



“ In most ways, Haldex is a better company today than when the public offers were presented in the summer of 2016.

During the spring, I joined the Board to complete the offer from Knorr-Bremse that was in progress. The Board was faced with a very difficult decision during the summer. Was it in Haldex's best interests to continue the process despite the warning signals we perceived? Or would it be better for the company to discontinue the process and take control of the business? The decision to stop supporting the process emerged gradually during talks with the competition authorities. And, looking back, it was the right decision. The conditions were not in place for the offer from Knorr-Bremse to be completed.

One of a Board's most important tasks is to secure the long-term competitiveness of a company. Two years ago, an updated strategy was presented with a well-developed plan for product leadership. During the competition clearance investigation in connection with the public offer process, we received clear signals from customers that we are on the right track and that we have solutions only offered by us. Today, we have customer projects in progress involving newly developed technology that paves the way for self-driving vehicles. The combination of rapid technological development, re-drawing the playing field, and Haldex's innovative product plans, gives the company a potential we did not have a few years ago. In most ways, Haldex is a better company today than when the public offers were presented in the summer of 2016.

To further secure Haldex's competitiveness, the Board will continue to work actively with the long-term ownership structure. With the long lead times in our industry, Haldex deserves stable, long-term owners who actively support our strategy and share our vision of the future.

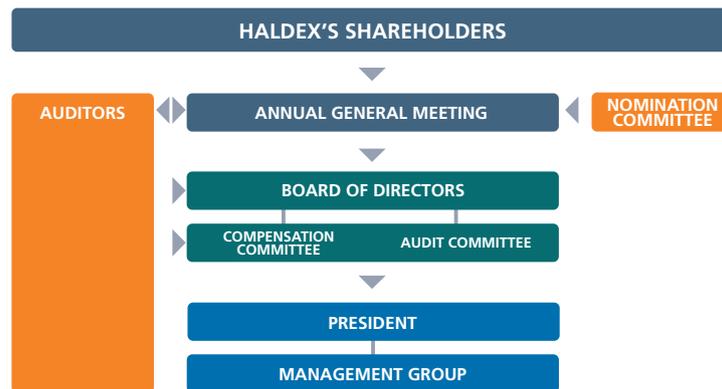
The Board wishes to thank the employees and customers who helped us remain focused on the business and to continue pursuing strategic projects in 2017. We look forward to the next few years and the revolutionary development taking place in our industry.

Landskrona, Sweden, March 14, 2018

Jörgen Durban
Chairman of the Board

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, Mid Cap. Haldex applies the Swedish Corporate Governance Code and hereby presents its 2017 Corporate Governance Report. The Report has been reviewed by Haldex's auditors.



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

Deviations from the Code

In 2017, Haldex complied with the Swedish Code of Corporate Governance in all respects except for items 2.1, 2.3 and 2.4, which concern the composition of the Nomination Committee. The Swedish Corporate Governance Code stipulates that the Nomination Committee shall have at least three members and that the names of the members shall be published six months prior to the Annual General Meeting. Due to the public offer situation, no shareholders volunteered to sit on the Nomination Committee. In the end, ZF, as the largest shareholder, assumed responsibility for proposing a chairman, members and remuneration to the Annual General Meeting. No proposal as to how a new Nomination Committee should be appointed was presented.

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 8,688. The largest shareholders were ZF with 20.1 percent (divided between several holdings) followed by Knorr-Bremse with an estimated holding of 10–14.9 percent. A large proportion of Haldex's shareholders are registered abroad and do not therefore appear under their own names in the list of shareholders. Knorr-Bremse has refrained from confirming its precise shareholding. Swedish ownership totaled 13.7 percent at year-end. Each share carries entitlement to one vote at the AGM. For more information about the share and ownership, see pages 81–83 and <http://corporate.haldex.com>.

