

Corporate Governance

In my opinion, good corporate governance is a basic prerequisite for the ability to create a favourable, long-term, sustainable return for our shareholders. At Ratos we have very high demands on order and structure and we work continually to improve and strengthen our structural capital such as routines and rules for decision-making, areas of responsibility and control systems. We also make every effort to be as transparent as possible so that our stakeholders can monitor our development effectively and understand how added value is created. Our basic values – professional, active and responsible – must characterise the work of the entire organisation and how our business is governed.

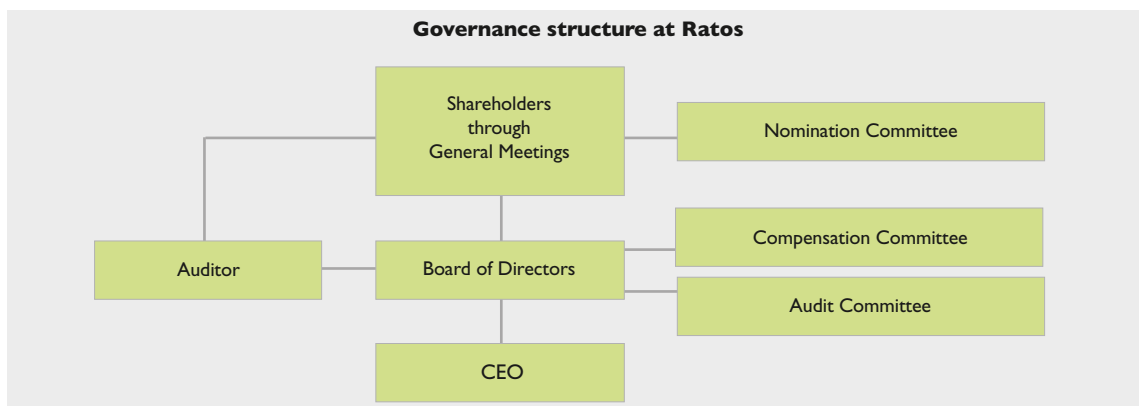


Ratos has chosen to comply with the Swedish Code of Corporate Governance since its introduction four years ago, except with regard to the composition of the Nomination Committee (see Nomination Committee page 38). The self-regulatory Code has made a positive contribution in that we now have clearer guidelines on how corporate governance should be applied. The Code's "comply or explain" rule allows it to be adapted to companies' different circumstances if sensible reasons for non-compliance exist. As I see it, this is one of the strengths of the Code. The Code has also helped to raise the credibility of and confidence in Swedish business.

A handwritten signature in black ink, appearing to read "Olof Stenhammar".

Olof Stenhammar
Chairman of the Board

Corporate governance report



Policy documents adopted by the Board

1. Ownership policy – Ratos's approach to its ownership role in unlisted companies
2. Environmental policy
3. Information and crisis policy
4. Sponsorship policy
5. Code of social conduct
6. Incentive policy for senior executives in Ratos's holdings
7. Rules for Ratos employees' share transactions
8. Pensions policy
9. Financial strategy
10. IT security policy

Ratos AB is a public limited company and is regulated by Swedish legislation in the form of the Swedish Companies Act, the listing agreement with NASDAQ OMX Stockholm including the Swedish Code of Corporate Governance (the Code). In addition, the Articles of Association form the basis for governance of operations where it states where the Board shall be domiciled, the focus of operations, rules about general meetings, information about class of shares and share capital, etc.

In order to establish guidelines for the company's activities, the Board has prepared and

adopted ten external and internal policy documents. The policy documents set out the basic values that must characterise the organisation and the conduct of its employees.

Ratos applies the Code and does not report any non-compliance with the Code in the 2008 financial year, except with regard to the composition of the Nomination Committee (see under Nomination Committee below).

The report has not been reviewed by the company's auditors. The Corporate Governance Report is also available at www.ratos.se.

Share capital and shareholders

Ratos has been listed on NASDAQ OMX Stockholm since 1954. At year-end 2008 the share capital amounted to SEK 1,016.5m divided among 161,349,252 shares, of which 42,328,530 A shares and 119,020,722 B shares. The company's A shares carry entitlement to one vote per share while B shares carry entitlement to one-tenth of a vote per share. All shares carry the same right to a share of the company's assets and to the same amount of dividend.

