

Corporate Governance Report 2010

Höganäs applies the Swedish Code of Corporate Governance (“the Code”), and thus, in accordance with the stipulations of the Swedish Annual Accounts Act and the Code, hereby presents the Corporate Governance Report for 2010.

Höganäs’ corporate governance bodies

Höganäs is a Swedish public limited company. Höganäs’ shareholders ultimately take decisions on the Company’s governance by appointing the Group’s Board of Directors, the Chairman of the Board and Auditors at the AGM. In turn, the Board of Directors is responsible for ongoing governance in the year and that this governance complies with laws and other external and internal governance instruments. The following

model reviews how corporate governance is organised in Höganäs.

Shareholders

On 30 December 2010, Höganäs had 7,359 (7,469) shareholders. Lindéngruppen AB has been the Company’s main shareholder since the share was re-listed on the Stockholm Stock Exchange in 1994. Otherwise, ownership is dominated by Swedish institutions and equity funds. At year-end 2010, Swedish private inves-

tors held 28.9% of the capital and 43.2% of the votes, directly or indirectly via companies. Foreign ownership was 21.8% of the capital and 17.4% of the vote at year-end. For more information on the Höganäs share and ownership structure, see pages 22–23.

AGM

Höganäs’ AGM 2010 was held on 26 April in Höganäs, Sweden. All Board members attended the Meeting. Of the Company’s major shareholders, Lindéngruppen AB, AB Industrivärden, Alecta, Lannebo Fonder, If Skadeförsäkring AB and SEB were represented at the Meeting.

Höganäs conducts its AGM in Swedish. English-language documentation from the Meeting is available on order from the Company’s head office and from the Company’s website. All documentation from the AGM is available at Höganäs’ website, www.hoganas.com.

A number of the most important resolutions of the AGM 2010 are reviewed below.

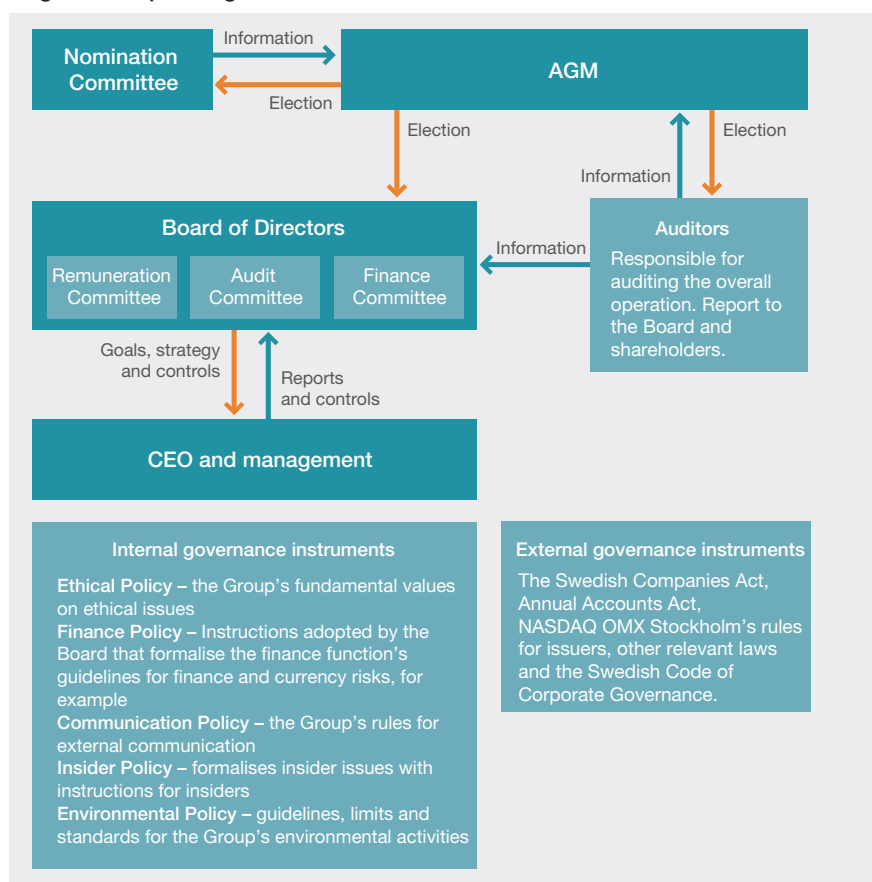
Election of the Board of Directors and Chairman of the Board

All Board members were re-elected, i.e. Anders G Carlberg, Alrik Danielson, Jenny Lindén Urnes, Bernt Magnusson, Bengt Kjell, Peter Gossas, Urban Jansson and Erik Urnes. Anders G Carlberg was re-elected as Chairman of the Board.

