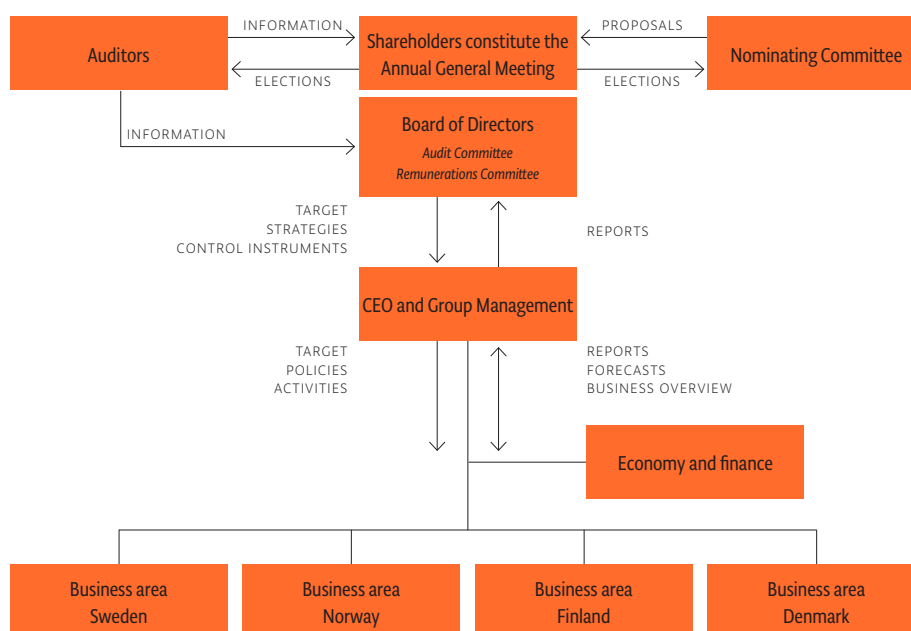


# Corporate Governance Report

MIDSONA AB (publ) (below “Midsona”) is a Swedish public company listed on the Nasdaq Stockholm, Small Cap list. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2015. The report has been prepared by the company’s Board of Directors and the company’s auditor has issued an opinion.



## Framework for corporate governance

Corporate governance is based on law, the Articles of Association, the NASDAQ OMX Rules for Issuers, the Swedish Code of Corporate Governance and internal policies and guidelines. Midsona has no deviations to report from the Swedish Code of Corporate Governance.

## Share and shareholders

For further information on the share and shareholders, please see pages 110-113 and [www.midsona.com](http://www.midsona.com).

## Annual General Meeting

The Annual General Meeting and the Extraordinary General Meeting are, under the Companies Act, the company’s highest decision-making body in which shareholders exercise their voting rights. Shareholders who are registered in the share register on

the record date and notified the company of their participation in time are entitled to attend the meeting and vote for their shareholding. At the meeting, shareholders are also able to ask questions about the Group's operations. Information on shareholders' right to request that matters be considered by the Annual General Meeting is published at [www.midsona.com](http://www.midsona.com).

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) and on [www.midsona.com](http://www.midsona.com). At the same time as the announcement is issued, information concerning the announcement shall be published in *Dagens Industri*. The Annual General Meeting shall be held in Malmö within six months of the end of the financial year. Normally, the Annual General Meeting takes place in April or May.

The Annual General Meeting appoints and dismisses members of the Board of Directors and amends the Articles of Association.

At the Annual General Meeting, shareholders make decisions on matters including the approval of the income statement and balance sheet, the consolidated income statement and balance sheet, the disposition of earnings, the discharge of the Board and CEO from liability, the election of Board members, the Chairman of the Board and audit firm, the approval of fees to the Board and audit firm, principles for the appointment and work of the Nominating Committee, and guidelines for remuneration to the CEO and other senior executives.

Following the meeting, decisions made at the Annual General Meeting are published in a press release. The minutes of the Meeting are published at [www.midsona.com](http://www.midsona.com).

#### **Annual General Meeting 2015**

The 2015 Annual General Meeting was held on 28 April 2015 in Malmö. At the Meeting, 40 shareholders were present in person or by proxy, representing 51.7 percent of the total number of votes. The minutes of the 2015 Annual General Meeting are available at [www.midsona.com](http://www.midsona.com).

#### **Extraordinary General Meeting 2015**

An Extraordinary General Meeting was held on 12 August 2015 in Malmö. At the Meeting, 11 shareholders were present in person or by proxy, representing 38.4 percent of the total number of votes. The minutes of the 2015 Extraordinary General Meeting are available at [www.midsona.com](http://www.midsona.com).

