

Corporate governance statement 2015

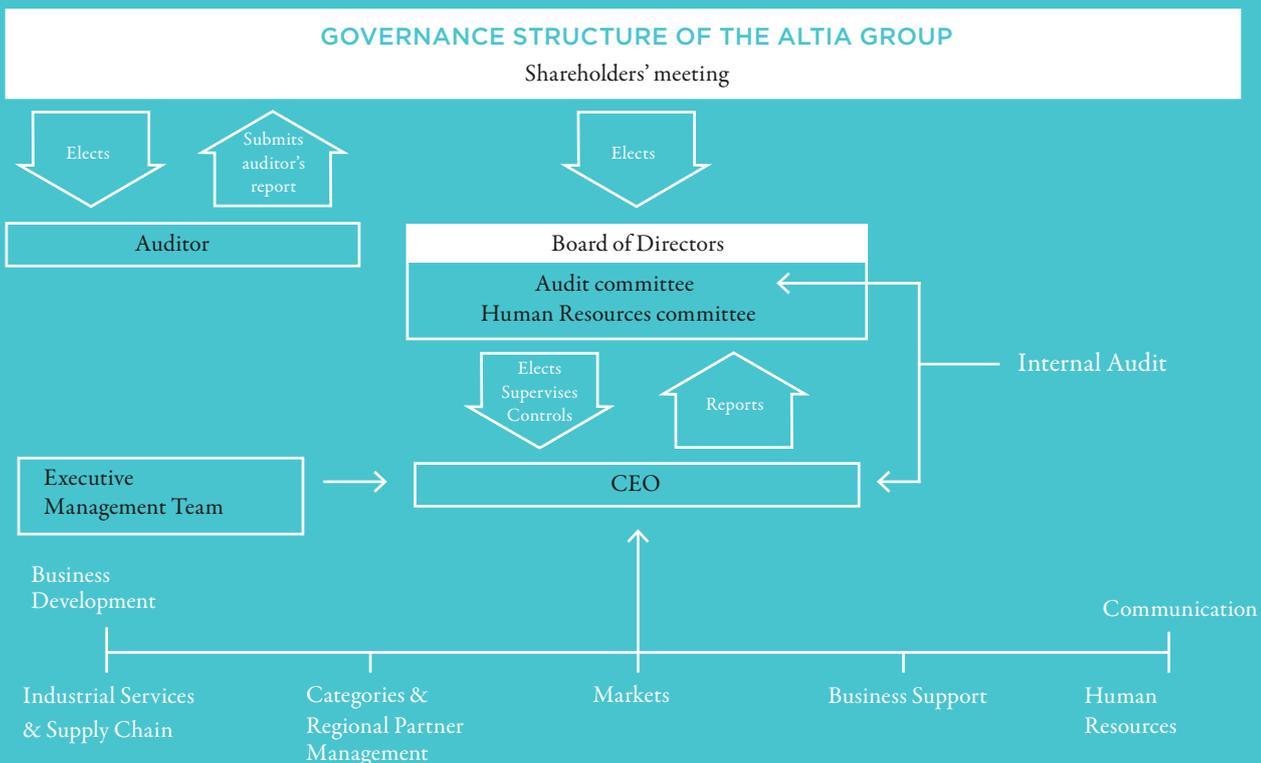
This Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code 2010. This Statement is not part of the Report of the Board of Directors. Altia Plc (hereinafter “Altia” or the “company”) complies with the provisions of its Articles of Association and the Finnish Companies Act. Altia also complies with the provisions and principles of the government resolution of 3 November 2011 on state ownership policy, and the statement by the cabinet committee on economic policy of 13 August 2012 regarding the remuneration of executive management and key individuals.

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

In accordance with the government resolution of 3 November 2011 on state ownership policy, Altia complies with the Finnish Corporate Governance Code 2010, with certain deviations. Deviations from the Corporate Governance Code are based on the facts that the company has one owner, the company’s shares are not listed and the company has no share-based compensation or incentive schemes. The company deviates

from the following recommendations of the Corporate Governance Code: Recommendation 1 (information on general meetings to shareholders), Recommendation 3 (attendance of the board of directors, managing director and auditor at a general meeting), Recommendation 4 (attendance of a prospective director at a general meeting), Recommendation 11 (informing the shareholders of director candidates), Recommendation 51 (the company’s insider administration), and Recommendation 55 (disclosing information on the company website due to the above-mentioned deviations). The information required by the Finnish Corporate Governance Code is, with the above exceptions, also available on the company’s website www.altiacorporation.com. An unofficial English translation of the Finnish Corporate Governance Code 2010 is available at www.cgfinland.fi.

Altia prepares its consolidated financial statements in accordance with the IFRS reporting standards. The Report of the Board of Directors and the parent company’s financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The auditor’s report covers the Report of the Board of Directors, the consolidated financial statements, including the parent company’s financial statements.



GOVERNING BODIES

The management of the company is the responsibility of the General Meeting of Shareholders, the Board of Directors and the CEO. Their duties are mainly laid down in the Finnish Companies Act. 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. Pursuant to the Articles of Association, the Annual General Meeting is held annually within six months from the end of the previous financial year on a date determined by the Board of Directors. 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, the distribution of profits, discharging liable parties from liability, and the 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 organization 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, organization 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 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.

