

CORPORATE GOVERNANCE REPORT

Effective and clear corporate governance helps secure the confidence of Bong's stakeholder groups while also increasing focus on business benefits and shareholder value in the company.

Bong's Board of Directors and management strive, by means of great transparency, to make it easier for the individual shareholder to follow the company's decision pathways and to clarify where in the organisation responsibilities and powers lie.

Corporate governance

Corporate governance within Bong Ljungdahl AB ("Bong") is based on applicable legislation, the regulatory framework for NASDAQ OMX Stockholm and various internal guidelines. The most recent version of the Swedish Code of Corporate Governance ("the Code") was published in May 2008 and covers all listed companies as from 1 July 2008. Bong applies the Code, and in those cases the company has chosen to disregard the rules of the Code, a reason is given in the appropriate section of the Corporate Governance Report. The Corporate Governance Report has not been reviewed by Bong's auditors.

Bong is a Swedish limited liability company listed on NASDAQ OMX Stockholm

Bong is a Swedish public limited liability company whose shares are traded on NASDAQ OMX Stockholm in the Small Cap segment. Bong has around 1,300 shareholders. The operation is European with subsidiaries in twelve countries. The number of employees is approximately 1,200.

Responsibility for management and control of Bong is divided between the shareholders at the General Meeting of Shareholders, the Board of Directors, its elected committees and the President/CEO, according to the Swedish Companies Act, other acts and ordinances, the Code and other applicable rules governing listed companies, the Articles of Association and the Board's internal policy instruments.

The purpose of corporate governance is to define a clear division of responsibilities and roles between owners, Board of Directors, executive management and appointed control bodies.

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Owner influence

Governance of Bong is exercised via the General Meeting of Shareholders, the Board of Directors and the President. The highest decision-making body in Bong is the General Meeting of Shareholders.

The Annual General Meeting (AGM) elects the company's Board of Directors. The duties of the AGM also include adopting the company's financial statements, deciding how to distribute the earnings, and deciding whether or not to discharge the

members of the Board and the President from liability. The AGM also elects Bong's auditors.

Nearly 30 shareholders, representing 79 per cent of the total number of shares and votes in the company, participated in Bong's Annual General Meeting on 14 May 2009 in Kristianstad. All Board members and the company's auditors were present at the AGM.

Board of Directors

The Board of Directors decides on the Group's overall strategy and on the acquisition and disposal of business entities and real property.

The work of the Board is regulated by the Swedish Companies Act, the Articles of Association and the rules of procedure adopted by the Board for its work.

According to the Articles of Association, the Board of Directors shall consist of at least four and at most nine members. Since the 2009 AGM, Bong's Board of Directors has consisted of six AGM-elected members without deputies and two employee members with two deputies. The Chairman of the Board is Mikael Ekdahl. The statutory meeting of the Board of Directors was on 14 May 2009. The other members of the Board are Alf Tönnesson (Deputy Chairman), Christian W Jansson, Ulrika Eriksson, Patrick Holm and Anders Davidsson, President and CEO.

Remuneration of the Board

The Chairman of the Board received a fee of SEK 300 thousand for 2009 (300). The amount comprises part of the total director's fee determined by the AGM. No other fee was paid. There is no agreement on pension, severance pay or other benefits.

The total fee paid to other Board members for 2009 was SEK 600 thousand (677). Each Board member received SEK 150 thousand. No other fee was paid. There is no agreement on pension, severance pay or other benefits. No director's fee was paid to the President, nor to the employee representatives.

Rules of procedure for Board

The Board of Directors has adopted written rules of procedure and issued written instructions concerning the division of responsibilities between the Board and the President. There are instructions regarding information to be furnished regularly to the Board of Directors.

The Board meets at least four times a year in addition to the statutory meeting. One of the meetings can be held at one of the Group's units and be combined with an in-depth review of this unit.

During financial year 2009, the Board of Directors held five meetings in addition to the statutory meeting.