2017 Annual General Meeting

The 2017 AGM was held on May 3, 2017 at Hotell Öresund in Landskrona, Sweden. Some 67 shareholders attended the Annual General Meeting in person and a number of others through representatives, as well as several assistants and visitors. Shareholders in attendance represented 42.69 percent of the total voting rights. However, Knorr-Bremse let it be known already when registering to attend that it did not intend to vote. Knorr-Bremse represented 14.9 percent of the total number of votes. Adjunct Professor Svante Johansson was elected to chair the AGM. The board members who had announced their availability for re-election were present, while those who had declined re-election were not.

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

- No dividend being paid for the 2016 fiscal year.
- Re-election of Board members Göran Carlson, Magnus Johansson and Annika Sten Pärson.
- New election of Ulf Ahlén, Jörgen Durban and Johan Giléus.
- New election of Jörgen Durban as Chairman of the Board.
- Re-election of the auditors Öhrlings PricewaterhouseCoopers.
- Determination of remuneration for the Board and auditors in accordance with ZF's proposal.
- Adoption of the Board's proposed guidelines for remuneration of senior executives.

2017 Extraordinary General Meeting

At the request of Knorr-Bremse, an Extraordinary General Meeting was convened on August 17, 2017. The purpose of the Meeting was to approve an instruction to the Board of Directors to support Knorr-Bremse's application to the Swedish Securities Council for an extension of the acceptance period in the ongoing public offer, as well as to support and cooperate with competition authorities to secure approval of Knorr-Bremse's acquisition of Haldex.

At the meeting, 106 shareholders were present either in person or via a representative. Shareholders in attendance represented 54.0 percent of the total voting rights. ZF and Knorr-Bremse refrained from voting, corresponding to 35.0 percent of the total votes. The

The Board's work in 2017



proposal was approved by the equivalent of 18.1 percent of the total votes. Prior to the Extraordinary General Meeting, the Board of Directors of Haldex announced that it did not intend to comply with the resolution of the Meeting since it considered that to be in contravention of the Companies Act. In December 2017, the Swedish Shareholders Association had the decision of the Extraordinary General Meeting declared invalid in court.

2018 Annual General Meeting

Haldex will hold its AGM on Thursday, May 3, 2018 at 4:00 p.m. in Haldex's premises at Instrumentgatan 15 in Landskrona, Sweden. A tour of the plant and presentations will commence at 3:00 pm.

Nomination Committee

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

At the 2017 Annual General Meeting, no new guidelines were adopted for how the Nomination Committee should be appointed, since no proposal was submitted at the AGM. On the publication of the Annual Report, no shareholders had announced their representatives on the Committee.

Normally, 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.

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 2017, 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, Åke Bengtsson, and

Acting CFO, Andreas Ekberg 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 notes 9 and 10 for the Group on 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 these members should also be independent in relation to major shareholders. All members of Haldex's Board are considered independent.

The Board's work

The Board of Directors held 17 meetings (25) in 2017. During both 2016 and 2017, the Board held a larger number of meetings than normally as a direct result of the three public offers made for Haldex that progressed from 2016 and onwards. The principal issues discussed during the meetings were the company's financial position and market position, its strategy, quality assurance, product development, brand platform, personnel and organizational issues, as well as the public offer process in which Haldex found itself and related matters. Attendance at Board and Committee meetings is presented on pages 74–75.

Evaluation of the Board's work

Annual evaluations are conducted of the Board's collective work. The Chairman is also 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 2017 were discussed in conjunction with the Board meeting in December 2017.

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.

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 2017, the Audit Committee comprised, until the AGM, of Göran Carlson, Carina Olson and Anders Nielsen and, after that, of Göran Carlson, Johan Giléus and Ulf Ahlén. Carina Olson chaired the committee until May, when Johan Giléus took over. The Audit Committee held six (six) meetings in 2017.

