

# Corporate Governance Report for Duni AB (publ)

Duni AB is a Swedish limited public company which has been listed on NASDAQ OMX in Stockholm since November 14, 2007. 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 rules of procedure for the Board of Directors and the CEO. Representatives from Duni's group management also serve as directors on the boards of subsidiaries.

Duni has undertaken to NASDAQ OMX 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 currently applies all sections of the Code. Pending the 2010 annual general meeting, Board Chairman Anders Bülow was also chairman of the Nomination Committee. In the current Nomination Committee pending the 2011 Annual General Meeting, Rune Andersson, who represents the largest shareholder, was elected chairman of the Nomination Committee, and Duni thus applies all sections of the Code.

## ARTICLES OF ASSOCIATION

The current articles of association were adopted at the Annual General Meeting held on May 6, 2009. They provide, among other things, that the registered office shall be in Malmö, that members of the Board of Directors shall be 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 complete articles of association are available on Duni's website, [www.duni.com](http://www.duni.com).

## GENERAL MEETINGS

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 remuneration 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 on Duni's website. The fact that notice has been given shall be announced in *Svenska Dagbladet*. In order to participate at the Annual General Meeting, a shareholder must notify the Company thereof not later than the date stated in the notice.

### *2010 Annual General Meeting*

Duni's 2010 Annual General Meeting was held on Wednesday, May 5, 2010 in Malmö. 130 shareholders, representing approximately 61% of the voting rights, were present at the General Meeting in person or

through proxies. The Chairman of the Board, Anders Bülow, was elected to chair the meeting. All directors were present. The minutes are available on Duni's website, [www.duni.com](http://www.duni.com). Some of the resolutions adopted at the General Meeting were:

- that a dividend of SEK 2.50 per share be distributed for the 2009 financial year, in accordance with the Board's proposal;
- that the Board shall comprise five directors without alternates;
- that all directors be re-elected in accordance with the Nomination Committee's proposal;
- that Anders Bülow be re-elected as Chairman of the Board;
- that fees be paid in the amount of SEK 500,000 to the Chairman of the Board and SEK 250,000 to each of the other directors, in addition to fees for committee work. Board fees including fees for committee work are unchanged from the preceding year;
- that the Board's proposal for guidelines for compensation to senior executives be adopted;
- procedures regarding the composition and work of the Nomination Committee;
- that the Board be authorized, on one or more occasions until the next annual general meeting, to decide upon an increase in the Company's share capital not exceeding SEK 5,800,000, through the issuance of not more than 4,640,000 shares.

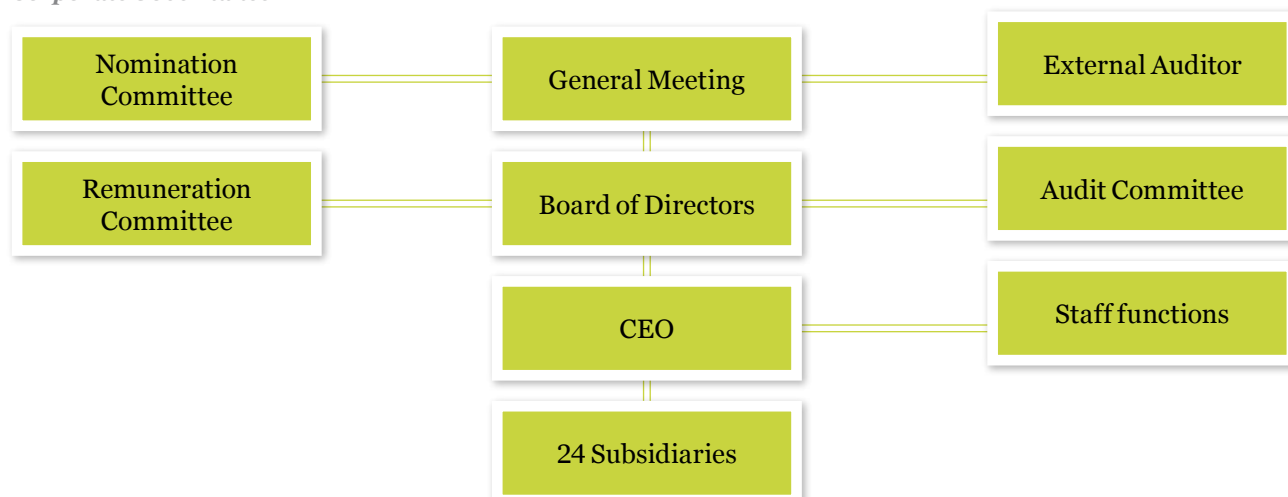
### *2011 Annual General Meeting*

The next Annual General Meeting of shareholders of Duni will be held at 3pm on Thursday, May 5, 2011 at Sankt Gertrud Konferens, Östergatan 9 in Malmö. More information about the Annual General Meeting, notice of participation, etc. is available on Duni's website.

