

Directors holds six ordinary meetings per year, including the statutory meeting following the AGM, plus extraordinary meetings whenever the situation warrants. Company officers take part in Board meetings as rapporteurs, and the company's CFO serves as secretary.

The company's auditor reports his observations every year based on his review and gives his assessment of the company's internal control.

## Role of the Chairman

The Chairman organises and leads the work of the Board of Directors so that it complies with the Swedish Companies Act, other laws and ordinances, rules governing stock market companies (including the Code) and the Board's internal governing documents.

The Chairman follows the company's operations via continuous contacts with the Managing Director and is responsible for ensuring that other Board members get relevant information and documents. The Chairman also ensures that an annual evaluation is made of the work of the Board and the Managing Director, and that the results of this evaluation are communicated to the Nominating Committee.

According to the by-laws of the shareholder in the VBG GROUP AB with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research, the company's Chairman shall be a member of the board of the Foundation.

## Board committees

The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2012 AGM.

### Compensation Committee

At the statutory Board meeting in May 2011, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson, Chairman, and Johnny Alvarsson. The Committee had two meetings during 2011 where it discussed remuneration and other terms of employment for the Managing Director and senior officers in the Group. The MD was co-opted, but did not participate in the discussion when remuneration to the MD was dealt with.

The principle applied within the Group is that the boss's boss should approve decisions in compensation matters. A presentation was made at the AGM of the Board's proposal for guidelines for remuneration to the Managing Director and other senior officers. The AGM adopted the guidelines in accordance with the Board's proposal. Information on the Board's proposal to the 2012 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 23.

Information on remuneration is provided in Notes 5 and 6 on pages 39–41.

### Audit Committee

At the statutory Board meeting in May 2011, the Board of Directors appointed an Audit Committee consisting of Hans-Göran Persson, Chairman, and Peter Augustsson. The Audit Committee held five meetings of record during 2011.

The Audit Committee has a supervisory role with regard to the company's system for internal control and risk management of the financial reporting. The committee maintains constant contact with the company's auditors in order to ensure that the company's internal and external accounting meets the requirements made on a listed company and to discuss the scope and content of the audit work.

The committee had consultations with and received reports from the company's external auditors on three occasions during 2011. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

### The work of the Board during 2011

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Six meetings were held during financial year 2011, of which four (February, April, August and October) were held in connection with the publication of the company's quarterly reports.

The annual statutory Board meeting was held immediately after the AGM. The Board held its annual strategy day in conjunction with the August meeting that was held in Dobruany in the Czech Republic at one of the Czech Group companies. The business plan and the goals for 2012 were adopted at the December meeting as usual.

### Attendance at Board meetings in 2011

Name	Board	Audit Committee	Compensation Committee
Board members			
Peter Hansson	8		2
Johnny Alvarsson	8		2
Peter Augustsson <sup>1)</sup>	4	2	
Helene Richmond	6		
Hans-Göran Persson	8	3	
Anders Birgersson (CEO)	8		
Staffan Ekelund <sup>2)</sup>	4	1	

### Employee representatives

Michael Jacobsson <sup>1)</sup> , IF Metall	4
Cecilia Pettersson <sup>1)</sup> , Unionen-CF-Ledarna	4
Willy Gustafsson <sup>2)</sup> , IF Metall	4
Lars-Ove Boström <sup>2)</sup> , Unionen-CF-Ledarna	4

1) Elected to the Board at the 2011 AGM

2) Retired from the Board at the 2011 AGM

### Operational activities

The Managing Director is responsible for VBG GROUP AB's day-to-day administration, and rules established by the Board of Directors govern the MD's power of decision regarding investments and financing matters.

### Managing Director

MD Anders Birgersson, MSc. Eng., has been employed by the VBG GROUP AB since 2001 and has been active in the engineering industry since 1984 with a focus on logistics, production, product development and senior management at ABB, SKF and ESAB.

As VBG GROUP AB's Managing Director, Anders Birgersson is also a member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation, in keeping with the by-laws of the foundations.

The MD holds 500 shares.

### Group and Division Management

Overall management of the Group is exercised in the Parent Company by the company's Managing Director and CEO, Ander Birgersson, and the Group's CFO, Claes Wedin. Furthermore, the Parent Company management consists of Bo Hedberg, Director of Business Development, and Christina Holgeron, Director of TQM & HR.

