



# Corporate governance report

Corporate governance in NIBE Industrier AB (NIBE) is performed by the Annual General Meeting, the Board of Directors and the Managing Director/CEO in accordance with the Swedish Companies Act (Swedish Code of Statutes 2005:551), the company's Articles of Association, the listing agreement with the NASDAQ OMX Stock Exchange in Stockholm and the Swedish Code of Corporate Governance (the Code).

NIBE has its registered office in Markaryd, Sweden, and has been listed on the Mid Cap list of the NASDAQ OMX Stock Exchange in Stockholm since 1997.

On 1 February 2010 a revision of the Swedish Code of Corporate Governance, originally introduced in December 2004, came into force. It is good practice for Swedish companies whose shares are traded on regulated markets in Sweden to comply with the Code. NIBE complies with the Code, and this Corporate Governance Report has been drawn up in accordance with the Code. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

The company's auditors have not reviewed this Corporate Governance Report.

## Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, decides on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the Managing Director/CEO from liability.

The most recent AGM, held on 14 May 2009 in Markaryd, was attended by 325 shareholders. Those present represented 51% of the number of shares and 77% of the total number of votes in the company. The AGM was attended by the entire Board of Directors, the Managing Director/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's homepage.

## Board procedures

NIBE Industrier's Board of Directors consists of five members, elected by the AGM. The members of the Board are presented on page 74. Directors and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employees participate in board meetings as required to submit reports or to contribute expert knowledge in individual matters.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the allocation of work, the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board.

The Board of Directors oversees the work of the Managing Director/CEO and is responsible for ensuring that the organisation, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and following up the company's strategies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continuous supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual accounts.

The Chairman of the Board leads the work of the Board and ensures that it is carried out in accordance with the Swedish Companies Act and other relevant legislation. The Chairman follows operations in consultation with the Managing Director/CEO, and is responsible for ensuring that other members of the Board receive the necessary information to enable them to hold discussions of a high quality and make the best possible decisions. The Chairman is also responsible for evaluating the work of the Board.

## The work of the Board of Directors

During 2009 the Board of Directors held 19 meetings, ten of which were telephone conferences. All meetings were minuted.

Attendance at board meetings was high: all members of the Board attended all the round-table meetings.

The agenda includes a number of standing items, which are considered at every meeting:

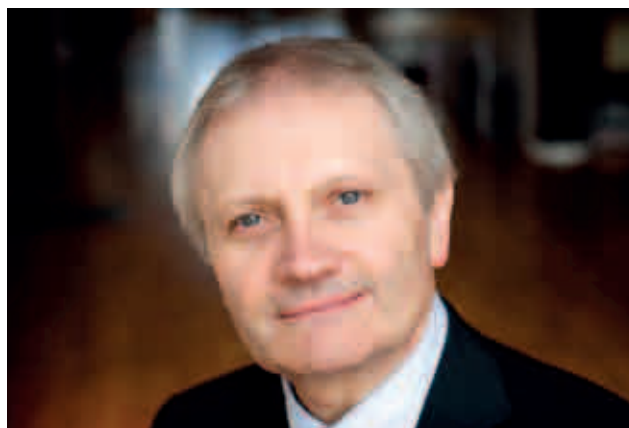
- ▲ Status report. Report of significant events affecting operations that have not been listed in the written status report that has been circulated.
- ▲ Financial report. Review of the financial information circulated.
- ▲ Investments. Decisions regarding investments exceeding SEK 3.0 million, based on the data circulated.
- ▲ Acquisitions. Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
- ▲ Press releases, etc. When appropriate, a review of proposals for external reports to be published after the meeting.



