

# CORPORATE GOVERNANCE REPORT

Corporate governance structured around the operations in which the Group conducts its business activities is essential to commercial success and increased profitability. During the year, Gunnebo worked actively on adapting the governance of the Group to support and drive the business forward to a greater extent than before.

**G**unnebo AB (publ) is listed on the NASDAQ OMX Nordic Exchange Stockholm and, in addition to Swedish law, the Group's corporate governance is based on the Swedish Code of Corporate Governance (referred to below as 'the Code')<sup>1)</sup>, NASDAQ OMX Stockholm AB's Rule Book for Issuers and the Swedish Securities Council's statements.

This Report summarises the structure of corporate governance and how corporate governance has been performed and developed within the Group during the 2010 financial year.

Gunnebo complies with the regulations of the Code in all respects, with one exception: after the date of the Annual General Meeting was announced in accordance with the Code's rule 1.1, the Board decided to postpone the 2011 Annual General Meeting to the following week, since Easter 2011 falls in the week in which the Meeting was originally scheduled to be held (refer to the section entitled '2011 Annual General Meeting' below).

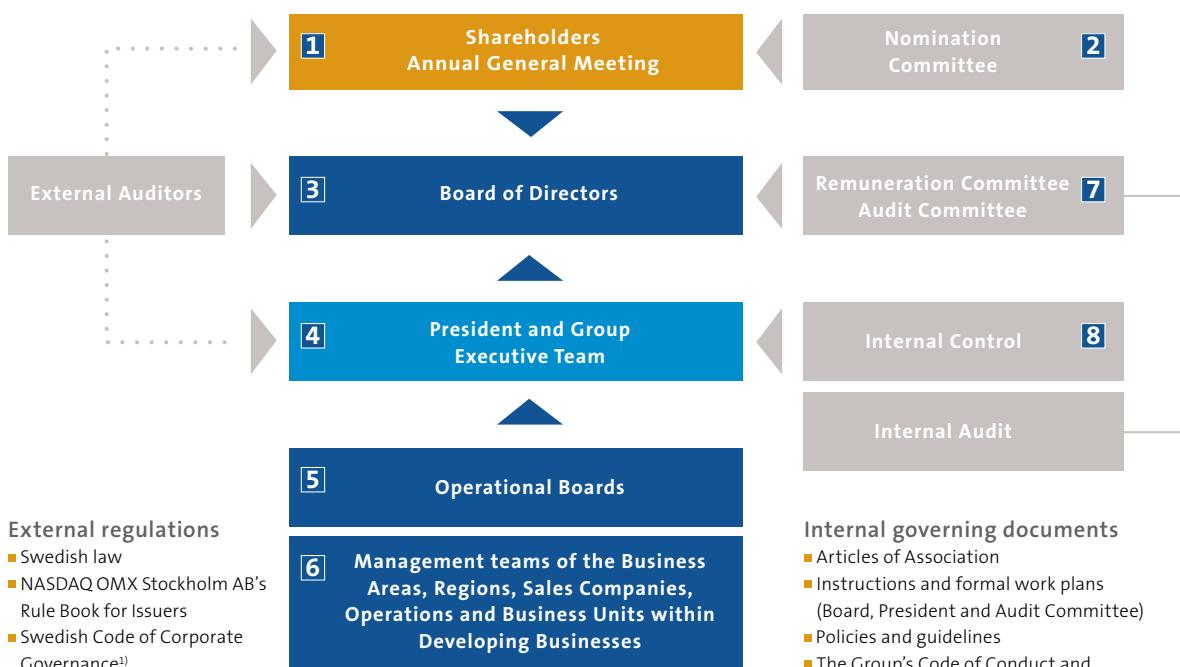
## Governance and division of responsibilities

Gunnebo gradually implemented a new organisation from 1 July 2010 to support the new strategy and contribute to intensifying focus on business activities. This Report describes how the Group is governed based on this new organisational structure. For information about how the Group was previously governed, refer to the 2009 Corporate Governance Report available on the Gunnebo website.

Effective corporate governance involves a well-defined division of duties and responsibilities, transparency vis-à-vis the company's shareholders and efficient governance and control of the Group's operations to ensure that they meet established targets. The following groups are primarily in charge of the governance, management, control and divisions of responsibilities at Gunnebo:

- Shareholders
- Board of Directors
- President
- Group Executive Team
- Operational boards
- Management teams of the Business Areas, Regions and Sales Companies
- Corporate functions

## Gunnebo Corporate Governance Model



1) The Swedish Code of Corporate Governance is available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

## **Shareholders 1**

At year-end 2010, the number of shareholders in Gunnebo amounted to 10,600. The percentage of Swedish financial ownership was approximately 24 per cent and foreign ownership was 9 per cent. Some 12 per cent of share capital was owned by Swedish natural persons, meaning that 88 per cent of the company was owned by legal entities or foreign natural persons. A table of shareholders representing holdings of 10 per cent or more of the share capital and further information about Gunnebo's ownership structure is available under the section 'Information for the Capital Market' on pages 96–97.

