



C O R P O R A T E
G O V E R N A N C E
R E P O R T

CORPORATE GOVERNANCE REPORT

Corporate Governance at Industrivärden

Industrivärden's governing bodies consist of the general shareholders' meetings, the Board of Directors, the President and CEO, and the auditors. At general shareholders' meetings, the shareholders elect a board and auditors. The Board has ultimate responsibility for Industrivärden's organization and management. The Board has a compensation committee and an audit committee. The Board appoints the President and CEO as well as executive vice presidents. On behalf of the general meeting, the auditors are responsible for auditing the financial statements and the Board's and CEO's management during the fiscal year. Industrivärden's nominating committee is tasked with recommending directors and, where applicable, auditors for election by a general shareholders' meeting.

Swedish Code of Corporate Governance and Content of Corporate Governance Report

Industrivärden adheres to the Swedish Code of Corporate Governance. One departure is reported on page 46 with respect to the composition of the Audit Committee. This corporate governance report pertains to the 2007 fiscal year and also includes a report on the Nominating Committee's work ahead of the 2008 Annual General Meeting. The corporate governance report has not been reviewed by the Company's auditor.

Shareholders

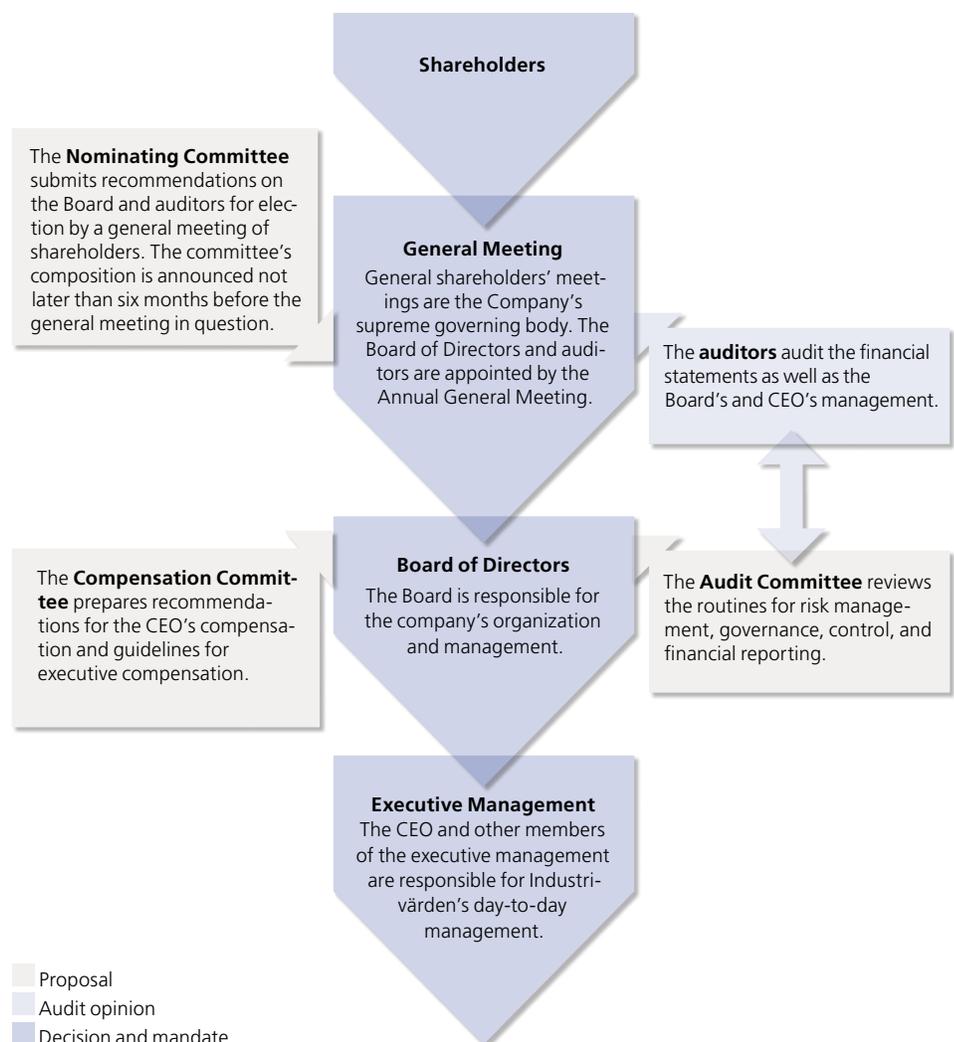
At year-end 2007 Industrivärden had approximately 40,000 (39,000) shareholders. The percentage of shares owned by institutional shareholders, such as pension funds, insurance companies and mutual funds, was 81% (82%). Foreign investors owned approximately 9% (9%) of the shares. The ten largest shareholders had combined shareholdings corresponding to 65% (63%) of the votes and 47% (54%) of the capital stock. A specification of major shareholders can be found in the Industrivärden Share Data section on page 10.

