

Corporate Governance Report 2009

Höganäs applies the Swedish Code of Corporate Governance (“the Code”), and accordingly, hereby submits the Corporate Governance Report for 2009. The Report has not been reviewed by the Company’s Auditors.

Höganäs’ corporate governance bodies

Höganäs is a Swedish public limited company. Höganäs’ shareholders ultimately take decisions on the Group’s control 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

control in the year and that this control complies with laws and other external and internal control instruments. The following model reviews how corporate governance is organised in Höganäs.

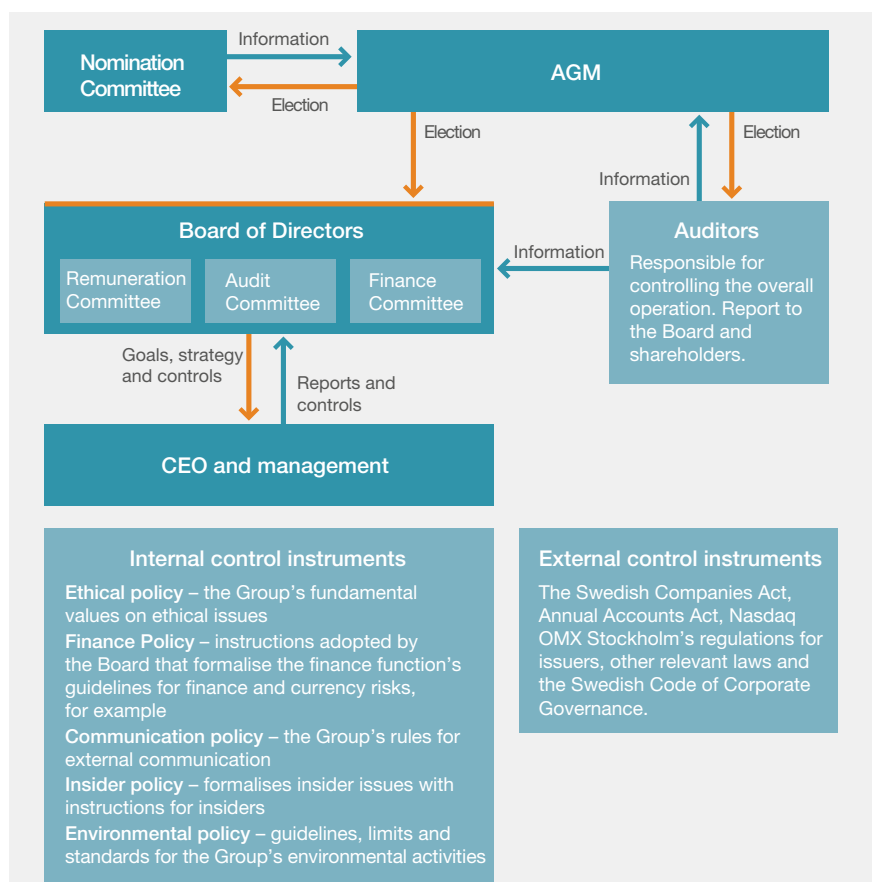
Shareholders

On 30 December 2009, Höganäs had 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.

At year-end 2009, Swedish private investors held 29.6% of the capital and 44.1% of the votes, directly or indirectly via companies. Foreign ownership was 17.6% of the share capital and 14.1% of the vote at year-end. For more information on the Höganäs share, see page 24.

Höganäs’ corporate governance bodies



AGM

Höganäs’ AGM (Annual General Meeting) 2009 was held on 27 April in Höganäs, Sweden. All Board members attended the Meeting. Of the Company’s large shareholders, Lindéngruppen AB, AB Industrivärden, If Skadeförsäkring AB, Alecta, SEB, Lannebo Fonder, Swedbank Robur Fonder and Unionen 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 2009 are reviewed below.

Election of the Board of Directors and Chairman of the Board

Of the members of the previous Board of Directors, the chairman, Per Molin, and Oystein Krogen, declined re-election. Anders G Carlberg and Erik Urnes were elected as new members of the Board.

Höganäs is a Swedish public limited company. Höganäs’ shareholders ultimately take decisions on the Group’s control 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 control instruments on a continuous basis in the year. The model reviews how corporate governance is organised in Höganäs.

Alrik Danielson, Jenny Lindén Urnes, Bernt Magnusson, Bengt Kjell, Peter Gosas and Urban Jansson were re-elected. Anders G Carlberg was elected as new Chairman of the Board.

