

## Corporate governance report

**Corporate governance defines the decision-making systems and structure through which owners directly or indirectly control a company. Good corporate governance means that effective decision-making processes are defined and are characterized by openness towards company owners so that they can monitor how the company develops.**

Novestra belongs to the category of companies that applies the Swedish Code of Corporate Governance from July 1, 2008. In accordance with the Code, Novestra is hereby presenting its Corporate Governance Report, explaining how corporate governance work has been conducted at Novestra during the financial year 2009. The report has not been subject to review by the Novestra's auditors.

### Corporate governance at Novestra

Novestra's corporate governance practices are primarily regulated by Swedish legislation, in particular the Swedish Companies Act, the Swedish Code of Corporate Governance and the Nasdaq OMX Stockholm AB Rule Book for Issuers. Furthermore, the company follows the resolutions laid out in Novestra's Articles of Association.

In addition to legislation, regulations and recommendations, the company's Articles of Association constitute a central document for the company's governance. The Articles of Association establish, for example, the company's name, where the Board is registered, the focus of Novestra's operations and information concerning share capital.

The company's highest decision-authority is the Annual General Meeting (AGM), at which Novestra's shareholders' exercise their influence over the business. The AGM is convened no less than once a

year to decide how the Nomination Committee is to be appointed, among other matters. The Nomination Committee proposes, for example, the composition of the Board for resolution by the AGM. On behalf of Novestra's owners the Board oversees management of the company. Novestra's Board is headed by Chairman Theodor Dalenson. The Board appoints the company's Managing Director, who is responsible for the day-to-day management of the company in accordance with directions from the Board. The division of responsibilities between the Board and the Managing Director is detailed clearly in instructions and procedural plans that have been approved by the Board.

Internal policies and guidelines constitute important control documents in all parts of the company, since they clarify responsibilities and powers of authorization in particular areas, such as information security, compliance and risk.

External auditors, appointed by the AGM for a mandate period of four years, audit the Board's and the Managing Director's administration of the company, as well as the company's financial reports.

Information about Novestra's corporate governance is published and updated on a regular basis on the company's website ([www.novestra.com](http://www.novestra.com)).

### Annual General Meeting

Novestra's AGM is held in Stockholm during the first half of the year. The time and venue of the meeting are announced publicly no later than to coincide with the release of the company's third-quarter report. At this time, shareholders are also informed about their right to have issues addressed at the AGM and the deadline for submitting requests to this effect to the company so that such business may be included in the notice to the AGM.

The AGM notice is published no earlier than six weeks and no later than four weeks before the date of the AGM. The notice includes information on how to register in order to participate and vote in the AGM, as well as an itemized agenda listing the matters that are to be addressed at the AGM, the proposed disposition of earnings and the key content of other proposals being addressed at the meeting. Shareholders or their appointed proxies are entitled to vote for the full number of shares that they own or represent.

The business of the AGM is to report on the company's development over the past financial year and to make decisions on a number of central issues, such as changes to the company's Articles of Association, the election of auditors, discharging the Board from liability for the financial year, remuneration for the Board and auditors, approval of the Board for the period up to the next AGM and the approval of remuneration guidelines for Senior Executives.

Novestra's 2009 AGM was held on April 22, 2009 at the offices of Advokatfirman Vinge in Stockholm. The meeting was attended by ten shareholders, representing 57.92 percent of the number of outstanding shares and votes. At the AGM, shareholders voted to discharge the Board and Managing Director from liability for the 2008 financial year.

Novestra's 2010 AGM is planned for April 21, 2010 at the offices of Advokatfirman Vinge in Stockholm. Shareholders have had the opportunity to deliver their proposals on issues they wish to be addressed at the meeting to the Chairman of the Board of Novestra as well as the opportunity to deliver proposed nominations to the Nomination Committee. Information about the AGM is available on Novestra's website ([www.novestra.com](http://www.novestra.com)).

### Presence, votes and capital represented at

#### AB Novestra's AGM

Year	Percentage of capital and votes
2009	57.92%
2008	24.78%
2007	1.64%
2006	26.96%
2005	43.78%

### Nomination Committee

The AGM decides how the Nominating Committee will be appointed. At the 2009 AGM it was decided that Novestra shall have a Nomination Committee consisting of one representative from each of the three shareholders or groups of shareholders controlling the largest number of votes, plus the Chairman of Novestra's Board. The composition of the Nomination Committee is based on the register of recorded shareholders from Euroclear Sweden AB as of the last business day in August 2009 and other reliable shareholder information that has been provided to the company at such time. The Nomination Committee consists of Theodor Dalenson in his capacity as Chairman and representing the shareholder Jan Söderberg, Johan Hessius representing the shareholder Nove Capital Master Fund and Thomas Berg representing Anchor Secondary.