## **General Meetings**

Shareholders exercise their influence at the Annual General Meeting or, if held, at an Extraordinary General Meeting, which comprise Gunnebo's highest decision-making bodies. All shareholders registered in the transcript or other statement of the shareholders' register and who have registered their attendance at the Meeting before the stipulated deadline in the notice to attend are entitled to participate in the Meeting and exercise full voting rights. Shareholders who are unable to attend the Meeting in person may appoint a proxy.

Shareholders wishing to have an issue addressed by a General Meeting should submit their request to the Chairman of the Board by e-mail to [info@gunnebo.com](mailto:info@gunnebo.com) or by post to Gunnebo AB to the address printed on the back cover of this Annual Report.

### **2010 Annual General Meeting**

The 2010 Annual General Meeting was held on 27 April at Liseberg Theatre in Gothenburg. A total of 94 shareholders took part in the Meeting, representing 60.5 per cent of the number of shares and votes in the company.

Mikael Jönsson, Martin Svalstedt, Björn Eriksson, Bo Dankis and Göran Bille were re-elected members of the Board of Directors and Katarina Mellström was elected as a new member of the Board. The Annual General Meeting also re-elected Martin Svalstedt as Chairman of the Board. The Annual General Meeting resolved on such issues as guidelines for remuneration to senior executives, the introduction of share-based incentive programmes for senior executives and key individuals, and procedures for the appointment of the Nomination Committee.

The Annual General Meeting resolved not to pay any dividend to shareholders and that profits available for distribution be carried forward to the following year.

### **2011 Annual General Meeting**

The next Annual General Meeting for shareholders of Gunnebo will be held at Chalmers Student Union building, Chalmersplatsen 1 in Gothenburg on Thursday, 28 April 2011. More information about the Annual General Meeting is published on [www.gunnebo.com](http://www.gunnebo.com).

## **Nomination Committee 2**

The task of the Nomination Committee is to present proposals to the Annual General Meeting for decisions in such matters as the election of the Chairman of the Meeting, Board members (number, name and Chairman), Board fees, remuneration for Committee work, auditor's fees and procedures for the appointment of the Nomination

Committee. It was decided at the 2010 Annual General Meeting that, for the period until the 2011 Annual General Meeting, Gunnebo's Nomination Committee would comprise one representative from each of the three largest shareholders as of 30 September 2010 as well as the Chairman of the Board.

Since the third and fourth largest owners, IF Skadeförsäkrings AB and Enter Fonder AB, both declined to participate in the Nomination Committee, the fifth largest owner, Odin Forvaltnings AS, was appointed the third Committee member.

The following shareholder representatives comprised the Nomination Committee for the period until the 2011 Annual General Meeting: Dan Sten Olsson (Stena Adactum AB), Nils-Olov Jönsson (Vätterledens Invest AB), Nils Petter Hollekim (Odin Forvaltnings AS) and Martin Svalstedt, Chairman of the Board and convener. The Chairman of the Nomination Committee is Dan Sten Olsson.

In the Nomination Committee's opinion, all of the Committee members are independent of the company and its executive management. Furthermore, Nils-Olov Jönsson and Nils Petter Hollekim are independent of the company's largest shareholder. At the end of the third quarter, the Nomination Committee represented 46 per cent of the number of shares and votes in the company.

No remuneration is paid by the company to the members for their work on the Nomination Committee. The Nomination Committee has held one meeting prior to the date of this Annual Report.

Contact the Nomination Committee by post to Gunnebo AB to the address printed on the back cover of this Annual Report or by e-mail to [info@gunnebo.com](mailto:info@gunnebo.com).

## **Board of Directors 3**

The overall task of the Board of Directors is to manage the interests of the shareholders. It is also the Board's duty and responsibility to ensure that this Corporate Governance Report is prepared. The Articles of Association stipulate that the Board shall comprise no fewer than five and no more than seven members, with no more than two deputies.

The 2010 Annual General Meeting resolved that, for the period until the 2011 Annual General Meeting, Gunnebo's Board would comprise six members and no deputies. In addition, Gunnebo's Swedish trade unions also appointed two Board members, each with one deputy. The Chairman of the Board was appointed by the Annual General Meeting. None of Gunnebo's senior executives are members of the Board.

The Group's President and CEO, and the CFO, participate at Board meetings, the latter also serving as secretary. Furthermore, other senior executives participate at meetings whenever required.

### **Independence of Board members**

Pursuant to the Code, the majority of Board members elected at the Annual General Meeting must be independent of the company and its executive management. At least two members who are independent of the company and its executive management must also be independent of the company's major shareholders. The shareholdings of the individual Board members and their independence of the company, its executive management and the major shareholders, and other significant professional commitments are presented in the table on page 83.

## The Board's rules of procedure

The Board's work is primarily governed by the Swedish Companies Act, the Code and its rules of procedure. The rules of procedure are adopted every year at the statutory meeting of the Board and the current rules of procedure state that the Board shall hold at least five scheduled meetings between Annual General Meetings and describes the matters to be addressed at each meeting. The rules of procedure also outline the division of work and responsibilities between the Board, the Chairman, the Committees and the President.

The Board's tasks include establishing strategies, business plans, operational targets, interim reports and year-end reports. Furthermore, it is the Board's duty to decide on significant changes to the organisation of Gunnebo and its business activities and continuously evaluate the work of the President.