The control issues incumbent upon the Board of Directors are dealt with by the Board in its entirety and by the Compensation Committee. In addition, the Board's auditors personally report their assessments of the company's control to the Board. As a rule, the subsidiary managers participate at the Board meetings as rapporteurs.

Independent members and attendance at Board meetings

Bong complies with NASDAQ OMX Stockholm's listing agreement and the Code with regard to requirements on independent Board members.

Composition of the Board of Directors and number of formal meetings in 2009

	Independent of company ¹	Independent of major shareholders ¹	Attendance at Board meetings
Mikael Ekdahl	Yes	No	5
Ulrika Eriksson	Yes	Yes	5
Anders Davidsson	No	No	5
Christian W Jansson	Yes	Yes	5
Patrick Holm	Yes	Yes	5
Alf Tönnesson	Yes	No	4

¹ The assessment of the independence of the Board members has been made in accordance with NASDAQ OMX Stockholm's Rules for Issuers and criteria of independence.

Nomination Committee

The AGM has appointed a special Nomination Committee whose task is to submit proposals to the AGM in consultation with the principal owners on the composition of the Board of Directors.

The Nomination Committee for the 2010 AGM consists of: Alf Tönnesson (chairman), Mikael Ekdahl (Melker Schörling AB), Peter Edwall (Kassen A/S) and Erik Sjöström (Skandia). The Nomination Committee has dealt with the issues that follow from the Code. The Nomination Committee has had one formal meeting and regular contacts.

Compensation Committee

The Board of Directors has appointed a Compensation Committee consisting of Alf Tönnesson (chairman) and Mikael Ekdahl.

The Committee's task is to review and give the Board recommendations regarding the principles for remuneration, including

performance-based remuneration to the company's senior executives. Questions concerning the President's terms of employment, remuneration and benefits are prepared by the Compensation Committee and decided by the Board of Directors.

The President's salary consists of a fixed portion and a variable portion. The variable portion, which is re-examined annually, is dependent on the achievement of goals for the company and the President.

Audit Committee

According to the Code, the Board of Directors shall establish an Audit Committee. The Audit Committee shall oversee that the company's accounts are prepared with full integrity for the protection of the interests of shareholders and other parties.

According to the Code, in companies with smaller boards the entire board may perform the tasks of the Audit Committee provided that the board members included in the group management do not participate in the work.

The Board of Directors of Bong has chosen not to establish an Audit Committee, since the Board is of the opinion that the these types of matters are, in a company of Bong's size, best dealt with by the entire Board of Directors. The President and CEO, Anders Davidsson, does not participate in the work of the Audit Committee.

External auditors

Bong's auditors are elected by the AGM. The 2008 AGM elected Authorised Public Accountants Eric Salander and Mathias Carlsson of PricewaterhouseCoopers as Bong's auditors for the coming three-year period.

The auditors review the Board's and the President's administration of the company and the quality of the company's audit documents.

The auditors report the results of their review to the shareholders via the Audit Report, which is presented at the AGM. In addition, the auditors submit detailed accounts to the Board of Directors at least once a year.

President and Group Management

The President leads the day-to-day management of the company in accordance with the Board's guidelines and directions. The President is responsible for keeping the Board of Directors informed and ensuring that the Board has all the factual material needed to make informed decisions. The President is a member of the Board of Directors. The President also keeps the Chairman of the Board informed, by continuous dialogue, of the development of the Group.

The President and others in the Group Management hold formal meetings once a month as well as a number of informal meetings to go through the results of the previous month and discuss strategy questions.

During 2009, Bong's Group Management consisted of 5 persons, none of whom are women. The Group consists of the Parent Company Bong Ljungdahl AB and a number of subsidiaries, which is reported in Note 13, p. 33 of the annual report.

Reporting by subsidiaries takes place on a monthly basis. The boards of the subsidiaries preferably consist of members of Bong's corporate management and the Parent Company's board of directors.

