

Corporate Governance Report for Duni AB (publ)

Duni AB is a Swedish public limited company (publikt aktiebolag) and has been listed on the NASDAQ Stockholm Mid Cap list since November 14, 2007. Administration is governed via General Meetings, the Board of Directors and the CEO, as well as Group Management, in accordance with the Swedish Companies Act, the Company's Articles of Association and the rules of procedure and internal guidelines for the Board of Directors and the CEO. Representatives from management also serve as directors on the boards of subsidiaries.

Duni AB has undertaken to NASDAQ Stockholm to apply the Swedish Corporate Governance Code (the "Code"), which is applied by all Swedish companies whose shares are admitted to trading on a regulated market in Sweden. Duni AB applies the Code on all points except one, namely rule 9.2 of the Code. Thomas Gustafsson is a member of the Remuneration Committee although he is not considered independent in relation to the company and its management because he was CEO of Duni AB between December 2012 and October 2017. The reason for the deviation from the Code in this case is that Thomas Gustafsson, as a former longstanding CEO and before that also a member of the Board of Directors of the Group, is very well acquainted with the company's circumstances and conditions in matters relating to, among other things, the employee situation, competence provision and remuneration structures.

Articles of association

The current Articles of Association were adopted at the Annual General Meeting on May 4, 2021. Their stipulations include that the registered office shall be in Malmö, that members of the Board of Directors are elected each year for a term of office until the close of the next Annual General Meeting, and that each share shall carry one vote. The full Articles of Association are available on the website, dunigroup.se.

General meeting

At the General Meeting, the shareholders decide upon key issues. Among other things, the General Meeting adopts the income statements and balance sheets, resolves upon allocation of the Company's earnings, discharge from liability for the directors and the CEO, election of the Board of Directors and auditors, as well as the remuneration of the Board of Directors and auditors.

Pursuant to the Swedish Companies Act, notice of Duni AB's Annual General Meeting must be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice shall be given by advertisement in the Swedish Gazette and on the website. The fact that notice has been issued shall be announced in Svenska Dagbladet. In order to participate at the Annual General Meeting, a shareholder must notify the Company no later than the date stated in the notice.

2021 Annual General Meeting

The 2021 Annual General Meeting^o took place in the form of a postal ballot on Tuesday 4 May 2021 in Malmö. The Board of Directors decided that the Annual General Meeting would be held by postal vote only, based on the temporary legal rules applicable in 2021.

Corporate governance



This meant that the meeting was held without the physical presence of shareholders, proxies and outsiders. Shareholders' voting rights were exercised by postal voting in advance.

Thomas Gustafsson was elected to chair the meeting. No other board members or employee representatives than Thomas Gustafsson were present. A speech in which the CEO commented on Duni AB's activities was posted on the website. The minutes from the Annual General Meeting are available on the website, dunigroup.se. All resolutions were adopted in accordance with the Nomination Committee's proposals. The reasoning for the resolutions can be found on the website. Some of the resolutions adopted at the General Meeting were:

- Adoption of income statements and balance sheets
- That no dividend be paid for the 2020 fiscal year
- Discharge from liability for the directors and CEO
- That the Board shall comprise six directors without alternates
- Re-election of all Board members: Thomas Gustafsson, Pauline Lindwall, Alex Myers, Morten Falkenberg, Sven Knutsson and Pia Marions
- Thomas Gustafsson was elected the Chairman of the Board
- The re-election of PwC as auditors
- Unchanged fees to the Board of Directors, the Chairman of the Board will receive SEK 578,000 and the other members of the Board will each receive SEK 309,000.
- Unchanged remuneration to the Chairman of the Audit Committee SEK 125,000 and SEK 59,000 to other members of the Audit Committee
- Unchanged remuneration to the Chairman of the Remuneration Committee SEK 65,000 and SEK 30,000 to the other members of the Remuneration Committee
- Resolution to amend the Articles of Association in accordance with the Board's proposal
- Adoption of the Board's proposal for the remuneration report
- Procedures regarding the composition and work of the Nomination Committee

2022 Annual General Meeting

The next Annual General Meeting of Shareholders will be held on Tuesday 17 May, 2022 at 3:00 at Glasklart, Dockplatsen 1 in Malmö. Notice of the meeting with the Board's proposal will be announced in early April 2022. More information is available on the website.

