

## Corporate Governance Statement 2017

This Corporate Governance Statement of Altia Plc is issued for the financial year 2017.

The duties and responsibilities of Altia Plc's ("Altia" or the "company") governing bodies are determined by Finnish law as well as Altia's Articles of Association approved by the General Meeting of Shareholders and Altia's Governance Principles approved by Altia's Board of Directors.

Altia is fully owned by the State of Finland. The Ownership Steering Department of the Prime Minister's Office is responsible for ownership steering and oversight of the company. Altia's head office is located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 published by the Securities Market Association (the "Governance Code"). This Statement is not part of the Board of Directors' Report. In accordance with the Government resolution of 13 May 2016 on state ownership policy, Altia complies with the Governance Code, with certain deviations. The Board of Directors of Altia has decided on the following deviations from the Governance Code. Altia deviates from Recommendation 1 (Notice of the General Meeting and Proposals for Resolutions) with regard to the proposals to be included in the notice to the General Meeting, except as provided for by law and in the company's Articles of Association. Altia deviates from Recommendation 2 (Shareholders' Proposals for Issues to be addressed at the General Meeting): The company does not publish on its internet site a date for shareholders to provide notice of issues demanded to be addressed at the General Meeting. Altia deviates from Recommendation 3 (Attendance at the General Meeting): Board members, director candidates, the managing director and the auditor attend the General Meeting as invited by the only shareholder. Altia deviates from Recommendation 4 (Archive of the General Meeting Documents): General Meeting Documents are sent to the only shareholder. Deviations from the Corporate Governance Code are based on the fact that Altia has only one shareholder. Altia also complies with the new statement by the Ministerial Committee on Economic Policy on remuneration for management of stateowned companies, as included in the Government resolution of 13 May 2016 on state ownership policy.

The information required by the Finnish Corporate Governance Code is, with the above exceptions, also available on the company's website [www.altiagroup.com](http://www.altiagroup.com). An unofficial English translation of the Finnish Corporate Governance Code 2015 is available at [www.cgfinland.fi](http://www.cgfinland.fi).

### Governing Bodies

The management of the company is the responsibility of the General Meeting of Shareholders, the Board of Directors and the CEO. The management and administration of the company are also based on the decisions of the General Meeting of Shareholders and the company.

## **General Meeting of Shareholders**

The General Meeting of Shareholders is the ultimate decision-making authority of the company. At the General Meeting of Shareholders, the shareholder exercises its powers in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders decides on matters that under the Companies Act and the Articles of Association are within its purview. A General Meeting of Shareholders is convened by the Board of Directors annually within six months from the end of the previous financial year.

An Extraordinary Meeting of Shareholders may be convened in the manner provided for in the Companies Act. Matters on which the Annual General Meeting decides include the adoption of the financial statements, distribution of profits, discharge from liability, and election of the chairman, vice chairman and other members of the Board of Directors, and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

## **The Board of Directors**

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances. The Board of Directors makes decisions on the strategy, investments, organisation and financial affairs of the company. The Board of Directors also ensures that good corporate governance is complied with throughout the Altia Group. The Board of Directors has approved the Corporate Governance principles of the Altia Group. The members of the Board of Directors are elected by the General Meeting of Shareholders. According to the Articles of Association, the Board of Directors consists of no less than one and no more than five members in addition to the chairman and vice chairman. The General Meeting of Shareholders elects the chairman, the vice chairman and the other members of the Board of Directors for a term expiring at the end of the next Annual General Meeting following their election. The biographical details of the members of the Board of Directors are presented on the company's website at [www.altiagroup.com](http://www.altiagroup.com).

The Board of Directors have adopted the charter of the Board of Directors, which sets forth the procedures and working principles of the Board of Directors, as well as the most important tasks and issues considered and approved by the Board of Directors. Accordingly, the Board of Directors approves the company's strategy, financial targets, budgets, major investments and risk management principles. The Board of Directors appoints and dismisses the company's CEO. The Board of Directors considers and decides on all significant matters concerning the operations of the Altia Group and the business areas. The Board of Directors has also approved the charters of the Audit Committee and Human Resources Committee.

The Board of Directors convenes in accordance with a schedule agreed in advance and also as required. The Board of Directors also receives in its meetings current information on the operations, finances and risks of the Group. Board meetings are attended by the CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Executive

Management Team and other representatives of the company attend Board meetings at the invitation of the Board of Directors. Minutes are kept of all meetings. The Board of Directors conducts annually a self-assessment of its activities and working practices.

