

# Corporate governance



# Corporate governance is important for Midsona's well-being

Aiding management in the focus on long-term objectives is among the Board's more important tasks. For Midsona, this means a focus on becoming the Nordic region's leading company in health and well-being.



## **The year 2013 was pervaded by continued uncertainty.**

The recent political and financial crises have adversely affected the overall business environment. The year 2013 was another year that brought considerable uncertainties. In many areas, retail competition remains fierce and some players are suffering from poor profitability. Channel drift from traditional health-food retailers to pharmacies, supermarkets and e-commerce continues. This has been, and continues to be, a major challenge for all producers and importers. Much suggests that there will be further consolidation in the corporate structure in the Nordic market for health and well-being.

## **Turbulent times generate opportunities**

However, turbulent times also often entail new business opportunities opening up. Midsona has in recent years in a controlled manner streamlined its structure and transferred resources to its core business by divesting production units and acquiring three companies with strong brands in selected product areas that we believe will grow with time. It is our ambition to continue prioritising our strongest brands, both our proprietary brands and those of our clients.

## **Effective corporate governance generates value**

Periods including both preparedness for economic fluctuations as well as restructuring impose considerable demands on corporate governance. In addition to the long-term focus, the Board must also maintain a near-term preparedness to support the management in the short-term perspective, enabling Midsona to balance risks and opportunities in the best way. Midsona has a well-functioning and active Board of Directors with extensive experience, especially in the FMCG sector and, together with a highly skilled management team, we have been able to increase the company's well-being.

Midsona has in recent years been able to deliver increasingly strong re-

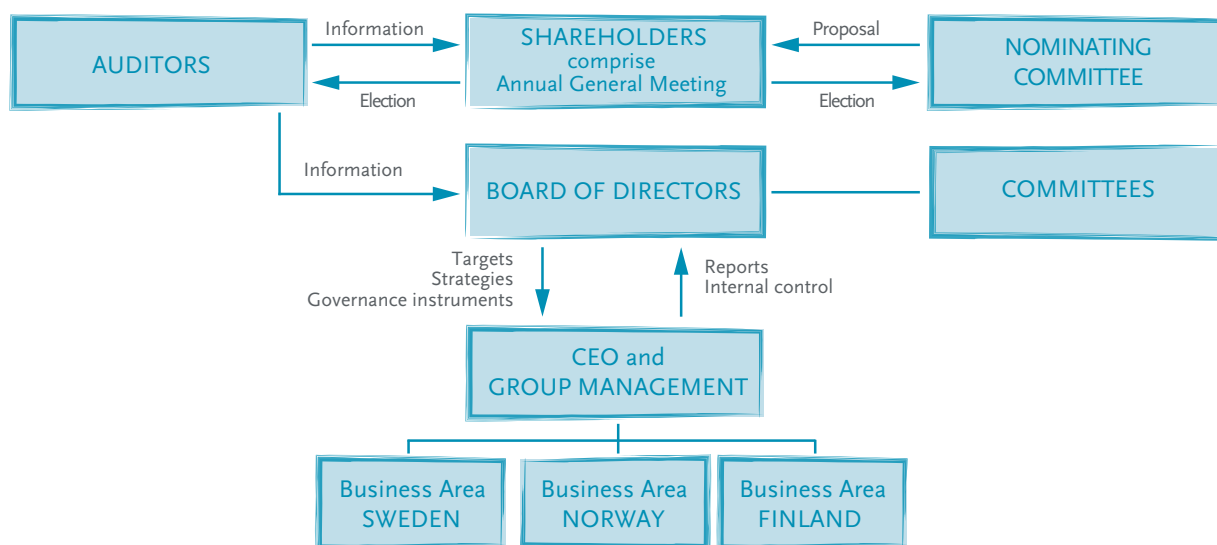
sults and has achieved a better financial position. This year, this enables us to propose to the Annual General Meeting a doubled dividend of SEK 1 per share. Reduced net debt affords us capacity for aggressive action to continue strengthening Midsona's position in the Nordic region. This year we have manifested this by strengthening our financial goals. Consequently, the entire board and I look forward with confidence to what Midsona's management and employees will be able to achieve in the future.

