

Corporate governance

Management, leadership and control of Rottneros is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President, in accordance with the Swedish Companies Act and the company's articles of association. Since Rottneros' market capitalisation is less than SEK 3bn, the company is not required to comply with the Swedish Code of Corporate Governance; however, the Code has been used to provide guidelines.

ARTICLES OF ASSOCIATION

The articles of association of Rottneros AB (publ) state that the company's business is to produce and sell paper pulp, paper and similar products and to engage in operations consistent therewith. The Board of Directors shall comprise a minimum of three and a maximum of ten members, with up to six deputy members. The company's registered office is in Sunne.

SHAREHOLDERS

According to the register of shareholders kept by VPC, Rottneros had 17,688 shareholders at the end of 2007. The ten largest shareholders (excluding treasury shares) held a total of 45.9% of the shares.

Swedish legal entities own 46.7% of the capital, foreign investors 18.8 % and Swedish private individuals 34.5%. (For a list of shareholders, please refer to the section on the Rottneros share on page 31.)

ANNUAL GENERAL MEETING IN 2007

The Annual General Meeting is Rottneros' highest decision-making body. The AGM was held in Sunne on 25 April 2007. Sune Lund acted as chairman for the AGM.

The following resolutions were passed:

- The Annual General Meeting adopted the income statements and balance sheets, decided on the appropriation of the profit in accordance with the adopted balance sheet, discharged the members of the Board of Directors and the President from liability, and resolved to distribute a dividend of SEK 0.10 per share for 2006 in accordance with the proposal of the Board of Directors.
- The Annual General Meeting resolved, in accordance with the proposals made by the Nominating Committee:
 - that the number of Board members shall be eight.
 - that Lars Blecko, Johan Holmgren, Bengt Nordin, Ingrid Lindquist and Ingrid Westin Wallinder be re-elected as Board members and that Per Eiritz, Rune Ingvarsson and Kjell Ormegard be elected as new members. Bengt Nordin was appointed as Board Chairman.
 - that SEK 300,000 be paid in fees to the Chairman of the Board, and SEK 150,000 to the other Board members. No fee will be paid to Board members employed by the company. Employee representatives are paid a fee of SEK 15,000 for the time required to read up on material prior to meetings. The members of the committees receive a daily fee of SEK 10,000 for each day of committee work.
 - that the auditors' fees be paid based on invoices approved by the President.

- to reappoint the registered accounting firm Öhrlings PriceWaterhouseCoopers AB as auditors for a period of four years until the end of the 2011 AGM. The chief auditor is the authorised public accountant Magnus Brändström.
- The Board was authorised until the next AGM, on one or more occasions, to transfer Rottneros' treasury shares, which were acquired in connection with the company's buy-back programme. The company may transfer no more than the amount held by the company at any given time. The shares may be transferred in connection with the acquisition of companies or operations with exceptions and at a price that is within the spread at the time the transfer decision is taken (see also the minutes from the 2007 shareholders' meeting at www.rottneros.com).
- The AGM adopted a set of guidelines for remuneration of senior executives (see the minutes from the 2007 AGM at www.rottneros.com).
- The AGM passed a resolution on the composition and organisation of the Nominating Committee and its work.

THE BOARD OF DIRECTORS AND ITS WORK

General

The Board of Directors of Rottneros comprises eight members elected by the Annual General Meeting and two members appointed by the employees. It also has two deputy members appointed by the employees. In 2007 the President was one of the Board members elected by the Annual General Meeting. Lars Blecko stepped down as President and Board member on 31 January 2008. On 1 February 2008 Ole Terland took up the post of President. The company's Chief Financial Officer serves as Board secretary. Other executives in the company have attended Board meetings to present reports. The Board works according to a plan established in advance. Each Board meeting addresses a prepared list of strategic issues.

At its February meeting (held in January in 2008) the Board reviews the year-end release for the preceding year. At this time, the Board decides on its recommendation with respect to the dividend and works on any necessary adjustments/additions to the budget. The company's auditors report their observations made in the audit.

At the meeting at the end of February, the Board reviews the official annual report.

The April meeting is held on the day before and on the day of the Annual General Meeting and is used to discuss the result for the first quarter and to review the Group's strategies, if necessary.

