

CORPORATE GOVERNANCE REPORT

Corporate governance structured around the Group's operations is essential to commercial success and increased profitability. In 2011, Gunnebo endeavoured to adapt the governance of the Group so that it best supports the Group strategy and the new organisation which was fully implemented on 1 January 2011.

Gunnebo 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"), NASDAQ OMX Stockholm AB's Rule Book for Issuers and the Swedish Securities Council's statements.

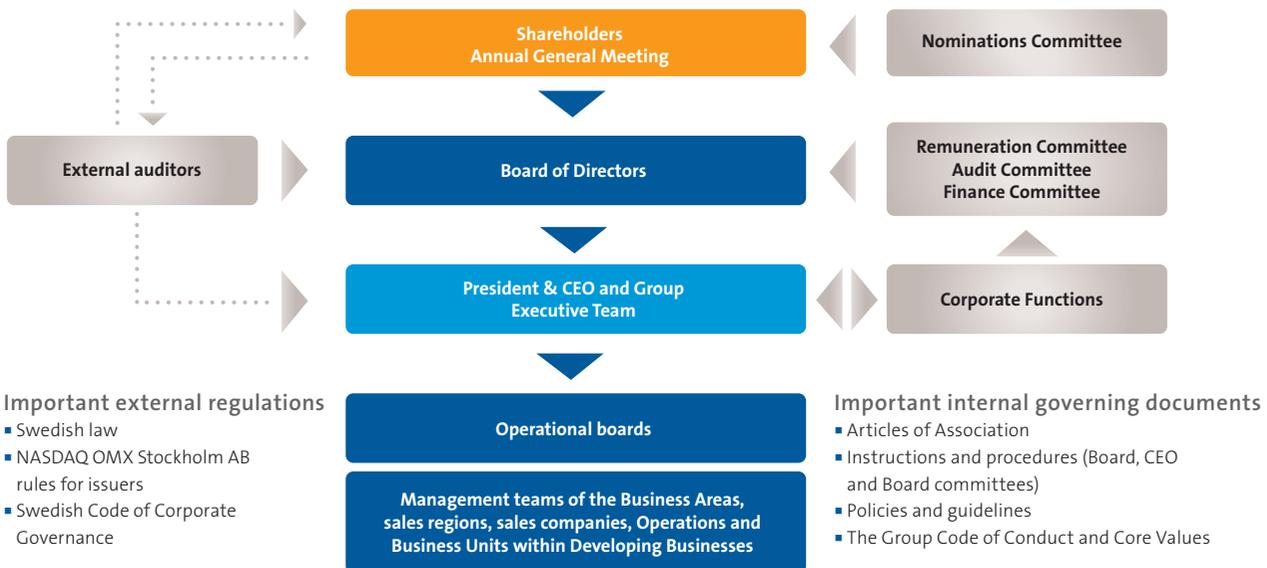
This Report summarises the structure of corporate governance and how corporate governance has been performed and developed within

the Group during the 2011 financial year. Gunnebo complies with the regulations of the Code in all respects.

Governance and division of responsibilities

Effective corporate governance involves a well-defined division of duties and responsibilities, transparency vis-à-vis the shareholders and efficient governance and control of the Group's operations to ensure that it meets established targets. The following groups are

OVERVIEW OF GUNNEBO'S CORPORATE GOVERNANCE



For more information

- Swedish Companies Act, www.regeringen.se
- Nasdaq OMX Stockholm, www.nasdaqomxnordic.com
- Swedish Code of Corporate Governance and special rules for corporate governance: www.corporategovernanceboard.se

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, sales regions, sales companies, Operations and Business Units within Developing Businesses
- Corporate functions

Shareholders

At year-end 2011, the number of shareholders in Gunnebo amounted to 10,196. The percentage of Swedish financial ownership was approximately 24% and foreign ownership was 11%. Some 12% of the share capital was owned by Swedish natural persons, meaning that 88% of the company was owned by legal entities or foreign natural persons. A table of shareholders representing holdings of 0.5% or more of the share capital and further information about Gunnebo's ownership structure is available under the section "The Gunnebo Share" on pages 92–93.

General Meetings

Shareholders exercise their influence at the Annual General Meeting or, if held, at Extraordinary General Meetings, which are 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 or by post to Gunnebo AB to the address printed on the back cover of this Annual Report.

