

Corporate Governance Report for Duni AB (publ)

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

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

ARTICLES OF ASSOCIATION

The articles of association are adopted by the general shareholders' meeting and contain certain mandatory information of a fundamental nature for the company. The complete articles of association are available on Duni's website, www.duni.com.

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

GENERAL SHAREHOLDERS' MEETINGS

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

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

2007 Annual General Meeting

The annual general meeting of the shareholders of Duni was held on 1 October 2007 in Malmö.

2008 Annual General Meeting

The next annual general meeting of the shareholders of Duni will be held at 3 pm on 7 May 2008, at Palladium (Södergatan 15) in Malmö, Sweden.

Duni's Nomination Committee comprises four members: Peter Nilsson (Chairman of Duni AB and Chairman of the Nomination Committee), Harry Klagsbrun (EQT Partners), Rune Andersson (Mellby Gård) and Anders Oscarsson (SEB Fonder). The Nomination Committee is a shareholders' committee which is responsible for nominating the persons to be proposed at the annual general meeting for election to Duni's Board of Directors. The Nomination Committee provides proposals as regards the Chairman of the Board and other directors. It also produces proposals regarding board fees, including the allocation between the Chairman and other directors, as well as compensation for committee work. These proposals are presented at the annual general meeting and set forth in the notice and on the website prior to the annual general meeting.

THE BOARD OF DIRECTORS

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

The directors

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

Duni's board consists of seven directors elected by the annual general meeting on 1 October 2007 and two employee representatives, plus one alternate. Duni's CEO is not a member of the board but, similarly to the CFO, regularly participates as a presenter at board meetings. The Chairman of the Board does not participate in the executive management of the company.

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

The board's work

The board complies with a written working procedure which is adapted annually at the initial board meeting. The rules of procedure state the allocation of work, where appropriate, between the directors and the frequency of board meetings. In addition, the rules of procedure govern the board's obliga-

tions, quorum, and the allocation of responsibilities between the board and the CEO, etc.

Board meetings are held in accordance with a predetermined annual schedule. In addition to these meetings, further meetings may be arranged if unusually important events occur. During the split financial year 1 July – 31 December 2007, five board meetings were held at which minutes were taken.

In addition to the board meetings, the Chairman of the Board and the CEO maintain regular contact concerning the management of the company. The allocation of work between the board and the CEO is governed by the board's working procedure and instructions for the CEO. The CEO is responsible for the execution of the business plan and the day-to-day management of the company's affairs, as well as the day-to-day business in the company. Accordingly, the CEO may also, without the board's authorization, take measures which, in light of the scope and nature of the company's operations, are not extraordinary or of major significance for the company's operations. The instructions to the CEO also govern his responsibility for reporting to the Board of Directors.

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

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

The main owners, board members and CEO conduct an annual detailed evaluation of the Board of Directors. The evaluation includes, among other things, the composition of the board, individual directors and the board's work and routines.

CEO

Duni's CEO is Fredrik von Oelreich. The Board has adopted instructions for the CEO's work and role. The CEO is responsible for the day-to-day management of the company's operations pursuant to the board's guidelines. Further details regarding the CEO are provided in Note 13 in the Annual Report.

SWEDISH CORPORATE GOVERNANCE CODE

The Swedish Corporate Governance Code (the "Code") must be applied by all companies on the OMX Nordic Exchange in Stockholm with a market capitalization in excess of MSEK 3,000. Duni has undertaken vis-à-vis the OMX Nordic Exchange in Stockholm to comply with the Code. The Code is based on the principle "comply or explain", entailing that a company which applies the Code may deviate from its provisions provided that each derogation can be explained in a satisfactory manner.

Duni applies the Code subject to one deviation, namely that the Chairman of the Board, Peter Nilsson, is also the Chairman of Duni's Nomination Committee. Duni's largest shareholder, EQT, has explained that the reason for the deviation is that the Chairman of the Board, Peter Nilsson, is very suitable to preside over the work of the Nomination Committee in an efficient manner in order to achieve the best result for Duni's shareholders.

Due to the fact that Duni first began applying the Code in conjunction with the listing on 14 November 2007, Duni published the composition of the Nomination Committee and the date and place of the 2008 annual general meeting at a later date than stated in the Code.

