

EFORE PLC'S CORPORATE GOVERNANCE STATEMENT 2015

The obligations of Efore's decision-making bodies are defined in accordance with Finnish legislation and the principles established by the Board of Directors. Efore's corporate governance complies with the provisions of the Companies Act. In addition, in 2015 Efore complied with the Insider Guidelines issued by the NASDAX OMX Helsinki Oy and the Finnish Corporate Governance Code 2010 for Listed Companies issued by Securities Market Association. From January 1, 2016 Efore applies to the Governance Code 2015 for Listed Finnish Companies issued by the Finnish Securities Market Association.

The Corporate Governance Code is publicly available, e.g. on the website of the Securities Market Association, address www.cgfinland.fi.

The consolidated financial statements were authorized for issue by the Board of Directors of Efore Plc on 11 February, 2016 and are available in Annual Report and at the website of Efore, address www.efore.com.

BOARD OF DIRECTORS

APPOINTING BOARD MEMBERS

The Annual General Meeting elects the members of the Board of Directors

by simple majority vote for a term of office that ends with the close of the next Annual General Meeting following their election. The Board of Directors elects among its members a Chairman and Deputy Chairman.

COMPOSITION OF THE BOARD OF DIRECTORS

As set out in Efore's Articles of Association, the Board of Directors shall have no less than three and no more than ten ordinary members. The company's President and CEO is not a member of the Board of Directors. The composition shall take into account the needs of the company operations and the development stage of the company. A person to be elected to the board shall have the qualifications required by the duties, sufficient knowledge of financial matters and business operations. A person to be elected to the Board shall have the possibility to devote a sufficient amount of time to the work.

The majority of the directors shall be independent of the company. In addition, at least two of the members representing this majority shall be independent of significant shareholders of the company.

The following persons were elected as Board members at the Annual General meeting on March 31, 2015.

Päivi Marttila, b. 1961
Education: MSc (Econ)
Board member since 2013
Chairman of the Board since 2013
Main duty: Midagon Oy, CEO
Independent of the company and the company's main shareholders

Olli Heikkilä, b. 1959
Education: M.Sc (Eng.)
Board member since 2011
Main duty: UPM-Kymmene Oyj, Vice President
Independent of the company and the company's main shareholders

Marjo Miettinen, b. 1957
Education: M.Sc. (Education)
Board member since 2013
Vice Chairman of the Board since 2015
Main duty: Board professional
Independent of the company and the company's main shareholders

Jarmo Simola, b. 1961
Education: M.Sc.(Eng)
Board member since 2013

Main duty: Tulisuoja Suomi Oy, Managing Director
Independent of the company and the company's main shareholders

Jarkko Takanen, b. 1967
Education: Qualified Production Engineer and holds a Commercial College Diploma in Management Accountancy
Board member since 2013
Main duty: Jussi Capital Oy, Managing Director
Independent of the company

Furthermore, during the fiscal year 2015 Francesco Casoli was a member of the Board of Directors until March 31, 2015.

DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board of Directors has general decision-making authority in all company matters that are not stipulated (by law or under the Articles of Association) for the decision or action of another party. The Board is responsible for the governance of the company and for duly organizing its operations. It also approves the corporate strategy, the risk management principles, the Group's corporate values, the operating plan

and related annual budget, and decides on major investments.

The main duties and operating principles of the Board of Directors are given in a separate working order. This refers to the declaration of a quorum at Board meetings, the writing and approval of minutes, and the preparations needed on matters for decision.

The Board of Directors reviews its own working procedures through an annual self-evaluation process or in cooperation with the external company.

The Board of Directors met 14 times during the fiscal year 2015 and the average participation rate of the Board members was 97%.

BOARD COMMITTEES

The Board of Directors has committees that assist in its work. The Board of Directors elects among its members committee members and Chairman of the committees. External members can be also members of the Nomination Committee. The committees' working orders set out the duties and operating principles for each committee. The committees report their work to the Board of Directors on a regular basis.

The main duties of the Audit Committee are to examine the company's finances; oversee compliance with the law and the relevant standards; monitor the reporting process of financial statements, supervise the financial reporting process, monitor the efficiency of the

company's internal control, internal audit, if applicable, and risk management systems; review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; monitor the statutory audit of the financial statements and consolidated financial statements, evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited and prepare the proposal for resolution on the election of the auditor.

The main duties of the Nomination Committee are to prepare proposals to the general meeting on the composition of the Board of Directors and fees and other financial benefits paid to the Board members.