## **Diversity of the Board of Directors**

In Altia, the election and composition of the Board of Directors is also guided by the principle of diversity to ensure that the company has a skilled, competent, experienced and effective Board of Directors. Diversity is an essential quality of a well-functioning Board of Directors. The Board must at all times be able to react to the requirements of Altia's business and strategic objectives, and support and challenge management in a proactive and constructive manner. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development and growth of the company.

A diverse composition of the Board of Directors includes complementary education, competence and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each board member, all of which add to the diversity of the Board of Directors. Diversity is also supported by relevant experience in fields and markets that are strategically significant for the company, now and in the future, by strong and relevant acumen in international environments and businesses, and by a diverse age, term of office and gender distribution.

In 2017, the Board of Directors of Altia consisted of five to seven members, of whom all hold one or more university-level degrees. The members of the Board of Directors have international work experience in different managerial positions or have worked or are working in the Boards of Directors or in the management of listed or unlisted companies. Two members have worked or work in managerial positions in FMCG companies. At the end of 2017, women and men are equally represented in Board of Directors. In terms of age, the members of the Board of Directors are between 46 and 53 years of age. With regard to the terms of office of the members of the Board, the members have been appointed in 2010, 2013, 2015, 2016 and 2017.

## **Board Committees**

The Board of Directors of Altia has two committees, the Audit Committee and the Human Resources Committee. The Committees do not have independent decision-making powers in relation to matters falling within the competence of the Board of Directors. The Committees are preparatory bodies that assist the Board of Directors by preparing and submitting proposals to the Board of Directors on matters within their purview. Minutes are kept of Committee meetings. The Board of Directors has approved the charters of the Committees. In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and the chairman of the Audit Committee and the Human Resources Committee.

In addition to the Audit Committee and Human Resources Committee, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have

Board-approved rules of procedure and the Board of Directors do not release information on their term, composition, number of meetings or the members' attendance rates.

## **Audit Committee**

The task of the Audit Committee is to assist the Board of Directors by reviewing and preparing topics relating to control of the company's operations and financial reporting and submitting resolution proposals to the Board of Directors on to such topics. The Audit Committee's duties include monitoring the financial affairs and financial reporting of the company, monitoring the process for the reporting of the financial statements, reviewing the interim reports and financial statements and present them for approval by the Board of Directors, monitor the audit proper of the financial statements and consolidated financial statements, and monitor the effectiveness of internal controls, internal audit and risk management systems.

In addition, the duties of the Audit Committee include preparatory work on the decision on electing the auditor, the evaluation of the independence of the auditor, particularly the provision of related services to the company and carrying out other tasks assigned to it by the Board of Directors. The Audit Committee consist of at least three members.

## **Human Resources Committee**

The Human Resources Committee assists the Board of Directors by reviewing and preparing management and personnel remuneration policies and issues related to management appointments, and making proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing, evaluating and making proposals on the remuneration structure and incentive schemes of management and the personnel of the Altia Group; monitoring the effectiveness of these systems to ensure that incentive schemes of the management promote achievement of the company's short term and long term goals and are based on personal performance; reviewing and preparing other matters relating to the remuneration of management and personnel, and submitting proposals on these to the Board of Directors; and considering and preparing appointments of top management to be decided by the Board of Directors.

In addition, based on the proposal of the CEO, the Human Resources Committee proposes to the Board of Directors the appointment of members of the Executive Management Team and their remuneration, and the Committee evaluates the performance of the CEO and the members of the Executive Management Team and proposes to the Board of Directors their annual remuneration (including bonuses) and other incentives. The Human Resources Committee has at least three members.

## **Chief Executive Officer**

The Board of Directors of Altia appoints and dismisses the Chief Executive Officer (CEO), and decides on the terms of the CEO's employment. The terms and conditions of the CEO's employment are specified in a written service contract. The CEO of the company is responsible for managing, supervising and controlling the business operations of the company. The CEO is responsible for the day-to-day executive management of the company in

accordance with the instructions and orders given by the Board of Directors. In addition, the CEO also ensures that the accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The CEO prepares issues for decision by the Board of Directors, develops the company in line with the targets agreed upon with the Board of Directors and ensures proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the company is managed in compliance with applicable laws and regulations. The CEO is not a member of the Board of Directors, but attends the meetings of the Board of Directors and has the right to speak at the meeting, unless the Board of Directors decides otherwise with regard to a particular subject matter.

