

# Corporate Governance Report for Duni AB (publ)

Duni AB is a Swedish limited public company which, since November 14, 2007, has been listed on NASDAQ OMX Nordic in Stockholm. Governance of Duni takes place through general meetings, the Board of Directors and the CEO, as well as Duni's group management, in accordance with, among other things, the Swedish Companies Act, the company's Articles of Association and working procedures for the Board of Directors and the CEO. In light of Duni's group structure, the composition of the boards of operational subsidiaries, often with representatives from group management, constitutes a further component in the governance of Duni.

Duni applies the Swedish Code of Corporate Governance. This corporate governance report does not constitute a part of the formal annual report and has not been reviewed by the company's auditor.

## ARTICLES OF ASSOCIATION

The Articles of Association are adopted by the general meeting and contain certain mandatory information of a fundamental nature for the company. The complete Articles of Association are available on Duni's website, [www.duni.com](http://www.duni.com).

Duni's Articles of Association provide, among other things, that the directors are elected each year at the annual general meeting for a term until the close of the next annual general meeting. All shares in Duni carry equal voting rights.

## GENERAL MEETINGS

The general meeting is the highest decision-making body at which the shareholders exercise their influence by voting on key issues, such as the adoption of the income statements and balance sheets, allocation of the company's profits, discharge from liability for the directors and the CEO, election of the Board of Directors and auditors, as well as compensation to the Board of Directors and auditors.

Pursuant to the Swedish Companies Act, notice to attend Duni's annual general meeting must be given not earlier than six weeks and not later than four weeks prior to the meeting. Notice shall be given through an announcement in *Post och Inrikes Tidningar* (The Official Gazette) and in *Svenska Dagbladet*. In order to participate at a general meeting, a shareholder must notify the company thereof not later than the date stated in the notice.

## 2008 Annual General Meeting

The annual general meeting of the shareholders of Duni was held on May 7, 2008 in Malmö.

## 2009 Annual General Meeting

The next annual general meeting of the shareholders of Duni will be held at 3 pm on May 6, 2009 at Skånes Dansteater (Östra Varvsgatan 13 A) in Malmö.

The Chairman of the Board convenes a Nomination Committee. The intention is that the Nomination Committee shall be composed of representatives of at least three of Duni's largest owners. Duni's Nomination Committee comprises four members: Peter Nilsson (Chairman of the Board of Duni AB and Chairman of the Nomination Committee), Rune Andersson (Mellby Gård Investerings AB), Bernard R. Horn Jr (Polaris Capital Management, LLC) and Göran Espelund (Lannebo Fonder). The Nomination Committee is a shareholders' committee which is responsible for nominating the persons to be proposed at the annual general meeting for election to Duni's Board of Directors. The Nomination Committee provides proposals as regards the Chairman of the Board and other directors. It also produces proposals regarding board fees, including the allocation between the Chairman and other directors, as well as any compensation for committee work. These proposals are presented at the annual general meeting and set forth in the notice and on the website prior to the annual general meeting.

## THE BOARD OF DIRECTORS

The Board of Directors is the company's highest decision-making body after the general meeting. The board's overarching duties are to decide on the company's business focus, the company's resources and capital structure, as well as the company's organization and management of the company's affairs. The board's general obligations also include regular assessment of the company's financial position and approval of the company's business plan. The general obligations include decisions by the board on overarching issues, for example the company's strategy, acquisitions, major investments, divestments, issuance of the annual report and interim reports, as well as appointment of the CEO.

## The directors

The directors are elected each year by the annual general meeting for a term until the close of the next annual general meeting. The board shall comprise not less than three and not more than twelve directors. In addition, there may be employee representatives.

Duni's board consists of six directors elected by the annual general meeting on May 7, 2008 and two employee representatives, plus one alternate. Duni's CEO is not a member of the board but, similarly to the CFO, regularly participates as a presenter at board meetings. The Chairman of the Board does not participate in the executive management of the company.

The directors are presented in greater detail on page 94-95 of the Annual Report.

## The board's work

The board complies with written rules of procedure which are adapted annually at the initial board meeting. The rules of procedure state the allocation of work, where appropriate, between the directors and the frequency of board meetings. In addition, the rules of procedure govern the board's obligations, quorum, and the allocation of responsibilities between the board and the CEO, etc.

Board meetings are held in accordance with a predetermined annual schedule. In addition to these meetings, further meetings may be arranged if unusually important events occur. During 2008 financial year, 10 board meetings were held at which minutes were taken.

