

Corporate Governance Report

Haldex AB (publ) ('Haldex' or 'the company') is a Swedish public limited company with registered office in Landskrona, listed on Nasdaq Stockholm, Mid Cap. Corporate governance in Haldex is based upon the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance. Haldex herewith submits the 2020 Corporate Governance Report in accordance with the Annual Accounts Act and the Code. The company's auditors have conducted a statutory review of the report.

Swedish Code of Corporate Governance

In accordance with good stock market practice, Haldex applies the Swedish Code of Corporate Governance. The current code is available on the Swedish Corporate Governance website, www.bolagsstyrning.se. However, during the 2020 financial year, Haldex deviated from the rules on nomination committees under Part III, paragraph 2 of the Code. The reason for the deviation is that the Annual General Meeting did not appoint a formal nomination committee. However, at the Annual General Meeting 2020, four shareholders (AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden), who together represent approximately 24% of the number of shares and votes in the company, submitted joint proposals regarding Board members, auditors and fees and have in principle created an informal Nomination Committee. The same shareholder majority also nominated two additional Board members who were elected at an Extraordinary General Meeting shortly before the end of the financial year. The Company has been informed that the four shareholders will submit proposals ahead of the 2021 Annual General Meeting to adopt instructions for the composition of the Nomination Committee and its work.

on principles for remuneration and terms of employment for the CEO and other senior executives. Haldex's Annual General Meeting is usually held in April or May.

Ownership

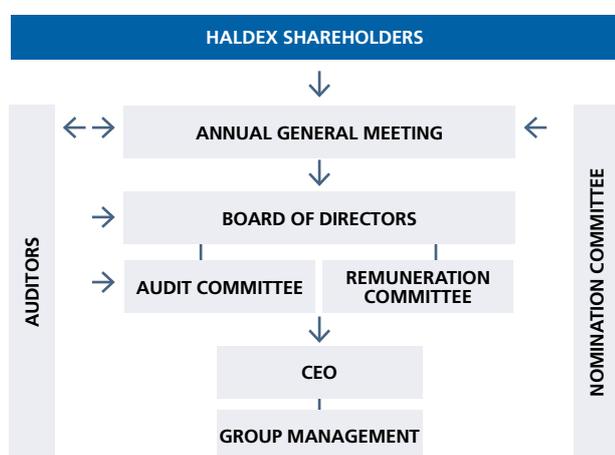
The number of shareholders at year-end was 11,957. The largest shareholder was Knorr-Bremse, with an estimated holding of 9.25%. A large proportion of Haldex's shareholders are registered abroad and are therefore not shown under their own name in the list of shareholdings. Knorr-Bremse has declined to confirm its precise participating interest. Swedish shareholdings totaled 56.9% at the end of the year. Each share carries one vote at the AGM. For more information about shares and shareholdings, see page 95-96 and <https://www.haldex.com/sv/corporate/>.

Annual General Meeting

The 2020 Annual General Meeting was held on June 23, 2020 at Strandvägen 7A in Stockholm. The meeting was attended by 63 shareholders in person or through representatives, as well as a number of assistants and visitors. Shareholders present represented 37.5% of the total number of votes. At the meeting, the members of the Board were to some degree present, in person and online. However, the Chairman of the Board did not attend due to illness. A few of the Board members who were standing for re-election also attended.

Among other things, the meeting resolved on:

- No dividend for the financial year 2019 and that earnings for the year be carried forward.
- Discharging of the members of the Board of Directors and the company's Chief Executive Officer from liability for the financial year 2019 with the exception of the former Chief Executive Officer Åke Bengtsson.
- Re-election of the Board member Helene Svahn.
- New election of Stefan Charette, Viveka Ekberg, Håkan Karlsson and Catharina Modahl Nilsson.
- Re-election of the auditors Öhrlings PricewaterhouseCoopers AB with Magnus Willfors as auditor in charge.
- Adoption of remuneration for the Board of Directors and auditors.
- Adoption of the guidelines proposed by the Board for remuneration of senior executives.
- Amended articles of association, whereby the articles of association were adapted to proposed amendments to the Swedish Companies Act and updated to prevailing terminology.
- No authorization for the Board of Directors to resolve on new issues of shares during the period until the 2021 Annual General Meeting.



Responsibility for management and control of the Haldex Group is divided between shareholders, the Board of Directors, its elected committees and the CEO as illustrated above.

Shareholders and Annual General Meeting

The shareholders of Haldex exercise their right to decide on the company's affairs at the Annual General Meeting. The Annual General Meeting is Haldex's highest decision-making body. The General Meeting decides on the articles of association, elects the Board of Directors and auditors, and makes decisions on their fees.

