

# Corporate Governance Report

Corporate Governance in the Kinnevik Group is based on Swedish legislation and other generally accepted securities market regulations. Kinnevik applies the Swedish Code of Corporate Governance (the "Code"). This Corporate Governance report does not represent a formal part of the Annual Report documents and has thus not been reviewed by the company's auditors.

During 2009, Kinnevik deviated from the Code regulation stipulating that the Chairman of the Board may not be the Chairman of the Nomination Committee. The deviation from the Code is explained in more detail below.

## Annual General Meeting

The Swedish Companies Act (2005:551) ("ABL") and the Articles of Association determine how the notice of the Annual General Meeting and extraordinary meetings shall occur, and who has the right to participate in and vote at the meeting. Distance participation and voting is not available. Minutes of the Annual General Meetings are available on Kinnevik's website.

## Nomination Committee

At the 2009 Annual General Meeting, it was decided that a Nomination Committee consisting of at least three members representing the Company's largest shareholders would be established during October 2009 following consultation with the largest shareholders in the Company at 30 September 2009. The Nomination Committee would be elected for a period commencing with the publication of the Company's interim report for the third quarter of 2009 until the next Nomination Committee is formed. The Nomination Committee shall comprise not less than three representatives, who shall represent the Company's largest shareholders. If a member of the Nomination Committee resigns prematurely, a replacement shall be appointed in a similar manner. Cristina Stenbeck is to be a member of the Nomination Committee and will convene the Nomination Committee. The Nomination Committee will itself appoint a Chairman at the first meeting. The Nomination Committee is entitled, upon request, to receive resources from the Company such as secretarial function in the Nomination Committee and the right to charge the Company with expenses for recruiting consultants if this is deemed necessary.

Pursuant to the resolution of the Annual General Meeting, Cristina Stenbeck convened a Nomination Committee prior to the 2010 Annual General Meeting. The Nomination Committee comprises Cristina Stenbeck, Ramsay Brufer representing Alecta, Henry Guy representing Anima Regni LP, Edvard von Horn representing the von Horn family and Wilhelm Klingspor representing the Klingspor family. The Nomination Committee's task is to propose the Board composition, Board fees, audit fees and nominate the Chairman of the Annual General Meeting ahead of the 2010 Annual General Meeting. The Chairman of the Board, Cristina Stenbeck, was appointed Chairman of the Nomination Committee, an appointment that deviates from what the Code

prescribes. The other members of the Nomination Committee declared their decision regarding election of the Chairman of the Nomination Committee as being in the Company and shareholders' best interest and a natural consequence of Cristina Stenbeck leading the Nomination Committee's work in recent years, as well as her connection to the Company's largest shareholders.

## Auditors

According to the Articles of Association, the Company shall have not more than three auditors, with not more than three deputies, or a registered audit firm.

At the 2009 Annual General Meeting, the audit firm Ernst & Young AB, with newly elected Authorized Public Accountant Thomas Forslund as Auditor in Charge, was appointed Company auditor for a period of four years. The auditor's independence is secured by legislation and professional ethics and the audit firm's internal guidelines and by adhering to the Audit Committee's guidelines governing the type of assignments that the audit firm may conduct in addition to the audit. During 2009, Ernst & Young AB has provided certain services in conjunction with the acquisition of companies, and in issues regarding internal controls, IFRS and tax. Information regarding remuneration appears in the Annual Report in Note 24 to the consolidated accounts and Note 5 to the Parent Company, Auditors' Fees. Information regarding the auditor in charge is also provided in the Annual Report, page 7.

## Board of Directors and Group Management

Board members are elected at the Annual General Meeting for a period expiring at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of the Board members. According to the Articles of Association, the number of Board members can vary between three and nine, with not more than three deputies. In addition, according to legislation, the union organizations have the right to appoint two Board members and two deputies.

At the 2009 Annual General Meeting, following a motion by the former Nomination Committee, Vigo Carlund, Wilhelm Klingspor, Erik Mitteregger, Stig Nordin, Allen Sangines-Krause and Cristina Stenbeck were re-elected members of the Company's Board and John Hewko was elected as a new Board member. The Annual General Meeting re-elected Cristina Stenbeck as Chairman of the Board. In May, the employees' organizations appointed Geron Forsman and Bo Myrberg as ordinary employee Board members with Magnus Borg and Tobias Söderholm as deputies.