Articles of Association

The Articles of Association stipulate that Industrivärden is a public company whose business is to own and manage

The Corporate Governance Process

A description of the Swedish corporate governance matters can be found in the document "Special Features of Swedish Corporate Governance," published by the Swedish Corporate Governance Board. See www.bolagsstyrningskollegiet.se.



real estate and chattel. The Company's shares are divided among Class A and Class C shares. In votes at general meetings of shareholders, Class A shares carry entitlement to one vote and Class C shares one-tenth of a vote. Both classes carry entitlement to an equal share of the Company's assets and earnings, however.

The Board shall consist of at least three and not more than nine members, who are appointed yearly at the Annual General Meeting. Notices of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notices of extraordinary general meetings in which the agenda does not concern amendments to the Articles of Association, shall be issued not earlier than six weeks and not later than two weeks prior to the extraordinary general meeting in question. Notice shall be made through advertisements in the Official Swedish Gazette (Post- och Inrikes Tidningar) and in the Swedish daily newspapers Dagens Nyheter and Svenska Dagbladet.

General Shareholders' Meetings

General shareholders' meetings are Industrivärden's supreme governing body. At the Annual General Meeting (AGM), which is held within six months after the end of the fiscal year, the income statement and balance sheet are adopted, the dividend is decided on, the Board of Directors and auditors are elected, their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders. The auditors' mandate period is normally four years, and thus election of auditors does not take place every year.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intent to participate at the general meeting have the right to attend the meeting and vote for the total number of shares they have. Shareholders can be represented by proxy. More detailed information on the 2008 Annual General Meeting is provided on page 85.

The notice of the Annual General Meeting on April 15, 2008, is published in Swedish daily newspapers and on Industrivärden's website on March 14, 2008. This notice presented a detailed agenda, including proposals for the dividend, the election of directors, directors' fees (specified by the Chairman, Vice Chairman and other board members), and auditors' fees.

2007 Annual General Meeting

At the Annual General Meeting on March 27, 2007, attorney Sven Unger presided as chairman. All directors and auditors were present at the meeting.

At the meeting, the annual report and audit report were presented. In addition, CEO Anders Nyrén gave an address on

Industrivärden's activities in 2006. In connection with this, Chairman of the Board Tom Hedelius presented information on the Board's work and reported on the principles for executive compensation and on the work of the Audit Committee.

The auditors reported to the Annual General Meeting on their audit and audit opinion and, in connection with this, reported on their work during the past year.

The 2007 AGM resolved, among other things:

- to set the dividend at SEK 4.50 per share (recalculated for the 2:1 split);
- to elect as directors Boel Flodgren, Lars O Grönstedt, Tom Hedelius, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén;
- to appoint Tom Hedelius as Chairman of the Board;
- to authorize the Chairman of the Board to contact four of the largest registered shareholders in terms of votes in VPC's print-out of the shareholder register on August 31, 2007, who each appoint one representative who is not a director on the Company's board, to form together with the Chairman of the Board a nominating committee for the time until a new nominating committee has been appointed based on the mandate from the next year's Annual General Meeting. The composition of the Nominating Committee shall be made public not later than six months before the 2008 Annual General Meeting;
- to carry out a 2:1 stock split.

