

## Corporate governance report

## Corporate governance in Rottneros

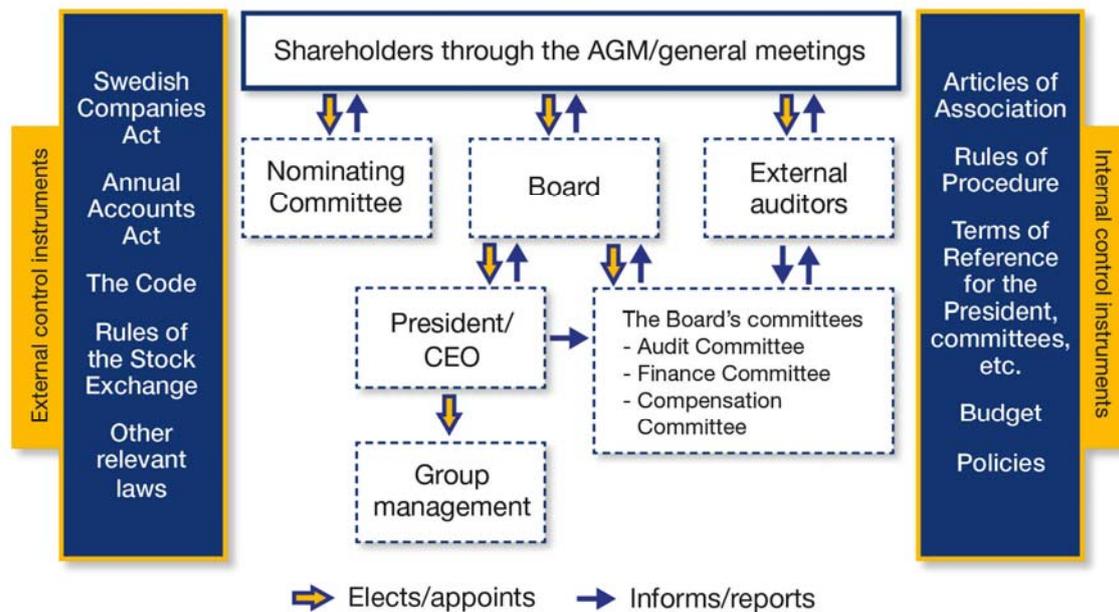
Rottneros is a Swedish public limited company based in Sunne, Sweden and is listed in the Small Cap segment on NASDAQ OMX, Stockholm ('the Stock Exchange'). Rottneros has been covered by the Swedish Code of Corporate Governance ('the Code') since 1 July 2008 and the requirement for a corporate governance report contained in the Annual Accounts Act has also been included since 1 March 2009. Rottneros' corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the rules of the Stock Exchange and the Code. This corporate governance report refers to both Rottneros AB, which is the parent company, and the Group.

### PRINCIPLES FOR CORPORATE GOVERNANCE

Rottneros applies the rules prescribed by law or other enactment, and also the Code. Rottneros applies the Code without deviations.

### STRUCTURE FOR CORPORATE GOVERNANCE

The shareholders at the annual general meetings/general meetings make the appointments and lay down the guidelines which will form the basis for the corporate governance of Rottneros. The following organisation chart summarises how corporate governance is structured at Rottneros.



### CONTROL INSTRUMENTS

The external control instruments that form the frameworks for corporate governance at Rottneros include the Swedish Companies Act, the Annual Accounts Act, the rules of the Stock Exchange and the Code, together with other relevant legislation. Foreign subsidiaries apply the laws and ordinances in force in the country in question, but also ensure that the Group's guidelines for governance and control are observed.

The board is ultimately responsible for the organisation and administration of the company's affairs. The authorities and bodies appointed by the authorities exercise supervision through receiving

reports from the company and the regular checks conducted by the authorities.