## **New shareholder structure**

During the year, Midelfart Holding sold off most of its shareholding in Midsona AB. The company's positive development has increasingly attracted new investors, which will likely lead to an increased turnover of shares in future. Over the year, management has increased its dissemination of information, primarily to institutional investors, which has led to an increased interest in Midsona's shares.

A handwritten signature in black ink, appearing to read 'Åke Modig'.

Åke Modig,  
Chairman of the Board



Midsona AB is a Swedish public company listed on the NASDAQ OMX Stockholm, Small Cap list. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2013. Midsona has no deviations to report.

#### General

Midsona AB is the Parent Company of the Midsona Group and is headquartered in Malmö, Sweden. The Group has operations in Sweden, Norway and Finland. According to the Articles of Association, the business shall develop and market the health products such as naturopathic medicines, nutritional supplements, personal care products and healthfoods. The full Articles of Association are available at [www.midsona.com](http://www.midsona.com). Midsona's vision is to become the Nordic leader in health and well-being.

#### Share and shareholder conditions

Midsona's class A and B shares have been listed on the Nasdaq OMX Stockholm, Small Cap list since 1999. On 31 December 2013, the share capital amounted to SEK 454,895,815. The total number of shares in the company amounted to 22,744,790, each with a quota value of SEK 20.

As of 31 December 2013, there

were 4,151 (4,332) shareholders. The largest shareholders were Stena Adactum AB, with 23.5 percent of the capital and 25.1 percent of the votes, and Nordea Investment Funds with 9.0 percent of the capital and 7.9 percent of the votes.

For further information see pages 76-77 and [www.midsona.com](http://www.midsona.com).

#### Annual General Meeting

Shareholders' right of determination in Midsona's affairs is exercised through the Group's highest governing body – the Annual General Meeting or Extraordinary General Meeting. Among other items, the Annual General Meeting makes decisions regarding the Articles of Association, the appointment of Board members and auditors, the adoption of the income statement and balance sheet, the discharge from liability of the Board and CEO, the allocation of profit or loss, the appointment of the Nominating Committee and the adoption of guidelines for remunerations to senior executives. The Annual General Meeting appoints the Board following a proposal from the Nominating Committee. The procedure for the announcement of General Meetings is set out in the Articles of Association. The announcement shall be issued by means of an advertisement in Post- och Inrikes Tidningar (Swedish

official gazette). The announcement of a General Meeting shall also be advertised in Swedish national daily Dagens Industri. Annual General Meetings shall be held in Malmö. Information on shareholders' right to request that matters be considered by the meeting is published at [www.midsona.com](http://www.midsona.com). On 15 October 2013, it was announced that the 2014 Annual General Meeting will be held in Malmö on 29 April 2014.

#### Annual General Meeting 2013

The 2013 Annual General Meeting was held on 26 April at the Stock Exchange building in Malmö. At the Meeting, 38 shareholders were present in person or by proxy, representing 60.5 percent of votes. Åke Modig was elected Chairman of the Meeting. The minutes of the Meeting are available at [www.midsona.com](http://www.midsona.com).

Decisions including the following were made by the Meeting:

- To pay a dividend of SEK 0.50 per share for the 2012 financial year.
- To discharge the members of the Board and the CEO from liability.
- To re-elect Board members Tina Andersson, Lennart Bohlin, Ola Erics, Celina Midelfart, Åke Modig, Ralph Mühlrad and Johan Wester.
- The annual fees should be paid to

### Nominating Committee

Name	Representative of	Capital, 31 Aug 2013	Votes, 31 Aug 2013
Martin Svalstedt	Stena Adactum AB	23.5	25.1
Stefan Marchesan	Midelfart Holding AS	23.0	25.4
Peter Wahlberg	Peter Wahlberg and companies	5.3	4.8

the Board in the amounts of SEK 350 thousand to the Chairman, SEK 150 thousand each to the other members, SEK 20 thousand to each member of the Board who is a member of the Audit Committee, except the Chairman of the Board and SEK 20 thousand to each member of the Board who is a member of the Remuneration Committee, except the Chairman of the Remuneration Committee.

- Principles for the appointment of the Nominating Committee.
- Guidelines for remuneration to senior executives.

