

## Corporate Governance Statement 2019

This Corporate Governance Statement of Altia Plc is issued for the financial year 2019. 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 listed on the Official List of Nasdaq Helsinki. Altia's head office is located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020 published by the Securities Market Association (the "Governance Code"). This Statement is not part of the Board of Directors' Report. Altia complies with all Recommendations of the Governance Code.

The information required by the Finnish Corporate Governance Code is also available on the company's website [www.altiagroup.com](http://www.altiagroup.com). An unofficial English translation of the Finnish Corporate Governance Code 2020 is available at [www.cgfinland.fi/en](http://www.cgfinland.fi/en).

### 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. The General Meeting of Shareholders adopts the company's remuneration policy and remuneration report in accordance with the provisions of the Companies Act. 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 also ensures that good corporate governance is complied with throughout the Altia Group.

# ALTIA

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 monitors and evaluates transactions between the company and its related parties, and how agreements and other legal acts between the company's and its related party meet the requirements of ordinary course of business and customary terms. 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. The Board of Directors decides on the diversity principles.

## Shareholders' Nomination Board

The Shareholders' Nomination Board prepares annually proposals concerning the composition, election and remuneration of the members of the Board of Directors

Pursuant to the charter of the Nomination Board approved by the General Meeting of Shareholders, the Nomination Board consists of three physical persons nominated by the three largest shareholders. The Chairman of the Board acts as an expert member in the Nomination Board. The Chairman of the Board is not a member of the Nomination Board and does not have voting rights. The term of the members of the Nomination Board ends on the appointment of the following Nomination Board. The members of the Nomination Board are not entitled to remuneration from the company based on their membership unless otherwise decided by the General Meeting of Shareholders.

The main duty of the Nomination Board is to ensure that the Board and its members represent a sufficient level of expertise, knowledge and competence for the needs of the company and have the possibility to devote sufficient amount of time to attend their duties as members of the Board. The Nomination Board shall pay attention to achieving a good and balanced gender distribution and diversity balance on the Board considering the competence of the Board as a whole. The Nomination Board shall in its work consider the diversity principles of the company.

The Nomination Board has the power and authority to prepare and to present a proposal to the General Meeting of Shareholders concerning the number of members and composition of the Board of Directors; and the remuneration of the members of the Board of Directors and the Board committees as well as seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board shall submit its proposals to the Board of Directors at the latest on 31 January each year. The Proposals of the Nomination Board will be disclosed by a release by the company and included in the notice to the General Meeting of Shareholders. The Chairman of the Nomination Board presents the proposals at the General Meeting of Shareholders.

## 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 charters 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 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 presenting them to the Board of Directors for approval, monitoring the audit proper of the financial statements and consolidated financial statements, and monitor the effectiveness of internal controls, internal audit and risk management systems. The Audit Committee also assists the Board in fulfilling its oversight responsibilities with regard to monitoring and assessing how agreements and other legal acts between the company's and its related party meet the requirements of ordinary course of business and customary terms. 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 non-audit 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 preparing the company's remuneration policy and remuneration report, reviewing and preparing management and personnel remuneration 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 schemes to ensure that they 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 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

# ALTIA

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 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 the meetings. The Board of Directors have approved the charter of the Executive Management Team.

## **Control**

### **Internal Audit**

The Board of Directors appointed BDO as Internal Auditor of Altia. The internal auditor reports to the chairman of 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. 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.

## **Related Party Transactions**

The Board has defined the principles for monitoring and evaluating related party transactions. The company evaluates and monitors transactions concluded between the company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The company keeps a list of related parties.

Approval of related party transactions in the ordinary course of business and on customary commercial terms is subject to the company's normal approval policies and processes. Approval of a related party transaction that is not in the ordinary course of business or not on customary terms is subject to Board approval.

The company's finance and legal functions monitor related party transactions as a part of the company's normal reporting and control procedures and reports related party transactions to the Audit Committee. The Audit Committee regularly evaluates the reported related party transactions and the appropriateness of the company's process and policies on related party transactions. Information on transactions concluded between the company and its related parties is disclosed, as required, annually in the notes to the company's consolidated financial statements. Material related party transactions are disclosed in accordance with Chapter 8, section 1a of the Securities Markets Act.