## Minutes from meetings

In 2010, the Board held seven scheduled meetings and three meetings at which minutes were taken. During these meetings reports from the President, the accounts at closes of interim periods, the budgets for 2010 and 2011, interim and annual reports, financial statements, reports from the Committees and the Nomination Committees, and items pertaining to the Annual General Meeting were addressed. The following topics were also discussed:

- Follow-up of the Get It Right action programme
- Strategic issues
- Investment issues
- Evaluation of corporate acquisitions and the acquisition of the Security Products division from API Security Holdings
- The establishment of operations in China
- The divestment of Troax
- Board evaluations
- President evaluation
- Rules of procedure

No Board members registered reservations against any decisions during the year.

## Evaluation of the Board's work

The work of the Board is evaluated every year by a survey, the results of which form the basis for continuous improvements to the Board's work. The evaluation includes issues regarding the composition of the Board, meetings, material, Committees and the manner in which the Chairman of the Board and the Board perform their main duties in accordance with the Code.

## Chairman

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the Annual General Meeting held on 27 April 2010. It is the Chairman of the Board's responsibility to ensure that the Board's work is conducted efficiently. This includes ensuring that the Board completes its duties, and monitoring the progress of the company and ensuring that the other members continuously receive the information required for the Board to perform its work to the necessary standard and in

accordance with the relevant regulations. The Chairman does not participate in the operational management of the company.

## President 4

Per Borgvall is the President of Gunnebo and leads the company in accordance with the rules of procedure adopted by the Board. The President is also responsible for ensuring that the Board receives the information and material necessary for making decisions. Furthermore, he presents reports at Board meetings and continuously keeps the Board and Chairman informed of the Group's and company's financial position and performance.

The President's work in 2010 focused on implementing the new strategy. This process encompassed the introduction of a new organisation and, from the first quarter of 2011, also changes to the external reporting structure (for more information, see page 91). These changes were carried out to create an organisation that supports the new strategy and has a greater focus on business.

In addition, the President continued to focus on implementing measures under the Get It Right action programme, such as improving cash flow and margins and generating cost savings.

## Group Executive Team

From 1 July to 31 December 2010, Gunnebo's Group Executive Team comprised the President, SVPs of the Business Areas, SVP Region North Europe, SVP Region South Europe, SVP Operations, CFO and SVP HR & Communications.

The task of the Group Executive Team is to establish, implement and monitor strategies and guidelines for the Group's operations following decisions made by the Board. This work is ensured by having the SVPs of the Business Areas, Regions and Operations represented in the Executive Team.

The Group Executive Team's work in 2010 focused on preparing business plans based on the new strategy and implementing and monitoring targets and priority measures within the framework of the Get It Right action programme. The Group Executive Team is also responsible for continuously assessing and deciding on the tenders Gunnebo submits for major transactions.

## New organisation

To support the new strategy and contribute to enhancing focus on the business, Gunnebo gradually implemented a new organisation between 1 July and 31 December 2010. The organisation is based on four Business Areas: Bank Security & Cash Handling, Entrance Control, Secure Storage and Services; three Sales Regions – North Europe, South Europe and Rest of the World, which encompass the Group's 30 Sales Companies; Operations, which is responsible for production, purchasing, logistics, quality, environmental issues and R&D, and Developing Businesses (SafePay, Gateway and Perimeter Protection, as well as Troax, which was divested in December 2010).

The new organisation comprises the Group's operating reporting structure from 1 January 2011.

The description of how the Group is governed, (see page 78), is based on the new organisational structure. An organisational chart showing the different units of the business, their areas of responsibility and how they integrate with each other is presented on pages 6–9.

## **Operational management**

Gunnebo's operational management comprises the four Business Areas Bank Security & Cash Handling, Entrance Control, Secure Storage and Services, as well as Operations, the three management groups within Developing Businesses and the 30 Sales Companies, which are divided into the Regions of North Europe, South Europe and Rest of the World.

## **Operational boards 5**

Each Region, Sales Company and Business Area, as well as Operations and Developing Businesses, has an operational board. These boards are responsible for controlling their respective operations and are bodies under the Group Executive Team, which is responsible for the operational governance of the Group.

The President, the SVPs of the Business Areas and Regions, and the SVP Operations share the Chair of the operational boards. Other members of the operational boards are representatives from the respective management groups of each of these parts of the business.

The focus of the operational boards in 2010 was also on completing and specifying the business plans for the operational side of the business, and implementing and following up on activities within the framework of the Get It Right action programme. In addition, the boards monitored internal and external audits.

## **The management groups of the Business Areas, Sales 6 Regions, Sales Companies, Operations and the Business Units within Developing Businesses**

The management groups of the Business Areas, Sales Regions, Sales Companies, Operations and the Business Units within Developing Businesses are responsible for the management of daily operations.

These management groups comprise the three to five most important heads of function and the relevant SVP.

In addition to handling matters arising from daily operations, the management groups worked during the year on further developing the Group's business and strengthening its market positions in the core business outlined in the new strategy, as well as gradually implementing and monitoring the other measures decided within the framework of the Get It Right action programme. An example of such work was adjusting fixed costs to prevailing market conditions.

