

Componenta Corporation Corporate Governance Statement 2016 and Remuneration Statement 2016

The parent company of Componenta Group is Componenta Corporation (Componenta or the Company), a public company registered in Finland whose shares are listed on the Helsinki Stock Exchange. The parent company and its subsidiaries form Componenta Group. Componenta's head office is located in Helsinki.

The administration and management of Componenta are based on Finnish legislation, the Company's Articles of Association, and the guidelines and rules of the Helsinki Stock Exchange and the Finnish Financial Supervisory Authority. Componenta administration and management are guided by the Group's values, operating principles, policies as well as a sustainable way of working. In 2016 Componenta complied with the 2015 Corporate Governance Code for Finnish listed companies, which is available on the internet at www.cgfinland.fi. In accordance with the Code, the Company publishes the Corporate Governance Statement 2016 and the Remuneration Statement 2016.

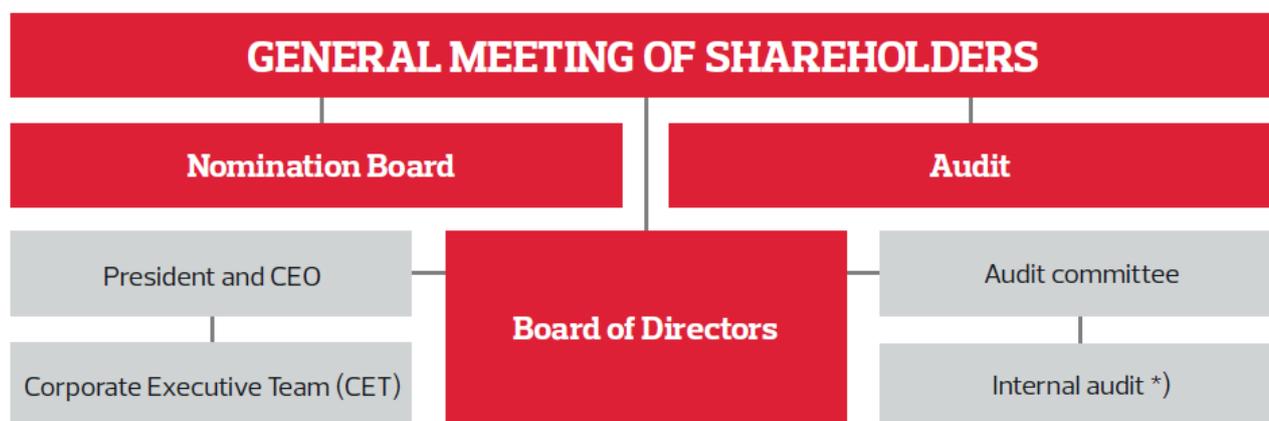
The Componenta Corporate Governance Statement 2016 and the Remuneration Statement 2016 are published as separate reports on Componenta's website at www.componenta.com. The Audit Committee of Componenta Corporation's Board of Directors has reviewed this statement at its meeting on 27 March 2017.

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 and by the President and CEO.

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.

At Group level, the President and CEO is responsible for operations. The Group's Corporate Executive Team assists and supports the President and CEO in carrying out his duties. At country level, the senior vice presidents of the business areas are in charge of operations, assisted by their management teams.

General Meeting

Componenta's supreme decision-making body is the General Meeting. Shareholders exercise their decision making rights at the General Meeting, where shareholders have the right to speak, ask questions and vote. The Annual General Meeting of Componenta must be held within six months of the end of the financial period.

The General Meeting decides on matters that come under its authority as defined in the Companies Act and the company's Articles of Association. These include approval of the financial statements, deciding on use of the profit shown in the balance sheet, and election of Board members and auditor.

Every Componenta shareholder is entitled to attend the General Meeting. One share carries one vote at a General Meeting.

A shareholder is entitled to have a matter included in the agenda of the meeting, if the matter falls within the competence of the General Meeting according to the Limited Liability Companies Act and he/she requests the Board in writing in sufficient time for the matter to be included in the notice convening a General Meeting.