In addition to the board meetings, the Chairman of the Board and the CEO maintain a regular dialogue concerning the management of the company. The allocation of work between the board and the CEO is governed by the board's working procedures and instructions for the CEO. The CEO is responsible for the execution of the business plan and the continuous management of the company's affairs, as well as the day-to-day business in the company. Accordingly, the CEO may also, without the board's authorization, take measures which are extraordinary in nature or of major significance for the company's operations, in light of the scope and nature of the company's operations presumed that a decision by the Board of Directors can not be waited for without major disadvantages for the company. In these cases the Board of Directors

shall immediately be informed of any actions taken. The instructions to the CEO also govern the CEO's responsibility for reporting to the Board of Directors.

The board receives each month written information in the form of a monthly report containing follow-up of the company's sales, operating income and working capital trends. In addition, the material contains comments by the CEO and CFO, for example brief comments on the various markets. Those months in which board meetings are held, the monthly report is more extensive and includes, among other things, also balance sheets and cash flow.

Once per year, the entire board undertakes a systematic evaluation of the senior executives. In this context, 'senior executives' include also certain second line managers, i.e. a broader group of employees than those defined as senior executives in other parts of the annual report.

The main owners, the directors and the CEO conduct each year a detailed evaluation of the Board of Directors, based on the adopted rules of procedure. The evaluation covers, among other things, the composition of the board, individual directors and the board's work and routines.

## CEO

Duni's CEO is Fredrik von Oelreich (1961), MBA. The board has adopted instructions regarding the work and role of the CEO. The CEO is responsible for the day-to-day management of the company's operations in accordance with guidelines issued by the Board of Directors. On December 31, 2008, Fredrik von Oelreich held 201,482 shares in Duni AB. No party closely related to the CEO has any significant shareholding in Duni AB. Fredrik von Oelreich has no ownership interests in companies

with which Duni has significant commercial relations and holds no important appointments outside Duni. Further information regarding the CEO is provided in Note 13 in the Annual Report.

## SWEDISH CORPORATE GOVERNANCE CODE

The Swedish Corporate Governance Code (the "Code") must be applied by all Swedish companies whose shares are admitted to trading on a regulated market in Sweden. Duni has undertaken vis-à-vis NASDAQ OMX Nordic Stockholm to comply with the Code. The Code is based on the principle "comply or explain", entailing that a company which applies the Code may derogate from its provisions provided that each derogation can be explained in a satisfactory manner.

Duni applies the Code subject to a single derogation, namely that the Chairman of the Board, Peter Nilsson, is also the Chairman of Duni's Nomination Committee. Duni's major shareholders have explained that the reason for the derogation is that the Chairman of the Board, Peter Nilsson, is very suitable to preside over the work of the Nomination Committee in an efficient manner in order to achieve the best result for Duni's shareholders.

Pursuant to the Code, the company must, among other things, have a Nomination Committee, an Audit Committee and a Remuneration Committee. The Code also states how these committees are to be comprised.

The Code also contains rules regarding the independence of the directors and imposes the requirement that a majority of the directors must be independent of the company and company management.

A director is not considered to be independent in a number of situations, among

others if the director (i) is the CEO of the company or has been so during the past five years; (ii) receives, from the company or an affiliated company or from any member of company management, not insignificant compensation for advice or services over and above the board appointment; (iii) has, or has had during the past year, extensive commercial relations or other extensive business dealings with the company or an affiliated company; or (iv) has been a director of the company for more than twelve years.

At least two of the directors who are independent of the company and company management must also be independent in relation to all shareholders who control ten percent or more of the share capital or voting capital of the company. Not more than one member of company management may be a member of the board.

## THE BOARD'S COMMITTEES

The Remuneration Committee prepares issues regarding compensation to Duni's senior executives based on guidelines for compensation to senior executives adopted at the annual general meeting and negotiates with the CEO regarding his compensation. The Audit Committee prepares the board's work by reviewing guidelines for the Group's risk management, governance and control, financial reporting and tax situation. In this work, the Audit Committee maintains regular contacts with the CFO and the auditors.

## Remuneration Committee

The Remuneration Committee comprises four members: Peter Nilsson (Chairman), Anders Bülow, Sanna Suvanto-Harsaae and Harry Klagsbrun. The Chairman of the Board may be the chairman of the Compensation Committee.

