

# 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 applies the Code in its entirety except for one rule, 9.2. Thomas Gustafsson is a member of the Remuneration Committee, although he cannot be considered independent of the Company and 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 is very well acquainted with the Company's circumstances in issues such as employee situations, talent provision and remuneration structures, given his many years as CEO and before that as a director in the Group.

## Articles of Association

The current Articles of Association were adopted at the Annual General Meeting held 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.com](http://dunigroup.com).

## 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.

## 2022 Annual General Meeting

The 2022 Annual General Meeting was held on Tuesday, May 17, 2022, in Malmö. 105 shareholders, representing approximately 69% of the voting rights, were present at the General Meeting in person,

through postal voting or through proxies. Chairman of the Board Thomas Gustafsson was elected to chair the meeting. Four of five directors and one of four employee representatives were present. Members of Group Management and the auditor were also present. The minutes from the Annual General Meeting are available on the website, [dunigroup.com](http://dunigroup.com). 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 fiscal year 2021
- Discharge from liability for the directors and CEO
- That the Board shall comprise five directors without alternates
- Re-election of all Board members: Thomas Gustafsson, Pauline Lindwall, Morten Falkenberg, Sven Knutsson and Pia Marions
- Thomas Gustafsson was elected the Chairman of the Board
- The re-election of PwC as auditors
- Changed remuneration to the Board; the Chairman of the Board shall receive SEK 590,000 (578,000) and all other directors shall each receive SEK 315,000 (309,000)
- Changed remuneration of SEK 128,000 (125,000) to the chairman of the Audit Committee and SEK 60,000 (59,000) to other members of the Audit Committee
- Changed remuneration of SEK 67,000 (65,000) to the chairman of the Remuneration Committee and SEK 31,000 (30,000) to other members of the Remuneration Committee
- Adoption of the Board's proposal for the remuneration report
- Procedures regarding the composition and work of the Nomination Committee

## 2023 Annual General Meeting

The next Annual General Meeting of Shareholders will be held on Tuesday 16 May, 2023 at 3:00 PM at Glasklart, Dockplatsen 1 in Malmö. A notice of the Annual General Meeting, containing the Board's proposals, will be published at the beginning of April 2023. More information is available on the website.

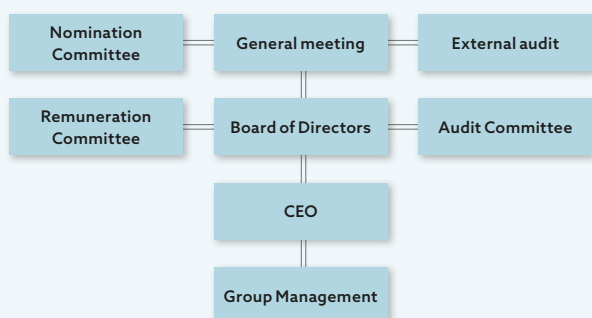
## Nomination Committee

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 draws up 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.

Ahead of the 2022 Annual General Meeting, the Nomination Committee proposed that the number of Board members should be five and that Morten Falkenberg, Thomas Gustafsson, Sven Knutsson, Pauline Lindwall and Pia Marions should be re-elected. The Nomination Committee also proposed the re-election of Thomas Gustafsson as Chairman of the Board. The Nomination Committee's reasoned statement for the 2022 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 previously considered that the relatively small size of the Board encourages greater efficiency in Board meetings and active engagement.

In view of the fact that two external Board members are relatively new to the Board and that most members of the management group are new to their roles, the Chairman of the Board decided in

## Corporate Governance



the autumn to conduct a thorough review of the Board, including both a questionnaire and individual interviews with all Board members, the CEO and the CFO.

The Board's review included:

- Tracking the Board's performance
- Highlighting the strengths identified
- Identifying potential areas for improvement
- Qualitative peer feedback including qualitative feedback to the Board members from the CEO and CFO
- Qualitative feedback to the CEO
- Alumni's recommendations on focus areas based on audit findings

The questionnaire was distributed to all Board members and was answered in mid-October. Interviews with all Board members, the CEO and the CFO were conducted at the end of October/beginning of November 2022. A written report was drawn up for the Chairman and the Nomination Committee, and was followed up by a presentation at the Board meeting in December 2022.

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 at the General Meeting, and that an equal gender balance shall be sought. Of the Board members currently proposed, two are women and three are men (equivalent to 40% and about 60% 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 Duni Group's Board of Directors thus meets the requirements for diversity. 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 as of September 30. Chairman of the Board Thomas Gustafsson convened the Nomination Committee in October 2022 and the composition was presented on November 14, 2022.