In 2016, the Annual General Meeting was held on 1 April 2016 in Helsinki. At the Annual General Meeting, some 67 % of the company's shares and votes were represented. During 2016 three Extraordinary General Meetings were held, on 15 April 2016, 23 September 2016 and 7 December 2016. Some 55 % of the company's shares and votes were represented at the meeting on 15 April, 48 % on 23 September and 27 % on 7 December.

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 diversity of the future Board is taken into account when proposing and electing Board members, ensuring for example that both genders are represented and that the expertise and experience of Board members correspond to the needs of the company.

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 10 of the Corporate Governance Code for Finnish listed companies.

The Annual General Meeting decides on the remuneration paid to the Board.

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 transactions 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; and
- 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 these must be the Chairman or Vice Chairman. Componenta's General Counsel serves as secretary to the Board meetings.

The Board of Directors evaluates its own performance annually under the leadership of the Chairman. The Board also reviews the principles of corporate governance annually and amends it when required.

In 2016, the Annual General Meeting elected the following six members to Componenta's Board of Directors:

Casting Future **SOLUTIONS**

- Olavi Huhtala, b. 1962, B.Sc. (Eng.), Executive Vice President and Head of SSAB Europe
- Olli Isotalo, b. 1959, M.Sc. (Eng.), CEO of Patria Group
- Perttu Louhiluoto, b. 1964, M.Sc. (Econ.), Master of Laws, President, Services at Metso Corporation
- Riitta Palomäki, b. 1957, M.Sc. (Econ.), Chief Financial Officer (CFO) at Uponor Corporation
- Matti Ruotsala, b. 1956, M.Sc. (Eng.), Deputy CEO of Fortum Corporation
- Tommi Salunen, b. 1972, M.Sc. (Econ.), Chairman and Managing Partner at Aava Advisors Ltd

Share ownership of Board of Directors in Componenta as of 31 December 2016	
Olavi Huhtala	30 000 Componenta shares
Olli Isotalo	no Componenta shares
Perttu Louhiluoto	no Componenta shares
Riitta Palomäki	20 000 Componenta shares
Matti Ruotsala	40 000 Componenta shares
Tommi Salunen	30 000 Componenta shares

Companies in which Board members have a controlling interest did not own Componenta shares as of 31 December 2016.

The Board elected Matti Ruotsala as its chairman and Olavi Huhtala as vice chairman. All Board members are independent of the company and of major shareholders.

The Board of Directors met 34 times during 2016. The average attendance rate at Board meetings was 97%. Componenta's General Counsel, Pauliina Rannikko, served as secretary to the Board meetings.

The Board of Directors evaluated its own performance in February 2017 under the leadership of the Chairman.

The Group's Corporate Governance principles were updated at the Board meeting held on 23 May 2016.

Audit Committee

Componenta has an Audit Committee of the Board of Directors that has at least three members. After the Annual General Meeting the Board of Directors elects from its members a Chairman and members for the committee, for one year at a time. The relevant qualification requirements are taken into account when electing the Audit Committee members.

All members of the Audit Committee are independent of the company and its major shareholders.

The Board of Directors has confirmed written rules of procedure for the Audit Committee.

The Audit Committee has no independent decision-making power, but the Board of Directors makes decisions based on the work of the Audit Committee. The Chairman of the Audit Committee reports on the work of the committee at the next Board meeting after an Audit Committee meeting. Notice of Audit Committee meetings and the material for the meetings are sent to all Board members, who have the right to attend Audit Committee meetings.

The tasks and duties of the Audit Committee are to:

- monitor and supervise the reporting process for financial statements and ensure that the reporting process generates correct information, and approve important accounting principles;
- review and oversee the quality and integrity of the annual report, the annual financial statements and the interim reports;
- monitor the financial position of the Company and the sufficiency of financing, and prepare matters and proposals for the Board as needed;

- monitor the effectiveness of the Group's internal control processes, internal audit and risk management systems and related plans and processes;
- 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, and approve the budget of the external audit and new assignments that exceed the limits set by the Audit Committee;
- meet with the external auditor quarterly and review all essential reports from the external auditor;
- evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the companies to be audited;
- prepare the proposal for the election of the auditor; and
- meet with the management of the Company, the CEO, CFO and those responsible for risk management.

