

Corporate Governance Statement

February 10, 2011

Huhtamäki Oyj (Huhtamäki or the Company) complies with the Finnish Corporate Governance Code adopted by the Securities Market Association and effective from October 1, 2010. The Code is available in Internet at www.cgfinland.fi.

Huhtamäki's corporate governance comprises the General Meeting of Shareholders, the Board of Directors (Board) and committees founded by it, the Chief Executive Officer (CEO) and the Group Executive Team (GET), laws and regulations applicable in the Group's operations as well as the Group's internal policies, guidelines and practices.

General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body. Its tasks and procedures are defined in the Finnish Companies Act and the Company's Articles of Association. The Annual General Meeting of Shareholders (AGM) shall be held annually in Espoo or Helsinki before the end of June on a date set by the Board of Directors. In 2010, the AGM was held on March 24, 2010 at Finlandia Hall, Helsinki.

The AGM resolves i.a. upon adoption of financial statements including the consolidated financial statements, distribution of profits, granting the members of the Board and the CEO discharge from liability as well as election of the members of the Board and the Auditor. The AGM decides also on the Board members' and the Auditor's remuneration. A General Meeting of Shareholders may also resolve upon, for example, amendments to the Company's Articles of Association, issuance of new shares and option rights and repurchase of the Company's own shares. The General Meeting of Shareholders may authorize the Board to decide, for example, on issuances of new shares or share repurchases.

An Extraordinary General Meeting of Shareholders (EGM) shall be held when considered necessary by the Board. An EGM shall also be held, if requested in writing, for the handling of a specified matter by the Auditor or shareholders holding altogether a minimum of one-tenth of all Company shares.

Shareholder rights

According to the Companies Act, a shareholder may request that a matter falling under the authority of the General Meeting of Shareholders shall be placed on the agenda of the meeting. To this effect, a written request should be sent to the Board well before the publication of the notice to convene the meeting. A shareholder has a right to make proposals and questions on matters handled in the General Meeting of Shareholders.

A shareholder who has been entered in the shareholders' register of the Company eight business days before a General Meeting of Shareholders has the right to participate in the meeting. The holder of a share registered under the name of a nominee may be temporarily entered in the shareholders' register for the purpose of participating in a General Meeting of Shareholders.

A shareholder may participate in a General Meeting of Shareholders either in person or by proxy. A shareholder may also employ the services of an assistant in a General Meeting of Shareholders.

Board of Directors

The Board of Directors is responsible for the management and the proper arrangement of the operations of Huhtamäki. The Board has a general authority regarding matters not specifically designated by law or Articles of Association to any other governing body of the Company. In addition to the powers vested in the Board by the Companies Act and the Articles of Association, the essential duties and working principles of the Board are defined in the Code of Governance for the Board of Directors. The Board decides on long-term strategic and financial targets as well as on dividend policy. The Board approves the strategic plans, annual plans and budget as well as monitors their implementation. The Board resolves upon corporate transactions, including all acquisitions and divestments, investment framework and individual capital expenditures exceeding EUR 6 million. In order to discharge its duties, the Board requires information on the structure, business operations and markets of the Company. Each member of the Board is provided with a monthly report on the financial situation and markets of the Group. The Board elects the CEO, approves the GET members' appointments, decides on executive compensation and annually reviews the management performance. The Board also conducts an annual evaluation of its own performance and working methods. The evaluation may be conducted as an internal self-evaluation or by using an external evaluator. In 2010, the evaluation was done as an internal self-evaluation without an external evaluator.

