvo Car Corporation, President of SKF China, Business Development Director for the SKF Group.	Previously Chairman of the Board of Volvo Buses, President of Volvo Trucks, President of Volvo Penta as well as senior management positions at Volvo Cars.	Anders joined Scania in 1987. In previous years, he held positions as Production Manager for gearboxes and cabins as well as Technical Director in Latin America. In recent years, Anders has been responsible for Global Production and Logistics at Scania, he has been President of MAN Truck & Bus and Head of Business Development at Volkswagen Truck & Bus for the MAN and Scania brands.
<b>Shareholding (alone and with related party)</b>	0	0	0	0
<b>Audit Committee</b>	6/6	No	No	1/6 (elected in May)
<b>Compensation Committee</b>	No	2/2, Chairman	2/2	No
<b>Attendance at Board meetings</b>	17/25 (not to participate in meetings relating to the public offer for Haldex due to sale of personal holdings to ZF.)	25/25	24/25	14/25 (elected in May)
<b>Remuneration 2016/17</b>	SEK 604,000	SEK 270,000	SEK 245,000	SEK 245,000
<i>of which Board work</i>	SEK 554,000	SEK 220,000	SEK 220,000	SEK 220,000
<i>of which Committee work</i>	SEK 50,000	SEK 50,000	SEK 25,000	SEK 25,000

All shareholdings are as at December 31, 2016.



Carina Olson



Annika Sten Pärson



Per Holmqvist



Fredrik Hudson



Michael Collin

Name	Carina Olson	Annika Sten Pärson	Per Holmqvist	Fredrik Hudson	Michael Collin
<b>Role on the Board</b>	Board member	Board member	Employee representative for Federation of Salaried Employees in Industry and Service clubs.	Employee representative for IF Metall.	Employee representative for IF Metall, deputy.
<b>Current employment</b>	CFO at Praktikertjänst.	Executive director, Seleni Institute. Advisor to digital media startups in the US.	Global responsibility for technical production issues.	Tooling engineers Senior safety delegate, Landskrona.	Power coatener.
<b>Education</b>	MBA.	Degree in Strategic Marketing from Berghs School of Communication.	Technical high school.	Technical high school, electromechanics.	Economic high school.
<b>Elected</b>	2015	2012	2014	2011	2013
<b>Born</b>	1965	1963	1961	1974	1974
<b>Resident</b>	Sweden	US	Sweden	Sweden	Sweden
<b>Other assignments</b>	Board member of Svenska Spel.	-	-	-	-
<b>Dependent</b>	No	No	-	-	-
<b>Previous experience</b>	CFO of Södra 2001-2015 and has held the role of CFO in both Södra Timber, and Södra Cell. Parallel to her role as CFO, she also held the position of HR Director. Between 1990 and 2001, Carina held positions including CFO, accounting manager and controller in several companies within ABB Fläkt Industri AB.	Previously Sales and Marketing Director and head of the consumer division of Com Hem, commercial head of Coop Forum with responsibility for an organization with nearly 4,000 employees and SEK 14 bn in sales. Board member of Svensk Bilprovning.	-	-	-
<b>Shareholding (alone and with related party)</b>	0	0	0	0	0
<b>Audit Committee</b>	6/6	No	-	-	-
<b>Compensation Committee</b>	No	2/2	-	-	-
<b>Attendance at Board meetings</b>	24/25	24/25	-	11/12	25/25
<b>Remuneration 2016/17</b>	SEK 270,000	SEK 245,000	-	-	-
<i>of which Board work</i>	SEK 220,000	SEK 220,000	-	-	-
<i>of which Committee work</i>	SEK 50,000	SEK 25,000	-	-	-

# Management Group



Bo Annvik



Åke Bengtsson



Walt Frankiewicz



Andreas Jänke



AiChang Li



Bjarne Lindblad

Name	Bo Annvik	Åke Bengtsson	Walt Frankiewicz	Andreas Jänke	AiChang Li	Bjarne Lindblad
<b>Current position</b>	President and CEO until February 28, 2017.	CFO. Acting President and CEO from 1 March 2017.	Senior Vice President North American Sales	Senior Vice President R&D	Senior Vice President Asia Pacific.	Senior Vice President Global Sourcing & Logistics.
<b>Education</b>	M.Sc in Business and Economics.	MBA	B.Sc. Electrical Engineering	Officer training	M.Sc. Mechanical Engineering.	Business Administration
<b>Born</b>	1965	1963	1957	1977	1960	1956
<b>Resident</b>	Sweden	Sweden	USA	Sweden	China	Sweden
<b>Other assignments</b>	Board member of AB Handel & Industri.	-	-	-	-	-
<b>Previous experience</b>	Executive Vice President of Specialty Stainless, Outokumpu 2007-2011; President of SKF Sealing Solutions 2002-2007, Senior positions at Volvo Car Corporation, 1994-2002; Management consultant for Arthur D. Little and other companies, 1990-1994.	CFO at Partnertech 2011-2015, CFO at Cardo Entrance Solutions, a division of Cardo AB 2005-2011, CFO for the Nordic operations of Rexam Beverage Can.	Extensive experience in leading international roles in the automotive and manufacturing sectors. He has been President of Bendix Spicer Foundation Brake LLC and Vice President and GM, Strategy and Business Planning and Global Chassis Systems for Meritor, to mention just a few of the roles he has held that have been directly related to the sector in which Haldex operates.	Global Project Director R&D, Haldex. Manager Program Management, BorgWarner. Various positions in R&D within Haldex, focusing on validation, quality and project management	President of NORMA in China 2006, President of Wabco in China 1996-2006.	Sourcing director Nolato AB 2002-2003, President Nolato Gejde AB 1995-2001, CFO Nolato AB 1987-1994, Controller Haldex AB 1984-1986.
<b>Shareholding (alone and with related party)</b>	6.000	3.000	0	0	0	1.100
<b>Accrued shares in LTI programs</b>	18.910	0	0	0	7.586	5.496
<b>Employed</b>	2012	2015	2016	2015	2006	2004
<b>In current position since</b>	2012	2015	2016	2016	2011	2012

