

# Corporate Governance Statement

February 14, 2017

**Huhtamaki**

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# Corporate Governance Statement

## Introduction

Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2016. In addition, the Company has issued a separate Remuneration Statement prepared in accordance with the Code. The Code is available in its entirety on the internet at [www.cgfinland.fi](http://www.cgfinland.fi). Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Corporate Governance Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors of the Company has reviewed the statement and it has been approved

by the Board of Directors. The Auditor of the Company has reviewed that the statement has been issued and that the description of the main principles of internal control and risk management systems of the financial reporting process fully complies with the financial statements of the Company.

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

Updated information on the governance of the Company is available on the Company's website in section "Corporate Governance" (<http://www.huhtamaki.com/investors/governance>).

## Corporate governance structure



## Descriptions concerning corporate governance

### Board of Directors

#### Election and composition of the Board

The Nomination Committee of the Board prepares a proposal for the election of the Board members to the Annual General Meeting of Shareholders (AGM) which elects the Board members for the term of office expiring at the close of the AGM following the election. The Articles of Association of the Company do not contain any provisions on a special order of appointment of the Board members but the AGM elects the Board members based on the proposal of the Nomination Committee of the Board. The Board shall elect from among its members the Chairman and the Vice-Chairman. If the CEO of the Company was elected to the Board, the CEO could however not be elected as the Chairman of the Board.

The number of Board members and the composition of the Board shall make it possible for the Board to discharge its duties in an efficient manner. The composition shall reflect the requirements set by the Group's operations and the develop-

ment stage of the Group. A person to be elected to the Board shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to attend to the duties efficiently. According to the Articles of Association of the Company the Board shall consist of a minimum of six and a maximum of nine members. There are no limitations as to the number of terms a person may be elected as Board member or as to the maximum age of a Board member.

#### Diversity of the Board

According to the Charter of the Board of Directors, the Company strives to ensure strong, versatile and mutually complementary expertise, experience and knowledge in the different businesses and geographical market areas that are important for the Group when electing the Board members. The Board members of the Company shall represent various businesses and have broad management experience in important market areas for the Group, including the emerging markets. Factors to be taken into account when electing the Board members in-

clude age and gender as well as occupational, educational and international background. Both genders shall be represented in the Board in a well-balanced manner.

The principles on diversity of the Board are taken into account as part of the Company's succession planning when considering the composition of the Board. As regards diversity in terms of gender, both genders have been represented in the Board for a long time. Since 2009, two to three Board members have been female thus representing 25–43% of all Board members.

#### Board members

The AGM 2016 elected the following seven individuals to the Board:



#### Chairman Mr. Pekka Ala-Pietilä

Born 1957, Finnish citizen

Independent of the Company and significant shareholders

**Date of election:** April 24, 2012

**Board committees:** Chairman of the Nomination Committee and Human Resources Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** M.Sc. (Econ); D.Sc. (Econ) h.c. and D.Sc. (Tech) h.c.

**Primary working experience:** Blyk Services Ltd., Co-founder and CEO (2006–2011); Nokia Corporation, several different positions (1984–2005), last positions as President (1999–2005), Member of the Group Executive Board (1992–2005) and Nokia Mobile Phones, President (1992–1998)

**Key positions of trust:** Sanoma Corporation, Chairman of the Board (2016–) and Board member (2014–2016); Pöyry PLC, Board member (2006–); SAP AG, Supervisory Board member (2002–); Solidium Oy, Chairman of the Board (2011–2015)



#### Vice-Chairman Mr. Jukka Suominen

Born 1947, Finnish citizen

Independent of the Company, based on an overall evaluation dependent of a significant shareholder

**Date of election:** March 30, 2005

**Board committees:** Chairman of the Audit Committee, member of the Nomination Committee

**Main occupation:** Miscellaneous positions of trust

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

**Primary working experience:** Silja Group, executive roles (1975–2000), Group CEO, Silja Oyj Abp (1995–2000), CEO, Silja Line (1991–1995) and VP, Effoa / Finland Steamship Company Ltd. (1975–1994)