## **Executive Management Team**

The Executive Management Team is chaired by the CEO of Altia and comprises other senior management appointed by the Board of Directors. The Executive Management Team, chaired by the CEO, meets regularly to address matters concerning the entire Group. The Executive Management Team is not a decision-making body of the company. It assists the CEO in the implementation of Group strategy and in operational management. The Executive Management Team is responsible for managing the company's core business operations as a whole, which requires planning of various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and Group business plans. The Executive Management Team convenes monthly and minutes are kept of all meetings.

## **Control**

### **Internal Audit**

In 2017, Altia's internal auditor was in charge of internal audit. The internal auditor reported to the CEO and the Audit Committee. Internal audit monitors and evaluates the operation of processes as well as the appropriateness and effectiveness of the internal controls and the financial reporting of the company in an independent manner. The audit areas and audit plan of the internal audit are decided annually by the Audit Committee. Internal audit is implemented in accordance with the charter of the internal audit approved by the Board of Directors.

### **External Audit**

According to the Articles of Association, the company has one auditor elected by the General Meeting of Shareholders. The auditor must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditors' report to the shareholders in

connection with the annual financial statements, as required by law, and submits regular reports on its findings to the Audit Committee of the Board of Directors.

## **Internal control procedures and main features of risk management systems**

### **Internal Control**

Internal control ensures that the Company's business objectives can be achieved. Through efficient control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken. The purpose of internal control is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations and that the Group's financial and operating reporting both externally and internally is reliable and compliant, and that internal principles, policies and guidelines are followed. Further, the internal control ensures compliance with laws and agreements. Internal control measures cover all Group levels and functions. Information systems are of vital importance for effective internal control. The planning of the control measures begins with the definition of business objectives and the identification and assessment of the risks that threaten the objectives. Control measures are targeted based on risks, and control measures are selected as appropriate so as to keep the risks under control. The Board and the CEO are responsible for organising internal control. The financial performance of the Group is monitored monthly in the Executive Management Team and in the management teams of the business areas. Each business area must ensure effective control of its own operations. The business areas and the Group Finance organisation are responsible for the financial reporting processes. The Audit Committee assesses the financial reporting processes. In addition, the financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board. The Audit Committee and the Board review the interim reports and financial statements before their approval and publication.

### **Risk Management**

The objective of risk management in the Altia Group is to support the implementation of the strategy, the identification of risks and methods for reducing the probability and impacts of risks, as well as ensuring business continuity. Risks may arise from internal or external events. The Board has approved the Group Risk Management Policy, which describes the objectives, principles and responsibilities of risk management in the Group and also the principles of reporting. Accordingly, the Risk Steering Group supports and co-ordinates risk management as part of the Group's planning and steering processes. It also regularly reports the key risks to the management and the Audit Committee. The Board discusses the Group's most significant risks and uncertainties and reports them to the market annually in the Board of Directors' Report. In the Group, the business areas are responsible for risks related to their operations and their identification, prevention and key mitigation means. The Group Treasury manages the financial risks according to the hedging principles defined in the Treasury Policy. The company's Internal Audit annually evaluates the efficiency of the company's risk management system.

## **Corporate Governance in 2017**

### **Annual General Meeting**

The Annual General Meeting of Altia was held in Helsinki, Finland on 21 March 2017. The Annual General Meeting adopted the financial statements for the financial year 2016. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2016. The Annual General meeting elected the members of the Board of Directors and the auditor. As proposed by the Board of Directors, the Annual General Meeting decided on the distribution of a dividend of EUR 0.29 per share, totalling EUR 10,428,400.

### **Extraordinary General Meeting**

The extraordinary General Meeting of Altia Plc held on 15 December 2017 decided on the distribution of an additional dividend of EUR 1.67 per share, totalling EUR 60,053,200. The General Meeting decided to combine the company's series A and L shares to a single share series and incorporate the shares in the book-entry securities system and amend the company's Articles of Association accordingly. The General Meeting also decided to amend the company's Articles of Association by removing the redemption and consent clauses. The General Meeting also elected a new member to the Board of Directors.