#### **Annual General Meeting 2016**

The 2016 Annual General Meeting will be held on 27 April 2016 in Malmö, as was announced in the interim report for January-September on 23 October 2015 and in a press release on 26 October 2015. The complete announcement of the 2016 Annual General Meeting, including information about registration for participation at the Meeting was published in a press release on 24 March 2016 and is available at [www.midsona.com](http://www.midsona.com).

### **Nominating Committee**

The Nominating Committee represents the company's shareholders and its assignment includes proposing a Chairman for the Annual General Meeting, Board members, Chairman of the Board, audit firm, Board fees, fees to the audit firm and how the Nominating Committee should be appointed. The representative for the largest proportion of ownership shall be appointed Chairman of the Committee.

#### **Nominating Committee for the 2016 Annual General Meeting**

The 2015 Annual General Meeting resolved to task the Chairman of the Board with contacting representatives of the company's three largest shareholders at the end of August 2015 to ask them to appoint one member each to the Committee.

Name/Representing, %	Percentage of votes 31 August 2015	Percentage of votes 31 December 2015
Martin Svalstedt/Stena Adactum AB	25.9	27.4
Elisabeth Jamal Bergström/Handelsbanken Fonder AB RE JPMEL	8.1	8.3
Maria Rengefors/Nordea Investment Funds	7.4	8.0
<b>Total</b>	<b>41.4</b>	<b>43.7</b>

Among other things, the Nomination Committee evaluated the Board's work, skills and composition, as well as the independence of the members in accordance with the Swedish Code of Corporate Governance. The Nominating Committee has also considered other criteria, such as members' different backgrounds, experiences and requirements for diversity. The Chairman of the Board presented the results of the Board's own evaluation to the Nominating Committee.

In preparation for the 2016 Annual General Meeting, the Nominating Committee has held both physical meetings and telephone conferences. Up until the announcement of the 2016 Annual General Meeting, three meetings were held. The convener of the Nominating Committee has been the Chairman of the Board, Åke Modig, who has also attended all of the meetings. The composition of the Committee was published in a press release on 26 October 2015 and at [www.midsona.com](http://www.midsona.com). Shareholders have had the opportunity to submit proposals to the Committee, and these must have been received by 7 March 2016 at the latest. Information on how shareholders can submit proposals to the Committee is provided at [www.midsona.com](http://www.midsona.com).

The Nominating Committee's proposal, and reasoned opinion, is published in connection with the announcement of the 2016 Annual General Meeting at the latest.

Members do not receive any fees or remuneration for their work on the Committee.

## Proposal to the 2016 Annual General Meeting

The Nominating Committee has resolved to propose the following to the 2016 Annual General Meeting:

- Re-election of Board members Ola Erics, Cecilia Marlow, Birgitta Stymne Göransson, Peter Wahlberg and Johan Wester and new election of Kirsten Aegidius.
- New election of Ola Erics as Chairman of the Board.
- Re-election of Deloitte AB as audit firm.
- Unchanged fees to the Board members.

The Nominating Committee's complete proposals are included in the announcement of the Annual General Meeting.

The Nominating Committee considers that the proposed composition of the Board to be adequate to meet the company's long-term needs.

## Board of Directors

According to the Articles of Association, the Board of Directors 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 at 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.

### Composition of the Board in 2015

The following seven Board members were elected by the 2015 Annual General Meeting – Åke Modig (Chairman), Tina Andersson, Ola Erici, Cecilia Marlow, Birgitta Stymne Göransson, Peter Wahlberg and Johan Wester. Board composition complies with the Swedish Code of Corporate Governance with regard to its independence in relation to both the company and its management and major shareholders. For information on the independence of Board members, other assignments and holdings of shares in the company, please see pages 114-115. The CEO and the CFO, who is also the Board’s secretary, both participate in Board meetings. When necessary, other officials participate in Board meetings to report on particular matters.

### Chairman of the Board

The Chairman organises and directs the work of the Board, represents the company on ownership issues and is responsible for evaluating the Board’s work. The Chairman is also responsible for the on-going dialogue with the CEO regarding operations and for the Board’s fulfilment of its duties.

### Work and responsibilities of the Board

The Board of Directors is the highest management body beneath the Annual General Meeting and is responsible for the organisation and management of the company’s affairs. It shall primarily engage in more overarching and long-term issues that are of substantial significance for the Group’s future focus.