Composition of the Board of Directors

The number of the members of the Board and the composition of the Board shall make it possible for the Board to discharge its duties in an efficient manner. The composition shall take into account the needs of the Company operations and the development stage of the Company. Both genders shall be represented in the Board. The Board shall consist of a minimum of six and maximum of nine members. There are no limitations as to the number of terms a person may be elected as member of the Board or as to a maximum age of a Board member. The AGM elects the Board members for the term of office expiring at the close of the AGM following the election. The Board shall elect from among its members a Chairman and a Vice-Chairman. The AGM 2010 elected the following eight individuals to the Board:



Mikael Lilius, Chairman (1949)

Date of election: March 30, 2005

Education: B.Sc. (Econ)

Primary working experience: Fortum Oyj, CEO;

Gambro AB, CEO; Incentive AB, CEO; KF Industri AB, CEO;

Huhtamäki Oyj, President of the Packaging Division

Key positions of trust: Wärtsilä Oyj Abp, Board; Evli Pankki Oyj, Board;

Aker Solutions ASA, Deputy Chairman of the Board; Ambea AB,

Chairman of the Board; East Office of Finnish Industries, Chairman

of the Board; Ab Kelonia Oy, Supervisory Board

Shares on December 31, 2010: 50,000



Jukka Suominen, Vice-Chairman (1947)

Date of election: March 30, 2005

Education: M.Sc. (Eng), B.Sc. (Econ)

Primary working experience: Silja Oyj Abp, Group CEO

Key positions of trust: Fiskars Oyj Abp, Board; Federiaktiebolaget

Eckerö, Chairman of the Board; Lamor Corporation Ab, Chairman of

the Board; Arctia Shipping Oy, Board

Shares on December 31, 2010: 3,000



Eija Ailasmaa (1950)

Date of election: March 22, 2004

Main occupation: Sanoma Media B.V., President and CEO

Education: M.Pol.Sc.

Primary working experience: Various Sanoma Group executive roles,

including President of Helsinki Media and Sanoma Magazines Finland

magazine publishing subsidiaries; Editor-in-chief for the family

magazine Kodin Kuvalehti in 1985–1989

Key positions of trust: Outotec Oyj, Board; Solidium Oy,

Vice-Chairman of the Board

Shares on December 31, 2010: 1,000



William R. Barker (1949)

Date of election: March 24, 2010

Education: MBA and B.Sc. (Chemical Engineering)

Primary working experience: Rexam PLC, Board and Rexam

Beverage Can, Group Executive Director (2005–2009); Rexam Beverage

Can Americas, President & CEO (2001–2004); Textron Inc.; OEA Inc.;

Bosal International N.V.; Gates Rubber Company

Key positions of trust: Leeds School of Business, University of Colorado,

Board; Mold-Masters (2007) Limited, Board, President & CEO

Shares on December 31, 2010: -



George V. Bayly (1942)

Date of election: March 28, 2003

Main occupation: Whitehall Investors, LLC, Consultant

Education: MBA

Primary working experience: Altivity Packaging, LLC, Chairman & CEO; U.S. Can Company, Chairman; Ivex Packaging Corporation, Chairman, President & CEO; Olympic Packaging, Inc., Chairman, President & CEO; Packaging Corporation of America (PCA), Senior Vice President

Key positions of trust: ACCO Brands Corporation, Inc., Board; Graphic Packaging Corporation, Board; Ryt-Way Industries, LLC, Board; Treehouse Foods, Inc., Board; John G. Shedd Aquarium, Board; Miami University, Board; United Way Chicago, Board

Shares on December 31, 2010: -



Rolf Börjesson (1942)

Date of election: March 31, 2008

Education: M.Sc. (Chemical Engineering)

Primary working experience: Rexam PLC, Chairman of the Board (2004–2008) and the CEO and Board member (1996–2004)

Key positions of trust: Ahlsell AB, Chairman of the Board; Svenska Cellulosa Aktiebolaget SCA (publ), Board; Avery Dennison Corporation, Board

Shares on December 31, 2010: 3,000



Siao-Sze Lien (1950)

Date of election: April 3, 2009

Main occupation: Mobley Group Pacific Ltd., Senior Executive Coach

Education: M.Sc. (Computer Science)

Primary working experience: Hewlett-Packard, several different roles, latest position as Senior Vice President, Hewlett-Packard Services Asia-Pacific

