

Board of Directors

30 January 2015

## Corporate Governance Statement of Suominen Corporation for 2014

Suominen Corporation ("Suominen") complies with the Finnish Corporate Governance Code 2010 issued by the Securities Market Association (below "Code"). The Corporate Governance Statement, required by the Code; Securities Market Act, Chapter 7, Section 7; and Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security and in accordance with the Code, Recommendation 54, is published as separate statement in connection with the Report by the Board of Directors. The statement can also be viewed on the website of Suominen, at [www.suominen.fi](http://www.suominen.fi).

The Audit Committee and the Board of Directors of Suominen Corporation have reviewed the statement. The statement will not be updated during the financial year, but up-to-date information on its various topics is available on Suominen's website.

The Finnish Corporate Governance Code 2010 for listed companies is available at the website of the Securities Market Association, [www.cgfinland.fi](http://www.cgfinland.fi).

### **Suominen Group**

Responsibility for Suominen Group's business operations belongs to the constitutional bodies required by the Limited Liability Companies Act: the General Meeting of Shareholders, which elects the members of the Board of Directors; and the President and CEO, who is appointed by the Board of Directors.

The Group's supreme decision-making body is the General Meeting of Shareholders where shareholders exercise their decision-making power. The Board of Directors is responsible for the company's management and its appropriate organization. As the Group's parent company, Suominen Corporation is responsible for the Group's management, accounting and financing, product development and management of intellectual property, human resources, ICT, as well as communications and investor relations.

Until 31 March 2014, Suominen Group had two reporting segments: Wiping and Flexibles. However, due to the divestment of Flexibles business area on 14 July 2014, Suominen did not report any segments as from the interim report for January-June 2014.

### **Nomination Board of Suominen Corporation**

The Annual General Meeting of Suominen Corporation, held on 26 March 2013, resolved to establish a permanent Shareholders' Nomination Board according to the proposal by the Board of Directors. The task of the Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of the members of the Board of Directors and a proposal on the members of the Board of Directors. In addition, the task of the Nomination Board is to seek candidates as potential board members.

The Nomination Board shall consist of four (4) members, three of which shall be appointed by the company's three largest shareholders, who shall appoint one member each. The Chair of the company's Board of Directors shall serve as the fourth member.

The Nomination Board is established to exist and serve until the General Meeting of the company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them. The members of the Nomination Board shall be independent of the company and a person belonging to the company's operative management cannot be a member of the Nomination Board.

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The representatives notified by the company's three largest shareholders form Suominen Corporation's permanent Nomination Board. The shareholders entitled to appoint members to the Nomination Board were determined on the basis of the registered holdings in the company's shareholders' register on 1 September 2013 and on 1 September 2014.

From 4 September 2013 to 1 September 2014, the representatives of the Nomination Board were Jan Lång, President & CEO of Ahlstrom Corporation; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; and Risto Murto, CEO of Varma Mutual Pension Insurance Company. Jorma Eloranta, Chair of Suominen's Board of Directors, served as the fourth member of the Nomination Board. The Nomination Board appointed from among its members Jan Lång to act as the Chairman.

On 2 September 2014, Marco Levi, President & CEO of Ahlstrom Corporation; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; and Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension Insurance Company were appointed representatives to the Nomination Board. Jorma Eloranta, Chair of Suominen's Board of Directors, serves as the fourth member of the Nomination Board. The Nomination Board elected Marco Levi as Chairman.

Due to the changes in the shareholdings, Marco Levi resigned from the Nomination Board on 13 October 2014. Mr Thomas Ahlström was nominated to represent AC Invest Two B.V. in the Nomination Board. Further, the Nomination Board elected him as the Chairman of the Nomination Board.

In 2014, the Nomination Board convened 5 times. The attendance rate at meetings was 100%.

## **Board of Directors**

Composition of the Board of Directors in 2014

Until the Annual General meeting of 2014, Mr. Jorma Eloranta (Chair), Mr. Risto Anttonen (Deputy Chair), Ms. Suvi Hintsanen, Mr. Hannu Kasurinen and Mr. Heikki Mairinoja formed the Board of Directors of Suominen 2014.

The Annual General meeting held on 26 March 2014 re-elected Mr. Risto Anttonen, Mr. Jorma Eloranta, Ms. Suvi Hintsanen and Mr. Hannu Kasurinen as the members of the Board of Directors. Additionally, Ms Jaana Tuominen was elected as a new member. The period of service of the Board of Directors ends at the close of the Annual General Meeting 2015.