The internal control instruments include the Articles of Association as adopted by the AGM, the Rules of Procedure for the Board and the Terms of Reference for the President, the Board's committees and the Company's financial reporting. In addition, there are, for example, financial and quantitative targets, budgets, reports, policies, valuations and codes of conduct.

The policies resolved by the Board include the Code of Conduct, the Financial Policy, the

Communication Policy and the Environmental Policy. The President decides on the Customer Credit Policy, Crisis Management Policy, IT Security Policy and Work Environment Policy, which are communicated to the Board. There are also five important steering documents decided by the President or the person appointed by the President.

### ANNUAL GENERAL MEETING

Rottneros' shareholders exercise their right to make decisions on the company's affairs at the AGM or, where applicable, an extraordinary general meeting. This is Rottneros' highest decision-making body. The AGM makes decisions on the Articles of Association, appoints the Board and the Chair of the Board, elects the auditors, adopts the income statement and balance sheet and makes decisions on the appropriation of profits and discharge from liability, makes decisions on nomination procedures, guidelines for the remuneration of senior executives, etc.

Rottneros' Articles of Association contain no special provisions about the appointment and dismissal of members of the Board or about amendments of the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or through a representative holding a power of attorney. Each shareholder has the right to raise issues to be addressed at the AGM.

Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros' website [www.rottneros.com](http://www.rottneros.com). Minutes, the President's statements, etc. from the latest meetings are also available from this website.

### SHAREHOLDERS

Rottneros' ordinary shares have been listed on NASDAQ OMX Stockholm since 1987. According to the share register kept by Euroclear Sweden (formerly VPC), Rottneros had 18,033 shareholders on 31 December 2010. The share capital amounted to SEK 153,393,890, divided between 153,393,890 ordinary shares, each carrying equal voting rights and equal rights to the company's profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

Nemus Holding AB had a participating interest amounting to just over 20 percent of the total number of shares and votes on 31 December 2010. Otherwise, none of the shareholders had a direct or

indirect shareholding representing at least one tenth of votes attached to all shares in Rottneros.

In the autumn, the Finansinspektionen (Swedish Financial Supervisory Authority) informed the company that information about a change to the number of shares in the company had not been provided in a way that was technically correct. The company is of the view that although the Finansinspektionen's comment is in the material sense essentially correct, all of the shareholders were fully informed and no harm could have been caused by the omission.

Rottneros' holding of treasury shares amounts to 821,965, corresponding to around 0.54 percent of the total number of shares. Pages 31–34 of the 2010 Annual Report for the company provides more information about the share, shareholders, etc. Information is also available on the company's website.

### 2010 ANNUAL GENERAL MEETING

Rottneros' 2010 AGM was held on 22 April 2010 in Stockholm. Twenty-five of the company's shareholders attended the meeting, representing 28 percent of the company's votes and capital (excluding Rottneros' buyback shares). All members of the Board were present, as was the President. The company's auditors also attended the meeting.

The AGM passed the following resolutions:

- In accordance with the Board's proposal, no dividend will be distributed to shareholders.
- The board shall comprise four ordinary members. Board members Roger Asserståhl, Kjell Ormegard and Ingrid Westin Wallinder were re-elected. Bengt Unander-Scharin was elected as a new board member.
- Kjell Ormegard was appointed Chair of the Board.
- A fee of SEK 500,000 shall be paid to the Chair of the Board and SEK 250,000 to each of the other Board members who are not employed by the company. Members shall be paid a fee of SEK 25,000 for committee work, except in the case of the chair of the committee, who shall receive remuneration of SEK 50,000. A fee of SEK 25,000 for time required to read materials prior to Board meetings was determined for each employee representative. Auditors' fees are paid on the basis of invoices approved by the President.
- In accordance with the Board's proposal, guidelines are approved for remuneration for the President and other senior executives. This

means, for example, that remuneration shall comprise fixed salary, a possible variable remuneration component, other benefits and pension contributions. The total remuneration package must be in line with market rates and competitive in the market in which the executives work. The variable component of pay is based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. All matters relating to the remuneration of the executive management are dealt with by the Compensation Committee, except in respect of the President, whose remuneration is decided by the Board of Directors.