The VBG GROUP's operational business activities are conducted in the three divisions VBG TRUCK EQUIPMENT, with Division Manager Anders Erkén, EDSCHA TRAILER SYSTEMS, with Division Manager Per Ericson, and RINGFEDER POWER TRANSMISSION, with Division Manager Thomas Moka.

The meetings held by the Group Management with each division management deal with such matters as earnings performance and reports prior to and after Board meetings, strategy and business planning, discussions of goals, investments, internal control, policies and review of the market situation, the economic trend and other external factors that affect the business. Furthermore, division-related projects are discussed and decided on.

Information on the Parent Company management and the division managers is provided on pages 60–61.

### Internal governance processes

Governance of the VBG GROUP is based on the business concept, strategies and goals of the Group and its divisions. Under the Board of Directors, the CEO and the Group Management, responsibility for operational activities has been decentralised to the three divisions. Responsibility for the coordination of certain functions such as accounting and finance, HR, IT, legal affairs and corporate communications rests with the Group Management and the Group Staffs.

The Group works with annual, rolling, multi-year activity plans to break down goals and strategies into action plans and activities that can also be measured and evaluated. These activity plans are important for the long-term strategic management of the Group. The Group also uses annual objectives, forecasts and action plans for the day-to-day management of the business.

Different business processes such as marketing, sales, purchasing and production are used to manage the operational activities in each division in order to achieve the activity goals that have been established.

Earnings are followed in regular financial reports, and the results of adopted measures are followed in follow-up reports.

### Auditors

The auditing firm of Öhrlings PricewaterhouseCoopers AB (PwC) was elected by the 2008 AGM as auditor for a period of four years, and authorised public accountant Bror Frid was put in charge of the audit. PwC carries out the audit of VBG GROUP AB and nearly all subsidiaries.

The annual audit includes a statutory audit of VBG GROUP AB's annual accounts, a statutory audit of the Parent Company and all subsidiaries (where required), an audit of internal report packages, an audit of the year-end closing and a general review of one interim report. Reviews of internal control are included as a part of the work.

In September a meeting was held with the executive management and the Audit Committee for analysis of the organisation, operations, business processes and line items for the purpose of identifying areas involving an elevated risk of errors in the financial reporting. In October a meeting was held with the Audit Committee for reconciliation of strategy and aims. A general review of the year-end closing is performed for the period January–September. An early warning review is performed of the third quarter accounts in October–November, followed by an early warning meeting with the executive management and the Audit Committee where important questions for the annual closing are raised. Review and audit of the annual closing and annual accounts is performed in January–February.

During 2011, in addition to the audit assignment, the VBG GROUP consulted PwC on taxes, transfer price matters and accounting matters. The size of remunerations paid to PwC in 2011 is shown in Note 6 on page 41.

PwC is obligated to review its independence prior to decisions to provide independent advice to the VBG GROUP in addition to its auditing assignments.

### Report on internal control

This section contains the Board's annual report on how internal control is organised in so far as it pertains to financial reporting. The point of departure for the description has been the Code's rules and the guidance provided by working groups within the Confederation of Swedish Enterprise and FAR SRS.

The Board's responsibility for internal control is described in the Swedish Companies Act, and the internal control of the financial reporting is covered by the Board's reporting instruction to the Managing Director. The VBG GROUP's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules that apply in each country where business is conducted.

Besides external rules and recommendations there are internal instructions, directions and systems, as well as an internal division of roles and responsibilities aimed at good internal control in the financial reporting.

## Control environment

The control environment is the foundation for internal control. VOLVO GROUP AB's control environment consists of organisational structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board has overall responsibility for the internal control of the financial reporting. The Board of Directors has adopted written rules of procedure that clarify the Board's responsibility and define the division of labour between the Board and its committees. The Board of Directors has appointed an Audit Committee, whose principal task is to ensure that established principles for financial reporting and internal control are complied with and that good relations are maintained with the company's auditors. The Board of Directors has prepared an instruction for the Managing Director and agreed on the economic reporting to the Board of Directors of VBG GROUP AB.