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 2017, the Compensation Committee consisted, until the AGM, of Magnus Johansson, Staffan Jufors and Annika Sten Pärson and, after that, of Jörgen Durban, Magnus Johansson and Annika Sten Pärson. Magnus Johansson was the Chairman of the Committee. The Compensation Committee held three (two) meetings in 2017.

Remuneration of Board members

Remuneration of Board members elected by the AGM is approved by the AGM based on a proposal by ZF. In 2017/18, remuneration has been paid in accordance with an AGM resolution, as set out in the table on pages 74–75. Disbursement for 2017 is reported in notes 9 and 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 2018 AGM. The auditor in charge is Bror Frid. Bror Frid is an Authorized Public Accountant and the elected auditor of, for example, Chalmers, Elos, Medtech and Jula.

The Board of Directors, in its entirety, meets the auditors once a year, at the Board meeting in February, where the auditors 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 July 2017, Lena Nordin, SVP Human Resource resigned but remained in her position until December 31, 2017. In 2017, Group Management held 12 meetings, of which eight were telephone meetings. The meetings focus on the Group's strategic and operational development and monitoring performance. For further information on Group Management, see pages 76–77.

AUDITORS

Öhrlings PricewaterhouseCoopers AB



Bror Frid
Authorized Public Accountant
Auditor in charge



Carl Fogelberg
Authorized Public Accountant

REMUNERATION TO AUDITORS, SEK M

| PwC | 2017 | 2016 |
|--|----------|----------|
| Auditing services | 4 | 5 |
| Audit activities in addition to the audit assignment | - | - |
| Tax advice | 2 | 3 |
| Other services | 0 | - |
| Total | 6 | 8 |

Remuneration of senior executives

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

- 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 2017, the Board of Directors chose to depart from the adopted guidelines to introduce a retention program. For further information, see page 78 under the heading "Temporary supplement to employment agreement". For more information about the remuneration of senior executives, see notes 9 and 10 for the Group on pages 47–48.

Continued on page 78

Board of Directors



Jörgen Durban



Ulf Ahlén



Johan Giléus



Göran Carlsson



Magnus Johansson

| Name | Jörgen Durban | Ulf Ahlén | Göran Carlsson | Johan Giléus | Magnus Johansson |
|---|--|---|--|--|---|
| Role on the board | Chairman of the Board since 2017 Member of the Compensation Committee | Board member Member of the Audit Committee | Board member Member of the Audit Committee | Board member Chairman of the Audit Committee | Board member Chairman of the Compensation Committee |
| Current employment | Attorney and Chairman of Board of the Anoto Group | Board work | Investor | Financial adviser focusing on M&A and stock market issues. CFO of InDex Pharmaceuticals Holding AB. | Adviser and Director, Mejex AB. |
| Education | Bachelor of Laws | Upper-secondary school economics program | MBA | Business administration studies at Stockholm University | BA Behavioral Science Degree |
| Elected, year | 2017 | 2017 | 2010 | 2017 | 2010 |
| Born | 1956 | 1948 | 1957 | 1965 | 1955 |
| Resident in | Sweden | Sweden | Sweden | Sweden | Sweden |
| Other assignments | Chairman of the Board of the Anoto Group. | Chairman of the Boards of Culinaram, Inxide and JLT Mobile Computers, as well as Board member of Autokaross and TechROI Fuel. | Vice Chairman of Svenskt Tenn AB. | - | Chairman of the Board of Elektroautomatik AB and EA Group. Board member of Fristad Bygg AB. |
| Dependent | No | No | No | No | No |
| Previous experience | Previously managing partner at Linklaters Sweden. | Previously, senior executive at Haldex, including Acting CEO in 2012. Various positions in BorgWarner, Volvo Cars and Opcon. | Chairman of the Board of Haldex, 2011–2017. Former CEO of Ur & Penn, CEO and owner of c/o Departments & Stores and founder of the pharmacy chain Medstop AB. | Partner at Deloitte. Board member of the Deloitte. | 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. |
| Shareholding (individually and with related parties) | 0 | 0 | 0 | 1,500 | 0 |
| Attendance at Board meetings | 12/12 | 11/12 | 11/17 ¹⁾ | 12/12 | 17/17 |
| Audit Committee | - | 4/4 | 5/6 | 4/4, chairman | - |
| Compensation Committee | 2/2 | - | - | - | 3/3, chairman |
| Remuneration 2017/18 | SEK 856,000 | SEK 380,000 | SEK 380,000 | SEK 430,000 | SEK 380,000 |
| <i>of which, Board work</i> | SEK 831,000 | SEK 330,000 | SEK 330,000 | SEK 330,000 | SEK 330,000 |
| <i>of which, Committee work</i> | SEK 25,000 | SEK 50,000 | SEK 50,000 | SEK 100,000 | SEK 50,000 |