Nomination Committee

The Nomination Committee nominates the persons who, at the Annual General Meeting, are proposed for election to the Board of Directors of Duni AB. It also makes proposals regarding the auditor's fees, board fees for the chairman and other board members and remuneration for committee work. All proposals are presented at the Annual General Meeting as well as in the notice to attend and on the website prior to the Annual General Meeting.

It also makes proposals regarding the auditor's fees, board fees for the chairman and other board members and remuneration for committee work. The Nomination Committee also proposed the re-election of Thomas Gustafsson as Chairman of the Board. The Nomination Committee's reasoned statement for the 2021 Annual General Meeting states that, based on the company's operations, stage of development and other circumstances, they discussed the size and composition of the Board in terms of, for example, industry experience, expertise and international experience. The Nomination Committee has concluded that the evaluation of Duni's Board, as well as the Nomination Committee's own assessment, indicates that the Board is functioning well. The Nomination Committee has previously considered that the relatively small size of the Board encourages greater efficiency in Board meetings and active engagement.

The Nomination Committee has applied rule 4.1 of the Swedish Code of Corporate Governance as its diversity policy, which means

that the Board shall have a composition appropriate to the company's business, stage of development and other circumstances, characterized by diversity and breadth in terms of the skills, experience and background of the members elected to the General Meeting, and that an equal gender balance shall be sought. Two of the directors now proposed are women and four are men (equivalent to 33.3 percent and 66.6 percent, respectively). In April 2014, the Swedish Corporate Governance Board announced an ambition level of at least 40% of each gender on the boards of listed companies after the 2020 AGM season. The proportion of women on the proposed board is below the Nomination Committee's long-term goal of an equal gender distribution, but is close to the ambition level announced by the Swedish Corporate Governance Board for the 2020 AGM season. The Nomination Committee has a continued ambition to strive for an equal gender distribution but has focused on achieving an optimal composition of the Board with regard to the members' skills, age, experience and background. The Annual General Meeting resolved to elect directors in accordance with the proposals of the Nomination Committee.

The Nomination Committee shall be comprised of representatives of Duni AB's three largest shareholders on September 30. Board Chairman Thomas Gustafsson convened the Nomination Committee in October 2021 and the composition was presented on November 3, 2021.

The Nomination Committee comprises the following members:

Name	Represents	Ownership stake 12/31/2021
Thomas Gustafsson	Director of the board	
Johan Andersson (Chairman)	Mellby Gård AB	29.99 %
Bernard R. Horn, Jr.	Polaris Capital Management, LLC	10.19 %
Hans Hedström	Carnegie fonder	9.81 %
Total		49.98 %

The Nomination Committee has met on 8 November 2021 and 19 January 2022. The Nomination Committee has therefore held two meetings with minutes in preparation for the 2022 Annual General Meeting. The work of the Nomination Committee begins with the members taking part in the evaluation of the current Board of Directors, which is carried out every year. The Nomination Committee is of the opinion that the Board functions well. This is an effective Board of Directors, and all directors are duly engaged and committed, including employee representatives. Board member Alex Myers tragically passed away in January 2022. As time is short to start a recruitment process, the Nomination Committee has decided to return to five board members instead of six. All other Board members are proposed for re-election at the Annual General Meeting 2022. As a result, the Board will once again consist of 40% women, thus meeting the

ambition level of the Swedish Corporate Governance Board. Other elections are presented in the notice of Duni's Annual General Meeting.

Board of Directors

The Board decides on the Company's strategies, resources, capital structure, organization, acquisitions, major investments, divestments, the annual report and interim reports, and other overarching issues of a strategic nature. The Board also appoints the CEO, who is responsible for day-to-day management in accordance with the Board's instructions.

In addition, the main shareholders, the members of the Board of Directors and the Managing Director carry out a detailed annual evaluation of the Board of Directors on the basis of the established rules of procedure. The evaluation includes the composition of the Board, individual directors as well as the Board's work and procedures. The result of this evaluation is reported to the Board and the Nomination Committee.

The Code 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.

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 Duni AB. No more than one member of company management may be a member of the Board.