- Implement a directed new issue of 31 ordinary shares, amendment of the Articles of Association regarding the number of shares in the company and a reverse split of the company's shares, in which connection ten ordinary shares shall be combined as one ordinary share.
- Authorise the board to make decisions on commission-free trade for shareholders with holdings of less than 100 shares after the reverse split.
- Authorise the Board to make decisions on transferring shares (shares previously acquired under the company's buy-back programme) in the company on one or several occasions during the period up until the next AGM.
- The AGM resolved to approve the Board's proposal for a long-term incentive programme for the company's senior executives that, deviating from the shareholders' priority rights, comprises the issue of no more than 25 million Series A subscription warrants and 5 million Series B subscription warrants.
- Article 8 of the Articles of Association was amended to stipulate that notices convening general meetings shall be announced in the Post- och Inrikes Tidningar (Official Swedish Gazette) and on Rottneros' website. On the date the notice to attend is issued, information about the fact that the notice to attend has been issued will be announced in Dagens Nyheter newspaper and in a daily newspaper published in Sunne. This decision is conditional on an amendment having entered into force in the Swedish Companies Act regarding the way in which a general meeting is convened.

### **NOMINATING COMMITTEE**

Rottneros' AGM makes decisions on the principles for the appointment of the Nominating Committee. The 2010 AGM resolved that the Nominating Committee shall comprise the Chair of the Board and two additional members. The Chair of the

Board may not chair the Committee. One of these two members, in addition to the Chair of the Board, must be a representative of the company's major shareholder and the other shall be a representative of one of the company's other four major shareholders. Neither of these two members may be a Board member at the same time. The Nominating Committee appoints a chair from within its ranks. It is the responsibility of the Chair of the Board to ensure that members are appointed as stated above. The principles also include a procedure for remunerating members who leave the Nominating Committee before the end of their mandate or when a member represents a shareholder that is no longer one of the five major shareholders in terms of votes.

The names of members of the Nominating Committee shall be presented at least six months prior to the 2011 AGM. The composition of the Nominating Committee at any given time will be published on Rottneros' website. A press release with information about the composition of the Nominating Committee was published on 14 October 2010 and is available on Rottneros' website. Olle Grundberg from Nemus Holding AB has been appointed Chair of the Nominating Committee. Other members appointed are Jan Alkmark from Danske Bank A/S and Kjell Ormegard, who chairs the Board of Rottneros AB. Altogether, the Nominating Committee represents over 24 percent of the votes attached to all shares in Rottneros.

The Nominating Committee shall submit proposals for decisions to the 2011 AGM as regards election of the Chair for meetings, number of Board members and deputy Board members, election of Board members and deputy Board members, election of Chair of the board, fees for the Board, fees for the auditors, when applicable proposals concerning the election of auditors, and criteria for the appointment of a new nominating committee.

### **AUDITORS**

Rottneros' auditors are elected at the AGM. According to previous rules, auditors were elected for a period of four year unless otherwise stated in the Articles of Association. At the 2007 AGM, Öhrlings PricewaterhouseCoopers AB (PwC) was elected as the company's auditor for the period up until the 2011 AGM, with authorised public accountant Magnus Brändström as Chief Auditor. Magnus Brändström has been the Chief Auditor since 2004. Rottneros' Articles of Association do not include any term for the auditor. With effect 1 November 2010 it is prescribed by the Swedish

Companies Act that the auditor's term is one year, unless otherwise stated in the Articles of Association. This means that from and including 2011 the auditor for Rottneros will be elected annually at the AGM.

#### AUDIT WORK

The auditors examine the company's and the Group's annual accounts and accounting records and the administration of the company by the Board and President. The company's auditor attends at least one Board meeting each year. The auditors have attended all meetings of the Audit Committee and the 2010 AGM. The auditor attends the AGM to present the audit report.