At the statutory board meeting held immediately after the AGM, Sverker Martin-Löf was appointed as Vice Chairman of the Board.

Nominating Committee

The Nominating Committee is mainly tasked with recommending directors for election by the Annual General Meeting.

The composition of the Nominating Committee was published in September 2007. The members of the Nominating Committee are Tom Hedelius (Chairman of the Board), Bo Damberg (Jan Wallander och Tom Hedelius Stiftelse), Curt Källströmer (Committee Chair, Handelsbanken Pension Foundation, Handelsbanken Pension Fund and others), Ulf Lundahl (L E Lundbergföretagen) and Anders Nyberg (SCA Pension Foundations and others). The Nominating Committee has seen the evaluation of the Board's work. The Committee, which had two meetings, recommended re-election of board members Tom Hedelius, Boel Flodgren, Lars O Grönstedt, Finn Johnsson, Fredrik Lundberg, Sverker Martin-Löf, Lennart Nilsson and Anders Nyrén.

The Nominating Committee also makes recommendations for the appointment of the Company's auditor. Öhrlings PricewaterhouseCoopers AB was appointed by the 2006 AGM to serve as auditor until the close of the 2010 AGM.

Members of the Board of Directors

Industrivärden's board of directors, which is elected by the Annual General Meeting, currently consists of eight members, including the CEO. Industrivärden has not set any specific age limit for board members, nor any term limit for how long a director can serve on the Board. At the 2006 Annual General Meeting, Lars O Grönstedt was elected as a director on Industrivärden's board, and the other board members were reelected. At the 2007 AGM, all of the board members were reelected.

Industrivärden's chairman, Tom Hedelius, is a former CEO and chairman of Handelsbanken. Vice Chairman Sverker Martin-Löf is a former CEO of SCA and is Chairman of SCA, Skanska and SSAB. Boel Flodgren is a professor of commercial law and a former president of Lund University. Lars O Grönstedt is a former CEO of Handelsbanken and is currently Chairman of Handelsbanken. Finn Johnsson is a former CEO of Mölnlycke Health Care, United Distillers and Euroc, and is currently Chairman of Volvo. Fredrik Lundberg is CEO of L E Lundbergföretagen and Chairman of Cardo, Holmen and Hufvudstaden. Lennart Nilsson is a former CEO of Cardo.

A presentation of the current directorships held by the members of the Board can be found on page 80. The board members' professional biographies are presented on Industrivärden's website. Where necessary, other Industrivärden executives participate at board meetings.

Independence Conditions

All directors except for Chairman Tom Hedelius, who has been a member of the Board for more than 12 years, and CEO Anders Nyrén are independent in relation to Industrivärden. Of the board members who are independent in relation to Industrivärden, Boel Flodgren, Lars O Grönstedt, Finn Johnson, Sverker Martin-Löf and Lennart Nilsson are also independent in relation to Industrivärden's major shareholders. Only one board member, CEO Anders Nyrén, is a member of the executive management.

The Duties and Work of the Board of Directors

The Board has ultimate responsibility for the Company's organization and administration, and is also responsible for making decisions on strategic matters. The Board's work is conducted according to a yearly plan. Each meeting follows an agenda, which together with the underlying documentation is distributed to the directors in advance of each board meeting. In general, the Board deals with matters of material importance, such as:

- setting the Board's work plan, including instructions for the CEO. These instructions cover, among other things, investment rules for stocks and derivative instruments which indicate the

maximum amounts for the CEO's right between board meetings to decide on purchases and sales of stocks and derivative instruments;

- a strategic plan regarding active ownership
- acquisitions and sales of companies or businesses; and
- major purchases and sales of listed stocks.

In addition to the statutory board meeting, which is held directly after the Annual General Meeting, the Board normally meets four times a year (regular meetings). Extra meetings are called when necessary.

The statutory meeting deals with election of the Vice Chairman, adoption of the Board's work plan, and decisions on the Company's signatories and persons to check the minutes of board meetings.

In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's Chief Auditor reports on the auditors' observations and remarks from their audit. A similar report is also presented in connection with the nine-month interim report.

