

# Billerud's corporate governance in 2009

This report on corporate governance in the Billerud Group for 2009 has been organised in accordance with regulations in the Swedish Code of Corporate Governance, which took effect 1 July 2005. The Code was introduced at Billerud in spring 2005. This report is not a part of the formal annual report and has not been subject to review by the company's auditors.

Implementation of the Code during 2009 is summarised in the table below.

The complete table is available under the Corporate governance tab on the company's website, [www.billerud.com/governance](http://www.billerud.com/governance).

Chapter	Implement/explain
1. Annual General Meeting	Full compliance with the code
2. Nominations committee	Compliance with the code except as follows: <i>2.1.2 Neither the Chairman of the Board nor any other Board member shall be chairman of the nominations committee.</i>  The reason for non-compliance is that the 2009 AGM resolved that the chairman of the nominations committee shall be the Board member representing the largest shareholder in number of shares. Michael M.F. Kaufmann represents the largest shareholder and is therefore chairman of the nominations committee. He is also a Board member and Deputy chairman of the Board.
3. The Board	Full compliance with the code
4. Company management	Full compliance with the code
5. Corporate governance	Full compliance with the code

## Ownership structure and shares

At year-end 2009, the total number of shareholders was 122 192, compared to 118 222 at the previous year-end. The proportion of foreign ownership decreased, to 43.1% (47.9), excluding shares that Billerud bought back (1 851 473). Other groups of shareholders consist of private individuals in Sweden, 37.9% (35.4), and legal entities in Sweden, 19.0% (16.7).

Further details about the company's shares, shareholders, and the like are presented in the 2009 Annual Report, under "The Billerud share", and on the Company's website: [www.billerud.com](http://www.billerud.com).

## Shareholder meetings and related matters

### The 2009 Annual General Meeting

The 2009 Annual General Meeting (AGM) took place on 6 May at Nalen, Regeringsgatan 74, Stockholm. Among other matters, the meeting voted to

re-elect the existing Board: Ingvar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Per Lundberg, Ewald Nageler, Yngve Stade and Meg Tivéus.

### Extraordinary General Meeting

An Extraordinary General Meeting took place on 27 August 2009 at 16.00 at Nalen, Regeringsgatan 74, Stockholm. The Meeting voted on amending the articles of association, reducing the share capital and approving the Board's decision to issue new shares.

The rights issue was completed in autumn 2009 and during October 2009 increased the number of shares and votes in the Company as follows.

Before the rights issue, shares and votes in Billerud totalled 53 343 043. The number of shares and votes increased by 51 491 570 through the rights issue. After the issue, there were 104 834 613 shares in the Company at 30 October 2009, and an equivalent number of votes.

### The 2010 AGM

The 2010 AGM will take place on 4 May at 15.00 at Nalen, Regeringsgatan 74, Stockholm. Billerud's website contains information about how to register to attend the AGM and how to submit a matter to be dealt with by the AGM.

### Nominations committee for the 2010 AGM

Pursuant to a decision by Billerud AB's AGM held 6 May 2009, the Chairman of the Board contacted the largest shareholders, after which a nominations committee was appointed.

On 29 October 2009, the nominations committee for the 2010 AGM was announced:

## COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATIONS COMMITTEE

Representative	Shareholder	Pctg. shareholding
Michael M.F. Kaufmann, chairman	Frapag Betellingsholding AG	21
Hans Ek	SEB Fonder och SEB Trygg Liv	2
Ulf Strömsten	Catella AB	1
Ingvar Petersson, Chairman of the Board of Billerud, convening but not a member	Billerud	--

No separate remuneration was paid to the chairman or any other members of the nominations committee.

Ahead of the 2010 AGM, the nominations committee held 2 meetings (with minutes taken), keeping in contact in between meetings by phone and e-mail. Billerud's website has a page in the Corporate governance section for the Nominations committee, where shareholders can communicate with the committee.

## The Board

### Composition

The articles of association stipulate that the Board of Directors of Billerud AB contain at least six members and at most 10 members, with at most six deputies. Board members are appointed for one year at a time. The Company's CEO is not a member of the Board.