## Board of Directors

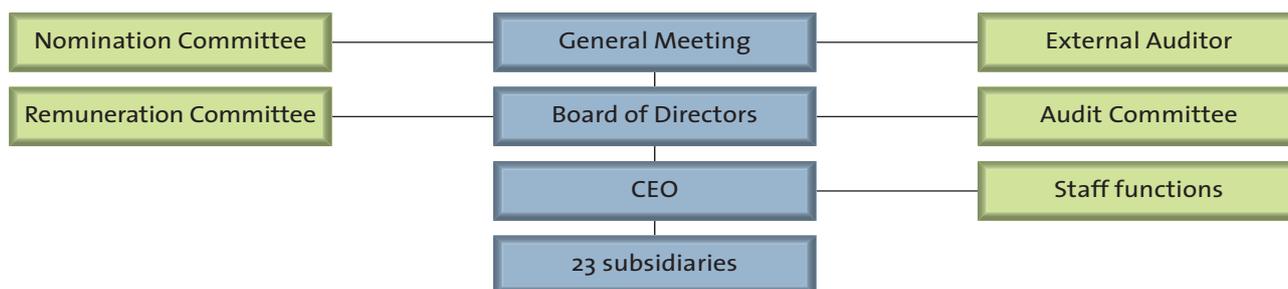
	Presence	Independent <sup>1)</sup>	Presence Audit Committee	Presence Remuneration Committee	Compensation (SEK)
Peter Nilsson	10/10	3)		4/4	533,333
Harry Klagsbrun	7/10	4)	5/5	3/4	-
Pia Rudengren	10/10	x	5/5		316,667
Sanna Suvanto-Harsaae	10/10	x		4/4	266,667
Anders Bülow	7/10	2)	3/5	3/4	-
Magnus Yngen	6/10	x			166,667
Gerold Linzbach	1/10	x			83,333
Göran Lundqvist	3/10	x			83,333
Gun Nilsson	3/10	3)	2/5		83,333
Per-Åke Halvordsson (employee representative)	10/10	3)			
Göran Andreasson (employee representative)	10/10	3)			
Inge Larsson (employee representative)	9/10	3)			

1) As defined in the Swedish Code of Corporate Governance

2) Not independent (in relation to Duni's major owners)

3) Not independent (in relation to Duni)

4) Not independent in relation to Duni's largest shareholder up to August 27, 2008, when EQT Partners divested its entire shareholding in Duni

**Corporate governance within Duni**

The other members of the Remuneration Committee must be independent of the company and company management. The Remuneration Committee and its chairman shall be elected annually at the initial board meeting and shall comprise at least three of Duni's directors, one of whom shall be the Chairman of the Board. The Remuneration Committee must meet at least three times per year. Duni's CEO participates at the Remuneration Committee's meetings, apart from when questions regarding his own compensation are addressed.

Duni's Remuneration Committee is responsible for preparing matters concerning compensation and other benefits for company management. Decisions are thereafter taken by Duni's Board of Directors. The Remuneration Committee also participates in the preparation of, and proposals for, the adoption of any share-related incentive programs at Duni.

**Audit Committee**

Duni has an Audit Committee comprising three members: Pia Rudengren (Chairman), Anders Bülow and Harry Klagsbrun. The Audit Committee and its chairman are appointed annually at the initial board meeting and consist of at least three of Duni's directors. Duni's Group Accounting Manager serves as secretary to the committee. A majority of the members of the Audit Committee must be independent of the company and company management. At least one member of the Audit Committee must be independent of the company's major shareholders. Executive directors may not be members of the Audit Committee. A member of the committee must possess such skills and experience in accounting, auditing and/or risk management that he/she can perform the duties imposed on the committee. Duni's board chooses the chairman of the committee. The company's Audit Committee meets at least three times per year.

Duni's Audit Committee is responsible for ensuring the quality of the company's financial and business reporting. The

Audit Committee also evaluates Duni's internal control processes and management of financial and operating risks.

The committee meets regularly with the company's auditors in order to obtain information regarding the focus and scope of the external audit and to evaluate the work of the external auditors. The evaluation also covers the scope of any non-audit-related work performed by the auditors for Duni. When preparing a proposal regarding the election of auditors and compensation for audit work, the Nomination Committee is assisted by the Audit Committee.