**Key positions of trust:** Rederiaktiebolaget Eckerö, Chairman of the Board (2006–); Lamor Corporation Ab, Chairman of the Board (2010–); Fiskars Oyj Abp, Board member (2008–2014)



#### Ms. Eija Aillasmaa

Born 1950, Finnish citizen

Independent of the Company and significant shareholders

**Date of election:** March 22, 2004

**Board committees:** Member of the Audit Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** M.Pol.Sc.

**Primary working experience:** Sanoma Media B.V., President and CEO (2003–2011); Sanoma Group, executive roles in magazine publishing subsidiaries, including Helsinki Media/Sanoma Magazines Finland, President (2000–2003) and other executive roles (1989–2000); Kodin Kuvalehti magazine, Editor-in-chief (1985–1989)

**Key positions of trust:** Outotec Oyj, Board member (2010–); Solidium Oy, Vice-Chairman of the Board (2008–2015, 2016–)



**Mr. Doug Baillie**

Born 1955, U.K. citizen

Independent of the Company and significant shareholders

**Date of election:** April 21, 2016

**Board committees:** Member of the Human Resources Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** BComm, Business Finance, Marketing & Business Administration

**Primary working experience:** Unilever Group, several different roles (1978–2016), last positions Chief Human Resources Officer and a member of the Executive Board (ULE) of Unilever Group (2008–2016), President, Western Europe (2008–2011), Chief Executive Officer & Group Vice President, South Asia, Hindustan Unilever (2006–2008) and Group Vice President, Africa, Middle East & Turkey (2004–2005)

**Key positions of trust:** The MasterCard Foundation, Board member (2015–); Leverhulme Trust, Board member (2015–); Africa Platform Capital LLP, Senior Advisor (2016–); Huozhi Limited, Advisor (2016–)

Chairman of the Board (2015–) and Board member (2015); The Carlstar Group LLC., Board member (2014–); Leeds School of Business, University of Colorado, Board member (2008–); Mcron Acquisition Corporation, Board Member (2013–2014); Mold-Masters (2007) Limited, Board member (2010–2013)



**Mr. Rolf Börjesson**

Born 1942, Swedish citizen

Independent of the Company and significant shareholders

**Date of election:** March 31, 2008

**Board committees:** Member of the Nomination Committee and Human Resources Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** M.Sc. (Chem. Eng.)

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

**Key positions of trust:** LifeAir AB (publ), Chairman of the Board (2017–); Biolight AB (publ), Chairman of the Board (2011–2016); Svenska Cellulosa Aktiebolaget SCA (publ), Board member (2003–2015); Avery Dennison Corporation, Board member (2005–2015); Ahlsell AB, Chairman of the Board (2006–2012)



**Mr. William R. Barker**

Born 1949, U.S. citizen

Independent of the Company and significant shareholders

**Date of election:** March 24, 2010

**Board committees:** Member of the Human Resources Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** MBA and B.Sc. (Chem. Eng.)

**Primary working experience:** Milacron LLC, Executive Vice President (2013–2014); Mold-Masters (2007) Limited, President (2013) and President and CEO (2010–2013); The Whitehawk Group LLC, CEO (2009–2010); Rexam PLC, Board member and Rexam Beverage Can, Group Executive Director (2005–2009); Rexam Beverage Can Americas, President & CEO (2001–2004); Textron, Inc., President, Textron Fastening Systems - Commercial Solutions (2000–2001); OEA Inc., President, OEA Automotive Safety Products (1998–2000); Bosal International N.V., President, Bosal North America (1995–1998); Gates Rubber Company, Vice President, Gates Power Drive Products, Managing Director, Asia Pacific Operations and other positions (1972–1995)

**Key positions of trust:** Shield Holdco LLC (holding company of Dynatect Manufacturing, Inc.), Chairman of the Board (2014–) and Board member (2014); Shape Technologies Group, Inc.,



**Ms. Sandra Turner**

Born 1952, U.K. citizen

Independent of the Company and significant shareholders

**Date of election:** April 20, 2011

**Board committees:** Member of the Audit Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** BA (Marketing) Honours

**Primary working experience:** Tesco PLC, several different roles in United Kingdom and Ireland (1987–2009), last position Commercial Director, Tesco Ireland Limited (2003–2009)