Key positions of trust: Nanyang Technological University Singapore, Board of Trustees; Republic Polytechnic Singapore, Board of Governors; Luvata Ltd., Board

Shares on December 31, 2010: 1,000



Anthony J.B. Simon (1945)

Date of election: October 7, 1999

Main occupation: Unilever N.V., President Marketing, retired

Education: MA, MBA

Primary working experience: Unilever, Bestfoods, Corporate Vice President; Bowater Paper Corporation, Packaging Division

Key positions of trust: -

Shares on December 31, 2010: 1,248

Robertus van Gestel acted as a member of the Board of Directors until the AGM held on March 24, 2010.

Board meetings

Most of the meetings of the Board are held at the Company's headquarters in Espoo. The Board is annually visiting other Group locations and holds meetings there. The Board may also hold its meetings by telephone. The Board shall hold at least six regular meetings each year, with one session entirely dedicated to Group strategy. In 2010, the Board held 12 meetings, five of which were telephone meetings. The average attendance of the members at the Board meetings was 94%. The CEO and the Chief Financial Officer of the Company are usually attending the Board meetings. When necessary, e.g. in connection with deliberation of strategy or annual plans, the meetings are attended also by other members of the Group Executive Team. The Auditor is participating in the meeting deliberating the annual accounts. The Senior Vice President, Administration and General Counsel of the Company acts as the secretary to the Board.

Board members' attendance at the meetings

	Attendance (%)	Number of meetings attended
Mikael Lilius	100	12/12
Jukka Suominen	100	12/12
Eija Ailasmaa	100	12/12
William R. Barker*	100	9/9
George V. Bayly	83	10/12
Rolf Börjesson	92	11/12
Robertus van Gestel**	100	3/3
Siaou-Sze Lien	83	10/12
Anthony J.B. Simon	92	11/12
Average	94	

*member of the Board as of March 24, 2010

**member of the Board until March 24, 2010

Remuneration of the Board members

The AGM is resolving upon remuneration for the Board of Directors. In 2010, the annual compensation for the Chairman of the Board was EUR 90,000, for the Vice-Chairman EUR 55,000 and for the other members EUR 45,000. In addition, a meeting fee of EUR 500 per meeting was paid to all members for the Board and Board Committee meetings they attended. Traveling expenses were paid in accordance with the Company policy. None of the Board members receives any other remuneration from the Company than that based on Board membership. The Company's option rights plans do not extend to the Board members. There is no pension scheme for the Board members.

Remuneration paid to the members of the Board of Directors in 2010 (EUR)

	Annual compensation	Meeting fees	Total
Mikael Lilius	90,000	10,000	100,000
Jukka Suominen	55,000	11,000	66,000
Eija Ailasmaa	45,000	9,000	54,000
William R. Barker*	33,750	4,500	38,250
George V. Bayly	45,000	7,000	52,000
Rolf Börjesson	45,000	8,500	53,500
Robertus van Gestel**	11,250	3,000	14,250
Siaou-Sze Lien	45,000	7,000	52,000
Anthony J.B. Simon	45,000	7,500	52,500
Total	415,000	67,500	482,500

*member of the Board as of March 24, 2010

**member of the Board until March 24, 2010

Independence of the Board members

All members of the Board are non-executive. The Board considers all members of the Board independent of the Company. The Board also considers all members, except Jukka Suominen, independent of the significant shareholders of the Company.

Board Committees

In order to focus on certain responsibilities, the Board has appointed permanent Committees consisting of three to five Board members each. The Committees assist the Board by preparing matters belonging to the competence of the Board. Each Committee regularly reports on its work to the Board. The Committees have no autonomous decision-making power and, thus, the Board passes its resolutions collectively. The entire Board remains responsible for the duties assigned to the Committees.

The Board currently has three committees: the Nomination Committee, the Human Resources Committee and the Audit Committee. Each Committee has a written charter summarizing its tasks.