Directors

The directors are elected each year by the Annual General Meeting for a term of office until the close of the next Annual General Meeting. Pursuant to the Articles of Association, the Board shall comprise no fewer than three and no more than twelve directors and employee representatives. Since the Annual General Meeting held on May 4, 2021, the Board comprises six directors and four employee representatives (two directors and two alternates). The CEO is not a member of the Board but usually participates at board meetings to present matters, as does the CFO. For a more detailed presentation of the directors, see pages 69-70.

The Board's Work

The Board meets in accordance with a predetermined yearly plan, and additional meetings are scheduled as needed. In addition to the board meetings, the Chairman of the Board and the CEO hold regular discussions concerning the management of the Company. The CEO is responsible for implementation of the business plan and the regular management of the Company's affairs as well as the day-to-day operations of the Company.

The Board of Directors evaluates the work of the CEO regularly. Robert Dackeskog has been CEO throughout 2021.

The Board had nine recorded Board meetings in 2021, in a nor-

2021 Board attendance:

	Function	Independent ¹⁾	Board meetings	Audit Committee	Remuneration Committee	
Thomas Gustafsson	Chairman		2, 3)	9 of 9	4 of 4	3 of 3
Pauline Lindwall	Director	X	9 of 9	-	-	3 of 3
Alex Myers	Director	X	9 of 9	-	-	-
Morten Falkenberg	Director	X	8 of 9	-	-	3 of 3
Sven Knutsson	Director		2)	9 of 9	4 of 4	-
Pia Marions	Director	X	9 of 9	4 of 4	-	-
Per-Åke Halvordsson	Employee representative, director		3)	3 of 3	-	-
David Green	Employee representative, director		3)	8 of 9	-	-
Kerstin Hake	Employee representative, director		3)	5 of 6	-	-
Per-Åke Halvordsson	Employee representative, alternate		3)	6 of 6	-	-
Marcus Hall	Employee representative, alternate		3)	7 of 9	-	-
Peter Lundin	Employee representative, alternate		3)	3 of 3	-	-

¹⁾ Strategic work and involvement in the updated strategy launched at the end of the year

²⁾ Non-independent (in relation to the main shareholders)

³⁾ Not independent (in relation to the Duni Group).

All Board members were re-elected at the 2021 AGM. Thomas Gustafsson was elected Chairman of the Board. Thomas is not considered independent of the Company, management or the Company's largest shareholder.

mal year the Board has seven scheduled meetings

The regular meetings and the meetings for organizational matters included the following agenda items in 2021:

- The annual accounts, including the auditors' report, the proposed allocation of earnings and the year-end report
- The annual report and approval of the notice of the Annual General Meeting
- Follow-up of the annual audit with the auditor-in-charge
- Interim reports
- Rules of procedure for the Board and the CEO
- Annual review of the policy manual
- Organizational matters
- Financing and loan conditions
- The economic climate and economic conditions
- Ongoing evaluation and analysis of the profitability and growth of each business area
- Strategic work and involvement in the updated strategy launched at the end of the year

The Board was regularly updated on business planning, sales performance, remedial actions and financing.

In addition to the regular and extraordinary board meetings, the Board receives monthly written information in the form of a monthly report containing updates on the Company's sales, operating income and changes in working capital as well as comments on the performance of each segment and market. This also includes a report on the number of injuries that occurred at the production and conversion companies during the month. Prior to each board meeting, the Board also reviews the most recent balance sheet and the cash flow. In 2021, information provided to the Board was more extensive and detailed, mainly involving the impact of COVID-19 on sales and income.

Remuneration Committee

The Remuneration Committee prepares issues concerning remuneration and other benefits for corporate management, while decisions thereon are made by the Board of Directors. The Remuneration Committee shall also follow and evaluate the guidelines for the remuneration of senior executives adopted by the Annual General Meeting. Remuneration and benefits for company management are evaluated through comparisons with market data provided by external sources. Such data show competitive remuneration levels and that the total remuneration package is reasonable and not excessively high. The Remuneration Committee evaluates bonus policies prior to each new year. Once a year, the Remuneration Committee evaluates senior executives and also certain second-tier managers in accordance with a systematic procedure. What is discussed at each meeting is reported by the committee chair at the next board meeting, which is usually held later on the same day.