The Committee regularly evaluates its performance and working practices and assesses these itself once a year.

In 2016, the Board of Directors elected Riitta Palomäki to be chairman of the audit committee and Olavi Huhtala and Tommi Salunen as the other members of the committee. The Audit Committee convened seven times during the year and the attendance rate was 100%. Componenta's General Counsel, Pauliina Rannikko, served as secretary to the Audit Committee. Componenta's President and CEO, CFO and the auditors also regularly attended committee meetings.

The Audit Committee evaluated its own performance and working methods in March 2017.

Attendance of Board and Audit Committee members at meetings in 2016

			Precence at meetings	
Board member	From	Committee member in 2016	Board	Audit Committee
Ruotsala Matti (chair)	2012	-	34/34	-
Huhtala Olavi (v. chair)	2014	Audit Committee	31/34	7/7
Olli Isotalo	2015	-	32/34	-
Perttu Louhiluoto	2015	-	33/34	-
Riitta Palomäki	2012	Audit Committee (chair)	34/34	7/7
Tommi Salunen	2013	Audit Committee	34/34	7/7

Nomination Board

Componenta has a shareholders' Nomination Board. The Nomination Board comprises shareholders or representatives of shareholders and has the task each year of preparing and presenting the proposals for members of the Board of Directors and their remuneration to be made to the following Annual General Meeting.

The Nomination Board is convened annually by asking the three largest shareholders in the Company as of 31 August to appoint one member to the board. In addition to these, the chairman of the Company's Board of Directors serves as an expert member of the board.

The members of the Nomination Board elect one of the members to be chairman of the board. The first meeting of the Nomination Board is convened by the chairman of the Company's Board of Directors and after that the meetings are convened by the chairman of the board.

The Nomination Board gives its proposal to the Company's Board of Directors no later than the end of the January preceding the Annual General Meeting. The Nomination Board makes sure that the proposal is presented at the Annual General Meeting.

The Nomination Board has written rules of procedure, which state that its main tasks and duties are to:

- prepare and present the proposal to be made to the AGM concerning the number of members on the Board of Directors;
- prepare and present the proposal to be made to the AGM concerning the members of the Board of Directors;
- prepare and present the proposal to be made to the AGM concerning the remuneration of the members of the Board of Directors; and
- look for succession candidates for the members of the Board

In 2016 the Nomination Board comprised Erkki Etola (shareholders Etra Capital Oy and Tiiviste-Group Oy), Mikko Mursula (shareholder Ilmarinen Mutual Pension Insurance Company) and Timo Sallinen (shareholder Varma Mutual Pension Insurance Company). In addition, Matti Ruotsala, Chairman of Componenta's Board of Directors, served as expert member of the Nomination Board. The Nomination Board elected Timo Sallinen to be its chairman. Componenta's General Counsel, Pauliina Rannikko, served as secretary to the Nomination Board.

The Nomination Board met four times under the leadership of chairman Timo Sallinen and had an attendance rate of 100% at its meetings.

When preparing its proposal for members of the Board of Directors, the Nomination Board paid attention to the Board diversity policy. According to the diversity policy, the persons proposed for the Board of Directors shall possess wide-ranging expertise in the business operations of companies with international operations and of developing these. According to the diversity policy, it would be of advantage to the work of the Board if a member of the Board had experience of the company's business sector or of a major customer segment. When selecting the members of the Board the goal is that they represent both genders and that their knowhow and experience of the different areas in business operations (including production, sales, treasury and financial administration) complement each other and cover the key functions at industrial and listed companies. A further goal is to ensure continuity, so that at least some of the people elected to the Board possess experience of the company's business operations over a longer period. On 1 September 2016 Componenta filed for corporate restructuring in accordance with the Restructuring of Enterprises Act (47/1993). During the restructuring process, when deciding on the composition of the Board of Directors, particular attention is paid to the requirements arising from the restructuring process. Componenta aims to increase the proportion of women on its Board. To make progress in achieving this goal the Company specifically looks for members of both genders when evaluating potential candidates for the Board of Directors. The Nomination Board proposed to the Annual General Meeting to be held in 2017 that four members are elected to the Board of Directors. Three of the proposed Board members are male and one is female.