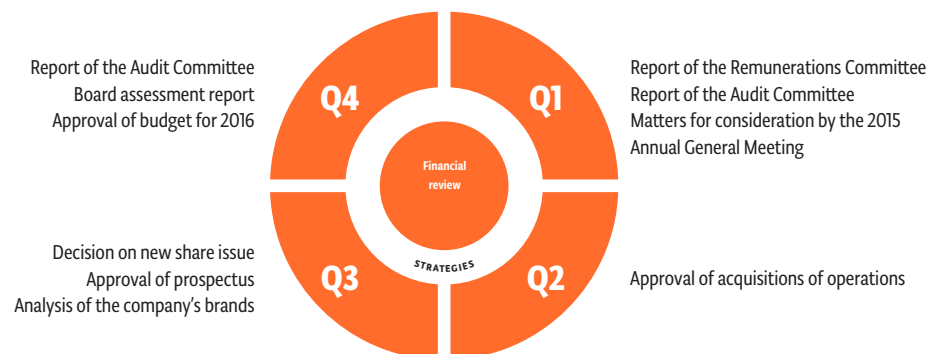
The work of the Board follows written rules governing its practices and responsibilities, the division of work between the Board and its Committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with comprehensive information for its work. The Board has also decided on the introduction of general policies for the operations and other central governance documents for the regulation of responsibilities, guidelines, procedures, values and targets.

The work of the Board is normally cyclical in nature. At the beginning of the year, the year-end and annual reports are addressed, as are the matters to be presented at the Annual General Meeting. Before the summer, the Group’s long-term strategic plan and focus are addressed. At the end of the year, the budget for the coming year is addressed. Each quarter, financial reporting is reviewed and the interim reports are approved for publication. In connection with the Annual General Meeting, an inaugural Board meeting is held, at which Committee members and signatories are determined, among other things.

### Work of the Board in 2015

In 2015, the Board held ten meetings (nine). For information on members’ attendance, please see pages 114–115.

The Board regularly reviews the strategic issues affecting the Group’s operations and general direction. The year’s work focused largely on structural and growth issues, follow-up of prior years’ acquisitions and strategic planning.



Board meetings follow a pre-approved agenda, to which specific issues will be added as necessary. The agenda, together with documentation for each of its items, is distributed to all Board members approximately one week before the meeting. Each Board meeting commences with the minutes of the previous meeting and a review of any open matters. The CEO then provides an account of the Group's sales, earnings and business situation, including important external factors. Normally, the CFO then accounts for the Group's financial position in greater detail, together with any necessary analyses. Members of Group Management then report on outstanding matters from previous meetings or present plans or proposals. All business areas present their operations at Board meetings according to a predetermined plan. In addition to the information provided in connection with Board meetings, the CEO distributes a monthly report to Board members. Minutes are kept for all Board meetings and sent to members for approval.

### **Evaluation of the Board's work**

The Chairman of the Board is responsible for evaluating the Board's work, including the assessment of individual Board members' performance in accordance with an established process. The evaluation is reported to the Nominating Committee and forms the basis for the Committee's proposals regarding the composition of the Board and its fees.

### **Board Committees**

The Board has appointed an Audit Committee and a Remunerations Committee. The members of the committees and their chairpersons are appointed at the inaugural Board meeting for one year at a time. The work of the committees is mainly of a preparatory and advisory nature, although the Board may, in individual cases, delegate the right to determine specific issues to the committees. The matters addressed at committee meetings are minuted and reported to the Board at the next Board meeting.

#### **Audit Committee**

The Audit Committee's main task is to oversee the financial reporting and ensure that the adopted principles for financial reporting, internal controls, internal audit and risk assessment are adhered to and applied. Its mission is to support the Nominating Committee with proposals for the election of audit firm and audit fees.

In 2015, the Audit Committee consisted of Cecilia Marlow (Chairman), Tina Andersson and Johan Wester. The Committee met twice (twice) in 2015. For information on members' attendance, please see page 114. The CEO and the CFO, who is also the Nominating Committee's secretary, and the principal auditor responsible participate in the Committee's meetings.