2011 Annual General Meeting

The 2011 Annual General Meeting was held on 28 April at the Chalmers Student Union building in Gothenburg. A total of 60 shareholders took part in the Meeting, together representing 59.8% of the number of shares and votes in the company.

Martin Svalstedt, Göran Bille, Bo Dankis, Björn Eriksson, Mikael Jönsson and Katarina Mellström were re-elected as members of the Board of Directors. The Annual General Meeting also re-elected Martin Svalstedt as Chairman of the Board. In addition to resolutions in ordinary matters, the Annual General Meeting resolved on guidelines for remuneration to senior executives, the introduction of a

share-based incentive programme for senior executives and key individuals, and an amendment of the Articles of Association. The Annual General Meeting resolved on a dividend of SEK 0.50 per share to the shareholders.

2012 Annual General Meeting

The next Annual General Meeting for shareholders of Gunnebo will be held at the Liseberg Theatre, Örgrytevägen 5 in Gothenburg on 26 April 2012. More information about the Annual General Meeting is available on the back cover of this annual report and will be published on www.gunnebogroup.com.

Nomination Committee

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), fees to the Board of Directors, remuneration for Committee work, auditor's fees and procedures for the appointment of the Nomination Committee and, where applicable, the election of auditor. It was decided at the 2011 Annual General Meeting that, for the period until the 2012 Annual General Meeting, Gunnebo's Nomination Committee would consist of one representative from each of the three largest shareholders as of 30 September 2011 as well as the Chairman of the Board.

This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2012 Annual General Meeting: Dan Sten Olsson (Stena Adactum AB), Nils-Olov Jönsson (Vätterledens Invest AB), Ricard Wennerklint (If Skadeförsäkrings AB) 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 Ricard Wennerklint are independent of the company's largest shareholder. At the end of the third quarter, the Nomination Committee represented 57% 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 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.

Board of Directors

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 2011 Annual General Meeting resolved that, for the period until the 2012 Annual General Meeting, Gunnebo's Board would comprise six ordinary members and no deputies. In addition, Gunnebo's Swedish trade unions are entitled to appoint two ordinary Board members, each with one deputy.

The Chairman of the Board is 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 79.

The Board's rules of procedure

The Board's work is primarily governed by the Swedish Companies Act, the Code and the Board's 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 describe 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.

Meetings' report

In 2011, the Board held ten scheduled and two extra meetings at which minutes were taken. During these meetings, reports from the President, the accounts at the close of interim periods, the budgets for 2011 and 2012, interim and annual reports, financial statements,

reports from the Board's Committees and the Nomination Committee, 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
- New financing
- Divestment of Perimeter Protection
- Corporate acquisitions
- Investments in China and India
- Board evaluations
- Evaluation of CEO
- 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 28 April 2011. 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

Per Borgvall is the CEO of Gunnebo and leads the company in accordance with the rules of procedure adopted by the Board. The CEO 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 2011 focused on implementing the strategy prepared and implemented in 2010. This process encompassed

the introduction of a new organisation and, from the first quarter of 2011, also changes to the reporting structure.

These changes were carried out to create an organisation that supports the new strategy and has a greater focus on business. During the year, the CEO also developed an acquisition strategy and implemented a number of activities that support the growth of the Group's business outside Europe.

Group Executive Team

The implementation of the new strategy has entailed that the composition of Gunnebo's Group Executive Team changed three times during the year. All changes made were communicated by press releases and are available on www.gunnebogroup.com (the Group's website). The Group Executive Team presented on pages 84–85 of this Annual Report is the composition as of 1 March 2012 and comprises the President and the Senior Vice Presidents of the Business Areas, the Regions of EMEA and the Americas and Operations, and the CFO.

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 Group Executive Team.

The Group Executive Team's work in 2011 focused on implementing the chosen strategy, the divestment of Perimeter Protection, corporate acquisitions, business development, purchasing savings and the formulation of Gunnebo's new service offering. The Group Executive Team is also responsible for continuously assessing and deciding on the tenders Gunnebo submits for major transactions.