All shareholdings are as at December 31, 2016.



Lena Nordin



Staffan Olsson



Catharina Paulcén



Andreas Richter



Fredrik Segö

Name	Lena Nordin	Staffan Olsson	Catharina Paulcén	Andreas Richter	Fredrik Segö
<b>Current position</b>	Senior Vice President Human Resources.	Senior Vice President Global Operations.	Senior Vice President Corporate Communications.	Senior Vice President Europe and ROW sales.	Senior Vice President Product Management
<b>Education</b>	Business administration, organization and leadership.	M.Sc. Industrial Engineering and Management.	B.Sc., Business Administration.	Deegre in Mechanical Engineering.	Graduate engineer
<b>Born</b>	1964	1967	1973	1965	1969
<b>Resident</b>	Sweden	Sweden	Sweden	Sweden	Sweden
<b>Other assignments</b>	-	-	Deputy Director Compiler AB.	Ålabodarnas Hamnaktiebolag Chairman and President.	
<b>Previous experience</b>	VP Talent Management at Haldex 2014-2015, VP Human Resources 2006-2014 at Gambro. Previously Manager Competence Development at Ericsson.	Project Director at Scania CV AB 2012-2013, Plant Manager Engine Production at Scania CV AB 2007-2012, Production Director Powertrain Production at Scania Latin America 2002-2007.	Senior Vice President of Marketing and Communications at Enea 2009-2014, Director of Marketing at IBM 2008-2009, Executive Vice President of Marketing & Communications at Telelogic 2004-2008.	Senior Vice President Sales and Marketing 2011-2012, Business Unit manager Disc Brakes 2007-2011, Vice President of Business Development and Marketing Foundation Brake 2005-2007 and other senior positions at Haldex.	Various roles in R&D and product management within Haldex
<b>Shareholding (alone and with related party)</b>	0	0	2.000	9.000	0
<b>Accrued shares in LTI programs</b>	749	1.949	1.001	5.337	3.027
<b>Employed</b>	2014	2014	2014	1993	1993
<b>In current position since</b>	2015	2014	2014	2012	2016

John Ducharme was a member of the management team until January 2016.

**REMUNERATION OF GROUP MANAGEMENT 2016, SEK K**

	Fixed salary incl. benefits	Variable remuneration	Pension
President Bo Annvik	4,742	391	1,166
Other senior executives, 10 persons	14,194	1,058	3,089
<b>Total</b>	<b>18,936</b>	<b>1,449</b>	<b>4,255</b>

employment by the company, receive severance pay equivalent to 12-months' salary. Upon termination 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 percent of fixed salary exceeding 20 "basic amounts". Retirement age is 65.

*Other senior executives*

According to the guidelines approved by the AGM, the President, in consultation with the Board's Compensation Committee, prepares remuneration issues concerning Group Management, which are subject to resolution by the AGM. Remuneration consists of a fixed and a variable salary portion. The variable portion is based on goals established by the President and the Compensation Committee on a yearly basis and may amount to 50 percent of the fixed annual salary. All members of Group Management have up to 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 6-12 months' salary. Pension benefits are regulated in pension plans adapted to local practice in the countries in question, with a retirement age starting at 65.

**Incentive programs**

The AGMs in 2013, 2014, 2015 and 2016 resolved to implement incentive programs for senior executives and key personnel, LTI2013, LTI2014, LTI2015 and LTI2016. In brief, LTI means that if certain performance targets are achieved during the fiscal year, the participants in LTI are awarded a variable remuneration at the beginning of the following year, of which 60 percent will be distributed in cash and 40 percent in the form of employee stock options which are conditional, non-transferable deferred rights to receive one ordinary share in Haldex for each performance right, automatically after four years, free of charge.

