

Board of Directors

8 March 2012

Corporate Governance Statement for 2011

The company complies with the Finnish Corporate Governance Code 2010 issued by the Securities Market Association (below Recommendation).

An Extraordinary General Meeting of Shareholders held on 12 September 2011 resolved to establish a Nomination Committee to prepare proposals for the following Annual General Meeting concerning the election of the members of the Board of Directors. Suominen Corporation has not established any committees to prepare matters for consideration by the Board, as the size of the company and the extent of its business are not seen as sufficient to warrant splitting up the Board's work in this way. The Board of Directors discharges the duties of the audit committee.

The Recommendation is available on the Securities Market Association's website at www.cgfinland.fi.

Board of Directors

Composition of the Board of Directors

Suominen Corporation's Annual General Meeting, held on 30 March 2011, elected Mr Heikki Bergholm, Mr Kai Hannus, Ms Suvi Hintsanen, Mr Juhani Lassila, Mr Mikko Maijala and Mr Heikki Mairinoja to the Board of Directors. The composition of the Board of Directors was valid until 20 October 2011. Biographical details of the members are as follows.

Mikko Maijala, b. 1945, Licentiate of Technology, Chairman of the Board

Heikki Mairinoja, b. 1947, M.Sc. (Eng.), B.Sc. (Econ.)

Heikki Bergholm, b. 1956, M.Sc. (Eng.)

Kai Hannus, b. 1945, Licentiate of Technology

Juhani Lassila, b. 1962, M.Sc. (Econ.)
Managing Director of Agros Corporation

Suvi Hintsanen, b. 1967, M.Sc. (Econ.)
Senior Vice President, Head of Business Development, Pohjola Bank plc

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An Extraordinary General Meeting elected Mr Risto Anttonen, Mr Jorma Eloranta, Ms Suvi Hintsanen, Mr Mikko Maijala and Mr Heikki Mairinoja as the new members of the Board of Directors. The elections came into effect on 21 October 2011. Biographical details of the members are follows:

Jorma Eloranta, b. 1951, M.Sc. (Tech.), Chairman of the Board

Mikko Maijala, b. 1945, Licentiate of Technology

Risto Anttonen, b. 1949, B.Sc. (Econ.)

Heikki Mairinoja, b. 1947, M.Sc. (Eng.), B.Sc. (Econ.)

Suvi Hintsanen, b. 1967, M.Sc. (Econ.)

Senior Vice President, Head of Business Development, Pohjola Bank plc

Charter of the Board of Directors

The Board of Directors is responsible for the administration and appropriate organisation of Suominen's operations. The Board is responsible for taking decisions on matters that are likely to have a major impact on the Company's operations; and convenes according to an annual meeting plan. The main duties of the Board include:

- deciding on the Company's corporate structure and organisation
- nominating and dismissing the President and CEO
- deciding on the salaries, bonuses, and other benefits paid to the President and CEO and his immediate subordinates
- deciding on the Company's salary and incentive system
- considering and approving annual accounts, annual reports, financial statement releases, and interim reports
- monitoring and supervising the Group's performance and ensuring the effectiveness of its management
- approving the Company's operating policies (financing policy, insurance and risk management policy, and principles for corporate governance)
- deciding on the acquisition and assignment of fixed assets
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on financial borrowings and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirming the Company's targets.

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Meeting practice

The Board of Directors convenes under the direction of the Chairman or, if the Chairman is unable to attend, the Deputy Chairman. Items of business are generally presented by the President and CEO. Minutes are taken by the CFO.

In 2011, the Board convened 28 times. The average attendance rate at meetings was 93%.

Evaluation of independence

The Board of Directors has evaluated the independence of its members and established that all its members are independent of the company. The members of the Board are independent of significant shareholders, with the exception of Risto Anttonen who has acted as CEO and Deputy CEO of Ahlstrom Corporation in the last three years prior to the commencement of board membership.

Self-evaluation

The Board of Directors reviews its operations and procedures through an annual self-assessment.

Nomination Committee

The Extraordinary General Meeting of Shareholders held on 12 September 2011 resolved to establish a Nomination Committee comprising shareholders or representatives of shareholders to prepare proposals for the following Annual General Meeting concerning the election and remuneration of the members of the Board of Directors.