#### **Remunerations Committee**

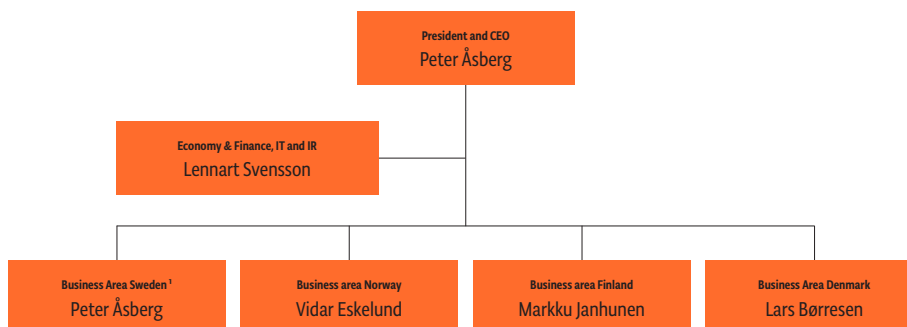
The Remunerations Committee's main task is to prepare business for decision by the Board relating to terms of remuneration and employment for the CEO and other senior executives on the basis of principles established by the Annual General Meeting. It is also tasked with proposing guidelines for remuneration to the CEO and other senior executives, and with monitoring and evaluating the objectives and principles for variable compensation.

In 2015, the Remunerations Committee consisted of Åke Modig (Chairman) and Ola Erici. The Committee met once (once) in 2015. For details of members' attendance, please see page 114.

## CEO and Group Management

The President of the company, who is also the CEO of the Group, is appointed by the Board of Directors. Peter Åsberg is the CEO and is responsible for on-going 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 Group Management. In addition to the CEO, Group Management includes the CFO and the heads of the business areas.

In 2015, the Group Management met seven times (six). Meetings focus primarily on the Group's strategic and operational development and reviewing performance. Operations are organised into four business areas.



<sup>1</sup> Ulrika Palm has been appointed Head of Business Area Sweden. She will start work in this position by 29 March 2016 and will, from that date, be a member of Group Management. She succeeds Peter Åsberg, who, in addition to his role as CEO, has also been the Country Manager for Sweden for a period.

For further information about Group Management, please see page 116–117 and [www.midsona.com](http://www.midsona.com).

### Instructions for the CEO

The Board adopts written instructions for the work of the President that, among other things, clarify responsibilities 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.

### Evaluation of the CEO

The Board continuously evaluates the CEO's work and expertise. Once a year, an assessment is made without his presence.

### Guidelines for remunerations to senior executives

For information on the guidelines for remuneration to senior executives adopted by the 2015 Annual General Meeting and the Board's proposed guidelines for remuneration to senior executives for the 2016 Annual General Meeting, please see page 117 and [www.midsona.com](http://www.midsona.com).

## Regulations regarding share trading

Board members, the CEO and other senior executives registered as insiders may trade in Midsona shares in accordance with applicable legislation and regulations. Beyond these, there are no specific internal regulations.

## External auditor

Deloitte AB, with authorised public accountant Per-Arne Pettersson as the principal auditor responsible, was elected by the 2015 Annual General Meeting for a period of one year. For information on fees and remunerations to audit firms, please see Note 8 Fees and remuneration to auditors on page 74.

### Audit assignment

The audit assignment includes an audit of the annual and consolidated financial statements. An audit is also performed of the proposal for appropriation of the company's profit or loss and the administration by the Board of Directors and the CEO. The audit culminates in an audit report and an opinion on the corporate governance report being issued prior to the Annual General Meeting. In addition, a statutory review is conducted of the interim reports for the periods 1 January to 30 September and for the period 1 January to 31 December within the framework of the audit assignment.

The principal auditor responsible participates in Audit Committee meetings and reports in an on-going manner to the Chairman of the Audit Committee as necessary. The Board meets with the principal auditor responsible in connection with its handling of the year-end report. The principal auditor responsible participates at the Annual General Meeting, outlining there the audit and presenting the Audit Report.

### Additional information

At [www.midsona.com](http://www.midsona.com), information including the following is available – an overview of the company's application of the Swedish Code of Corporate Governance, the Articles of Association, the company's Code of Conduct, information from previous Annual General Meetings and previous 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.bolagsstyrning.se](http://www.bolagsstyrning.se)), Nasdaq Stockholm ([www.nasdaqnordic.com](http://www.nasdaqnordic.com)) and Finansinspektionen ([www.fi.se](http://www.fi.se)).

### Internal control of financial reporting

The report on internal control of financial reporting has been prepared by the Board of Directors in accordance with the Swedish Code of Corporate Governance and the guidelines issued by the Confederation of Swedish Enterprise and FAR. It describes how internal control is organised to manage and minimise the risk of errors in financial reporting.

### Internal control

Within the company, the following targets have been set with regard to internal control.