**COMPENSATION TO THE BOARD AND SENIOR EXECUTIVES**

Fees and other compensation to the board, including the Chairman of the Board, are decided upon by the annual general meeting. According to guidelines regarding compensation to senior executives adopted by the annual general meeting on May 7, 2008, compensation to the CEO and other members of the management group shall be on market terms and comprise fixed and variable salary, long-term share-related incentive programs, other benefits as well as pension. It shall never be possible for the variable salary to exceed the fixed salary. At present, there are no long-term incentive programs. In accordance with a resolution adopted by the annual general meeting on May 7, 2008, the annual fee for the current Chairman of the Board was set at MSEK 0.5, while the annual fee for other directors was set at MSEK 0.25 per director (with the exception of Anders Bülow and Harry Klagsbrun, who receive no compensation). For the financial year 2008 the directors shall receive compensation including committee work totaling MSEK 1.5, of which MSEK 0.5 shall be paid to the Chairman of the Board and MSEK 1.0 to other directors.

The total gross compensation paid to the management group in 2008, including salaries, pension payments and other benefits, amounted to MSEK 24.4. Of the

total gross compensation paid to the management group, MSEK 5.7 comprised compensation to Duni's current CEO, while MSEK 18.7 comprised compensation to other members of the management group. Each month, Duni pays in a cash pension contribution in accordance with the individual pension plan for each senior executive. In 2008, the total cost for Duni for these pension payments was MSEK 4.1.

Duni's CEO, Fredrik von Oelreich, receives an annual gross salary of CHF 587,000 and has a possibility to achieve a bonus equivalent to not more than 50% of his annual base salary, based on predetermined targets for the Group. In addition, he is entitled to certain other employment benefits such as company car. Both Duni and von Oelreich may terminate the agreement subject to six months' written notice of termination. In addition, except in the event of termination by the company due to negligence, von Oelreich is entitled to an amount equal to 12 times his monthly salary. Von Oelreich participates in a contribution-based pension plan to which Duni makes an annual contribution equal to 35% of his annual gross salary until termination of the agreement. Von Oelreich's retirement age is 62.

Duni has not granted any loans, or extended or issued any guarantees or provided any security to the benefit of Duni's directors, senior executives or auditors. None of the directors, senior executives or auditors has entered into transactions with Duni, whether directly or indirectly through any affiliated company.

**FINANCIAL REPORTING**

The company has an information policy pursuant to which the company shall publish quarterly reports, a half-yearly report, a report of unaudited annual results and an annual report. In connection with the publication of earnings reports, the company may arrange analyst meetings and meetings with the media to discuss the company's operations, earnings and financial position. The board assesses

and approves the content of the financial reporting based on monthly reports, management reports and discussions at board meetings, as well as the opinions issued by the auditor.

#### AUDIT

The auditor shall review the company's annual report and bookkeeping as well as management by the Board of Directors and CEO. There shall be a general review of Duni's interim report for the third quarter. After each financial year, the auditors shall submit an auditor's report to the general meeting. The general meeting appoints the auditors for four years. At an extraordinary general meeting held on August 28, 2007, PricewaterhouseCoopers AB was elected auditor, with accountant Bo Hjalmarsson as auditor-in-charge, for the next four years. The company's auditor reviews the annual accounts and the annual report as well as the company's ongoing operations and routines in order to express an opinion regarding the accounts and management by the Board of Directors and the CEO. The audit of the annual accounts and annual report is conducted in January-February. Other than Duni, Bo Hjalmarsson has no engagements in companies over which Duni's major owners, directors or the CEO have a significant influence. Bo Hjalmarsson is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PricewaterhouseCoopers AB for other engagements during 2008 totaled MSEK 6.5.

#### THE BOARD'S DESCRIPTION OF THE INTERNAL CONTROL WITH RESPECT TO THE FINANCIAL REPORTING FOR THE 2008 FINANCIAL YEAR

Pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for the internal control. This description has been prepared in accordance with sections 10.5 and 10.6 of the Swedish Code of Corporate Governance and is thus limited to the internal control with respect to financial reporting. This description does not constitute a part of the formal annual report documents and has not been reviewed by the company's auditor.

The internal control system with respect to the financial reporting constitutes a part of the general business procedures and is structured to ensure that the financial reports are prepared in accordance with statutes and recommendations.

The internal control system is often

described based on the Internal Control – Integrated Framework issued by COSO. Duni has based its description on the areas that constitute the basis for an internal control: control environment, risk assessment, control activities, information and communication, as well as follow-up.