All but two members of the Board elected by the AGM are independent of the Company, senior management and major shareholders. Michael M. F. Kaufmann is the CEO and Ewald Nageler the CFO of the parent company of Frapag Beteiligungsholding AG, Billerud AB's largest shareholder, and are thus not independent of the Company's major shareholders, as defined by the Swedish Code of Corporate Governance and the regulations of NASDAQ OMX Stockholm.

The Board also includes two members and two deputies appointed by the trade unions in accordance with the law on board representation for employees in the private sector. These four Board members are employees and thus not independent of the Company.

In 2009, the Board's external secretary was Wilhelm Lünig, of the legal firm Advokatfirman Cederquist.

All Board members have completed NASDAQ OMX Stockholm's training for board members and senior executives in listed companies.

### Organisation of the work of the Board

The work of the Board follows written rules of procedure and a meeting schedule, to ensure that the Board receives comprehensive information and that all Company activities concerning the Board are dealt with. The rules of procedure prescribe the information to be supplied to the Board, among other things, and are available on the Company's website, as are the instructions for Billerud's CEO.

The Board has also established a number of general policies for the Company's activities. These policies are revised as necessary. They include policies on corporate governance, finance and communications and a single policy covering quality, the environment and the community. The latter policy covers Billerud's approach to ethical business conduct and the environment.

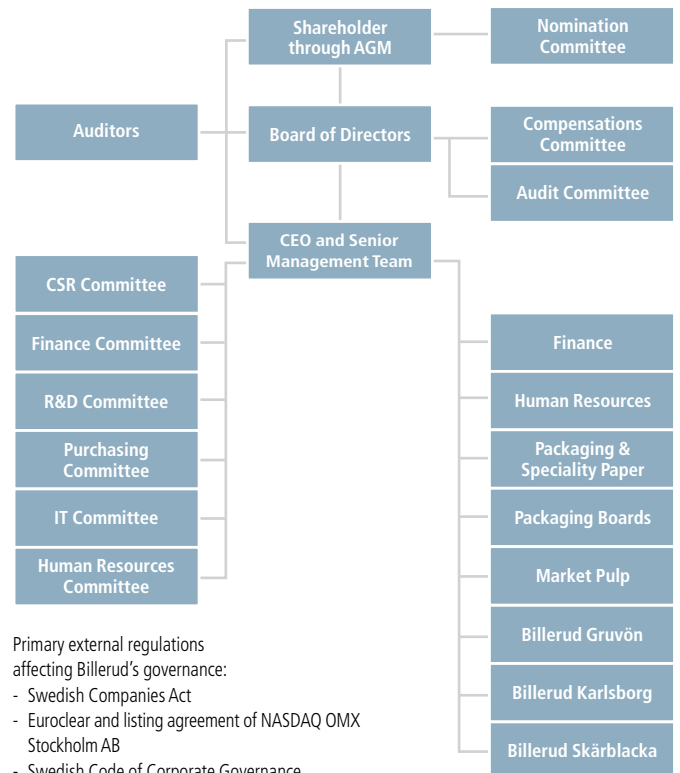
### Work of the Board in 2009

During 2009 the Board has had 17 meetings, of which 2 per capsulam and 6 by telephone. One of the meetings was held in connection with a visit to the mill at Billerud Skärblacka.

The main items taken up during 2009 were:

- » January/February: annual financial statements, interim reports, auditing
- » March: AGM agenda, financing

## CORPORATE GOVERNANCE WITHIN BILLERUD



- » April/May: AGM, quarterly report, investments, auditing and financing
- » June: mill visit, review of corporate governance, legal issues relating to competition, and financing
- » September: strategy, investments
- » October: quarterly report
- » December: finance issues including finance policy, issues regarding the annual financial statements, budget for 2010, auditing, and evaluation of the work of the Board and CEO

In 2009, extra emphasis was placed on cost savings in wood supplies, energy and other outlays, development of new products and customer concepts in close cooperation with end customers, sustainability issues and matters concerning working capital and financing.