## **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 of Directors 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 and internal controls. In addition, the financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board of Directors.

### **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 regularly discusses the Group's most significant risks and uncertainties and reports them to the market annually in the Board of Directors' Report. 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 evaluates the efficiency of the company's risk management system.

## Insider Administration

In its insider administration, the company follows the Guidelines for Insiders issued by Nasdaq Helsinki complemented by the company's own Insider Policy adopted by the Board of Directors. The company maintains its own insider registers. The company does not have permanent insiders. Persons in managerial positions are prohibited to conduct transactions (on their own account or for the account of a third party), directly or indirectly, in the financial instruments of the company during a closed period of 30 calendar days before the announcement of each of the quarterly financial reports or the year-end report (financial statements release). The company applies the closed period after the end of each calendar quarter until the day after the announcement of the interim report or financial statements release, as the case may be (the "Closed Window"). The Closed Window shall, however, always include at least 30 calendar days immediately preceding the announcement of the interim report or financial statements release, as the case may be, and the day of publication of such report. The prohibition is in force regardless of whether such a person holds any inside information at that time. A project specific insider register is also maintained when required by law or regulations. Project specific insiders are prohibited from trading in the company's securities until the termination of the project. Persons in managerial positions (and their closely associated persons) are obligated to report transactions in the company's financial instruments in line with applicable EU and domestic laws and regulations. The Board, the CEO and the members of the Executive Management Team are designated as persons with an obligation to disclose their transactions.

## Corporate Governance in 2019

### Annual General Meeting

The 2019 Annual General Meeting of Altia held on 15 May 2019 adopted the financial statements for the financial year 2018. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2018. The Annual General meeting elected the members of the Board of Directors and the auditor. The Annual General Meeting approved the proposal by the Board of Directors to pay a dividend of EUR 0.38 per share for the financial year 2018.

The Board of Directors

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

- Ms Sanna Suvanto-Harsaae, chairman, b. 1966, B.Sc. (Business Administration)
- Mr Kai Telanne, vice chairman b. 1964, M.Sc. (Econ.), President and CEO
- Mr Kim Henriksson, b. 1968, M.Sc. (Econ.), CFO
- Ms Tiina Lencioni, b. 1971, Master of Laws (LL.M.) 2.Staatsexamen/Assessor iuris. (Germany), General Counsel
- Mr Jukka Ohtola, b.1967, M.Sc. (Econ.), CEFA, Ministerial Adviser
- Ms Anette Rosengren, b. 1966, B.Sc. (Marketing & Marketing Management), Managing Director
- Mr Torsten Steenholt, b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer, EVP

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 Jukka Ohtola is a member of the Board of Directors of State Business Development Company Vake Oy and holds an office with the Ownership

# ALTIA

Steering Department of the Prime Minister's Office. All other members of the Board of Directors are independent of the shareholders of the company.

The Board of Directors of Altia convened eleven times in 2019, with an average attendance rate of 93.5%.

## NUMBER OF BOARD AND COMMITTEE MEETINGS IN 2019 AND ATTENDANCE RATES:

	Board	Audit Committee	Human Resources Committee
Sanna Suvanto-Harsaae	11/11	10/10	3/3
Kai Telanne	10/11		3/3
Kim Henriksson	10/11	10/10	
Annikka Hurme (member until 15.5.2019)	4/5		1/2
Tiina Lencioni	10/11	9/10	
Jukka Ohtola	11/11		3/3
Anette Rosengren (member as of 15.5.2019)	6/6		
Torsten Steenholt	10/11		

### Diversity of the Board of Directors

In 2019, the Board of Directors of Altia consisted of seven members, of whom all hold 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. In 2019, the gender distribution in the Board of Directors was well balanced with three women and four men. In terms of age, the members of the Board of Directors are between 48 and 55 years of age. With regard to the terms of office of the members of the Board of Directors, the members have been appointed in 2013, 2015, 2016, 2017, 2018 and 2019.

### 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 2019, the Audit Committee convened ten times, with an average attendance rate of 97%.