The Nomination Committee prepares proposals to the AGM concerning election of Board members and their remuneration. It may also conduct succession planning of the Board members. The Committee meets once a year as a minimum, prior to the AGM. The following individuals comprised the Nomination Committee during 2010: Mikael Lilius (Chairman), Rolf Börjesson and Jukka Suominen. In 2010, the Nomination Committee held three meetings. The average attendance of the Nomination Committee members at the meetings was 100%.

The Human Resources Committee prepares and discusses organizational and human resource issues, as well as principles of remuneration of senior executives and their compensation. The following individuals comprised the Human Resources Committee during 2010: Mikael Lilius (Chairman), George V. Bayly and Rolf Börjesson. In 2010, the Human Resources Committee held four meetings. The average attendance of the Human Resources Committee members at the meetings was 100%.

The Audit Committee assists the Board in its responsibility to supervise that the book-keeping and financial administration of the Company are appropriately arranged, as well as to monitor the financial status of the Company and compliance of the Group policies. It monitors and supervises matters relating to financial statements and consolidated financial statements, interim reports, accounting principles and policies, as well as internal reporting systems. Additionally, the Audit Committee monitors the efficiency of the Company's internal control, internal audit, as well as risk assessment and risk management mechanisms. It reviews the description of the main principles of the Company's internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's Corporate Governance Statement. The Audit Committee prepares to the AGM the resolution concerning appointment of the Auditor. It also evaluates the independence of the Auditor and provision of other consultancy services by the Auditor to the Company. In addition to the members of the Audit Committee, the Chief Financial Officer participates in the Committee's meetings. The Auditor participates in the meeting deliberating the financial statements and also other meetings, if considered necessary. The following individuals comprised the Audit Committee during 2010: Jukka Suominen (Chairman), Eija Ailasmaa and Siaou-Sze Lien. In 2010, the Audit Committee held six meetings. The average attendance of the Audit Committee members at the meetings was 94%.

Chief Executive Officer

The CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The CEO is responsible for the achievement of the goals, plans and objectives set by the Board. The CEO is responsible for ensuring that the book-keeping of the Company complies with the law and that the financial administration is arranged in a reliable manner. The CEO is the Chairman of the Group Executive Team.

M.Sc. (Econ), MBA Jukka Moisio (1961) has acted as the Company's CEO as of April 1, 2008. Before joining the Company, Jukka Moisio acted during 1991–2008 in several different roles in Ahlstrom Corporation, latest position being the CEO.

In 2010, Jukka Moisio's non-variable annual base salary and benefits amounted to EUR 566,768 and the short-term incentive, based on the performance in 2009, amounted to EUR 404,252. Based on the performance in 2009, the CEO received under the Performance Share Incentive Plan 2008–2010 a total of 30,000 shares with an aggregate value of EUR 261,300 at the time of the transfer and a cash payment of EUR 261,300 relating to the amount of income taxes arising based on the received shares. This reward with a total value of EUR 522,600 was paid in March 2010. Thus, the CEO's total remuneration amounted to a total of EUR 1,493,620 in 2010. No option rights were allocated to him during 2010.

According to the Service Agreement between the Company and the CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the CEO is entitled to a termination compensation amounting to 18 months' base salary. The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. The early retirement possibility is covered by an arrangement under which the Company contributes, in addition to statutory employment pension contribution, to a supplementary pension arrangement annually an amount which shall not exceed the CEO's monthly base salary. However, the contribution is subject to the CEO contributing the same amount to the supplementary pension arrangement. In case the Service Agreement is terminated prior to the retirement and resignation age, the CEO maintains the right to the funds in the supplementary pension arrangement. The amount of the supplementary pension is determined based on the funds contributed to the arrangement by the Company and the CEO as well as the returns on these funds.