### Assessment

At a meeting in December, the Board makes its own assessment of its work during the year, including an assessment of the work of the Chairman. The Chairman has reported the results of this assessment to the nomination committee.

The Board continually assesses the work of the CEO. Once a year an assessment is made of the CEO without the CEO being present.

### Board committees

The Board currently has two committees: the audit committee, established in 2004, and the compensation committee, established in 2001. The Board

appoints the members of these committees. The roles, composition and activities of these committees in 2009 are presented below.

### Audit committee

The Board is ultimately responsible for ensuring that satisfactory controls are in place for risk management, accounting, financial reporting and similar issues. To support the Board in its supervisory role, an audit committee was established in 2004. This committee is a part of the Board. The audit committee's role is to contribute to a good standard of financial reporting and ensure that efficient and independent audits of the company are performed by qualified external auditors. Further, the committee shall monitor the accounting policies, risk management and the internal control of the Company. Finally, the committee shall organise the election of the auditors and determination of their fees. The rules of procedure for the audit committee are presented in full on the Company's website.

The audit committee consists of four members: Per Lundberg (chair), Ingvar Petersson, Katarina Stavöstrand and Meg Tivéus. All members except one are independent of the Company. Katarina Stavöstrand is a Billerud employee and thus not independent of the Company. During 2009, the secretary of the audit committee was Wilhelm Lüning, of the legal firm Advokatfirman Cederquist.

### Work in 2009

During 2009, the audit committee held six meetings, whereof two were teleconferences. The table on pages 5–6 presenting members of the Board shows attendance by the committee members. During the year, the committee addressed various accounting issues, the audit plan for 2009, risk analysis, internal control and policy issues. The committee also met ahead of the publication of each interim report and the year-end report, when the members addressed accounting and reporting issues related to each publication. The chairman of the audit committee regularly reports to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in this report.

### Compensation committee

The 2009 AGM voted on guidelines for remuneration of senior executives; see note 24 in the 2009 annual report.

The Board set up a compensation committee tasked with proposing a general policy for salaries, remuneration and other general employment terms within Billerud as well as approving the CEO's proposal for salaries and remuneration for the senior management team within the framework of the policy. The committee also makes proposals to the Board, which decides on the salary and other remuneration for the CEO. The rules of procedure for the compensation committee are presented in full on the Company's website.

In 2009, the members of the committee were Ingvar Petersson (chair), Per Lundberg and Yngve Stade. The director of human resources, Cecilia Lundin, was the secretary but was not a member of the committee. The committee met four times in 2009. Attendance of members of the committee is shown in the table presenting the Board on pages 5–6.

### Work in 2009

In 2009, the committee considered the actual 2008 variable salaries, criteria for the 2009 variable salaries and criteria for the 2010 variable salaries for the senior management team. A decision was made to organise an approach around talent management. In addition, a new pension and insurance policy was approved that the Board subsequently adopted.

The principles for remuneration to the CEO and other senior executives, as well as actual figures, are contained in note 24 of the 2009 annual report.

### Auditors

At the 2009 AGM, the accountancy firm Ernst & Young AB, headed by lead auditor Lars Träff, was elected auditors of the Company until the end of the 2013 AGM.

### Lars Träff

Born in 1954. Authorised public accountant at Ernst & Young AB. Auditor of Billerud 2009–2012. Other audit engagements: Boliden, Posten, Lantmännen, ÅF, Scania and Öresund.

To ensure that the work of the Board and the audit committee is performed in a structured manner and to satisfy the Board's information requirements, Billerud's auditors report directly to the Board and the audit committee at least three times per year.

### CEO and senior management team

The CEO is responsible for the day-to-day management of the Company in accordance with instructions established by the Board. The CEO also chairs the senior management team.

The senior management team had seven members in addition to the CEO: the managers of two mills, the CFO, the director of human resources, and the three business area managers.

