

# The Board of Directors' report on internal control

## INTRODUCTION

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been prepared in accordance with the Swedish Code of Corporate Governance and is limited to the internal control of financial reporting.

## WORK IN PROGRESS AND PLANNED INITIATIVES

As part of the continuous efforts to improve the reporting and monitoring of Midsona's operations, the Group's reporting system was upgraded in 2013. In addition, the local financial systems are continuously updated to ensure optimal utilisation.

## DESCRIPTION

### *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, facilitat-

ing 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 its internal control, Midsona has policies, regulations and procedures that provide a clear picture of the economic situation. These are living documents that are updated regularly and adapted to changes in Midsona's business. In addition to this there are instructions that provide guidance in the day-to-day work of the organisation.

### *Risk assessment*

Midsona continuously charts 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 reporting 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.

### *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: e-mail, internal meetings and the intranet.

### *Follow-up*

The Board continuously evaluates the information provided by management, the Audit Committee and the auditors. The CEO and Group Finance perform monthly reviews with the respective operations managers covering the Group's financial position. Group Finance also maintains close cooperation with controllers in the subsidiaries with regard to the closing of accounts and reporting. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

### *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 Board believes there is currently no need for a special review function to perform effective monitoring of internal control.

Board of Directors