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

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

The Board of Directors

	Presence	Independence ¹⁾	Presence Audit Committee	Presence Remune- ration Committee	Compensation SEK
Peter Nilsson	5/5	3)		1/1	83 333
Harry Klagsbrun	5/5	2)	1/4	1/1	0
Gerold Linzbach	3/5	x			100 000
Göran Lundqvist	5/5	x			100 000
Gun Nilsson	5/5	3)	4/4		100 000
Pia Rudengren	5/5	x	3/4		87 500
Sanna Suvanto-Harsaae	5/5	x		1/1	100 000
Per-Åke Halvordsson	4/5	3)			3 000
(employee representative)					
Göran Andréasson	4/5	3)			3 000
(employee representative)					
Inge Larsson	3/5	3)			2 250
(employee representative)					

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).

company management. A board member is not considered to be independent in a number of situations, among others if the board member (i) is the CEO of the company or has been so during the past five years; (ii) receives, from the company or an affiliated company or from any member of company management, not insignificant compensation for advice or services over and above the board appointment; (iii) has, or has had during the past year, extensive commercial relations or other extensive business dealings with the company or an affiliated company; or (iv) has been a director of the company for more than twelve years. At least two of the directors who are independent of the company and company management must also be independent in relation to all shareholders who control ten percent or more of the share capital or voting capital of the company. Not more than one member of company management may be a member of the board.

THE BOARD'S COMMITTEES

In April 2007, the Board resolved to appoint a Remuneration Committee. The Remuneration Committee will prepare issues regarding compensation to Duni's senior executives based on guidelines for senior executives adopted at the annual general meeting and will negotiate with the CEO regarding his compensation. The Board of Directors has also appointed an Audit Committee. The Audit Committee prepares the board's work by reviewing guidelines for the Group's risk management, governance and control, financial reporting and tax situation. In this work, the Audit Committee maintains regular contacts with the CFO and the auditors.

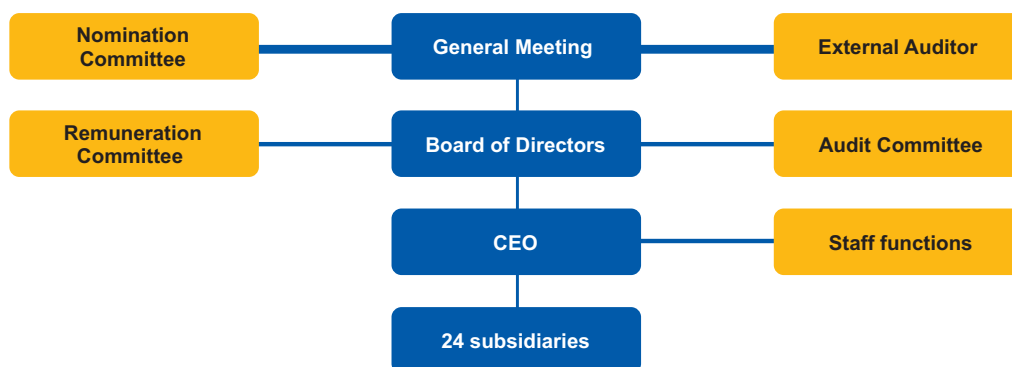
Committee must be independent of the company and company management. The Remuneration Committee must meet at least three times per year. Duni's CEO participates at the Remuneration Committee's meetings apart from when questions regarding his own compensation are addressed.

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

Audit Committee

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

Corporate governance within Duni



Remuneration Committee

Duni has a Remuneration Committee comprising three members: Peter Nilsson (Chairman), Sanna Suvanto-Harsaa and Harry Klagsbrun. The Remuneration Committee and its chairman are appointed annually at the constitutional board meeting. The committee comprises at least three of Duni's directors, one of whom shall be the Chairman of the Board. Pursuant to Duni's rules of procedure, the members of the Remuneration

Duni's Audit Committee is responsible for ensuring the quality of the company's financial and business reporting. The Audit Committee also evaluates Duni's internal control processes and management of financial and operating risks. The committee regularly meets 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 includes the scope of any non-

audit-related work performed by the auditors for Duni. When preparing a proposal regarding the election of auditors and compensation for audit work, the Nomination Committee is assisted by the Audit Committee.

