



# Corporate Governance Statement of Apetit Plc 2014

*This Corporate Governance Statement of Apetit Plc has been drawn up in accordance with recommendation 54 of the Finnish Corporate Governance Code. The Corporate Governance Statement has been considered by Apetit Plc's Board of Directors and is issued separately from the Board of Directors' report. The company's auditors have confirmed that the Corporate Governance Statement has been issued and that the description it contains of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.*

*Apetit Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association, which came into effect on 1 October 2010.*

*The company deviates from recommendation 8 of the Corporate Governance Code concerning the election of the members of the Board of Directors. Recommendation 8 of the Corporate Governance Code states that they shall be elected by the general meeting. Under Apetit Plc's Articles of Association, however, the Supervisory Board elects the members of the Board based on the proposals of the Nomination Committee, and decides on their remuneration.*

*The company has chosen to deviate from the recommendation because the Supervisory Board, as the body that oversees the company's Board of Directors, is best placed to assess the composition of the Board of Directors and the attributes required of Board members.*

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

## BOARD OF DIRECTORS

### 1. Board of Directors election procedure laid down in the Articles of Association

Under Apetit Plc's Articles of Association, the Supervisory Board decides the number of members of the Board of Directors and their remuneration based on the proposals of the Nomination Committee, and elects the members of the Board of Directors.

In accordance with the Articles of Association, Apetit Plc's Board of Directors consists of a minimum of five and a maximum of seven members. Persons who would already have attained the age of 68 at the time of being elected are not eligible for election to the Board of Directors. The Articles of Association do not limit the number of terms served by members of the Board of Directors nor is the Supervisory Board's decision-making power in the election of members of the Board of Directors restricted in any other way.

### 2. Composition of Board of Directors Members

In the period up to 10 April 2014, Apetit Plc's Board of Directors comprised the five members elected by the Supervisory Board on 16 April 2013. Aappo Kontu, Tuomo Lähdesmäki, Veijo Meriläinen, Samu Pere and Helena Walldén comprised the Board during 1 January - 10 April 2014

At a meeting held on 11 April 2014, Apetit Plc's Supervisory Board decided to continue to elect six members to Apetit Plc's Board of Directors. The Board members

elected were Esa Härmälä, Aappo Kontu, Tuomo Lähdesmäki, Veijo Meriläinen, Samu Pere and Helena Walldén.

### Information on members of the Board of Directors

**Aappo Kontu**, b. 1952, M.Sc. (Tech.)  
Principal occupation: Valor Partners Oy, Senior Advisor  
Chairman since 2013, Deputy Chairman 2012, member since 2004

**Veijo Meriläinen**, b. 1952, M.Sc. (Agric.), eMBA  
Principal occupation: Merive Oy, President  
Deputy Chairman since 2013, member since 2012  
CEO since 30.4.2014

**Esa Härmälä**, b. 1957, M.Sc. (Agric.)  
Principal occupation: Metsähallitus, General Director  
Member since 2014

**Tuomo Lähdesmäki**, b. 1957, M.Sc. (Tech.), MBA  
Principal occupation: Boardman Ltd, partner  
Member since 2013

**Samu Pere**, b. 1968, QBA, Agricultural Technician  
Principal occupation: Pintos Oy, Administrative Director  
Member since 2012

**Helena Walldén**, b. 1953, M.Sc. (Tech.)  
Member since 2011

### Evaluation of independence

The company's Board of Directors has performed an evaluation of the independence of the Board's members in relation to the company and in relation to the major shareholders, in accordance with recommendation 15 of the Corporate Governance Code.

The evaluation found that all the Board members are independent of the company and of significant shareholders as referred to in the Corporate Governance Code recommendation. Members of the Board of Directors, Chairman Aappo Kontu and members Esa Härmälä, Tuomo Lähdesmäki, Samu Pere and Helena Walldén are independent of the company. Deputy Chairman Veijo Meriläinen is not independent of the company when serving as temporary CEO.

