

Efore Plc's Corporate Governance Statement 2014

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.

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 12 February, 2015 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 April 10, 2014.

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

Francesco Casoli, b. 1961
Board member since 2013
Main duty: Elica S.p.A., Executive Chairman of the Board of Directors
Independent of the company

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
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: FireEx Oy, Vice President and Partner, Business Development
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

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 14 times during the fiscal year 2014 and the average participation rate of the Board members was 98.8%.

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 2014

During the fiscal year 2014 Efore had Audit Committee and Remuneration Committee that assist in Board of Directors' work.

The Audit Committee comprised the entire Board and was chaired by Päivi Marttila until November 21, 2014. The Board of Directors established the Audit Committee and elected members among themselves to the Committee on November 21, 2014. The members are Olli Heikkilä, Jarmo Simola and Jarkko Takanen. The Audit Committee is chaired by Jarkko Takanen. The Audit Committee met once during the fiscal year 2014 and the participation rate of the members was 100%.

Päivi Marttila continued as the chairman and Marjo Miettinen and Jarmo Simola continued as members of the Remuneration Committee during the fiscal year 2014. The Remuneration Committee met 3 times during the fiscal year 2014 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) has been the President and CEO of the company since June 1, 2010 and he continues as the CEO of the company until the end of February 2015. Heikki Viika (b. 1963), M.Sc. (Eng.) has been appointed on December 22, 2014 as the new President and CEO of Efore Plc. He will start in this position on June 1, 2015. Efore Plc CFO and member of the Executive Management Team Riitta Järnstedt has been appointed as acting President and CEO of the company starting March 1, 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.

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.

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.