Board and Audit fees

The AGM resolved in accordance with the Nomination Committee’s proposal of unchanged fees totalling SEK 2,100,000 to the Board of Directors, of which SEK 450,000 to the Chairman of the Board, SEK 225,000 to each of the other members that are not employed by the Group and SEK 300,000 for committee work. Remuneration for committee work was

Höganäs’ corporate governance bodies



Höganäs is a Swedish public limited company. Höganäs’ shareholders ultimately take decisions on the Group’s governance by appointing the Group’s Board at the AGM, which in turn is the body responsible for ensuring compliance with laws and other external and internal governance instruments on a continuous basis in the year. The model reviews how corporate governance is organised in Höganäs.

divided as SEK 50,000 each to external Board members of the Finance Committee and SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 each to the two other external Board members on the Audit Committee. No fees would be payable for work on the Remuneration Committee.

The AGM also resolved that audit fees would be payable according to open account.

Remuneration to management

The AGM resolved to adopt the Nomination Committee's proposed guidelines for remunerating management. These guidelines are reproduced in full in the minutes of the meeting at www.hoganas.com.

Dividend

The AGM approved the Board's proposal of an unchanged dividend of SEK 3.00 per share. The dividend reflected continued prudence based on uncertainty on economic progress and Höganäs' continued stable financial position.

Staff stock option plan

The AGM approved the Board of Directors' proposal for a mandate for the Board to decide on the acquisition and transfer

of class B shares with the intention of fulfilling and covering its commitments relating to the staff stock option plans of 2007 and 2009.

Other

The AGM adopted principles of appointing a Nomination Committee ahead of the AGM 2011, which essentially corresponded to the principles applying since the AGM 2005.

Nomination Committee

Pursuant to a resolution at the AGM 2010, Höganäs' Nomination Committee for the AGM 2011 will consist of representatives of the four largest shareholders in terms of the vote on 31 August 2010, and the Chairman of the Board. For information on the composition of the Nomination Committee, see the Meeting documentation at Höganäs' website www.hoganas.com.

Work of the Nomination Committee

Ahead of the forthcoming AGM, the Nomination Committee's duty is to prepare and submit proposals for electing the Chairman of the Meeting, election of the Chairman of the Board and other Board members, Directors' fees and

remuneration to Auditors and Deputy Auditors (where applicable), and otherwise performing those duties incumbent on a Nomination Committee pursuant to the Code.

The Nomination Committee held three meetings up to and including 31 December 2010. The Nomination Committee appraises the work of the Board of Directors and its composition annually. This appraisal was conducted against the background of the Board of Directors having a suitable composition in terms of skills, experience and background considering Höganäs' operations, and in accordance with the other criteria stated in the Code. The annual appraisal of the Board is the basis of the Nomination Committee's proposals to the AGM.

Work of the Board

Chairman's responsibilities

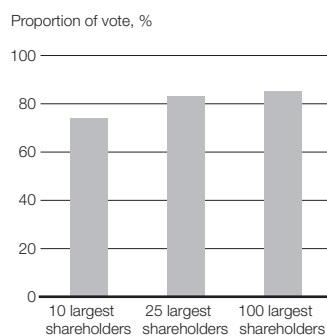
The Chairman of the Board organizes and leads Board work so it is conducted in accordance with the Swedish Companies Act, other laws and ordinances, applicable rules for listed companies (including the Code) and the Board of Directors' internal governance instruments. The Chairman monitors operations in dialogue with the CEO and is

Read more at www.hoganas.com

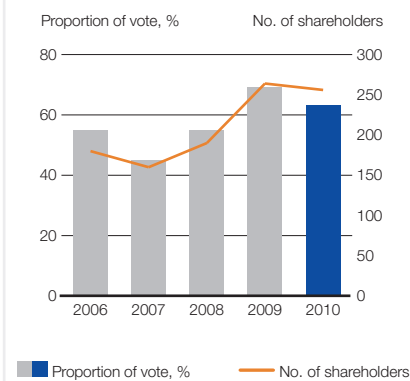
There is more information on corporate governance at Höganäs on the Internet, including