At year-end 2008 Ratos had a total of 38,099 shareholders according to statistics from Euroclear Sweden (formerly VPC). The ten largest shareholders accounted for 80% of the voting rights and 52% of the capital. The proportion of shares owned by physical or legal entities outside Sweden amounted to 10%. 62% of Ratos's shareholders owned 500 shares or less and together accounted for 3% of the share capital. More information about Ratos's shareholders and share performance in 2008 is provided on pages 22-24.

General meetings

The Annual General Meeting of Shareholders in Ratos is to be held in Stockholm once a year before the end of June. Notice of an ordinary general meeting must be published no earlier than six weeks and no later than four weeks prior to the meeting and of an extraordinary general meeting no earlier than six weeks and no later than two weeks prior to the meeting. The notice must always take the form of an announcement published in the Official Swedish Gazette (Post- och Inrikes Tidningar) and in Svenska Dagbladet. All documentation required ahead of the Meeting is available on the website in a Swedish and English version.

All shareholders who are registered on Euroclear Sweden's list of shareholders who have notified their attendance to the company in due time are entitled to attend the Meeting and to vote for their total holding of shares. Shareholders may bring an assistant to the meeting provided they have notified the company.

2008 Annual General Meeting

The 2008 Annual General Meeting was held on 9 April in Berwaldhallen in Stockholm. The Meeting was attended by 551 shareholders, representatives or assistants, who together represented 79.7% of the voting rights and 51.3% of the capital. Ratos's Board, management and auditor were present at the meeting. The CEO's address to the meeting was published in its entirety on the website the day after the Meeting. Minutes in Swedish and English versions were available approximately two weeks after the Meeting. The 2008 Annual General Meeting re-elected seven of the members of the Board: Olof Stenhammar (Chairman), Lars Berg,

The Nomination Committee ahead of the 2009 Annual General Meeting

Member	Represents	Share of voting rights 30 Sept 2008	Share of voting rights 31 Dec 2008
Per-Olof Söderberg	Own and related parties' holdings	14.9%	14.9%
Jan Söderberg	Own and related parties' holdings	12.4%	12.4%
Maria Söderberg	Torsten Söderberg foundation	12.2%	12.2%
Peder Hasslev	AMF Pension	0.9%	1.0%
Annika Andersson	AP4	0.5%	0.5%
Olof Stenhammar	Chairman of the Ratos Board	–	–
Total		40.9%	41.0%

Staffan Bohman, Annette Sadolin, Jan Söderberg and Per-Olof Söderberg. Göran Grosskopf declined re-election. No deputies were elected. Members of the Board elected at the 2008 Annual General Meeting are presented in more detail on pages 34-35.

Nomination Committee

The 2008 Annual General Meeting resolved that the company's Chairman in consultation with the company's major shareholders should appoint a nomination committee ahead of the 2009 Annual General Meeting. According to the Annual General Meeting decision, the Nomination Committee shall comprise a minimum of four members, one of whom is the company Chairman. If an already appointed member resigns from the Nomination Committee, the company's major shareholders shall appoint a replacement following consultation. The members of the Nomination Committee do not receive any remuneration from the company but are entitled to receive reasonable remuneration from the company for expenditure incurred with regard to evaluation and recruitment.

The composition of the Nomination Committee was announced together with contact details through a press release on 30 September 2008. The members of the Nomination Committee were as follows:

- Annika Andersson representing AP4
- Peder Hasslev representing AMF Pension
- Olof Stenhammar as Chairman of Ratos's Board
- Jan Söderberg representing his own and related parties' holdings, Board member
- Maria Söderberg representing the Torsten Söderberg Foundation
- Per-Olof Söderberg representing his own and related parties' holdings, Board member

Members represented approximately 41% of all the votes in the company.

Ratos has chosen to deviate from the Code with regard to the recommendation that not more than one Board member who sits on the Nomination Committee is non-independent in relation to the company's major shareholders. Olof Stenhammar and Ratos are of the opin-

ion that Per-Olof Söderberg and Jan Söderberg, regardless of their non-independence to major shareholders, should be members of the Nomination Committee in their capacity as the company's two largest individual owners.