The independence of Board members is specified in the table on page 31. None of the Board members is employed within the Group, with the exception of the employee representatives. Information concerning individual Board members and Group Management is also presented in the Annual Report on pages 7-8 and in Note 29 to the consolidated accounts, Personnel. Information concerning share-based

and share-price-related incentive programs relating to the Kinnevik share for the Company management is presented in Note 29 in the consolidated accounts. There are currently no outstanding share-based or share-price-related incentive programs for the Board.

### Board work

Kinnevik's Board of Directors is responsible for the overall management of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation process, instructions for the CEO and reporting instructions are updated and set at least once annually following the Annual General Meeting.

Significant issues that were specially addressed by Kinnevik's Board during 2009 include the impact the decline in the global economy had on Kinnevik and the companies in which Kinnevik has invested in, capital structure issues at Kinnevik as well as the listed associated companies, the overall strategy for Korsnäs and the listed holdings, and the acquisition of Emesco AB. The Chairman of the Board, Cristina Stenbeck did not participate in the Board's process to acquire Emesco AB, the Board's work was instead led by Allen Sangines-Krause. As the basis for discussions concerning the listed associated companies, Kinnevik's management presented independent analyses of each company's operations, assessed future development and evaluated the markets in which they are active.

Compliance with laws and regulations, responsibility and market confidence in Kinnevik are some of the key issues with which the Board actively works. The Corporate Social Responsibility Policy adopted by the Kinnevik Board, describes Kinnevik's policy on issues pertaining to social responsibility, environmental considerations and ethics.

A Remuneration Committee and an Audit Committee were established within the Board. These committees are

preparatory bodies for the Board and do not reduce the Board's responsibility for the governance of the Company and the decisions made. All Board members have access to the same information.

The Board complies with a formal performance review process to assess how well the Board, its committees and processes are performing and how they might be improved. The review also assesses the performance of each Board member and the contribution they make.

The Board appointed Chief Financial Officer Mikael Larsson as the Company Secretary. The Company Secretary is responsible for ensuring that rules of procedure are complied with and all Board Members can turn to the Secretary for advice and assistance in their work for the Board.

During 2009, the Kinnevik Board held 13 meetings (excluding the statutory meeting), of which four were held via telephone. Cristina Stenbeck was absent from one extraordinary meeting and parts of four meetings in which the acquisition of Emesco was discussed, and employee representative Per Eriksson was absent from one ordinary meeting and three extraordinary meetings. Other ordinary Board members were present at all Board meetings.

### Remuneration Committee

The Remuneration Committee's assignment comprises issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the management of the Parent Company and Presidents of the Group's business areas. The guidelines applied in 2009 are presented in the Annual Report, page 35.

Cristina Stenbeck, Wilhelm Klingspor, Erik Mitteregger and Allen Sangines-Krause were members of the Remuneration Committee during 2009. The Chairman of the Remuneration Committee was Wilhelm Klingspor.

The Remuneration Committee shall meet not less than

| Board member          | Board member since   | Function  | Independent in relation to the Company and its management | Independent in relation to major shareholders (>10% of voting rights or capital) |
|-----------------------|----------------------|---|---|--|
| Cristina Stenbeck     | 2003 <sup>1)2)</sup> | Chairman of the Board, member of the Remuneration Committee                         | Yes   | No <sup>3)</sup>   |
| Vigo Carlund          | 2006                 | Board member  | No (CEO until 2006)                                       | Yes  |
| Wilhelm Klingspor     | 1991 <sup>2)</sup>   | Board member, Chairman of the Remuneration Committee, member of the Audit Committee | Yes   | Yes  |
| Erik Mitteregger      | 2004                 | Board member, Chairman of the Audit Committee, member of the Remuneration Committee | Yes   | Yes  |
| Stig Nordin           | 1992 <sup>1)</sup>   | Board member, member of the Audit Committee   | Yes   | Yes  |
| Allen Sangines-Krause | 2007                 | Board member, member of the Audit Committee and the Remuneration Committee          | Yes   | Yes  |
| Per Eriksson          | 2006                 | Employee representative, Board member   | No  | Yes  |
| Geron Forsman         | 2008                 | Employee representative, Board member   | No  | Yes  |
| Bo Myrberg            | 2008                 | Employee representative, deputy   | No  | Yes  |
| Tobias Söderholm      | 2008                 | Employee representative, deputy   | No  | Yes  |

<sup>1)</sup> Refers to Industriförvaltnings AB Kinnevik up to the merger with Invik & Co. AB 2004.