The Remuneration Committee held three meetings in 2021 and comprises three members: Pauline Lindwall (Chairman), Thomas Gustafsson and Morten Falkenberg. The Chief Executive attends the meetings, except for matters relating to his own remuneration, as does the HR Director, who is the designated secretary of the Remuneration Committee meetings

Audit Committee

The Audit Committee works according to an agenda adopted annually and its activities meet the requirements set out in the Swedish Companies Act and the EU Audit Regulation. The Audit Committee is responsible for ensuring the quality of the Company's financial reporting. The Committee also evaluates internal control processes and the management of financial and operational risks. There is a special item on the annual agenda for fraud and anti-corruption issues. During the year, risks related to privacy, cybersecurity and financing have been in particular focus. 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, as well as reviewing and monitoring the impartiality and independence of the auditor. When preparing a proposal regarding the election of auditors and remuneration for audit work, the Nomination Committee is assisted by the Audit Committee, which shall monitor whether the auditor's term of office exceeds applicable rules, procure audits and submit a recommendation in accordance with the EU Audit Regulation. What is discussed at each meeting is reported by the committee chair at the next board meeting, which is usually held later on the same day.

The Audit Committee held four meetings in 2021 and comprises three members: Pia Marions (chair), Thomas Gustafsson and Sven Knutsson. The CFO and the Group Accounting Manager, as well as the auditors, attend all meetings.

Remuneration of the Board of Directors

Fees and other remuneration for the Board of Directors, including the Board Chairman, are decided upon by the Annual General Meeting. In accordance with the decision taken at the Annual General Meeting on 4 May 2021, the annual fee was set at a total of SEK 2,123,000, of which SEK 578,000 for the Chairman of the Board. In addition, a total of SEK 368,000 in fees for committee work was decided.

The distribution of the remuneration among the members of the Board is shown in the table below.

CEO

Robert Dackeskog has been Chief Executive Officer since 1 January 2021. The Board of Directors has established an instruction for the work and role of the Chief Executive Officer. The CEO is responsible for the day-to-day management of the Group's operations in accordance with guidelines issued by the Board of Directors.

Robert Dackeskog has been Chief Executive Officer since 1 January 2021. The Board of Directors has established an instruction for the work and role of the Chief Executive Officer. He does not have any ownership interest in companies with which the Group has significant commercial relations. Further information regarding the CEO is provided in Note 16 of the Annual Report.

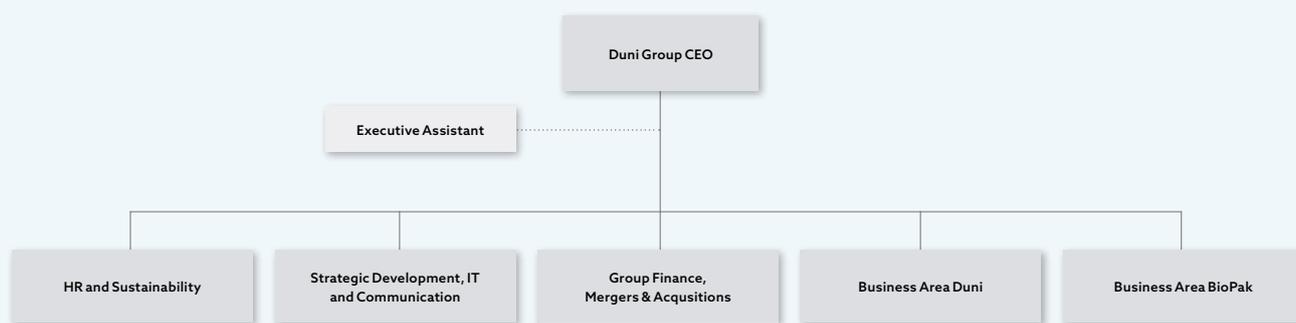
Group Management

The CEO presides over the work of Group Management and adopts decisions in consultation with the other members of Group Management consisting of the heads of staff functions.

During the year, the Group's management, including the CEO, consisted of six persons.

