

# 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 applies the Code in full. During the period December 1, 2012 up to the annual general meeting in May 2013, Duni applied the Code subject to one exception, namely that the Remuneration Committee comprised two board members instead of three.

## 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 and Inrikes Tidningar (The Official Gazette) and on Duni's website. The fact that notice has been given shall be announced in Svenska Dagbladet and in Sydsvenska Dagbladet. In order to participate at the Annual General Meeting, a shareholder must notify the Company not later than the date stated in the notice.

## 2013 Annual General Meetings

Duni's 2013 Annual General Meeting was held on Thursday, May 2, 2013 in Malmö. 113 shareholders, representing approximately 51.6% 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, as were members of group management and the auditor. The minutes from the meeting are available on Duni's website, [www.duni.com](http://www.duni.com). All resolutions were adopted in accordance with the Nomination Committee's proposals. Some of the resolutions adopted at the General Meeting were:

- a dividend of SEK 3.50 per share for the 2012 financial year;
- that the Board shall comprise five directors without alternates;
- re-election of the directors Anders Bülow, Pia Rudengren, Magnus Yngen and Tina Andersson;
- Thomas Gustafsson declined re-election and Alex Myers was elected as a new director;
- that Anders Bülow be re-elected as Chairman of the Board;
- that PwC be re-elected as auditors;
- that fees be paid to the Chairman of the Board in the amount of SEK 500,000 and to other directors in the amount of SEK 265,000 each;
- that compensation be paid to the chairman of the Audit Committee in the amount of SEK 107,000 and to the chairman of the Remuneration Committee in the amount of SEK 55,000;
- that compensation be paid to other members of the Audit Committee in the amount of SEK 50,000 each, and to the other members of the Remuneration Committee in the amount of SEK 25,000 each;
- that all Board fees, including compensation for committee work, are unchanged from the preceding year;
- adoption of the Board's proposals for guidelines for compensation to senior executives;
- 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.

## 2014 Annual General Meeting

The next Annual General Meeting of the shareholders of Duni will be held at 3pm on Tuesday, May 6, 2014 at Skånes Dansteater, Östra Varvgatan 13A in Malmö. More information about the Annual General Meeting, notice of participation, etc. is available on Duni's website.

## Nomination Committee

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. 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. The Nomination Committee shall be comprised of representatives of Duni's three largest shareholders as per September 30. Board Chairman Anders Bülow convened the Nomination Committee in October 2013 and the composition was presented on November 5, 2013.

During the period pending the 2014 Annual General Meeting, the Nomination Committee held two meetings at which minutes were taken. The work of the Nomination Committee begins by reviewing the independent evaluation of the current Board, which is carried out each year. Pending the coming Annual General Meeting, there is a vacant seat on Duni's board since Tina Andersson resigned at her own request on September 1, 2013 upon taking up the position of Duni's Corporate Marketing and Communications Director. The work of the Nomination Committee has thus focused on identifying a suitable replacement for Tina. The ambition of the Board of Directors and also the Nomination Committee has been to find a person possessing international marketing experience within the HoReCa industry or fast-moving consumer goods.

The Nomination Committee comprises the following members:

		Ownership stake, Dec. 31, 2013
Name	Represents	
Anders Bülow	Chairman of the Board	
Rune Andersson (chairman)	Mellby Gård Investerings AB	29.99 %
Hans Hedlund	Carnegie fonder	9.50 %
Bernard R. Horn Jr	Polaris Capital Management, LLC	8.19 %
<b>Total</b>		<b>47.68 %</b>

## 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 2, 2013, the Board

comprises five directors and two employee representatives. However, as from September 1, 2013 there has been a vacant seat on the Board since director Tina Andersson resigned at her own request. 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, and additional meetings are arranged as needed. During 2013, the Board held ten meetings at which minutes were taken.

The following items, among others, were on the agenda in 2013:

- Annual accounts, including report from the auditors, proposed allocation of earnings,

- and Year-End report;
- Annual report and preparations pending the Annual General Meeting;
- Follow up of the audit performed with main responsible auditor;
- Interim reports;
- Rules of procedure for the Board and the CEO;
- Annual review of the policy manual;
- Review of business plans;
- Strategic issues and risks;
- Organizational changes;
- Cost efficiency program;
- Establishment and platform in Southeast Asia
- Acquisition of the assets of Song Seng Associates Pte Ltd
- Regular forecasts for 2014
- Strategies concerning the hygiene products business;
- Growth issues and acquisition issues;
- The economic climate and economic conditions.

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, Thomas Gustafsson, 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.

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" 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. Not more than one member of company management may be a member of the Board.