The role of the Nomination Committee is to prepare and present proposals for submission to the 2010 AGM regarding the following: AGM Chairman, Board and Chairman of the Board, Board remuneration apportioned among the Chairman and other Board members, audit fees and proposals for rules concerning the nomination process for the 2011 AGM.

### Board of Directors

The Board members are elected by the shareholders to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. There are no rules concerning the length of time a person may remain on the Board of Directors. Nominations are processed by the Nomination Committee.

**Independence of Board members, presence, etc.**

Name	Function	Elected	Independent in relation to the company and management	Independent in relation to larger shareholders	Share- <sup>(2)</sup> holdings	Present	Present
Theodor Dalenson	Chairman	2000	No	No	215 000	(5/5)	100%
Anders Lönnqvist	Board Member	2000	Yes	Yes	854 663	(4/5)	80%
Bertil Villard	Board Member	2003	Yes	Yes	406 668	(5/5)	100%
Jan Söderberg	Board Member	2008	Yes	Yes	2 571 000	(4/5)	80%
Jens A. Wilhelmsen	Board Member	2008	Yes	No	10 000	(5/5)	100%
Stein Wessel-Aas <sup>(1)</sup>	Deputy Board Member	2009	Yes	No	-	(3/3)	100%

(1) Stein Wessel-Aas was elected Deputy Board member at the AGM in April 2009.

(2) Where appropriate, shareholding in Novestra include shares held by family members and holdings through companies as at December 31, 2009.

**Work of the Board of Directors**

February 13, 2009	Year-end Report, development and valuation of portfolio companies, budget 2009, annual report 2008
April 21, 2009	AGM, Q1 Interim Report, development and valuation of portfolio companies, audit review for 2008
April 22, 2009	Statutory Board meeting, procedural plan for Board and Managing Director
August 24, 2009	Q2 Interim Report, development and valuation of portfolio companies
November 9, 2009	Q3 Interim Report, development and valuation of portfolio companies, strategy and development issues

Novestra's current Board consists of five members and one deputy member elected by the AGM. The Chairman is the only board member who works operatively in the day-to-day running of the company. The Managing Director is not a member of the Board. During the 2009 financial year, the Board convened for five meetings. Between meetings of the Board continuous contact has been maintained between the company, the Chairman of the Board and other Board members. Board members were also continuously provided with written information of importance regarding the company. Novestra's Board complies and adopts a procedural plan for the Board every year, which includes the following stipulations:

- the Board of Directors shall meet at least five times a year;
- Members of the Board shall receive documentation regarding matters to be dealt with at Board meetings in good time prior to the meeting and be provided with a monthly report of the company's operations;
- In order to ensure that the Board maintains a dialogue with the auditors, the company's auditor

shall participate in one board meeting annually and report on his or her observations from the annual auditing work.

The procedural plan also includes a description of matters to be dealt with at each board meeting and the specific resolutions to be passed at the statutory meeting. The procedural plan also provides instructions for the Managing Director.

On behalf of shareholders, the Board of Directors administers the company by establishing goals and strategies, evaluating the operational management and ensuring that systems are in place for monitoring and control of established goals.

Since the 2009 AGM, the Board of Directors has consisted of five members, Theodor Dalenson, Anders Lönnqvist, Jan Söderberg, Bertil Villard and Jens A. Wilhelmsen, and one deputy member, Stein Wessel-Aas. Theodor Dalenson was appointed Chairman by the AGM. More detailed information about Board members including age, education and other assignments is provided on pages 48-49.

**Audit issues**

No Audit Committee is elected and audit issues are addressed by the Board of Directors as a whole at the ordinary board meetings, which means no committee meetings have been held separately. During the auditor's review of the company's accounts with the Audit Committee, the Managing Director leaves the room to give the Board the opportunity for private deliberation with the auditor. In addition, all Board members have the possibility to contact the auditor directly.

**Remuneration issues**

No Remuneration Committee is elected and remuneration issues are addressed by the Board of Directors as a whole at the ordinary board meetings, which means no committee meetings have been held separately. The main task of the Remuneration Committee is to prepare issues relating to remuneration and other compensation concerning the Managing Director and other employees who report directly to the Managing Director.

**Managing Director**

The Managing Director, Johan Heijbel, is responsible for Novestra's day-to-day operations. The Managing Director's responsibilities cover ongoing investments and divestments, personnel, finance and accounting issues, regular contact with the company's stakeholders (such as public authorities and the financial markets) and ensuring that the Board receives the information it needs to make well-founded decisions. The Managing Director reports to the Board.

