

Corporate governance report

Corporate governance report for 2008

Corporate governance in Bure is regulated by Swedish law, primarily the Swedish Companies Act and the NASDAQ OMX Nordic Exchange's Rules for Issuers. Bure is quoted on the Mid Cap list of the NASDAQ OMX Nordic Exchange, and is therefore subject to compliance with the Swedish Code of Corporate Governance ("the Code") as of 1 July 2005. These rules are being applied successively to the extent prescribed in the Code and in pace with the issuance of statements and recommendations by advisory organisations (such as the Swedish Corporate Governance Board) on specific issues related to the Code. This report on Bure's corporate governance in 2008 has not been examined by the company's auditors.

Nomination committee ahead of the 2009 AGM

On 25 September 2008 Bure announced the composition of the nomination committee, which consists of the following representatives for the largest shareholders in Bure:

- Henrik Blomquist, representing Skanditek Industriförvaltning AB.
- Ulf Strömsten, representing Catella Kapitalförvaltning.
- Peter Rudman, representing Nordea's mutual funds.
- Patrik Tigerschiöld, Chairman of Bure Equity AB.

The nomination committee has been appointed according to the instructions adopted by Bure's 2008 AGM. These state that the Board Chairman, not later than at the end of the third quarter of each year, shall ensure that the company's three largest shareholders are given the opportunity to each appoint one member to the nomination committee. Should any of these three shareholders waive its right to appoint a member, the shareholder next in order of voting power will be contacted to appoint a member to the committee. The mandate period is one year. Furthermore, the Board Chairman shall be a member of the nomination committee.

Work of the Board of Directors

Bure's Board of Directors has consisted of five members. The composition of the Board and the roles of its members and the President are presented at the end of the corporate governance report. The company's CFO Jonas Alfredson has served as Secretary of the Board.

The work of the Board of Directors is governed by a procedural plan that was most recently adopted at the statutory meeting on 23 April 2008. The work of the Board follows a yearly plan containing fixed decision points that is adopted every year in connection with the statutory meeting. The Board normally holds six meetings during the year, and meets more frequently when required. In the past financial year, the Board held 27 meetings, consisting of 7 scheduled and 20 extra meetings, of which 8 were held per capsulam. The Board formed a quorum at all meetings. Board members Björn Björnsson and Ann-Sofi Lodin were both absent from one scheduled meeting. Among other things, the

Board's procedural plan contains instructions regarding the division of responsibilities between the Board, the Chairman, the President and the Board's committees.

According to the procedural plan, the Board is responsible for the company's organisation and management of the company's affairs. The Board continuously monitors the financial situation of the company and the Group, which is reported on a monthly basis, so that the Board is able to meet the monitoring obligations required by law, NASDAQ OMX Nordic Exchange's Rules for Issuers and good board practice. The procedural plan states that it is the responsibility of the Board to decide on matters that are not part of operating activities or that are of major importance, such as material financial commitments and agreements, as well as any significant changes in the organisation. Once a year, the Board carries out a systematic evaluation of its performance in order to develop the work of the Board and to provide the nomination committee with a relevant basis for decision ahead of the AGM.

Every year, Bure's Board of Directors establishes and documents the company's goals and strategies and discusses marketing, strategic and budgetary issues. The Board establishes the company's finance policy, right of authorisation and decision-making procedure. The Board has formulated specific instructions regarding the responsibilities and powers of Bure's President and Vice President, as well as special reporting instructions for the Executive Management.

The company's auditors attend two Board meetings every year to report on the year's audit and their evaluation of the company's internal control system. The auditors present their observations from the annual audit directly to the Board. Once a year, the auditors meet with the Board without the presence of any member of the Executive Management.

In 2008 the Board of Directors of Bure Equity AB was paid total fees of SEK 990,000, of which the Chairman received SEK 350,000. Special fees of SEK 51,350 were paid for work on the Board's committees.

Board committees

The Board's procedural plan contains instructions regarding the compensation committee and audit committee. The work of both the compensation committee and the audit committee is performed by the Board as a whole.

The compensation committee discusses and decides on matters relating to remuneration in the form of salary, pensions and bonuses or other terms of employment for the President and staff reporting directly to the President. Proposed principles for compensation to the President and Executive Management will be put before the 2009 AGM for decision. At present, there are no outstanding share-based or share price-based incentive schemes for the Board or Executive Management.

The role of the audit committee is to continuously support the Board in matters relating to auditing, internal control and review of the annual accounts and interim reports.

Financial reporting

Bure's financial reporting is based on the applicable laws, regulations, rules, agreements and recommendations for companies listed on the NASDAQ OMX Nordic Exchange. A more detailed description of the accounting policies is provided on pages 38–41 of the annual report. The audit report for the financial year is found on page 58 of the annual report. The Board and the auditors communicate on an ongoing basis. The Board continuously ensures that the company's finance and accounting organisation is properly dimensioned and has adequate resources. The Board is provided with monthly reports on the development of the portfolio companies, the Parent Company and the Group. Every year, the Parent Company issues instructions regarding the financial information to be reported by the subsidiaries. This information includes income statements, balance sheets, cash flow statements and financial key ratios. A more extensive reporting package is required in connection with the annual closing of the books.