### 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.

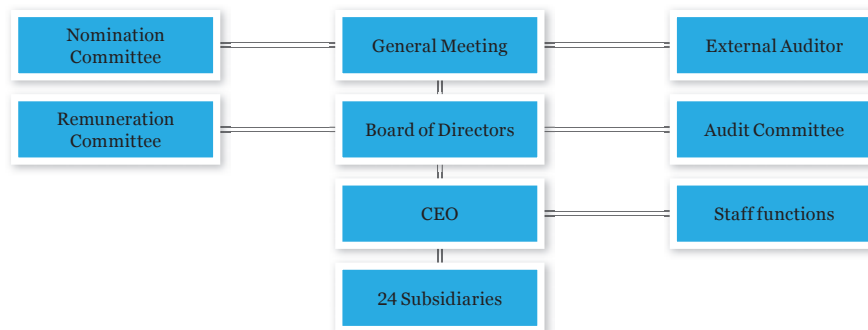
Compensation and benefits for corporate management are evaluated through comparisons with market data provided by external sources. Such data demonstrates that Duni has competitive compensation levels and that the total compensation package is reasonable and not excessively high. Once a year, the Remuneration 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 2013. At the initial meeting held following the annual general meeting on May 2, 2013, the Remuneration Committee was once again at full strength and comprised three members: Magnus Yngen (Chairman), Anders Bülow and Alex Myers. Between December 2012 and the annual general meeting in May 2013, the Remuneration Committee comprised two members. When Thomas Gustafsson became Duni's CEO on December 1, 2012, he relinquished his position on the Remuneration Committee since he could no longer be deemed independent in relation to the Company. However, just as his predecessor, Fredrik von Oelreich, he participates at meetings of the Remuneration Committee, except when questions concerning remuneration to the CEO are addressed. The HR Director serves as secretary at meetings of the Remuneration Committee.

### Audit Committee

Duni's 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

## Corporate governance



## Board attendance, 2013

	Function	Independent <sup>1)</sup>	Board meetings	Audit Committee	Remuneration Committee
Anders Bülow	Chairman	<sup>2)</sup>	10 of 10	4 of 4	3 of 3
Tina Andersson	Director	x	8 of 8	2 of 2	–
Thomas Gustafsson	Director, CEO	<sup>3)4)</sup>	6 of 6	–	–
Alex Myers	Director	x	3 of 4	1 of 2	0 of 2
Pia Rudengren	Director	x	10 of 10	4 of 4	–
Magnus Yngen	Director	x	10 of 10	–	3 of 3
Per-Åke Halvordsson	Employee representative	<sup>3)</sup>	10 of 10	–	–
Henry Olsen	Employee representative	<sup>3)</sup>	10 of 10	–	–
Åsa Lundqvist	Employee representative	<sup>3)</sup>	6 of 10	–	–
Inge Larsson	Employee representative	<sup>3)</sup>	10 of 10	–	–

<sup>1)</sup> As defined in the Swedish Corporate Governance Code.

<sup>2)</sup> Not independent (in relation to Duni's major shareholders).

<sup>3)</sup> Not independent (in relation to Duni).

<sup>4)</sup> Thomas Gustafsson was not independent in relation to Duni's major shareholders up to and including November 2012. He resigned his directorship at the 2013 Annual General Meeting.

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 four meetings in 2013 and comprises three members: Pia Rudengren (Chairman), Anders Bülow and Tina Andersson (who resigned in September 2013 and was subsequently replaced by Alex Myers). The CFO and the Group Accounting Manager, as well as the auditors, participate at all meetings.

#### Remuneration to the 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 2, 2013, the annual fee was set at a total of SEK 1.6 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.

#### CEO

Duni's CEO is Thomas Gustafsson (1965), Diploma in Business Administration. 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, 2013 Thomas Gustafsson held 26,400 shares in Duni AB. No party closely related to the CEO has any significant shareholding in Duni AB. Thomas Gustafsson 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

Thomas Gustafsson 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.

As part of the market-oriented organization which entered into force commencing April 2012, during 2013 the Professional business area's sales and marketing departments were divided into two parts – one focusing on the Table Top market segment and one working the Meal Service market segment. This is leading to an increased degree of specialization and greater focus on prioritized customer segments, thereby creating conditions for more efficient resource utilization.

Group management comprises nine persons. Group management held ten meetings in 2013. The year's meetings focused on organizational structure, growth and how to create customer focus. 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, as well as investments and follow-up of investments. Other matters

addressed include the business plan, strategic issues and strategic plan, as well as budget for the coming year. Group management also addresses issues concerning the Group as a whole, as well as concerning individual business areas. Members of group management conduct regular visits to subsidiaries, and at least one such visit is carried out jointly. In 2013, a group management meeting was held in Hamburg in connection with a joint study visit at a trade fair for the HoReCa industry.

#### Compensation to senior executives

Remuneration to the CEO and other members of group management is in accordance with guidelines regarding remuneration to senior executives adopted by the Annual General Meeting on May 2, 2013 and which apply until the next Annual General Meeting. The guidelines proposed to the 2014 Annual General Meeting are in all essential respects equivalent to the guidelines which applied in 2013. Remuneration shall be on market terms and comprise fixed and variable salary, other benefits as well as pension. The variable salary may never exceed the fixed salary.

