

**Componenta Corporation**  
**Corporate Governance Statement**  
**2012**

This Corporate Governance Statement has been handled at the meeting of the Audit Committee of Componenta Corporation's Board of Directors on 1 February 2013.

This Corporate Governance Statement for 2012 referred to in recommendation 54 of the Finnish Corporate Governance Code for Finnish listed companies is given as separate report. This statement and the other information required by the Corporate Governance Code, the financial statements, the report by the Board of Directors and the auditor's report are available on Componenta's website at the address [www.componenta.com](http://www.componenta.com)

## Corporate Governance Statement 2012 of Componenta Corporation

### THE RULES AND THE CORPORATE GOVERNANCE CODE OBSERVED BY COMPONENTA

The parent company of Componenta Group is Componenta Corporation, a Finnish public company whose share is listed on the Helsinki stock exchange. Componenta's head office is located in Helsinki.

Administration and management of Componenta Corporation ("Componenta" or "the company") are based on Finnish legislation, the company's Articles of Association and the rules and regulations of the Helsinki stock exchange and the Finnish Financial Supervisory Authority. Componenta complies with the Corporate Governance Code for Finnish listed companies, which is available on the internet at [www.cgfinland.fi](http://www.cgfinland.fi).

### GOVERNING BODIES OF COMPONENTA

Supreme authority at Componenta is exercised by the shareholders at the General Meeting of Shareholders.

The company is managed by the Board of Directors, the Board's Audit Committee, and the President and CEO. The Group's Corporate Executive Team assists and supports the President and CEO in carrying out his duties.

#### Governing bodies



\*) Componenta Group's financial administration conducts an internal audit of Group companies in accordance with the annual plan together with the external auditors.

### Board of Directors

The Annual General Meeting elects each year Componenta's Board of Directors, which according to the company's Articles of Association has 3–7 members. The term of office of the Board continues until the close of the following Annual General Meeting. The Board elects from its members a Chairman and Vice Chairman.

The majority of the Board members must be independent of the company. In addition, at least two of the members belonging to this majority must be independent of major shareholders in the company. Independence is evaluated in accordance with recommendation 15 of the Corporate Governance Code for Finnish listed companies.

The Annual General Meeting on 23 February 2012 selected the following seven members to Componenta's Board of Directors.

**Pii Kotilainen**

- b. 1960, M.Sc. (Econ.), Executive Vice President, Human Resources at Outokumpu Oyj
- Board Member since 2010

**Heikki Lehtonen**

- b. 1959, M.Sc. (Eng.), President and CEO at Componenta Corporation
- Board Member since 1987

**Marjo Miettinen**

- b. 1957, M.Sc. (Ed.), Chief Executive Officer at EM Group Oy
- Board Member since 2004, Member of the Audit Committee

**Juhani Mäkinen**

- b. 1956, Counsellor of Law, Chairman of the Board of Directors at Aval Ltd
- Board Member since 2000, Vice Chairman since 2002, Member of the Audit Committee

**Riitta Palomäki**

- b. 1957, M.Sc. (Econ.), Chief Financial Officer at Uponor Corporation
- Board Member since 2012, Chairman of the Audit Committee

**Matti Ruotsala**

- b. 1956, M.Sc. (Eng.), Executive Vice President, Power Division at Fortum Corporation
- Board Member since 2012

**Harri Suutari**

- b. 1959, B.Sc. (Eng.), professional board member
- Board Member since 2012, Chairman of the Board

Pii Kotilainen, Marjo Miettinen, Juhani Mäkinen, Riitta Palomäki, Matti Ruotsala and Harri Suutari are independent of the company and of the shareholders. Heikki Lehtonen is President and CEO of Componenta Corporation. He is also a major shareholder through companies that he controls.