The senior management team normally meets once a week, alternate weeks in face-to-face meetings and video- or teleconferences. In 2009, the senior management team addressed issues concerning financing, crisis management, cost savings, wood supplies and wood prices, production, energy, markets and pricing, environmental issues and permits, investment, strategy, human resources and a trainee programme.

The executives also report on projects underway in their areas of responsibility. A situation report for each unit in the Group is discussed at each meeting, as are current financial reports.

The operations are divided into three business areas: Packaging & Speciality Paper, Packaging Boards and Market Pulp. Each business area is responsible for sales, marketing and development in its own product area.

Each business area is accountable for its own profit, based on predetermined production costs. The Billerud mills are responsible for production and efficiency, which is the basis for their financial accountability.

The senior management team has organised several Group-wide networks, each of which is convened and chaired by a member of the team.

The following committees were active in 2009:

CSR committee	Stina Blombäck
Finance committee	Bertil Carlsén
R&D committee	Stina Blombäck
Purchasing committee	Per Lindberg
IT committee	Bertil Carlsén
Human resources committee	Cecilia Lundin

All members of the senior management team have attended NASDAQ OMX Stockholm's training for board members and senior executives of listed companies.

#### Principles for remuneration of senior executives

The 2009 AGM adopted the principle that remuneration and employment terms should be market-based. Satisfactory work shall be remunerated with a fixed salary. In addition, variable remuneration may be offered as a reward for achieving fixed targets. For the complete resolution on principles for remuneration, see note 24 of the 2009 annual report. The Board's proposal for guidelines in 2009 is presented in the directors' report.



#### STATEMENT FROM INGVAR PETERSSON

“The past year was both turbulent and cyclically weak. Creating financial stability for Billerud became an important issue in the work of the Board. While financial performance in 2009 was better than in 2008, it clearly falls short of what is needed in a longer perspective. Nevertheless, under the circumstances the level of performance still shows that Billerud consolidated its position as a leading supplier of packaging paper.

Billerud's strategy includes working closely with the end customer. Working together, we can apply our knowledge to create packaging solutions that provide added value. This focus has proven to be highly successful and is increasing in scope. An increased interest in the environment also creates a growing market for packaging solutions in completely new areas, where paper has proven to be a good alternative – and ecofriendly.

During the second half of the year the Board took the decision to carry out a rights issue that raised SEK 978 million for the company. The

decision was taken in light of the current uncertainty of the economic climate and developments in the financial markets. We considered it to be important to create manoeuvring room for Billerud to be able to take advantage of business opportunities and further strengthen our market position. With hindsight we know that the market appreciated our initiative and I would like to take this opportunity to thank all of our shareholders for the support you have given us in connection with our rights issue. With our current strong financial position we are well equipped for an interesting and exciting future.

Last but not least, I would also like to thank all employees who carried out two extensive and highly successful cost reduction programmes during the year, providing Billerud with a good starting point as we enter 2010. I now look ahead with confidence that 2010 will be filled with new opportunities and challenges for Billerud, thanks to good efforts in 2009!”