- Corporate Governance Reports from 2005 onwards
- Articles of Association
- Policy documents
- Information on the Nomination Committee
- Information from previous AGMs, from 2004 onwards

Ownership concentration



Attendance at AGMs



Board of Directors



Name	Jenny Lindén Urnes	Alrik Danielson	Bernt Magnusson	Anders G Carlberg	Bengt Kjell	Urban Jansson
Elected in	2004	2005	1994	2009	2006	2007
Position	Board member and member of the Remuneration Committee	CEO and President of Högånäs AB and Chairman of the Finance Committee	Board member and member of the Finance Committee	Chairman of Högånäs AB, Chairman of the Remuneration Committee and member of the Audit Committee	Board member and Chairman of the Audit Committee and member of the Remuneration Committee	Board member and member of the Finance Committee
Born	1971	1962	1941	1943	1954	1945
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Educational qualifications	B.A. (Phil.)	B.Sc. (Econ.)	M.Sc. (Pol. Sci.)	B.Sc. (Econ.)	B.Sc. (Econ.)	Certified banking economist
Other assignments	Chairman and President of Lindéngruppen AB Chairman of AB Wilh. Becker and Stiftelsen Färgfabriken. Board member of Moorbrook Textiles Ltd	Board member of the Swedish Steel Producers' Association, EFG European Furniture Group AB and the Chamber of Commerce and Industry of Southern Sweden	Chairman of the Board of Kwintet AB and Pharmadule AB, Board member of Fareoffice AB, Coor Service Management AB, Net Insight AB, Nordia Innovation AB, STC Interfinans and Pricer AB.	Board member of Axel Johnson Inc., Mekonomen AB, Svenskt Stål AB (SSAB), Sapa AB, Säkl AB, Beijer Alma AB and Sweco AB	CEO of AB Handel och Industri, Chairman of Indutrade AB and Hemfosa AB. Board member of Pandox AB and Helsingborgs Dagblad	Chairman of Bergendahls, Rezidor Hotel Group, HMS Networks, Global Health Partner AB, Svedbergs, et al. Board member of AB Wilh. Becker, Clas Ohlson AB, SEB, et al.
Background	CEO and President of AB Wilh. Becker. Directorships in AB Wilh. Becker and subsidiaries	CEO of SKF do Brazil and Vice President of AB SKF's Industrial Division	Chairman of Swedish Match AB, CEO and President of Nordstjerman AB, Chairman and President of NCC AB, Chairman of Nobel Industrier AB, Assi Domän AB and Skandia AB.	CEO of Axel Johnson Int. AB, Nobel Industries Sweden AB, J S Saba AB, SVP Svenskt Stål AB (SSAB).	VP Industrivärden (Head of Investment). Head of Corporate Finance, Securum and Senior Partner of Navet AB	CEO of Ratos AB and senior positions within SEB and Incentive Group.
Remuneration*						
Owner and related parties' shareholdings	20,000 privately and 7,650,000 via company	18,500	17,500	5,000	0	5,000
Attendance at Board meetings	9/9	9/9	9/9	9/9	7/9	9/9
Attendance at Remuneration Committee meetings	2/2	-	-	2/2	2/2	-
Attendance at Audit Committee meetings	-	3/3	-	3/3	3/3	-
Attendance at Finance Committee meetings	-	2/2	2/2	-	-	2/2
Affiliation/non-affiliation**	Affiliated to major shareholders	Affiliated to the company and management	Non-affiliated	Non-affiliated	Non-affiliated	Non-affiliated