## **Corporate functions**

Gunnebo's head office houses the corporate functions for the coordination of Operations (research and development, production, environmental issues, quality, logistics and purchasing), finance, consolidated accounts, internal audit and internal control, business control, legal affairs, IT, HR and communications. These functions are responsible for preparing relevant Group-wide strategies and business plans for their respective areas of responsibility and for assisting and further developing the organisation based on their respective areas of expertise.

In 2010, the corporate functions focused on such matters as communicating and anchoring the Group's new organisation and strategy internally, the implementation of the Management Assessment Programme, which encompassed 120 senior executives in the organisation, the development and implementation of a new reporting structure corresponding to the new organisation, monitoring the

progress of the Get It Right action programme, driving the establishment of purchasing, production and sales activities in China, driving the development of Group-wide purchasing and logistics processes, continuing the development of internal governance and control in the Internal Control Remediation project, the implementation of training programmes for Key Account Management and initiating and pursuing a number of projects within the framework of the rationalisation of the industrial platform. The corporate function also continued to lead the work in further developing and implementing a shared IT platform, which includes a shared platform for the Group's web environments and the implementation of a shared ERP system.

## **Committees 7**

During 2010, the Board of Directors of Gunnebo has had two Committees: the Remuneration Committee and the Audit Committee. The representatives sitting on these Committees are appointed by the Board from among its own ranks.

### **Remuneration Committee**

The Remuneration Committee's task includes preparing issues pertaining to the conditions of employment for the Group Executive Team (including remuneration), succession planning and other personnel development issues prepared by the Group Executive Team and Group's SVP HR & Communications. The Remuneration Committee also evaluates the application of the guidelines for remuneration to senior executives adopted by the Annual General Meeting. The Remuneration Committee follows written rules of procedure.

Following the Annual General Meeting held on 27 April 2010, the Committee comprised Martin Svalstedt (Chairman), Mikael Jönsson and Göran Bille. All of the members of the Remuneration Committee are independent of the company and company management and one member is also independent of the company's major shareholders.

The Remuneration Committee held two meetings in 2010. Issues including performance requirements, bonus models and the incentive programme for senior executives were discussed during the year. Attendance of the members of the Remuneration Committee at meetings is presented in the table on page 83.

### **Audit Committee**

The Audit Committee's main task is to serve as the preparatory body for contact between the Board and the auditors, and between the Board and the internal audit function. The Audit Committee follows written rules of procedure. The Committee's duties also include examining and monitoring the Group's financial reporting, external reporting, internal control and ensuring the management and reporting of financial risks.

Following the Annual General Meeting held on 27 April 2010, the Committee comprised Mikael Jönsson (Chairman), Bo Dankis and Katarina Mellström. All of the members of the Audit Committee are independent of the company and company management and two members are also independent of the company's major shareholders. The Committee held three meetings during the year. The Group's auditors also participated at one Board meeting to present an account of their audit. Issues including the annual and interim

accounts, the auditors' audit and reporting on and the planning of the internal audit were discussed during the year. The attendance of the members of the Audit Committee at meetings is presented in the table on page 83.

### **Financial reporting**

Each Business Area, Sales Region and Sales Company as well as Operations and Developing Businesses report on their financial outcome every month. These reports are compiled by Gunnebo AB's finance, consolidated accounts and business control corporate functions, and form the basis of further analyses and interim reporting to shareholders and the stock market.

### **Incentive programme**

#### **For senior executives**

The Extraordinary General Meeting held on 24 October 2007 resolved to introduce a long-term incentive programme for senior executives and other key individuals at the Group. The basic structure is a combined share and warrant programme whereby about 120 senior executives and other key individuals are offered the opportunity to subscribe for newly issued or previously held shares (savings shares) up to and including the publication date of Gunnebo's Year-End Report for the 2010 financial year. For each block of 200 savings shares, the participant is offered the opportunity to acquire a maximum of 1,600 warrants at market price. The market price of the warrants is determined by using Black & Scholes valuation model and amounted to SEK 10.40 per warrant. One warrant entitles the holder to subscribe for 1.28 shares in Gunnebo AB at a price of SEK 63.80 per share (restated following the rights issue implemented in 2009) during certain predetermined periods in 2011.

Participants acquiring warrants are subsequently offered participation in a performance-based cash bonus programme with potential payments every year over a period of four years (2007–2010). Bonuses are paid only on condition that certain financial programme conditions have been fulfilled and that both savings shares and warrants are still owned by the participant and that the participant remains an employee of Gunnebo during the period stated. The net bonus, after applicable standard taxation in the participant's respective country, may total a maximum of an amount corresponding to the total price paid for the warrants. The maximum cost of the bonus is a total of approximately MSEK 1.8 per year.

Participants in countries in which the tax rules are unfavourable for the acquisition and exercising of warrants have instead been allotted employee share options free of charge. These employee share options can only be redeemed if the financial programme conditions have been achieved for each of the financial years 2007–2010, according to the same principle as described for the aforementioned bonus programme. Exercising the employee share options is condi-

tional on the continued holdings of savings shares and continued employment with Gunnebo on the publication date of Gunnebo's Year-End Report for the 2010 financial year. An employee share option entitles the holder to subscribe for 1.28 shares in Gunnebo AB at a price of SEK 63.80 per share (restated following the rights issue implemented in 2009) during certain predetermined periods in 2011. A maximum level has been set for the amount of remuneration per employee share option so that the total cost, including social security charges, can amount to a maximum of approximately MSEK 5.9.