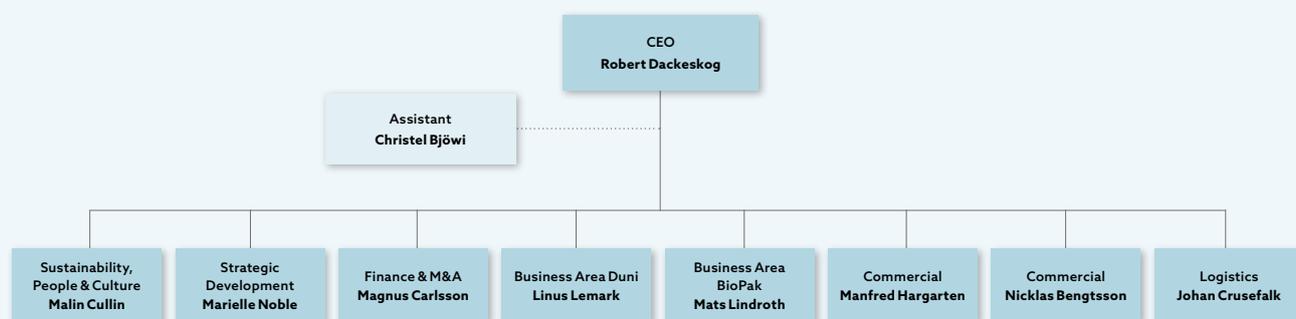
Board remuneration for the May 2021 – April 2022 period

SEK	Board fees	Audit Committee fee	Remuneration Committee fee	Total
Thomas Gustafsson	578,000	59,000	30,000	667,000
Morten Falkenberg	309,000	-	30,000	339,000
Sven Knutsson	309,000	59,000	-	368,000
Pauline Lindwall	309,000	-	65,000	374,000
Pia Marions	309,000	125,000	-	434,000
Alex Myers	309,000	-	-	309,000
Total	2,123,000	243,000	125,000	2,491,000



Group Management from January 1, 2021

The organisation consists of two business areas, Duni and BioPak, which have full responsibility for their respective value chains. The central marketing department is also divided between Duni and BioPak. The Sales Directors for each region report directly to the CEO. At the end of 2021, it was decided to increase the size of the Executive Committee from six to nine, to include sales and logistics. This provides an even greater focus on customers and suppliers, who play an important role in the business.



Group Management from January 1, 2022

During the year, the Executive Committee held eleven recorded meetings. The focus has been to work on and develop the updated strategy and to deal with the current conditions and restrictions as a consequence of the pandemic. The annual strategy meeting between the Board and the Management Team took place in September.

Group Management addresses matters concerning the Group as a whole, as well as individual business areas. The finance department has an item at each meeting to present and review the monthly cash flow, sales and results for each business area, production, logistics and central functions Regular monitoring of delivery performance, logistics and growth along with other strategic issues and plans of action were also on the yearly agenda for Group Management.

Remuneration of senior executives

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

Below are the remuneration guidelines for the CEO and other members of Management that were adopted by the Annual General Meeting on May 4, 2021 and apply until the next Annual General Meeting. These are proposed to be left unchanged at the Annual General Meeting in May 2022.

Guidelines for senior executives

These guidelines apply to those who are a part of Duni AB's Group Management ("senior executives") and directors during the time when the guidelines apply, in the manner specified below. The guidelines do not apply to remuneration decided on by the AGM, such as share-related or share price-related incentive programs. The guidelines shall apply until new guidelines are adopted by the AGM.

In the case of employment relationships governed by rules other than English, appropriate adjustments may be made to comply with such mandatory rules or established local practice, the overall purpose of these guidelines being to satisfy as far as possible.

A description of the business strategy and sustainability work can be found in Duni AB's Annual and Sustainability Report. Successful implementation the business strategy and safeguarding of the Company's long-term interests, including its longevity, require that the Company is able to recruit and retain qualified employees. The goal of remuneration policy is to offer remuneration on market terms in order to attract, motivate and retain skilled and talented employees.

The total remuneration of senior executives shall be aligned with the senior executive's responsibilities and authorities. The total remuneration may consist of a fixed cash salary, a variable cash salary (bonus), pension benefits and other benefits. In addition to this, and irrespective of these guidelines, the AGM may resolve on share-related and share price-related remuneration.

Variable Cash Salary

The variable cash remuneration shall be limited in advance to a maximum amount and based on the achievement of predetermined and measurable performance targets, designed to promote the company's business strategy and long-term value creation, including its sustainability. The annual variable cash salary (annual bonus) shall be capped at 75 percent of the fixed cash salary. The variable cash salary may be based on metrics such as the annual profitability and capital tie-up targets set by the board, and may be linked to the Group's adjusted EBIT and adjusted capital employed.