New organisation

Gunnebo implemented a new organisation from 1 January 2011 to support the new strategy and contribute to intensifying focus on business activities. The organisation is based on four Business Areas: Bank Security & Cash Handling, Secure Storage, Global Services and Entrance Control; three sales regions – EMEA (Europe, Middle East and Africa), Americas and Asia, which encompass the Group's 31 sales companies; Operations, which is responsible for production, purchasing, logistics, quality and environmental issues, and Developing Businesses (SafePay, Gateway and Perimeter Protection, where the latter was divested in September 2011).

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

Operational management

Gunnebo's operational management comprises the four Business Areas Bank Security & Cash Handling, Secure Storage, Global Services

and Entrance Control, as well as Operations, the two management groups within Developing Businesses (the third, Perimeter Protection, was divested during the year) and the 31 sales companies, which are divided into the regions of EMEA, Americas and Asia Pacific.

Operational Boards

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 Chairmanship 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 2011 was also on implementing the common strategy and adapting the business to the new organisation. In addition, the boards followed up on observations noted in internal and external audits.

Management teams of the Business Areas, sales regions, sales companies, Operations and 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 corporate functions and the relevant SVP.

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, financial control, business control, legal affairs, IT, HR, communications and investor relations.

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.

Committees

During 2011, the Board of Directors of Gunnebo had three Committees: the Remuneration Committee, the Audit Committee and the Finance 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, succession planning and other personnel development issues prepared by the Group Executive Team and the Group's SVP HR. 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 28 April 2011, 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 2011. Issues including performance requirements, bonus models and the incentive programme for senior executives were discussed during the year.

The attendance of the members of the Audit Committee at meetings is presented in the table on page 79.

Audit Committee

The Audit Committee is a preparatory body for contact between the Board and the auditors. 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 28 April 2011, the Committee comprised Bo Dankis (Chairman), Katarina Mellström and Björn Eriksson. All of the members of the Audit Committee are independent of the company, company management and 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, risk management and 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 79.

Finance Committee

The Finance Committee's main task is to prepare matters of a significant nature in the area of finance on issues concerning the company's financing, financial policy, management of financial risks and so on. The Committee's written rules of procedure are annually set by the Board.

In 2011, the Committee comprised Mikael Jönsson (Chairman) and Martin Svalstedt. Both of the members of the Finance Committee are independent of the company and company management, although not the company's major shareholders. The Committee held two

meetings during the year. Issues including new financing and the Group financial policy were addressed during the year. The attendance of the committee members at meetings is presented in the table on page 79.

Financial reporting

Each Business Area, sales region and sales company as well as Operations and Developing Businesses report on their financial outcome every month. The major sales companies also report certain key figures on a weekly basis. These reports are compiled by Gunnebo AB's finance, financial control and business control corporate functions, and form the basis of further analyses and interim reporting to shareholders and the stock market.

Incentive programme

The 2010 Annual General Meeting resolved to adopt an initial component of a "rolling" incentive programme comprising warrants (Incentive Programme 2010/2014). A total of 550,000 warrants were offered to 46 senior executives and other key individuals in the Group. The warrants were valued at market value externally in accordance with Black & Scholes valuation model and the price per warrant was set at SEK 3.30. A warrant entitles the holder to subscribe for a share in Gunnebo AB for SEK 32.00 during certain fixed periods during 2013–2014.

In conjunction with the 2011 Annual General Meeting, a second component of the "rolling" incentive programme (Incentive Programme 2011/2015) was adopted. A total of 575,000 warrants were offered to 49 senior executives and other key individuals in the Group. The warrants were valued at market value externally in accordance with Black & Scholes valuation model and the price per warrant was set at SEK 6.30. A warrant entitles the holder to subscribe for a share in Gunnebo AB for SEK 44.20 during certain fixed periods during 2014–2015.

Since the participants, within the scope of the above incentive programme, 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.

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 Audit Committee and the Board of Directors. In addition to their standard audit assignments, Deloitte provides assistance in the form of advisory and investigative assign-

ments. The assignments performed are not deemed to give rise to a disqualification situation. Information regarding fees to auditors is provided in Note 33.

BOARD'S REPORT ON INTERNAL CONTROL

The responsibility of the Board of Directors for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. 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"). Accordingly, the Report is limited to a description of how internal control is organised with regard to financial reporting.