The Annual General Meeting held on 27 April 2010 resolved to introduce an incentive programme for senior executives and other key individuals at the Group (Incentive Programme 2010/2014) by issuing warrants carrying entitlement to new shares in Gunnebo AB to 46 employees in 21 different countries. The acquisition price of the warrants was determined by using the Black & Scholes valuation model and amounted to SEK 3.30 per warrant. One warrant entitles the holder to subscribe for one share in Gunnebo AB at a price of SEK 32.00 per share during certain predetermined periods in 2013–2014. Since the participants have been offered acquisition of warrants at market price, the programme is not deemed to entail any accounting salary costs or similar costs in accordance with IFRS 2 for the Group. However, costs in the form of social security charges may be payable in certain countries.

#### **For Board members**

The Extraordinary General Meeting held on 24 October 2007 resolved to introduce a long-term incentive programme for Board members. The programme for Board members has the same structure as the incentive programme for senior executives and other key individuals. For each block of 200 savings shares, participants are offered the opportunity to acquire a maximum of 800 warrants at market price. In all other respects, the programme for Board members has been structured with exactly the same terms and conditions as the programme for senior executives, except that this programme does not include any bonus option corresponding to the option offered to employees.

### **External audit**

Gunnebo's auditors are elected at the Annual General Meeting. The current election was conducted in 2008 and is valid until the 2012 Annual General Meeting. Deloitte was elected auditor at the 2008 Annual General Meeting with Jan Nilsson as Auditor in Charge. The auditors' report on their audit to the Board of Directors. In addition to their standard audit assignments, Deloitte provides assistance in the form of advisory and investigative assignments. The assignments performed are not deemed to give rise to a disqualification situation. Information regarding fees to auditors is provided in Note 34.

## Internal control **8**

The head of the internal control corporate function is also responsible for the Group's internal audit and reports to the CFO and periodically to the Audit Committee. The function works with both preventive and auditing activities aimed at developing internal control in the Group and monitoring how internal control works.

Internal control works on behalf of the Group Executive Team and, during the year, focused primarily on an ICR project (Internal Control Remediation) with the aim of improving the internal control structure by creating minimum requirements for effective internal control.

Internal audit performed audits in accordance with the annual audit plan and reported on the results to the Audit Committee. More detailed descriptions of the work of the function are provided in the Board's report on internal control.

## BOARD'S REPORT ON INTERNAL CONTROL

Gunnebo AB applies and adheres to the requirements for internal governance and control stipulated by Swedish law (Companies Act and Annual Accounts Act) and the Swedish Code of Corporate Governance, 'the Code'. This Report has been prepared in accordance with these regulations, the Code and the guidelines produced jointly by FAR (the institute for the accounting profession in Sweden) and

the Confederation of Swedish Enterprise. The Report is limited to a description of how internal control is organised with regard to financial reporting.

### Internal control of financial reporting

The Gunnebo Group applies the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) (see overview below) to describe the internal control of financial reporting. This framework is also used to structure the self-assessment of management controls. The internal governance and control process involves the Board, Audit Committee, President, Group Executive Team and other personnel. The purpose of the process is to ensure fulfilment of the Group's goals in terms of relevant and efficient processes, to obtain reasonable assurance with respect to the reliability of external financial reporting and to ensure that this reporting is prepared in accordance with prevailing legislation and regulations.

The following description of the internal control of financial reporting is organised according to the aforementioned internal control framework. It also includes a description of the continuing work to develop the Group's internal control structure and processes through an ICR project (Internal Control Remediation).

### Statistics on Attendance and Independence of Board Members 2010

Name Elected at AGM	Elected	Board meetings	Remuneration Committee	Audit Committee	Independent of:			Total remuneration, SEK 000 <sup>a)</sup>
					The company and corporate management	The company's larger shareholders		
Martin Svalstedt	2003	10 (C)	2 (C)		Yes	No		400
Mikael Jönsson	2000	10 (M)	2 (M)	3 (C)	Yes	No		250
Katarina Mellström*	2010	7 (M)		3 (M)	Yes	Yes		250
Björn Eriksson	2006	9 (M)			Yes	Yes		225
Bo Dankis	2006	10 (M)		3 (M)	Yes	Yes		250
Göran Bille	2008	8 (M)	2 (M)		Yes	Yes		250

\*Elected to the Board at the 2010 Annual General Meeting, attended all meetings following election.

#### Employee representatives

Bo Anders Hansson	1999	10 (M)						38.7
Christer Grimståhl*	2010	4 (M)						38.7
Bengt Håkansson**	2010	8 (D)						38.7
Crister Carlsson***	2010	4 (D)						38.7

**Number of meetings:** **10** **2** **3** **Total: 1,779.8**

\*Replaced Claes-Göran Karlsson in September 2010. Attended all meetings thereafter. \*\*Replaced Christer Grimståhl in the spring of 2010. Absent from one meeting.