Name	Peter Gossas	Erik Urnes	Karl-Henry Boo	Tony Petersson	Gary Paulsson	Ola Litström
Elected in	2008	2009	1993	2006	2006	2008
Position	Board member	Board member	Union representative on the Board of Directors	Union representative on the Board of Directors	Union representative on the Board of Directors	Union representative on the Board of Directors
Born	1949	1971	1959	1966	1965	1969
Nationality	Swedish	Norwegian	Swedish	Swedish	Swedish	Swedish
Educational qualifications	B.Sc. (Eng.)	B. Eng. (Mechanical Engineering), MBA	Senior high school, engineering			BSc. (Eng.) civil engineering, materials technology
Other assignments	CEO of the Sandvik Materials Technology business area, Chairman of the Swedish steel and metals employers' conf., Sandvik Heating Technology AB, Sandvik Process Systems AB, Sandvik Asia Ltd (India) and Sandvik South East Asia Ltd.	CEO of AB Wilh. Becker, Chairman of Becker Industrial Coatings Holding AB, and ColArt International Holdings Ltd. Board member of Lindéngruppen AB and AB Wilh. Becker	Representative of the Unionen trade union at Höganäs AB	Chairman of IF Metall at Höganäs AB	Member of IF Metall at Höganäs AB	Member of Akademikerföreningen at Höganäs AB
Background	Various positions with SSAB, Site Manager and various Divisional Manager positions in Avesta Sheffield.	Strategy Consultant, Bain & Company, Investment Manager, Browallia Ltd. and Reuters Greenhouse Fund, CEO of ColArt International Holdings				Former application engineer at Lign Multiwood AB
Remuneration*						
Owner and related parties' shareholdings	0	Related parties own 20,000 shares privately and 7,650,000 shares through company	0	0	0	0
Attendance at Board meetings	9/9	9/9	9/9	9/9	9/9	9/9
Attendance at Remuneration Committee meetings	-	-	-	-	-	-
Attendance at Audit Committee meetings	-	3/3	1/1	-	-	-
Attendance at Finance Committee meetings	-	-	-	-	-	-
Affiliation/non-affiliation**	Non-affiliated	Affiliated to major shareholder				

* The AGM 2010 resolved on unchanged remuneration to the Board of Directors totalling SEK 2,100,000, with the Chairman of the Board receiving SEK 450,000 and other members elected by the AGM, but not employed by the Group receiving SEK 225,000 each. The remaining SEK 300,000 would be payable as fees for committee work, at SEK 50,000 each to two external members of the Company's Finance Committee and SEK 100,000 to the Chairman of the Audit Committee, and SEK 50,000 each to two external members of the Audit Committee, while no fees would be payable for work on the Remuneration Committee. More information on remuneration to the Board of Directors in Note 25 on pages 80–81 of the Annual Report.

** The judgment on the Board's affiliation/non-affiliation has been conducted pursuant to the Code's criteria for non-affiliation.

responsible for other Board members gaining the information necessary to perform the Board's duties. The Chairman participates in appraisal and development issues regarding the Group's senior managers. The Chairman represents the Company on ownership issues.

Board of Directors' responsibilities

Each year, the Board adopts written rules of procedure that formalise the Board's activities and its internal division of responsibilities including its Committees, decision-making processes within the Board, procedures for Board meetings and the Chairman's duties. The Board also issues instructions for the Chief Executive Officer and instructions for financial reporting to the Board of Directors. The Board also adopted several other policies for the Group's operations. The Board supervises the Chief Executive Officer's work through the continuous monitoring of operations in the year.

The Board is responsible for organizational resources, management and guidelines for administering the Company's affairs being expediently structured, and that internal governance is satisfactory. The Board is also responsible for developing and monitoring the Company's strategies through plans and objectives, decisions on acquisitions and divestments of operations, major investments and additions to, and replacements in,

the Group management. The Board presents the annual financial statement at the AGM.

Work of the Board in 2010

The current rules of procedure stipulate that the Board should meet on at least four scheduled occasions and one meeting following election each year. Moreover, separate meetings, chiefly by telephone in tandem with the issuance of quarterly reports, and additionally when the situation requires.

Scheduled meetings take place in February, April, August/September and November/December.

The Company's Chief Financial Officer and Board Secretary Attorney-at-Law Ragnar Lindqvist also attend Board meetings. Other employees of the Company attend Board meetings to report on special issues, or when otherwise considered appropriate. The Chief Executive Officer ensures that the invitation to the Meeting, with an agenda and written information for meetings, is sent to each Board member a week before each Board meeting if possible.

Nine Board meetings were held in 2010. Regular business at each meeting includes a review of profit performance, financial position, reports from committees and investment decisions. The agendas of some scheduled meetings also consider the following matters:

- February – Year-end Report, Audit Report, annual financial statement, proposed appropriation of profit, draft Annual Report and Corporate Governance Report, annual statement on the Höganäs Group's PRI pension fund, and matters requiring decisions or approval by the AGM.
- April – investment update and market.
- August/September – strategy.
- November/December – earnings goals for the coming year, Audit Report, capital structure, evaluation of the need for internal audit, appraisal of the Chief Executive Officer's work, appraisal of the Board's work and appraisal of compliance with the Code.

In 2010, the work of the Board also focused on investments, Asia/China and a number of development projects.

