

# CORPORATE GOVERNANCE STATEMENT OF APETIT PLC 2019

This Corporate Governance Statement of Apetit Plc has been drawn up in accordance with the Finnish Corporate Governance Code 2020 of the Securities Market Association. 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 2020 published by the Securities Market Association, which came into effect on 1 January 2020.

The company does not follow recommendation 5 concerning the election of the Board of Directors. Recommendation 5 of the Corporate Governance Code states that the general meeting shall elect the members of the Board of Directors. 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. 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 8 April 2019, Apetit Plc's Board of Directors comprised the five members elected by the Supervisory Board on 16 April 2018. Lasse Aho, Annika Hurme, Esa Härmälä, Seppo Laine and Niko Simula formed the Board of Directors during 1 January - 8 April 2019.

At a meeting held on 8 April 2019, the Apetit Plc Supervisory Board decided to elect five members to the Apetit Plc Board of Directors. Lasse Aho, Annika Hurme, Seppo Laine, Simo Palokangas and Niko Simula were elected as members of the Board of Directors. Apetit Plc's Supervisory Board Simo Palokangas as the chairman of Board of Directors.

### Information on members of the Board of Directors

**Simo Palokangas**, b. 1944, Finnish honorary title of Vuorineuvos, M.Sc. (Agric.)

Chairman since 8 April 2019

Share ownership 31 December 2019: 12 005 shares

**Lasse Aho**, b. 1958, M.Sc. (Soc.)

Principal occupation: CEO, Olvi plc

Member since 2015

Share ownership 31 December 2019: 6 824 shares

**Annikka Hurme**, b. 1964, M.Sc.

Principal occupation: Valio Ltd, CEO

Member of the Board since 2017

Share ownership 31 December 2019: 2 379 shares

**Seppo Laine**, b. 1953, Yrittäjäneuvos (Finnish honorary title), APA

Principal occupation: Professional board member

Member since 2016

Share ownership 31 December 2019: 4 616 shares

**Niko Simula**, b. 1966, L.L.M. with court training

Principal occupation: farmer

Member since 2015

Share ownership 31 December 2019: 3 919 shares

### 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 10 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.

### 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 maximized, 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:

- considers the company's corporate governance statement
- appoints and releases from duties the CEO and Deputy to the 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 realization

- convenes at least once a year without the operating organization's management in attendance
- holds a meeting with the auditors at least once a year
- 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
- approves interim reports, the Board of Directors' report and financial statements discussed by the Audit Committee

- confirms the Group's organizational 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.

#### Board of Directors' meetings in 2019

The Apetit Plc Board of Directors convened 9 times in 2019. The meeting attendance rate of members was as follows:

Simo Palokangas .....	100%
Lasse Aho .....	92%
Annikka Hurme .....	85%
Seppo Laine .....	100%
Niko Simula .....	100%
Esa Härmälä .....	100%

## Audit Committee of the Board of Directors

The Board of Directors has elected an Audit Committee from among its members. The Chairman of the Committee is Seppo Laine and the members of the Committee are Lasse Aho and Niko Simula. The Committee convened four times in 2019. All members attended all of the meetings.

### The purpose of the Audit Committee is

- to consider the financial statements and the consolidated financial statements and the financial statement release and inspect them with the management of the company before they are considered by the Board, and to monitor and supervise the Group's financial statement and the financial reporting process,
- to consider the company's Board of Directors' report, and the company's corporate governance statement before they are considered by the Board of Directors, and to assess their consistency with the financial statements,
- to familiarize themselves with applicable accounting principles and management estimates used in their preparation and the auditor's audit findings, changes in accounting policies, and their impact on the company's financial statements and the consolidated financial statements and on the Group's financial reporting,
- to prepare the decisions of the Board of Directors on significant changes in the company's accounting principles or the valuation of the Group's assets,
- to follow the development of the company's and the Group's financial situation and, together with executive management, assess the financial information published on the company and the Group,
- to familiarize themselves with the company's and the Group's audit plan for the financial year and to discuss any issues raised during the audit,

- to monitor and evaluate auditing, the level of remuneration, the resources of the auditing firm and the advisory services provided to the company by the auditing firm and the fees paid for them,
  - to evaluate the independence and any conflicts of interest of the auditors,
  - to prepare a proposal for the company's Board of Directors to present to the annual general meeting on the appointment of the auditors and their fees, to consider and propose to the company's Board of Directors an annual audit plan and to ensure that it covers the relevant risk areas and that cooperation with the auditors is properly organized,
  - to supervise the activities and effectiveness of internal audit, internal control and risk management, to familiarize themselves with the organization and processes of these functions, and to ensure that they have the necessary resources at their disposal,
  - to consider all key reports drawn up by internal audit, internal control and risk management,
  - to assess compliance with laws and regulations and to supervise the associated process,
  - to monitor compliance with the company's and the Group's corporate governance guidelines.
- The Audit Committee may also consider any other issues and tasks assigned to it by the company's Board of Directors.

## 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 18 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. 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 vice chairman of the Board of Directors, and decides on their remuneration in accordance with the preparation of the Nomination Committee.

The Supervisory Board is also responsible for supervising the corporate administration, issuing instructions to the Board of Directors, issuing an opinion on the financial statements, the Board of Director's report and the auditors' report, and other duties that are 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 28 March 2019 the Supervisory Board consisted of 18 members elected by the general meeting. On 28 March 2019, the Annual General Meeting decided to select 18 members to the Supervisory Board.