**Key positions of trust:** Carpentryright PLC, Board member (2010–); McBride PLC, Board member (2011–); Greggs PLC, Board member (2014–); Berkhamsted School, Board of Governors, Vice-Chairman (2013–) and member (2011–2013); Countrywide PLC, Board member (2013–2014); Northern Foods PLC, Board member (2010–2011)

In addition, Ms. Maria Mercedes Corrales has acted as a member of the Board in 2016. Her membership ended at the AGM 2016 and her CV is presented as it was on April 21, 2016.

## Ms. Maria Mercedes Corrales

Born 1949, Filipino citizen

Independent of the Company and significant shareholders

**Date of election:** April 24, 2012

**Board Committees:** Member of the Human Resources Committee

**Main occupation:** Miscellaneous positions of trust

**Education:** MBA and B.Sc. (Business Management)

**Primary working experience:** Starbucks Corporation, Corporate Senior Vice President & President, Asia Pacific Division (2009–2010) and Representative Director, CEO/COO, Starbucks Japan (2006–2009); Levi Strauss & Co., several executive positions in Asia and Latin America (1973–2005), last positions as President and Representative Director (LS Japan KK) & Regional Vice President, North Asia (Japan, Greater China and South Korea) (2001–2005) and Regional Vice President, South America (1996–2000)

**Key positions of trust:** Mapúa Institute of Technology, Board of Trustees (2013–); D.E Master Blenders 1753, Board member (2012–2013); Fraser and Neave, Limited, Board member (2010–2013); RCBC Savings Bank Philippines, Board member (2015–)

## 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. It was noted in the consideration that despite Eija Ailasmaa and Jukka Suominen having served as directors for more than 10 consecutive years, the Board has determined no reasons justifying them to be considered dependent on the Company. The evaluation has been made based on the actual circumstances from both the perspective of the Company and the directors in question. The Board also considers all members except Jukka Suominen independent of the significant shareholders of the Company. According to his own notification and an overall evaluation by the Board, Jukka Suominen is dependent of the significant shareholder of the Company, The Finnish Cultural Foundation.

## Shares owned by the Board members on December 31, 2016

	2016
Pekka Ala-Pietilä	3,250
Jukka Suominen	3,000
Eija Ailasmaa	1,000
Doug Baillie	-
William R. Barker	-
Rolf Börjesson	3,000
Sandra Turner	1,000
<b>Board total</b>	<b>11,250</b>

The shareholdings include the Company's shares owned by the Board members and by any potential corporations over which a Board member exercises control. Board members do not own any shares in any other Group companies than the Company.

Information on the remuneration of the Board members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (<http://www.huhtamaki.com/investors/governance/remuneration>).

## Responsibilities and duties of the Board

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 Company's Charter of the Board of Directors which was last updated in 2016.

The Board decides among other things on strategic and financial targets as well as on dividend policy. The Board approves the strategic plans and budget as well as monitors their implementation. The Board also decides on acquisitions and divestments as well as capital expenditure proposals exceeding EUR 10 million or proposals which are otherwise of material importance to the Group. The Board appoints and dismisses the CEO, approves the proposals by the CEO for GET members' appointments and dismissals, decides on their compensation and annually reviews the performance of the CEO and other GET members. Other duties of the Board include for example the approval of financial statements, the review of risks and internal control as well as the preparation of matters to be resolved by the AGM. 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 2016, the evaluation was done by using an external evaluator.

In order to discharge its duties, the Board requires sufficient information on the structure, business operations and markets of the Group. Each member of the Board is provided with a monthly report on the financial situation and markets of the Group. In addition, if necessary, the Board is informed of all material events in the Group. New Board members are properly introduced to the operations of the Company.

## Board meetings

The meetings of the Board are held at the Company's headquarters in Espoo or in other Group locations or in other places as decided by the Board. The Board may also hold its meetings by telephone or electronically and make decisions without convening a meeting. According to the Charter of the Board of Directors, it shall hold at least six regular meetings each year. In 2016, the Board held eleven meetings, three of which were telephone meetings and one was held without convening. The average attendance of the members at the Board meetings was 93%.