In addition to the audit assignment, PwC has provided Rottneros with VAT and tax consulting services and assisted with various accounting-related investigations. PwC has to examine its independent status in connection with each consulting assignment. Information on the fees paid to the public accounting firm in 2010 is presented in Note 7 of the 2010 Annual Report.

#### BOARD OF DIRECTORS COMPOSITION OF THE BOARD AND FEES

According to the Articles of Association, the Board of Rottneros shall comprise a minimum of three and a maximum of ten members, with up to six deputies, elected by the AGM. In addition, the employees shall elect two representatives with two deputies. Since the 2010 AGM, the Board of Rottneros has comprised four members without deputies elected at the AGM, and two members and two deputies appointed by the employees. The President is not a member of the Board but is called in to all Board meetings, except when the agenda includes an evaluation of the work of the Board and the President. Other officials of the company are called in when necessary to present matters. The company's CFO serves as the Board secretary. The table below shows the composition of the Board in 2010 in addition to remuneration paid to Board members and the President for the full years 2010 and 2009 respectively.

#### REMUNERATION TO THE BOARD AND PRESIDENT, AND ATTENDANCE AT MEETINGS

AMOUNT IN SEK THOUSAND		TOTAL FEES, 2010	TOTAL FEES, 2009	ATTENDANCE 2010	
				BOARD MEETINGS	COMMITTEE MEETINGS
Kjell Ormegard <sup>1,2</sup>	(Chair)	608	510	100%	100%
Rune Ingvarsson <sup>3</sup>		28	580	–	–
Roger Asserståhl		303	250	100%	94%
Bengt Unander-Scharin <sup>2</sup>		167	–	100%	–
Ingrid Westin Wallinder <sup>1,4</sup>		340	459	100%	100%
Bengt-Åke Andersson	(employee representative)	25	17	92%	–
Mikael Lilja	(employee representative)	25	25	62%	–
Tord Strömberg	(employee representative/deputy)	25	17	69%	–
Thomas Wasberg	(employee representative/deputy)	25	17	69%	–
Ole Terland <sup>5</sup>	President	7,055	5,474	–	–

<sup>1</sup> The total fee in 2009 for Board members Kjell Ormegard and Ingrid Westin Wallinder includes remuneration for the assignment that they performed for the company over and above their ordinary board tasks and committee work regarding the refinancing of Rottneros in the autumn of 2008. These amounts are SEK 200,000 for Kjell Ormegard and SEK 158,000 for Ingrid Westin Wallinder.

<sup>2</sup> Kjell Ormegard (Chair of the Board) and Bengt Unander-Scharin (Board member) have invoiced their respective fees, together with social security contributions and value-added tax, via their own companies. This procedure is cost-neutral for Rottneros.

<sup>3</sup> Resigned from the Board in January 2010

<sup>4</sup> Rottneros purchased legal services on market terms in 2010 for SEK 291,000 (70,000) from the law firm Advokatfirman Lindahl, which employs Board member Ingrid Westin Wallinder.

<sup>5</sup> The table in Note 6 of the company's 2010 Annual Report shows the total remuneration for 2009 and 2010, broken down by fixed salary, variable remuneration, other benefits, pension expenses and other remuneration. The President attends the majority of Board meetings and committee meetings, though not meetings of the Compensation Committee, as a co-opted member.

## EVALUATION OF THE BOARD'S WORK

The Chair is responsible for evaluating the work of the Board and for ensuring that the Nominating Committee is provided with these evaluations. An evaluation of the Board's work for 2010 was concluded at the beginning of 2011.

## INDEPENDENCE

According to the Code, a majority of the members elected at the AGM must be independent in relation to the company and executive management; also, at least two of these members must be independent in relation to the company's major shareholders. Rule 4.4 of the Code includes criteria to help assess the level of independence.