#### Control environment

The rules of procedure of the board and the instructions issued by the board regarding the work of the CEO and the board committees clearly define the allocation of responsibilities and powers, with the aim of ensuring efficient management of risks in the business operations. An Audit Committee has been established to review the instructions and routines used in the financial reporting process, as well as accounting principles and changes therein. Group management reports each month to the board in accordance with established routines. Furthermore, in a business ethics policy group management has formulated its view on how the operations are to be conducted.

#### Risk assessment and control structure

Material risks for the operations are analyzed by the board as a part of the financial reporting. In addition, group management provides the Audit Committee with an overall risk analysis of income statements and balance sheets as well as the factors which impact on them. Risk areas are documented and assessed based on likelihood and impact. Based on this, control processes are structured to ensure high quality in the financial reporting.

The organization structure together with the allocation of responsibilities and payment authorization procedure are clearly described and communicated by means of instructions and policies. The operations are organized into business areas with responsibility for earnings. The Audit Committee regularly communicates with the auditors in order to evaluate and improve the internal control. Duni has established a European accounting function which independently provides accounting services to the operations. This function complies with standardized procedures and routines. The head of the

accounting function reports to the CFO.

#### Information and communication

Information, both externally and internally, is governed by Duni's communications and IR policy. A specific section addresses responsibility, routines and rules. The policy is regularly evaluated to ensure that information to the stock market is constantly of a high quality and in accordance with the stock exchange rules. Financial information such as quarterly reports, annual reports and important events are published through press releases and on the company's website. Meetings with financial analysts are arranged regularly in connection with publication of quarterly reports. The intranet is the main source of information internally in the company. Accounting handbooks and instructions regarding financial reporting are available on the intranet and these are regularly updated in light of changes to IFRS and other recommendations.

#### Follow-up

The board and Audit Committee review all financial reports before they are formally approved by the board. The Audit Committee receives regular reports from the auditor regarding the internal control and monitors significant issues. Review of monthly financial reports constitutes a standing item on the agenda at all board meetings and each month group management analyses financial trends within the business areas. Regular follow-up compared with budget and plans, as well as an evaluation of key ratios, takes place generally at all levels in the organization.

#### Statement regarding internal audit

Duni has found no need for a formal internal audit department. The primary reason for this is that the centralized European accounting function provides accounting services to the operations based on standardized processes and routines, is independent of the business operations, and reports directly to the CFO. This centralized and independent process for accounting and financial reporting is considered to constitute a platform for sound internal control with respect to the financial reporting.

#### Compensation to audit companies

MSEK	Group		Parent company	
	2008	2007 <sup>1)</sup>	2008	2007 <sup>1)</sup>
Compensation for audit engagements	4.7	6.6	1.8	2.6
Compensation for other consultations	7.9	4.3	4.3	2.1

<sup>1)</sup> Relates to two six-month closing accounts.

# Board of Directors

Duni's Board presently comprises six directors elected by the annual general meeting, including the Chairman of the Board, as well as two employee representatives and one alternate. The name, position and year of election to the Board of the current directors are set forth below.



**PETER NILSSON (1962)**

Chairman of Duni since 2007, formerly President and CEO of Duni  
Senior Industrial Advisor in Poleved Industrial Performance AB  
Chairman of the Board: Securitas Direct and Sanitec  
Director: Granngården  
University studies at Stockholm School of Economics  
Elected 2007  
Shares: 1,200



**ANDERS BÜLOW (1953)**

CEO of Mellby Gård Industri AB  
BA in Business Administration  
Elected 2008  
Shares: 0



**HARRY KLAGSBRUN (1954)**

Senior partner, EQT Partners AB. Member of the Government's Finance Market Council  
Director: Securitas Direct AB and Dako A/S  
MSc in Journalism and MSc in Economics and Business Administration, MBA  
Elected 2007  
Shares: 0



**PIA RUDENGREN (1965)**

Director: BioPhausia AB, Varyag Resources AB, WeMind Digital Psykologi AB, Social Initiative AB and Tikkurila Oy  
MSc in Economics and Business Administration  
Elected 2007  
Shares: 1,200  
Independent of the Company, company management and Duni's major shareholders



**SANNA SUVANTO-HARSAAE (1966)**

Chairman of the Board: Babysam AS and Sunset Boulevard AS  
Director: Jetpak AB, CandyKing AB, Paulig AB and Symrise AG  
Degree in Business Administration  
Elected 2004  
Shares: 0  
Independent of the Company, company management and Duni's major shareholders



**MAGNUS YNGEN (1958)**

President and CEO, Husqvarna AB  
M Eng. LicTech  
Elected 2008  
Shares: 0  
Independent of the company, company management and Duni's major shareholders



