

APPOINTMENT AND REMOVAL OF BOARD MEMBERS AND AMENDMENT OF THE ARTICLES OF ASSOCIATION

The company's Board of Directors shall consist of a minimum of four and a maximum of nine members. The members are elected at a General Meeting of Shareholders for the period until the end of the first Annual General Meeting (AGM) held after appointment of the member. The Articles of Association can be amended at the AGM or a General Meeting of Shareholders.

RISKS AND OPPORTUNITIES

Like all business operations, Bong's operations are associated with risks and opportunities. The specific factors judged to have the greatest impact on Bong's operations are presented below.

OPERATING RISKS AND OPPORTUNITIES

MARKET DEVELOPMENT

Historically, the envelope market has followed the general economic trend. In Russia and Eastern Europe, a generally growing economy still drives envelope consumption. In Western Europe, the connection between general economic growth and envelope consumption is no longer as strong as it has been, given IT developments and associated digitisation.

Demand for envelopes for direct mail varies with the economy. With the aid of more sophisticated databases with personal information, a market is being created for highly sophisticated envelopes intended for personally addressed direct mail. Large promotional mailings in envelopes are declining in frequency and scope over time.

Administrative mailings as a whole has already declined with respect to account statements, order confirmations, etc. as part of digitisation and internet penetration. Other parts of transaction-related mailings, such as invoices, still hold their own in the competition with the newer technology.

The strong demand for packaging in both e-commerce and traditional retail creates great opportunities for Bong to create growth in their specialty packaging line (Propac). Packaging customers also present an opportunity for cross-selling of envelopes. Over time, growth in the packaging area is expected to compensate for the decline in envelopes. Bong is closely monitoring developments and is very active in specialty packaging to ensure sustained growth in Propac.

POSTAGE AND CHARGES

Changes in postage and charges can lead to changes in letter and mail volumes. Postage increases have a negative impact on volumes, while postage decreases have a positive impact. Postage is usually based on weight or size. Several large markets are using weight-based postage. A transition from weight to size-based postage could lead to changes in Bong's product mix and cause a shift towards small envelope sizes.

INDUSTRY STRUCTURE AND PRICE COMPETITION

The European envelope market has undergone accelerating consolidation since 2009 as a result of the protracted financial crisis. The three largest envelope companies represent about 60 per cent of the total market. However, some of the major markets are still fairly fragmented. Bong believes that overcapacity in the industry has fallen slightly.

PAPER PRICES

Uncoated fine paper is the single most important input material for Bong. The cost of fine paper is about 50 per cent of the total cost. Under normal conditions, Bong can compensate for price increases, with some time lag.

DEPENDENCE ON INDIVIDUAL SUPPLIERS AND/OR CUSTOMERS

Uncoated fine paper is Bong's most important input material and is mainly purchased from three major suppliers. Delivery disruptions from any of the three suppliers could affect Bong negatively in the short term. In a longer time perspective, Bong does not have any suppliers that are critical to its operations.

The Group's dependence on individual customers is limited. The biggest customer accounts for 4 per cent of annual sales, and the 25 biggest customers account for 33 per cent of total sales.

CAPITAL NEEDS AND INVESTMENTS

All companies in the European envelope industry have roughly the same production equipment. The age of the machinery is of limited importance for production efficiency, but newer machines generally have higher capacity. Machine wear is low, and production control and automation are crucial for cost-effective production. In general, the long life of the machines inhibits scrapping and consolidation of the industry.

On the other hand, the low investment need leads to very good cash-generating capacity. At year-end, the Group's machinery consisted of about 200 envelope machines and 130 overprinting presses. The investment need in existing structure is judged to be limited during the next few years and clearly less than the Group's depreciation costs.

FINANCIAL RISK MANAGEMENT

Information regarding goals and applied principles for financial risk management, use of financial instruments and exposure to currency risks, interest rate risks and liquidity risks is provided in Note 1.

EU COMMISSION INVESTIGATION

In September 2010 the EU commission carried out inspections of several companies in the envelope and paper industry in Europe, including Bong in Sweden. The EC's investigation is currently underway. Against this background, Bong is not able to reasonably assess the outcome of the EC's judicial review.

DISPUTES

Bong has no material pending legal disputes.

ENVIRONMENT

Bong complies with the environmental laws and rules that apply in each country to this type of industrial production. By means of measurements and regular inspections, Bong has ensured that emission limits are not exceeded, for example. There are no indications that the laws in this area will change in such a way that Bong would be affected to any significant extent or that Bong would be unable to comply with these requirements in the future.