The CEO and the Chief Financial Officer (CFO) of the Company are usually attending the Board meetings. When necessary, e.g. in connection with deliberation of strategy or budgets, the meetings are attended also by other GET members. The Auditor is participating in the meeting deliberating the financial statements. The General Counsel of the Company acts as the secretary of the Board.

## Board members' attendance at the Board meetings

	2016	
	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	11/11
Jukka Suominen (Vice-Chairman)	100	11/11
Eija Ailasmaa	100	11/11
Doug Baillie*	75	6/8
William R. Barker	100	11/11
Rolf Börjesson	100	11/11
Sandra Turner	100	11/11
Maria Mercedes Corrales**	67	2/3

\* Member of the Board since April 21, 2016

\*\* Member of the Board until April 21, 2016

## Board Committees

### General

In order to focus on certain responsibilities, the Board may appoint Committees consisting of three to five Board members each. The Board also appoints the Chairman of each Committee. Each Committee member shall have the qualifications required by the duties of the Committee.

The Board currently has three committees: the Nomination Committee, the Human Resources Committee and the Audit Committee. The duties and responsibilities of the Committees are described in the charter for each Committee approved by the Board. The charters were last updated in 2016. 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.

### Nomination Committee

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 shall meet at least once a year, prior to the AGM. The following individuals have comprised the Nomination Committee in 2016: Pekka Ala-Pietilä (Chairman), Rolf Börjesson and Jukka Suominen. In 2016, the Nomination Committee held four meetings. The average attendance of the members at the Nomination Committee meetings was 100%.

#### Members' attendance at the Nomination Committee meetings

	2016	
	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	4/4
Rolf Börjesson	100	4/4
Jukka Suominen	100	4/4

### Human Resources Committee

The Human Resources Committee prepares and discusses organizational and human resource matters including remuneration, appointment and succession planning of the CEO and other GET members as well as the development of the people strategy and human resources policies.

The Committee shall meet at least twice a year. The following individuals have comprised the Human Resources Committee from the date of the AGM in 2016: Pekka Ala-Pietilä (Chairman), Doug Baillie, William R. Barker and Rolf Börjesson. In 2016, the Human Resources Committee held six meetings. The average attendance of the members at the Human Resources Committee meetings was 90%.

#### Members' attendance at the Human Resources Committee meetings

	2016	
	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	6/6
Doug Baillie*	100	4/4
William R. Barker	100	6/6
Rolf Börjesson	100	6/6
María Mercedes Corrales**	50	1/2

\* Member of the Human Resources Committee since April 21, 2016

\*\* Member of the Human Resources Committee until April 21, 2016

### Audit Committee

The Audit Committee assists the Board by preparing certain matters relating to financial reporting and control. Audit Committee's duties include for example monitoring and evaluating the Company's financial reporting process, the effectiveness of internal control, internal audit and risk management systems as well as evaluating the independence of the statutory auditor and in particular the provision of non-audit services. The Audit Committee also prepares and makes proposals to the AGM for the election of the statutory auditor and reviews the financial statements and various other reports to be published by the Company.

The Audit Committee members shall have the expertise and experience required for the performance of the responsibilities of the Committee and at least one member shall have competence in accounting and/or auditing. The Audit Committee members shall not be involved in the day-to-day management of the Group. The majority of the members shall be independent of the Company and at least one member shall be independent of the Company's significant shareholders. In addition to the members of the Audit Committee, the CFO of the Company participates in the Committee's meetings. The Auditor participates in the meeting deliberating the financial statements and also other meetings, if considered necessary. The Committee shall meet in accordance with the schedule determined by the Committee but at least four times a year. The following individuals have comprised the Audit Committee in 2016: Jukka Suominen (Chairman), Eija Ailasmaa and Sandra Turner. In 2016, the Audit Committee held six meetings. The average attendance of the members at the Audit Committee meetings was 100%.