\*\*\*Replaced Lars-Olof Larsson in September 2010. Absent from one meeting.

1) The amount reflects the total remuneration paid out for the post. Note that certain members and representatives have left or entered their post during the year.

C=Chairman M=Member D=Deputy

## Risk assessment A

Gunnebo performs an annual risk assessment of the financial reporting aimed at identifying and evaluating processes and items with elevated risk levels. This risk assessment is based on numerous criteria, for example, material significance, complexity and risk of fraud. These criteria are subsequently analysed and condensed into a summarised risk exposure for each item in the consolidated income statement and balance sheet.

The risk assessment forms part of the supporting material for prioritising and documenting control requirements for key processes within the framework of the ICR project. The assessment also provides data for the annual audit plan. Furthermore, it is combined with other information that may influence risks, for example, major changes with regard to the organisation, senior executives, systems or new operations. More information about the Group's risks is available in the section 'Risk and Sensitivity Analysis' (pages 92–95) and in Note 3, Financial Risk Management and Financial Instruments.

## Control environment B

Gunnebo's control environment is based on and governed by the principles established in the Group's Core Values and Code of Conduct, which are linked to the company's strategy, business plans and operational targets. These are fundamental principles that emphasise the culture, values and ethics that the Board, Audit Committee, President and Group Executive Team communicate and base their work on. The principles also include the Group's policies and guidelines from a number of areas, for example, the delegation of authorities from management to personnel. The Group-wide corporate governance model, described on pages 78–83, is also fundamental.

One of the activities conducted during the year was an overview and update of management controls and the distribution of a self-assessment programme to 58 companies in the Group. In these self-assessments, each management group confirms in writing that

the level of governance and internal control in their company is satisfactory and functions well. The self-assessments will be tested and followed up in conjunction with future internal audits.

## Control activities C

Control activities are performed at various levels within Gunnebo. The Group Executive Team is ultimately responsible for implementing and ensuring that controls are performed at both a general and detailed operational level. This is achieved by ongoing governance and control of the accounts and financial reporting carried out by the finance functions of the local companies and the finance corporate function in conjunction with consolidation. The controller network in the various organisational units performs analyses of key ratios, tied-up capital, trends, products, budgets and forecasts. In addition, more detailed analyses are performed as required.

The ICR project continued during the year and documentation was produced for two additional process groups. Besides processes for order to sales, closing and reporting, the documentation now includes minimum requirements for the internal control of the purchase to pay, inventory and production management processes. These processes have been selected and prioritised based on an annual risk assessment of the consolidated income statement and balance sheet.

The process groups, with their accompanying control requirements, will be successively distributed to the Group companies deemed to be significant. Implementation is scheduled for 2011 and involves the local companies comparing and documenting their local processes and controls against the Group's minimum requirements.

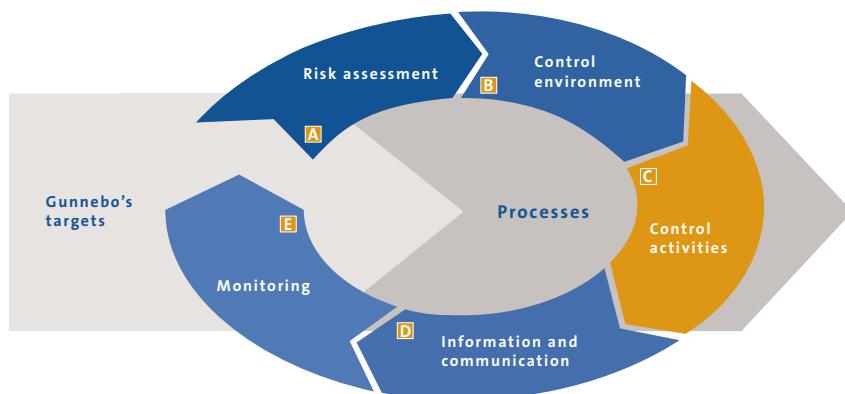
## Information and communication D

Gunnebo's external and internal information and communication in the form of reporting to various authorities, financial reporting and information to the Board and employees takes place in accordance

## INTERNAL CONTROL – AN INTEGRATED PROCESS

Control does not take place on a single defined occasion; instead it is an ongoing process that requires continuous updates, support and evaluation to remain relevant at any point in time.

- Group-wide controls
- Transaction controls
  - Order to sales process
  - Closing and reporting process
  - Inventory and production management process
  - Purchase to pay process



with the requirements of the business environment, the Group's internal governing documents and the Communications Policy. Accordingly, all external and internal information and communication is to be appropriate, up-to-date and correct, and should be available to the target groups as and when it is required.

#### Internal information

Internal governing documents and guidelines pertaining to financial reporting are available to the relevant personnel on Gunnebo's intranet and are also communicated at meetings and through other channels. The intranet contains policies, guidelines and specific instructions for financial reporting, internal control, closing of accounts, budget and forecasts.

The Gunnebo Training Centre (GTC) is a tool used for training and facilitating communication of, for example, the Group's vision, targets, strategies and ethical dilemmas linked to the Code of Conduct and Core Values.