The tasks of the Nomination Committee are:

- a. to prepare the proposal for the Annual General Meeting concerning the members of the Board of Directors;
- b. to prepare the proposal for the Annual General Meeting concerning the remuneration of the members of the Board of Directors;
- c. to seek successor candidates to the Board of Directors; and
- d. to present the proposals to the Annual General Meeting concerning the members of the Board of Directors and their remuneration.

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On 17 November representatives of three largest shareholders were elected to Nomination Committee. The representatives of three largest shareholders are: Mr Jan Lång, President & CEO, Ahlstrom Corporation, Mr Timo Ritakallio, Deputy to CEO, Ilmarinen Mutual Pension Insurance Company; and Mr Risto Murto, Deputy to CEO, Varma Mutual Pension Insurance Company. Mr Jorma Eloranta, Chairman of Suominen Corporation's Board of Directors, serves as the Nomination Committee's expert member

Board committees

In view of the number of members of the Board and its meeting schedule, it has not been considered appropriate to divide the Board's operations between separate audit, nomination, and compensation committees. The Board of Directors discharges the duties of audit committee (Recommendation, Section 27).

President and CEO

The President and CEO of Suominen Corporation is appointed by the Board of Directors, and is responsible for day-to-day operations in accordance with the Companies Act and guidelines and instructions provided by the Board of Directors. The President and CEO is responsible for ensuring that the company accounting practices comply with the law and that the financial matters are handled in a reliable manner. The President and CEO acts as the chairman of the Corporate Executive Team and as the direct superior of the Team's members.

Mr Petri Rolig, b. 1963, M.Sc. (Eng.), has had the position of the President and CEO until 30 November 2011 and as of 1 December 2011 Ms Nina Kopola, b. 1960, M.Sc. (Chemical Eng.), Technology Licentiate.

A written contract has been made with both with the former and the new President and CEO, under which President and CEO shall have a six-month period of notice. Should the Company terminate the President and CEO's contract of employment, an additional compensation corresponding to 12 months' salary shall also be paid.

The Board of Directors determines the salary, bonuses, and other benefits paid to the President and CEO. The company pays the President and CEO a performance bonus on the basis of targets agreed annually, as decided by the Board of Directors. The bonus is equivalent to a maximum of six months' salary. In 2011, the former President and CEO's salary and other remuneration and benefits totalled EUR 254 thousand and the new President and CEO's salary and other remuneration and benefits totalled EUR 54 thousand.

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The retirement age of the President and CEO is in compliance with the Finnish Employment Pension Scheme (TyEL). In February 2012 the Board of Directors of Suominen approved a complementary pension arrangement granting benefits for old-age-, disability- and survivors' pension to the President and CEO at the age 63. The complementary pension is a defined-contribution pension scheme and the annual amount be paid for the pension is 11.5% of the President and CEO's salary for the year in question.

Mr Petri Rolig holds 100,000 Suominen Corporation shares. A total of 250,000 options have been granted for him as follows:

Option right	Date issued	Subscription price, €/share	Amount, pcs	Subscription period
2009A	16 June 2009	0.95	150,000	2 May 2011– 30 October 2012
	2 December			2 May 2012–
2009B	2010	0.96	100,000	30 October 2013

Description of the main features of the internal control and risk management systems in relation to the financial reporting process

Control environment

Control is imbedded in the organisation of Suominen and takes place as various check-ups in processes and as encompassing reporting helping to monitor and manage the business.

There is no separate control or internal audit organisation. Suominen's control environment is based on given instructions, business culture and way of conduct which managers and employees adopt. Suominen has established its Values, or Guiding Principles, which enforce an active and ethical way to work with various stakeholders and within the Group. In cascading the working principles in the organisation, honesty, transparency and working in teams are integral parts in establishing high moral behaviour throughout the company.

The foundation of the internal control process relating to the financial reporting is built up around the Group's policies approved by the Board of Directors and other directives and instructions. The responsibility structure of the Group's is based on authority inherent in the positions and work descriptions, segregation of duties and the two-eyes and one-over principles. Effective internal control requires that duties are properly segregated to different employees and potential conflicts of interests are identified and eliminated. Satisfactory con-

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control environment is ensured through internal analyses and evaluations of key processes and revisions made by external auditors.