### Nominating Committee

Midsona's Annual General Meeting makes decisions regarding procedures for the appointment and work of the Nominating Committee. The 2013 Annual General Meeting resolved that the three largest shareholders as of 31 August 2013, should each appoint one representative to the Committee. The representative for the largest proportion of ownership shall be appointed Chairman of the Committee. The purpose of the Nominating Committee is to prepare and present proposals to the Annual General Meeting regarding the Chairman for the Meeting, members of the board, fees to members of the Board, remuneration for committee work, auditors, accountants' fees and how the Nominating Committee shall be appointed. The composition of the Committee was published at [www.midsona.com](http://www.midsona.com) and by press release on 15 October 2013.

### Nomination Committee for the 2014 Annual General Meeting

The Nominating Committee consists of Martin Svalstedt (representing Stena Adactum AB), Stefan Marchesan

(representing Midelfart Holding AS) and Peter Wahlberg (representing Peter Wahlberg and companies). In addition, Chairman of the Board Åke Modig participated in the meetings. As per 31 August, the Nominating Committee represented 55.3 percent of shareholders' votes. Following the publication of the Nominating Committee for 2014, Midelfart Holding AS has divested its holdings of class B shares. Following discussions with Nordea and Handelsbanken Funds, a decision has been made not to make any changes in the composition of the Nominating Committee. Since its formation and up until the announcement of the 2014 Annual General Meeting, the Nominating Committee has held three meetings. The Nominating Committee proposes to the 2014 Annual General Meeting, that Åke Modig be re-elected Chairman, and that Tina Andersson, Lennart Bohlin, Ola Erici, Ralph Mühlrad and Johan Wester be re-elected. Celina Midelfart has declined re-election. The Nominating Committee proposes that Deloitte AB be elected as auditing firm for a period of one year. The Nominating Committee's complete proposals are included in the announcement of the Annual General Meeting. The guidelines for the selection have been that nominees shall possess knowledge and experience relevant to Midsona. The rules regarding members' independence according to the Swedish Code of Corporate Governance have been respected. The account of the annual evaluation of the efforts made by the members of the Board has also been taken into consideration.

### Work of the Board in 2013

The Board also addressed issues related to the acquisition of Supernature AS, financial reporting, strategy, investments, organisation and internal poli-

cies. The business areas have presented their activities, targets and strategies.

### Board of Directors

The Articles of Association of Midsona AB state that the Board shall consist of at least three members and not more than nine and that no deputies shall be appointed. Members of the Board are elected annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules about how long a member may serve on the Board. The Board consists of seven members and all of them were re-elected at the 2013 Annual General Meeting. Åke Modig was elected as Chairman by the Annual General Meeting. The Group's CEO and CFO attend Board meetings. The CFO is also the Board secretary. Other officials participate in Board meetings as needed to report on particular matters. New members of the Board are given an introduction that includes a tour of the subsidiaries and meetings with business area managers and other senior managers.

### Work and responsibilities of the Board

The Board shall manage the Company's affairs in the interests of the company and all of its shareholders by establishing targets, strategies and guidelines, ensuring compliance with laws, regulations and ethical guidelines, ensuring that the organisation and management are effective and monitoring the work of the President, establishing internal control instruments and safeguarding systems for satisfactory internal control. The Board is also responsible for decisions regarding major acquisitions or divestments of operations, as well as decisions on other major investments. The Board has delegated to management the responsibility of ensuring the quality of press releases

and presentations at meetings with the media, shareholders and analysts. For information about the Board's work to safeguard quality in the financial reporting, see the Board's Report on Internal Control on page 73. The Board meets at least six times during the year and more often if necessary.

#### **Formal work plan of the Board of Directors**

Each year, the Board adopts written rules governing its practices and responsibilities, the division of work between the Board and its committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with information and the data it needs for its work.

#### **Composition of the Board in 2013**

Midsona meets the Listing Agreement and the Code of Corporate Governance's requirement that a majority of members of the Board must be independent of the company and its management and that at least two of the members must be independent of the company's largest shareholders. Nine (nine) Board meetings were held in 2013.