SENSITIVITY ANALYSIS

Important factors that affect Bong's earnings and financial position are the volume trend for envelope sales, the price trend for envelopes, paper prices, payroll costs, currency rate changes and interest rate levels. The table below shows how Bong's 2013 earnings would have been affected by a change in a number of business-critical parameters.

Reported effects should be regarded merely as an indication of how profit after financial items would have been affected by an isolated change in the particular parameter.

Parameter	Change	Impact on earnings after financial items, SEK million
Price	+/- 1%	26 +/-
Volume	+/- 1%	13 +/-
Paper prices	+/- 1%	13 +/-
Payroll costs	+/- 1%	7 +/-
Interest level borrowing	+/- 1%-point	7 +/-

CORPORATE GOVERNANCE REPORT

Effective and clear corporate governance helps secure the confidence of Bong's stakeholder groups while also increasing focus on business benefits and shareholder value in the company.

Bong's Board of Directors and management strive, by means of great transparency, to make it easier for the individual shareholder to follow the company's decision pathways and to clarify where in the organisation responsibilities and powers lie.

CORPORATE GOVERNANCE PRINCIPLES

Corporate governance within Bong AB ("Bong") is based on applicable legislation, the regulatory framework for NASDAQ OMX Stockholm and various internal guidelines. The most recent version of the Swedish Code of Corporate Governance ("the Code") was published in February 2010 and covers all listed companies as from 1 February 2010.

Bong applies the Code, and in those cases the company has chosen to disregard the rules of the Code, a reason is given in the appropriate section of the Corporate Governance Report.

Bong is a Swedish public limited liability company whose shares are traded on NASDAQ OMX Stockholm in the Small Cap segment. Bong has around 1,700 shareholders.

Responsibility for management and control of Bong is divided between the shareholders at the General Meeting of Shareholders, the Board of Directors, its elected committees and the President and CEO, according to the Swedish Companies Act, other acts and ordinances, the Code and other applicable rules governing listed companies, the Articles of Association and the Board's internal policy instruments.

The purpose of corporate governance is to define a clear division of responsibilities and roles between owners, Board of Directors, executive management and appointed control bodies.

CORPORATE GOVERNANCE REPORT 2013

OWNER INFLUENCE

Governance of Bong is exercised via the General Meeting of Shareholders, the Board of Directors and the President and CEO. The highest decision-making body in Bong is the General Meeting of Shareholders.

The Annual General Meeting (AGM) elects the company's Board of Directors. The duties of the AGM also include adopting the company's financial statements, deciding how to distribute the earnings, and deciding whether or not to discharge the members of the Board and the President and CEO from liability. The AGM also elects Bong's auditors.

About 28 shareholders, representing 78 per cent of the total number of shares and votes in the company, participated in Bong's Annual General Meeting on 22 May 2013 in Malmö. All Board members and the company's auditors were present or represented at the AGM.

Bong's principal shareholders can be seen under the heading Shareholders, page 11.

BOARD OF DIRECTORS

Bong's Board of Directors decides on the Group's overall strategy and on the acquisition and disposal of business entities and real property.

The work of the Board is regulated, e.g. by the Swedish Companies Act, the Articles of Association and the rules of procedure adopted by the Board for its work. According to the Articles of Association, the Board of Directors shall consist of at least four and at most nine members. Since the 2013 AGM, Bong's Board of Directors has consisted of six AGM-elected members without deputies and two employee members with two deputies. The Chairman of the Board is Stéphane Hamelin. The statutory meeting of the Board of Directors was on 22 May 2013. The other members of the Board are Mikael Ekdahl (vice chairman), Christian W. Jansson, Ulrika Eriksson, Eric Joan and Anders Davidsson, President and CEO.

The Board has appointed from among their number two committees: the Audit Committee and Remuneration Committee.

REMUNERATION OF THE BOARD

The Board of Directors chairman Mikael Ekdahl received a fee of SEK 100,000 (300,000) for his time as Chairman of the Board of Directors and Stéphane Hamelin received SEK 200,000 for his time as Chairman of the Board of Directors since the 2013 Annual General Meeting. Mikael Ekdahl also received remuneration for serving as chairman of the audit committee SEK 100,000 (100,000). No other fee was paid. There is no agreement on pension, severance pay or other benefits.

Information about remuneration of the Board of Directors, as resolved by 2013 AGM, can be found in Note 4.