Ingvar Petersson, *Chairman of the Board of Billerud AB.*

# Members of the Board



**INGVAR  
PETERSSON**



**MICHAEL M.F.  
KAUFMANN**



**STEWE CATO**



**GUNILLA JÖNSON**



**KURT LINDVALL**



**PER LUNDBERG**

	<b>INGVAR PETERSSON</b>	<b>MICHAEL M.F. KAUFMANN</b>	<b>STEWE CATO</b>	<b>GUNILLA JÖNSON</b>	<b>KURT LINDVALL</b>	<b>PER LUNDBERG</b>
	<b>Chairman of the Board</b>	<b>Deputy chairman</b>	<b>Employee representative, Board member</b>	<b>Board member</b>	<b>Employee representative</b>	<b>Board member</b>
<b>Position</b>	--	CEO, Frapag Beteiligungsholding AG, Vienna, Austria.	Chair, Swedish Paper Workers Union local 96, Billerud Gruvön.	Professor, Packaging Logistics, Lund Institute of Technology, and Adjunct Professor, Packaging Technology, Michigan State University.	Chair, Swedish Paper Workers Union local 165, Billerud Karlsborg.	--
<b>Education</b>	Business Economist. Studies at University of Lund.	MBA at universities in Stuttgart and Erlangen-Nürnberg.		MSc and PhD, Mech. Eng. and Transport Technology, Chalmers University of Technology, Gothenburg.		MBA, Stockholm School of Economics (SSE).
<b>Year elected</b>	2001	2005	2001	2003	2001	2001
<b>Year born</b>	1941	1948	1953	1943	1951	1943
<b>Nationality</b>	Swedish	Austrian	Swedish	Swedish	Swedish	Swedish
<b>Other assignments</b>	Chair, Försäkringsbolaget PRI Pensionsgaranti, ömsesidigt and RAM One AB. Board member, Econova AB, Munksjö AB and other companies.	Board member, Hirsch Servo AG, Glanegg, Austria.		Vice chair, University Board of Chalmers. Board member, Vinnova, SIK, Blekinge Institute of Technology, Invest in Skåne AB. Member of the Royal Swedish Academy of Engineering Sciences.		Chair, Sophiahemmet, Institute for Economic and Business History Research at SSE, Swedish Warmblood Association; Vice chair, of Sällskapet Vänner till Pauvres Honteux Member, Uppsala Center for Business History, Uppsala University, and other organisations.
<b>Background</b>	Senior EVP, Stora Enso; First EVP, Stora Group; CEO, Kopparfors AB.	Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.	--	Dean, Lund Institute of Technology. Various directorships and other positions in SCA Packaging, in Sweden, Belgium and the UK; Research Director, Swedish Packaging Research Institute, Stockholm.	--	Stockholms Enskilda Bank/SEB. Acting CEO, Investor AB; President & CEO, Gota Bank; Group Chief Credit Officer, SEB; Chair, Bohusbanken, LM Ericsson Finans AB, ÅF Group and others Board member, Alfa Laval, Atlas Copco, Haldex, Ericsson, Saab, SPP, Stora Timber, Trygg Hansa and others.
<b>Remuneration</b>	520 000	350 000	--	225 000	--	310 000
<b>Board meeting attendance</b>	17/17	14/17	15/17	17/17	17/17	17/17
<b>Audit committee attendance</b>	6/6	--	--	--	--	6/6
<b>Compensation committee attendance</b>	4/4	--	--	--	--	4/4
<b>Own and related parties' shareholdings</b>	16 000	--	--	2 000	--	3 000
<b>Independent/ Not independent</b>	Independent of owners and of the Company.	Not independent of Billerud's owners.	Not independent of the Company (employed).	Independent of owners and of the Company.	Not independent of the Company (employed).	Independent of owners and of the Company.