### 3. Description of the operation of the Board of Directors

#### Main elements of the Board of Directors' rules of procedure

The rules of procedure of the Board of Directors describe the following

- functions of the Board of Directors and the Board's chairman
- planning and assessment of the Board's operation
- establishment of Board committees and temporary working groups, and
- practices for approving the expenses of Board members and the Chief Executive Officer (CEO)

#### Functions of the Board of Directors

The general function of the Board of Directors is to direct the operations of the company in such a way that in the long run the amount of added value for the capital invested is maximised, taking into account at the same time the expectations of the different stakeholders. The Board of Directors also monitors on a

continuous basis the demands placed by shareholders on the Board of Directors and the general development of ownership policy.

For the purpose of performing its functions the Board of Directors:

- monitors the financial statements reporting process and the statutory auditing of the financial statements and consolidated financial statements
- supervises the financial reporting process
- considers the corporate governance statement's description of the main aspects of the internal control and risk management systems pertaining to the financial reporting process
- appoints and releases from duties the CEO and Deputy CEO, determines their duties and decides on their terms of service and their incentive schemes
- sets personal targets for the CEO annually and assesses their realisation
  - convenes at least once a year without the operating organisation's management in attendance
- holds a meeting with the auditors at least once a year
- assesses the independence of the auditor and the auditing firm and assesses the additional services provided for the companies to be audited
- prepares a draft resolution on the choice of auditors for submission to the general meeting
- assesses its own performance once a year
- confirms its rules of procedure, which are reviewed annually
- discusses other matters proposed by the Board of Directors chairman or the CEO for inclusion in the meeting agenda.

Members of the Board of Directors are also entitled to have a matter of their choosing discussed by the Board by first notifying the chairman of this.

Based on proposals presented by the CEO, the Board of Directors:

- confirms the company's ethical values and operating policies, and supervises their implementation
- confirms the company's basic strategy and continuously monitors its validity
- defines the company's dividend policy
- approves the annual operating plan and budget on the basis of the strategy, and supervises their implementation
- approves the total annual investment and its distribution among the business areas, and decides on large and strategically important investments, acquisitions and divestments
- confirms the operating guidelines for the company's internal control, ensuring annually that they are kept up-to-date, and monitors the effectiveness of internal control
- confirms the company's risk management policy and principles as well as the risk limits to be confirmed annually, and monitors the effectiveness of the risk management systems
- reviews quarterly the main risks associated with the company's operations and the management of these risks
- discusses and approves interim reports, the Board of Directors' report and the financial statements
- confirms the Group's organisational structure
- where necessary, submits proposals to the general meeting concerning the remuneration systems for management and personnel
- annually monitors issues associated with management successors and draws up the necessary conclusions
- confirms the decisions of the CEO about the choice of the CEO's immediate subordinates, their duties, terms of employment and incentive schemes, and

- monitors the company's working atmosphere and the way in which personnel cope with their tasks

### Planning and assessment of the Board's operation

The Board of Directors draws up an operating plan for itself for the ensuing 12 months. The plan includes a schedule of meetings and, for each meeting, the most important issues for discussion.

The Board of Directors assesses its performance annually through a self-evaluation, and the evaluation results are submitted to the Supervisory Board for its information. The evaluation results are taken into consideration in the preparation of proposals for the composition of the new Board of Directors.

### Committees of the Board of Directors

The Board of Directors has not elected any committees from among its members.

As the Board of Directors has not elected an audit committee from among its members, the Board itself is managing the audit committee duties laid down in recommendation 27 of the Corporate Governance Code.

### Board of Directors' meetings in 2014

In 2014, the Apetit Plc Board of Directors met 16 times. Three of these meetings were conducted by telephone. The average attendance rate of members was 95.1%.

## SUPERVISORY BOARD

### 1. Composition and term

In accordance with the Articles of Association, the Supervisory Board comprises a minimum of 15 and a maximum of 20 members elected by the general meeting. In addition, the personnel choose from among its members a maximum of four Supervisory Board

members at a time, and each of these members has a personal deputy.

Persons who have attained the age of 68 are ineligible for election to the Supervisory Board. The members' term of office ends at the close of the third Annual General Meeting following their election.

### 2. Functions

The Supervisory Board elects the members, chairman and deputy chairman of the Board of Directors based on the proposals of the Nomination Committee, and decides on their remuneration.