The July meeting deals with the half-yearly result, while the October meeting reviews the third quarter interim report and investment planning for the following financial year.

At the final regular meeting of the year in December preparations for the year-end accounts are discussed and the budget for the following year is approved.

Other business is dealt with as determined by the nature of each individual matter. The Board is given a monthly progress report on the Group's result and liquidity trends.

The Board's work is governed by its formal work plan, which contains stipulations with respect to the division of responsibility between the Board and the President, between the Board committees and within the Board itself.

In 2007 electricity and wood prices and their impact on the Group's operations were a recurring theme. The ongoing cost-cutting programme was also addressed on several occasions. The plans for establishing a presence in South Africa were another recurring issue.

The President of the company works according to separate written instructions. The Board monitors the President's work and is responsible for ensuring that organisation, leadership and guidelines for the management of the company's resources are structured appropriately. The Board is further responsible for developing and monitoring the company's strategies using plans and targets, decisions on acquisitions and divestments of operations, major investments, management appointments and remuneration, as well as ongoing monitoring of the business during the year. The Board approves the budget and the year-end accounts.

Most of the Board members elected by the AGM and the staff-appointed employee representatives completed a half-day course on the listing agreement, insider trading rules and other issues arranged by the OMX Nordic Exchange Stockholm for the company's Board members and senior executives.

Chairman of the Board

At the AGM of Rottneros AB on 25 April 2007 Bengt Nordin was re-elected as Chairman of the Board for the period up to the next AGM. He leads the work of the Board and monitors the company's business in dialogue with the President and is responsible for the other Board members receiving the information they need to ensure that discussions and decisions are effective and productive. The Chairman is responsible for evaluating the work of the Board and for ensuring that the Nominating Committee is informed of his assessments. The Chairman also participates in appraisals and development matters relating to the Group's senior executives. The Chairman represents the company in matters concerning ownership.

Work of the Board

Thirteen minuted Board meetings were held in 2007, including six ordinary meetings. Three of these were in the form of conference calls. On two occasions the Board meetings were held at locations where the Group has operations and included site visits. The Board also visited South Africa due to the plans to establish a presence there.

IMPORTANT DECISIONS IN 2007

The most important decisions in 2007 relate to releases and include the annual decision on strategy, operating plans and investments for the coming year. In addition, important decisions were made on:

- The signing of a letter of intent with the South African forestry company NCT Forestry Co-operative Ltd to jointly explore the opportunities for establishing a pulp mill for CTMP production at Richards Bay in South Africa.
- The building of a factory for production of SilviPak food packaging next to the pulp mill at Miranda in Spain.
- The appointment of Ole Terland as President and Chief Executive Officer as successor to Lars Blecko.

ATTENDANCE

Average attendance at the Board and committee meetings in 2007 was very good.

CONTACTS WITH AUDITORS

In order to ensure that the Board receives the information it needs, the company's auditors report to the Board every year on their observations made during their audit and their opinion of the company's internal control, in addition to reporting to the Audit Committee. The company's auditor and representatives of the accounting firm attended one Board meeting in 2007. The auditors also attended the meetings of the Audit Committee.

INTERNAL CONTROL

Under the Swedish Companies Act, the Board of Directors must ensure that the company is organised in such a way that there is adequate internal control. The Board has drawn up a number of documents with respect to the company's internal control and governance, including the Board's formal work plan and instructions for the President and the Board's committees, reporting instructions and a financial policy. All of the above documents are intended to ensure a clearly-defined distribution of roles and responsibilities. One prerequisite for good internal control is an effective internal control environment. This is created by having common values, corporate culture, rules and policies, communication and follow-up, and by the way in which the company is organised.

Creating an effective internal control environment and the ongoing work of internal control and risk management is the responsibility of the President and Group management, who report to the Board based on established routines. The managers at different levels within the company are also responsible for their respective areas and in turn report to Group management.

The main task of the staffs and those assigned to them is to implement, develop and maintain the Group's control routines and also introduce internal control measures aimed at business-critical issues.

A separate review of the Group's internal control was made during the year. The Board believes that the Group's scope and complexity does not, at this time, justify the establishment of a separate internal audit department.

COMMITTEE WORK

The Board has full knowledge of, and responsibility for, all issues on which it must make decisions. However, during the year work was also conducted by the four committees approved by the Annual General Meeting: the Nominating Committee, the Finance Committee, the Audit Committee and the Compensation Committee.