The work of the Nomination Committee

The duties of the Nomination Committee are as follows:

- To evaluate the composition and work of the Board
- To prepare a proposal to the Meeting regarding election of the Board and the Chairman
- To prepare a proposal, in co-operation with the company's Audit Committee, to the Meeting regarding election of auditor when appropriate
- To prepare a proposal to the Meeting regarding fees to the Board and auditor
- To prepare a proposal to the Meeting regarding a chairman for the meeting.
- To prepare a proposal to the Meeting regarding principles for the composition of the Nomination Committee

Ahead of the 2009 Annual General Meeting the Nomination Committee held three minuted meetings as well as a number of telephone conversations. As in the previous year, the Nomination Committee's work included the strategic issues the Board is expected to face in the years ahead and on this basis a discussion of the composition and size of the Board. The general opinion was that the Board should be complemented with a member from Norway. A process of finding a suitable candidate was initiated back in 2007 but did not result in a nomination. The Nomination Committee is therefore very pleased to be able to nominate the Norwegian Magareth Øvrum who is assessed as possessing the sought-after broad and sound expertise.

The Nomination Committee also examined the evaluation of the proposal for Board members' fees that has been drawn up by a committee consisting of members independent to the Board. The Audit Committee submitted a proposal on auditor fees to the Nomination Committee.

The Nomination Committee's proposals, an account of the Committee's work ahead of the 2009 Annual General Meeting and complementary information on proposed members of the Board will be announced in conjunction with the Notice of the Meeting and at the 2009 Annual General Meeting.

Board of Directors

According to the Articles of Association Ratos's Board shall comprise a minimum of four and a maximum of nine members with a maximum of three deputies. All members of the Board are elected by the shareholders at the Annual General Meeting for the period until the next Annual General Meeting has been held. A Board decision only applies if more than half of the elected Board members are agreed.

The Board's formal work plan

Each year the Board adopts a formal work plan for its work designed to ensure that the company's operations and financial circumstances are controlled in an adequate manner. The formal work plan includes instructions for the company's CEO, board meeting procedures, assignment of tasks, the duties of the Chairman and the provision of information between the company and the Board.

The decision-making procedures for the company's Board and CEO relating to investment activities stipulate that all acquisitions of, and add-on investments in, companies that are to be included among Ratos's holdings must be submitted to the Board for decision. This also applies to divestments, wholly or partly, of a holding. The Board is kept informed on

an ongoing basis about the development of operations through a regular CEO's letter. Information material and material on which decisions are to be made at Board meetings are normally sent out one to two weeks prior to each meeting. An evaluation of all the holdings is performed every year in which an analysis of holding strategy, results, and forecasts for the coming year are presented. These evaluations are presented to the Board by the Investment Director and/or the person responsible for the company.

Evaluation of the Board

The Chairman of the Board decides on an annual evaluation of the work of the Board where members are given an opportunity to express their opinions on working methods, Board material, their own and other members' work and the scope of the assignment. In some years the evaluation is performed with the help of an external consultant and in other under the auspices of the Chairman. For 2008, the latter alternative was used. The work of the Board was assessed as functioning very well and all Board members were considered to have made a constructive contribution to both strategic discussions and the governance of the company. The dialogue between the Board and management was also perceived as good.

Work of the Board in 2008

During 2008, 15 minuted Board meetings were held – seven ordinary meetings, one statutory meeting and seven extra Board meetings. Information about attendance at Board meetings is provided in the table below. The minutes were taken by the Secretary to the Board who

Board of Directors

Member	Elected	Nationality	No. of meetings attended			Remuneration 2008, SEK	Position in relation to	
			Board 15 meetings	Compensation Committee 5 meetings	Audit Committee 4 meetings		Company	Major shareholders
Olof Stenhammar	1994	Swedish	14	5	3	900,000	independent	independent
Lars Berg	2000	Swedish	14		3	430,000	independent	independent
Staffan Bohman	2005	Swedish	15	3	4	460,000	independent	independent
Arne Karlsson	1999	Swedish	15				non-independent	independent
Annette Sadolin	2007	Danish	15		3	430,000	independent	independent
Jan Söderberg	2000	Swedish	14	5	4	460,000	independent	non-independent
Per-Olof Söderberg	2000	Swedish	15	5	4	460,000	independent	non-independent

during the year was the lawyer Tore Stenholm, Tore Stenholm Advokatbyrå AB. Other senior executives attended Board meetings to present specific issues. Board meetings follow an adopted agenda and complete documentation is sent out in due time ahead of every Board meeting.