President and CEO

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

The President and CEO is responsible for managing and developing Componenta's business in accordance with the Finnish Limited 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, inter alia, on matters including the Company's financial situation, its business environment and other major matters. The President and CEO also prepares and implements the Group's strategy in accordance with the decisions of the Board.

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

In 2016 Harri Suutari, b. 1959, B.Sc. (Eng.) was President and CEO of Componenta.

Corporate Executive Team

Componenta's Corporate Executive Team assists the President and CEO in managing and developing Componenta. The Board of Directors decides on the appointment of members of the Corporate Executive Team and on the terms of their employment based on the proposal of the President and CEO, in accordance with the "one over one" principle in use at the Group.

The members of Componenta's Corporate Executive Team are those in charge of the Group's major functions and the senior vice presidents in charge of the Group's business areas. The Corporate Executive Team convenes regularly, at least once a month. Its key tasks include promoting the achievement of the Group's business goals and the development of business operations.

Componenta Group's Corporate Executive Team in the period 1 January – 3 March 2016 comprised President and CEO Harri Suutari, Olli Karhunen, Senior Vice President, Foundry Division, Juha Alhonoja, Senior Vice President, Machine Shop Division, Sabri Özdoğan, Senior Vice President, Aluminium Division, CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, HR and Legal, and Furio Scolari, Senior Vice President, Sales, Global Accounts.

In connection with the renewal of the management structure, the composition of Componenta's Corporate Executive Team also changed. As from 3 March 2016 the members of the Corporate Executive Team were: President and CEO Harri Suutari, Juha Alhonoja, Senior Vice President, Sweden business area, Seppo Erkkilä, Senior Vice President, Finland business area, Mika Hassinen, Senior Vice President, Netherlands business area, Pasi Mäkinen, Senior Vice President, Turkey, Iron business area and Sabri Özdoğan, Senior Vice President, Turkey, Aluminum business area as well as CFO Markku Honkasalo, Pauliina Rannikko, Senior Vice President, Human Resources and Legal and Sami Sivuranta, Senior Vice President, Development.

On 8 June 2016 Eddy Kremers was appointed to the Group's Corporate Executive Team with responsibility for the Netherlands business area. Mika Hassinen, who was previously responsible for the Netherlands business area, decided to pursue other opportunities outside Componenta Group.

Sami Sivuranta, Senior Vice President, Development, left to take up other duties outside Componenta Group on 30 June 2016. At this point, no one was appointed to replace him on the Corporate Executive Team.

On 22 August 2016 Componenta's Sweden business area was divided into two separate businesses, the Främmestad machine shop business and the Wirsbo forge business. As part of the change, the following appointments were made: Fredric Lindahl was appointed Managing Director of Componenta Främmestad AB and a member of the Corporate Executive Team. Mikael Schill was appointed Managing Director of Componenta Wirsbo AB and Componenta Arvika AB and a member of the Corporate Executive Team. Juha Alhonoja, the previous SVP, Sweden business area, moved on 30 September 2016 to another position outside Componenta Group.

Following the bankruptcy of the Dutch subsidiary, Eddy Kremers was no longer a member of the Corporate Executive Team as of 1 September 2016.

On 30 September 2016 Marko Karppinen was appointed Senior Vice President, Development at Componenta Corporation and a member of the Corporate Executive Team.

On 20 October 2016 Marko Karppinen was appointed Chief Financial Officer at Componenta as Markku Honkasalo moved to another position outside Componenta Group.

Componenta Group's Corporate Executive Team at the end of 2016 comprised

- Harri Suutari, President and CEO, b. 1959, B.Sc. (Eng.)
- Marko Karppinen, CFO, b. 1971, M.Sc. (Econ.)
- Pauliina Rannikko, Senior Vice President, HR and Legal, b. 1970, LL.M., M.Sc. (Econ.)
- Sabri Özdoğan, Senior Vice President, Turkey, Aluminium Business Area, b. 1975, B.Sc. (Eng.)
- Seppo Erkkilä, Senior Vice President, Finland Business Area, b. 1960, M.Sc. (Eng.)
- Pasi Mäkinen, Senior Vice President, Turkey, Iron Business Area, b. 1969, B.Sc. (Eng.)
- Fredric Lindahl, Senior Vice President, Främmestad machine shop, b. 1971, Degree in Design Engineering and studies in Industrial Economics
- Mikael Schill, Senior Vice President, Forging, b. 1978, M.Sc. (Econ.)