The regular meetings cover a number of set agenda items. These include, among other things, a report on the current financial result of operations and on the development of net asset value and the performance of the equities portfolio, including detailed information on stock transactions that have been carried out. Reports are also made on the share price and earnings trends. In addition, a special review is normally conducted of one or more of the portfolio companies and of potential investment decisions.

Roles in Continuing Corporate Governance



Attendance, Fees and Independence Conditions

| Name | Year elected | Position ¹ | Audit Committee | Compensation Committee | Attendance at board meetings | Attendance at committee meetings | Fee, 2007 SEK 000 ² | Non-independence in relation to Industrivärden ^{3,4} | Non-independence in relation to major shareholders ³ |
|--------------------|--------------|-----------------------|-----------------|------------------------|------------------------------|----------------------------------|--------------------------------|---|---|
| Tom Hedelius | 1991 | Chairman | Director | Chairman | All | All | 1,110 | X | X |
| Sverker Martin-Löf | 2002 | Vice Chairman | Chairman | Director | All | All | 740 | | |
| Boel Flodgren | 2002 | Director | Director | – | All | All | 370 | | |
| Lars O Grönstedt | 2006 | Director | Director | – | All | All | 370 | | |
| Finn Johnsson | 2000 | Director | Director | – | All | All | 370 | | |
| Fredrik Lundberg | 2004 | Director | Director | – | All | All | 370 | | X |
| Lennart Nilsson | 1997 | Director | Director | – | All | All | 370 | | |
| Anders Nyrén | 2001 | Director | – | – | All | – | – | X | |
| Total | | | | | | | 3,700 | | |

1) In 2002 Tom Hedelius and Sverker Martin-Löf were named Chairman and Vice Chairman of Industrivärden's board, respectively, for the first time.

2) No fee is payable for committee work.

3) Independence conditions according to the Swedish Code of Corporate Governance and the Stockholm Stock Exchange Listing Agreement.

4) Tom Hedelius has been a Company director for more than 12 years. Industrivärden's President and CEO, Anders Nyrén, is the only executive director of the Company.

At one or more board meetings during the year, the management of one of the portfolio companies presents a report on the company's development.

Committees appointed by the Board are tasked with preparing matters ahead of board decisions.

Each year the Board evaluates the financial reporting it receives from the Company and makes demands on its content and design in order to ensure its quality as follows from the Internal Control section below.

The Board's work is evaluated each year under the direction of the Chairman of the Board.

Decisions based on extensive documentation are made by the Board after a discussion that is monitored by the Chairman. The Company Secretary is attorney Sven Unger, from the law firm Mannheimer Swartling.

Important Matters for the Board

During the 2007 Fiscal Year

In 2007 the Board had a total of five meetings in addition to the statutory meeting, of which one was held per capsulam. The most important task of the Board concerns matters related to the active holdings in the equities portfolio. In addition to strategic planning, the most important single matters in 2007 involved sales and purchases of stocks. In addition, the Board resolved to issue a guarantee of SEK 1.6 billion to subscribe for shares in SSAB's rights issue, corresponding to Industrivärden's own shareholding.

The Chairman's Role

In addition to directing the work of the Board, the Chairman

monitors the Group's continuing performance through regular contacts with the CEO on strategic matters, and represents the Company in shareholder matters.

Compensation Committee

The Board has appointed a compensation committee, which had two meetings. The compensation guidelines for senior executives were adopted by the 2007 Annual General Meeting. The Compensation Committee draws up recommendations for the CEO's compensation, decides on compensation for the other members of the executive management, and submits proposals for incentive programs. The members of the Compensation Committee are Tom Hedelius (Chairman of the Board and committee chairman) and Sverker Martin-Löf (Vice Chairman of the Board). No compensation has been paid for their work on the committee.