The Group's CFO reports the results of his internal control work to the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are reported continuously to the Board of Directors.

VBG GROUP AB's governing documents in the form of policies, guidelines and manuals are, to the extent they pertain to the financial reporting, kept continuously updated and communicated via relevant channels to the companies in the Group.

Systems and procedures have been created to provide the management with the necessary reports concerning business results in relation to established objectives. The necessary information systems are in place to ensure that reliable and up-to-date information is available for the management to be able to perform its duties in a correct and efficient manner.

## Risk assessment

The VBG GROUP's risk assessment regarding the financial reporting is aimed at identifying and evaluating the most significant risks that affect the internal control of the financial reporting in the Group's companies, business areas and processes. The most significant risks identified in the Group's internal control of the financial reporting are managed by control structures based on reporting of non-conformances from established goals or from adopted standards for e.g. valuation of inventories and other significant assets.

## Internal control of the financial reporting

Financial reports are prepared monthly and quarterly in the Group, its divisions and subsidiaries. In conjunction with this reporting, extensive analyses are conducted with comments and updated forecasts aimed at ensuring that the financial reporting is accurate. Accounting functions and business controllers with functional responsibility for accounting, reporting and analysis of financial developments are found at the central Group, division and major unit levels.

The VBG GROUP's internal control work aims at ensuring that the Group lives up to its financial reporting goals. The financial reporting shall

- be accurate and complete and comply with relevant laws, rules and recommendations
- provide a fair and true description of the company's business
- support a rational and informed valuation of the business.

In addition to fulfilling these three goals, internal financial reporting shall provide support for correct business decisions at all levels in the Group.

## Information and communications

Internal information and communications have to do with creating an awareness among the Group's employees concerning external and internal governing instruments, including powers and responsibilities. Information and communications regarding internal governing instruments for financial reporting are available for all concerned employees. Important tools for this are the VBG GROUP's manuals and trainings.

## Control activities

The Group's companies are organised in three divisions. Each division management includes a Business Controller. The controller plays a central role for analysis and follow-up of the business area's financial reporting and earnings. The Parent Company has additional functions for continuous analysis and follow-up of the Group's, the business area's and the subsidiaries' financial reporting.

## Follow-up

The Board of Directors is informed of and evaluates on a monthly basis the performance, earnings, financial position and cash flow of the operations via a report package containing outcomes, forecasts and comments on certain key factors.

## MISCELLANEOUS

### Internal audit

VBG GROUP AB has a simple operational structure with three divisions, each consisting of small and medium-sized legal entities with varying platforms for internal control. Governance and internal control systems established by the company are monitored regularly with regard to compliance by controllers at the division and Parent Company level. Controllers also perform continuous analyses of the companies' reporting and economic outcomes for the purpose of determining trends.

In view of the above, the Board of Directors has chosen not to have a special internal audit.

### Investor relations

The VBG GROUP's information to shareholders and other stakeholders is provided via the annual report, year-end report and interim reports as well as press releases. Financial information covering the past few years is provided at [www.vbggroup.com](http://www.vbggroup.com), along with information on corporate governance. Some ten or so meetings with investors and analysts were held in Sweden during 2011.

Vänersborg, 23 March 2012

Peter Hansson  
Chairman of the Board

Anders Birgersson  
Managing Director and CEO

Hans-Göran Persson

Johnny Alvarsson

Helene Richmond

Peter Augustsson

Michael Jacobsson

Cecilia Pettersson

**Auditor's statement on the Corporate Governance Report  
To the Annual General Meeting of Shareholders of  
VBG GROUP AB (publ)  
Corp. ID No. 556069-0751**

We have examined the Corporate Governance Report for VBG GROUP AB (publ) for the financial year 1 January 31 to December 2011. The company's Corporate Governance Report is included in the printed version of this document on pages 52–57. The Board of Directors and Managing Director bear responsibility for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Annual Accounts Act. As a basis for our opinion that the

Corporate Governance Report has been prepared in accordance with, and is consistent with, the other parts of the annual accounts, we have read the Corporate Governance Report and judged its statutory content based on our knowledge of the company. In our opinion, the Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Gothenburg, 23 March 2012  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorised Public Accountant