Share ownership of Corporate Executive Team in Componenta as of 31 December 2016	
Harri Suutari	2,499,000 Componenta shares
Marko Karppinen	no Componenta shares
Pauliina Rannikko	600 Componenta shares
Sabri Özdoğan	513 Componenta shares
Seppo Erkkilä	4,020 Componenta shares
Pasi Mäkinen	500 Componenta shares
Fredric Lindahl	no Componenta shares
Mikael Schill	no Componenta shares

Companies in which Corporate Executive Team members have a controlling interest did not own Componenta shares as of 31 December 2016.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of Board of Directors and Board Committees

The Annual General Meeting decides on the remuneration of the Board of Directors and of Board committees.

In 2016, the Annual General Meeting decided that the Chairman of the Board of Directors be paid an annual fee of EUR 60,000, ordinary Board members EUR 30,000 and members of committees of the Board EUR 5,000, and that travel expenses be paid in accordance with the company's travel regulations.

Total annual fees paid to members of the Board and of Board committees in 2016 were EUR 225,000. Board members do not participate in Componenta's share-based incentive scheme or pension schemes.

Remuneration of Board of Directors and Board Committees

Board 2016		Salaries, fees and fringe benefits, €
Ruotsala Matti	Chairman	60,000
Olavi Huhtala	Member, vice chairman	35,000
Olli Isotalo	Member	30,000
Perttu Louhiluoto	Member	30,000
Palomäki Riitta	Member, chairman of Audit Committee	35,000
Salunen Tommi	Member, member of Audit Committee	35,000
Total		225,000

Remuneration of President and CEO and other management

Componenta's Board of Directors decides on the remuneration and other benefits of the President and the deputy to the President. The Board of Directors decides on the terms of employment of members of the Corporate Executive Team, based on the proposal of the President and CEO, in accordance with the "one over one" principle in use at the Group.

Remuneration and other benefits of other members of the Corporate Executive Team

The fixed cash salary of the members of the Corporate Executive Team includes compensation for any work on the boards of directors of Componenta Group companies and any associated companies.

The maximum potential bonus, linked to financial targets, that is paid under short-term incentive schemes is 50 per cent of a person's annual earnings.

The Extraordinary General Meeting of Componenta Corporation held on 15 April 2016 resolved, in accordance with the proposals of the Board of Directors, on the issuance of stock options. The Board of Directors will resolve on the distribution of stock options and may additionally resolve on particular additional provisions concerning the receipt of stock options. The Board has so far not issued stock options to company management.

Members of the Corporate Executive Team are also entitled to a company car as part of their total remuneration.

Pension agreements

A supplementary pension worth 6 per cent of their basic annual salary has been paid for the Finnish members of the Corporate Executive Team who work in Finland. The President and CEO has had a separate supplementary pension. Due to the financial difficulties, not all the planned payments were made in 2016. In autumn 2016 the company reached agreement with the recipients to stop making payments relating to these supplementary pensions.

Remuneration of the President and CEO, deputy to the President and other members of the Corporate Executive Team

2016	Salaries, fees and fringe benefits, €	Bonuses, €	Statutory pension benefits €	Voluntary pension benefits, €	Benefits paid on termination of employment, €	Share-based payments, €	Total, €
President and CEO Harri Suutari	463,600	-		35,700	-	-	499,300
Deputy to President Mika Hassinen (until 2.3.2016)	34,073	-		992			35,065
Other members of Corporate Executive Team	1,351,956	-		34,236	-	-	1,386,192
TOTAL	1,849,629	-		70,928	-	-	1,920,557