Remuneration to Group Management

The 2009 AGM decided that the Group Management's salaries should consist of a fixed basic salary plus variable performance-based remuneration. The variable remuneration can be paid for performance that exceeds what is normally expected of a member of the Group Management after an evaluation has been made of individual performances and the company's reported profit.

The extent to which pre-established goals for the company and the senior executive have been achieved is taken into account when establishing the variable remuneration.

Members of the Group Management have purchased subscription warrants under the warrant programme adopted at the 2005 Annual General Meeting. The warrants were issued on market terms. The total remuneration for members of the Group Management should be at a competitive level.

Internal control

The Board of Directors is responsible for ensuring that there is a good system for internal control and risk management.

Responsibility for creating good conditions for working with these matters is delegated to the President. Both the Group Management and managers at different levels in the company bear this responsibility in their respective areas. Powers and responsibilities are defined in policies, guidelines and instructions for authorisation rights.

The Board's statement regarding internal control

According to the Code, the Board of Directors shall annually submit a description of the company's system for internal control and risk management regarding financial reporting. This report is prepared in accordance with the Code.

Organisation for internal control

Internal control regarding financial reporting is a process designed to provide reasonable assurance regarding the reliability of the external and financial reporting and whether the financial statements are prepared in accordance with generally accepted accounting principles, applicable acts and ordinances and other requirements on listed companies. The internal control activities are included in Bong's administrative procedures. Internal control regarding financial reporting in Bong can be described in accordance with the following framework.

Control environment

Internal control in Bong is based on a control environment that includes values and management culture, follow-up, a clear and transparent organisational structure, division of duties, the duality principle, quality and efficiency of internal communications.

The basis of the internal control regarding financial reporting consists of a control environment with organisation, decision-making channels, powers and responsibilities that have been documented and communicated in governing documents such as internal policies, guidelines and instructions, as well as job descriptions for controlling functions. Examples are rules of procedure for the Board and President, instructions for internal control and reporting, information policy, authorisation instruction and instruction for reporting.

Control activities

The control activities include both general and more detailed controls intended to prevent, detect and correct errors and non-conformances. The control activities are devised and documented at the corporate and departmental level.

The internal regulatory framework with policies, guidelines and instructions comprises the most important tool for furnishing information and instructions for the purpose of securing the financial reporting. In addition, a standardised reporting package is used by all subsidiaries in order to ensure consistent application of Bong's principles and coordinated financial reporting.

Risk assessment

Bong continuously evaluates the risks surrounding reporting that may arise. Furthermore, the Board of Directors is responsible for ensuring that insider laws and standards for furnishing information are complied with. The overall financial risks are defined and taken into consideration in establishing the Group's financial goals.

The Group has an established, but changeable, system for management of business risks that is integrated in the Group's control process for business planning and performance. In addition, seminars are routinely held on business risks and risk assessment within the Group. There are procedures for ensuring that significant risks and control deficiencies are, when necessary, detected by the Group Management and the Board of Directors on a periodic basis.

Information and communications

In order to ensure effective and correct information, both internally and externally, good communications are required. Within the Group there are guidelines for ensuring that relevant and essential information is communicated within the Group, within each unit and between the management and the Board of Directors. Policies, manuals and work descriptions are available on the company's intranet and/or in printed form. In order to ensure that external information is correct and complete, Bong applies an information policy adopted by the Board of Directors.

Follow-up

The President is responsible for ensuring that internal control is organised and followed up in accordance with the guidelines established by the Board of Directors. Financial governance and control are exercised by the Group accounting function. The financial reporting is analysed monthly at the detailed level. The Board of Directors has regular access to financial reports, and the company's financial situation is dealt with at every Board meeting. Every quarterly report is gone through by the Board of Directors. The President is responsible for ensuring that independent objective reviews are performed for the purpose of systematically evaluating and proposing improvements in the Group's processes for governance, internal control and risk management. The first stage of a self-assessment project to assess the companies' control environment was carried out in 2009. In view of this and how the financial reporting has otherwise been organised, the Board of Directors finds no need for a special internal auditing function.