The Supervisory Board's functions also include supervision of corporate administration, issuing instructions to the Board of Directors, issuing an opinion on the financial statements, Board of Directors' report and auditor's report, and other duties prescribed for it in the Limited Liability Companies Act.

### 3. Composition of the Supervisory Board and information on its members

In the period up to 26 March 2014 the Supervisory Board consisted of 19 members elected by the general meeting. On 26 March 2014, the Annual General Meeting decided to elect 18 members to the Supervisory Board.

Members elected by the general meeting 2014:

**Harri Eela**, b. 1960, wood-products industries technician, Sales Director, Cursor Oy  
Chairman of the Supervisory Board since 2014,  
Member since 2012

**Marja-Liisa Mikola-Luoto**, b. 1971, M.Sc. (Agric.), farmer  
Deputy Chairman of the Supervisory Board since 2011,  
Member since 2005

**Heikki Aaltonen**, b. 1956, M.Sc. (Agric.), farmer  
Member since 2007

**Matti Eskola**, b. 1950, B.Sc. (Agric.), farmer  
Member since 1991

**Jaakko Halkilahti**, b. 1967, farmer  
Member since 2011

**Jussi Hantula**, b. 1955, farmer  
Member since 1995

**Laura Hämäläinen**, b. 1975, M.Sc. (Agric.), farmer  
Member since 2009

**Risto Korpela**, b. 1949, M.Sc. (Econ. & Bus. Adm.),  
Commercial Counsellor  
Member since 2007

**Jonas Laxåback**, b. 1973, M.Sc. (Agric.),  
Secretary General  
Member since 2013

**Mika Leikkonen**, b. 1963, farmer  
Member since 2008

**Markku Länninki**, b. 1949, farmer  
Member since 2003

**Ilkka Markkula**, b. 1960, farmer  
Member since 2003

**Jari Nevavuori**, b. 1966, M.Sc. (Agric.),  
Development Manager, farmer  
Member since 2012

**Markku Pärssinen**, b. 1957, M.Sc. (Agric.),  
Secretary General  
Member since 2012

**Petri Rakkolainen**, b. 1966, engineer,  
Managing Director, farmer  
Member since 2014

**Timo Ruippo**, b. 1968, Agricultural Technician, farmer  
Member since 2013

**Esa Ruohola**, b. 1946, farmer  
Member since 1998

**Mauno Ylinen**, b. 1965, M.Sc. (Agric.)  
Member since 2005

Members appointed by the personnel:

**Mari Hakanperä**, b. 1976, sales invoicer  
Member since 2012  
Deputy Marko Kulmala

**Timo Kaila**, b. 1956, shop steward  
Member since 2012  
Deputy Heikki Kämäräinen

**Heikki Vesanto**, b. 1949, shop steward  
Member since 2012

**Kirsi Roos**, b. 1972, chief shop steward  
Member since 2009  
Deputy Janne Pääaho

#### 4. Meetings of the Supervisory Board in 2014

The Supervisory Board met five times in 2014. The average attendance rate of members was 90.7%.

## SUPERVISORY BOARD NOMINATION COMMITTEE

### 1. Composition and tasks

The Supervisory Board's Nomination Committee, which prepares the names for election to the Board of Directors, consists of two members chosen by the Annual General Meeting, the chairman of the Supervisory Board, the deputy chairman of the Supervisory Board and the chairman of the Board of Directors, in accordance with the Articles of Association. The Nomination Committee is chaired by the Supervisory Board's chairman, and in his/her absence, by the Supervisory Board's deputy chairman.

The Nomination Committee has the task of preparing proposals for the Supervisory Board on the number of members of the Board of Directors, the names of the members, chairman and deputy chairman of the Board of Directors and the remuneration payable to them. The Committee's tasks also include searching for successor candidates to replace members of the Board of Directors, as necessary. The Committee asks shareholders with significant voting power for their views concerning the proposals being put to the Supervisory Board.

### 2. Activity

In 2014 the Nomination Committee convened three times to discuss matters pertaining to the Committee's tasks. The average attendance rate of the Committee's members was 100%.