Terms of employment of President and CEO Harri Suutari

Salary and fringe benefits	Total monthly salary EUR 38,000, which consists of cash salary and any fringe benefits
Pension	The retirement age of the President and CEO is 63 years, and he has a supplementary pension agreement. The agreement includes old age pension after reaching the age of retirement, paid-up pension policy rights if the employment of the insured person is terminated before reaching the age entitling to old age pension as stated in the insurance policy, disability insurance, and life insurance. In addition, the President and CEO has a separate pension capitalisation agreement, under which the pension begins at the age of 63 years and ends at the age of 68 years or when the savings in the capitalisation agreement have been used up. The pension capitalisation agreement was made in 2015. The actual pension is calculated annually by dividing the remaining amount of the savings by the remaining number of months for the pension. The payments made by the Company including the supplementary pension agreement and the pension capitalisation agreement totalled EUR 35,700 in 2016. The Company's Board of Directors reached agreement with the President and CEO in the autumn of 2016 to stop making the pension payments.
Termination of employment	The President and CEO's contract of employment may be terminated by the company by giving twelve months' notice and by the President and CEO by giving twelve months' notice. The President and CEO is not entitled to any separate compensation after giving notice or being given notice other than the salary and benefits agreed in the terms of notice and the supplementary pension in accordance with the principles of the paid-up pension policy.

Remuneration schemes

The Board of Directors reviews annually the market competitiveness of total remuneration, the instruments used and their weighting and goals in the remuneration of different target groups.

Short-term incentive scheme

Short-term remuneration (one calendar year) is based on meeting measurable business targets set for the year.

Long-term share-based incentive scheme

The Board of Directors decides on long-term share-based incentive schemes as part of total remuneration and manages the implementation of the schemes.

The Extraordinary General Meeting of Componenta Corporation held on 15 April 2016 resolved, in accordance with the proposals of the Board of Directors, on the issuance of stock options. The stock options are intended to form part of the incentive and commitment program for key employees, so the Company has a weighty financial reason for issuing the options. The stock options will be issued gratuitously and will entitle their owners to subscribe for a maximum total of 10,000,000 new shares in the Company or existing shares held by the Company. The Board of Directors will resolve on the distribution of stock options and may additionally resolve on particular additional provisions concerning the receipt of stock options. The Board has to date not issued stock options to company management.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

Risk management is part of the company's monitoring system and it aims to ensure that the risks to which the company's business is exposed are identified, evaluated and monitored. It aims to help forecast the threats and opportunities for business operations and ensure the continuity of business.

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 rules and regulations of the Finnish Financial Supervisory Authority and the rules of Nasdaq Helsinki Ltd.

Risk management

The Board of Directors confirms the principles for risk management and those responsible for this. The Audit Committee of the Board of Directors monitors the effectiveness of risk management systems. The President and CEO supervises the implementation of the risk management programme to ensure 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 CFO is responsible for development of Componenta's risk management.

Management of business operations is responsible for identifying and managing risks in their own business areas as part of their operational activities.

All employees are responsible for identifying and evaluating the risks that are related to their work or that are otherwise under their control and for reporting on them to their supervisors.

The financial risks relating to Componenta Group's business operations are managed in accordance with the Treasury Policy approved by the Board of Directors. The Group's treasury department manages financial risks and ensures for their own part the availability of equity and debt finance to the Group on competitive terms. The Group's treasury department is also responsible for managing and hedging the cash position.

The Corporate Executive Team conducts the Enterprise Risk Management (ERM) process annually and monitors the major risks to operations regularly. The main risks are identified and evaluated in the ERM process and corrective action is decided on.

The main risks for Componenta relating to the business environment and business operations and the finance risks are presented on the Company's website.

In 2016, due to the financial challenges faced by the company, the corporate restructuring proceedings at certain Group companies, and the bankruptcy of Componenta B.V., the Corporate Executive Team did not conduct the actual annual Enterprise Risk Management (ERM) process. Risk management activities were however carried out during 2016 at Corporate Executive Team level in accordance with the regulations.