The term of the LTIs is four years. After the expiry of the performance year, allotment of any performance amount will occur. Settlement of any cash amount is expected to occur during the spring of the new fiscal year. Subsequent to the allotment of any share amount, performance rights will be awarded to the participant followed by a deferral period of three years, before final transfer of performance shares to the participant is expected to occur after the AGM at the end of the term (2017-2020 depending on the program), and before the end of June in the same year. Deferred variable remuneration under LTI is not pensionable income.

**Temporary amendment for senior executives – deviation from resolution at annual general meeting**

In connection with the public offerings for Haldex, the Board of Directors identified an increased risk that senior executives would leave the company. Since the Board concluded that the bid process would be lengthy and there was significant risk that Haldex's operations would be adversely affected, senior executives were offered a retention program in November 2016. In brief, the agreement entails the period of notice being extended to 12 months if notice is served before June 30, 2017. As compensation,

an additional six months' salary is received if the person is employed on December 31, 2017. If notice is served due to a change of ownership or appointment of a new CEO, compensation equivalent to 12 months' salary is payable. The program does not include Bo Annvik who has resigned from his position as President and CEO.

## Internal control

*The Board's responsibility for internal control is regulated by the Swedish Companies Act and in Swedish Corporate Governance Code. 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 Group Management.*

Internal control is designed to ensure, to the maximum extent possible, that Haldex's reporting is appropriate and reliable and that the company complies with applicable laws and other 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 monitoring. It is based on the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Haldex already applies COSO 2013 and its 17 principles

This report on internal control and risk management was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code 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 oversees and ensures the quality of external financial reporting in the manner documented in the Operating Procedures for the Board of Directors, and 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, shareholders and financial institutions. The President and CFO presents all interim reports, year-end reports and annual reports to the Audit Committee for review. The Board is responsible for ensuring that the company's financial statements are prepared in accordance with applicable laws, accounting standards and other requirements for 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 conditions. 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.

## Control environment

The Board has adopted a number of governance documents for the company's internal control and governance. Within the Board of Directors, there is an Audit Committee. The Audit Committee, which prepares matters for the Board considers such issues as the internal control process, monitors reporting issues and discusses accounting policies and the consequences of changes in these policies. Furthermore, the Audit Committee maintains regular contact with the external auditors. The Committee is responsible for evaluation of the audit process and the auditors' efficiency, qualifications, fees and independence. In addition, the Audit Committee assists the Nomination Committee with proposals for the election of auditors and the procurement of audit services.

## Risk assessment

Haldex's risk assessment with respect to financial reporting, meaning the identification and evaluation of the most significant risks in the Group's companies and processes in relation to financial reporting, forms the basis 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. During the year, Haldex carried out a new assessment of the risks faced by the Group, documented in a Group-wide document.

## Policy instruments

Policy 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 Nasdaq Stockholm, the Swedish Corporate Governance Code and other relevant legislation and regulations.

Internal policy instruments include the Articles of Association adopted by the AGM, and documents approved by the Board including Operating Procedures for the Board of Directors of Haldex, instructions for the Compensation and Audit Committees, instructions for the President of Haldex, the Communication Policy and Treasury Policy. In addition to the above, the Group has a number of policies and manuals containing regulations and recommendations, with principles and guidance for the Group's operations and employees.

The Operating Procedures for the Board of Directors regulate the Board's internal division of duties, decision-making procedures within the Board, the Board's meeting procedures and the Chairman's duties. The Board's work follows a fixed procedure aimed at ensuring that its information requirements are met.

The Instructions for the President establishes the President's responsibility for ongoing operations, forms for reporting to the Board and the content thereof, requirements for internal policy instruments and matters that require Board decisions or that should be addressed to the Board.

## Control activities

Efforts to further develop internal control and governance are ongoing, including continuous documentation, evaluation, implementation of new controls 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 fixed accounting policies. 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 within the Group have access to the information in this system relating to their areas of responsibility.

All of the Group's policy documents for internal control and governance are available on the Group's intranet.

## Monitoring

The company's financial reporting is continuously monitored, in part by management at various levels of the company and in part by the

finance organization and controllers in the various business units. Monitoring takes place each month in conjunction with reporting and comprises both analysis and reviews by the relevant controllers and meetings between the relevant business managers and reporting units.

The Audit Committee communicates on a regular basis with the company's external auditors and the CFO, both during and between meetings. The Board receives a monthly report on the operation's performance. More detailed reporting is provided primarily by the President at all Board meetings. The Board regularly 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 2015, 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 supervisory control of Group Management

Given the company's size, this means that the Board does not currently consider another function financially viable.

Board of Directors  
15 March, 2017

## Auditors' statement on the Corporate Governance Report

To the Annual General Meeting of Haldex AB (publ), corporate identity number 556010-1155

The Board of Directors is responsible for the 2016 Corporate Governance Report on pages 70-79, and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the Group, we believe we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, a Corporate Governance Report has been prepared, and its statutory content is consistent with the annual accounts and the consolidated accounts.

Landskrona, Sweden, March 28, 2017  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorized Public Accountant  
Auditor in charge

Carl Fogelberg  
Authorized Public Accountant