¹⁾ Göran Carlsson was not permitted to attend Board meetings concerning the public offer situation following the sale of his shares to ZF. All shareholdings are as of December 31, 2017.



Annika Sten Pärson



Per Holmqvist



Jahad Shako



Fredrik Hudson

| Name | Annika Sten Pärson | Per Holmqvist | Fredrik Hudson | Jahad Shako |
|---|---|---|---|---|
| Role on the board | Board member Member of the Compensation Committee | Employee representative Employee representative for Federation of Salaried Employees in Industry and Service clubs | Employee representative for IF Metall | Employee representative for IF Metall, deputy |
| Current employment | Executive director, Seleni Institute. Advisor to digital media start-ups in the US. | Global responsibility for technical production issues. | Tooling engineer | Local chairman of IF Metall. |
| Education | Degree in Strategic Marketing from Berghs School of Communication | Technical high school | Technical high school, electromechanics | Technical high school |
| Elected, year | 2012 | 2014 | 2011 | 2017 |
| Born | 1963 | 1961 | 1974 | 1960 |
| Resident in | USA | Sweden | Sweden | Sweden |
| Other assignments | - | - | - | - |
| Dependent | No | - | - | - |
| Previous experience | Previously Sales and Marketing Director and head of the consumer division of ComHem, commercial head of Coop Forum. Board member of Svensk Bilprovning. | - | - | - |
| Shareholding (individually and with related parties) | 0 | 0 | 0 | 0 |
| Attendance at Board meetings | 17/17 | 16/17 | 17/17 | 9/12 |
| Audit Committee | - | - | - | - |
| Compensation Committee | 3/3 | - | - | - |
| Remuneration 2017/18 | SEK 355,000 | - | - | - |
| <i>of which, Board work</i> | SEK 330,000 | - | - | - |
| <i>of which, Committee work</i> | SEK 25,000 | - | - | - |

Group Management



Åke Bengtsson



Andreas Ekberg



Andreas Jähne



Walter Frankiewicz



AiChang Li

| Name | Åke Bengtsson | Andreas Ekberg | Walter Frankiewicz | Andreas Jähne | AiChang Li |
|---|--|--|---|--|--|
| Current position | President and CEO | Acting CFO | Senior Vice President North American Sales | Senior Vice President R&D | Senior Vice President Asia Pacific |
| Education | MBA | M.Sc, Business and Economics | B.Sc., Electrical Engineering | Officer training | M.Sc., mechanical engineering |
| Born | 1963 | 1969 | 1959 | 1977 | 1960 |
| Resident in | Sweden | Sweden | USA | Sweden | China |
| Other assignments | - | - | - | - | - |
| Previous experience | CFO at Haldex 2015–2017, 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. | CFO at Titan X 2015–2017, CFO at Haldex 2013–2015, Business Unit Manager, Haldex Foundation Brake 2008–2012, and Division Controller, Haldex CVS 2005–2008. Controller at Tarkett. | 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. |
| Shareholding (individually and with related parties) | 6,000 | 0 | 0 | 0 | 0 |
| Accrued shares in LTI programs | 0 | 0 | 0 | 0 | 2,158 |
| Employed | 2015 | 2008–2015, 2017 ¹ | 2016 | 2015 | 2006 |
| In current position since | 2017 | 2017 | 2016 | 2016 | 2011 |

All shareholdings are as of December 31, 2017.