### Human Resources Committee

The members of the Human Resources Committee of the Board of Directors are Ms Sanna Suvanto-Harsaae (chairman), Mr Jukka Ohtola, Mr Kai Telanne and Ms Annikka Hurme (until 15 May 2019). In 2019, the Human Resources Committee convened three times and the average attendance rate of the Committee's members was 91%.

### Chief Executive Officer

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

### Executive Management Team

In 2019, the Executive Management Team of Altia comprised the following members:



# ALTIA

- Mr Pekka Tennilä, CEO, b. 1969, M. Sc. (Business Management)
- Mr Janne Halttunen, SVP Scandinavia, b. 1970, M. Sc. (Business Administration)
- Mr Kari Kilpinen, SVP Finland & Exports, b. 1963, MBA, Bachelor of Hospitality Management
- Ms Kirsi Lehtola, SVP Human Resources, b. 1963, Master of Laws
- Mr Niklas Nylander, CFO, b. 1973, M.Sc. (Economics)
- Ms Kirsi Puntila, SVP Marketing, b. 1970, M.Sc. (Economics)
- Mr Hannu Tuominen, SVP Altia Industrial, b. 1958, M.Sc. (Eng.)

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 paid in 2019 are disclosed in Altia's Remuneration Statement prepared in accordance with the Corporate Governance Code 2015. A Remuneration Report pursuant to the Corporate Governance Code 2020 on the materialised remuneration of the Board of Directors and the CEO will be presented by the Board of Directors to the Annual General Meeting annually starting from 2021.

## Shares and share based rights

At the end of 2019, the number of issued shares of Altia was 36 140 485. The shareholdings of the members of the Board of Directors, the CEO, and the members of the Executive Management Team, and the corporations over which they exercise control, which they exercise control as the end of 2019, are presented in the following table.

## MANAGEMENTS' SHAREHOLDINGS

		# of shares on 31.12.2019
Pekka Tennilä	CEO	32 604
Niklas Nylander	CFO	0
Janne Halttunen	SVP, Scandinavia	9 300
Kari Kilpinen	SVP, Finland & Exports	10 856
Kirsi Lehtola	SVP, HR	5 100
Kirsi Puntila	SVP, Marketing	6 666
Hannu Tuominen	SVP, Altia Industrial	9 600
<b>TOTAL</b>		<b>74 126</b>
<b>% OF TOTAL SHARES</b>		<b>0.21%</b>
Altia total # of shares		36 140 485

## BOARD OF DIRECTOR'S SHAREHOLDINGS

		# of shares on 31.12.2019
Sanna Suvanto-Harsaae	chairman	3 908
Kai Telanne	vice chairman	716
Kim Henriksson	member	11 551
Nokkila Konsult & Förvaltnings AB*		5 250
Tiina Lencioni	member	430
Jukka Ohtola	member	
JPO Capital Oy*		200
Anette Rosengren	member	1 200
Torsten Steenholt	member	1 250
<b>TOTAL</b>		<b>24 505</b>
<b>% OF TOTAL SHARES</b>		<b>0.07%</b>

\* controlled corporation

None of the members of the Board of Directors, the CEO, or the members of the Executive Management Team nor corporations over which any of them exercise control have any share-based rights in Altia or its group companies.

### Shareholders' Nomination Board

On 2 October 2019, the company announced that its three largest registered shareholders (shareholder register maintained by Euroclear Finland Ltd as per 2 September 2019) have nominated the following representatives to the Shareholders' Nomination Board:

- Mr Pekka Hurtola, the Ownership Steering Department in the Prime Minister's Office
- Ms Annika Ekman, Ilmarinen Mutual Pension Insurance Company
- Ms Hanna Kaskela, Varma Mutual Pension Insurance Company

The Nomination Board elected Mr Pekka Hurtola as its Chairman. The Chairman of Altia's Board of Directors, Sanna Suvanto-Harsaae acts as an expert member in the Nomination Board.

### 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 PwC in 2019 totaled EUR 0.3 million. In addition, EUR 0.2 million was paid for non-audit services provided to Altia Group companies.