Appraisal of the work of the Board

The Chairman is responsible for the Board continuously deepening its knowledge of the Company, and that Board activities are appraised, and the Nomination Committee receives this appraisal.

The appraisal process is as follows: the Chairman of the Board conducts a questionnaire-based evaluation of the work of the Board among Board members after consulting the Nomination Committee. In addition to this questionnaire, the Chairman also discusses Board activities orally with all Board mem-

Composition of the Nomination Committee

Name	Representing	Position	Participating interest (votes) of Höganäs, % ¹
Jenny Lindén Urnes	Lindéngruppen AB	CEO, Lindéngruppen	37.8
Carl-Olof By	AB Industrivärden	Shareholders' representative	8.1
Henrik Didner	Didner & Gerge Fonder AB	Fund Manager, Chairman of Didner & Gerge Fonder AB	7.7
Ramsay Brufer	Alecta	Shareholders' representative	5.1
Anders G Carlberg	-	Chairman of the Board of Höganäs	0.0
Total			58.7

¹ At the time of the Nomination Committee's appointment.

The composition of the Nomination Committee was reported in Höganäs' Nine-month Interim Report, which was published on 22 October 2010. Jenny Lindén Urnes is Chairman of the Nomination Committee. The Nomination Committee held three meetings after the AGM 2010. There is no remuneration to the members of the Nomination Committee.

bers. The Chairman of the Board then submits the results of the appraisal to the Board and Nomination Committee.

Board Committees

The Board appoints members of Audit, Remuneration and Finance Committees internally at the Board meeting following election, held immediately after the AGM. The procedure for Committees is arranged so that each Committee Chairman is responsible for convening and agendas for Committee meetings. Minutes are taken at each meeting. After each meeting, the Committee makes a report to the Board regarding its work. All Board members and deputies receive copies of the minutes of Committee meetings.

Audit Committee

Composition

Each year, the Board appoints an internal Audit Committee at the Board meeting following election after the AGM. The Board's rules of procedure stipulate that this Committee will consist of at least three Board members. In 2010, the Committee consisted of Chairman of the Board Anders G Carlberg, Bengt Kjell, appointed as Chairman of the Committee, and Erik Urnes.

Höganäs' Chief Financial Officer, Group Accounting Manager and external Auditors attend Committee meetings. SEK 100,000 of fees were paid to the Chairman of the Committee, and SEK 50,000 each to the other members of the Committee.

Duties

The Committee's activities are formalised through dedicated instructions adopted by the Board as part of its rules of procedure. The Committee's duties are:

- Ongoing discussion of the effectiveness of the Company's reporting and financial controls with external Auditors and the Corporate Management, and considering potential recommendations to improve internal controls over financial reporting.
- Ongoing discussion of the Company's current risk outlook, risk exposure and measures taken or planned by the Corporate Management to limit,

monitor or control such risks with the Corporate Management and external Auditors.

- Participate in planning the audit process, monitoring the external audit and quality-assuring the Company's financial communications.
- Participate in the adoption of policies regarding financial matters.
- Consult on matters regarding tendering for Auditors and remuneration to Auditors for the Board of Directors.
- Monitor and appraise the work of the Auditors.
- State guidelines and participate in decisions regarding tendering on non audit-related consulting services from external Auditors.

Authorisation to make decisions

No authorisation to make decisions on any individual issue has been delegated to the Audit Committee.

Work in the year

Committee work in the year was conducted pursuant to the instructions the Board adopted for Committee work. The Committee met on three occasions in 2010, when all members attended. At all meetings, the Committee held reviews with, and received reports from, the Company's external Auditors.

Remuneration Committee

Composition

Each year, the Board appoints an internal Remuneration Committee at the Board meeting following election after the AGM. The rules of procedure of the Board stipulate that the Chairman of the Committee must be the same person as the Chairman of the Board. In 2010, the Committee consisted of Chairman of the Board Anders G Carlberg, and members Jenny Lindén Urnes and Bengt Kjell.

In addition, if it considers this appropriate, the Committee can co-opt other representatives of the Corporate Management or other suitable person to attend meetings. However, such individuals do not participate in matters relating to their own remuneration.

No fees were paid for work on the Remuneration Committee.

Duties

The Committee's work is formalised through dedicated instructions adopted by the Board as a part of its rules of procedure. The Committee considers and consults on remuneration principles and remuneration matters affecting the Corporate Management, share-based incentive schemes and general profit-related bonus schemes. The Committee also monitors and evaluates performance-related pay programmes for the Corporate Management, the application of remuneration principles and applicable remuneration structures and remuneration levels.

