

# Efore Plc's Corporate Governance Statement 2013

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, Efore complies with the Insider Guidelines issued by the NASDAX OMX Helsinki Oy and the Finnish Corporate Governance Code for Listed Companies issued by Securities Market Association in 2010.

The Corporate Governance Code is publicly available, e.g. on the website of the Securities Market Association, address [www.cgfinland.fi](http://www.cgfinland.fi).

The consolidated financial statements were authorized for issue by the Board of Directors of Efore Plc on 12 February, 2014 and are available in Annual Report and at the website of Efore, address [www.efore.com](http://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.

At the Extraordinary General Meeting on 3 December, 2013 Ms Päivi Marttila, Mr Francesco Casoli, Mr Olli Heikkilä, Ms Marjo Miettinen, Mr Jarmo Simola and Mr Jarkko Takanen were elected as board members. The Board of Directors selected Ms Päivi Marttila as the Chairman.

The following persons were also members of the Board of Directors during the fiscal year 2013: Matti Vikkula (Chairman,

until 3 December, 2013, Richard Järvinen (until February 7, 2013), Tei-Hu (Tommy) Liu (until 3 December, 2013), Marko Luoma (until 3 December, 2013) and Ari Siponmaa (until 7 February, 2013).

### Composition of the Board of Directors since 3 December, 2013:

Päivi Marttila, b. 1961, M.Sc. (Econ.)  
Board member since 26 August, 2013  
Chairman of the Board since 3 December, 2013  
Midagon Oy, CEO  
*Independent of the company and the company's main shareholders*

Francesco Casoli, b. 1961  
Board member since 26 August, 2013  
Elica S.p.A., Executive Chairman of the Board of Directors  
*Independent of the company*

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

Marjo Miettinen, b. 1957, M.Sc. (Education)  
Board member since 7 February, 2013  
EM Group Oy, CEO  
*Independent of the company and the company's main shareholders*

Jarmo Simola, b. 1961, M.Sc. (Eng.)  
Board member since 3 December, 2013  
FireEx Oy, Vice President and Partner, Business Development  
*Independent of the company and the company's main shareholders*

Jarkko Takanen, b. 1967, Qualified Production Engineer, holds a Commercial College Diploma in Management Accountancy  
Board member since 3 December, 2013  
Jussi Capital Oy, Managing Director  
*Independent of the company*

### **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 co-operation with the external company.

The Board of Directors met 23 times during the fiscal year 2013 and the average participation rate of the Board members was 96%.

### **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 Audit Committee comprises the entire Board and is chaired by Päivi Marttila since December 16, 2013.

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 2013**

During the fiscal year 2013 Efore had Audit Committee and Remuneration Committee that assist in Board of Directors' work. In addition, the Board of Directors resolved to appoint a Nomination Board consisting of members from outside the Board of Directors.

After hearing the major shareholders, Efore's Board of Directors decided to appoint the Nomination Board on September 25, 2012. All the members were elected from outside the Board of Directors. Jari Suominen was elected as the Chairman and Timo Syrjälä and Leena Tammivuori were elected as members of the Nomination Board. The term of the Nomination Board expired on 7 February, 2013. This Nomination Board met twice during the fiscal year 2013 and the participation rate of the members was 100%.

The Board of Directors elected Olli Heikkilä as Chairman of the Audit Committee and Matti Vikkula and Marko Luoma were elected as members on 8 February, 2013. Matti Vikkula was elected as Chairman of the Compensation Committee and Marjo Miettinen and Tei-Hu (Tommy) Liu were elected as members. The Audit Commit-

tee met 8 times during the fiscal year 2013 and the participation rate of the members was 100%. The Remuneration Committee met 4 times during the fiscal year 2013 and the participation rate of the members was 100%.

Efore's Board of Directors appointed Remuneration Committee on 16 December, 2013. From among its members, Efore's Board elected Päivi Marttila as Chairman and Marjo Miettinen and Jarmo Simola as members of the Remuneration Committee. Board did not appoint any other committees.

### **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) has been the President and CEO of the company since 1 June, 2010.

## **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.

Two profit reports are prepared monthly in the group according to the reporting guidelines. The other report contains operational figures and the other figures for the preparation of the profit and loss account of the group. The financial management of the largest subsidiaries is responsible for the correctness and entering of figures of the subsidiaries monthly in the reporting system. Based on these the financial management of the group follows the profit and cost development and assesses monthly the gross margin for each customer group as well as the correctness of obsolescence, credit loss and warranty provisions. The capital employed is also followed monthly. In addition, R&D capitalizations are assessed quarterly in relation to the income expectations of the projects. The monthly report based on the operational profit reports is delivered to the Board of Directors. In addition to this group income statements and balance sheet reports are delivered to the Board of Directors four times a year.

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 quarterly the interim statements as well as separately certain special subjects important for the result such as provisions and R&D and warranty costs. 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 (from 16 December, 2013 to the Board of Directors).

### **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.