#### Information on members of the Supervisory Board:

**Harri Eela**, b. 1960, wood-products industries technician, Sales Director  
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

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

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

**Juha Hämäläinen**, b. 1975, M.Sc. (Agric.), agricultural entrepreneur, Bachelor of Natural Resources  
Member since 2008

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

**Aki Kaivola**, b. 1960, M.Sc. (Agric.), farmer  
Member since 2015

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

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

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

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

**Pekka Perälä**, b. 1961, M.Sc. (Admin.), CEO  
Member since 2016

**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

**Veli-Pekka Suni**, b. in 1964, farmer, Bachelor of Natural Resources  
Member since 2016

**Johanna Takanen**, b. 1973, BBA, Managing Director  
Member since 2015

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

#### **Members appointed by the personnel:**

**Jari Heiskanen**, b. 1979, the period up to 30 September 2019  
Member since 2015  
Deputy member Antti Paukkuri, the period up to 30 September 2019

**Päivi Hakasuo**, b. 1971  
Member since 2018  
Deputy member Timo Hurme

**Marika Palmén**, b. 1977  
Member since 2015  
Deputy member Mari Saarinen, the period up to 30 September 2019

**Miika Karilainen**, b. 1982  
Member since 2018  
Deputy member Kirsi Roos

## **4. MEETINGS OF THE SUPERVISORY BOARD IN 2019**

The Supervisory Board convened four times in 2019. The average attendance rate of members was 76%.

### **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 2019 the Nomination Committee convened five to discuss matters pertaining to the Committee's tasks. The average attendance rate of the Committee's members was 88 %.

### 3. INFORMATION ON MEMBERS OF THE NOMINATION COMMITTEE

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

**Heikki Laurinen**, b. 1967, M.Sc. (Agric.)  
CFO Central Union of Agricultural Producers and Forest Owners

**Tero Maaranen**, b. 1970, M.Sc. (Econ. & Bus. Adm.)  
CFO EM Group Ltd.

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

**Simo Palokangas**, b. 1944,  
Finnish honorary title of Vuorineuvos, M.Sc. (Agric.)  
Chairman of the Apetit Plc Board

#### CEO

CEO in the period up to 31 august 2019

**Juha Vanhainen**, b. 1961, M.Sc. (Tech.)  
Share ownership 31 December 2019: 20,067 shares

CEO in the period 1 september 2019 onwards

**Esa Mäki**, b. 1966, M.Sc. (Agriculture and Forestry)  
Share ownership 31 December 2019: 124 shares

#### 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.

#### Corporate Management

The Group's Corporate Management is chaired by the CEO of Apetit Plc. Its members are:

**Johanna Heikkilä**, b. 1962, M.Sc. (Econ & Bus. Admin)  
HR Director  
Share ownership 31 December 2019: 350 shares

**Tero Heikkinen**, b. 1974, M.Sc. (Econ & Bus. Admin)  
Director Grain Trade and Oilseed products  
Share ownership 31 December 2019: 0 shares

**Ari Kulmala**, b. 1967, MBA, Production Engineer  
Production director  
Share ownership 31 December 2019: 0 shares

**Timo Partola**, b. 1972, M.Sc. (Econ.)  
Commercial director  
Share ownership 31 December 2019: 0 shares

**Asmo Ritala**, b. 1958, LL.M.  
Corporate Counsel  
Share ownership 31 December 2019: 0 shares

**Sanna Väisänen**, b. 1977, Master of Arts, Communications  
Director, Communications and Sustainability  
Share ownership 31 December 2019: 0 shares

**Max Portnoj**  
Interim CFO, b. 1980, M.Sc.  
Share ownership 31 December 2019: 0 shares

The Corporate Management does not exercise powers based on law or the Articles of Association. The Corporate Management is an advisory body appointed by Apetit Plc's CEO and has the task of discussing Group-wide development projects and Group-level principles and procedures as necessary. The CEO is responsible for choosing the members of the Corporate Management.

#### 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 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 centralized basis in the Group Administration, independent of the different business activities. The boards of directors of Group companies are responsible for the highest level of management duties related to the internal control of their respective companies. The operating organization'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:

#### **Organizational structure and division of tasks**

The basis for internal control is the function-specific line organization that is further divided into departments, units and teams, as necessary. The organizational units are allotted defined tasks and responsibilities required for the company's operations. The

task of the operating organization'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 organization 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 organizational level. The task of the operating organization'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 organized IT systems. The IT function ensures that the company's data resources can be utilized in the planning, management, execution and monitoring of the company's business.

#### **Responsibility for the effectiveness of internal control**

The operating organization'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 organization 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 organization.

### **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 situ-

ation 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 half year report and annual financial statements as well as business reviews of first and third quarters. 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). A half year report, business reviews 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 based on 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.

Monthly reporting and 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. 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. In addition, the business units' results, estimates and state of business are reviewed at business unit review meetings, attended by members of Group management and those responsible for the business units based on the agenda in question. Per business unit, these meetings are held once a month or less frequently.

## 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 organization.

The internal audit is overseen by the Group's CFO based on the annual audit plan approved by the Group's Board of Directors. The internal audit is performed by an external service provider. In 2019 there were no internal audit engagements.