The General Meeting further decides on adoption of the accounts, on the appropriation of the company's profit or loss and on discharge from liability for the Board of Directors and the CEO. The General Meeting also decides on the appointment and work of the Nomination Committee, and decides

Extraordinary General Meeting

An extraordinary general meeting of Haldex was held on December 29, 2020. Due to COVID-19, the meeting was held without presence in person, and shareholders were allowed to exercise their voting rights only by digital advance voting ('postal voting'). 51 shareholders attended the meeting, in person or by proxy. Shareholders present represented 36.2% of the total number of votes. The meeting resolved to elect two additional members to the existing Board.

In accordance with the joint proposal from AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden, the meeting resolved to appoint Detlef Borghardt and Dzeki Mackinowski as new Board members.

The Board of Directors subsequently consists of a total of seven members elected by the General Meeting; Stefan Charette (Chairman), Helene Svahn (Member and CEO), Viveka Ekberg, Håkan Karlsson, Catharina Modahl Nilsson, Detlef Borghardt and Dzeki Mackinowski.

Full minutes and information on the AGM can be found at <https://corporate.haldex.com>.

Nomination Committee

The Nomination Committee represents the company's shareholders and nominates Board members and auditors and proposes fees for these.

It is the General Meeting of Shareholders that has to appoint the members of the Nomination Committee or specify how the members are to be appointed and adopt instructions for the Nomination Committee.

In accordance with the Swedish Code of Corporate Governance, the Nomination Committee must submit proposals for the Chairman and other members of the Board as well as fees and other remuneration for Board assignments for each of the Board members. The Nomination Committee also has to submit proposals for the election and remuneration of the auditor. The Nomination Committee's proposals are to be presented in the notice of the annual general meeting. No remuneration is paid to the members of the Nomination Committee. The Chairman of the Board is responsible for informing the Nomination Committee of the Board's future expertise profile and working methods and of the outcome of the assessment of the Board's work. The company's shareholders have an opportunity to submit comments and proposals to the Nomination Committee by e-mail or phone.

Prior to the 2020 Annual General Meeting no Nomination Committee had been appointed, and at the 2020 Annual General Meeting neither was one appointed nor was a decision made on any new guidelines regarding how the Nomination Committee should be appointed when no proposal has been submitted by for the general meeting of shareholders to decide upon. At the time of publication of this corporate governance report, the Company has been informed that the four shareholders who constituted an informal Nomination Committee, i.e., AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden will submit proposals to the general meeting of shareholders to adopt instructions for the composition of the Nomination Committee and its work ahead of the 2021 Annual General Meeting.

Board of Directors

The Board is responsible for Haldex's organization and administration of Haldex's affairs. According to the Articles of Association, the Board has to consist of not fewer than three and not more than eight members with a maximum of three deputies. The Board members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.

Composition of the Board

In 2020, until the Extraordinary General Meeting, the Board of Directors consisted of five members elected by the Annual General Meeting, and after the by-election of two more members on the Extraordinary General Meeting on December 29, 2020, the Board of Directors consisted of a total of seven members elected by the Annual General Meeting for the last days of the financial year. The employees appointed two representatives and two deputy representatives to the Board. Haldex's President and CEO, Helene Svahn, attended the Board meetings. Other salaried employees attended as needed during the meetings as rapporteurs on particular issues. For further information on the Board members, see pages 86-87 and Note 9.

Independence of the Board

The Swedish Code of Corporate Governance states that a majority of the members elected by the AGM must be independent in relation to the company and company management, and that at least two of these must also be independent in relation to major shareholders. All members elected by the AGM to Haldex's Board of Directors are judged to be independent in relation both to the company/company management and to major shareholders, however with the exception of Helene Svahn who, due to her position as President and CEO, is considered to be dependent in relation to the company.

The work of the Board

The Board held 18 (13) meetings in 2020. The main issues addressed during the Board meetings were the business situation, strategy, investments, quality work, product development, personnel and organizational issues and budget and the long-term business plan. Attendance at board and committee meetings is reported on pages 86-87.

Evaluation of the Board's work

Each year, an evaluation is made of the Board's combined work. For the Chairman, there are additional questions about ability to prepare and direct the work of the Board, as well as ability to motivate and collaborate with the CEO. The evaluation of the Board's overall work is done through a joint internal review of the Board's work. The outcome of the evaluation process is available to a future nomination committee.

Board committees

The Board has set up two committees within itself – the Audit Committee and the Remuneration Committee. The work of the committees cannot be delegated from the Board, and is viewed instead as preparation of matters that the Board as a whole then decides upon.