The Board also assigns the Committee to take responsibility for submitting proposals for remuneration principles and other employment terms for the Corporate Management for approval by the AGM.

Authorisation to make decisions

No authorisation to make decisions on any individual issue has been delegated to the Remuneration Committee.

Work in the year

The Remuneration Committee held two meetings in 2010, when all members attended. Committee work in the year was conducted in accordance with the instructions the Board adopted for Committee work.

Finance Committee

Composition

Each year, the Board appoints an internal Finance Committee at the Board meeting following election after the AGM. The Board's rules of procedure stipulate that the Committee will consist of three members, and the Company's Chief Executive Officer will be its Chairman. In 2010, the Committee consisted of Alrik Danielson, Chairman, and members Bernt Magnusson and Urban Jansson. Höganäs' Chief Financial Officer, Treasury Manager and an external financial adviser also attend meetings.

SEK 50,000 of fees were paid to each of the two external members of the Committee for 2010.

Duties

The Committee's work is formalised by dedicated instructions adopted by the Board as part of its rules of procedure. The duty of the Finance Committee is to monitor, and within its delegated mandate, to reach decisions on affairs relating to financial risks and transactions, metal hedging and hedging electric power within the auspices of the company's Finance Policy, which formalises management of the Group's currency, metal and electricity exposure.

Authorisation to make decisions

No authorisation to make decisions on any individual issue has been delegated to the Finance Committee.

Work in the year

The Finance Committee held two meetings in 2010, when all members attended. Linus Ericsson, AGL, has participated in the Committee as an external financial adviser since 2003.

Chief Executive Officer's responsibilities

The Chief Executive Officer leads operations pursuant to the Swedish Companies Act, and within the limits decided by the Board of Directors. In consultation with the Chairman of the Board, the Chief Executive Officer prepares the necessary information and decision-support data ahead of Board meetings, presents issues and explains proposed decisions.

The Chief Executive Officer also keeps the Board informed of progress of the Company's profits and operations on an ongoing basis between Board meetings. The CEO submits monthly reports to the Board of Directors. The Chief Executive Officer leads the Group management's work and reaches decisions in consultation with other members of management. The corporate management conducts regular operational reviews led by the Chief Executive Officer.

Guidelines for remuneration and other employment terms for Corporate Management

The AGM 2010 approved the Board's proposed guidelines for remuneration and other employment terms for corporate management. The principles were unchanged from those approved by the AGM 2009. The principles stipulate items including remuneration consisting of a basic and a performance-related component, and that the performance-related component will not exceed the basic component, and normally not exceed six months' salary.

Pursuant to an AGM resolution, the Board of Directors is entitled to diverge from these principles in individual cases in special circumstances. The complete guidelines are included in the AGM documentation on Höganäs' website, www.hoganas.com. Complete information on management remuneration is stated on pages 80–81 of the Annual Report.

Auditors*Elected Auditor*

The AGM 2007 elected KPMG Bohlins AB as Auditor until the AGM 2011. Alf Svensson was registered as Senior Auditor at the Meeting.

Auditors' work

The Auditors follow an audit plan, incorporating views from the Board of Directors. The Auditors report their observations to the Board, partly during the audit process, and finally, coincident with adopting the Annual Report. The Auditors attend the AGM and make a report, stating an opinion on the audit process. In 2010, the Auditors had consulting assignments relating to Group audit matters and tax advice. The Auditors are elected for the period until the end of the AGM 2011.

Alf Svensson

Senior Auditor

Born: 1949

Höganäs' Auditor since: 2003

Authorised Public Accountant since: 1979

Main employment/assignments: auditing, consulting IFRS, due diligence and prospectuses.

Other public companies: Peab AB, BE Group AB, Nederman AB, Midsona AB and Nolato AB.

Other: Partner of KPMG since 1984. Board member of KPMG AB.