Biographical details of the members are as follows.

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

Risto Anttonen, b. 1949, B. Sc. (Econ.), Deputy Chair of the Board

Suvi Hintsanen, b. 1967, M. Sc. (Econ.), Head of Cash Management and Trade Finance, Pohjola Bank plc

Hannu Kasurinen, b. 1963, M. Sc. (Econ.), CFO, Renewable Packaging Division, Stora Enso Oyj

Jaana Tuominen, b. 1960, M. Sc. (Chem. Eng.), CEO, Paulig Group (member of the Board of Directors as of 26 March 2014)

Heikki Mairinoja, b. 1947, M. Sc. (Eng.), B. Sc. (Econ.) (member of the Board of Directors until 26 March 2014)

Tasks and responsibilities of the Board of Directors

The Board of Directors is responsible for the administration and appropriate organization of Suominen's operations. The Board is responsible for taking decisions on matters that are likely to have a major impact on

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the Company's operations. The Board convenes according to an annual meeting plan. The main duties of the Board include:

- deciding on the Company's corporate structure and organization
- nominating and dismissing the President & CEO
- deciding on the salaries, bonuses, and other benefits paid to the President & CEO and his/her immediate subordinates
- deciding on the Company's salary and incentive system
- considering and approving annual accounts, reports by the Board of Directors, 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 confirm the company's targets.

The Board of Directors is elected by the General Meeting of Shareholders. It consist of at least three and at most seven members.

#### Meeting practice

The Board of Directors convenes under the direction of the Chair or, if the Chair is unable to attend, the Deputy Chair. Principally, the matters are presented by the President & CEO.

In 2014, the Board of Directors convened 21 times, of which seven times per capsulam. The average attendance rate at meetings was 99%.

#### Evaluation of independence

The Board of Directors has evaluated the independence of its members. All members are independent of the company and its significant shareholders.

#### Self-evaluation

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

### **Board committees**

#### Audit Committee

The main tasks of the Audit Committee relate to ensuring the company's good governance, accounting and financial reporting, internal control systems and monitoring of third-party auditing. The Audit Committee will prepare for the Board matters that fall under its areas of responsibilities, but it does not have independent decision-making powers unless the Board resolves otherwise on certain matters.

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The Chair and members of the committee are elected annually at the Board's constitutive meeting. At least three members will be elected to the committee. The members of the Audit Committee must be independent of the company, and at least one member must be independent of the company's significant shareholders.

From 1 January 2014 until 26 March 2014, until the constitutive meeting of the Board, the Audit Committee consisted of Hannu Kasurinen as Chair and Suvi Hintsanen and Heikki Mairinoja as members. In its constitutive meeting on 26 March 2014, the Board of Directors elected Hannu Kasurinen as Chair and Suvi Hintsanen and Jaana Tuominen as members of the Audit Committee.

In 2014, the Audit Committee convened four times. The attendance rate at meetings was 100%.

Personnel and Remuneration Committee (formerly Remuneration Committee)

The Board of Directors decided on 26 March 2014 to alter the Remuneration Committee of Suominen Corporation's Board of Directors to Personnel and Remuneration Committee.

The Personnel and Remuneration Committee will prepare the remuneration and appointment matters concerning the company's President & CEO and other members of senior management, as well as principles and procedures related to remuneration of the company's employees. The Committee will prepare for the Board matters that fall under its areas of responsibilities, but it does not have independent decision-making powers unless the Board resolves otherwise on individual matters.

The Chair and members of the committee will be elected annually at the Board's constitutive meeting. The minimum number of committee members is two, which deviates from recommendation 22 of the Finnish Corporate Governance Code, which states that Board committees must have at least three members. Suominen Corporation's Board of Directors states that, taking into consideration the number of members of the Board and the scope and nature of the company's business operations, the Personnel and Remuneration Committee is able to effectively handle the matters assigned to it with only two members. The majority of the members of the Personnel and Remuneration Committee must be independent of the company. The President & CEO or a member of the company's or Group's management may not be a member of the Personnel and Remuneration Committee.

From 1 January 2014 until 26 March 2014, until the constitutive meeting of the Board of Directors held on 26 March 2014, the members of the Personnel and Remuneration Committee were Jorma Eloranta (Chair) and Risto Anttonen. In its constitutive meeting held on 26 March 2014, the Board of Directors elected Jorma Eloranta as the Chair of the Personnel and Remuneration Committee and Risto Anttonen as the member.