The Board receives regular reports on the financial statements and earnings trends, analyses and comments on outcome, plans and forecasts. It also receives feedback from Audit Committee meetings at which the external auditors and Internal Audit present the results of their audits. A report on the status of the work on establishing and improving the Group's internal control structure through the ICR project is also provided.

Additionally, there are various internal meeting forums, such as the International Management Conference (IMC), and internal boards that also include the monitoring of financial information and other important internal matters on their fixed agendas.

#### External information

Information is continuously communicated to external stakeholders on Gunnebo's website, which contains publications, interim reports and other financial information, press releases and information about Gunnebo's organisation and products. This information is also supplemented by meetings with investors and analysts, which are logged in an internal database.

#### Monitoring **E**

Gunnebo's monitoring of Group companies includes monthly and quarterly reviews of outcome compared with budget and forecasts, results from self-assessments, and internal audits. Regular monitoring of and reporting on operations is carried out at different levels by the Board, Audit Committee, President, Group Executive Team and operational boards. Internal Audit performs audits in accordance with the annual audit plan approved by the Audit Committee. A limited review of the self-assessment of management controls was also performed in conjunction with the audits.

In addition, reviews of special ventures are conducted, for example, under the framework of the Get It Right action programme, with the aim of generating a high level of profitability through cost savings and improved cash flow. See the section 'Information for the Capital Market' on page 90 for more information about how communication and monitoring of the Group's financial reporting are carried out externally.

 [Read more at Gunnebo.com](http://gunnebo.com)

## AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Gunnebo AB  
Corporate Registration Number 556438-2629

*This is a direct translation of the Swedish statement.*

The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the other parts of the annual accounts and the con-

solidated financial statements, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Gothenburg, February 28, 2011  
Deloitte AB

Jan Nilsson  
Authorised Public Accountant

# BOARD OF DIRECTORS



Back row from left: Bo Dankis, Christer Grimståhl, Crister Carlsson, Björn Eriksson and Martin Svalstedt.  
Front row from left: Bo Anders Hansson, Mikael Jönsson, Katarina Mellström, Göran Bille and Bengt Häkansson.

**Martin Svalstedt***Chairman*

Elected: 2003, Chairman since 2008

Born: 1963

Nationality: Swedish

Main position: President, Stena Adactum AB

Education: Master of Science in Business Administration

Professional background: CFO Capio AB, senior financial posts at Stora and ABB

Other Board appointments: Chairman of Ballingslöv International AB, Envac AB, MediaTec AB and Stena Renewable AB. Member of Gislaved Folie AB and Stena Adactum AB.

Shareholding: 154,852 (of which 53,802 via endowment insurance)

Warrants: 16,000

**Mikael Jönsson***Board member*

Elected: 2000

Born: 1963

Nationality: Swedish

Main position: President, Vätterledens Invest AB

Education: University studies in Economics

Professional background: Stockbroker, various senior positions at Vätterledens Invest AB

Other Board appointments: AB Trätsläja, Vätterledens Invest AB and its subsidiaries, Kopparbergs Bryggeri AB, Nanoxis AB and Wipcore AB

Shareholding: 153,333

Warrants: 16,000

**Katarina Mellström***Board member*

Elected: 2010

Born: 1962

Nationality: Swedish

Main position: Management consultant, IMM Consulting

Education: Master of Science in Business Administration

Professional background: President and Country Manager for Fujitsu Services AB Sweden, President and CEO of Mandator, several management positions at Ericsson AB

Other Board appointments: Matrisen och Dataföreningen Certifiering

Shareholding: —

Warrants: —

**Bo Dankis***Board member*

Elected: 2006

Born: 1954

Nationality: Swedish

Main position: Professional Board member and self-employed

Education: Master of Science in

Mechanical Engineering

Professional background: President and executive at Forsheda AB, ABB, Assa Abloy AB and the Perstorp Group

Other Board appointments: Chairman of the Swedish Trade Council, Coromatic AB, Gadelius K.K., Tokyo and the Sweden-Japan Foundation

Shareholding: 8,666

Warrants: 16,000

**Bo Anders Hansson***Employee representative for Unionen*

Elected: 1999

Born: 1954

Nationality: Swedish

Education: Engineering

Shareholding: —

Warrants: —

**Bengt Håkansson***Employee representative for Unionen, deputy member*

Elected: 2010

Born: 1957

Nationality: Swedish

Education: Sales

Shareholding: 1,166

Warrants: —

**Christer Grimstähl***Employee representative for Metall*  
Elected: 2005 (employee representative for Unionen), 2010 (employee representative for Metall)

Born: 1962

Nationality: Swedish

Education: Sales

Shareholding: —

Warrants: —

**Crister Carlsson***Employee representative for Metall, deputy member*

Elected: 2010

Born: 1965

Nationality: Swedish

Education: Electric Power Engineering

Shareholding: —

Warrants: —

**Göran Bille***Board member*

Elected: 2008

Born: 1955

Nationality: Swedish

Main position: President and CEO of AB Lindex

Education: Master of Science in Business Administration

Professional background: Several senior positions at H&amp;M including President of H&amp;M Rowells, Country Manager for H&amp;M in Sweden,

Division Manager for H&amp;M Woman

Other Board appointments: Member of

Synsam Nordic AB

Shareholding: 16,666 (via endowment insurance)

Warrants: —

# GROUP EXECUTIVE TEAM



Back row from left: Robert Hermans, Per Borgvall, Christian Guillou and Mats Johansson.