- It shall ensure compliance with the framework of applicable laws, regulations, rules and standards to which we are subject.
- It shall ensure that financial reporting is reliable and provide shareholders, the Board of Directors, management and other stakeholders adequate information on which to assess performance and development.
- It shall ensure that business operations are appropriately organised and conducted in such a manner that risks are continuously assessed, managed and minimised to meet financial and operational targets. On-going efforts to meet these targets involves a process building on a framework for internal control in which there is a particularly crucial interplay between control activities and the development of an effective control environment whereby responsibilities are assumed within the organisation.

The description of how internal controls are organised is limited to the internal control of financial reporting and follows a framework developed by "The Committee of Sponsoring Organisations of the Treadway Commission" (COSO). The framework consists of five components: control environment, risk assessment, control activities, information and communication, and review.

## Control environment

The control environment forms the basis for the internal control of financial reporting. An important part of the control environment is that decision-making paths, authorisations and responsibilities are clearly defined and communicated between different parts of the organisation and that control documents in the form of policies, manuals, guidelines and instructions are in place.

Consequently, an important part of the Board's work is to develop and approve a number of basic policies, guidelines and frameworks. These include the Board's formal work plan, the instructions to the CEO, regulations regarding investments, a financial policy and an insider policy. The purpose of these documents is to establish a basis for good internal control. The Board also works to ensure that the organisational structure provides clear roles, responsibilities and processes, facilitating effective management of operational risks and enabling the achievement of targets.

As part of the responsibility structure, each month, the Board evaluates business performance and results through an appropriate package of reports containing income statements and balance sheets, analyses of key performance indicators, comments regarding the business situation of each operation and, on a quarterly basis, also forecasts for future periods. As part of efforts to strengthen the internal control, policies, regulations and procedures are in place that provide a clear picture of the economic situation. These are living documents that are updated regularly and adapted to changes in the operations. In addition to this there are instructions that provide guidance in the day-to-day work of the organisation.

## Risk assessment

An on-going process is underway to map the Group's risks. In this process, a number of income statement and balance sheet items are identified where the risk of errors in financial reports is elevated. The company makes continuous efforts to strengthen controls around these risks. Furthermore, risks are addressed in specific forums, for example issues related to acquisitions. For details of items subject to significant estimates and assumptions, please see Note 35 Significant estimates and assumptions on page 97.

## Control activities

The Group's control structure is designed to manage risks that the Board deems relevant in the internal control of financial reporting. The purpose of control activities is to detect, prevent and correct errors and inconsistencies in reporting. Control activities include, for example, processes and procedures for the making of important decisions, earnings analyses and other analytical follow-ups, reconciliations, stock-taking procedures and controls in IT systems.

## Information and communication

The company's governing documents, including policies, guidelines and manuals are continuously updated and communicated through the appropriate channels, such as e-mail, internal meetings and the intranet.

## Follow-up

The Board continuously evaluates the information provided by the Audit Committee, Group Management and the external auditor. The CEO and CFO hold frequent briefings with each of the business area managers regarding the business situation, performance, financial position and forecasts. In addition, the central controller function maintains



close cooperation with finance managers and controllers at the business area and company level with regard to reporting and closing the accounts. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

### Financial reporting

Financial data are reported monthly from all reporting units, in accordance with standardised reporting procedures as documented in the Group's accounting manual. This reporting forms the basis of the Group's consolidated financial reporting. The consolidation, which is performed centrally, culminates in complete income statements and balance sheets for each company and for the Group as a whole. Reported financial data are stored in a central database from which it is retrieved for analysis and review at the Group, business area and company levels.

### Assessment of the need for a special review function

The Group currently has no separate review function (internal audit). In light of the existing process for self-assessment and objective testing by an independent party, the view is taken that there is currently no need for a special review function to perform effective monitoring of internal control.

### System improvements in 2015

The level at which review and evaluation should be performed is assessed continuously. This assessment also takes into account what systems should be implemented or updated and when.

In 2015, a procurement procedure was conducted for a Board portal, Admin Control, for increased security of distribution, access to documents, and communication possibilities. The new system was put into operation in early 2016.

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## Auditor's statement regarding the Corporate Governance Report

*To the Annual General Meeting of Midsona AB (publ), corporate identity number 556241-5322*

The Board of Directors is responsible for the Corporate Governance Report for 2015, included on pages 101-109 of the printed version of this document, and for it being prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards 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, 30 March 2016  
Deloitte AB



Per-Arne Pettersson  
Authorised Public Accountant