

Corporate governance report

■ Swedish Code of Corporate Governance

Nolato's Board and management work in accordance with working methods, work structures and information disclosure procedures that largely follow the Swedish Code of Corporate Governance.

However, Nolato has currently chosen to deviate from the Code in the following key areas. These deviations are consistent with the rules of the OMX Nordic Exchange, since Nolato is not classed as a large company and is not therefore obliged to comply with the Code or explain any such deviations.

Nolato has decided not to comply with the Code for the time being in the following key areas:

- The majority of the members of the Nomination Committee not being members of the Board
- Submitting an internal audit report in relation to financial reporting.

■ Board members and organisation

Nolato's Board of Directors consists of seven members elected by the Annual Meeting, and three members and three deputies elected by the trades unions.

Apart from the CEO and the trades union representatives, none of the Board members is employed by or works within the Company's operations.

Board members Roger Johanson, Lars Åke Rydh and Chairman of the Board Carl-Gustaf Sondén are deemed by the Board to act independently of the Company's major shareholders. From time to time, Erik Paulsson indirectly represents companies which are Nolato suppliers or customers. Both in relation to the situation of this Board member and to that of each supplier/customer, Nolato's Board has determined that the transactions carried out with these companies do not constitute significant business connections when considering the size of revenues generated in comparison with annual supplier/customer sales.

Nolato's Board has therefore determined that all members elected by the Annual Meeting, apart from the CEO, are independent in relation to the Company.

CEO Georg Brunstam left the Board when his employment with Nolato ended on December 9, 2007. His place on the Board therefore remains vacant until the 2008 Annual Meeting.

The members of Nolato's Board of Directors are presented in the Annual Report on page 68, including their name, position, year elected to the Board, shareholding, other duties, year of birth and education. The independence of individual Board members is assessed above.

The Group's Chief Financial Officer is Board Secretary.

■ The Board's working methods

The Board decides on the ultimate direction of Nolato's operations and prepares the necessary instructions. It determines the Nolato Group's management structure and appoints, dismisses and oversees the people who manage and represent Nolato.

Principles were decided on at the Board's constituent meeting following the Annual Meeting concerning the Board's rules of procedure for its work, the delegation of duties between the Board and the President and CEO, and financial reporting. The key elements of these principles determine the following:

–The Board shall establish a work plan with five regular meetings over the course of the year, at which various matters as stipulated by the rules of procedure shall be considered.

–Notice of the meeting, the agenda and the relevant documentation for the Board meeting shall normally be sent out no later than one week before the meeting. Numbered minutes shall be kept for every meeting.

–The delegation of duties clarifies the responsibilities of the Board and the key duties of the Chairman and the President and CEO. The instructions for the President and CEO include limitations on decisions in relation to investments, acquisitions, transfers and certain agreements.

–In order to enable the Board to follow and monitor the Group's financial position and development on an ongoing basis, the President and CEO shall provide the Board with monthly reports on sales, income, capital commitment, cash flow, the balance sheet, follow-up on forecasts and forecast updates.

Information about the work of the Board during 2007 can be found on page 30.



■ Board committees

The Remuneration Committee

The Board of Directors includes a Remuneration Committee. The committee is responsible for making proposals to the Board on variable remuneration for senior executives, including the President and CEO.

The committee also proposes all remuneration and benefits for the President and CEO to the Board. The Board has approved these principles for the variable remuneration of senior executives and all remuneration and benefits for the President and CEO. The committee is also responsible for approving all remuneration to the Group's Executive Committee.

The members of the Remuneration Committee are Carl-Gustaf Sondén (Chairman) and Henrik Jorlén, who were appointed by the Board. The committee held one meeting in 2007. Ahead of 2008, the committee will submit proposals to the 2008 Annual Meeting on principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives.

Auditors and the Audit Committee

Ernst & Young are Nolato's appointed auditors. Ernst & Young, with Ingvar Ganestam as chief auditor, were re-elected for a period of four years at the 2004 Annual Meeting. Ingvar Ganestam has been the Company's chief auditor since 2000.

The auditors responsible for the Company at Ernst & Young regularly read the approved minutes of Nolato's Board meetings. They also have continuous access to the monthly reports received by the Board.

The Company's auditors met the full Board of Directors on two occasions during the year.

Before preparing for the adoption of the annual accounts, the auditor gives the Board a presentation of his overall observations, based on a review of the Group's internal controls and annual accounts.

Nolato's Board has elected to allow the entire Board to constitute the Audit Committee and carry out these duties.

Nolato's auditors are presented in the Annual Report on page 68, including their name, year of birth, title, year appointed, shareholding, education and other duties.

■ Board remuneration

For the period starting with the 2007 Annual Meeting and ending with the 2008 Annual Meeting, Board remuneration totalled SEK 820,000 (820,000), divided up as follows:

Chairman:	SEK 220,000
Board members:	SEK 120,000

Director's fees are paid only to external members. Company employees and personal representatives receive no director's fee. Payment was made in December 2007.

During 2007, the current members of the Board received the following remuneration:

Carl-Gustaf Sondén	SEK 220,000
Henrik Jorlén	SEK 120,000
Gun Boström	SEK 120,000
Roger Johanson	SEK 120,000
Erik Paulsson	SEK 120,000
Lars-Åke Rydh	SEK 120,000
Total	SEK 820,000

■ Information policy

Nolato reports to the OMX Nordic Exchange in Stockholm, where the Company is quoted on the Nordic list in the Small Cap segment. Information in the form of quarterly reports, press releases, etc., is submitted in accordance with the requirements of the listing agreement and the information policy adopted by Nolato's Board of Directors.

Reports, press releases and other information can be downloaded from Nolato's website, www.nolato.com, under Investor Relations. The website also includes additional information on corporate governance in terms of Board membership, procedures, work, committees and auditors. The current Articles of Association and information from the most recent Annual Meeting are also available.

■ Remuneration information

For information on fees, salaries, pensions and other benefits for the Board of Directors, the President and CEO and other senior executives, please see Note 8 on page 56.

■ Group management

The Group Management consists of Hans Porat (CEO of the Nolato Group and head of Nolato Industrial), Per-Ola Holmström (Executive Vice President and CFO), Jonas Persson (head of Nolato Telecom), Christer Wahlquist (head of Nolato Medical) and Magnus Emeus (head of Nolato Hungary).

The Group management is presented on page 69, including their length of service with Nolato, education, year of birth, shareholding etc.

Business operations

All business operations in the Group are conducted by subsidiaries, in keeping with the decentralised culture that has always characterised Nolato.

Business areas

Each subsidiary belongs to one of the Group's three business areas.

The head of each business area manages current operational issues, and is in constant contact and discussion with the managing directors and other management of the subsidiaries within the business area in question.

Subsidiaries

The Group's success is thanks to the close business relationships that each Group company enjoys with its customers. Their understanding of – and sensitivity to – local needs, business practices and distribution requirements are, and remain, crucial to their success.

Each subsidiary is managed by a Board of Directors, which approves and makes decisions on long-term strategies, investments, forecasts and overall structural and organisational changes, in accordance with the Board's rules of procedure.

Each subsidiary has a managing director who is responsible for operations within that company, as specified in the managing director's instructions issued by the Board of Directors.

The managing director is assisted by a management team, with members from the various company functions.