



Olvi plc
Corporate Governance Statement 2014

Olvi plc
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Corporate Governance Statement 2014

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Corporate Governance Statement 2014

Olvi plc (hereafter the company) complies with the Corporate Governance Code for listed companies published by the Finnish Securities Market Association that entered into force on 1 October 2010. This statement was prepared in accordance with Recommendation 54 of the Code.

The company's Board of Directors has processed this statement, and it was prepared as a statement separate from the Board of Directors' report. The statement is not updated during the accounting period, but up-to-date information on the subject areas included in it is presented on the company's Web site at www.olvi.fi.

The Corporate Governance Code is publicly available on the Web site of the Securities Market Association at www.cgfinland.fi.

1. Description of the composition and operations of the Board of Directors

Composition

The Board of Directors includes at least four (4) and at most six (6) members elected by the General Meeting of Shareholders. Their term of office lasts until the closing of the General Meeting following their election. In 2014, the Board of Directors was composed of five (5) members.

The names of the candidates for Board members and their personal details are published on the company's Web site together with the notice to convene the General Meeting.

The Board of Directors annually assesses the independence of its members and reports which Board members it determines to be independent of the company and its significant shareholders.

In 2014, the members of the company's Board of Directors were:

Heikki Hortling, b. 1951

Master of Science (Economics)
Chairman of the Board since 1998
Vice Chairman of Olvi plc's Board of Directors 1987–1997

Esa Lager, b. 1959

Master of Laws
Master of Science (Economics)
Chief Financial Officer of Outokumpu Oyj
Vice Chairman of Olvi plc's Board of Directors
Member of Olvi plc's Board of Directors since 2002
Chairman of Olvi plc's Board of Directors 14 April 2004 to 2 September 2004

Heikki Sinnemaa, b. 1949

Master of Laws trained on the bench
Member of Olvi plc's Board of Directors since 2004

Tarja Pääkkönen, b. 1962

Doctor of Technology (Business strategy),
Master of Science in Engineering (Construction)
Studies in international marketing
Boardman Oy, partner and the Chair of the Brand Compass management group since 2010
Member of Olvi plc's Board of Directors since 2010

Jaakko Autere, b. 1963

Master of Science (Economics)
Member of Olvi plc's Board of Directors since 2011

The remuneration of Board members and key memberships in other companies are presented on the company's Web site.

Kati Kokkonen, Business Controller of Olvi plc, acted as the secretary of the Board.

Members of the Board independent of the company

Among the members of the Board, Esa Lager, Tarja Pääkkönen, Jaakko Autere and Heikki Sinnemaa are independent of the company.

Independence of Board members of significant shareholders

Among the members of the Board, Esa Lager, Tarja Pääkkönen and Jaakko Autere are independent of significant shareholders.

Description of the operations of the Board of Directors

The operations of the Board of Directors comply with valid legislation, guidelines issued by the stock exchange, other guidelines of the authorities and the company's Articles of Association.

The Board shall see to the administration of the Group and the appropriate organisation of its operations. It also decides on matters on which the Articles of Association, an act of law or another regulation require a decision by the Board. The Board has general competence in all matters, except in those in which the law or the Articles of Association impose competence on another organ of the company. The Board decides upon convening the General Meeting and prepares the agenda.

The Board is also responsible for the execution of the decisions of the General Meeting. The Board shall act in the best interests of the company in all situations.

It is the duty of the Board of Directors to direct the operations of the company so that they generate the highest possible added value on invested capital in the long term, taking the expectations of the different stakeholders into account.

The Board of Directors evaluates its operations annually through internal self-assessment, where, for example, the Board's operating methods and the implementation of its rules of procedure are evaluated.

Key duties related to business operations:

- ✓ confirming the company's values and operating methods and monitoring their implementation
- ✓ authorising the company's basic strategy and continuously monitoring its implementation
- ✓ determining the company's dividend policy and making a proposal to the General Meeting on the amount of dividends to be paid
- ✓ discussing and adopting the interim reports and financial statements
- ✓ monitoring the development of the company's business operations on the basis of monthly reports and other material provided by the company's management
- ✓ authorising the annual budget and the total amount of investments on the basis of the strategy and monitoring their implementation
- ✓ separately deciding upon all major and strategically significant investments as well as corporate acquisitions and divestments
- ✓ deciding upon all major financing arrangements.

Key duties related to the administration and operations of the company:

- ✓ confirming rules of procedure for itself, which shall be revised annually
- ✓ evaluating its own operations internally once a year
- ✓ appointing and dismissing the Managing Director and deciding on his or her terms of employment and remuneration system. Setting personal objectives for the Managing Director annually and evaluating their implementation
- ✓ appointing and dismissing the deputy to the Managing Director
- ✓ electing the Management Group of the parent company and members of the Boards of Directors of the subsidiaries and deciding on their employment

- ✓ electing the members of the Group's Management Group and deciding on their employment
- ✓ deciding on the company's organisational structure and any major changes thereto
- ✓ authorising the guidelines for fees and other benefits paid to employees as well as the incentive systems
- ✓ being responsible for ensuring that the company's accounts, financial monitoring systems, internal audit and risk management have been organised in accordance with the company's administrative principles
- ✓ deciding on the right to legally represent the company
- ✓ ensuring the existence of central principles and policies concerning good governance
- ✓ attending to the duties belonging to an audit committee.

The number of meetings during the previous accounting period was fifteen (15), of which six (6) were telephone meetings.