Audit Committee

The Audit Committee prepares matters relating to accounting, financial reporting, auditing and internal control. The committee reviews the principles of accounting and financial control and establishes guidelines for the purchase of services other than auditing of the company's auditors. During 2020, the Audit Committee consisted until the 2020 Annual General Meeting of Jörgen Durban (Chair), Mikael Thunved and Helene Svahn and Andreas Larsson, CFO, as co-opted members from Group management. Following the 2020 Annual General Meeting, the Audit Committee consisted of Viveka Ekberg (Chair) Stefan Charette and Håkan Karlsson, with Helene Svahn, CEO, and Lottie Saks, CFO as co-opted members from Group management. The Audit Committee held 7 (8) meetings in 2020.

Remuneration Committee

Based on the guidelines adopted by the Annual General Meeting, the Remuneration Committee submits proposals to the Board regarding salary and other terms of employment for the CEO and for other senior executives, based on proposals from the CEO, as well as the EVP Human Resources. During 2020 the Remuneration Committee consisted up to the 2020 Annual General Meeting of Jörgen Durban, Mikael Thunved and Bernd Gottschalk, as well as Frida Wahlgren, EVP Human Resources, as a co-opted member from Group management. Following the 2020 Annual General Meeting, the Remuneration Committee consisted of Håkan Karlsson (chair) and Catharina Modahl Nilsson and was supplemented by Dzeki Mackinowski after the Extraordinary General Meeting. Co-opted members from Group management since the 2020 Annual General Meeting have been Helene Svahn, CEO, and Lottie Saks, CFO. Jeanna Tällberg, newly appointed to the role of EVP Human Resources, was co-opted from September 2020. The Remuneration Committee held 2 (1) meetings in 2020.

Remuneration of Board members

Remuneration of the members of the Board elected by the Annual General Meeting was resolved by the Annual General Meeting on a proposal from AFA Sjukförsäkrings AB, AMF Pensionsförsäkring AB, Athanase Industrial Partner and Fjärde AP-fonden. During 2019/20, remuneration for the Group has been paid in accordance with Note 9 on page 60. The remuneration paid to the Board consists solely of a fixed portion (there is no variable remuneration). No remuneration is paid to members who are also employees of the Group.

Auditors

The AGM appoints auditors who review the annual financial statements, accounting and consolidated accounts, the Board of Directors and the CEO's administration.

Öhrlings PricewaterhouseCoopers AB was elected as audit firm by the Annual General Meeting for the period up to the 2021 AGM. The auditor in charge is Magnus Willfors, who is an authorized public accountant.

The Board as a whole meets with the auditors once a year, at a Board meeting during the spring when the auditors report their findings directly to the Board without the CEO or CFO being present. At least one auditor attends the Annual General Meeting and briefly describes the audit work and summarizes his or her recommendations in the audit report for the shareholders.

REMUNERATION OF AUDITORS

SEKm	2020	2019
Öhrlings PricewaterhouseCoopers AB and network		
Auditing engagements	7	6
Auditing activities in addition to auditing engagements	0	0
Tax advice	1	1
Other services	2	2
Total	10	9

AUDITORS

Öhrlings PricewaterhouseCoopers AB



Magnus Willfors
Authorized public accountant
Auditor in charge



Carl Fogelberg
Authorized public accountant

Group Management

The President and CEO manages the ongoing administration of Haldex's operations within the limits set by the Board. The CEO is assisted by a Group management team consisting of heads of business areas and basic functions within the company, i.e., HR, finance and law.

The composition and size of the Group management underwent organizational changes during the course of 2020. At the end of 2020, Group management consisted of the CEO and a further eight people. The Group Management holds regular meetings chaired by the CEO. The meetings are focused on the Group's strategic and operational development and follow-up of results. For further information on the Group management, see pages 88-89.

Remuneration of senior executives

The Annual General Meeting adopts principles for remuneration of senior executives and approves the report on paid and outstanding remuneration that the Board of Directors is required to prepare for each financial year.

In June 2019, new rules in the Swedish Companies Act came into force, which, among other things, require listed companies to develop and decide on remuneration guidelines and remuneration reports for certain senior executives. The new, more detailed provisions on guidelines for remuneration of senior executives were first applied at the time of the 2020 Annual General Meeting, and the new provisions on remuneration reports will be applied for the first time at the time of the 2021 Annual General Meeting.

Principles for remuneration of senior executives resolved by the 2020 Annual General Meeting can be read on the company's website <https://corporate.haldex.com>.