Auditor

At the 2008 Annual General Meeting the audit firm KPMG AB was elected as auditor with authorised public accountant Thomas Thiel as Senior Auditor for the period until the 2012 Annual General Meeting has been held. KPMG with Thomas Thiel as Senior Auditor were elected for the first time at the 2004 Annual General Meeting. In addition to his assignment for Ratos, Thomas Thiel is auditor of companies that include Atlas Copco, Axfood, Folksam, GS-Hydro, Peab Industri, Skandia, SKF and Swedish Match as well as the Söderberg foundations, which are Ratos's largest single owner.

Compensation Committee

At Ratos structured work with compensation principles has been under way for many years and this was formalised in 1999 when the Board set up a Compensation Committee to which members are appointed annually. Committee members in 2008 were Olof Stenhammar (chairman), Staffan Bohman, Jan Söderberg and Per-Olof Söderberg.

The Compensation Committee prepares and presents proposals for decision by the Ratos Board regarding:

- The CEO's terms of employment
- Terms for employees directly subordinate to the CEO according to "the grandfather principle"
- Matters of principle concerning pensions, severance pay, fees and benefits, etc.
- Matters relating to Ratos's compensation system

The work of the Compensation Committee in 2008

The Compensation Committee held five minuted meetings during 2008 and was in regular contact in between. The minutes were taken by the company's CEO, Arne Karlsson.

The Compensation Committee works in accordance with an adopted formal work plan. Early in the autumn an examination was carried out to see whether there were any major compensation-related issues of principle to prepare. If such issues exist they are processed ahead of a final decision at the ordinary meeting in January. The Compensation Committee also prepares and processes guidelines for the structure of general salary development for the year ahead and conducts an annual review of Ratos's long-term incentive systems. During the year the committee also discussed succession matters as well as questions relating to leadership and organisational development.

Audit Committee

The Board has appointed an Audit Committee in order to give work with reporting and auditing a special forum. The Audit Committee includes all members of the Board with the exception of the CEO. The company's internal control and governance systems, as well as external financial reporting are within the scope of this committee. The committee also monitors and evaluates new practice and new accounting rules. The work of the auditors is continuously evaluated and the committee is also responsible for preparing the election of new auditors when appropriate. The entire Audit Committee met the company's auditor on two occasions in 2008 and held four minuted meetings. The company's work procedures also stipulate that the Chairman of the Board is tasked with maintaining regular contact with the company's auditors.

Internal control

Internal control of financial reporting is based on how operations are conducted and how the organisation is built up. Authority and responsibility are documented and have been communicated in documents such as internal guidelines and manuals. This applies, for example, to the division of work between the Board on the one hand and the CEO on the other hand and the other bodies set up by the Board, instructions for powers of authorisation as well as accounting and reporting instructions. This also serves to reduce the risk of irregularities and inappropriate favouring of a third party at the company's expense.

In the internal control of financial reporting, the parent company is assessed separately and each individual holding is assessed separately, regardless of whether they are subsidiaries or associates. Assessments are made both ahead of an acquisition and during the ownership period. Each holding represents its own risk independent of other holdings, where an Investment Director or Senior Investment Manager has main responsibility for a holding.

The risks that are identified, both by the companies and by Ratos, regarding financial reporting are communicated monthly by the Investment Director or Senior Investment Managers and quarterly by the accounts/finance function to the CEO, who in turn reports to the Board. Holdings' application of IFRS in reporting to Ratos is followed up in conjunction with quarterly accounts. Ahead of an acquisition a due diligence examination of the company is performed, which includes an analysis of the accounting consequences, a review of capital structure and a financial risk analysis.