Rottneros' Board of Directors is considered to have met the requirements of the Code regarding independence, since the Board members elected at the AGM are considered independent of both the company and executive management and of the company's major shareholders.

## BOARD WORK AND RESPONSIBILITIES

The Board oversees the work of the President and is responsible for ensuring that the organisation, management and guidelines for managing the company's funds are appropriate. The Board of Directors is also responsible for ensuring that the company is organised in such a way that its internal control is appropriate and effective. The Board of Directors is also responsible for developing and following up the company's strategies through planning, establishing targets and taking decisions on the acquisition and disposal of operations, major investments, appointments of and remuneration for the management team as well as day-to-day follow-ups during the year. The Board approves the budget and annual accounts.

### *Rules of Procedure for the Board*

The Board works according to specific Rules of Procedure prescribing the distribution of responsibilities between the Board and the President, between the Board's various committees and within the Board itself as well as instructions for financial reporting. The Board's Rules of Procedure contain special Terms of Reference for the President.

A Board meeting following election is held immediately after the AGM or immediately after extraordinary general meetings where a new Board has been elected. Rottneros held a Board meeting following election on 22 April 2010 where among other things members of the Board committees

were appointed and the above-mentioned Rules of Procedure were adopted.

In addition to meetings following election, the Board convenes five scheduled meetings each year and additional meetings when the Chair sees fit or within 14 days following a request for a meeting from a member of the Board. Thirteen Board meetings were held in 2010. The work of the Board follows a schedule established in advance, which includes specific fixed items that require decisions during the financial year:

- In January/February, the Board works on the press release of unaudited annual earnings figures, the Board's recommendations with respect to dividends and any necessary additions to the budget and business plan. The company's auditors report any observations made when conducting their audit. The Board also evaluate their functions and procedures for making decisions and consider improvements to these.
- The official annual report is reviewed at the end of February.
- The results for the first and second quarters are reviewed in April and July.
- In October, the results for the third quarter are reviewed. The investment plans for the coming financial year are also dealt with in October together with a review of the company's strategies.
- In December, the Board works on preparations for the annual accounts and the business plan for the coming year is approved.

In addition to the items above, the Board's work in 2010 focused on the following:

- Share-related matters such as the reverse share split and commission-free trade
- Disposal of/project preparations for the Utansjö equipment
- Reviewing and updating policies
- Improving the company's bank contracts.

The Board also receives a monthly report on the company's performance and liquidity trends. Other business is dealt with as determined by the nature of each individual matter.

## THE BOARD'S CONTROL OF FINANCIAL REPORTING

The Board monitors the quality of financial reporting by providing instructions for its execution and through the Terms of Reference for the President. One of the tasks of the President is to work with the CFO to review and ensure the

quality of all external financial reporting, including year-end releases, interim reports, annual reports, press releases with economic content and presentation materials produced for meetings with the media, shareholders and financial institutions.

The Board's Audit Committee works to ensure that financial reporting is accurate and maintains a high quality, and also that it is given final approval by the Board and communicated. The Board receives monthly financial reports, and the financial position of the company and the Group is addressed at each Board meeting. The Board also reviews interim reports and the Annual Report.

In order to ensure that the Board receives the information it needs, the company's auditors report to the Board every year on observations made during the audit and express an opinion on the company's internal control, in addition to reporting to the Audit Committee. The company's auditors report to the Board at least once a year on whether the company has succeeded in ensuring that bookkeeping, administration and financial control are effective, after which the Board discusses this with the auditors without the presence of the President or other members of management.

### THE BOARD'S COMMITTEES

The Board has full knowledge of and responsibility for all matters on which it must take decisions. However, work was conducted by three committees appointed by the Board during the year: the Audit Committee, the Finance Committee and the Compensation Committee.