### *Nomination Committee*

Board Chairman Anders Bülow convened the Nomination Committee in October 2010. The Nomination Committee shall be comprised of representatives of Duni's three largest shareholders as per September 30. The work of the Nomination Committee begins by reviewing the independent evaluation of the current Board, which is carried out each year. The Nomination Committee nominates the persons to be proposed at the Annual General Meeting for election to Duni's Board. Proposals are also produced regarding auditor fees, Board fees for the Chairman of the Board and other directors, as well as compensation for committee work. The 2011 Annual General Meeting will elect auditors and it is the Nomination Committee which proposes the election of auditors, based on an investigation and recommendation by the Audit Committee. 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.

### Corporate Governance



The Nomination Committee's composition was presented on November 4, 2010 and comprises the following members:

Name	Represents	Ownership share Dec 31, 2010
Anders Bülow	Chairman of the Board	
Rune Andersson (Chairman)	Mellby Gård Investering AB	29.99 %
Bernard R. Horn Jr	Polaris Capital Management, LLC	10.73 %
Björn Franzon	Swedbank Robur fonder	7.08 %
<b>Total</b>		<b>47.80%</b>

During the period, the Nomination Committee held three meetings at which minutes were taken.

#### THE BOARD OF DIRECTORS

Duni's Board decides on the Company's business focus, strategy, business plans, resources and 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 the day-to-day management in accordance with the Board's instructions.

#### The 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, as well as employee representatives. Since the Annual General Meeting held on May 5, 2010, the Board comprises five directors and two employee representatives. Duni's CEO is not a member of the Board but usually participates at board meetings to present matters, as does the CFO.

#### The Board's work

At the first ordinary board meeting which is held after the Annual General Meeting, Duni's Board adopts written instructions which describe the Board's rules of procedure. The adopted rules of procedure state how the work is to be allocated between the Board's members, and how often the Board shall meet. In addition, the rules of procedure regulate the Board's obligations, quorum, instructions to the CEO, the allocation of responsibility

between the Board and the CEO, etc. The Board has also established two committees from among its members: the Audit Committee and the Remuneration Committee.

The Board meets in accordance with a predetermined yearly plan, even if additional meetings are arranged as needed. During 2010, the Board held eight meetings at which minutes were taken.

The following items, among others, were on the agenda in 2010:

- Annual accounts, including report from the auditors, proposed allocation of earnings, and results for the year;
- Annual report and preparations pending the Annual General Meeting;
- Interim reports;
- Rules of procedure for the Board and the CEO;
- Annual review of the policy manual;
- Review of business plans, strategies and growth issues;
- Visit to the subsidiary Duni Benelux NV in Breda, Holland, where a market analysis was also on the agenda and, in connection therewith, a study visit took place to a wholesaler;
- Investments in the subsidiary Rexcell Tissue & Airlaid AB in Skåpafors, Sweden;
- The Group's logistics and distribution structure;
- The fire in June at a production facility in Skåpafors, Sweden, at the subsidiary Rexcell Tissue & Airlaid AB;
- Budget for 2011.

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, Fredrik von Oelreich, is responsible for implementation of the business plan as well as the regular management of the Company's affairs, and also the day-to-day operations in the Company. Where so required, he is also entitled to take decisions and implement measures of major significance for the Company without having to await a decision by the Board. When this occurs, the Board must be informed as soon as possible.

The Board receives monthly written information in the form of a monthly report containing monitoring of the Company's sales, operating income and working capital trend, as well as comments on how the various

markets are developing. Prior to board meetings, the Board also reviews the balance sheet and cash flow.

The main owners, the directors and the CEO also 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, as well as the Board's work and routines.

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 was the CEO 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 Duni AB. Not more than one member of company management may be a member of the Board.