The Nomination Committee comprises the following members:

Name	Represents	Ownership stake 12/31/2022
Thomas Gustafsson	Chairman of the Board	
Johan Andersson (Chairman)	Mellby Gård AB	29.99%
Bernard R. Horn, Jr.	Polaris Capital Management, LLC	10.15%
Hans Hedström	Carnegie fonder	9.60%
<b>Total</b>		<b>49.74%</b>

The Nomination Committee has held two minuted meetings and a couple of status updates ahead of the 2023 Annual General Meeting. The work of the Nomination Committee began with the Chairman of the Board providing an update on how the Board's year has been and how the business has performed. The Nomination Committee was given access to the external evaluation by the current Board of Directors. The Nomination Committee will propose to the 2023 Annual General Meeting that the Board of Directors be extended to six members. The Nomination Committee proposes the re-election of four members and the election of two new members. Pauline Lindvall has declined re-election. The Board of Directors fulfills the Swedish Corporate Governance Board's ambition level of equal gender distribution. Other elections are presented in the notice of the 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 CEO 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 shares or votes in 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 17, 2022, the Board comprises five 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 81-82.

### 2022 Board attendance

	Function	Independent <sup>1)</sup>	Board meetings	Audit Committee	Remuneration Committee
Thomas Gustafsson	Chairman	<sup>2, 3)</sup>	10 of 10	4 of 4	3 of 3
Pauline Lindwall	Director	X	10 of 10	-	3 of 3
Morten Falkenberg	Director	X	9 of 10	-	3 of 3
Sven Knutsson	Director	<sup>2)</sup>	10 of 10	4 of 4	-
Pia Marions	Director	X	10 of 10	4 of 4	-
Maria Fredholm	Employee representative, director	<sup>3)</sup>	8 of 9	-	-
David Green	Employee representative, director	<sup>3)</sup>	10 of 10	-	-
Kerstin Hake	Employee representative, director	<sup>3)</sup>	1 of 1	-	-
Marcus Hall	Employee representative, alternate	<sup>3)</sup>	4 of 4	-	-
Per-Åke Halvordsson	Employee representative, alternate	<sup>3)</sup>	1 of 1	-	-
Peter Lundin	Employee representative, alternate	<sup>3)</sup>	9 of 9	-	-
Per Svensson	Employee representative, alternate	<sup>3)</sup>	6 of 6	-	-

<sup>1)</sup> As per definition in Swedish Corporate Governance Code.

<sup>2)</sup> Not independent (in relation to the largest shareholders).

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

All Board members were re-elected at the 2022 AGM. Thomas Gustafsson was elected the Chairman of the Board. Thomas is not considered independent of the Company, management or the Company's largest shareholder.

### 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 was CEO throughout 2022.

The Board held ten minuted Board meetings in 2022.

The regular meetings and the meetings for organizational matters included the following agenda items in 2022:

- 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
- Updating the Policy Handbook
- 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
- Decision to evaluate various strategic alternatives in order to optimize the long-term value of the BioPak Group
- Updates from work on strategic alternatives and negotiations, and finally decisions on the divestment of shares in BioPak Pty Ltd

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.

### 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's chair at the next Board meeting, which is usually held later on the same day.

The Remuneration Committee held three meetings in 2022 and comprises three members: Pauline Lindwall (Chairman), Thomas Gustafsson and Morten Falkenberg. The CEO attends the meetings, except for matters regarding his own remuneration, as does the EVP People & Culture, who serves as secretary at meetings of the Remuneration Committee.

### 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, there was a special focus on risk management and a review of policies, cyber security and financing. 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's chair at the next Board meeting, which is usually held later on the same day.

The Audit Committee held four meetings in 2022 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 a resolution adopted by the Annual General Meeting on May 17, 2022, the annual fee was set at a total of SEK 1,850,000, of which SEK 590,000 is payable to the Chairman of the Board. In addition, a resolution was adopted to set the fee for committee work at a total of SEK 377,000.

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 January 1, 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.

As of December 31, 2022, Robert Dackeskog holds 16,500 shares in i Duni AB. 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.

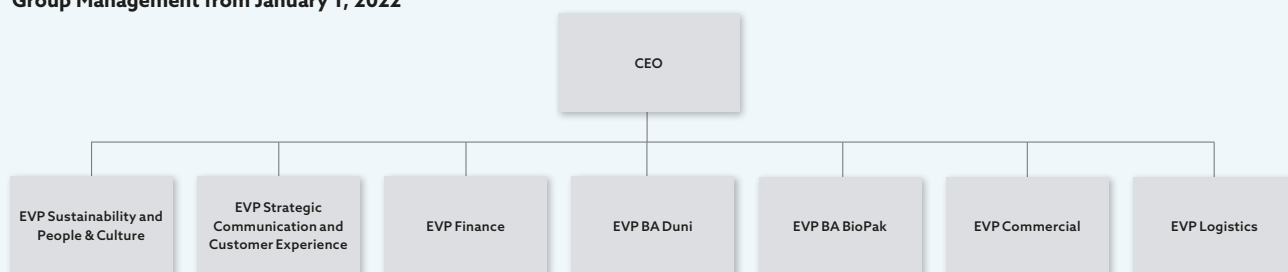
### Board remuneration for the May 2022 – April 2023 period