The table below shows the total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits. Thomas Gustafsson receives an annual gross salary of SEK 3,538,000 and has a possibility to achieve a bonus not exceeding 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 Gustafsson may terminate the agreement upon six months' written notice. In addition, except in the event of termination by the Company due to negligence, Gustafsson is entitled to an amount equal to twelve times his monthly salary. Thomas Gustafsson participates in a contribution-based pension scheme 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. Thomas Gustafsson's retirement age is 65.

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

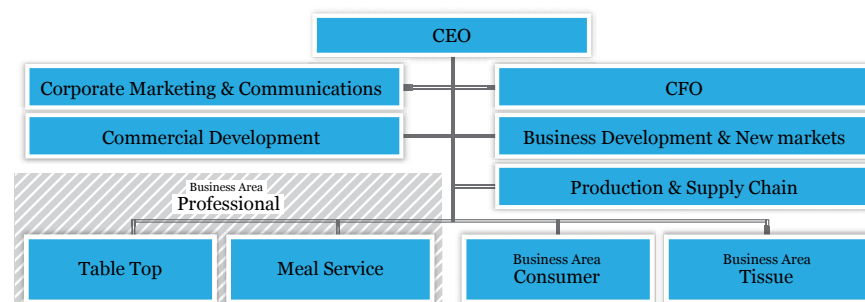
At the Annual General Meeting held on May 2, 2013, PricewaterhouseCoopers AB was elected auditor, with Eva Carlsvi as auditor-in-charge. The auditors review the annual accounts and the Annual Report as well as the Company's ongoing operations and

#### Board remuneration for the period May 2013 – April 2014

SEK	Board meetings	Audit Committee	Remuneration Committee	Total
Anders Bülow	500 000	50 000	25 000	575 000
Tina Andersson*	88 333	16 667	–	105 000
Alex Myers	265 000	33 333	25 000	323 333
Pia Rudengren	265 000	107 000	–	372 000
Magnus Yngen	265 000	–	55 000	320 000
<b>Total</b>	<b>1 383 333</b>	<b>207 000</b>	<b>105 000</b>	<b>1 695 333</b>

\* Tina Andersson resigned on September 1, 2013 and her seat is vacant pending the 2014 Annual General Meeting.

#### Group management 2013



#### Total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits.

2013, SEK m	Basic salary	Variable remuneration	Other benefits	Pension cost	Severance compensation	Total
CEO – Thomas Gustafsson	3.5	1.9	0.0	1.2	–	6.6
Other senior executives	10.7	4.6	0.5	2.5	–	18.3
	<b>14.2</b>	<b>6.5</b>	<b>0.5</b>	<b>3.7</b>	<b>0.0</b>	<b>24.9</b>

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. The auditors participate at all meetings of the Audit Committee during the year. In October, an interim audit is carried out in combination with a general review of Duni's report for the third quarter. Other than Duni, Eva Carlsvi has no engagements in companies over which Duni's major owners, directors or the CEO

### Compensation to accounting firm

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Compensation for audit engagement	4.1	3.7	1.9	1.7
Compensation for auditing work other than audit engagement	0.2	0.4	0.1	0.3
Compensation for tax consultation	0.9	2.2	0.2	0.3
Compensation for other consultations	1.5	1.4	1.0	1.1
<b>Total compensation, accounting firm</b>	<b>6.7</b>	<b>7.7</b>	<b>3.2</b>	<b>3.4</b>

have a significant influence. Eva Carlsvi is an authorized public accountant and member of FAR SRS. Apart from the audit engagement,

fees to PwC for other engagements during 2013 totaled SEK 2.4 (2012: 4.0) m.

## The Board's description of the internal control with respect to the financial reporting for the 2013 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. Duni has established an Audit Committee 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. 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.

Furthermore, in a business ethics policy which is reviewed each year by the Board, group management has formulated its view on how the operations are to be conducted. During the year, the business ethics policy was reviewed and updated to ensure compliance with the

new anti-corruption legislation introduced in Europe. Presentations and training courses were also held on the subject for almost 100 senior Duni executives.

### 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. The Board receives a monthly written financial report covering sales, operating income, 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 each month the financial trend within the Group's business areas. Follow-up through comparisons with the preceding year, against budget and plans, and through evaluation of the key performance indicators, takes place generally at all levels in the organization.

Statements regarding internal audit Duni has found no need for a formal internal audit department. Duni has an accounting center in Poznan in Poland which functions as a centralized European accounting function providing accounting services to all subsidiaries in Europe, apart from Russia. The Russian accounts department and the accounting center in Poland have been integrated to such an extent that the accounting center is able to support and assist the Russian office on accounting issues. The accounting center operates based on standardized processes and routines, is independent of the operational business, 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. Duni's group accounts department also performs certain internal audit work in the form of, among other things, controls at the reporting center as well as follow-ups as regards Russia and Singapore. During the year, Duni acquired a business in Singapore and great focus has been placed on understanding and ensuring that the company complies with Duni's accounting principles.