COMPENSATION TO THE BOARD AND SENIOR EXECUTIVES

Fees and other compensation to the board, including the Chairman of Duni's Board of Directors, are decided upon by the annual general meeting. According to compensation guidelines for senior executives adopted by the annual general meeting on 1 October 2007, compensation to the CEO and other members of the above management group must be on market terms and comprises fixed and variable salary, long-term share-related incentive programs, other benefits as well as pension. It shall never be possible for the variable salary to exceed the fixed salary. At present, there are no long-term incentive programs.

In accordance with a resolution adopted by the annual general meeting on 1 October 2007, the annual fee for the current Chairman of the Board was set at MSEK 0.5, while the annual fee for other directors was set at MSEK 0.25 per director, apart from directors employed by EQT Partners. During the period 1 July - 31 December 2007, the directors received compensation totaling MSEK 0.6, of which MSEK 0.1 was paid to the Chairman of the Board and MSEK 0.5 to other directors, apart from directors employed by EQT Partners, who receive no compensation.

The total disbursed gross compensation to the management group, including salaries, pension payments and other benefits, amounted to MSEK 11.2 in the second half of 2007. Of the total gross compensation paid to the management group, MSEK 2.7 comprised compensation to Duni's current CEO, while MSEK 8.5 comprised compensation to other members of the management group. Each month, Duni pays in a cash pension contribution in accordance with the individual pension plan for each senior executive. The total cost for Duni for these pension payments during the second half of 2007 was MSEK 2.3.

Duni's CEO, Fredrik von Oelreich, receives an annual gross salary of CHF 567,000 as well as a bonus equivalent to not more than 50% of his annual base salary, based on predetermined targets for the Group. In addition, he is entitled to certain other employment benefits such as company car and per diem. Both Duni and von Oelreich may terminate the agreement subject to six months' written notice of termination. In addition, in the event of termination by the company due to negligence, or termination by von Oelreich, von Oelreich is entitled to an amount equal to 12 times his monthly salary. Von Oelreich

participates in a contributions-based pension program, on the basis of which Duni grants an annual contribution equal to 35% of his annual gross salary until termination of the agreement. Von Oelreich's retirement age is 62.

Duni has not granted any loans, or extended or issued any guarantees or provided any security to the benefit of Duni's directors, senior executives or auditors. None of the directors, senior executives or auditors has, directly or indirectly through any closely-related company, entered into transactions with Duni which are not at arm's length conditions.

FINANCIAL REPORTING

The company has an information policy pursuant to which the company publishes quarterly reports, a half-yearly report, a report of unaudited annual results and an annual report. In connection with the publication of half-yearly reports and unaudited reports of annual results, the company may arrange analyst meetings and meetings with the media to discuss the company's operations, results and financial position. The board assesses and approves the content of the financial reporting based on monthly reports, management reports and discussions at board meetings, as well as the auditor's opinions.

AUDIT

The auditor shall review the company's annual report and bookkeeping as well as management by the Board of Directors and CEO. After each financial year, the auditors shall submit an auditor's report to the general meeting.

The general meeting appoints the auditors for four years. At an extraordinary general meeting held on 28 August 2007, PricewaterhouseCoopers AB was elected auditor, with accountant Bo Hjalmarsson as auditor-in-charge, for the next four years. The company's auditor reviews the annual accounts and the annual report as well as the company's ongoing operations and routines in order to express an opinion regarding the accounts and management by the Board of Directors and the CEO. The audit of the annual accounts and annual report is conducted in January-February.

Other than Duni, Bo Hjalmarsson has no engagements in companies over which Duni's main owners (before the diversification of ownership in conjunction with the IPO), directors or CEO have a significant influence. Bo Hjalmarsson is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PricewaterhouseCoopers AB for other engagements during 2007 amounted to MSEK 4.3.

Compensation to auditors

MSEK	Group			Parent Company		
	2007 ¹⁾	2006	2005	2007 ¹⁾	2006	2005
Compensation for audit engagement	6.6	4.8	5.7	2.6	1.3	1.3
Compensation for other consulting services	4.3	2.8	10.7	2.1	0.7	2.2

1) Relates to closing accounts for two six-month periods.