#### Members' attendance at the Audit Committee meetings

	2016	
	Attendance (%)	Number of meetings attended
Jukka Suominen (Chairman)	100	6/6
Eija Ailasmaa	100	6/6
Sandra Turner	100	6/6

### 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 GET.

M.Sc. (Econ), MBA Jukka Moisio (born 1961) has acted as the Company's CEO since April 1, 2008. Before joining the Company, Jukka Moisio acted during 1991–2008 in several different roles in Ahlstrom Corporation, last position being the CEO. Further information on the CEO as well as his shareholding in the Company is available later in this statement in connection with information on other GET members.

Certain key conditions of the written Service Agreement between the Company and the CEO, CEO's remuneration and information on the statutory and supplementary pension arrangement of the CEO are available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (<http://www.huhtamaki.com/investors/governance/remuneration>).

## Group Executive Team

The GET assists the CEO. It addresses and follows the implementation of the Group strategy and overall financial performance as well as the fulfillment of significant projects and set targets. It has no formal status under company law. The GET consists of the CEO as the Chairman and the executives approved by the Board. The GET members report to the CEO. Each GET member has a clear operational responsibility within a Group function or a business segment. The GET convenes at least once a month.

The following persons belong to the GET at the date of this statement:

### Mr. Jukka Moisio

Born 1961, Finnish citizen

Chairman of the GET, 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, last position as CEO

**Key positions of trust:** Atria Oyj, Board member (2014–); The Finnish Fair Corporation, Supervisory Board member (2009–)

### Mr. Thomas Geust

Born 1973, Finnish citizen

Chief Financial Officer (CFO)

**GET member since:** October 1, 2013

**Joined the company:** 2013

**Education:** M.Sc. (Econ)

**Primary working experience:** ABB Group (2004–2013), several different roles, last position as Group Vice President, Global Controller, Business Unit Marine & Cranes; Schneider Electric (2003–2004), Global Division Controller, Vice President, Control; Lexel Group (2000–2003), Production Controller; KPMG (1998–2000), Auditor

**Key positions of trust:** –

### Mr. Sami Pauni

Born 1974, Finnish citizen

Senior Vice President, Corporate Affairs and Legal, Group General Counsel

**GET member since:** February 12, 2015

**Joined the company:** 2006

**Education:** LL.M., EMBA

**Primary working experience:** Huhtamäki Oyj (2006–), several different legal and compliance positions, previous position as Group Vice President, Legal, and General Counsel; Roschier Attorneys Ltd. (2001–2006), Attorney

**Key positions of trust:** Securities Market Association, member of the Market Practice Board (2013–); Confederation of Finnish Industries EK, member of the Legal Affairs Committee (2013–)

### Ms. Teija Sarajärvi

Born 1969, Finnish citizen

Senior Vice President, Human Resources

**GET member since:** October 1, 2015

**Joined the company:** 2015

**Education:** M.A.

**Primary working experience:** OP Financial Group (2012–2015), Executive Vice President HR; Metso Oyj (2009–2012), several different roles, last position as Senior Vice President, Human Resources; Nokia Oyj (1998–2009), several different roles, last position as Director, Human Resources, Nokia

Markets; ABB Oyj (1993–1998), several different roles

**Key positions of trust:** Federation of Finnish Financial Service, Chairman of the Labour Market Committee (2013–2015); Confederation of Finnish Industries, Member of Skilled Workforce Committee (2014–2015); Unico Banking Group, Member of HR Committee (2012–2015); OP Pension Fund, OP Pension Foundation, Chairman of the Board (2012–2015)

### Mr. Petr Domin

Born 1966, Czech citizen

Executive Vice President, Molded Fiber

**GET member since:** July 1, 2016

**Joined the company:** 1990

**Education:** EMBA, M.Sc. (Eng., Pulp and Paper)

**Primary working experience:** Huhtamäki Group (1990–), several different roles, latest positions as interim Executive Vice President, Molded Fiber (2015–2016); Managing Director, Molded Fiber Europe (2012–), Global Operations Support Manager (2009–2012), Molded Fiber; General Manager, UK & Ireland, Huhtamäki Lurgan (2006–2009); General Manager, Norway, Huhtamäki Norway (2006–2008); General Manager, Central East Europe, Huhtamäki Czech Republic (2005–2006)