Front row from left: Anna Schmidt Almlöf, Fredrik Östman, Tomas Wängberg, Agneta Hultgren and Thomas Heim.

**Per Borgvall***President and CEO, SVP Region ROW*

Employed: 2009

Born: 1958

Nationality: Swedish

Education: Master of Science in Mechanical Engineering, Chalmers 1982  
 Professional background: President and CEO of AB Fagerhult, Business Area Manager of the Indoor Climate division at British industrial group IMI plc, President of Tour & Andersson AB and Uponor AB  
 Board appointments: Nederman Holding AB  
 Shareholding: 32,000  
 Warrants: 30,000

Asia/Pacific: W. Mouat

Australia: D. Turner; Indonesia: H. Kurniawan;  
 India: N. Roberts; Singapore: E. Tay  
 Africa/Middle East: M. Houseman  
 Middle East: J. Touma; South Africa: M. Houseman  
 China: M. Johansson  
 Canada & USA: J. Haining

**Christian Guillou***SVP Business Area Bank Security & Cash Handling,  
SVP Region South Europe, Country Manager**Gunnebo France*

Employed: 2008

Born: 1967

Nationality: French

Education: ESLSCA (French business school),  
 IMD (marketing degree), INSEAD (general management & strategy degree)  
 Professional background: Senior positions at Franciaflex, BPB Placo and Pergo

Board appointments: —

Shareholding: 6,941

Warrants: 20,000

France: C. Guillou

Spain &amp; Mexico: J. Ortúño

Portugal: C. Valpradinhos

Italy: M. Depaoli

Switzerland: M. Finders

Belgium &amp; Luxembourg: F. de Broyer

Greece: Vacant

**Thomas Heim***SVP Region North Europe, Country Manager**Gunnebo Germany and Austria*

Employed: 2010

Born: 1968

Nationality: German

Education: Master of Science in Business Administration

Professional background: VP Sales Europe North at Robert Bosch Power Tools Division, prior to that senior marketing and sales positions at Robert Bosch in Brazil, Germany and Spain  
 Board appointments: —  
 Shareholding: —  
 Warrants: 20,000

Sweden: B. Nordén

Norway: T. Lövseth

Denmark: T. Christensen

Finland: M. Heiskanen

Germany &amp; Austria: T. Heim

UK &amp; Ireland: P. Hutchinson (from 1 June)

Netherlands: P. van Aart

Eastern Europe: J. Szkalej

Poland: J. Szkalej; Czech Republic: Viktor Bartusek;

Hungary: István Roszmann

**Robert Hermans***SVP Business Area Entrance Control*

Employed: 1996

Born: 1968

Nationality: Swedish

Education: Master of Science in Business Administration and MBA

Professional background: Country Manager Gunnebo South Africa, President Gunnebo Lifting, Managing Director Cargo Control Systems (South Africa) and other senior management positions in marketing and sales in the Gunnebo Industries Group  
 Board appointments: Tsarmedia AB and Satpack Travel, South Africa  
 Shareholding: 2,000  
 Warrants: 36,000

**Agneta Hultgren***SVP HR & Communications*

Employed: 2007

Born: 1953

Nationality: Swedish

Education: Degree in Social Science

Professional background: HR management positions at Getinge, Altima and Esab, among others

Board appointments: —

Shareholding: 6,000

Warrants: 24,000

**Mats Johansson\****SVP Operations, Country Manager Gunnebo China*

Employed: 2010

Born: 1960

Nationality: Swedish

Education: Master of Science Civil Engineering, Chalmers, 1985

Professional background: Senior positions in business development and production at Fagerhult, IMI and Uponor

Board appointments: —

Shareholding: 6,666

Warrants: 12,500

\*Member of Group Executive Team since 10 February 2011.

**Anna Schmidt Almlöf\****SVP Services*

Employed: 2011

Born: 1967

Nationality: Swedish

Education: Master of Science in Business Administration from Stockholm School of Economics and Executive MBA from Instituto de Empresa, Madrid

Professional background: Director of Product Management, Ericsson Global Services and other senior sales and service positions at Ericsson and Unisys in Sweden and abroad

Board appointments: —

Shareholding: —

Warrants: —

\*Took office on 1 April 2011

**Tomas Wängberg***SVP Secure Storage, SVP Developing Businesses*

Employed: 2009

Born: 1958

Nationality: Swedish

Education: Marine Engineering, Chalmers 1981

Professional background: President and CEO ABS Group, AB Pharmadule, ABB Carbon AB; senior positions in marketing, sales and production management at ABB

Board appointments: Biosensor Applications AB

Shareholding: 2,850

Warrants: 20,000

**Fredrik Östman\****CFO & CIO*

Employed: 2010

Born: 1966

Nationality: Swedish

Education: Master of Science in Business Administration

Professional background: CFO Gambrö AB, senior positions at Electrolux/Husqvarna,

TI Group Plc/Forsheda and ABB

Other Board appointments: —

Shareholding: —

Warrants: —

\*Replaced Hans af Sillén on 15 November 2010