Participation of members in meetings in 2014:

| | | |
|---|-----------------|--------|
| ✓ | Heikki Hortling | 93.3% |
| ✓ | Esa Lager | 100.0% |
| ✓ | Heikki Sinnemaa | 100.0% |
| ✓ | Tarja Pääkkönen | 100.0% |
| ✓ | Jaakko Autere | 93.3% |

2. Information on the Managing Director and his duties

Lasse Aho (b. 1958), Master of Social Sciences, has been the company's Managing Director since 2004.

The Managing Director shall conduct the executive management of the company in accordance with the instructions and orders given by the Board of Directors. The Managing Director may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorised by the Board of Directors or if it is not possible to wait for a decision by the Board of Directors without causing material disadvantage to the operations of the company.

In the latter case, the Board of Directors shall be informed of the measures as soon as possible. The Managing Director shall supervise the compliance of the company's accounts with the law and ensure that its financial affairs have been arranged in a reliable manner.

The Managing Director shall provide the Board of Directors and its members with information that is necessary for dealing with the duties of the Board of Directors.

The Managing Director acts as the presenting official at Board meetings. If he or she wishes, he or she may invite other persons included in company management to Board meetings to present matters falling within their area of responsibility.

The Managing Director is assisted by the Management Group, which during 2014 included **Ilkka Auvola**, Sales Director; **Olli Heikkilä**, Marketing Director; **Pia Hortling**, Product Development and Purchasing Director; **Tuija Karppanen**, Group CFO; **Lauri Multanen**, Production Director; and **Marjatta Rissanen**, Customer Service and Administration Director.

To ensure the central position of the Managing Director and the efficient implementation of shareholder control, the Board of Directors is responsible for the appointment and dismissal of the Managing Director.

The terms of service of the Managing Director are defined in a written contract approved by the Board of Directors.

The Managing Director reports to the Board of Directors and keeps the Board sufficiently informed of the company's business environment, such as customers, the competitive and market situation and the company's financial position and development.

The Managing Director's period of notice is six (6) months, or three (3) months if the Managing Director resigns himself or herself.

The salary for the notice period, retirement age and the criteria for determining pension are presented on the company's Web site.

3. Description of the main characteristics of internal control and risk management systems related to the financial reporting process

Overview of risk management

Risk management is a part of Olvi Group's everyday management and operations.

The objective of risk management is to ensure the realisation of the company's strategy and secure its financial development and the continuity of business.

The task of risk management is to operate proactively and create operating conditions in which business risks are managed comprehensively and systematically in all of the Group companies and all levels of the organisation.

The Board of Directors is responsible for the risk management of the company and its Group and the internal control of business operations. The Board of Directors deals with and authorises the company's strategy, in connection with which the risks related to business operations and other operating environment are also annually surveyed.

The Group's risk management and anticipation of market changes form an important part of the management's everyday operations to secure the continuity of business operations.

Main characteristics of the risk management process and its connection with internal control

Risk management contributes to the achievement of set targets, making efforts to avoid unwanted operational and financial surprises.

Furthermore, risk management aims to identify and utilise any business opportunities that may arise.

The Group's operational risks include risks related to production plants and production, personnel risks and data security risks.

The Group aims to minimise production risks through clearly documented processes, automation, quality management systems and clear procedures for decision-making and supervision.

Insurance policies have been taken out to prepare for property damage or business interruptions. Insurance coverage is reviewed regularly.

The realisation of personnel risks is prevented by a backup person system, job rotation and maintaining a good working atmosphere.

The management and supervision of data security risks is centralised with the Group's information management. Olvi Group's information management is reviewed by the data security experts of the auditing firm.

The most significant identified risk areas are also taken into account in the action plans of

internal control. This ensures that risk areas are monitored systematically and that the response to any situation requiring a remedy is quick.

Risk management related to financial reporting includes, for example, reports on realised results and other key figures and the preparation of forecasts.

Olvi Group's financial development and risks are monitored on a monthly basis by the Board of Directors and Management Groups. In addition, the Group's Board of Directors deals with risks regularly in connection with the discussion of annual and interim reports.

Internal control

Internal control is a material part of the company's administration and management systems. It covers all functions and organisational levels of Olvi Group. The purpose of control is to provide sufficient assurance that the company can implement its strategy. In view of the nature and scope of the business operations, the company has not considered it appropriate to provide for a special internal audit organisation, but its duties are included in the duties of the business operations organisation in all Group units.

Audit

The company's auditor, which shall be an auditing firm approved by the Central Chamber of Commerce, is elected annually at the General Meeting. The term of office of the auditor terminates at the close of the first General Meeting following the election.

It is the duty of the auditor to ensure that the financial statements have been prepared in accordance with the valid legislation and that they provide a true and fair view of the company's result and financial position and other necessary information for the company's stakeholders. The requirements of internal control are also taken into account in the auditors' audit plans.

The auditor annually issues its report to the company's Annual General Meeting. In addition, the auditor reports on the main points of the annual audit plan and provides

a written auditor's report concerning the entire Group to the Board of Directors in connection with the financial statements. The auditor participates in Board meetings at least once a year.

In 2014, the auditor elected by the Annual General Meeting was PricewaterhouseCoopers Oy, Certified Public Accountants, which was responsible for the audit of the Group's parent company Olvi plc and the subsidiaries located in the Baltic states. Furthermore, PWC has audited the consolidation data for the subsidiary located in Belarus. The auditor in charge was **Sami Posti**, Certified Public Accountant.

In 2014, the auditors of Olvi Group were paid a fee of EUR 102,000.00 for audit tasks (in 2013: EUR 132,500.00) and EUR 88,400.00 for other advisory and consulting services (in 2013: EUR 93,600.00).