BOARD MEMBERS ELECTED BY THE AGM

Stéphane Hamelin (b. 1961).

Member since 2010 and Chairman of the Board since 22 May 2013.

Other appointments/positions: Chairman of the Hamelin board since 1989.

Terminated board appointments/partnerships over the past five years: –

Previous positions: Active at Borloo law firm from 1984-1989.

Shareholding in Bong (private and via company): 52 850 282 shares

Mikael Ekdahl (b. 1951)

Member since 2001 and Chairman of the Board. 2003-22 May 2013.

L.L.M., degree in business administration, Lund University.

Other appointments/positions: Attorney and partner in Mannheimer Swartling Advokatbyrå. Chairman of the Board of Marco AB and Absolent AB. Deputy Chairman of Melker Schörling AB.

Terminated board appointments/partnerships over the past five years: EM Holding AB and AarhusKarlskrona AB

Shareholding in Bong (private and via related party): 60,000 shares

Ulrika Eriksson (b. 1969)

Board member since 2008.

Degree in business administration.

Other appointments/positions: Senior Executive Vice President, Apoteket AB. Board member of Bong Packaging Solutions AB.

Terminated board appointments/partnerships over the past five years: –

Previous positions: Various executive positions at Apoteket AB

and Reitan Servicehandel i Sverige AB.

Shareholding in Bong (private and via company): 100,000 shares

Anders Davidsson (b. 1970)

Board member since 2004.

Degree in business administration.

Other appointments/positions: President and CEO of Bong AB. Chairman of the Board of Bong Packaging Solutions AB, board member of Bong Sverige AB, Bong Suomi Oy, Bong UK Ltd and Bong Belgium S.A.

Terminated board appointments/partnerships over the past five years:

Aarhus Karlskrona AB

Shareholding in Bong: 468,377 shares

Christian W. Jansson (b. 1949)

Board member since 2007.

Dr. h.c. (Econ.); degree in business administration.

Other appointments/positions: Chairman of the Board of Apoteket AB, Svensk Handel AB, Enzymatica AB and Vivoline Medical AB, as well as board member of Kappahl AB, Europris AS, BRIS, Confederation of Swedish Enterprise, Kontanten AB and Fata Morgana AB.

Terminated board appointments/partnerships over the past five years: Carmel Pharma AB.

Shareholding in Bong (private and via company): 745,246 shares

Eric Joan (b. 1964).

Board member since 2010.

Graduate of École Polytechnique Universitaire de Lille and Harvard Business School.

Other appointments/positions: CEO of Hamelin.

Terminated board appointments/partnerships over the past five years: –

Shareholding in Bong (private and via company): 0.

EMPLOYEE MEMBERS

Peter Harrysson (b. 1958).

Board member since 1997.

Other appointments/positions: Repairman at Bong Sverige AB.

Terminated board appointments/partnerships over the past five years: –

Shareholding in Bong (private and via company): 0.

Christer Muth (b. 1954).

Board member since February 2009.

Other appointments/positions: Internal sales, customer service, Bong Sverige AB.

Terminated board appointments/partnerships over the past five years: –

Shareholding in Bong (private and via company): 0.

RULES OF PROCEDURE FOR THE BOARD

The Board of Directors has adopted written rules of procedure and issued written instructions concerning the division of responsibilities between the Board and the President and CEO. There are instructions regarding information to be furnished regularly to the Board of Directors. During financial year 2013, the Board of Directors held eleven meetings in addition to the statutory meeting. The President and CEO provided board members with information at all regular meetings about the financial position of the Group and significant events in the company's operations. The Board meets at least four times a year in addition to the statutory meeting. One of the meetings can be held at one of the Group's units and be combined with an in-depth review of this unit.

Key issues that the Board of Directors addressed in 2013 include:

13 February Year-end report and progress report from auditors

8 May Financing

22 May Q1 2013 interim report and statutory board meeting after the 2013 AGM

16 June Financing

12 July Q2 2013 interim report

15 July Financing

20 August Financing

4 September Financing

12 September Visit to subsidiary

20 November Q3 2013 interim report

14 December Budget 2014

INDEPENDENT MEMBERS AND ATTENDANCE AT BOARD MEETINGS

Bong complies with the Stockholm Stock Exchange's listing agreement and the Code with regard to requirements on independent Board members.