Group Executive Team

The following persons form the Group Executive Team:

Mr. Jukka Moisio (1961)

Chairman, Chief Executive Officer (CEO)

GET member since: April 1, 2008

Joined the company: 2008

Education: M.Sc. (Econ), MBA

Primary working experience: Ahlstrom Corporation (1991–2008), several different roles, latest position as CEO

Key positions of trust: -

Shares on December 31, 2010: 55,900

Option rights on December 31, 2010: 2006 B 80,000, 2006 C 80,000

Mr. Timo Salonen (1958)

Chief Financial Officer (CFO)

GET member since: October 8, 1999

Joined the company: 1991

Education: M.Sc. (Econ), LL.M.

Primary working experience: Huhtamäki Oyj (1991–), several different roles, previous positions as Executive Vice President, Strategy and Development, Executive Vice President, Europe Rigid Packaging as well as CFO; Partek Corporation (1983–1991), several different roles, latest position as Division Controller, Partek Concrete International, Belgium

Key positions of trust: -

Shares on December 31, 2010: 45,000

Option rights on December 31, 2010: 2006 A 40,000, 2006 B 40,000, 2006 C 50,000

Mr. Juha Salonen (1949)

Senior Vice President, Administration and General Counsel, Secretary of the Board of Directors

GET member since: April 22, 2008

Joined the company: 1983

Education: LL.M., B.Sc. (Econ)

Primary working experience: Huhtamäki Oyj (1983–), several different roles, previous positions as Group Vice President, General Counsel; Finnish Employers' Association (1979–1982), Legal Advisor; Attorney (1977–1979); several different positions in courts (1974–1977)

Key positions of trust: Member of the Finnish Takeover Panel

Shares on December 31, 2010: 20,000

Option rights on December 31, 2010: 2006 A 15,000, 2006 B 25,000, 2006 C 35,000

Mr. Clay Dunn (1957)

Executive Vice President, North America

GET member since: June 1, 2005

Joined the company: 2005

Education: BBA (Marketing and Management)

Primary working experience: Dow Chemical Company (1979–2005), several different roles, latest position as Vice President, Global Sourcing

Key positions of trust: -

Shares on December 31, 2010: 20,000

Option rights on December 31, 2010: 2006 A 40,000, 2006 B 50,000, 2006 C 50,000

Mr. Suresh Gupta (1952)

Executive Vice President, Flexible Packaging

GET member since: January 1, 2009

Joined the company: 1999

Education: M.M.S. (Management)

Primary working experience: Huhtamäki Group (1999–), previous position as Senior Vice President, Flexibles and Films Asia-Oceania; The Paper Products Ltd., (1987–), Deputy Managing Director, Managing Director and CEO; Alman Group (1983–1987), Executive Director

Key positions of trust: Paper, Film & Foil Convertors Association, India, President

Shares on December 31, 2010: 15,000

Option rights on December 31, 2010: 2006 A 13,000, 2006 B 20,000, 2006 C 25,000

Mr. Olli Koponen (1959)

Executive Vice President, Molded Fiber

GET member since: January 1, 2011

Joined the company: 1990

Education: M.Sc. (Eng., Automation & Information Technology),

B.Sc. (Eng., Automation Technology)

Primary working experience: Huhtamäki Oyj (1990–), several different roles, previous positions as Senior Vice President, Molded Fiber Europe, General Manager positions in Hämeenlinna, Finland, Turkey, Hong Kong and Russia; Systecon Oy (1984–1990), several different roles, latest position as Product Manager

Key positions of trust: -

Shares on January 1, 2011: 11,000

Option rights on January 1, 2011: 2006 C 20,000

Mr. Eric Le Lay (1962)

Executive Vice President, Foodservice Europe-Asia-Oceania

GET member since: March 12, 2008

Joined the company: 2008

Education: MBA

Primary working experience: Amcor Limited (1997–2008), several different roles, latest position as Managing Director, Chilled Foods Europe; Amcor United Biscuits (1996–1997); Johnson & Johnson International S.A. (1994–1996); Kraft General Food France S.A. (1986–1994)