Remuneration to senior managers in 2010 (MSEK)

	Basic salary	Performance-related pay	Other benefits	Pension cost	Share-based payment	Total
CEO	5.3	2.6	0.2	1.8	2.3	12.2
SVP	1.7	0.5	0.1	0.5	0.8	3.6
Other management	17.0	6.1	2.5	3.5	7.1	36.2
Total	24.0	9.2	2.8	5.8	10.2	52.0

Remuneration to Auditors (MSEK)

Year	Auditing	Other	Total
2008	4.2	1.4	5.6
2009	5.5	1.6	7.1
2010	5.2	1.2	6.4

Management



Standing left to right: Per Engdahl, Alrik Danielson, Ulf Holmqvist, Anders Andersson, Claudinei Reche
Sitting left to right: Hans Söderhjelm, Carl Eklund, Sven Lindskog, Avinash Gore, Fredrik Emilson, Sriniv V Srinivasan

Alrik Danielson

CEO and President
Employed since: 2005
Born: 1962

Educational qualifications: B.Sc. (Econ.)
Previous positions: CEO of SKF do Brazil and Vice President of SKF's Industrial Division
Board member: the Swedish Steel Producers' Association, EFG European Furniture Group AB and the Chamber of Commerce and Industry of Southern Sweden.

Höganas shareholdings: 18,500
Option holdings: 36,720

Ulf Holmqvist

Senior Vice President
Employed since: 1988
Born: 1954

Educational qualifications: B.Sc. (Eng.)
Previous positions: positions in ABB Robotics
Höganas shareholdings: 7,500
Option holdings: 13,219

Anders Andersson

Vice President, HR
Employed since: 1977
Born: 1951

Educational qualifications: B. Sc.
Previous positions: public sector
Höganas shareholdings: 0
Option holdings: 13,219

Sven Lindskog

Chief Financial Officer
Employed since: 2007
Born: 1963

Educational qualifications: B.Sc. (Econ.)
Previous positions: CFO Sardus AB, Finance Director of Unilever Nordic and various positions in the Unilever Group.

Höganas shareholdings: 1,000
Option holdings: 13,219

Hans Söderhjelm

Vice President, Marketing & Product Development
Employed since: 1984
Born: 1955

Educational qualifications: M.Sc. (Met.)
Previous positions: Research Assistant, RIT
Höganas shareholdings: 11,100
Option holdings: 13,219

Carl Eklund

President, Höganas Japan KK
Employed since: 2004
Born: 1953

Educational qualifications: B.Sc. (Eng.)
Previous positions: CEO of Volvo Nippon KK
Höganas shareholdings: 10,000
Option holdings: 13,219

Fredrik Emilson

Vice President, Europe region
Employed since: 2010
Born: 1969

Educational qualifications: B.Sc. (Econ.)
Previous positions: CEO of Pergo Europe, CEO of Trelleborg Waterproofing
Höganas shareholdings: 0
Option holdings: 9,000

Per Engdahl

Vice President, Asia region
CEO of Höganas (China) Co. Ltd.
CEO of Höganas Taiwan Ltd.
CEO of Höganas Korea Ltd.
Employed since: 1985
Born: 1958

Educational qualifications: M.Sc. (Met.)
Previous positions: Director of Sales and Business Development of Höganas AB, SSAB
Höganas shareholdings: 3,000
Option holdings: 13,219

Avinash Gore

Vice President, North America region
President, North American Höganas, Inc.
Employed since: 2002
Born: 1954

Educational qualifications: B.Sc. (Eng.), M.B.A.
Previous positions: Alfa Laval AB in India, Africa, Australia and Denmark
Höganas shareholdings: 0
Option holdings: 13,219

Claudinei Reche

Vice President, South America region
President of Höganas Brasil Ltda
Employed since: 2005
Born: 1967

Educational qualifications: B.Sc. (Econ.)
Previous positions: Sales Manager DaimlerChrysler and Sales Director at SKF
Höganas shareholdings: 0
Option holdings: 13 219

Sriniv V Srinivasan

Vice President, India region
CEO of Höganas India Pvt Ltd.
Employed since: 2008
Born: 1955

Educational qualifications: B. Tech (Metallurgy), M.B.A.
Previous positions: President of GKN Sinter Metals Ltd., India
Höganas shareholdings: 0
Option holdings: 13,219

Systems for internal control and risk management

Pursuant to the Swedish Companies Act and the Code, the Board is responsible for internal control over financial reporting. This review has been prepared pursuant to the Swedish Annual Accounts Act and the Code, and is thus confined to internal control and risk management relating to financial reporting.

In 2005, Höganäs decided to introduce the COSO framework for internal controls over financial reporting. The framework was launched in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A review of the most important aspects of Höganäs' systems for internal control and risk management relating to financial reporting follows.