COMPOSITION OF THE BOARD OF DIRECTORS AND NUMBER OF FORMAL MEETINGS IN 2013

	Independent of company ¹	Independent of major shareholders ¹	Attendance at Board meetings
Stéphane Hamelin	Yes	No	10
Mikael Ekdahl	Yes	No	11
Ulrika Eriksson	Yes	Yes	11
Anders Davidsson	No	No	11
Christian W Jansson	Yes	Yes	11
Eric Joan	Yes	No	9

¹ The assessment of the independence of the Board members has been made in accordance with NASDAQ OMX Stockholm's Rules for Issuers and criteria of independence.

RESTRICTIONS ON VOTING RIGHTS

The company's articles of association do not contain any limitations in respect of how many votes each shareholder may cast at a General Meeting of Shareholders.

NOMINATION COMMITTEE

The Annual General Meeting appoints a special Nomination Committee whose task is to submit proposals to the AGM in consultation with the principal owners on the composition of the Board of Directors.

The Nomination Committee elected by the 2013 AGM consisted of four members: Mikael Ekdahl (Melker Schörling AB), Chairman, Stéphane Hamelin (Holdham S.A.), Peter Edwall (Ponderus Securities AB) and Erik Sjöström (Skandia). Since Bong's principal shareholders at the time (Melker Schörling AB and Holdham S.A.), represented about 45 per cent of votes, it was only natural that they were represented on the Nomination Committee. Furthermore, said shareholders considered it to be natural that a representative from one of the largest shareholders in terms of votes should serve as Chairman of the Nomination Committee. The Nomination Committee has dealt with the issues that follow from the Code. The Nomination Committee has had two formal meetings with regular contact in between.

Ulf Hedlundh (Svolder AB) and Christian Paulsson (Paulsson Advisory AB) were appointed to the Nomination Committee in conjunction with Melker Schörling ABs divestment of its shares in Bong AB to Paulsson Advisory AB. The Nomination Committee thus consists of Christian Paulsson (Paulsson Advisory AB), Ulf Hedlundh (Svolder AB) and Stéphane Hamelin (Holdham S.A.). Stéphane Hamelin has been appointed Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Board of Directors has appointed a remuneration committee consisting of Mikael Ekdahl, chairman, and Stéphane Hamelin.

The Committee's task is to review and give the Board recommendations regarding the principles for remuneration, including performance-based remuneration to the company's senior executives. Questions concerning the President's terms of employment, remuneration and benefits are prepared by the remuneration committee and decided by the Board of Directors.

The President's salary consists of a fixed portion and a variable portion. The variable component, which is re-examined annually, is dependent on the achievement of goals for the company and the President.

The Remuneration Committee met on three occasions in 2013 at which both members participated.

AUDIT COMMITTEE

The Board of Directors has appointed an audit committee consisting of Mikael Ekdahl, chairman, and Christian W. Jansson. Since Bong's principal shareholders represent about 45 per cent of votes it is only natural that one of them is represented on the committee along with an additional independent board member.

Since other members of the Board cover other activities within the Group, this has been deemed sufficient. The Audit Committee shall oversee that the company's accounts are prepared with full integrity for the protection of the interests of shareholders and other parties. The Audit Committee met three times in 2013 at which both members participated at two meetings.

EXTERNAL AUDITORS

Bong's auditors are elected by the AGM for a term of one year. The 2013 AGM elected accounting firm PricewaterhouseCoopers AB, with authorised auditor Eric Salander as principal auditor, and authorised auditor Christer Olausson as co-auditor, for a one-year mandate period.

The auditors review the Board's and the President's administration of the company and the quality of the company's audit documents. The auditors report the results of their review to the shareholders via the Audit Report, which is presented at the AGM. In addition, the auditors submit detailed accounts to the Board of Directors at least once a year and report to the Audit Committee at each of its meetings.

PRESIDENT AND GROUP MANAGEMENT

The President leads the day-to-day management of the company in accordance with the Board's guidelines and directions. The President is responsible for keeping the Board of Directors informed and ensuring that the Board has all the factual material needed to make informed decisions. The President is a member of the Board of Directors. The President also keeps the Chairman of the Board informed, by continuous dialog, of the development of the Group.

The President and others in the Group Management hold formal meetings once a month as well as a number of informal meetings to go through the results of the previous month and discuss strategy questions.

In 2013, Bong's Group Management consisted of 6 people, including

one woman. The Group consists of the Parent Company Bong AB and a number of subsidiaries, as reported in Note 14.

Reporting by subsidiaries takes place on a monthly basis.