#### AUDIT COMMITTEE

This Committee comprises three representatives from the Board. Its tasks include preparatory work for decisions to be made by the Board to assure the quality of the company's financial reporting, reviewing the scope and focus of audit assignments, addressing audit issues, evaluating audit work, establishing guidelines for purchasing other services from the company's auditors, following up and assessing the application of current accounting principles and the adoption of new accounting principles, and other accounting requirements as stipulated in legislation, generally accepted accounting principles, applicable Stock Exchange rules, etc.

The Company's Chief Auditor and representatives of the accounting firm are co-opted for meetings. Senior executives are also co-opted for meetings when appropriate. In 2010, the Committee comprised Kjell Ormegard, who is Chair of the

Board, and Board members Ingrid Westin Wallinder and Roger Asserståhl. Ingrid Westin Wallinder chairs the Committee.

The Audit Committee held five meetings in 2010. Minutes are forwarded to the Board on an ongoing basis. The auditors attended all meetings of the Audit Committee.

#### FINANCE COMMITTEE

The Finance Committee comprises one member of the Board as well as the President and CFO. The Committee's task is to oversee the Financial Policy and the risk mandate. The Committee has invited external financial experts to attend when required. The Finance Committee has been mandated by the Board to manage the application of the Group's Financial Policy and take decisions regarding implementation as required by this Policy. The Committee also ensures that the Policy and related decisions are continually observed. The Finance Committee comprised Kjell Ormegard, Ole Terland (President) and Tomas Hedström (CFO) since May 2010. Kjell Ormegard chairs the Committee.

The Finance Committee held three meetings in 2010. Work in 2010 focussed on producing a new Financial Policy and finding an alternative to the contract with the bank syndicate. The Board receives minutes from the Finance Committee on an ongoing basis.

#### COMPENSATION COMMITTEE

The Committee comprises three representatives of the Board. The main tasks of the Committee are to: prepare the Board's decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management; monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management; monitor and evaluate the application of the guidelines for remuneration of senior executives that the AGM is legally obliged to establish, as well as the current remuneration structures and levels in the company.

The President's remuneration package and the principles for remunerating the executive management are determined by the Board. Remuneration for other senior executives is determined by the Compensation Committee within the frameworks established by the Board and AGM.

In 2010, the Committee comprised Kjell Ormegard, who is Chair of the Board, and Board members

Ingrid Westin Wallinder and Roger Asserståhl. Kjell Ormegard chairs the Committee.

The Committee held three meetings in 2010 and the Board receives minutes from the Compensation Committee.

## PRESIDENT/CEO

The President's responsibility as stipulated by the Swedish Companies Act and other legislation is to manage the company's day-to-day business according to the Board's guidelines and instructions and to implement the measures necessary to ensure that the company's bookkeeping is managed in a satisfactory manner. The President also ensures that the Board receives the information it needs on an ongoing basis to monitor the company's and the Groups' financial situation, position and development in a satisfactory way and to otherwise fulfil its reporting obligations with respect to the company's finances.

The company's President manages the business within the frameworks established by the Board in the special Terms of Reference for the President. These Terms of Reference include the President's responsibility for day-to-day business and matters that always require Board decisions or that must be reported to the Board, as well as the President's responsibility for presenting financial reports to the Board.

The President works with the Chair to produce the materials required for information and decisions at Board meetings, and also presents matters for discussion and justifies recommendations.

The Board evaluates the work of the President on an ongoing basis.

## GROUP MANAGEMENT

The President leads the work of Group management and makes decisions in consultation with other members of the management team. This team comprises the President and six additional individuals: two heads of subsidiaries and four heads of Group staff. Information about the President and Group management is shown on pages 54–55 of the 2010 Annual Report. The management team has regular business reviews led by the President, often in conjunction with visits to the various units belonging to the Group.

## GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The AGM decided on guidelines to determine remuneration for the President and other senior

executives. The Board's proposed guidelines are stated below. At present, 'other senior executives' refers to the six people who, together with the President, make up Group management. These individuals are presented on the company's website and pages 54–55 of the 2010 Annual Report.