EWALD NAGELER

STEFAN  
RAGNARSSON

YNGVE STADE

KATARINA  
STAVÖSTRAND

MEG TIVÉUS

	EWALD NAGELER	STEFAN RAGNARSSON	YNGVE STADE	KATARINA STAVÖSTRAND	MEG TIVÉUS
	Board member	Employee representative starting 1 Sept 2009	Board member	Employee representative, Board member	Board member
Position	CFO, Frapag Beteiligungsholding AG, Wien, Austria.	Head Production Engineer, Billerud Gruvön.	--	Corporate Communications Manager, Billerud Skärblacka.	--
Education	Degree in Economics, University of Innsbruck, Austria.		Master of Engineering, the Royal Institute of Technology, Stockholm.	Advanced HR Management, Commercial-Technical degree, Stockholm University, and communications, Örebro University College.	MBA, Stockholm School of Economics.
Year elected	2006	2009	2005	2007	2001
Year born	1950	1975	1947	1946	1943
Nationality	Austrian	Swedish	Swedish	Swedish	Swedish
Other assignments	--		Chairman of RISE Holding AB. Member of the Royal Swedish Academy of Engineering Sciences.		Chair, Swedish Spirits & Wine Suppliers Assoc., Frösunda LSS AB and National Dental Service in Stockholm. Board member, Swedish Match AB, Cloetta AB, Nordea Fonder AB, Viktoria Park AB and Apoteket Farmaci AB.
Background	CFO, Egger Holzindustrie Beteiligungsgesellschaft m b H, St. Johann, Austria; 25 years' experience in banking. Member of the managing board of Creditanstalt AG, Vienna, Austria. Member of the board in many financial institutions and companies in Austria and elsewhere.		CEO, Stora Enso AB, and member of exec. mgmt., Stora Enso Oyi. CEO, Kamyr AB. CEO, NLK Celpap Engineering AB. Various production and technical positions, Korsnäs AB and the Swedish Pulp and Paper Research Institute. Member of the board of MoDo Chemetics, Innventia AB, Skogsindustrierna and chairman of IVA and member of the boards of other research institutions in the forest industry; Member of the board of Falu Rödfärgs AB/ Stora Kopparbergs Bergslags AB.		Board member and CEO, AB Svenska Spel. EVP, Posten; Div. Head, Holmen; Div. Head, Åhléns; Product Mgr., MoDo; Chair, Boss Media AB. Board member, Postgirot AB, Postbanken AB, SJ AB, Kommentus AB, Statens Provningsanstalt AB, Swedish Board of Agriculture, Operan AB, Framfab AB, Synerco AB, Danderyds Sjukhus AB, Cloetta Fazer AB and other organisations.
Remuneration	225 000	--	240 000	--	255 000
Board meeting attendance	14/17	5/17	16/17	17/17	16/17
Audit committee attendance	--	--	--	2/6	6/6
Compensation committee attendance	--	--	4/4	--	--
Own and related parties' shareholdings	8 000	500	1 100	1 170	4 000
Independent/ Not independent	Not independent of Billerud's owners.	Not independent of the Company (employed).	Independent of owners and of the Company.	Not independent of the Company (employed).	Independent of owners and of the Company.

# Group management



PER LINDBERG



PER BJURBOM



STINA BLOMBÄCK



BERTIL CARLSÉN

Position	President and CEO	Mill manager Billerud Gruvön, acting mill manager Billerud Skärblackså	Mill manager Billerud Karlsborg	CFO
<b>Education</b>	MSC, Chalmers University of Technology PhD, Chalmers University of Technology.	Mechanical engineer, Royal Institute of Technology, Stockholm.	Chemical engineer, Royal Institute of Technology, Stockholm.	MBA, Stockholm School of Economics and U C Berkeley Business.
<b>Year employed</b>	2005	2007	2001	2006
<b>Year born</b>	1959	1961	1951	1960
<b>Nationality</b>	Swedish	Swedish	Swedish	Swedish
<b>Other assignments</b>	Board member, VindIn AB and Middlepoint AB.	--	Board member, LKAB, Luleå Energi, Kalix Vindkraft AB.	--
<b>Background</b>	CEO, Korsnäs AB; EVP, Investment AB Kinnevik; Management and strategy consultant, Applied Value Corporation, US.	Site mgr., Holmen Paper Hallsta; Site mgr., Stora Enso Skoghäll mill; Production mgr., StoraEnso Skoghäll mill; Production mgr. PM53, Holmen Paper Braviken; Product mgr., Braviken Holmen Paper; Technicalmktg., telephone directory paper, Holmen Paper; Operator PM52, Holmen Paper Braviken.	Research director, AssiDomän; Research mgr., AssiDomän Piteå; Consultant, ÅF-IPK; Pulp mill mgr., ASSI Karlsborg; Process engineer, Pulp mill mgr., ASSI Kraftliner; Process mgr., Gruvön; Process engineer, ASSI Karlsborg; Board member, Innventia AB and SPCI.	SVP, CFO, Acando AB; SVP, Customer segment mgr., Acando AB; EVP, Commercial Services & IT, AGA Group; Staff mgr., controllers, AGA AB, Region Latin America; CFO, AGA AB, Division North & South America; CFO, AGA Chile, Santiago; Vice CEO, Treasury and IR, AGA AB; Finance staff, AGA AB.
<b>Own and related parties' shareholdings</b>	9 730	6 000	10 171	6 190