The main duties of the Remuneration Committee includes preparing matters related to the remuneration of the CEO and other executives of the company as well as preparing proposals related to Group remuneration systems.

MEMBERS OF THE BOARD COMMITTEES DURING THE FISCAL YEAR 2015

During the fiscal year 2015 Efore had Audit Committee and Remuneration Committee that assist in Board of Directors' work.

The members of the Audit Committee are Olli Heikkilä, Jarmo Simola and Jarkko Takanen. The Audit Committee is chaired by Jarkko Takanen. The Audit Committee met six times during the fiscal year 2015 and the participation rate of the members was 94%.

Päivi Marttila continued as the chairman and Marjo Miettinen and Jarmo Simola continued as members of the Remuneration Committee during the fiscal year 2015. The Remuneration Committee met twice during the fiscal year 2015 and the participation rate of the members was 100%.

PRESIDENT AND CEO

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing the President and CEO's appointment are detailed in written contract approved by the Board of Directors. The President and CEO manages and supervises Group business operations within the guidelines and directives issued by the Board of Directors, and ensures that the company's accounting accords with the law and that the financial management system is reliable.

Vesa Vähämöttönen, tech. lis. (b. 1966) acted as the President and CEO from June 1, 2010 until the end of February 2015. Heikki Viika (b. 1963), M.Sc. (Eng.) appointed on December 22, 2014 as the new President and CEO of Efore

Plc. He started in this position on June 1, 2015. Efore Plc CFO and member of the Executive Management Team Riitta Järnstedt was appointed as acting President and CEO of the company March 1-May 31, 2015.

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

SYSTEMS OF INTERNAL CONTROL

The Board of Directors is responsible that the internal control and risk management are adequately and effectively arranged. In addition, it is the responsibility of the Board to ensure that the internal control of the accounting and financial management is arranged in an appropriate manner. The Audit Committee is responsible for the control of the financial reporting process. The financial management shall inform its findings to the relevant members of the management.

The group has financial reporting systems for the control of the business, financial management and risks. The Board of Directors of the company has approved the management organization and principles, decision-making authorities and approval procedures, operational policies of the organizational sectors, financial planning and reporting as well as remuneration principles.

The group does not have a separate internal audit function but the internal audit is part of the group financial administration. Local auditors shall audit the procedures of internal control in accordance with the audit plan. The representatives of the financial administration shall perform certain controls when they visit the subsidiaries. The financial management shall report the findings to the President and CEO and the Audit Committee, which in turn report to the Board.

The group financial management together with the other management prepares monthly the financial report. The report contains a summary of the net sales, gross profit, costs level, results, net working capital, cash flow and personnel development for the previous month, year-to-year period and for the forecasted latter part of the year. Furthermore, the report includes the main risks and possibilities. The report is delivered to the Board of Directors, Executive Management Team and to the financial management of the largest subsidiaries as well as to the auditors when it concerns interim reports. In addition to the monthly reporting the management follows more actively certain actual items in their weekly meeting.

The group financial management oversees the centralized interpretation and application of the accounting standards (IFRS). The group's financing

and hedging against currency risks are centralized in the head office in Finland. The Audit Committee of the Board evaluates the financial statements and interim statements as well as separately certain special subjects. The Audit Committee reports its findings to the Board, which monitors that the necessary measures are taken.

The principal auditor of Efore Plc is responsible for the audit and the directions and coordination of the audit in the group. The principal auditor prepares annually an audit plan, which contains focus areas and which the Audit Committee approves. The audit report of the group financial statements and the Board report required by law is issued by the auditor to the company's shareholders. Furthermore, the auditor reports its findings to the Audit Committee.

RISK MANAGEMENT

The aim of the risk management system of Efore is to recognize the strategic, operational and financing risks of the group as well as any conventional risk of loss. The risks that the group takes in its operations are risks that are encountered in pursuit of the strategy and goals. Risk management seeks to control these risks in a proactive and comprehensive manner. The measures taken can include risk avoidance, risk reduction or risk transfer by insurance or agreement.

Risk management forms part of the group's business processes in all operational units. In this way the risk management process is tied to internal controls. The group and its operational units assess the risks of their operations, prepare risk management plans and report risks in accordance with the organizational structure. The Audit Committee and Board of Directors address risks in connection with the addressing of other business operations. Risk management is taken into consideration in the group's quality systems, which include also survival plans. There is a more detailed statement of the group's different risks and their management which can be found in the Investor Relations section of the Internet pages of the company.