Deviations from the Code

According to section 10.6 of the Code, the Board of Directors is required to evaluate the need for a special audit function on a yearly basis. The Board's assessment is that Bure has no need for this function under the present circumstances. At the same time, the Board has clear instructions and continuously ensures that the responsible individuals in the organisation have requisite the expertise and resources to fulfil their duties in the preparation of financial reports. The evaluation of the need for an internal audit function will be reassessed in 2009.

Presentation of the Board of Directors, President and auditors

Since the time of the AGM, the Board of Directors has consisted of five members. The President is not a member of the Board. Of the company's five Board members, all except the Chairman Patrik Tigerschiöld and Björn Björnsson are independent in relation to the company's major shareholders.

Board member Kjell Duveblad was also chairman and a member of the board of the subsidiary EnergoRetea Group AB in 2008. Board member Ann-Sofi Lodin was also a member of the board of Textilia's parent company, Länia Material AB, during the period from January to August and a member of the board of Anew Learning AB during the period from January to October.

Patrik Tigerschiöld, Chairman

Patrik is 44 years old, M.B.A., and President of Skanditek Industriförvaltning AB, the company's largest shareholder. Elected to the Board in 2004. Previously employed by SEB and former President of SEB Allemansfonder.

Håkan Larsson, Vice Chairman

Håkan is 61 years old, M.B.A. Previously President of Rederi AB Transatlantic and employed by the Schenker Group. Elected to the Board in 2002. Håkan is independent in relation to the company, its management and the company's major shareholders.

Ann-Sofi Lodin, Board member

Ann-Sofi is 46 years old, M.Pol.Sc. and economist. COO of the healthcare company Global Health Partner. Previously employed by the healthcare group Capio, in positions such as General Director of Capio Sjukvård Norden and General Director of Capio Lundby Sjukhus. Elected to the Board in 2006. Ann-Sofi is independent in relation to the company, its management and the company's major shareholders.

Björn Björnsson, Board member

Björn is 62 years old, M.Pol.Sc., and operates his own financial consulting business. Elected to the Board in 2002. Björn is independent in relation to the company and its management and dependent in relation to the company's major shareholders.

Kjell Duveblad, Board member

Kjell is 54 years old, M.B.A., and operates his own management and IT consulting business. Previously employed by IBM and as Regional Manager of Oracle in Sweden, the Nordic region and the Baltic countries. Elected to the Board in 2005. Kjell is dependent in relation to the company and its management and independent in relation to the company's major shareholders.

Martin Henricson, President and CEO

Martin is 47 years old, B.A. Former President of Mercuri International Group AB. Martin is independent in relation to the company's major shareholders. Holdings in Bure at 19 February 2009: 13,560 shares. Other assignments: Board member and chairman of Mercuri International Group AB and board member of AcadeMedia AB, Implema AB, TradeDoubler AB, Yallotrader AB.

A description of the Board member's shareholdings and other assignments are shown on page 63.

The principles for remuneration and other terms of employment, and information about shareholdings, etc., for the President and other senior executives are shown in Note 36 of the annual report.

Information about the auditors

Ernst & Young AB has been elected as Bure's auditing firm. Ernst & Young has appointed Staffan Landén, 45 years old, as Auditor in Charge. Staffan Landén is auditor of several listed companies, such as Alfa Laval, Lindab and AcadeMedia.

Board report on internal control over financial reporting for the financial year 2008

As stated in the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for the company's internal control. This report has been prepared in accordance with the Swedish Code of Corporate Governance, sections 10.5 and 10.6, and is thereby limited to internal control over financial reporting. This description is not part of the formal annual report.

Control environment

The procedural plan for the Board and instructions for the President ensure a clearly defined division of roles and responsibilities that promotes effective management of the company's risks. Furthermore, the Board has established a number of normative documents for internal control, and among other things emphasises the importance of having clear and written instructions and policies that also apply to the Group's subsidiaries. The Executive Management regularly reports to the Board according to established routines and is responsible for the system of internal controls that is necessary for management of significant risks in day-to-day operations. This includes guidelines that promote an understanding and awareness among the various executives for the importance of their respective roles in maintaining good internal control.

Risk assessment and control activities

In assessing the risk for irregularities in the company's financial reporting, Bure has developed a model in which a number of areas with a heightened risk for errors have been identified. Special attention has been given to the creation of controls to prevent and detect deficiencies in these areas. Areas where material deficiencies are noted are dealt with immediately.

Information and communication

Significant guidelines, manuals, policies, etc., of relevance for financial reporting are continuously updated and communicated to the appropriate employees. There are both formal and information communication paths to the Executive Management and Board for significant information from the employees. For external communication, there are guidelines to ensure that the company lives up to the highest demands regarding complete and accurate information to the market.

Monitoring

The Board continuously monitors and evaluates the information provided by the Executive Management. This includes ensuring that action is taken with respect to any deficiencies or recommendation identified in internal and external audits.

Internal audit

The Board has not found reason to set up an internal audit function. The Board's opinion is that there is no need for this function in the company and that it is not financially justifiable in an organisation as small as Bure's. The Board has clear instructions and continuously ensures that the responsible individuals in the organisation have the requisite expertise and resources to fulfil their duties in the preparation of financial reports. The evaluation of the need for an internal audit function will be reassessed in 2009.

This report has not been examined by the company's auditors.