NOMINATING COMMITTEE

Members of the Board of Rottneros are nominated by a Nominating Committee appointed by the Annual General Meeting. Prior to the 2007 Annual General Meeting, the Committee comprised Olle Grundberg, Nemus Holding AB, Chairman; Torgny Prior, P&N Yield; and Bengt Nordin, Chairman of Rottneros AB. The Committee met on three occasions. The nomination work started with an evaluation of the existing Board. As background, information was also provided on the company's business and strategic development, while the strategic skills, Board work and educational background of the Board members were described and reports were given of the

work carried out by the company's committees and the Board's discussions with the auditors. Rottneros complies with the rules regarding dependence and independence under the Stockholm Stock Exchange listing agreement, as evidenced in the presentation of the members.

At the 2007 AGM the shareholders decided that the Nominating Committee should consist of the Board Chairman and two further Board members and that the Board Chairman should not chair the Committee. One of the independent members shall be a representative of the company's biggest shareholder, and one shall be a representative of one of the company's other four main shareholders. The decision also provides for a deputy arrangement in the event that a member leaves the Committee before the end of his or her term of appointment. The Committee appoints a chairman from among its members, excluding the Chairman of the Board. Information about the composition of the Nominating Committee at any given time is published on the company's website.

The Nominating Committee will present proposals on the following issues to be voted on at the 2008 Annual General Meeting:

1. Chairman for the meeting
2. Number of Board members and deputies
3. Election of Board members and deputies
4. Election of Chairman of the Board
5. Board fees and their distribution among the Chairman and other Board members as well as fees for committee work.
6. Auditors' fees and, where required, a proposal for appointment of auditors.

The Nominating Committee's proposals to the 2008 AGM is presented in the notice of AGM and on the company's website, www.rottneros.com.

FINANCE COMMITTEE

The Finance Committee consists of two Board members, the Chairman Bengt Nordin and Ingrid Lindquist, the Chief Executive Officer (also a Board member), who chairs the Committee, and the Chief Financial Officer. The Finance Committee's task is to supervise the financial policy and the risk mandate. On several occasions the Committee invited external financial experts to attend meetings. The Finance Committee has been mandated by the Board to manage the application of the Group's financial policy. The Finance Committee held eight minuted meetings and the minutes are forwarded to the Board of Directors.

AUDIT COMMITTEE

The Audit Committee's tasks include reviewing the extent and focus of auditing assignments, preparing audit decisions, following up and assessing the application of the current accounting principles and adoption of accounting principles, as well as other accounting requirements as stipulated in legislation, generally accepted auditing standards, applicable listing agreements etc. In 2007 the Committee comprised Board Chairman Bengt Nordin and Board members Ingrid Westin Wallinder and Ingrid Lindquist. Ingrid Westin Wallinder was the Committee's Chairman.

The Committee's meetings were attended by the chief auditor and representatives for the accounting firm. Where required, senior executives of the company are also called in to attend meetings. The Audit Committee held six minuted meet-

ings during the year and the minutes were forwarded to the Board of Directors.

COMPENSATION COMMITTEE

The Committee consists of Board Chairman Bengt Nordin, Board members Johan Holmgren and Kjell Ormegard. The chairman of the committee was Bengt Nordin. The Committee mainly carries out preparatory work for decisions to be made by the Board and the Annual General Meeting in matters relating to guidelines and types of remuneration and the employment terms for the President and other senior executives. The President's remuneration package is determined by the Board of Directors. Remuneration of the other senior executives is determined by the Compensation Committee within the framework established by the Board and the Annual General meeting. The Compensation Committee held four meetings in 2007.

BOARD FEES

The total fees paid to the members of the Board elected by the Annual General Meeting are determined by the Annual General Meeting based on the Nominating Committee's proposal. Total fees in 2007 were SEK 1.4 million. In addition, the committee members are paid fees of SEK 10,000 per day. Employee representatives receive a fee SEK 15,000 for the time required to read up on material prior to meetings.