In 2014, the Personnel and Remuneration Committee convened three times. The attendance rate at meetings was 100%.

### **President & CEO and the Corporate Executive Team**

The President & CEO of Suominen Corporation is appointed by the Board of Directors. The President & CEO 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 & CEO is responsible for ensuring that the company's accounting practices comply with the law and that its assets are reliably managed. The President & CEO acts as the Chair of the Corporate Executive Team and as the direct superior of the Team's members.

Mrs Nina Kopola, b. 1960, M.Sc. (Chemical Eng.), Technology Licentiate acts as the President & CEO of Suominen Corporation.

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The President & CEO is supported by the Corporate Executive Team and Corporate Leadership Team. The Corporate Executive Team comprised in 2014, in addition to the President & CEO who acts as its Chairman, the Senior Vice Presidents of the business areas (Senior Vice President, Flexibles business area until the closing of its divestment, 14 July 2014), Senior Vice Presidents of Operations, the CFO; and the Senior Vice President, Human Resource

The Corporate Leadership Team comprises, in addition to the members of the Corporate Executive Team, Vice President of R&D, Vice President of Investments & Technology, CIO; Vice President, Marketing & Product Management; Vice President, Sourcing; and Vice President, Corporate Communications & IR.

### **Insider management**

Suominen Group observes the guidelines for insiders issued by the NASDAQ OMX Helsinki Ltd on 1 July 2013 and the company's own insider guidelines approved by the Board of Directors.

The members of the Board of Directors, the President and CEO and the Principal Auditor are included in the company's public insider register. The public register is available at Suominen's website via the online service provided by Euroclear Finland Ltd.

The company also maintains a company-specific register of non-public insiders. Permanent insiders listed here include the members of the Corporate Executive Team and certain other employees of the company, who by virtue of their position or responsibilities regularly receive insider information. A project-specific insider register is maintained to cover persons that are involved with the planning and preparation of significant projects dealing with insider information. The Senior Vice President, CFO is responsible for Suominen's insider management.

Insiders are not allowed to trade in securities issued by the company for a period beginning at the end of a financial period or a financial year and ending with the publication of the interim report or financial statement release for the period or financial year in question (closed window). Insiders must consult the person responsible for insider issues for advice on the legal and procedural implications of any trading in securities that they might plan.

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

### **Control environment**

Control operations are embedded in the organization of Suominen. Controlling is executed in connection with steering of business processes and in wide-ranging reporting processes.

Suominen has no separate organization for internal audit. The company purchases internal audit services from an external partner. Suominen's control environment is based on given instructions, business culture and on the way of working adopted by company's managers and employees. Suominen has established its values or principles, which encourage everyone at Suominen to an active and ethical way of working both with various stakeholders and within the Group. In cascading the working principles in the organization, honesty, transparency and working in teams are integral parts in establishing high moral behavior 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 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 allocated to employees and potential conflicts of interests are identified and eliminated. Satisfactory control environment is ensured through internal analyses and evaluations of key processes as well as through revisions made by external auditors.

The Group Finance supports the business units in analyzing their performance and in the decision-making concerning various business choices. Business Controllers at unit level have the task to ensure that the control procedures are in place at various units. ICT function's role is to maintain the security checks of ICT systems throughout the Group companies.

### **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 focus on the material risks that are significant from the business perspective. Risks are categorized 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 organization manages its processes.

Operational risks are considered to have a potential material value in transactions with external parties. However, Group instructions, process check-ups, allocation 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, aiming to ensure 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.

Estimates and assumptions involving a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously 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

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material flows, values, and quantity and quality data with the information given in the accounts. The risk of errors 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 organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on performance of Group functions and entities ensures that instructions and defined processes are followed. In critical processes, specific authorizations are needed in the work-flow, either for security or verification needs.

In practice, control activities are conducted in management group meetings, where results of the activities are reviewed. More focused control is exercised when specific reconciliation of accounts or analyses of the processes for financial reporting are conducted. The need for separate evaluations, as well as their scope and frequency, will be defined by assessing 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. Information security and related control activities play a key role when the features of ICT systems are being defined and applied.

**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. The results of the reviews are reported to employees involved.

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

The Group's Finance function monitors the operations and processes of the group units and the accuracy of external and internal financial reporting.