#### **Chairman of the Board**

The Chairman organises and manages the work of the Board so that it is conducted in accordance with the Companies Act, other laws and regulations, the Code of Corporate Governance and internal control instruments and monitors the Board's fulfilment of its duties and that the Board's decisions are implemented effectively. The Chairman oversees operations in dialogue with the CEO and is responsible for the members of the Board having sufficient information to be able to complete their work. The Chairman and CEO prepare proposals for the agenda for the Board meetings.

#### **Evaluation of Board members**

The Chairman is responsible for the evaluation of the work of the members of the Board in accordance with an established process and for the Nominating Committee being informed about the outcome of the evaluation.

#### **Committees**

The Board has appointed a Remuneration Committee and an Audit Committee, tasking them with streamlining the Board's work and preparing matters in their respective areas. Committee members are appointed annually at the inaugural Board meeting, at which the

rules of procedure for the committees are also established.

#### **Audit Committee**

The purpose of the Audit Committee is to support the Board with regard to supervising accounting, internal control, financial reporting and the associated auditing of accounts. In 2013, the Audit Committee consisted of Lennart Bohlin (Chairman), Johan Wester and Ralph Mühlrad. The Committee met twice (twice) in 2013. The company's auditor participated in these meetings.

#### **Remuneration Committee**

The Remuneration Committee's principal task is to prepare proposals on remuneration and terms of employment for the CEO and senior executives based on the principles established by the Annual General Meeting. The Committee prepares proposals for compensation agreements that are presented to the Board for decision. In 2013, the Committee consisted of Åke Modig (Chairman), Ola Erici and Celine Midelfart. The members have met twice (once) and held ongoing consultations with one another over the year.

#### **Guidelines for remunerations to the Board, CEO and senior executives**

Board fees and guidelines for remuner-



### Attendance by members of the Board

Name	Board of Directors		Audit Committee		Remuneration Committee	
	Position	Attendance	Position	Attendance	Position	Attendance
Åke Modig	Chairman	9 of 9			Chairman	2 of 2
Tina Andersson	Member	9 of 9				
Lennart Bohlin	Member	9 of 9	Chairman	2 of 2		
Ola Erici	Member	9 of 9			Member	2 of 2
Celina Midelfart	Member	6 of 9			Member	2 of 2
Ralph Mühlrad	Member	9 of 9	Member	2 of 2		
Johan Wester	Member	9 of 9	Member	2 of 2		

### Remuneration to the Board, SEK thousands

Name	Board fees	Fees, Remuneration Committee	Fees Audit Committee	Fees determined by the 2013 Annual General Meeting for 2013/2014	Of which, paid in 2013	Travel and other expenses	Total fees paid in 2013
Åke Modig (Chairman of the Board)	350			350	350	14	364
Tina Andersson	150			150	75		75
Lennart Bohlin	150		20	170	170	17	187
Ola Erici	150	20		170	150	1	151
Celina Midelfart	150	20		170	170	2	172
Ralph Mühlrad	150		20	170	170	23	193
Johan Wester	150		20	170	170	2	172
<b>Total</b>	<b>1,250</b>	<b>40</b>	<b>60</b>	<b>1,350</b>	<b>1,255</b>	<b>59</b>	<b>1,314</b>

ations to senior executives are set by the Annual General Meeting. Senior executives are considered to be the President and other members of the management team. The Annual General Meeting of 26 April 2013 resolved that fees for 2013/2014 should be paid to the Chairman in the amount of SEK 350 thousand and to the other members of the Board who are not employees of the company in the amount of SEK 150 thousand each. In addition, SEK 20 thousand shall be paid to each member of the Board, other than the Chairman, who is a member of a committee as compensation for work in the Remuneration and Audit Committees. Beyond these remunerations, members of the Board are not entitled to any other compensation other than for travel and lodging. The CEO and other senior executives are to be offered competitive remunerations in line with the market.

Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remunerations consist of basic salary and pension, and shall additionally be able to include

variable pay, severance pay and other benefits. Variable pay is based on quantitative and qualitative targets being achieved. Entitlement to variable remuneration may not exceed 50 percent of basic salary for the President and not more than 30 percent of basic salary for other senior executives. Severance pay shall amount to at most six months' salary if notice is given by the company. The Board of Directors shall be entitled to diverge from the guidelines if there are specific reasons in individual cases. Salary and other remuneration terms for the President are prepared by the Remuneration Committee and presented to the Board. Salaries and other remunerations for senior executives reporting to the CEO are determined by the Remuneration Committee in consultation with the CEO. In 2013, the CEO received a basic salary of SEK 2,710 thousand and a defined contribution pension plan equivalent to 25 percent of pensionable salary. For the 2013 financial year, variable remuneration amounting to SEK 894 thousand was paid to the CEO. For further information, please see Note 10 Employees, personnel expenses and

senior executives' remunerations The Board of Directors' proposed guidelines for remunerations to senior executives to be presented for approval by the Annual General Meeting of 29 April 2014 agree to all intents and purposes with the previous year's guidelines.

### CEO and Group Management

The President and CEO is responsible for ongoing management in accordance with the Board's guidelines and instructions. In consultation with the Chairman of the Board, the CEO prepares the information the Board needs to conduct its work, presents matters and proposals for decisions and keeps the Board informed of the company's development. The CEO leads the work of Group management and makes decisions in consultation with other members of the management team. The Group management team consists of the CEO, the CFO and the heads of the business areas. At the end of 2013, the management team consisted of four people. Group management met eight times in 2013.

CEO Peter Åsberg was appointed on 1 December 2007.



### Incentive programmes

There are currently no outstanding incentive programs.

### Evaluation of the CEO

The Board continuously evaluates the CEO's work and expertise.

### Instructions for the CEO

The Board adopts written instructions for the work of the President that, among other things, clarify the CEO's responsibility for day-to-day management, the division of duties between the Board and the CEO, as well cooperation with, and the information to, the Board.

### Regulations regarding employees' share trading

The Board of Directors, management team and other executives registered as insiders may trade in Midsona shares in accordance with applicable legislation and regulations. There are no internal regulations beyond these regulations.

### External auditor

The 2013 Annual General Meeting elected the authorised firm of auditors, KPMG AB, with authorised public accountant Alf Svensson as the auditor responsible, for a period of one year until the end of the 2014 Annual General Meeting. The 2013 Annual General Meeting resolved that the remuneration of the external auditor should be paid in accordance with an approved invoice. Ahead of the 2014 Annual General Meeting, the Nominating Committee has proposed that Deloitte be newly elected for a period of one year.

### Audit

The auditor examines the company's annual accounts, the interim report for the third quarter, the accounting and the administration by the Board of Directors and the CEO. The auditor participates in all Audit Committee meetings and reports periodically during the year to the Audit Committee.

The auditor participates at the Annual General Meeting, outlining there the audit process and presenting the Audit Report. The audit is conducted in accordance with the Companies Act and generally accepted auditing standards.

### Risk management

Information regarding risks, uncertainties and risk management are included in the Directors' Report on pages 24-25 and in Note 31 Financial risk management.

### Additional information

The company's website [www.midsona.com](http://www.midsona.com) includes:

- Overview of Midsona's application of the Code of Corporate Governance
- Articles of Association
- Code of Conduct
- Information from previous Annual General Meetings
- Previous years' Corporate Governance Reports

Information regarding legislation and generally accepted practices in Sweden regarding Corporate Governance can be found at, for example:

- The Swedish Corporate Governance Board ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se))
- Nasdaq OMX Stockholm ([www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com))
- Finansinspektionen – the Swedish Financial Supervisory Authority ([www.fi.se](http://www.fi.se))

### Auditor's statement regarding the Corporate Governance Report

To the shareholders of Midsona AB (publ)  
Corporate identity number 556241-5322

The Board of Directors is responsible for the Corporate Governance Report for 2013 on pages 66-72 and for it being prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on this and our knowledge of the Company and the Group, we believe that we have sufficient basis for our opinions. This means that our statutory review of the corporate governance report has a different focus and is substantially less in scope than the focus and scope of an audit in accordance with International Standards on Auditing

and generally accepted accounting practices in Sweden.

We are of the opinion that a Corporate Governance Report has been prepared and that its statutory content is consistent with the annual and consolidated accounts.

Malmö, 2 April 2014  
KPMG AB

Alf Svensson  
Authorised Public Accountant