The boards of the subsidiaries mainly consist of members of Bong's corporate management and the Parent Company's board of Directors.

REMUNERATION TO GROUP MANAGEMENT

The 2013 AGM decided that the Group Management's salaries should consist of a fixed basic salary plus variable performance-based remuneration. The variable remuneration can be paid for performance that exceeds what is normally expected of a member of the Group Management after an evaluation has been made of individual performances and the company's reported profit.

The extent to which pre-established goals for the company and the senior executive have been achieved is taken into account when establishing the variable remuneration. The total remuneration for members of the Group Management should be at a competitive level.

INTERNAL CONTROL

The Board of Directors is responsible for ensuring that there is a good system for internal control and risk management.

Responsibility for creating good conditions for working with these matters is delegated to the President. Both Group Management and managers at different levels in the company bear this responsibility in their respective areas. Powers and responsibilities are defined in policies, guidelines and instructions for authorisation rights.

THE BOARD'S STATEMENT REGARDING INTERNAL CONTROL

According to the Code, the Board of Directors shall annually submit a description of the company's system for internal control and risk management regarding financial reporting. This report is prepared in accordance with the Code.

ORGANISATION FOR INTERNAL CONTROL

Internal control regarding financial reporting is a process designed to provide reasonable assurance regarding the reliability of the external and financial reporting and whether the financial statements are prepared in accordance with generally accepted accounting principles, applicable acts and ordinances and other requirements on listed companies. The internal control activities are included in Bong's administrative procedures. Internal control regarding financial reporting in Bong can be described in accordance with the following framework.

CONTROL ENVIRONMENT

Internal control in Bong is based on a control environment that includes values and management culture, follow-up, a clear and transparent organisational structure, division of duties, the duality principle, quality and efficiency of internal communications.

The basis of the internal control regarding financial reporting consists of a control environment with organisation, decision-making channels, powers and responsibilities that have been documented and communicated in governing documents such as internal policies, guidelines and instructions, as well as job descriptions for controlling functions. Examples are rules of procedure for the Board and President, instructions for financial reporting, information policy and authorisation instructions.

CONTROL ACTIVITIES

The control activities include both general and more detailed controls intended to prevent, detect and correct errors and non-conformances.

The control activities are devised and documented at the corporate and departmental level. The internal regulatory framework with policies, guidelines and instructions comprises the most important tool for furnishing information and instructions for the purpose of securing the financial reporting. In addition, a standardised reporting package is used by all subsidiaries in order to ensure consistent application of Bong's principles and coordinated financial reporting.

Bong also has a self-assessment process relating to internal controls.

RISK ASSESSMENT

Bong continuously evaluates the risks surrounding reporting that may arise. Furthermore, the Board of Directors is responsible for ensuring compliance with insider laws and standards for furnishing information. The overall financial risks are defined and taken into consideration in establishing the Group's financial goals.

The Group has an established, but changeable, system for management of business risks that is integrated in the Group's control process for business planning and performance. In addition, seminars are routinely held on business risks and risk assessment within the Group. There are procedures for ensuring that significant risks and control deficiencies are, when necessary, detected by the Group Management and the Board of Directors on a periodic basis.

INFORMATION AND COMMUNICATIONS

In order to ensure effective and correct information, both internally and externally, good communications are required. Within the Group there are guidelines for ensuring that relevant and essential information is communicated within the Group, within each unit and between the management and the Board of Directors. Policies, manuals and work descriptions are available on the company's intranet and/or in printed form. In order to ensure that external information is correct and complete, Bong applies an information policy adopted by the Board of Directors.

FOLLOW-UP

The President is responsible for ensuring that internal control is organised and followed up in accordance with the guidelines established by the Board of Directors. Financial governance and control are exercised by the Group accounting function. The financial reporting is analysed monthly at the detailed level. The Board of Directors has regular access to financial reports, and the company's financial situation is dealt with at every Board meeting. Every quarterly report is gone through by the Board of Directors. The President is responsible for ensuring that independent objective reviews are performed for the purpose of systematically evaluating and proposing improvements in the Group's processes for governance, internal control and risk management. In view of this and how the financial reporting has otherwise been organised, the Board of Directors finds no need for a special internal auditing function.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the earnings available for distribution, SEK 739,522,181, be carried forward.

BOARD'S OPINION CONCERNING PROPOSED DIVIDEND

Bong's current priority is to reduce debt and improve profitability. Therefore, the Board proposes that no dividend be paid for 2013. No dividend was paid for 2012.