Key positions of trust: -

Shares on December 31, 2010: 15,000

Option rights on December 31, 2010: 2006 B 30,000, 2006 C 40,000

Mr. Peter Wahsner (1962)

Executive Vice President, Films

GET member since: January 1, 2009

Joined the company: 2008

Education: M.Sc. (Business Management)

Primary working experience: Huhtamäki Group (2008–), previous position as Senior Vice President, Films Global; Chesapeake (2006–2007), Director, Pharmaceuticals & Healthcare Division; Huhtamäki Group (2004–2005), Division President, Molded Fiber Europe; Rexam PLC (2001–2004), Managing Director, Healthcare Flexibles Division, Europe & Asia

Key positions of trust: -

Shares on December 31, 2010: 16,500

Option rights on December 31, 2010: 2006 B 20,000, 2006 C 25,000

Internal control, internal audit and risk management systems

Internal control

Successful business requires continuous monitoring of the Group's operations. Internal control is an essential part of the corporate governance and management of the Group. The Board of Directors and the CEO are responsible for adequate internal control. The Audit Committee of the Board of Directors is monitoring the efficiency of the internal control systems and the correctness of the financial reporting.

Internal control is a process aiming at providing reasonable assurance on achievement of Group's strategic and financial objectives. The responsibility for arranging the internal control process and function belongs to the executive management of the Group and is being carried out by the

whole organization. The aim of the internal control is to ensure reliability of financial reporting, effectiveness and efficiency of operations as well as compliance with laws and regulations.

Control of financial reporting assures that financial statements are prepared in a reliable manner. The aim is also to ensure that all financial reports published and other financial information disclosed by the Company provide a fair view on the Group's financial situation.

Control of operations is aiming to ensure effectiveness and efficiency of operations and achievement of the Group's strategic and financial objectives.

Compliance with applicable laws and regulations related controls ensure that the Group complies with applicable laws and regulations.

Foundation of all Group's activities lies with common values and principles providing discipline and structure for the operations formalized in guidelines on integrity, ethical behavior and management of personnel. Allocation of authorities and responsibilities as well as segregation of duties allow efficient and proper decision-making procedures.

Group policies, standards and guidelines are deployed in all segments and units. Policies, standards and guidelines on financial, human resources, environmental, legal and compliance as well as risk management related matters have been issued in the Group.

Reliability of financial reporting

The Group's finance function and the network of segment and unit controllers are supporting and coordinating the financial management and financial control of operations in the Group. The Group's financial reporting guidelines and standards are applicable throughout the financial reporting process of the Group. The interpretation and application of accounting standards are centralized in the Group finance function which maintains the financial reporting guidelines and standards and takes care of communicating such throughout the Group. The Group's finance function also supervises the compliance of such guidelines and standards. Supervision of reporting and budgeting processes is based on the Group's reporting standards which are determined and updated by the Group's finance function. The reporting standards are uniformly applied in the whole Group and a unified Group reporting system is used.

Effectiveness and efficiency of operations

Group's strategic direction, objectives and related actions are deployed and communicated throughout the Group. Annual targets and key performance indicators are agreed, approved and communicated as part of the annual planning process. Achievements are followed monthly and quarterly in business review meetings that are held with line management in all business units and segments.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks and controlling deficiencies. Corrective actions are implemented and monitored by segment and unit management. These activities need to be in compliance with Group policies and standards. Internal controls related to quality, safety and environmental processes and procedures are audited internally and by external service providers.

The Group is applying Lean Six Sigma process in all segments to identify and implement continuous improvement projects.

Compliance with laws and regulations

Group-wide policies on corporate governance for subsidiaries, competition compliance, contracts and agreements, management of claims,

disputes and proceedings as well as insider matters have been issued. Compliance with the policies is facilitated through communication, trainings and internal auditing.

Internal Audit

The objective of the internal audit is to improve the effectiveness of supervising obligation of the Board of Directors. Internal audit aims at ensuring that the Group's operations are efficient, information is adequate and reliable and that set policies and procedures are properly followed by the organization.