Internal control in respect of financial reporting

The following is a description of the most important elements of Gunnebo's system of internal control in connection with financial reporting. The internal governance and control process involves the Board, Audit Committee, President, Group Executive Team, corporate staffs, operational boards 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 in the form of interim reports, annual reports and year-end reports and to ensure

that this reporting is prepared in accordance with law, applicable financial reporting standards and other requirements on listed companies.

Control environment

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 business model, described on pages 8–9, is also fundamental.

Risk assessment

Risk assessment is an integrated part of the Group's business, from the strategy process to budget, financial forecasts, implementation and follow-up. 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 and acquisitions. The risks identified are managed through the Group's control structures and continuously monitored with the aim of

STATISTICS ON ATTENDANCE AND INDEPENDENCE OF BOARD MEMBERS 2011

Name Elected at Annual General Meeting	Elected	Board meetings	Remuneration Committee	Audit Committee	Finance Committee	Independent of:		Total remuneration, SEK
						The company and executive management	The company's larger shareholders	
Martin Svalstedt	2003	12 (C)	2 (C)		2 (M)	Yes	No	425,000
Göran Bille	2008	12 (M)	2 (M)			Yes	Yes	252,500
Bo Dankis	2006	11 (M)		3 (C)		Yes	Yes	262,500
Björn Eriksson	2006	11 (M)		3 (M)		Yes	Yes	240,000
Mikael Jönsson	2000	12 (M)	2 (M)		2 (C)	Yes	No	267,500
Katarina Mellström	2010	12 (M)		3 (M)		Yes	Yes	252,500
Employee representatives								
Crister Carlsson*	2010	11 (D/M)						38,700
Christer Grimståhl**	2010	2 (M)						9,675
Bo-Anders Hansson***	1999	7 (M)						38,700
Number of meetings:		12	2	3	2			Total: 1,796,750****

* Deputy until the Annual General Meeting in April, then member **Employee of the divested Troax, left the Board in February 2011 ***Employee of the divested Perimeter Protection, left the Board in September. Was absent from three meetings until then. **** The total disbursed of SEK 1,796,750 also includes Board fees of SEK 9,675 paid to the former employee representative Bengt Håkansson with regard to the 2010 financial year. However, he was not a Board member in 2011.

C=Chairman M=Member D=Deputy

implementing measures, identifying and evaluating processes and ensuring good quality in financial reporting. More information about the Group's risks is available in the section "Risk and Sensitivity Analysis" (pages 88–91) and in Note 3 Financial Risk Management and Financial Instruments.

Control activities

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 on-going governance and control of the accounts and financial reporting carried out by the finance functions of the local companies, Business Areas and the finance corporate function in conjunction with reporting and consolidation. The controller network in the various organisational units performs detailed financial analyses of earnings, key ratios, tied-up capital, trends and the follow-up of budgets and forecasts. In addition, more detailed analyses are performed as required.

The Group's risks with regard to financial reporting are related to the risk that material misstatements may arise in the reporting of the company's financial position and performance. The company's reporting instructions and established monitoring procedures aim to minimise these risks.

Information and communication

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 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 are to be appropriate, up-to-date and correct, and should be available to the target groups as and when 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 outcomes, plans and forecasts. It also receives feedback from Audit Committee meetings at which the auditors present the results of their audits. 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 about the Group's business 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

Regular monitoring of and reporting on operations is carried out at different levels by the Board, Audit Committee, Finance Committee, President, Group Executive Team, corporate finance function and operational boards. Monitoring of Group companies includes monthly and quarterly reviews of outcomes compared with budget and forecasts, the results of audits, etc. In addition to this, special efforts are monitored such as activities linked with the implementation of the new strategy, acquisitions and divestments.

The Group's internal control function is an integrated part of the corporate finance function.

Gunnebo has not established a separate internal audit function to date. The Board, which annually evaluates the need for such a function, has deemed that existing structures for monitoring, control and evaluation provide satisfactory documentation. For some special audits, external efforts may be conducted.

See the section "Information for the Capital Market" on pages 86–87 for information about how communication and monitoring of the Group's financial reporting are carried out externally.

AUDITOR'S REPORT 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.

It is the Board of Directors who is responsible for the Corporate Governance Report for the year 2011 included in the printed version of this document on pages 74–80 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the group we believe

that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Gothenburg, March 2, 2012
DELOITTE AB

Jan Nilsson
Authorised Public Accountant