### **The Board of Directors**

The Annual General Meeting of Altia elected the following members to the Board of Directors of Altia:

- Ms Sanna Suvanto-Harsaae, chairman, b. 1966, B.Sc. (Business Administration)
- Ms Annikka Hurme, vice chairman, b. 1964, M.Sc. (Food Sciences), CEO
- Mr Kim Henriksson, b. 1968, M.Sc. (Econ.), Corporate Finance Advisor
- Ms Tiina Lencioni, b. 1971, Master of Laws (LL.M.) 2.Staatsexamen/Assessor iuris. (Germany), General Counsel
- Mr Jarmo Kilpelä, b. 1957, M.Sc. (Econ.), Senior Financial Counsellor
- Mr Kasper Madsen, b.1961, B.e., COO
- Mr Kai Telanne, b. 1964, M.Sc. (Econ.), President and CEO

Mr Jarmo Kilpelä passed away on 28 May 2017. Board member Kasper Madsen resigned from the Board of Directors at the end of August 2017.

The Extraordinary General Meeting of Altia Plc held on 15 December 2017 elected Torsten Steenholt (b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer, EVP, Global Operations as new member to the Board of Directors. The Board of Directors have assessed the independence of its members. All members of the Board of Directors are independent of the company. Board member Jarmo Kilpelä held an office with the Ownership Steering Department of the Prime Minister's Office. All other members of the Board of Directors are independent of the shareholder of the company. The Board of Directors of Altia convened thirteen times in 2017, with an average attendance rate of 92.4 %.

## Audit Committee

The members of the Audit Committee of the Board of Directors are Mr Kim Henriksson (chairman), Ms Tiina Lencioni and Ms Sanna Suvanto-Harsaae. In 2017, the Audit Committee convened six times, with an average attendance rate of 83.3%.

## Human Resources Committee

The members of the Human Resources Committee of the Board of Directors are Ms Sanna Suvanto-Harsaae (chairman), Ms Annikka Hurme and Mr Kai Telanne (succeeding Mr Jarmo Kilpelä). In 2016, the Human Resources Committee convened five times and the average attendance rate of the Committee's members was 100%.

### Number of Board and Committee meetings in 2017 and attendance rates:

	Board	Audit Committee	Human Resources Committee
Sanna Suvanto-Harsaae	13/13	6/6	5/5
Annikka Hurme	13/13		5/5
Kim Henriksson	12/13	5/6	
Minna Huhtaniska	0/3	0/2	
Jarmo Kilpelä	6/6		2/2
Tiina Lencioni	9/10	4/4	
Kasper Madsen	7/8		
Torsten Steenholt			
Kai Telanne	13/13		3/3

## Chief Executive Officer

Mr Pekka Tennilä (b. 1969), M. Sc. (Business Management) serves as the CEO of Altia Plc.

## Executive Management Team

In 2017, the Executive Management Team of Altia comprised the following members:

- Mr Pekka Tennilä, CEO
- Mr Janne Halttunen, SVP Scandinavia
- Mr Kari Kilpinen, SVP Finland & Exports (as of 1 September 2017)
- Ms Kirsi Lehtola, SVP Human Resources
- Mr Matti Piri, CFO
- Ms Kirsi Puntila, SVP Marketing
- Mr Hannu Tuominen, SVP Altia Industrial

## Compensation and other benefits of the Board of Directors, the CEO and the Executive Management Team

The compensation and other benefits of the Board of Directors, the CEO and the Executive Management Team are available in Altia's Remuneration Statement.



## **Shares and share based rights**

The Board of Directors of Altia Plc decided on 13 December 2017 on the cancellation of all 25,003 series L shares held in treasury by the company. On 15 December 2017, the Extraordinary General Meeting decided to combine the company's series A and L shares to a single share series and incorporate the shares in the book-entry securities system. At the end of 2017, Altia Plc's shares comprise 35,960,000 shares.

Altia is fully owned by the State of Finland. Neither the members of the Board of Directors, the CEO, the members of the Executive Management Team nor corporations over which any of them exercise control have any shares and share-based rights in Altia or its group companies.

## **External Audit**

PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, is Altia's auditor, with Ylva Eriksson, Authorised Public Accountants, as the principal auditor. The fees for the audit proper paid to the PwC chain in 2017 totaled EUR 0.3 million. In addition, EUR 0.4 million was paid for other consultation provided to Group companies.