Departing Chairman Per Molin was thanked for his many years' meritorious service on the Company's Board.

Board and Auditors' 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 Company and SEK 300,000 for committee work. Remuneration to the Auditors will be payable according to open account.

Performance-related staff stock option plan

The AGM approved a performance-related staff stock option plan for some 50 key staff. The plan is based on the same principles as approved by the AGMs 2007 and 2008 as parts of a three-year plan covering the years 2007-2009.

This proposal is stated in full on the minutes of the Meeting at www.hoganas.com.

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 dividend of SEK 3.00 per share. The reduction from SEK 6.25 reflected increased caution in the light of the recession and Höganäs' continued stable financial position.

Other

The AGM adopted principles of appointing a Nomination Committee ahead of the AGM 2010, which essentially correspond to the principles applying since the AGM 2005.

Nomination Committee

Pursuant to a resolution at the AGM 2009, Höganäs' Nomination Committee for the AGM 2010 will consist of representatives of the four largest shareholders in terms of the vote on 31 August 2009, 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 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 two meetings until 31 December 2009. The Nomination

Committee evaluates 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 endeavours to attain an even division between the sexes. 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 organises and leads Board activities so they are conducted pursuant to the Swedish Companies Act, other laws and ordinances, applicable rules for listed companies (including the Code) and the Board of Directors' internal control instruments. The Chairman monitors operations in dialogue with the CEO and is responsible for other Board members gaining the information necessary to perform their duties. The Chairman participates in appraisal and development issues regarding the Group's senior executives. 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

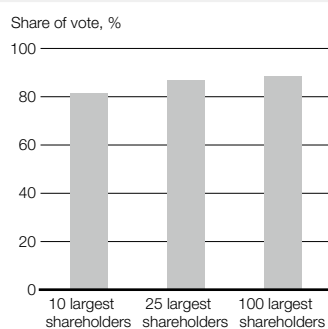
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Find out more at www.hoganas.com

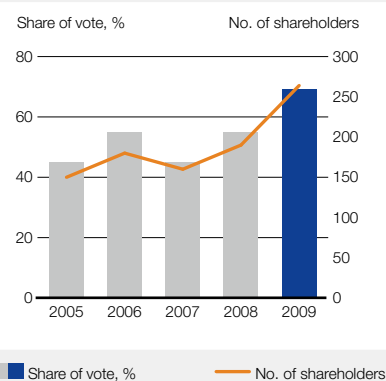
There is more information on corporate governance at Höganäs on the Internet, including:

- 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 Rederi AB Transatlantic and Yorklyde 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 Fare-office AB, Coor Service Management AB, Net Insight AB, Nordia Innovation AB, Volvo Car Corporation, STC Interfinans and Pricer AB.	Board member of Axel Johnson AB, 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, Board member of Pandox AB, Munters AB, Helsingborgs Dagblad and Skanska.	Chairman of Bergendahls, Rezidor Hotel Group, HMS Networks, Global Health Partner AB 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 SKF's Industrial Division.	Chairman of Swedish Match AB, CEO and President of Nordstjärnan 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).	SVP Industrivärden (Head of Investment). Head of Corporate Finance, Securum and Senior Partner of Navet Affärsutveckling AB.	CEO of Ratos AB and senior positions with SEB and Incentive Group.
Remuneration*						
Own and related parties' holdings	20,000 privately and 7,650,000 via company	18,500	17,500	5,000	0	5,000
Attendance at Board meetings	9/10	10/10	10/10	7/7	10/10	10/10
Attendance at Remuneration Committee meetings	6/6	-	-	3/3	6/6	-
Attendance at Audit Committee meetings	-	3/3	-	2/2	3/3	-
Attendance at Finance Committee meetings	-	3/3	3/3	-	-	3/3
Dependence/independence**	Dependent in relation to major shareholders	Dependent in relation to the Company and the Corporate Management.	Independent	Independent	Independent	Independent



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' confederation, Kanthal 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, Becker Acroma Group AB and ColArt International Holdings Ltd., Board member of Lindégruppen 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 Multi-wood AB
Remuneration*						
Own and related parties' holdings	0	Related parties own 20,000 shares privately and 7,650,000 through company	0	0	0	0
Attendance at Board meetings	9/10	6/7	10/10	9/10	9/9	9/9
Attendance at Remuneration Committee meetings	-	-	-	-	-	-
Attendance at Audit Committee meetings	-	2/2	3/3	-	-	-
Attendance at Finance Committee meetings	-	-	-	-	-	-
Dependence/independence**	Independent	Dependent in relation to major shareholders				

* The AGM 2009 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 page 80 of the Annual Report.