The Group Finance supports the Business Units in analysing their performance and in the decision-making concerning various business choices. Business Controllers at unit level have the task to make sure that the control procedures are in pace at various units. IT's role is to keep in check the security procedures throughout the Group companies.

In connection of acquisition of Home and Personal business the adequacy of the control environment of business was established as part of the acquisition. As the acquired business was part of legal entities consisting of several businesses, the continuity of control procedures was secured by service agreements between the seller and buyer to be in place until the new entities have their own procedures in place.

Risk assessment

Risk management is considered an integral part of running the business, and identification and assessment of risk is an essential element of internal control. The aim is to give attention to the material risks that are significant from the business perspective. Risk is divided into business risks caused by changes in the business environment and operational risks, which may be a result of shortcomings in the way that the organisation manages its processes.

Operational risks are considered to have a potential material value in transactions with external parties. However, Group instructions, process check-ups, segregation of tasks and standards set up by total quality operating systems help to establish a prudent environment, in which exposure to material risks can be mitigated.

Risks relating to financial reporting are evaluated and monitored by the Board to make sure that the financial reporting of the corporation is reliable, supports decision making and serves the needs of external stakeholders. Valuation of assets and liabilities according to various evaluation assumptions and criteria may constitute a risk.

There are estimates and assumptions that involve a significant risk of causing material changes in the carrying amounts of assets and liabilities, and these estimates and assumptions are continually evaluated and benchmarked against other similar entities. Complex and/or changing business circumstances may present a challenge when assessing the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular check-ups are made, e.g. by comparing material flows, values, and quantity and quality data with the information given in the accounts. The risk of er-

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rors caused by irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

Control activities

The control activities include general as well as detailed controls, which aim at preventing, revealing and correcting errors and deviations. In addition to the Group level instructions, control activities are also conducted at unit and plant levels.

Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Suominen divides control activities into following three categories. Documented instructions help the organisation to standardise the monitoring of tasks. Continuous and regular reporting conveying feedback on performance of Group functions and entities makes sure that instructions and defined processes are followed. In processes considered as critical specific authorisations are needed in the work-flow either for security or verification needs.

Control activities range from a review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting. Whether separate evaluations are needed, and their scope and frequency, will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. It is the responsibility of Business Controllers to ensure that control activities in the financial processes are appropriate and in accordance with the Group's policies and instructions. Control activities based on Information Technology security procedures are a vital part of IT-system features.

The detailed control procedures included the Due Diligence audit in connection with Home and Personal business acquisition together with the specific audit of property transfers to legal entities in different countries. The valuation of property received was established in this context. A comprehensive Due Diligence of the company related to the share issue in 2011 was also carried out by lawyers ensuring the facts in the share listing prospectus. Group finance audited Russia operations during spring 2011. External auditors reviewed among others goodwill impairment tests and valuation of other assets, business restructurings, adequacy of financing, checks on receivables, stock and deferred taxes and evaluation of the book keeping system in Finland.

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Information and communication

The Group Accounting manual, Policies approved by the Board and other directives and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected employees and are also available in the intranet systems of Group companies. In addition, a standard reporting package is used by the units. The Group management and the business unit management conduct monthly reviews that include analysis of performance metrics and indicators assisting the management to better understand the underlying business performance.

Follow-up Ongoing responsibility for follow-up rests with the business units' management groups and controller functions. In addition, separate internal control reviews on key financial processes are conducted with external auditors on a rolling basis. In 2010, the separate reviews by auditors included defining and reviewing the content of IFRS, share issue prospectus checking, material flow reporting, reviewing the value of inventories and other assets, system checking in payroll accounting, and going through financing risks.

Regular inspections by quality auditors or customer audit personnel cover also the internal controls of delivery chain processes.

The Group's Finance function carries out a self-assessment on the arrangement of monitoring in Group units, on the basis of which the Board of Directors has been given a report on the general level of monitoring. The Finance function also arranges an overall self-assessment methodology forming the basis for a yearly report to the Board, and carries out case-by-case controls of unit functions or processes. Accordingly, a project was launched in the autumn to define and review the inventory and working capital management processes of the units. In one unit, a validation of processes related to business control was carried out by an external expert. The Finance function also monitors the accuracy of external and internal financial reporting.