The Board of Directors have adopted the rules of procedure 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' responsibilities include approving the company's strategy, financial targets, budgets, major investments and risk management principles. The Board 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 rules of procedure of the Audit Committee and Human Resources Committee (prev. Remuneration Committee). The Board of Directors convenes in accordance with a timetable agreed in advance and also as required. In addition to making decisions, the Board of Directors also receives during its meetings current information on the operations, finances and risks of the Group. Board meetings are also 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 2015-2016

The Annual General Meeting of Altia held on 10 April 2015 confirmed that the Board of Directors of Altia shall have six members and elected the following persons as members of the Board of Directors:

- 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.),
- Ms. Minna Huhtaniska, b.1974, Master of Laws (LL.M.), M.Sc. (Econ.), General Counsel
Corporate Finance Advisor
- Mr. Jarmo Kilpelä, b. 1957, M.Sc. (Econ.), Senior Financial Counsellor
- Mr. Kasper Madsen, b.1961, BSc (Econ.), BSc (Chemistry), Master Brewer

All members of the Board of Directors are independent of the company. Board member Jarmo Kilpelä holds 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 eleven times in 2015. The average attendance rate of the members of the Board of Directors was 91.3 %. The Board of Directors conducts annually a self-assessment of its activities and working practice.

BOARD COMMITTEES

The Board of Directors of Altia has two board committees, the Audit Committee and the Human Resources Committee (prev. Remuneration 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 the Board of Directors by preparing and submitting proposals to the Board of Directors on matters within their purview. The Board of Directors has approved the rules of procedure of the Committees. The Committees report to the Board of Directors at regular intervals.

In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and 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. The Committees report to the Board of Directors at regular intervals.

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 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. In 2015, the Audit Committee convened eight times and the average attendance rate of the Committee members' was 95.8%. As of 29 April 2015, the Chairman of the Audit Committee is Mr. Kim Henriksson and the other members are Ms. Minna Huhtaniska and Ms. Sanna Suvanto-Harsaa.

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; and considering and preparing appointments of top management to be decided by the Board. 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 evaluates the performance of the CEO and the members of the Executive Management Team and proposes to the Board of Directors their annual remuneration and other incentives. The Human Resources Committee has at least three members.

In 2015, the Human Resources Committee convened four times and the attendance rate of the Committee's members was 100%. As of 29 April 2015, the Chairman

of the Human Resources Committee is Ms. Sanna Suvanto-Harsaae and the other members are Ms. Annikka Hurme and Mr. Jarmo Kilpelä.

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

The CEO 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 and ensures proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the company operates in compliance with 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

In 2015, the Executive Management Team of the Altia Group consist, in addition to the CEO of Altia as chairman, of the Senior Vice Presidents of Commercial Operations, Partner Brands, Industrial Services & Supply Chain and Human Resources as well as the Chief Financial Officer (CFO), who all reported to the CEO. The Executive Management Team meets regularly to address matters concerning the entire Group.

The Group Management Team is not a decision-making body. 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 on average monthly and minutes are kept of all meetings.

In 2015, the Executive Management Team of Altia consisted of the following members:

- Mr. Pekka Tennilä, CEO
- Mr. Michael Bech-Jansen, SVP Commercial Operations
- Mr. Janne Halttunen, SVP Partner Brands (as of 1 September 2015)
- Mr. Matti Piri, CFO
- Mr. Hannu Tuominen, SVP Industrial Services & Supply Chain
- Ms. Sanna Hokkanen, SVP Human Resources & Communications (until 31 July 2015)
- Mr. Søren Qvist, SVP Partner Brands (until 31 August 2015)

CONTROL

INTERNAL AUDIT

As of 1 January 2015, Altia has its own internal auditor in charge of internal audit. The internal auditor reports to the CEO and the Audit Committee. Internal audit monitors and evaluates the operation of processes as well as the appropriateness of internal controls and the financial administration of the company in an independent manner. It reports its observations to the CEO, and Audit Committee. 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 authorized 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

tor. The fees for the audit proper paid to KPMG in 2015 totaled EUR 261 thousand. In addition, EUR 173 thousand was paid for other consultation provided to Group companies.

INTERNAL CONTROL SYSTEMS CONNECTED WITH FINANCIAL REPORTING

Supervisory measures are instructions and guidelines that help to ensure the proper management of all functions. The measures cover all Group levels and functions and information systems play an important role in them. Information systems are of vital importance for effective internal supervision.

The performance of the Group is monitored in the Executive Management Team with monthly reports as well as in the monthly operational reviews of the business areas. The financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board of Directors. The Audit Committee and the Board of Directors review the interim reports and financial statements. Monitoring of the monthly reports also ensures the effectiveness of the internal supervision. Each business area must ensure effective supervision of its own operations as part of Group-level internal supervision. The business areas and the Group Finance organization are responsible for the evaluation of the processes covering financial reporting.

RISK MANAGEMENT

Risk management consists of actions that aim to identify and assess significant external and internal uncertainties which could threaten the implementation of the strategy as well as accomplishment of the objectives. The most significant uncertainties in Altia Group's

operations are related to the development of the general financial situation and its impact on consumption as well as the impact of alcohol taxation and changes in legal regulation on consumer behavior. Financial risks comprise currency risk, interest risk, liquidity risk and credit risk. These risks are hedged against in accordance with the principles defined in the Group Risk Management Policy. The development of a comprehensive risk management system for risks related to strategy, operations, financing and hazards was continued in 2015. The goal is especially to integrate operations management and risk management, and develop contingency and mitigations plans. Special emphasis is put on preventive actions and their development. Preparations have been made for acting in crisis situation and for crisis communication.

Altia's business areas are responsible for the risks involved in their operations, for preventing damages caused by the risks or for hedging against the risks. Risk management in Altia Group is part of the everyday operations as well as the operative planning and management process, which is led by the Group's finance function under the CFO. As part of the reporting and planning process, risk management identifies risks of the business areas, which are assessed based on their impact and likelihood. Furthermore, measures to manage the risks as well as tasks and responsibilities associated with the risks are determined. The aim is to minimize identified risks where possible. Treasury is responsible for the insurance programs covering the whole Group. The scope of the insurances is assessed, among others, in the context of risk analysis.