More information on remuneration of senior executives can be found in Notes 9 and 10 for the Group on pages 60-61.

Remuneration in 2020

Chief Executive Officer

In 2020, President and CEO Helene Svahn received fixed and variable salary in accordance with the table on page 93. In addition to a mutual notice period of 6 months, the CEO, in the event of termination by the company, is entitled to severance pay equivalent to 6 months' salary. Upon termination by the CEO, no severance payment is made. The CEO's pension benefits are premium-based and consists of an ITP plan and an annual allocation of 30% of the portion of the fixed salary that exceeds 20 base amounts. The retirement age is 65. More information about remuneration of the CEO will also be given in the remuneration report that the company will present at the time of the Annual General Meeting and make available on the company's website <https://corporate.haldex.com>.

REMUNERATION OF GROUP MANAGEMENT 2020

SEK 000	Basic salary incl. benefits	Variable remuneration ¹⁾	Pension
Chief Executive Officer			
Helene Svahn	4,393	36	824
Other senior executives (Group Management)			
8 (11) persons, of whom 4 (2) women at December 31	19,753	649	2,545
Total	24,146	685	3,369

¹⁾ Amount for variable remuneration 2020 refers to the part of the 2019 bonus that has been expensed during 2020.

Other senior executives

In accordance with the guidelines adopted by the AGM, the principles for remuneration matters regarding Group management must be prepared by the CEO in consultation with the Board of Directors for decision by the AGM. The compensation consists of a fixed and a variable salary component. The variable part is based on the annual targets set by the CEO and the Remuneration Committee and can amount to maximum 50% of fixed annual salary. All members of Group Management have a mutual notice period of up to 6 months and, in the event of termination by the company, severance pay equivalent to between 6 and 12 months' salary. Pension benefits are regulated in pension plans that are adapted to practice in the country in question, with a retirement age of 65 up.

Incentive programs

The 2015 and 2016 Annual General Meetings resolved on an incentive program called LTI (Long-Term Incentive) for senior executives and key individuals, LTI 2015 and LTI 2016. In brief, LTI means that if certain performance targets are achieved during the financial year, the participants in LTI may be awarded variable remuneration at the beginning of the following year, of which 60% will be allocated in cash and 40% in the form of employee stock options that are conditional non-transferable deferred rights to receive one ordinary share in Haldex free of charge and automatically after four years for each performance right. The term of LTI is four years. After the end of the performance year, any amount of stock due will be allocated.

Payment of any cash amount is expected to take place during the spring of the new financial year. After the allocation of any share amount, the participant will be granted performance rights, after which a three-year lock-in period will follow before final transfer of performance shares to the participant is expected to take place the year after the AGM when the term has expired (from 2018-2020 depending on program) and before the end of June in the same year. Deferred variable remuneration according to LTI is not pensionable. However, the programs LTI 2015 and LTI 2016 have not generated any outcome for the senior executives and key individuals who have been included in this program. Since 2017, no incentive programs have been decided upon that include shares or share price-related elements. The long-term incentive program, which has since been implemented, has only cash remuneration where the measurement period for fulfillment of the targets extends over a three-year period.

Neither has this program generated any outcome for the participants. At the time of publication of this corporate governance report, discussions are in progress in the Remuneration Committee on proposals to establish a new LTI program that will apply from 2021 onwards.

Internal control

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Code of Corporate Governance. Internal control within Haldex is a process that is controlled by the Board of Directors and the Audit Committee and is carried out by the CEO and Group Management.

Internal control has been designed to ensure, as far as possible, that Haldex has appropriate and reliable reporting and compliance with applicable laws and other statutory instruments. The process is based on a control environment that creates a structure for other parts of the process, such as risk assessment, control activities, information and communication and follow-up. This report on internal control and risk management has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance, and is thus limited to a description of the most important elements of Haldex's system for internal control and risk management with regard to financial reporting. The Board monitors and ensures the quality of external financial reporting in the manner documented in the Board's rules of procedure, in the instruction for the CEO and in the Group's financial policy. The CEO is responsible, together with the CFO, for review and quality assurance of all external financial reporting such as interim reports, year-end reports, annual reports, press releases with financial content and presentation material in connection with meetings with mass media, shareholders and financial institutions. The CEO and CFO provide all interim reports, year-end reports and annual reports for review by the Audit Committee. The Board is responsible for ensuring that the company's financial reports are prepared in accordance with applicable laws, accounting standards and other requirements for listed companies. The Board's instructions to the CEO also contain a requirement to continuously provide the Board with internal summary reports on economic conditions. These reports are to include results and balance sheets, valuation issues, assessments, forecasts and any changes and the consequences thereof, any changes regarding accounting rules, legal matters and disputes and are to be reviewed by the Audit Committee and subsequently submitted to the Board.