SEK	Board fee	Audit Committee fee	Remuneration Committee fee	Total
Thomas Gustafsson	590,000	60,000	31,000	681,000
Morten Falkenberg	315,000	-	31,000	346,000
Sven Knutsson	315,000	60,000	-	375,000
Pauline Lindwall	315,000	-	67,000	382,000
Pia Marions	315,000	128,000	-	443,000
<b>Total</b>	<b>1,850,000</b>	<b>248,000</b>	<b>129,000</b>	<b>2,227,000</b>

### Group Management

The CEO presides over the work of Group Management and adopts decisions in consultation with the other members of the management team, which consists of the heads of business areas and staff functions.

#### Group Management from January 1, 2022

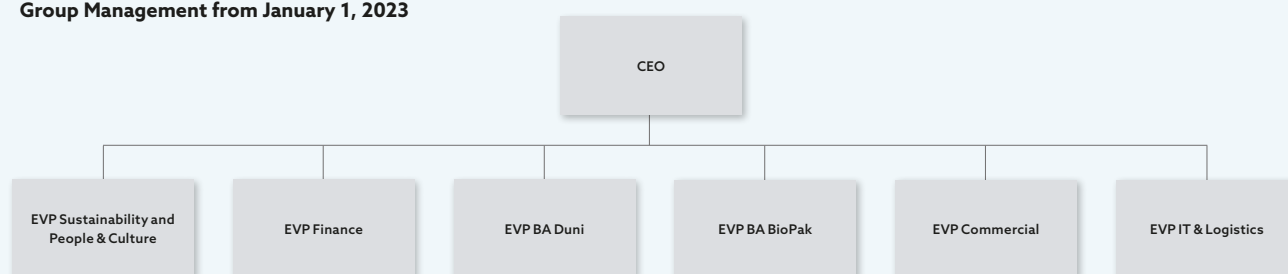


*EVP Commercial was divided into two positions from January to September 2022.*

During the year, Group Management, including the CEO, consisted of nine persons. At the beginning of the year, Mats Lindroth was EVP for the BioPak business area and Linus Lemark was EVP for the Duni business area. Manfred Haagarten was the EVP of the “Commercial Central & South” sales organization, while Nicklas Bengtsson was the EVP of the “Commercial NorthEast & West” sales organization. In September, the management team underwent a slight reorganization and Manfred Haagarten was initially made temporary EVP for all of Commercial in all regions, before the role was made permanent in November. In September, Nicklas Bengtsson became

EVP of the BioPak business area and Mats Lindroth took on a new role as Senior Advisor to focus on the BioPak Group, with its head office in Australia and its subsidiaries. In December, he was elected Chairman of the Board of Directors of the new ownership structure of BioPak Pty Ltd. As of January 2023, he is Senior Advisor and reports to the CEO, but is no longer part of the management team. In early January 2023, Marielle Noble, EVP Strategic Development, IT and Communication, announced that she is leaving Duni. As of January 1, 2023, Group Management therefore consists of 7 people, including the CEO.

#### Group Management from January 1, 2023



During the year, Group Management held ten minuted meetings. At this year’s meetings, the focus was on inflation and price compensation, sustainability issues, legal requirements and EU directives, as well as risk management. 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, risk management 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 mem-

bers of Management that were adopted by the Annual General Meeting on May 17, 2022 and apply until the next Annual General Meeting. It is proposed that these remain unchanged at the Annual General Meeting in May 2023.

#### 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 Swedish, 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 salary 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% 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% 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 17, 2022, 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 member of FAR SRS. Apart from the audit engagement, fees to PwC for other engagements during 2022 totaled SEK 1.7 million (7.8). 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 fiscal year 2022

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 for financial reporting based on the areas that constitute the basis for internal control in accordance with the "Internal Control – Integrated Framework" issued by COSO, namely the following areas: control environment, risk assessment, control structure, 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 Code of Conduct, 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 a designated whistleblowing committee consisting of the Chair of the Audit Committee, the CFO and the EVP 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. This 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 analyzes 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 functions as a centralized accounting function providing accounting services to all subsidiaries in Europe, apart from Paper+Design in Germany and BioPak UK Ltd. The accounting center along with the accounts department at the head office serve as consultants to the countries within the Group that are 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.