#### Board attendance:

	Function	Independent <sup>1</sup>	Board meetings	Audit Committee	Remuneration Committee
Anders Bülow	Chairman	2	8 of 8	5 of 5	3 of 3
Pia Rudengren	Director	Yes	8 of 8	5 of 5	–
Sanna Suvanto-Harsaae	Director	Yes	7 of 8	4 of 5	–
Magnus Yngen	Director	Yes	8 of 8	–	3 of 3
Tomas Gustafsson	Director	Yes	8 of 8	–	3 of 3
Per-Åke Halvordsson	Employee representative	3	8 of 8	–	–
Göran Andreasson	Employee representative	3	8 of 8	–	–
Inge Larsson	Employee representative	3	7 of 8	–	–

1) As defined in the Swedish Corporate Governance Code.

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

3) Not independent (in relation to Duni).

#### Remuneration Committee

The Remuneration Committee prepares issues concerning remuneration and other benefits for corporate management, while decisions thereon are taken by Duni's Board of Directors. Once a year, the Remuneration Committee evaluates the performance of senior executives and also certain second-tier managers in accordance with a systematic procedure.

The Remuneration Committee held three meetings in 2010 and comprises three members: Magnus Yngen (Chairman), Anders Bülow and Tomas Gustafsson. Fredrik von Oelreich participates at meetings of the Remuneration Committee, except when questions concerning remuneration to the CEO are addressed. Moreover, the HR Director participate as appointed secretary at the meetings.

#### Audit Committee

The Audit Committee is responsible for ensuring the quality of the Company's financial and business reporting. The 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 on behalf of Duni. When preparing a proposal regarding the election of auditors and compensation for audit work, the Nomination Committee is assisted by the Audit Committee.

The Audit Committee held five meetings in 2010 and comprises three members: Pia Rudengren (Chairman), Anders Bülow and Sanna Suvanto-Harsaae. The CFO and the Group Accounting Manager, as well as the auditors, participate at all meetings. However, the auditors did not participate at the meeting which addressed the election of auditors.

#### REMUNERATION TO BOARD OF DIRECTORS

Fees and other remuneration to the Board, including the Chairman of the Board, are decided upon by the Annual General Meeting. In accordance with a resolution adopted by the Annual General Meeting on May 5, 2010, the annual fee was set at a total of SEK 1.5 m, of which SEK 0.5 m is payable to the Chairman of the Board. In addition, a resolution was adopted regarding fees for committee work totaling SEK 0.3 m.

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

#### Board remuneration for the period May 2010 – April 2011

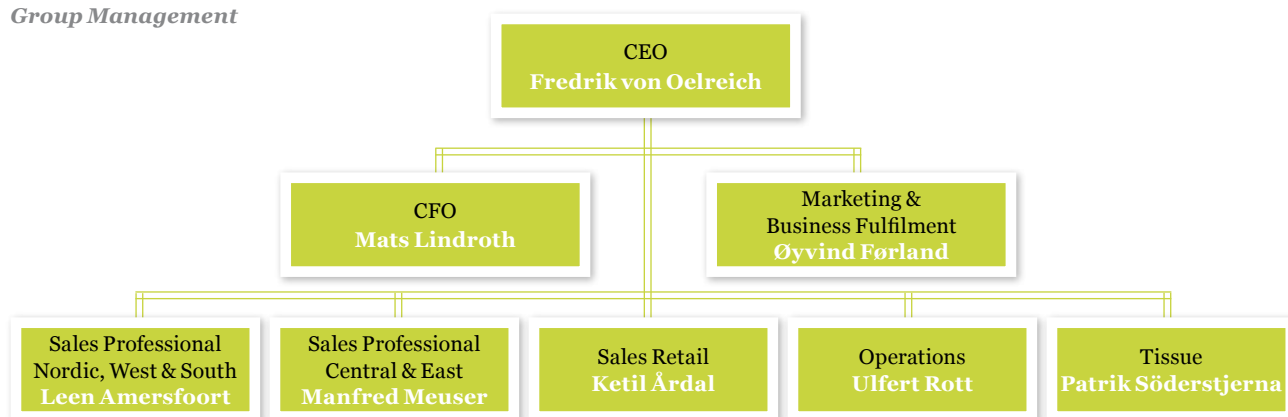
SEK	Board meetings	Audit Committee	Remuneration Committee	Total
Anders Bülow	500,000	50,000	25,000	<b>575,000</b>
Pia Rudengren	250,000	100,000	–	<b>350,000</b>
Sanna Suvanto-Harsaae	250,000	50,000	–	<b>300,000</b>
Magnus Yngen	250,000	–	50,000	<b>300,000</b>
Tomas Gustafsson	250,000	–	25,000	<b>275,000</b>
	<b>1,500,000</b>	<b>200,000</b>	<b>100,000</b>	<b>1,800,000</b>