Audit Committee

The Board has also appointed an audit committee, which includes all the Company's directors except for the CEO. This is a departure from rule 3.8.2 of the Swedish Code of Corporate Governance. The reason why the Audit Committee has such a composition is related to the significance of accounting and auditing matters in holding companies. Sverker Martin-Löf is chairman of the Audit Committee. The Audit Committee is tasked with examining the routines for the Company's risk management, governance and control, and financial reporting. The Company's investment instructions and finance policy are adopted each year by the Board. The Chairman of the Board maintains regular contact with the Company's auditors to ensure that internal and external reporting meet established requirements and to discuss the scope

and focus of audit work. The auditors normally report their observations to the Audit Committee in connection with their review of the nine-month interim report and in connection with their audit of the financial statements. No compensation has been paid to the members for their work on the committee.

Executive Management

The members of the executive management are presented in the Organization and Employees section on page 15.

The CEO is responsible for Industrivärden's day-to-day management, which is administrated by the Company's Executive Management Team. The CEO's decision-making right regarding investments, purchases and sales of stocks, and with respect to financing matters, is subject to rules laid down by the Board of Directors. Industrivärden's President and CEO, Anders Nyrén, joined the Company in 2001. From 1997 to 2001 he was employed by Skanska as Executive Vice President and CFO. From 1996 to 1997 he served as an executive vice president and member of the executive management of Nordbanken. He was Executive Vice President and CFO of Securum from 1992 to 1996, and from 1987 to 1992 he served as CEO of OM International.

Anders Nyrén is Vice Chairman of Handelsbanken and Sandvik, and a director on the boards of Ericsson, SCA, Skanska and SSAB. Anders Nyrén owns 61,550 shares in Industrivärden.

Bengt Kjell, Executive Vice President and Chief Investment Officer, joined Industrivärden in 2002. He was a Senior Partner of Navet from 1987 to 2002. From 1995 to 1997 he worked for Securum as head of Corporate Finance and was a member of the executive management. From 1992 to 1995 he worked for Independent in charge of winding up the company, and from 1984 to 1987 he served as Executive Vice President and CFO of K.G. Knutsson. Bengt Kjell is Chairman of Indutrade and Kungsleden, and is a director on the boards of Handelsbanken Southern Sweden Region, Munters and Höganäs. Bengt Kjell owns 25,000 shares in Industrivärden.

Carl-Olof By, Executive Vice President with responsibility for financial and administrative matters, joined Industrivärden in 1990. From 1980 to 1990 he served as CFO of Investment AB Bahco. Carl-Olof By is a director on the board of Handelsbanken Region Stockholm, KnowIT and OMX Nordic Exchange Group. Carl-Olof By owns 34,000 shares in Industrivärden.

Fredric Calles, head of market operations and CEO of Nordinvest, joined Industrivärden in 2003. From 1996–2003 he was employed by Alfred Berg Fondkommission. Fredric Calles owns 2,000 shares in Industrivärden.

Executive Compensation

The members of the executive management receive a base salary and

standard employment benefits, to which are added pension benefits and a variable salary component. The proposed principles regarding compensation for the members of the executive management in 2008 are described on page 51. Directors' fees payable to the CEO and other members of the Executive Management that are directly related to their service have been paid to the Company.

Active Ownership

Industrivärden's Chairman, CEO, four other board members and the Executive Vice President and Chief Investment Officer are each directors of one or more of the companies in which Industrivärden serves as an active owner. These exercise Industrivärden's active ownership role in accordance with the principles described earlier in this Annual Report under the Business Model section on pages 11–14.

Participation in the portfolio companies' nominating processes is a vital aspect of Industrivärden's active ownership. Carl-Olof By chairs the nominating committees of Ericsson, Handelsbanken, Hemtex, Indutrade, Munters, Sandvik, SCA, Skanska and SSAB, and is a nominating committee member for Höganäs and Volvo.

Auditor

At the 2006 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for a term through the 2010 Annual General Meeting.

Anders Lundin, Authorized Public Accountant, is Chief Auditor. During 2007 Anders Lundin was also Chief Auditor for the listed companies AarhusKarlshamn, Bong Ljungdal, Husqvarna, Melker Schörfling, SCA, SäkI and Teligent.