***Main tasks of the Board of Directors***

The Board of Directors draws up written Rules of Procedure for itself. The main tasks and duties of the Board of Directors are to:

- oversee the management and business operations of Componenta and make major decisions relating to the strategy, capital expenditure, organization, corporate restructuring and financing
- appoint the President and CEO and the members of the Group's Corporate Executive Team, and approve the organizational structure and the principles for incentive schemes
- ensure that the company's accounting, supervision of financial management and risk management have been arranged appropriately
- approve the key operating principles and values, and confirm the annual business plans and budgets
- make proposals to the General Meetings and convene the meetings.

The Board meets when it is convened by the Chairman or, in his absence, by the Vice Chairman. The Board forms a quorum when more than half of the members are present, and one of them must be the Chairman or Vice Chairman. Componenta's CFO serves as secretary to the Board meetings.

The Board of Directors met 17 times during the year, and the attendance rate at Board meetings was 97%.

The Board of Directors evaluates its own performance annually under the leadership of the Chairman. The Board also reviews the corporate governance annually and amends it when required. The Board of Directors will evaluate its own performance in 2012 under the leadership of the Chairman in February 2013. The Componenta Corporate Governance was updated in the Board meeting on 23 March 2012.

## **Board committees**

Componenta has a Board's Audit Committee, which consists of three (3) Board members. After the Annual General Meeting, the Board of Directors elects among its members the Chairman and members for the Committee, for one year at a time. In the election of the Audit Committee members, the relevant qualification requirements are taken into account.

In 2012, the Board of Directors elected Riitta Palomäki as the Chairman and Marjo Miettinen and Juhani Mäkinen as members of the Audit Committee. All members of the Audit Committee are independent of the company and its major shareholders.

The Audit Committee has no independent decision-making power. Instead, the Board of Directors makes decisions based on the preparation by the Audit Committee. The Chairman of the Audit Committee reports on the work of the Audit Committee at the Board meetings following the Audit Committee meetings. The invitation and materials of the Audit Committee meetings are sent to all Board members, who all have right to attend the meetings of the Audit Committee.

The Board of Directors has confirmed a written agenda for the Audit Committee. The main tasks and duties of the Audit Committee are to:

- monitor and supervise the reporting process of financial statements, ensure that the reporting process generates correct information, and approve important accounting principles
- review and oversee the quality and integrity of the annual report and the annual financial statements as well as the interim reports
- monitor the financial position of the company and the sufficiency of financing and prepare matters and proposals to the Board on a need-to-know basis
- monitor the efficiency, plans and processes of the Group's internal control, internal audit and risk management systems
- review the company's Corporate Governance Statement
- review the external audit plan and monitor the statutory audit of the financial statements and consolidated financial statements, approve the budget of the external audit as well as new assignments above the limit set by the Audit Committee
- meet with the external auditor quarterly and review all material reports from the auditor
- evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited
- prepare the proposal for a resolution on the election of the auditor
- meet with the management of the company, particularly the CEO and the CFO, and risk management.

The Audit Committee convened four times in 2012, and the attendance rate was 100%. Componenta's CFO Mika Hassinen served as secretary to the Audit Committee. Also regularly participating in the Committee's meetings were the President and CEO, the auditors and the director responsible for risk management.

The Committee regularly evaluates its performance and working practices and carries out a related self-evaluation once a year. In February 2013, the Audit Committee will evaluate its own performance in 2012 under the leadership of the Chairman.

## **President and CEO**

Heikki Lehtonen, b. 1959, M.Sc. (Eng.), is President and CEO of Componenta. He has acted as Componenta's President and CEO since 1993.

The President and CEO is responsible for managing and developing Componenta's business in accordance with the Finnish Limited Liability Companies Act and the instructions given by the Board of Directors.

The President and CEO prepares and presents matters for consideration at Board meetings and implements the decisions of the Board of Directors. He reports to the Board of Directors on matters including the company's financial situation, its business environment and other major matters.

The President and CEO is Chairman of Componenta's Corporate Executive Team and Extended Corporate Executive Team.