Control environment

Effective work of the Board is the basis of good internal control and risk management. The Company's Board of Directors has created clear working processes and procedures for its work and the Board's Committees. Deciding a framework of internal governance to be applied in the Group and to formulate and approve a number of fundamental policies, guidelines and frameworks related to financial reporting is an important part of the work of the Board. These include a Code of Conduct, Risk Policy, reporting systems and Finance Policy.

The Board evaluates the performance of operations and results of operations on an ongoing basis through an expedient package of reports including operational and profit outcomes, financial position, cash flow, rolling forecasts, analysis of key indicators and significant operational and financial information.

Risk Assessment

The Board of Directors has decided that the Company will conduct a risk analysis of financial reporting on a yearly basis. Income Statement and Balance Sheet items subject to an increased risk of significant misstatement are identified in the risk assessment. In the Company's operations, these risks mainly lie in fixed assets, financial instruments, inventories, accounts receivable, provisions, accrued expenses, tax and revenue recognition.

Risk management is dependent on a series of points such as effects on financial reporting, the outcome of the Income Statement, business processes, external factors and the risk of fraud. The result of the risk analysis is a series of activities aimed at identifying control measures and issuing the necessary instructions and controls.

Controlling

The Company's control documents for financial reporting are mainly policies and guidelines that are continuously updated and communicated through the appropriate channels. Pursuant to the rules of procedure for the Audit Committee, a review of the results of the risk assessment and the control measures taken is conducted yearly. The Chairman of the Audit Committee reports on the main principles in the assessment, and activities, to the rest of the Board of Directors.

There is a clear policy stating the guidelines for how communication with external parties should be conducted. The purpose of the policy is to ensure that all communication responsibilities are fulfilled accurately and comprehensively. All staff are provided with this policy when taking up employment.

Control and monitoring activities

Control structures are designed to manage the risks the Board considers significant for the internal control over financial reporting. The control structure mainly consists of organizational resources with clear roles enabling effective, and from an internal control perspective, appropriate division of responsibilities, and of specific control activities intended to discover the risk of misstatements in reporting, or to prevent them in time. Based on the yearly risk assessment, control measures are analysed in each unit, with measures taken to reduce the risks in financial reporting.

Monitoring

Monitoring the effective structure and implementation of internal governance is conducted through a combination of self-assessment, independent testing and verification by external parties. The independent tests are conducted with the aid of external consultants and the Company's Auditors to ensure the high-quality and effective design of controls. The results of the assessment are reported continuously to the Corporate Management and Audit Committee.

Subsequently, the Audit Committee ensures that appropriate measures are taken in those cases where improvements are necessary. After consideration by the Audit Committee, the Board of Directors receives and evaluates the routines for auditing and financial reporting, and updates and evaluates external auditors' work, qualifications and independence.

Internal audit

Höganäs has not established a dedicated internal audit function. The opinion of the Board, which considers the need for

this annually, is that the extra cost of a dedicated internal audit function could not be considered reasonable in relation to the Group's size. Moreover, the Board considers that the Group accounting function, which is responsible for updating and monitoring internal audit matters, is a satisfactory alternative.

The Group accounting function reports its observations and actions taken on internal governance directly to the Audit Committee.

Compliance with the Code

The Company complies with all the rules of the Code apart from Board member

Jenny Lindén Urnes being appointed as Chairman of the Company's Nomination Committee. The reason for this is that it is considered most expedient for the work of the Nomination Committee that the main representative of the Company's main shareholder has this assignment.

Höganäs, Sweden, 7 February 2011



Anders G Carlberg
Chairman



Peter Gossas



Jenny Lindén Urnes



Karl-Henry Boo
Union Representative



Urban Jansson



Bernt Magnusson



Alrik Danielson
Chief Executive Officer



Bengt Kjell



Erik Urnes



Tony Petersson
Union Representative

Auditor's Statement on Corporate Governance Report

To the Annual General Meeting of Höganäs AB (publ), corporate identity number 556005-0121

The Board of Directors and Chief Executive Officer are responsible for the Corporate Governance Report for 2010 on pages 24-33 and the Report being prepared in accordance with the Swedish Annual Accounts Act. As the basis for our statement that the Corporate Go-

vernance Report has been prepared, and is consistent with, the Annual Accounts and Consolidated Accounts, we have read the Corporate Governance Report and judged its statutory content based on our knowledge of the company.

We consider that a Corporate Governance Report has been prepared and that its statutory information is consistent with the Annual Accounts and Consolidated Accounts.

Höganäs, Sweden, 16 March 2011.

KPMG AB



Alf Svensson
Authorised Public Accountant