LENNART EBERLEH



CECILIA LUNDIN



JOHAN NELLBECK



NIKLAS SÖDERSTRÖM

Position	Business area director, Packaging Boards	Human Resource Director	Business area director, Packaging & Speciality Paper	Business area director, Market Pulp
<b>Education</b>	MSc, Technische Universität Carolo Wilhelmina, Braunschweig, Germany.	MSc, Business administration, Linköping University.	MSc, Business administration, Uppsala University.	Economics degree.
<b>Year employed</b>	2001	2006	2006	2001
<b>Year born</b>	1969	1970	1964	1950
<b>Nationality</b>	German	Swedish	Swedish	Swedish
<b>Other assignments</b>	--	--	Board member of CEPI Eurokraft and PaperImpact.	--
<b>Background</b>	Product area mgr., Containerboard, Billerud AB; Sales mgr., Containerboard, Stora Enso Gruvön; Stora Support Team, Stora Kopparberg Bergslags AB; Product mgr., Containerboard, Stora Gruvön.	HR mgr., Nordic region, Novartis Sverige AB; Business area mgr., Adcore Consulting AB; Consulting mgr., Connecta AB; Unit mgr., Ericsson; Project mgr., Ericsson; Business developer, Ericsson.	Sales mgr., Tele2 Stockholm; MD, AssiDomän Kraft Products Nordic Sales AB; Sales mgr., AssiDomän Scandinavia.	Market director, AssiDomän; Market director, Rottneros; Sales mgr., Utansjö mill; Order/Logistics mgr., Värnamo Gummi; Board member, ScandFibre Logistics.
<b>Own and related parties' shareholdings</b>	1 000	1 800	10 000	3 000

# 2009 report on internal control

The responsibility of the Board and CEO for internal control is regulated by the Swedish Companies Act. This responsibility of the Board is also regulated by the Swedish Code of Corporate Governance, which contains a requirement for annual external disclosure of information on how internal control for financial reporting is organised. This year's report is presented below.

## Internal control

Billerud has set the following goals for its internal control.

### 1. Compliance with regulations

Internal control shall ensure that Billerud complies with applicable laws and regulations.

### 2. Financial reporting

Internal control shall ensure that Billerud's financial reporting is reliable and provides managers, the Board and shareholders with information adequate for assessing the Company's development.

### 3. Operational activities

Internal control shall ensure that the Company's operational activities are effective, efficiently organised and performed in such a way that the risk of the business not achieving its financial and operational targets is assessed and dealt with continually.

To achieve these goals, work is carried out in a process based on the framework for internal control published by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). The process includes a control environment that provides the discipline and structure for the other four components in the process: risk assessment, control activities, information & communication, and monitoring.

The process is governed at the overall level by the Board and audit committee and at an operational level by the CEO, senior management team and other staff. The process pays special attention to ensure that the application of internal controls achieves a balance between the control activities and the development of an effective control environment with individual accountability throughout the organisation.

## Priority areas in 2009

During 2009, work on internal control focused on the following areas.

### Financial reporting

- » Further development of methods common throughout the Group for applying updated accounting instructions.
- » Extension of the new Group reporting system to include operational and planning information.

### Operational risks

- » Control of the credit management process regarding delegation of responsibilities, working methods, credit terms and monitoring.
- » Review and development of processes for implementing and planning preventive maintenance in production.

### External financial reporting

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions for application of the Code and constitutes the Board's report on internal control for financial reporting.