The Group has an internal audit function and internal audits have been managed in the year 2010 in coordination with internal audit co-sourcing partner Deloitte & Touche Oy and its international network. Internal audits have been conducted on a monthly basis according to approved annual internal audit plan in various Group and segment level processes as well as in business units.

Group internal audit function evaluates independently and systematically Group's management and governance systems as well as the effectiveness, efficiency and appropriateness of the Group's business processes and risk management. The internal audit function provides in the internal audit reports development recommendations for the aforementioned systems and processes. Main purpose of these activities is to assure achievement of strategic and financial objectives of the Group.

The Audit Committee of the Board approves the annual internal audit plan. Audit engagements are included in the plan in accordance with the Group's strategic objectives, assessed risks and focus areas defined by the Board and the executive management of the Group. Audit engagements are selected according to a rotation principle. The internal audit function reports to the Audit Committee. Additionally, the CEO, the Chief Financial Officer and management of the segment and business unit where the audit has been conducted are informed of the results of the audit.

Risk management

Risk management is an essential part of the internal control system of the Group. The purpose of risk management is to ensure that the risks related to business objectives and operations are identified, managed and monitored. The risk management procedures are set forth in the risk management process description and instructions. The risk management process of the Group is based on Enterprise Risk Management (ERM) framework of Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Group's risk management focuses on risks relating to business opportunities and risks potentially jeopardizing achievement of Group objectives in the changing business environment. Risks are categorized as strategic, operational, financial and information risks.

The Huhtamäki Group Enterprise Risk Management (ERM) Policy defines the risk management guidelines for the Group. The risk management policy sets forth the risk management process and responsibilities as well as the risk categories that are used to categorize identified risks. Compliance with the risk management policy assures timely identification and recording of risks and the application of relevant risk management measures to address these risks.

The Audit Committee is monitoring the implementation of risk management activities, and it evaluates the adequacy and appropriateness of the process and activities. The Audit Committee reports regularly to the Board of Directors, which is responsible for reviewing the Group's strategic, operational, financial and information risks. The Board of Directors approves acceptable risk levels and the extent to which these risks have been properly identified, addressed and followed up.

The executive management of the Group is responsible for the adoption and deployment of the Group's internal control principles and procedures relating to risk management. The risk management process includes systematic identification and assessment of risks in each business segment and their business units as well as at Group level. Each of these defines risk mitigation measures that are needed to reach acceptable risk level. Risks are consolidated from the business unit level to the segment level and from the segment level to the Group level. At each level risk mitigation measures are defined in order to reach acceptable risk levels. Execution and supervision of these risk mitigation actions is a task of line management. Upper level line management always approves lower level risk mitigation measures and the risk level reached after implementation of such measures. Internal audit function monitors and reports achievement of these measures. The purpose is to verify that risk mitigation actions support achievement of Group's strategic and financial objectives.

The Group risk management function is organizing, instructing, supporting, supervising and monitoring risk management activities. The function also analyzes changes in impact, likelihood and level of control for each identified business risk. It reports annually results of the risk management process to the Audit Committee. The Group risk management function also prepares reports to the executive management of the Group and the Auditor.

Business unit, segment and Group level risk management process and activities are engaged with Group's annual planning cycle. Risk management process may be commenced any time in the course of the financial year should a certain business area encounter essential strategic changes requiring initiation of the risk management process.

Audit

The Company shall have one Auditor, which is an accounting firm approved by the Finnish Central Chamber of Commerce (APA). The AGM elects the Company's Auditor. The AGM 2010 elected the Authorized Public Accounting firm Ernst & Young Oy as the Auditor of the Company. Harri Pärssinen, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the Ernst & Young network in each country.

In 2010, total auditing costs of the Group amounted to EUR 1.1 million. The Ernst & Young network has also provided other consultancy worth EUR 0.2 million.