The remuneration paid to the President and other senior executives comprises fixed salary, possible variable component of remuneration, other benefits and pension contributions. The total remuneration package must be in line with market rates and competitive in the labour market in which the executives work. Fixed salary and variable remuneration are related to the responsibilities and powers held by each executive. The variable component of remuneration, which is cash, is based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. The variable component of remuneration for the President is capped at 50 percent of fixed salary, excluding the special 'South Africa bonus' referred to below, and the variable component of remuneration for other senior executives is capped at 30 percent of fixed salary. The programme for the variable component of remuneration shall be designed so that the Board can impose conditions, restrict or decline to make payments of variable component of remuneration in exceptional financial circumstances if such measure is considered to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other interested parties.

The period of notice is between six months and one year should notice be given by the executive, and between one and two years should notice be given by the company. The President is entitled to severance pay and a salary during the period of notice of in total up to an amount corresponding to the fixed salary for two years.

Pension benefits are either defined benefit or defined contribution plans or a combination thereof and executives are entitled to receive a pension no earlier than from the age of 62.

Matters relating to remuneration principles, remuneration and other terms of employment for the executive management are dealt with by the Compensation Committee, except as regards the President and principles for variable remuneration and other terms of employment for the executive management, which are decided by the Board of Directors. If the company in a particular case assigns an individual Board member tasks on behalf of the company over and above his or her

regular Board and committee duties, the Board shall determine the level of remuneration, which must be reasonable and in line with market rates.

The Board will conduct an annual evaluation of whether or not to propose a long-term incentive programme at the AGM.

The Board shall be empowered to deviate from these guidelines if there are special reasons to do so in an individual case.

It is intended that a special capped, performance-based bonus linked to the project in South Africa be paid to the President, capped at 12 monthly salaries at the 2008 salary level and, following a decision by the Compensation Committee, to other senior executives involved in this project.

Pay and remuneration for the President and other senior executives in 2010 can be found in Note 6 of the 2010 Annual Report for Rottneros.

#### *Variable remuneration*

The variable remuneration for the company's senior executives (i.e. President and other people in Rottneros' Group management) is compatible with the guidelines for the remuneration for senior executives determined at the AGM, which were reported above.

Variable remuneration is dependent on the achievement of targets that are determined annually. These targets are broken down into specified quantitative objectives, mainly directed at the Group's but also – in relation to Heads of Units – the respective business unit's financial objectives, results and cash flow, and also qualitative personal objectives, which mean that the variable remuneration is related to the individual's efforts and performance.

Variable remuneration for the President is capped at 50 percent of fixed salary and the special

performance-based bonus linked to the project in South Africa is capped at 12 monthly salaries at the 2008 salary level. Variable remuneration for other senior executives is capped at 30 percent of fixed salary.

As a benchmark, variable remuneration is not qualifying income for pension purposes. The Board can impose conditions, restrict or decline to make payments of variable remuneration in exceptional financial circumstances if the Board considers such measure to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other interested parties.

#### *Incentive programme*

The 2010 AGM of Rottneros resolved to issue no more than 30 million subscription warrants to be used for an incentive programme for eight senior executives. In total, 12 million of these subscription warrants were transferred to those entitled to subscribe. The price per warrant amounted to SEK 0.10, and ten subscription warrants are required to subscribe for one new ordinary share. The issue price amounts to SEK 9.75 per share and shares can be subscribed for during the period 17 May 2011 to 16 May 2013. Rottneros has cancelled subscription warrants that were not transferred. The dilution effect will amount to 0.8 percent in the event that all warrants are exercised.

#### **FURTHER INFORMATION IS AVAILABLE FROM [WWW.ROTTNEROS.COM](http://WWW.ROTTNEROS.COM).**

- Articles of Association
- Information from past AGMs from and including 2005 (notices, minutes, resolutions, the President's statements)
- Information about the Nominating Committee
- Information on corporate governance from 2004 to 2007 (included in the Annual Report for the respective year)
- Corporate governance reports from 2008 and 2009 (included in the 2008 and 2009 Annual Reports)

### **ROTTNEROS' SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH THE FINANCIAL REPORT**

The Board is responsible for the company's internal control in accordance with the Swedish Companies Act and the Code. According to the Swedish Companies Act, the Corporate Governance Report shall include information about the most important elements of the company's system for internal

control and risk management regarding financial reporting.