¹ Andreas Ekberg has been contracted as a consultant effective from 2017 and forwards.



Andreas Richter



Staffan Olsson



Catharina Paulcén



Bjarne Lindblad



Fredrik Seglö

| Name | Bjarne Lindblad | Lena Nordin ¹ | Staffan Olsson | Catharina Paulcén | Andreas Richter | Fredrik Seglö |
|---|--|--|---|---|---|---|
| Current position | Senior Vice President Global Sourcing & Logistics | 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 |
| Education | Business administration | Business administration, organization and leadership | M.Sc. Industrial Engineering and Management | B.Sc., Business Administration | Degree in Mechanical Engineering | Graduate engineer |
| Born | 1956 | 1964 | 1967 | 1973 | 1965 | 1969 |
| Resident in | Sweden | Sweden | Sweden | Sweden | Sweden | Sweden |
| Other assignments | - | - | - | Deputy Board member Compilator AB | Ålabodarnas Hamnaktiebolag Chairman and President. | - |
| Previous experience | Sourcing director Nolato AB 2002–2003, President Nolato Gejde AB 1995–2001, CFO Nolato AB 1987–1994. Controller Haldex AB 1984–1986. | VP Talent Management at Haldex 2014–2015. Vice President Human Resources at Gambro 2006–2014. 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, EVP 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. | Different roles in R&D and product management within Haldex |
| Shareholding (individually and with related parties) | 0 | 0 | 0 | 1,000 | 1,000 | 0 |
| Accrued shares in LTI programs | 1,490 | 0 | 1,949 | 1,001 | 1,477 | 809 |
| Employed | 2004 | 2014 | 2014 | 2014 | 1993 | 1993 |
| In current position since | 2012 | 2015 | 2014 | 2014 | 2012 | 2016 |

¹Lena Nordin left her position on December 31, 2017.

REMUNERATION OF GROUP MANAGEMENT 2017, SEK K

| | Fixed salary incl. benefits | Variable remunera- tion | Pension |
|--|--------------------------------|-------------------------------|--------------|
| Åke Bengtsson, President | 2,517 | 2,038 | 815 |
| Bo Annvik, former President | | | |
| Other senior executives (Group Management) 10 persons | 16,583 | 9,853 | 3,684 |
| Total | 21,377 | 11,969 | 4,971 |

Remuneration in 2017*President*

In 2017, the President and CEO received fixed and variable salary as detailed in the table on page 78. The former President and CEO Bo Annvik received salary until the end of his employment in April 2017. 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. 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, called LTI (long-term incentive) 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. 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 entailed the period of notice being extended to 12 months if notice was served before June 30, 2017. As compensation, an additional six months' salary was received if the person was employed on December 31, 2017. If notice is served prior to December 31, 2018, due to a change of ownership or appointment of a new CEO, compensation equivalent to 12 months' salary is payable. In accordance with the agreement, the retention program was disbursed in January 2018 in the amount of KSEK 8,715.

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 present 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 an updated assessment of the risks faced by the Group, risks that are documented in a Group-wide document and on pages 30–33.

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

Haldex has a system for information and communication that is intended to result in complete and correct financial reporting. Haldex 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

Haldex'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.

Internal audit

Each year, the Board of Directors evaluates the need to establish a special internal audit function. In 2017, 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
Landskrona, Sweden, March 14, 2018

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 2017 Corporate Governance Report on pages 71–79, 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.

Malmö, Sweden, March 20, 2018
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant
Auditor in charge

Carl Fogelberg
Authorized Public Accountant