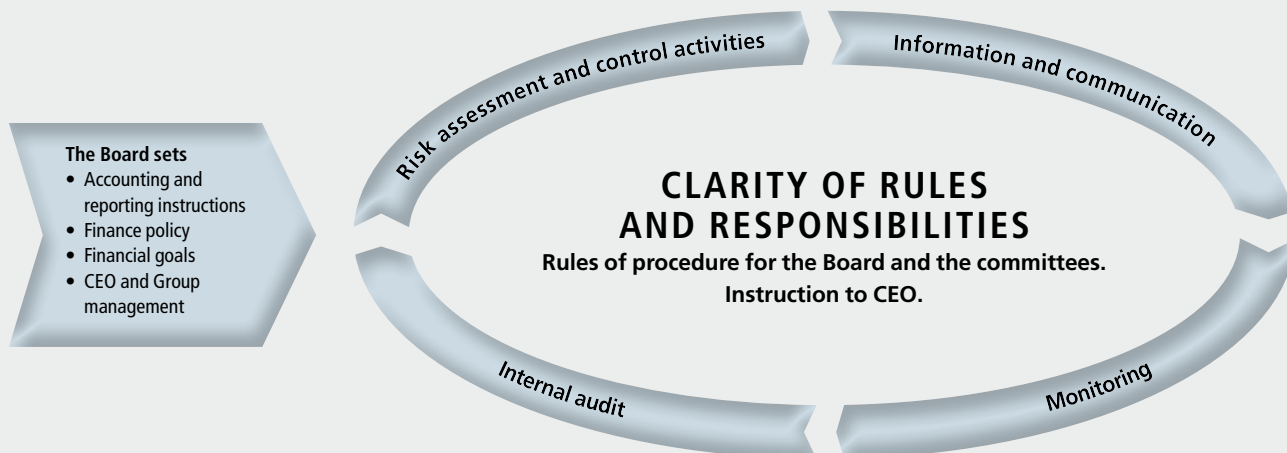
The purpose of internal control for financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of interim reports, year-end reports and annual reports, and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements for listed companies. The following description of the internal control for financial reporting has not been reviewed by the Company's auditors.

During the year, the focus was on integrating legal and operational reporting and planning in the same system structure in a new Group reporting system. These measures will facilitate follow-up in financial reporting comparing plans and targets as well as increase the reliability of the audit trail.

### Control environment

Solid internal control is basic to the proper functioning of the Board. The rules of procedure for the Board and Board committees as well as the instructions for the CEO are intended to establish a clear division of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial goals, and has adopted a suitable organisation, including the Company's senior management team. The senior management team reports regularly to the Board based on predetermined procedures. In addition, reports come from the audit committee. Company management is responsible for ensuring that internal control is implemented as necessary to manage significant risks in day-to-day activities. This includes guidelines for how the individual employee shall understand his or her role in maintaining good internal control.





**Risk assessment and control activities**

The Company uses a model for assessing the risk of errors in financial reporting. The Company continually monitors items where there is special risk for material error. An assessment was performed at the end of 2009 and is discussed on pages 68–72 and in note 32 of the 2009 annual report. Special attention was paid to designing controls for preventing and discovering errors in these areas associated with external financial reporting.

**Information and communication**

Key guidelines, manuals and the like that are significant to financial reporting are kept up-to-date and communicated continually to the staff involved. Both formal and informal information channels carry important information from staff to Company management and the Board. Guidelines for external

communication ensure that the Company meets the strict requirements on accurate information for financial markets.

**Monitoring**

The audit committee prepares information that the Company's management and auditors submit prior to the Board's assessment. The audit committee's tasks include ensuring, on behalf of the Board, that actions are taken concerning the errors and proposed actions identified in the external audit.

**Internal audit**

The Board has also assessed the need for a special review function (internal audit). The organisation for internal control works well, so the Board has decided that a special internal audit or review function is not necessary at present.

This corporate governance report, including the report on internal control, is not a formal part of the annual report and has not been reviewed by the Company's auditors.

Solna, Sweden, 16 March 2010.

Ingvar Petersson, *Chairman of the Board*

Michael M.F. Kaufmann, *Deputy chairman*

Stewe Cato, *Board member*

Gunilla Jönson, *Board member*

Per Lundberg, *Board member*

Ewald Nageler, *Board member*

Katarina Stavöstrand, *Board member*

Yngve Stade, *Board member*

Meg Tivéus, *Board member*