<sup>2)</sup> Refers to Invik & Co. AB up to the merger with Industriförvaltnings AB Kinnevik 2004.

<sup>3)</sup> In a collective assessment, the Board of Directors deemed that Cristina Stenbeck shall not be regarded as independent in relation to larger shareholders in Kinnevik, despite that she is not to be regarded as dependent according to the formal criteria.

once a year, and more frequently as required, at which minutes of these meetings shall be kept. The Remuneration Committee held three meetings during 2009, which were attended by all members.

### **Audit Committee**

The Audit Committee's assignments are stipulated in Chapter 8, Section 49 of the Swedish Companies Act. The Audit Committee is to maintain and enhance the efficiency of contact with the Group's auditors and to conduct inspections of the procedures applied for accounting and financial reporting, as well as the internal audits within the Group. The Audit Committee's work focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as work on internal financial controls within the Company. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of the accounting principles and requirements, discusses other significant issues connected with the Company's financial reporting and reports its observations to the Board.

Wilhelm Klingspor, Stig Nordin, Erik Mitteregger and Allen Sangines-Krause were members of the Audit Committee during 2009. The Chairman of the Committee was Erik Mitteregger.

The Audit Committee shall meet four times annually. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting. The Audit Committee held seven meetings during 2009, of which five were held via telephone. Erik Mitteregger was absent from one meeting and Allen Sangines-Krause was absent from one meeting. The other members were present at all the meetings. The external auditors participated in five of the meetings and issued their reports on the results of their examination to both the Audit Committee and the Board of Directors both orally and in writing. The auditors also held an annual meeting with the Board without management being present.

### **The Board's description of internal control pertaining to the financial reporting for the 2009 fiscal year**

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This description has been prepared in accordance with the Swedish Code of Corporate Governance, sections 10.5 and 10.6, and is thus restricted to the internal control pertaining to the financial reporting.

#### **Control environment**

The purpose of the Board of Directors' rules of procedure and instructions for the President and Board committees is to ensure a distinct division of roles and responsibility that promotes the efficient management of operational and financial risks. The Board has also adopted a number of fundamental guidelines of significance to activities involving internal controls, which are described in Kinnevik's Policy and Procedure Manual and include instructions governing the financial reporting of results, authorization procedures, purchasing policies, investment policies, accounting principles, financial risk management and the internal audit. The Company's ma-

agement reports regularly to the Board on the basis of established procedures. In addition, the Audit Committee reports on its work. The Company's management is responsible for the system of internal controls required for managing risks associated with ongoing operations. This includes guidelines for the employees concerned to ensure that they understand and realize the importance of their particular roles in efforts to maintain efficient internal control. The Company's operational risks are reported each quarter to the Board, categorized on the basis of what can and cannot be influenced, their consequences and financial impact in the event of them materializing, and how and who exercises ongoing control over each risk and how these can be minimized.

#### **Risk assessment and control activities**

Kinnevik has implemented a model for assessing the risk of errors in accounting and the financial reporting based on COSO's framework for internal control. The most significant items and processes in which the risk of significant errors can typically arise for Korsnäs encompass sales, purchases of timber, energy and other input goods, inventory and the investment process. Intangible fixed assets and financial instruments in the income statement and balance sheet represent the most significant areas for the Parent Company and the Group. Kinnevik has documented work routines and continuously evaluates how well the controls function pertaining to these items and processes.

#### **Internal audits**

The Company engages external auditors that are responsible for following up and evaluating work involved in risk management and internal control. This work includes the monitoring of compliance with set guidelines. The internal auditors conduct their work on instructions from the Audit Committee and are continuously reporting the results of their examination in the form of written reports to the Committee.

#### **Information and communication**

Kinnevik's Policy and Procedure Manual and other guidelines of importance to financial reporting are updated at least once annually. Both formal and informal information channels to Company management and the Board of Directors are available for important information from employees. For external communication, guidelines have been compiled in an Information Policy that ensures that the Company complies with the meticulous demands for correct information to the market and other various constituencies, such as shareholders, Board members, employees and customers.

#### **Follow-up**

The Board of Directors continuously evaluates the information provided by Company management and the Audit Committee. The Audit Committee's work to monitor the efficiency of Company management's efforts in this area is of particular importance to the follow-up of internal controls. This work includes ensuring that action is taken concerning those shortcomings and proposed measures that result from the internal and external audit.

Stockholm, 17 March 2010

Board of Directors