**GÖRAN ANDREASSON (1947)**

Employee representative for SPIAF (Swedish Paper Industry Workers' Union)  
Employed as machine mechanic and work environment manager at Rexcell Tissue & Airlaid AB. Employee representative on the Board of Rexcell Tissue & Airlaid AB  
Chairman of the Board: Bengtsforshus AB and Majberget Utveckling AB  
Director: Bengtsfors Energi Handel AB, Bengtsfors Energi Nät AB and Bengtsfors Teknik AB  
Elected 2001  
Shares: 0



**PER-ÅKE HALVORDSSON (1959)**

Employee Representative for PTK (Unionen)  
Employed as production manager at Rexcell Tissue & Airlaid AB  
Alternate employee representative on the Board of Rexcell Tissue & Airlaid AB  
Elected 2005  
Shares: 0

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**AUDITORS**

PricewaterhouseCoopers AB  
Auditor-in-charge: Bo Hjalmarsson, Authorized Public Accountant  
Shares: 0

# Group Management

## SENIOR EXECUTIVES



**FREDRIK VON OELREICH (1961)**  
CEO  
MSc in economics and business administration  
Engaged since 2005  
Shares: 201,482



**JOHAN L. MALMQVIST (1975)**  
CFO  
(Will leave Duni in May 2009)  
MSc in finance and BA in international economics  
Employed since 1998  
Shares: 66,054



**MATS LINDROTH (1960)**  
Director of Corporate Development  
(CFO from May 2009)  
MSc in economics and business administration  
Employed since 1987  
Shares: 22,018



**ØYVIND FØRLAND (1962)**  
Director of Marketing  
Degree in economics and business administration  
Employed since 1987  
Shares: 22,018



**LEENDERT AMERSFOORT (1958)**  
Director of Sales, Professional  
Nordic, West & South  
Degree in marketing and business administration  
Employed since 1995  
Shares: 22,018



**PATRIK SÖDERSTJERNA (1964)**  
President of Rexcell Tissue & Airlaid AB  
MSc in mechanical engineering  
Employed since 2007  
Shares: 22,018



**MANFRED MEUSER (1948)**  
 Director of Sales, Professional  
 Central & East  
 Diploma in industrial engineering and management  
 Employed since 1971  
 Shares: 22,018



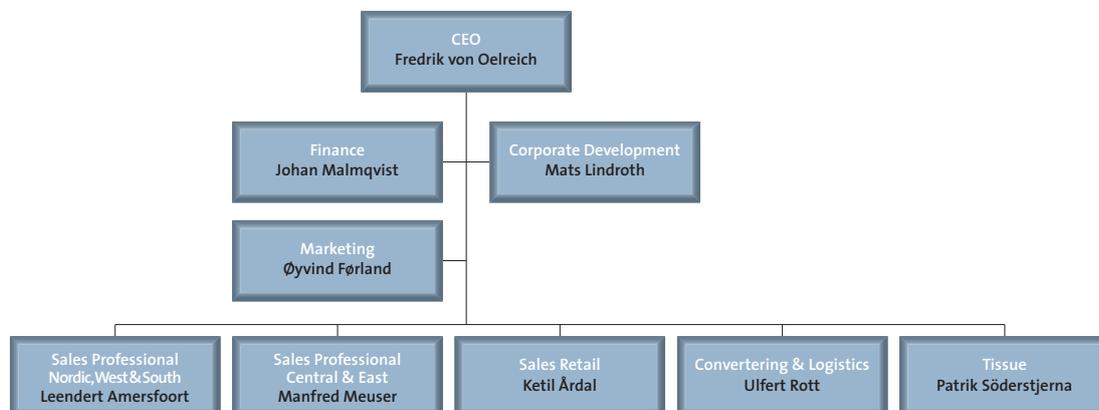
**KETIL ÅRDAL (1970)**  
 Director of Sales, Retail  
 Diploma in business and marketing  
 Employed since 2005  
 Shares: 23,818



**DR ULFERT ROTT (1960)**  
 Director of Converting and Logistics  
 PhD in Mechanical Engineering and MSc in  
 business administration  
 Employed since 2004  
 Shares: 22,018



**LARS-ERIK EWERTZ (1954)**  
 Director of Supply Chain and IS  
 (until August 31, 2008)



As of April 1 the main part of corporate development and IT functions will be integrated with the finance department.