** The judgment on the Board's dependence/independence has been conducted pursuant to NASDAQ OMX Stockholm's rules and criteria for independence.

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 organisational resources, management and guidelines for administering the Company's affairs being expediently structured, and that internal controls are satisfactory. The Board is also responsible for developing and monitoring the Company's strategy 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 2009

The current rules of procedure stipulate that the Board should meet on at least four scheduled occasions and one meeting following election each year, 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.

There were eight scheduled meetings in 2009 (including the meeting following election) and two additional meetings. Regular business at scheduled meetings 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, market and risk analysis.
- 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 evaluation of compliance with the Code.

In 2009, the work of the Board also focused on updating the measures taken against the background of the very sharp slowdown on the markets that became apparent in late-2008. The work of the Board in the year also considered matters

including the Group's long-term funding 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 evaluated, and the Nomination Committee receives this evaluation.

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 members. The Chairman of the Board then submits the results of the appraisal to the 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. The Committee Chairman is responsible for all Board members and deputies receiving copies of the minutes of Committee meetings.

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	Shareholder's representative	8.2
Henrik Didner	Didner & Gerge Fonder AB	Fund Manager, Chairman of Didner & Gerge Fonder AB	8.0
Peter Rönström	Lannebo Fonder AB	Fund Manager	5.2
Anders G Carlberg	-	Chairman of Höganäs	0.1
Total			59.3

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 23 October 2009. Jenny Lindén Urnes is Chairman of the Nomination Committee. The Nomination Committee held two meetings after the AGM 2009. There is no remuneration to the members of the Nomination Committee.

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 two members and a Chairman. In 2009, the Committee consisted of its Chairman Bengt Kjell and members Per Molin, Anders G Carlberg who succeeded Per Molin at the AGM 2009, Erik Urnes, who took up his duties at the AGM 2009 and Karl-Henry Boo.

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 two external members of the Committee.

Duties

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

- Continuous 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.
- Continuous discussion of the Company's current risk outlook, risk exposure and measures taken or planned by the Corporate Management with the Corporate Management and external Auditors to limit, monitor or control such risks.
- 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.
- Prepare 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 2009, 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 2009, the Committee consisted of Chairman of the Board, which was Per Molin until the AGM 2009, succeeded by 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 activities are formalised through dedicated instructions adopted by the Board as a part of its rules of procedure. The Committee considers and prepares remuneration matters affecting the Corporate Management, share-based incentive schemes and general profit-related bonus schemes. 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 six meetings in 2009, 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 2009, the Committee consisted of Chairman Arik Danielson and members Bernt Magnusson and Urban Jansson. The 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 2009.

Duties

Because Höganäs' operations are almost exclusively international, and affected by international raw materials prices to a great degree, its exposure to a number of raw materials and currencies is significant. Because this exposure should also be considered as fairly complex, the Board has decided to adopt a Finance Policy and appoint a Finance Committee.

Committee work is formalised by dedicated instructions adopted by the Board as a part of its rules of procedure. The purpose of the Finance Committee is to formalise the management of currency, metal and electricity exposure in the Group in the auspices of the Company's Finance Policy, to monitor and reach decisions on affairs relating to financial

risks and transactions, metal hedging and hedging of electric power.

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 three meetings in 2009, 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 justifies 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.

Principles for remuneration and other employment terms for management

The AGM 2009 approved the Board's

proposed principles for remuneration and other employment terms for the corporate management. The principles were unchanged from those approved by the AGM 2008. 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 the principles in individual cases in special circumstances.

The complete principles are included in the AGM documentation on Höganäs' website, www.hoganas.com. Complete information on the management's remuneration is stated on page 80 of the Annual Report.

Remuneration to senior executives 2009 (MSEK)

	Basic salary	Performance-related pay	Other benefits	Pension cost	Share-based payment	Total
CEO	4.8	1.5	0.2	1.7	-	8.2
SVP	1.7	0.4	0.1	0.4	-	2.6
Other Management	18.9	3.1	1.9	4.1	-	28.0
Total	25.4	5.0	2.2	6.2	-	38.8

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 AGMs and make a report, stating an opinion on the audit process.