Once the period for measuring attainment of the criteria for payment of the variable cash salary has ended, the board shall determine to what extent the criteria have been met based on a proposal from the Remuneration Committee. In its assessment of whether the criteria have been met, the board, upon proposal from the Remuneration Committee, has the option to grant exemptions from the goals that were set on the grounds set out below under deviation from guidelines. With respect to the attainment of financial targets, the assessment shall be based on the most recently published financial information of the Company with any adjustments that the board made in advance upon implementation of the program.

Variable remuneration shall not be paid, or variable remuneration shall be reclaimable, if the senior executive acted in breach of the Company's code of conduct. The variable cash salary may be paid once the measurement period has ended or it may be deferred for later payment. In compliance with legislation, the board shall have the option to fully or partially reclaim variable cash salaries paid on incorrect grounds.

Other Remuneration

Additional cash remuneration may be paid as a one-time arrangement under extraordinary circumstances in order to recruit or retain executives. Such remuneration may not exceed an amount equivalent to one year of the fixed cash salary. Resolutions on such remuneration shall be passed by the board upon proposal from the Remuneration Committee.

Pension

Senior executives shall be covered by the ITP plan in accordance with the applicable collective bargaining agreement or equivalent. Under the ITP plan, the pension premium for senior executives does not exceed 40 percent of their fixed cash salary.

Other Benefits

Other benefits, such as company car, fuel and health and medical insurance, may be paid to the extent that this is deemed to be in line with market conditions for senior executives in equivalent positions in the labor market in which the executive is active. The cumulative value of these benefits is not permitted to exceed 12 percent of the fixed cash salary.

Conditions of Termination

Senior executives shall be employed for an indefinite period. Upon termination of employment, the fixed cash salary during the applicable notice period and severance compensation combined shall not exceed 18 months of the fixed cash salary. Upon termination by the senior executive, the senior executive shall not be entitled to severance compensation. Senior executives shall be able to be compensated for non-compete obligations after termination of employment to the extent that severance compensation is not paid for the corresponding period. Such compensation shall be capped at 12 months of the fixed cash salary.

Remuneration to the Board of Directors

In cases where directors (including through wholly-owned companies) render services for the Group apart from board work, a separate cash fee may be paid for this (consulting fee). This fee shall be on market terms and be aligned with how much such services benefit the Duni Group. Remuneration of directors, as well as other terms and conditions, are determined by the board.

Decision Process and Deviations etc.

In preparing the board's proposal for these remuneration guidelines, salaries and employment conditions for employees have been taken into consideration because information on the total remuneration of employees, the components of the remuneration and the increase and rate of increase in the remuneration over time have been a part of the Remuneration Committee and the board's supporting documents for evaluating whether the guidelines and the restrictions imposed by them are fair.

The Remuneration Committee prepares the board's proposed guidelines for the remuneration of senior executives. These are reviewed annually and presented for resolution at the AGM if amendments are proposed or at least every fourth year. The CEO and other executives that are a part of management do not attend the board's discussions and resolutions on remuneration-related issues to the extent that such issues affect them.

The board may resolve to temporarily deviate from the guidelines in full or in part if there are special grounds to substantiate this in an individual case and if such deviation is necessary to safeguard the Company's long-term interests, including its longevity, or to secure the Company's financial viability. As specified above, it is a part of the Remuneration Committee's job to prepare board resolutions on remuneration issues, which includes resolutions to deviate from the guidelines.

For more information about the remuneration of senior executives, see note 16 Salaries and other remuneration.

Auditing

At the Annual General Meeting held on May 4, 2021, PricewaterhouseCoopers AB was re-elected auditor, with Carl Fogelberg as auditor-in-charge. The auditors review the annual financial statements and the Annual Report as well as the Company's ongoing operations and procedures in order to express an opinion regarding the accounts and management by the Board of Directors and the CEO. The audit of the annual financial statements and annual report is conducted in January and February. Thereafter, compliance with the Annual General Meeting's guidelines for remuneration of senior executives is audited. The auditors attend all meetings of the Audit Committee during the year. In October, an interim audit is performed in combination with a general review of the interim report for the third quarter. In addition to Duni AB, Carl Fogelberg is also auditor in charge of Eniro AB and Ascelia Pharma AB as well as co-authoring auditor of Haldex. Carl Fogelberg is an Authorized Public Accountant and a member of FAR SRS. Fees for other assignments to PwC in addition to the audit assignment amounted to a total of SEK 7.8 million (2020: 3.4) in 2021. For detailed information about the remuneration of external auditors, see note 9 Remuneration for auditors.