The Board of Directors appoints the President and CEO and decides on the President's remuneration and other benefits.

## **MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

The objective of internal control and risk management related to Componenta's financial reporting is to ensure that the reporting is reliable and that all applicable laws and regulations have been complied with.

Componenta compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Finnish Securities Markets Act, the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board, while also complying with the guidelines of the Finnish Financial Supervisory Authority and the rules of NASDAQ OMX Helsinki Ltd.

### **Control environment**

The purpose of Componenta's internal control is to ensure the Group's profitable and effective operations, appropriate and adequate risk management, and reliable financial and operational reporting. Control is based on Componenta's values, operating principles and guidelines (the Componenta Way To Operate and the Code of Conduct). Internal control is a part of management, governance and daily operations.

Financial reporting and supervision are based on budgets drafted and confirmed once a year and on monthly performance reporting. Group Accounting is responsible for the financial reporting process and for ensuring that the related instructions are consistent and updated regularly. Unit controllers and management are responsible for ensuring that the reporting is carried out in accordance with the instructions.

The Audit Committee appointed by the Board of Directors supervises the Group's financial reporting process and monitors the effectiveness of internal control, internal audit and risk management systems, and reports its observations to the Board.

### **Risk evaluation**

Risk management is part of the company's monitoring system. It aims to identify the risks to which the company's business is exposed, forecast the threats to and opportunities for business operations and ensure the continuity of business.

The Board of Directors confirms the principles and responsibilities for risk management. The Board's Audit Committee monitors the effectiveness of risk management systems. The President and CEO supervises the implementation of the risk management programme and ensures that it focuses on matters that are essential for local and operational activities. The Corporate Executive Team participates in identifying and evaluating risks, in allocating responsibilities and in monitoring the risks.

The Group's treasury department manages financial risks in accordance with the Treasury Policy approved by the Board of Directors.

In 2012, the Group's Corporate Executive Team conducted the annual Enterprise Risk Management (ERM) process, in which risks were identified and evaluated and measures were decided on.

## **Monitoring**

The profitability of Componenta's operations and the achievement of financial objectives are monitored regularly by means of Group-wide financial reporting. The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit Committee, the President and CEO, the Corporate Executive Team and operative management teams.

Common, Group-wide ways of operating also cover reporting, and the related instructions are included in the Controller's Manual maintained by Group Accounting. Group Accounting has defined the control measures which cover the reporting process and allocated responsibilities for their implementation.

All operational business units have their own controllers who are responsible for their financial reporting in cooperation with the management of the respective unit and division. The management team of each business unit and division analyses its own financial reports, including volumes, profits, costs, profitability and working capital, every month before the reporting meeting of the Corporate Executive Team.

The Board of Directors and its Audit Committee are responsible for the final evaluation of the Group's result.

## **Information and communication**

Open and adequate communications ensure an effective and functional control environment. Information on reporting tools as well as instructions and principles relating to financial reporting have been provided to all the parties involved in financial reporting, and they are also available on the Group's intranet. Matters such as upcoming changes to IFRS and accounting principles or new reporting requirements are communicated to the financial organization on a regular basis. The Group's CFO reports to the Board's Audit Committee regularly on matters pertaining to internal control.

## **AUDIT**

The Annual General Meeting appoints the auditor and decides on the remuneration of the auditor. The company has one auditor that must be a firm of authorised public accountants approved by the Finland Chamber of Commerce. In addition to the duties prescribed in current accounting regulations, the auditor reports to the Board of Directors of Componenta when necessary.

The responsible auditor may function as an auditor for a maximum of seven years in succession.

During the 1 January - 31 December 2012 financial period, Componenta's auditor was Authorised Public Accountants PricewaterhouseCoopers Oy. In accordance with the decision of the Annual General Meeting on 23 February 2012, the fees paid to the auditor are based on invoicing.