#### 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, 2010, Fredrik von Oelreich held

### Group Management



210,000 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. Further information regarding the CEO is provided in Note 13 in the Annual Report.

#### GROUP MANAGEMENT

Fredrik von Oelreich presides over the work of group management and adopts decisions in consultation with other members of group management, consisting of the heads of business areas and heads of staff functions. Group management comprises eight persons. Group management held seven meetings in 2010. At each meeting, the following items, among others, are on the agenda:

- Financial review.
- Update from each area.
- Issues of an operational, strategic or market nature of importance for Duni.

Other matters addressed include the strategic plan, as well as budget for the coming year. Members of group management conduct regular visits to subsidiaries, and at least one such visit is carried out jointly. In 2010, group management held a meeting at the subsidiary in Spain. A meeting was also held in Germany in connection with a study visit to a trade fair for the HoReCa industry.

#### REMUNERATION TO SENIOR EXECUTIVES

According to guidelines regarding remuneration to senior executives adopted by the Annual General Meeting on May 5, 2010, remuneration to the CEO and other members of group management shall be on market terms and comprise fixed and variable salary, other benefits as well as pension. The variable salary shall never exceed the fixed salary.

2010, SEK m	Basic salary	Variable remuneration	Other benefits	Pension cost	Total
CEO - Fredrik von Oelreich	4.2	1.2	0.1	2.0	7.5
Other senior executives	9.8	2.2	0.4	2.5	14.9
	14.0	3.4	0.5	4.5	22.4

The table above shows the total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits. Fredrik von Oelreich receives an annual gross salary of CHF 610,715 and has a possibility to achieve a bonus equivalent to not more than 55% of his annual basic salary, based on predetermined targets for the Group. In addition, he is entitled to certain other employment benefits such as a company car. Both Duni and von Oelreich may terminate the agreement upon six months' written notice. In addition, except in the event of termination by the Company due to negligence, von Oelreich is entitled to an amount equal to twelve 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 and a three-year average of bonus payments, until termination of the agreement. Von Oelreich's retirement age is 62.

Duni has not granted any loans, 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.

#### AUDIT

At an extraordinary general meeting held on August 28, 2007, PricewaterhouseCoopers AB was elected auditor, with Bo Hjalmarsson as auditor-in-charge, for the next four years. The auditors review 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. Thereafter, compliance with the Annual General Meeting's guidelines regarding remuneration for senior executives is audited. There is also a review of Duni's interim report for the third quarter. 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 PwC for other engagements during 2010 totaled SEK 5.2 (2009: 6.7) m.

### Compensation to accounting firm

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Compensation for audit engagement	4,1	4,0	1,7	1,7
Compensation for auditing work other than the audit	0,6	0,6	0,4	0,4
Compensation for tax consultation	3,0	2,9	0,8	0,9
Compensation for other consultations	1,6	3,2	0,4	1,0
<b>Total compensation, accounting firm</b>	<b>9,3</b>	<b>10,7</b>	<b>3,3</b>	<b>4,0</b>

### THE BOARD'S DESCRIPTION OF THE INTERNAL CONTROL WITH RESPECT TO THE FINANCIAL REPORTING FOR THE 2010 FINANCIAL YEAR

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the internal control. This entails, among other things, monitoring Duni's 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 the external financial reporting in the form of annual reports and interim reports published by Duni each year, and to ensure that the financial reporting is prepared in accordance with law, applicable accounting principles, and other requirements imposed on listed companies.

Duni 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 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 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. Internal control instruments for the financial reporting consist primarily of finance policy, communications policy, and the Group's finance handbook, which defines accounting and reporting rules.

#### 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 risk areas are evaluated by the Audit Committee at least once per year.

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 profit centers. 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 performance indicators, 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.