The Board's description of internal control with respect to the financial reporting for the 2021 fiscal year

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal control. Among other things, this entails monitoring the financial reporting and efficiency in the Company's internal control and risk assessment.

Internal control as regards financial reporting is aimed at providing reasonable certainty regarding the reliability of external financial reporting in the form of the annual reports and interim reports published by each year, and to ensure that financial reports are prepared in accordance with the law, applicable accounting standards, and other requirements imposed on listed companies. The internal control also aims to ensure the quality of financial reporting to Company management and the Board of Directors so that decisions are made based on the right grounds and established principles and guidelines are observed.

The Group describes the internal control system with respect to financial reporting based on the areas that constitute the basis for internal control in accordance with the framework issued by COSO, "Internal Control – Integrated Framework", namely the following areas: control environment, risk assessment, control activities, information and communication, as well as monitoring.

The administration, with the support of the Audit Committee, is engaged in risk mapping in accordance with COSO 2013 and the 17 fundamental principles. However, the Group chooses to describe the internal control system in relation to the 1992 version of the COSO framework.

Control Environment

The rules of procedure of the Board and the instructions issued by the Board regarding the work of the CEO and board committees clearly define the division of responsibilities and powers with the aim of ensuring efficient management of risks in business operations. The Board of Directors has established an Audit Committee to review the instructions and procedures used in the financial reporting process as well as accounting principles and changes to them. Group Management reports each month to the Board in accordance with established procedures. Internal control instruments for financial reporting consist primarily of the finance policy, communications policy, and the Group's finance handbook, which defines accounting and reporting rules.

In addition, Group Management has formulated its view on how business is to be conducted in a business ethics policy, which is reviewed each year by the Board of Directors. There is an independent whistleblowing system to which any employee or other external party can write about experienced or observed misconduct by senior executives. Anonymity is voluntary and the recipients of the information are the Chair of the Audit Committee, the CFO and the Director of People & Culture.

Risk assessment and control structure

Material risks for operations are analyzed by the Board as a part of 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 that impact them. Risk areas are documented and assessed based on likelihood and impact. Based on this, control processes are structured to ensure high quality in financial reporting. The risk areas are evaluated by the Audit Committee at least once per year.

The organizational structure together with the division 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 profit centers.

The Audit Committee regularly communicates with the auditors in order to evaluate and improve the internal control. The Group has established an accounting center for the European countries within the Group. The accounting center provides independent accounting services to the operations. This function complies with standardized procedures and routines. The head of the accounting center reports directly to the Group CFO.

Information and communication

Information, both externally and internally, is governed by a communications and IR policy as well as an insider policy and guidelines. These address responsibilities, routines and rules. The policies are regularly evaluated to ensure that information disclosed to the stock market is consistently 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 website. Meetings with financial analysts are arranged regularly in connection with the publication of quarterly reports. The intranet is the main source of information internally. 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.

Monitoring

The Board and Audit Committee review all external financial reports before they are formally approved by the Board. The Audit Committee receives regular reports from the auditors regarding the internal control and monitors significant issues. The Board receives a monthly written report covering sales, operating income, the market trend, as well as other material information regarding the operations, and a review of current financial reports constitutes a standing item on the agenda at all meetings. Group Management analyses the financial trend within the Group's business areas each month. Comparisons with the preceding year, budgets and plans, and evaluation of the key performance indicators are used for monitoring generally at all levels in the organization.

Statement regarding internal audit

The administration has found no need for a formal internal audit department, but it annually evaluates whether such a function is needed. The Group has an accounting center in Poznan, Poland, which acts as a centralized finance function and provides accounting services to all subsidiaries in Europe except Russia, Paper+Design and BioPak UK Ltd. The accounting center together with the Finance Department at the head office acts as consultants to all countries of the Group not included in the center. The accounting center operates based on standardized processes and routines, is independent of the operational business, and reports directly to the CFO. They also perform engagements for external customers, similar to the engagements they perform for the Group. This centralized and independent process for accounting and financial reporting is considered to constitute a platform for sound internal control with respect to financial reporting. The Group's financial department also performs certain internal audit work in the form of controls at subsidiaries.