### 3. Information on members of the Nomination Committee

Chairman

**Harri Eela**, b. 1960, wood-products industries technician, Sales Director, Cursor Oy  
Chairman of the Supervisory Board

**Aappo Kontu**, b. 1952  
M.Sc. (Tech.), Senior Advisor, Valor Partners Oy  
Apetit Plc Chairman of the Board

**Heikki Laurinen**, b. 1967  
M.Sc. (Agric.), Managing Director, Viestilehdet Oy

**Marja-Liisa Mikola-Luoto**, b. 1971  
M.Sc. (Agric.), farmer  
Deputy Chairman of the Apetit Plc Supervisory Board

**Martti Timgren**, b. 1955  
Master of Laws, Managing Director, EM Group Oy

## CEO

### CEO

**Veijo Meriläinen**, b. 1952, M.Sc. (Agric.), eMBA  
CEO of Apetit Plc since 30 April 2014  
**Matti Karppinen**, b. 1958, M.Sc. (Econ. & Bus. Adm.)  
CEO of Apetit Plc until 29 April 2014

### CEO's duties

It is the CEO's duty to direct the operations of the company according to the instructions and provisions issued by the Board of Directors and to inform the Board about the development of the company's business operations and financial situation.

The CEO is also responsible for arrangement of the day-to-day management of the company and for seeing that the company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

### 1. Internal control operating principles

Apetit Plc's Board of Directors confirms the operating principles for the Apetit Group's internal control and assesses the state of internal control at least once a year.

Internal control refers to all the operating methods, systems and procedures with which the company's management seeks to ensure efficient, economical and reliable operations. Internal control comprises financial and other control. At Apetit, internal control is performed by the company's management and by all other personnel.

Risk management as part of internal control refers to the identification, assessment, restriction and monitoring of risks arising in business activities and risks that are materially related to this.

### 2. Role of company boards in arranging internal control

Apetit Plc's Board of Directors is responsible for arranging and maintaining sufficient and effective internal control within the Apetit Group.

As part of the arrangement of internal control and risk management, the company's Board of Directors regularly monitors the results and operating risks of the Group and its business units, and decides on the reporting, the procedures and the qualitative and quantitative indicators for assessing the efficiency and profitability of operations. The Group's Board of Directors confirms annually the Group's risk policy, risk management principles and key risk limits.

To ensure implementation of the Group's ownership policy towards the Group companies and to monitor

the effectiveness of internal control, the boards of directors of the main Group companies include one or more members of the Group's Corporate Management. Group-level risk management and financial reporting are performed on a centralised basis in the Group Administration, independent of the different business activities. The boards of directors of the Group companies are responsible for the highest level of management duties related to the internal control of their respective companies. The operating organisation's management in each of the Group companies is responsible for the implementation of internal control and risk management in line with the pre-determined principles and operating guidelines, and for reporting on the company's operations, risk-bearing ability and risk situation in accordance the Group's management system.

### 3. Implementation of internal control within Apetit Plc and the Group companies

The main principles of internal control observed within Apetit Plc and the Group companies are:

#### Organisational structure and division of tasks

The basis for internal control is the function-specific line organisation that is further divided into departments, units and teams, as necessary. The organisational units are allotted defined tasks and responsibilities required for the company's operations. The task of the operating organisation's management, i.e. the managers of the Group's business areas and operations, is to set quantitative and qualitative targets for the various areas of the business in accordance with the business plan approved by the Board of Directors. For the units, decision-making bodies and people operating within the framework of the organisation there are separately defined decision-making and operating powers set out in work and job specifications, as well as obligations

to report to one's superiors or otherwise to a higher organisational level. The task of the operating organisation's management is to ensure that those working under them are familiar with their own duties, and the management are required to create the right conditions for their personnel to be able to perform their work and achieve the targets.

#### Decision-making and monitoring

Significant commitments or other actions deemed to carry risks are subject to the approval of the Group's Board of Directors. Business units are responsible for formulating proposed decisions and for putting decisions into effect. Reporting on the implementation of decisions is made in connection with the management reporting.

Business activities and processes are guided within the confines of operating guidelines and descriptions, which are monitored to ensure they are complied with and kept up-to-date. All decisions taken are documented and archived. An essential aspect of risk management is the performance of daily controls in the operating chains and processes.