**Auditors**

The company's auditors are appointed by the AGM every fourth year. At Novestra's 2007 AGM, the registered firm of accountants KPMG AB was appointed, with authorized public accountant Ingrid Hornberg Román as head auditor. The task of the auditors is, on behalf of the shareholders, to audit the company's annual accounts, accounting records and the administration by the Board and Managing Director. The auditors also present an audit report to the AGM. The shareholders are welcome to put questions to the auditor at the AGM.

**Remuneration to the Board and senior management**

Remuneration to the Board for the coming financial year is decided each year by the AGM. The 2009 AGM approved the proposed guidelines for remuneration and other compensation for senior management. In order to achieve long-term solid growth in shareholder value, Novestra's remuneration policy aims to offer total remuneration in line with the market to enable the right senior management and other personnel to be recruited and retained.

**Internal control with regard to financial reporting**

This report on internal controls is prepared in compliance with the Swedish Code of Corporate Governance and is thereby limited to internal controls in respect of financial reporting, internally with regard to the Board of Directors and externally in the form of interim reports, annual accounts and annual reports.

Pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control. Internal control and risk management comprise a part of the Board's and management's governance and follow-up of business operations. Internal control is intended to ensure the appropriate and efficient management of operations, the reliability of financial reporting and compliance with laws, ordinances and internal regulations.

Internal control and risk management are an integral part of all processes at Novestra. Novestra's system of internal control and risk management with regard to financial reporting is designed to manage risks involved in the processes related to financial reporting and to ensure a high level of reliability in external reporting.

**Control environment**

An effective control environment forms the foundation for the effectiveness of a company's internal control system. It is built on an organization with clear decision-making channels, powers of authorization and responsibilities that are defined by clear guidelines.

Novestra has policies, guidelines and detailed process descriptions for the various phases of each business flow, from transaction management to bookkeeping and the preparation of external reports, stipulating who is responsible for specific tasks. These governing documents are updated as needed to ensure they always reflect current legislation and regulations and changes in processes.

#### **Risk assessment**

Risk assessment, i.e. the identification and evaluation of the company's risks is an annual process at Novestra. Risk assessment is done in the form of self-evaluation and also includes establishing action plans to mitigate identified risks. The primary risks present in Novestra's business activities are commercial risk, price risk attributed to shares in

private and public holdings, and currency risk. Other risks that impact the company's financial operations are liquidity, interest rate and credit risk. A more detailed description of Novestra's risks is available in the Board of Directors' report, page 52 and in Note 2, Risks.

#### **Control Activities**

To ensure that the company's business is conducted efficiently and that financial reporting gives a true and fair picture at any one time, Novestra operations incorporate a number of control activities. These involve regular monitoring of risk exposure and monthly follow up of results as well as regular monitoring of Novestra's IT environment, security and functionality.

### **Overview of Corporate Governance**

The company's highest decision making authority is the Annual General Meeting. The AGM is convened no less than once a year and has a predetermined agenda published in the Articles of Association, as well as any other matters submitted by shareholders to be addressed at the meeting.

Main items on the AGM agenda include submission of the annual report and the auditors' audit report and report on the administration of the Board and Managing Director for the period encompassed by the annual report. The AGM determines whether or not to discharge of the members of the Board of Directors and the Managing Director from liability.

Prior to the AGM the Nomination Committee prepares a proposal for the composition of the Board of Directors to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. The committee also proposes remuneration for the Chairman of the Board and other Board members. It is also the Nomination Committee's task, where appropriate, to propose auditors.

All shareholders or proxies present at the meeting having registered their participation as described in the notice have the right to vote for the full number of shares they own or represent. Shareholders also have the opportunity to put questions to the Board, Managing Director and Auditor.

The AGM elects a Board of Directors for a mandate period of one year. The Board appoints a Managing Director responsible for the day-to-day operations of the company. The division of responsibilities between the Board and the Managing Director is clearly detailed in instructions and formal work plans that have been approved by the Board.

The 2010 AGM will take place on April 21, 2010. More detailed information about the AGM is presented on page 99.

**Information and communication**

Guidelines are in place at Novestra to govern how financial information is communicated. One condition for accurate distribution of information is that effective procedures for information security must be in place.

**Follow-up**

Both the Board and management regularly follow up on the compliance and effectiveness of the company's internal control processes to ensure the quality of its processes. Novestra's financial situation and strategy regarding the company's financial position are discussed at every Board meeting. The company's internal controls are audited by external auditors and no internal audit is carried out due to the size of the company.

**Deviation from the Swedish Code of Corporate Governance**

The Nomination Committee proposed to the 2009 AGM that a deputy board member would be elected, and was successful. To appoint deputy board members is a deviation from the Swedish Code of Corporate Governance, but appropriate in Novestra's case according to the Nomination Committee.