In 2007 Öhrlings PricewaterhouseCoopers had a total of 101 auditing assignments for companies listed on the Stockholm Stock Exchange, of which one was in cooperation with another auditing firm. Auditors' fees are disclosed in Note 9 on page 68.

Ethical Guidelines

Industrivärden strives to ensure that its business activities are conducted according to high standards of integrity and ethics internally as well as in the companies that make up Industrivärden's portfolio of active holdings. Industrivärden's insider trading rules are described on page 64.

Internal Control

The most important control process in Industrivärden's business consists of the continuous follow-up of its value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of

purchases and sales of stocks and other securities.

According to the Swedish Companies Act, the Board is responsible for internal control. This responsibility includes conducting a yearly evaluation of the financial reporting that the Board receives and making demands on its content and design in order to ensure the quality of reporting. These demands entail that the financial reporting must be suitable and apply the applicable accounting rules and other requirements of listed companies. The following description is limited to Industrivärden's internal control of the financial reporting.

Control Environment

The control environment forms the basis of internal control. Decision-making channels, authority and responsibility are defined in a financial manual which covers – among other things – accounting principles, finance policy and finance instructions, banking policy, payment authorization instructions, routines for transactions in listed stocks and related instruments, investment rules for stocks and derivative instruments, and the work plan for the Board's work.

Risk Assessment

Industrivärden's greatest risk consists of value exposure in the equities portfolio. The chief risk in the work processes pertains to potential errors in the accounting and reporting of equity transactions. Each year Industrivärden assesses the risks associated with the handling of equity transactions. This results in a risk analysis which is discussed with the auditors.

Control Activities

Control activities pertaining to the equities portfolio include approval of all business transactions, registration in business systems not later than the day after the transaction date, follow-up to ensure that equity transactions are in accordance with decisions made by the Investment Committee, and checks to make sure that the value of purchases and sales of stocks and of underlying stocks in derivative transactions are within the scope of the CEO's mandate. All equity positions are followed up on a continuous basis in real time. Short-term transactions conducted by the subsidiary Nordinvest are subject to strict rules which limit the risks that may be taken and which limit the potential loss in the event of a drop in stock prices.

The performance of the equities portfolio is monitored in real time for the Parent Company and Nordinvest with respect to both equities and derivative instruments. Net debt is also calculated on a continuous basis and takes into account purchases and sales of equities and derivatives, paid and received dividends, management costs and net financial items. This enables net asset value and the

net debt-equity ratio to be monitored in real time, which minimizes the risk for inaccurate decision-making documentation.

Bookkeeping of all transactions in equities and derivatives is done not later than the day after the transaction date. All incoming and outgoing payments of equity purchases and sales are settled daily with the bank, as are holdings in Industrivärden's and Nordinvest's equity custody accounts.

Information and Communication

Through the financial manual and other instructions, all employees who are involved in equity transactions have access to the rules that apply for the Parent Company and Nordinvest. Through various forms of system support, the Company's management can monitor transactions that are conducted and the outcome of the various equity positions.

At the end of each month and in connection with reporting to the stock market, not later than the day after the settlement day, exhaustive statistics are prepared of equity transactions that have been carried out as well as a calculation of net asset value per share. Industrivärden normally publishes current net asset value data per share at the end of every month.

In connection with board meetings, a report is prepared of the current financial outcome of operations and of the trend in net asset value and the equities portfolio, including detailed information about equity transactions that have been carried out. This reporting includes a description of the share price trend and earnings performance, with comparisons made against other holding company peers to Industrivärden and with competitor-companies for the active holdings.

To ensure Industrivärden's external information to the stock market and the media, rules have been established by the Board and CEO which stipulate what is to be communicated, by whom, and in which manner.

Follow-Up

The Investment Committee continuously follows up investment decisions that have been made and obtains assurances that they have been executed properly.

In connection with each quarterly book-closing, the external auditors examine accounting and reporting matters pertaining to business transactions that have been carried out, as well as the financial reports in general that are issued to the stock market. Review reports are published in the quarterly reports. Against this background and in light of how the financial reporting is organized in general, the Board does not see any need for a special review function in the form of an internal audit unit.