#### Risk management

The internal and external risks of Apetit Plc and the Group companies that could have an adverse effect on achieving business targets are identified, assessed regularly and reported quarterly to the Group Board of Directors. The risks are contained and the confining limits are monitored.

The Group Administration's risk management has the task of monitoring, measuring and reporting risks and of maintaining, developing and preparing risk management principles for the Board of Directors' approval, and of drafting procedures for use in risk assessment and measurement. Roles and responsibilities are defined in

Apetit's risk management policy and risk management principles, which are approved by the Group's Board of Directors.

#### Data systems

The basis for business and other activities is provided by the accounting, information and business IT systems. The parent company and the Group companies have an IT strategy in accordance with currently assessed needs and sufficient and appropriately organised IT systems. The IT function ensures that the company's data resources can be utilised in the planning, management, execution and monitoring of the company's business.

#### Responsibility for the effectiveness of internal control

The operating organisation's management has the primary responsibility for ensuring the implementation of practical measures for internal control. The management must constantly monitor the operations it is responsible for and must take the necessary development measures if action contrary to guidelines or decisions or action that is otherwise ineffective or inappropriate is observed. In a transparent and effective organisation the entire personnel are all responsible not only for the appropriate discharging of their own duties but also for the fluency of operations with the rest of the organisation.

#### 4. Reporting and management systems

Internal control is supported by appropriate reporting that allows monitoring of operations, results and risks. Achievement of the business targets and developments in the Group's financial situation are monitored with the aid of a Group-wide management system. The Group's accounting principles, controls and responsibilities are described in the Apetit Group's accounting manual. Reporting guidelines and timetables have been drawn

up in writing for monthly reporting and preparation of interim reports and annual financial statements. The company's financial management unit constantly monitors the business units' reporting and develops and produces guidelines on the content of reporting, taking into account the needs of internal control. The Group prepares financial information for publication, complying with the international financial reporting standards (IFRS). Interim reports and annual financial statements are reviewed by the Group's Board of Directors and are subject to its approval.

The business units update the longer term financial estimates each year. The annual budgets are prepared on the basis of these strategic figures. The Group's Board of Directors assesses and approves the business units' annual budgets. In addition, on a quarterly basis or more often, the business units update the profit and balance sheet estimates to cover at least the ensuing 12 months.

The monthly reporting and the related analysis for budgets and estimates constitute a key element of Apetit's management system and internal control. Financial figures are assembled from the business units' data systems every month for the Group's joint accounting system.

The outturn information and up-to-date estimates are reviewed monthly in Group-level results meetings, which are attended by the CEO, the Chief Financial Officer (CFO) and those in charge of the Group's accounting. The management system comprises the actual profit and balance sheet information, the key figures and the written management report of those responsible for the businesses. The management report covers the factors that affected the results given in the month's report, the measures planned for the immediate term and an assessment of the operating profit for the current quarter and the full year, consisting of best case, probable and worst case scenarios.

The Group CEO and members of the Corporate Management are issued with the reports, and the Group's Board of Directors is issued with a summary for the Group and summaries of the data for each business unit.

The business units' management groups examine their own financial outturn data at least once a month and compare them with budgets and estimates, and also examine the results of the various units' monitoring measurements used for business management purposes and compare them with estimates and targets, and the reasons for any significant discrepancies between these.

#### 5. Internal audit

The internal audit unit functions objectively and independently in support of the Board of Directors, the CEO and Group Administration, for the purpose of assessing and developing the level of internal control in the Group's different units by providing an independent and objective assessment and advisory service for risk management and monitoring processes within the organisation.

Internal audit is performed on the basis of a pre-determined plan. The internal audit is overseen by the Group's CFO, who submits the annual audit plan to the Group's Board of Directors for its approval.

Internal audit reports annually in writing to the Apetit Plc Board of Directors on the audit findings and areas for improvement in internal control. Where necessary, the internal audit also reports on individual audit findings during the annual planning period to the Board of Directors.

The internal audit is performed by an external service provider, and KPMG Oy Ab was selected to perform the audit in the previous year. It was decided in the current financial year that we will not undertake any special audits because the structural changes in the Food Business are still in progress.