Rottneros' internal control structure is predominantly based on the COSO model, according to which reviews and assessments are made in the following areas: control environment, risk

assessment, control activities, information, communication and monitoring.

### CONTROL ENVIRONMENT

The Board has drawn up a number of documents with respect to the Company's internal control and governance, including Rules of Procedure for the Board and Terms of Reference for the President and the Board's committees, reporting instructions and a Financial Policy. All of these documents are intended to ensure a clearly defined distribution of roles and responsibilities. Financial information is reported through a Group-wide reporting system.

The President and Group management, who report to the Board of Directors in accordance with established routines, are responsible for maintaining an effective control environment and the day-to-day internal control and risk management work. Managers at various levels within the company have this same responsibility within their respective areas of responsibility and in turn report to Group management.

### RISK ASSESSMENT

Rottneros continuously updates its risk analysis with respect to assessing the risk of errors occurring in financial reporting. This is done mainly through contacts between Group management and the subsidiaries' management teams. At risk reviews, Rottneros identifies areas where there is an elevated risk of errors occurring.

### CONTROL ACTIVITIES

Monthly financial reports are prepared for all of the companies in the Group as well as consolidated financial reports. These form the basis of the monthly conference calls made between the CFO and representatives of the Group's and each subsidiary's accounting staff. Areas emphasised for analysis are order status, cost follow-up, investments and cash flow. Quarterly meetings are held at each mill, where the President, CFO and Group Controller review the quarterly accounts and the subsidiary's forecast update with the respective company's management team. The CFO also visits the subsidiaries several times a year and the Chief Auditor accompanies the CFO at least once a year. These meetings are supplemented several times a year with Heads of Finance meetings, where the CFO, financial manager of each subsidiary and the Group's Chief Accountant and Controller meet. At these meetings, particular emphasis is placed on monitoring any problems and ensuring the accuracy of financial reporting. Forecasts are updated every quarter for all Group companies and there are controllers working on

financial matters both locally and centrally, comparing these forecasts with outcomes and ensuring that the financial information is true, fair and correct.

The Board's Audit Committee meets regularly to discuss identified risks. The control environment has been created through common values, Rottneros' corporate culture, rules and policies, communication and follow-up as well as the way in which the business is organised. The main task of Group staff is to implement, develop and maintain the Group's control routines and to introduce internal control routines aimed at business-critical issues.

Rottneros' auditors examine both the financial information for the third quarter and the annual accounts. Every year the auditors also examine a selection of the company's control activities and processes and report any areas for improvement to both Group management and the management team of the respective subsidiary. The Chief Auditor also attends meetings of the Audit Committee.

### INFORMATION AND COMMUNICATION

The information contained in Rottneros' important control documents, in the form of policies, guidelines and manuals, is primarily communicated through a Group-wide intranet.

### FOLLOW-UP

Each company has its own finance department and reports through a Group-wide reporting system. The Group's Chief Accountant and Controller also work closely with the Heads of Subsidiaries in matters concerning the annual accounts and reporting.

A self-assessment was conducted in 2010 concerning the status of internal control in respect of financial reporting. Work began with a risk analysis, which identified a number of areas of particular interest. Within these areas, tests were designed of the controls available to minimise identified risks and Group companies were asked about how these controls functioned. The companies' responses generally showed that most of the risks within the areas identified were being managed by sufficient and reliable controls. Follow-ups will continue in 2011 and improvements will be made where these are deemed necessary. The Board of Directors is of the opinion that the Group's current scope and complexity does not warrant an internal audit.