Information and communications channels at Ratos are designed to promote the completeness and accuracy of financial reporting. The accounts/finance function formally controls the companies' reports and those responsible for the companies check reporting from a material aspect. Control within subsidiaries and associates is decided separately for each company. Ratos continuously follows up the holdings' compliance with guidelines and manuals.

Acquisitions and divestments are also examined with the auditors. In parallel with the annual evaluation which is described in the description of the work of the Board, impairment testing is performed for each holding.

Quality assurance for financial reporting

In addition to what is stated above, the Audit Committee is tasked with quality assurance of the company's financial reporting and maintaining regular contact with the company's auditors.

It is the opinion of the Board that the quality of a company's reporting is primarily determined by the organisation's competence in accounting matters as well as how the ac-

counting, reporting and finance functions are staffed and organised. At Ratos, the entire business organisation is deeply involved in reporting and analysis of both the individual holdings and the performance of the Group. This involvement in accounting and reporting means, among other things, that the quality of the reporting is continuously examined and raised. The finance and accounting unit is organised both on the basis of the need to provide regular accounts mainly for the parent company, and to be able to prepare closing accounts for both the parent company and the Group. A total of seven people (corresponding to six FTEs) are employed within the function headed by the company's CFO. A total of three people have a degree in economics. The employees within this unit have many years of professional experience from financial control and reporting. Two people with a university degree and many years of experience of banking and financial matters work in the finance function.

Ratos's mission includes investing in and developing wholly or partly owned companies. The aim is not that these companies' systems and reporting should be integrated with the Ratos Group. Instead, the focus is on creating independent, high-quality organisations where this is part of the value-creating work with the holdings. Against this background, Ratos's Audit Committee has an ongoing dialogue with Ratos's auditors and accounts/finance function while the boards of the individual holdings are responsible for the quality of the companies' financial reporting. Ratos's finance function maintains a running dialogue with those responsible for finance at all the holdings and issues clear instructions for the preparation of each monthly, quarterly and full-year report. In conjunction with third quarter and annual accounts, Ratos's finance function receives audit memorandums from each holding. In order to achieve a high quality in the entire Group's reporting, Ratos has resources for follow-up and development of the finance functions and reporting of associates and subsidiaries. Ratos's accounts and finance function regularly offers training for the holdings' finance functions in central reporting and accounting/finance matters.

The accounts function prepares monthly reports for the parent company and the Group which are submitted to Ratos's management. The Board is continuously informed about the financial development in the CEO's letter as described above. An interim report is prepared and published every quarter, of which one is reviewed by the company's auditors. In conjunction with quarterly reporting, the Board receives extensive in-depth material concerning both the Group and the individual holdings. Complete closing accounts (known as a hard close) which are reviewed by the company's auditors are prepared for the report for the third quarter. This hard close and subsequent review are conducted in order to prepare and facilitate the audit of the full-year accounts. A report from hard close work is presented to the Audit Committee. The parent company and all subsidiaries carry out a hard close. In the associates, Ratos decides in consultation with other owners whether a reviewed hard close should be prepared. The audit memorandum prepared in conjunction with the full-year accounts is presented to the Audit Committee.

Compensation to the Board of Directors, auditor and senior executives

Compensation to the CEO and the Board

The 2008 Annual General Meeting decided that compensation to the ordinary members of the Board should be paid of SEK 400,000 per member and year (although not to Ratos's CEO) while compensation to the Chairman of the Board should amount to SEK 800,000 per year. Information on compensation to the CEO is provided in Note 9 on page 71.

Compensation to members of the Compensation and Audit Committees

It was decided to pay an additional SEK 30,000 per year and committee to Board members who sit on these committees while compensation to committee chairmen was set at SEK 50,000 per year and committee.

Auditors' fees

Compensation is paid to the company's auditors in accordance with a special agreement on this matter. In 2008, audit fees amounted to SEK 2m in the parent company and SEK 18m in the Group. In addition, the parent company

paid SEK 3m in fees for other assignments to the company's auditors and the Group as a whole paid fees for other assignments amounting to SEK 6m to the company's senior auditor. The Board has established guidelines for the relation between auditing fees and consulting fees. These guidelines are continuously followed up by the Audit Committee which also evaluates the content of both auditing and consulting services.