Control environment

The Board of Directors has established a number of policy documents for the company's internal control and governance. The Board has an Audit Committee. The Audit Committee, which prepares matters for the Board, deals with issues such as the internal control process, follows up reporting matters and discusses accounting policies and the consequences of changes to these policies. In addition, the Audit Committee maintains continuous contact with the external auditors. The committee is responsible for the evaluation of the audit work as well as the auditors' efficiency, qualifications, fees and independence. The Audit Committee also normally assists the Nomination Committee in proposals for the election of auditors and procurement of audit services.

Risk assessment

Haldex's risk assessment regarding financial reporting, that is, identification and evaluation of the most significant risks in the Group's companies and processes regarding financial reporting, constitutes the basis for risk management. Risk can be managed by accepting or reducing the risks or eliminating them, with requirements for controls and control levels within the limits established by the Board of Directors, the Audit Committee, the CEO and the Group Management. During the year, Haldex carried out an updated assessment of the risks it faces, risks that are documented in a Group-wide document and on pages 42-47.

Instruments of governance

The instruments that form the basis of corporate governance in Haldex consist mainly of the Companies Act, the Annual Accounts Act, applicable regulations for companies listed on Nasdaq Stockholm, the Swedish Code of Corporate Governance and other relevant legislation and relevant provisions. The internal binding instruments of governance include the articles of association adopted by the general meeting of shareholders and the documents adopted by the Board for the Board of Directors of Haldex, instructions for remuneration and audit committees, instructions for the CEO of Haldex, information and insider policy and financial policy. In addition to the above, the Group has a number of policies and manuals containing regulations and recommendations with principles and guidance for the Group's operations and employees. The Board's rules of procedure regulate the Board's division of work, the decision-making process within the Board, the Board's meeting schedule and the Chairman's duties. The work of the Board follows a set routine that aims to ensure that the Board's information requirements are met. The instructions to the CEO set out the CEO's responsibility for day-to-day administration, forms of reporting to the Board and the contents thereof, requirements for internal control instruments and questions that require the Board's decision or are to be communicated to the Board.

Control activities

The work on further developing internal control and governance is ongoing, with regular documentation, evaluation and introduction of new controls and improvement of existing controls.

Information and communication

Haldex has a system for informing and communicating in order to provide complete and accurate financial reporting. Haldex has a reporting system where all the Group's companies report monthly in a fixed format and according to specified accounting policies. In connection with the reporting, the reporting units make risk assessments and comment on current valuation issues and provisions. The central finance department prepares reports from the common system structured according to the Group's established report format. Responsible managers and controllers at various levels in the Group have access to information related to their particular areas of responsibility in this system. All the Group's governance documents for internal control and governance can be found on the Group's intranet.

Follow-up

Haldex's financial reporting is followed up on an ongoing basis, by management at various levels of the company as well as by the financial organization and controllers in the various business units. The follow-up is done monthly in connection with reporting, through analyses and reviews by responsible controllers and by business managers holding meetings with reporting units. The Audit Committee regularly communicates with the Company's external auditors and the Company's CFO, both during and between meetings. The Board receives a monthly report on developments in the company's operations. More detailed reporting is primarily done by the CEO at all Board meetings. The Board regularly assesses the risks associated with the financial reporting based on significant and qualitative factors.

Internal audit

Each year, the Board evaluates the need to set up a special function for internal auditing. In 2020, the Board considered that no such need existed. The Board made the assessment that internal control is mainly exercised:

- By the operational managers at various levels,
- By the local financial functions and the central financial function,
- Through the Group Management's supervisory control.

During the year, a self-assessment process was introduced where the companies evaluate their control activities. The self-assessment will be reviewed and evaluated by internal resources.

The Board assesses that the scope of its own organization for internal control and the external audit combined mean that there is currently no need for an internal audit function. The decision is reviewed annually.

The Board of Directors, March 26, 2021

THE AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE REPORT

*To the Annual General Meeting of Haldex AB (publ),
corporate identity number 556010-1155*

It is the Board of Directors that is responsible for the Corporate Governance Report for 2020 on pages 90-94 and for it being prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on this reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory review of the Corporate Governance Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that a corporate governance report has been prepared and that its statutory information is consistent with the annual financial statements and the consolidated financial statements.

Malmö, March 29, 2021

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
*Authorized public accountant
Auditor in charge*

Carl Fogelberg
Authorized public accountant