*Arvid Gierow, Chairman of the Board*



*Georg Brunstam, Director*



*Gerteric Lindquist, MD/Chief Executive Officer*



*Arne Frank, Director*



*Hans Linnarson, Director*



Every ordinary board meeting focuses on one principal topic of discussion, as outlined below:

- ▲ Accounts. The meeting in February considers the annual accounts of the preceding year. The company auditor presents his comments to the entire Board on this occasion.
- ▲ Inaugural meeting. Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.
- ▲ Strategy. In September, the Board holds strategic discussions over two working days.
- ▲ Audit review. In November, the company's auditor gives his view on the interim figures for the period January to September.
- ▲ Budget. At the end of the year, the Board discusses the Group's budget for the coming year.

In addition, the Board of Directors receives a written report every month on the company's financial key figures and position. The Managing Director/CEO is also in continual contact with the Chairman of the Board.

The work of the Board of Directors is evaluated once a year.

### External Auditors

NIBE's auditors are elected at the AGM to serve for a period of four years. The current period began in 2008 and expires after the AGM in 2012.

SET Revisionsbyrå AB was re-elected for a period of four years at the AGM in 2008. In conjunction with this decision, Bengt Ekenberg was elected as the senior auditor.

The senior auditor has continuous access to the approved minutes of company board meetings and the monthly reports which the Board receives.

The company's senior auditor reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole.

Over and above normal auditing duties, SET Revisionsbyrå assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 4.

### Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent company, exercises day-to-day control of the Group, and the three business area managers report to him.

The CEO leads operations in accordance with the instructions adopted by the Board in respect of the division of work between the Board and the Managing Director/CEO. The work of the Managing Director/CEO and of senior management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy and other overall policy matters are coordinated at Group level.

### Governance of business areas

NIBE Industrier consists of three business areas. Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's CEO, and which also includes external expertise within the respective areas. Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Industrier Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once a quarter.

### Decision-making process

The NIBE Industrier Board deals with all matters of significance. Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM, when the Chairman of the Board contacts major shareholders personally.

The company's auditor makes his report to the Board as a whole.

Remuneration to the Managing Director is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the Managing Director. Remuneration to other senior executives is determined by the Managing Director in consultation with the Chairman. These decisions are reported to the Board.

The company does not have a Nomination Committee, a Remuneration Committee or an Audit Committee. NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 75% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Code.

### Remuneration

The 2009 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the Managing Director/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 5.

Fees for the Board of Directors for 2009 amounted to SEK 750,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 300,000 in accordance with the AGM's resolution. Fees are not payable to those members of the Board of Directors who are employed in the Group.

Salary and other remuneration paid to the Managing Director/CEO in 2009 amounted to SEK 2,582,000. A free car is also provided. Salaries paid to other senior management executives totalled SEK 7,973,000. These senior executives also enjoy free use of company cars.

### Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the Managing Direc-

tor/CEO. The period of notice for the Managing Director/CEO is six months in the event of the company giving notice. In addition to salary during the period of notice, the Managing Director/CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

### Pensions

The Chairman of the Board and the directors receive no retirement benefits in respect of their work on the Board. Retirement age for the Managing Director/CEO and other senior executives is 65. No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

The Managing Director/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2009, the premium corresponded to 19% of salary up to 30 so-called "income base amounts" (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the Managing Director/CEO paid in excess of this, a premium payment of 30% was made that corresponds to the defined-contribution ITP plan, section 1. Other senior executives in the Group have retirement benefits that correspond to the ITP plan for that portion of their salary up to 30 income base amounts. For salary in excess of this, a premium of 30% is made in accordance with the defined-contribution ITP plan, section 1. An exception is made in the case of one business area manager, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives.

### Incentive programme

An incentive programme applies to certain key members of staff, under which they are paid a variable bonus (equivalent to a maximum of three months' salary) if set targets are met. This programme does not extend to the Managing Director/CEO. Further information about the principles that apply can be found in Note 5.

### Communication with the stock market

The ambition is to maintain a high standard of financial information issued by the Group. Such information must be accurate and transparent in order to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All takeovers are announced via press releases. Full financial information relating to the NIBE Group is available via the website [www.nibe.com](http://www.nibe.com). Press releases and reports are posted there at the same time as they are made public.

During the course of the year there have been a number of meetings with financial analysts, the media and *Aktiespararna*, the Swedish Shareholders' Association.