Guidelines and principles for compensation to senior executives

The guidelines for compensation and incentive systems for key people as set out below were approved by the 2008 Annual General Meeting. The following guidelines were applied throughout 2008.

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background a compensation and incentive system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of shareholders.

The system comprises three components – basic salary, variable compensation and options – and rests on five basic principles.

- Ratos's employees shall be offered competitive basic terms of employment in an industry where competition for qualified employees is intense and at the same time be encouraged to remain within Ratos.
- Both individual effort and the Group's performance must be linked to clear targets set by the Board.
- The variable compensation that is paid shall be linked to the results development that benefits shareholders. Variable compensation does not fall due until certain conditions have been met with regard to return on the company's capital.
- Each year the Board sets a limit for the total variable compensation. This means that the variable compensation component can amount at maximum to approximately one per cent of the company's equity at the start of the financial year.

- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through a reasonably balanced options programme where employees can gain from price rises as well as taking a personal risk by paying a market price for the options.

The variable compensation that can be allocated to an employee is paid over a multi-year period. The cost for each year's variable compensation, however, is booked in its entirety in the year in which the compensation was earned. With regard to the costs for proposed option programmes, refer to the Board's proposal regarding call options and synthetic options. The Board shall be entitled to deviate from these guidelines if special reasons exist.

Variable compensation does not fall due until certain conditions regarding return on the company's equity have been met. For 2008, this return requirement was that consolidated profit before tax should correspond to at least 8% of equity. A ceiling was stipulated at a total of SEK 100m in variable compensation, which corresponds to a return on equity of 32%. An earnings bank for the result that forms the basis for calculation of variable compensation is applied. This means that earnings which in certain years exceed the 32% ceiling are transferred to the next year and increase the earnings on which compensation is calculated. Earnings that are less than the threshold amount of 8% are also transferred and charged against earnings on which compensation is based in the following year.

Results and payments of variable compensation in 2008

Return on equity amounted to 46% and the variable compensation paid will therefore amount to SEK 100m. At total of 29 people are included in the entitlement to receive variable compensation.

Payment of variable compensation is divided over three years with 50% in the first year and 25% per year in the next two years. In order to receive full payment, the person concerned must remain active within the Ratos Group.

Call options programmes

Annual general meetings since 2001 have decided on call option programmes directed to senior executives and other key people within Ratos. All call options have a maturity of five years. Employees have paid a market premium for the call options in all programmes. Acquisition of call options is subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the compensation is divided into equal parts for five years and provided the person remains active within the Ratos Group. Call options are issued on Ratos purchased treasury shares.

Synthetic options

The 2008 Annual General Meeting resolved to introduce a cash-based option programme related to the Ratos's investments in portfolio companies. The programme is carried out through the issue of synthetic options that are

Terms for call options outstanding at 31 December 2008

Maturity	Price/Option, SEK	Entitlement to purchase no. share	Exercise price, SEK	Outstanding no. of options	Corresponding no. of shares
2004 – 31 March 2009	7.60	2.15	68.40	56,000	120,400
2005 – 31 March 2010	11.20	2.15	102.90	99,000	212,850
2006 – 31 March 2011	21.20	2.15	151.80	464,000	997,600
2007 – 31 March 2012	36.50	1	278.00	518,000	518,000
2008 – 30 March 2013	28.10	1	261.90	552,500	552,500
				1,689,500	2,401,350

Maximum dilution in relation to outstanding shares 1.5%.

transferred at market price. The programme gives key people within Ratos an opportunity to share in the growth in value of the portfolio companies. If the value growth on Ratos's investment in the portfolio company concerned exceeds 15% per year, the options will have a value. The total value of the issued options at the closing date will be a maximum of 3% of the difference between the actual realised value for Ratos's investment at the closing date and the cost increased by 15% per year.

Stockholm, February 2009



Olof Stenhammar

Chairman



Lars Berg

Member of the Board



Staffan Bohman

Member of the Board



Annette Sadolin

Member of the Board



Jan Söderberg

Member of the Board



Per-Olof Söderberg

Member of the Board



Arne Karlsson

CEO