REPORTING

The Board monitors the quality of financial reporting through the instructions it issues to the President and its work in the Audit Committee. The President and Chief Financial Officer must together review and guarantee all external financial reporting, including year-end financial statements, interim reports, annual reports, press releases with financial content, as well as presentation material used in meetings with the media, shareholders and financial institutions.

CORPORATE MANAGEMENT

The President manages the business within the frameworks established by the Board of Directors. He produces the material required for information and decisions at Board meetings, presents matters and justifies proposed decisions. The President leads the work of Group management and makes decisions in consultation with other members of the management team. The management team comprises eleven people in addition to the President. The corporate management team is involved in business reviews led by the President approximately every six weeks, often in conjunction with visits to the various units in the Group. The internal system of reporting and control is based on annual financial planning with monthly reports. The Chairman holds appraisal meetings with the President in accordance with the President's instructions and requirement specifications.

REMUNERATION

At the 2008 Annual General Meeting the Board will propose that the shareholders' adopt the principles for remuneration and other terms of employment for the company's management. The proposal is described in the Directors' report and also in the notice to attend the AGM. The proposal is identical to the guidelines adopted at the 2007 AGM. For information about remuneration of the President and other senior executives, please see Note 6.

Board of Directors



BENGT NORDIN

Born 1936. M.Sc. Engineering. Chairman of the Board. Board member since 1999. No other Board appointments. Number of shares in Rottneros: 40,000. Independent of Rottneros' major shareholders.



LARS-OVE BROLIN

Born 1945. Union representative at Vallvik Mill. Employee representative. Deputy Board member since 2005. Number of shares in Rottneros: 0.



PER EIRITZ

Born 1951. M.Sc. Engineering. Board member since 2007. Other Board appointments: Chairman of the boards of Kompetenscentrum Stål & Verkstad, ClaraHälsan AB and Svensk PCI AB. Board member of The Packaging Green House AB and KMW-Energi AB. Number of shares in Rottneros: 3,000. Independent of the company and Rottneros' major shareholders.



JOHAN HOLMGREN

Born 1944. B.Sc. Board member since 2002. Other Board appointments: Chairman of AB Oscar Wigén, Bo Ohlsson AB and SIA TROLL Nursery. Board member of Nolato AB and Fabege AB. No. of shares in Rottneros: 14,000 (incl. companies). Independent of the company and Rottneros' major shareholders.



RUNE INGVARSSON

Born 1943. Board member since 2007. Number of shares in Rottneros: 0. Independent of the company and Rottneros' major shareholders.



INGRID LINDQUIST

Born 1957. M.Sc. in Business and Economics. Board member since 2004. Other Board appointments: Board member of ActionAid Sverige. Number of shares in Rottneros: 3,000. Independent of the company and Rottneros' major shareholders.



HANS-ÅKE NORDSTRAND
Born 1955. Warehouse worker, Utansjö Mill. Employee representative.
Board member since 2007.
Number of shares in Rottneros: 0.



KJELL ORMEGÅRD
Born 1949. M.Sc. Business and Economics.
Board member since 2007.
Other Board appointments: Chairman of Getupdated Internet Marketing AB (publ.)
Number of shares in Rottneros: 10,000.
Independent of the company and Rottneros' major shareholders.



JAN VIPER
Born 1954. Electrical engineer at Rottneros Mill. Employee representative.
Board member since 2004.
Number of shares in Rottneros: 0.



MATS WENNBORN
Born 1951. Process operator at Rockhammar Mill. Employee representative.
Deputy Board member since 2005.
Number of shares in Rottneros: 0.



INGRID WESTIN WALLINDER
Born 1957. Solicitor and partner of Rydin-Carlsten Advokatbyrå AB.
Board member since 2006.
Other Board appointments: Board member of Uppsala Akademiförvaltnings Styrelse and RydinCarlsten Advokatbyrå AB.
Number of shares in Rottneros: 0.
Independent of the company and Rottneros' major shareholders.



LARS BLECKO
Born 1957. President and Chief Executive Officer from 1999 to January 2008.
Board member since 2000.
Other Board appointments: Swedish Forest Industries Association.
Number of shares in Rottneros: 18,000. Lars Blecko stepped down as CEO on 31 January 2008 and left the Board at the same time.

AUDITORS

*Öhrlings PricewaterhouseCoopers AB.
The chief auditor is Magnus Brändström,
appointed until the 2011 AGM.*