# Board of Directors



## Anders Bülow

*Born 1953.*

- Chairman of the Board since 2009
- Managing Director of Mellby Gård Industri AB
- Mr Bülow holds a BA in business economics from the University of Stockholm
- Elected 2008
- Shares in Duni: 0
- Not independent in relation to Duni's largest shareholder



## Tomas Gustafsson

*Born 1965.*

- General Manager of 2E Group (publ)
- Member of the Board of Smarteyes AB, Alectum AB and Atlas Design Group AB
- Diploma in Business Administration
- Elected 2009
- Shares in Duni: 1,400
- Independent of the company, company management and Duni's major shareholders



## Pia Rudengren

*Born 1965.*

- Member of the Board of Social Initiative AB, Swedbank AB, WeMind Digital Psykologi AB, Metso Oyj, and Tikkurila Oyj
- Ms. Rudengren holds an MSc in economics and business administration from the Stockholm School of Economics
- Elected 2007
- Shares in Duni: 1,200
- Independent of the company, company management and Duni's major shareholders



## Sanna Suvanto-Harsaae

*Born 1966.*

- Chairman of the Board of Babysam AS, BTX AS, and Sunset Boulevard AS
- Member of the Board of CandyKing Holding AB, Jetpak AB, Clas Ohlson AB, Paulig AB, Sats AB, Symrise AG, and Upplands Motor AB
- Ms. Suvanto-Harsaae holds a BA in business administration from Lund University
- Elected 2004
- Shares in Duni: 0
- Independent of the company, company management and Duni's major shareholders



## Magnus Yngen

*Born 1958.*

- President & CEO Husqvarna Group
- Member of the Board of Husqvarna AB, Teknikarbetsgivarna, and Teknikföretagen
- Mr Yngen holds a Master of Engineering and Licentiate of Technology from the Royal Institute of Technology, Stockholm
- Elected 2008
- Shares in Duni: 0
- Independent of the company, company management and Duni's major shareholders



## Göran Andréasson

*Born 1947.*

- Employee Representative for SPIAF (Swedish Paper Workers Union)
- Mr Andréasson is employed as working environment manager at Rexcell Tissue & Airlaid AB
- Employee Representative on the Board of Rexcell Tissue & Airlaid AB
- Chairman of the Board of Bengtforshus AB and Majberget Utveckling AB
- Member of the Board of Bengtsfors Energi Handel AB, Bengtsfors Energi Nät AB, and Bengtsfors Teknik AB
- Elected 2001
- Shares in Duni: 0
- Not independent in relation to the company



## Per-Åke Halvordsson

*Born 1959.*

- Employee Representative for PTK (Unionen)
- Mr Halvordsson is employed as Production Manager Airlaid at Rexcell Tissue & Airlaid AB
- Alternate Employee Representative on the Board of Rexcell Tissue & Airlaid AB
- Mr Halvordsson has undertaken PTK board training
- Elected 2005
- Shares in Duni: 0
- Not independent in relation to the company

# Senior Executives



**Fredrik von Oelreich**  
*Born 1961.*

- Chief Executive Officer
- MSc in economics and business administration
- Member of the Board of Candy King Holding AB
- Engaged since 2005
- Shares: 210,000



**Mats Lindroth**  
*Born 1960.*

- Chief Financial Officer
- MSc in economics and business administration
- Employed since 1987
- Shares: 23,000



**Øyvind Førland**  
*Born 1962.*

- Director of Marketing
- Degree in economics and business administration
- Employed since 1987
- Shares: 22,018



**Leendert Amersfoort**  
*Born 1958.*

- Director of Sales, Professional Nordic, West & South
- Degree in marketing and business administration
- Employed since 1995
- Shares: 22,018



**Patrik Söderstjerna**  
*Born 1964.*

- President of Rexcell Tissue & Airlaid AB
- MSc in mechanical engineering
- Employed since 2007
- Shares: 10,000



**Manfred Meuser**  
*Born 1948.*

- Director of Sales, Professional Central & East
- Diploma in industrial engineering and management
- Employed since 1971
- Shares: 3,018



**Ketil Årdal**  
*Born 1970.*

- Director of Sales, Retail
- Diploma in business and marketing
- Employed since 2005
- Shares: 1,818



**Dr Ulfert Rott**  
*Born 1960.*

- Director of Converting and Logistics
- PhD in Mechanical Engineering and MSc in business administration
- Employed since 2004
- Shares: 22,018