Control environment

The purpose of Componenta's internal control is to ensure that the Group operates in line with its strategy profitably and effectively, that risk management is arranged appropriately and adequately, and that financial and operational reporting is reliable. Control is based on Componenta's values, operating principles, policies and guidelines (the Componenta Way to Operate, the Disclosure Policy and the Code of Conduct). Internal control is 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. The CFO is responsible for the financial reporting process and for ensuring that the related instructions are consistent and updated regularly. Controllers at the unit and division level as well as management are responsible for ensuring that reporting is carried out in accordance with instructions.

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 for 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.

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.

Internal monitoring

The profitability and efficiency of Componenta's operations and the achievement of financial objectives are monitored regularly by means of Group-wide financial reporting. The effectiveness of measures in internal control 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. The CFO has defined the control measures that cover the reporting process and allocated responsibilities for their implementation.

All operational business units have their own controllers who are responsible for financial reporting in cooperation with the management of the respective unit. The management team for each business unit and business area 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 is responsible for the final evaluation of the Group's result.

Internal audit

Componenta Group's internal audit is conducted in accordance with the operating principles approved by the Board of Directors, which are based on the Group's internal reporting and the annual audit plan approved by the Board.

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

Financial reporting that covers the whole Group regularly monitors how well financial targets are being met. The reports include actual figures, budgets and up-to-date estimates for the current year.

Insider management

Componenta's Insider Guidelines are available on the company's internet and intranet pages. Componenta complies with the Guidelines for Insiders published by Nasdaq Helsinki in the form valid at any given time, complemented with the specific guidelines applicable to Componenta Corporation, confirmed by Componenta's Board of Directors. The company's specific guidelines include provisions for defining which persons discharge managerial responsibilities in the company and for imposing trading restrictions. Componenta also has internal procedures for projects as referred to in the Insider Guidelines.

The company's insider management is responsible for the following tasks:

- internal communications concerning insider issues;
- training for insider issues within the company;
- receiving notifications concerning managerial personnel;
- drawing up and maintaining registers for individual projects; and
- monitoring insider issues (including the whistleblowing system).

The General Counsel is responsible for insider issues in the company.

Insider management provides advice and training on insider issues as necessary.

Persons with access to inside information concerning Componenta are immediately entered in the list of insiders maintained by the company, and the list is kept up-to-date on a continuous basis. If inside

information is disclosed to people outside Componenta Group (such as financial and other advisers), the company may request these parties to maintain the necessary insider list of those who have received this information.

A person with access to inside information may not disclose the inside information to outsiders, nor may they trade or engage in transactions with Componenta's financial instruments or advise others in relation to these activities.

In accordance with the applicable legislation, persons discharging managerial responsibilities in Componenta (the Board of Directors, President and CEO and the Corporate Executive Team) and persons closely associated with them shall notify Componenta and the Financial Supervisory Authority of any trading and other transactions relating to Componenta's shares, debt instruments or related derivatives, or other financial instruments made on their own account within three days of the transaction. Componenta makes public disclosures of the aforementioned trading and transactions in accordance with the applicable legislation.

Persons discharging managerial responsibilities in Componenta (the Board of Directors, President and CEO and the Corporate Executive Team) may not, on their own account or for a third party, directly or indirectly, engage in trading and other transactions related to Componenta's shares, debt instruments or related derivatives, or other financial instruments (closed window). The period in question commences 30 days prior to the release of the financial statement bulletin or interim reports, and ends when the financial statements or interim report is published.

Componenta has also separately defined certain persons who are involved in the preparation of Componenta's financial reports, who are also subject to a corresponding closed window.

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 regularly to Componenta's Audit Committee and to the Board of Directors of Componenta when necessary.

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

In 2016 Componenta's auditor was Authorised Public Accountants PricewaterhouseCoopers Oy. The responsible auditor was Samuli Perälä. In accordance with the decision of the Annual General Meeting on 1 April 2016, the fees paid to the auditor are based on invoicing. The fees paid to the auditors of Componenta Group's companies, based on the work performed, totalled EUR 480,000 comprising audit fees of EUR 350,000 and fees for other services EUR 130,000.

COMMUNICATION

Information about Componenta and its governance is published on the Group's website. All releases and reports published by Componenta are available on the Group's website immediately after they have been published.

The full Componenta Corporate Governance document, the separate Corporate Governance Statement and the Remuneration Statement are available online at www.componenta.com.