### Internal controls of financial reporting in 2009

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls. This report on internal controls and risk management with regard to financial reporting complies with the requirements in section 10.5 of the Code.

Internal controls were an important component of corporate governance even before the new code was introduced.

NIBE is characterised by simplicity in its legal and operational structure, transparency in its organisation, clear divisions of responsibility, and an efficient management and control system.

NIBE complies not only with external laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's Finance Handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial reports containing comprehensive analyses and comments are drawn up each quarter for the Group and its business areas. Results are also monitored every month.

There are finance functions and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and major unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent company and all subsidiaries, the auditors carry out an annual review of how the company is organised, of existing routines and of compliance with the instructions issued, that is based on guidelines drawn up by corporate management and approved by the Board of Directors.

This review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls.

The internal control report is not reviewed by the company's auditors.





## BOARD OF DIRECTORS

**ARVID GIEROW** (born 1943)  
Chairman since 2003 and board member since 1997. M.Sc. in Business & Economics.  
Chairman of the Board of Marka Pac AB and director of SHB, Stortorget, Helsingborg.  
Shareholding in NIBE Industrier:  
86,400 B shares.  
Independent director.



**GERTERIC LINDQUIST** (born 1951)  
Board member since 1989.  
Chief Executive Officer. MD of NIBE Industrier AB and NIBE AB.  
M.Sc. in Engineering and M.Sc. in Business & Economics. Employed by NIBE since 1988.  
Shareholding in NIBE Industrier:  
1,504,560 A shares and 3,563,440 B shares.  
In view of his position, his shareholding and the length of time during which he has been a member of the board, Gerteric Lindquist can not be considered an independent director of the company.



**GEORG BRUNSTAM** (born 1957)  
Board member since 2003. M.Sc. in Engineering.  
President/CEO and director of HEXPOL AB.  
Director of DIAB Group AB and AB Wilh. Becker  
Shareholding in NIBE Industrier: 0.  
Independent director.



**HANS LINNARSON** (born 1952)  
Board member since 2006  
B.Sc. (Electrical Engineering).  
Business Area Manager for Outdoor Products at Husqvarna and member of Husqvarna AB's management group. Director of Beijer Electronics AB.  
Shareholding in NIBE Industrier: 0.  
Independent director.



**ARNE FRANK** (born 1958)  
Board member since 2008. M.Sc. in Engineering. Chairman of the Board of Contex Holding A/S. Chairman of the Board of Carl Zeiss Vision Holding GmbH.  
Shareholding in NIBE Industrier:  
19,800 B shares.  
Independent director.



## SENIOR EXECUTIVES

**GERTERIC LINDQUIST** (born 1951)  
Please refer to Board profile on left.



**LEIF GUSTAVSSON** (born 1945)  
Financial Director, NIBE Industrier AB. B.Sc. in Economics. Employed by NIBE since 1966.  
Director of Markaryd Sparbank savings bank.  
Shareholding in NIBE Industrier: 1,504,128 A shares and 3,053,312 B shares.



**CHRISTER FREDRIKSSON** (born 1955)  
M.Sc. in Engineering. Business Area Manager for NIBE Element and MD for Backer BHV AB.  
Employed by NIBE since 1992.  
Shareholding in NIBE Industrier: 375,840 A shares and 716,960 B shares.



**KJELL EKERMO** (born 1956)  
M.Sc. in Engineering. Business Area Manager for NIBE Energy Systems. Employed by NIBE since 1998.  
Shareholding in NIBE Industrier:  
107,200 B shares.



**NIKLAS GUNNARSSON** (born 1965)  
Engineer. Business Area Manager for NIBE Stoves. Employed by NIBE since 1987.  
Shareholding in NIBE Industrier:  
107,200 B shares.



## AUDITOR

**SET REVISIONSBYRÅ AB**  
Senior Auditor  
Bengt Ekenberg (born 1960)  
Authorised Public Accountant