In 2009, the Auditors had consulting assignments relating to Group audit matters. 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, Midelfart Sonesson Group and Nolato AB.

Other: Partner of KPMG since 1984.

Board member of KPMG AB.

Remuneration to Auditors (MSEK)

Year	Auditing	Other	Total
2007	4.0	2.4	6.4
2008	4.2	1.4	5.6
2009	5.5	1.6	7.1

Management



Alrik Danielson



Sven Lindskog



Avinash Gore



Ulf Holmqvist



Anders Andersson



Srini V Srinivasan



Per Engdahl



Hans Söderhjelm



Carl Eklund



Claudinei Reche

Alrik Danielson

CEO, President and Acting Vice President, Europe region

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

Höganäs shareholdings: 18,500

Option holdings: 11,720

Sven Lindskog

Chief Financial Officer

Employed since: 2007

Born: 1963

Educational qualifications: B.Sc. (Econ.)

Previous positions: CFO of Sardus AB,

Finance Director of Unilever Nordic and

various positions in the Unilever Group

Höganäs shareholdings: 1,000

Option holdings: 4,219

Avinash Gore

Vice President, North America region.

President, North American Höganäs, 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

Höganäs shareholdings: 0

Option holdings: 4,219

Ulf Holmqvist

Senior Vice President

Employed since: 1988

Born: 1954

Educational qualifications: B.Sc. (Eng.)

Previous positions: ABB Robotics

Höganäs shareholdings: 7,500

Option holdings: 4,219

Anders Andersson

Vice President, HR

Employed since: 1977

Born: 1951

Educational qualifications: B.Sc.

Previous positions: public sector

Höganäs shareholdings: 0

Option holdings: 4,219

Srini V Srinivasan

Vice President, India region

President, Höganäs India Ltd.

Employed since: 2008

Born: 1955

Educational qualifications: B. Tech

(Metallurgy), M.B.A.

Previous positions: President of

GKN Sinter Metals Ltd. India

Höganäs shareholdings: 0

Option holdings: 4,219

Per Engdahl

Vice President, Asia region

President, Höganäs China Ltd.

President, Höganäs Taiwan Ltd.

Employed since: 1985

Born: 1958

Educational qualifications: B.Sc. (Eng.)

Previous positions: Director of Sales and Business

Development of Höganäs AB, SSAB

Höganäs shareholdings: 3,000

Option holdings: 4,219

Hans Söderhjelm

Vice President, Market & Product

Development

Employed since: 1984

Born: 1955

Educational qualifications: B.Sc. (Eng.)

Previous positions: research assistant, RIT

Höganäs shareholdings: 13,100

Option holdings: 4,219

Carl Eklund

President, Höganäs Japan KK

Employed since: 2004

Born in 1953

Educational qualifications: B.Sc. (Eng.)

Previous positions: CEO of Volvo Nippon KK

Höganäs shareholdings: 13,000

Option holdings: 4,219

Claudinei Reche

Vice President, South America region

President Höganäs Brasil Ltda.

Employed since: 2005

Born: 1967

Educational qualifications: B.Sc. (Econ)

Previous positions: Sales Manager Daimler-

Chrysler and Sales Director at SKF

Höganäs shareholdings: 0

Option holdings: 4,219

The Board of Directors' review of internal controls

Pursuant to the Swedish Companies Act and the Code, the Board is responsible for internal controls. This review has been prepared pursuant to sections 10.5 and 10.6 of the Code, and is thus confined to the internal control of financial reporting.

In 2005, Höganäs decided to introduce the COSO framework for internal controls of financial reporting. The framework was launched in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A review of the organisation of Höganäs' internal controls of financial reporting follows.

Control environment

Effective work of the Board is the basis of good internal controls. 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 controls 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, 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, Cash Flow Statement and Balance Sheet items subject to an increased risk of material 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.

The risk assessments are based 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 assessments are a series of activities aimed at identifying control measures and issuing the necessary instructions and controls.

Controlling

The Company's controlling 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 information when taking up employment.

Control and monitoring activities

Control structures are designed to manage the risks the Board considers significant for the internal control of financial reporting. The control structure mainly consists of organisational 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 controls 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 cost of a dedicated internal audit function would not be justified in relation to the Company'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 controls 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 representative of the Company's main shareholder has this assignment.