**Key positions of trust:** –

### Mr. Clay Dunn

Born 1957, U.S. citizen

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, including positions as Vice President, Global Sourcing and Vice President, Polystyrene

**Key positions of trust:** –

### Mr. Olli Koponen

Born 1959, Finnish citizen

Executive Vice President, Flexible Packaging

**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 Executive Vice President, Molded Fiber; Senior Vice President, Molded Fiber Europe as well as General Manager positions in Hämeenlinna, Finland, Turkey, Hong Kong and Russia; Systecon Oy (1984–1990), several different roles, last position as Product Manager

**Key positions of trust:** –

### Mr. Eric Le Lay

Born 1962, French citizen

Executive Vice President, Foodservice Europe-Asia-Oceania

**GET member since:** March 12, 2008

**Joined the company:** 2008

**Education:** MBA, M.Sc. (Eng.)

**Primary working experience:** Amcor Limited (1997–2008), several different roles, last position as Managing Director, Chilled Foods, Amcor Flexible Europe; United Biscuits (1996–1997), Plant Manager; Johnson & Johnson International S.A. (1994–1996), Deputy Plant Manager; Kraft General Food France S.A. (1986–1994), various positions in operations and finance/controllership

**Key positions of trust:** –

## Shares owned by the GET members on December 31, 2016

	2016
Jukka Moisio	95,900
Thomas Geust	5,590
Sami Pauni	7,730
Teija Sarajärvi	-
Petr Domin	5,870
Clay Dunn	33,000
Olli Koponen	39,000
Eric Le Lay	52,280
<b>GET total</b>	<b>239,370</b>

The shareholdings include the Company's shares owned by the GET members and by any potential corporations over which a GET member exercises control. GET members do not own any shares in any other Group companies than the Company.

Information on the remuneration of the GET members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (<http://www.huhtamaki.com/investors/governance/remuneration>).

## Descriptions of risk management systems, internal control procedures and internal audit function

### Overview of the risk management systems

Risk management is an essential part of the internal control system of the Group. The Company has defined the principles applied in the organization of the risk management. The purpose of risk management is to identify potential events that may affect the achievement of the Group's objectives in changing business environment and to manage such risks to a level that the Group is capable and prepared to accept so that there is reasonable assurance and predictability on the achievement of the Group's objectives. 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).

The Group's risk management process involves assessing risks systematically by business unit, segment and Group function, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives. In order to systematize and facilitate the identification of risks they are categorized as strategic, operational, financial, and information risks. These categories are closely aligned with the strategic, operational, financial and compliance objectives of the Group.

Huhtamaki Group Enterprise Risk Management (ERM) Policy defines the objectives, scope and responsibilities of risk management. 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. More detailed risk management procedures are set forth in the Group's ERM framework and process guideline.

The Audit Committee monitors the implementation of risk management activities, and evaluates the adequacy and appropriateness of ERM. 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 the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed and followed up.

The Group Executive Team 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. Risks are consolidated from the business unit to the segment level and from the business segment to the Group level. At each level risk treatment actions are defined in order to reach acceptable risk levels. Execution and supervision of these risk treatment actions is a task of line management. Upper level line management always approves lower level risk mitigation actions and the risk level reached after implementation of such actions. The Group Risk Management function monitors and reports the achievement of these actions. The purpose is to verify that risk treatment actions support the achievement of the Group's strategic, operational, financial and compliance objectives. The Group Risk Management function monitors and reports the achievement of these actions. The purpose is to verify that risk treatment actions support the achievement of the Group's strategic, operational, financial and compliance objectives.

The Group Risk Management function organizes, instructs supports, supervises and monitors risk management activities on an ongoing basis. The function also analyzes changes in the impact, likelihood and level of control for each identified business risk. It reports results of the risk management process to the Audit Committee annually. The Group risk management function also prepares reports to the business segment and Group management as well as the internal audit and the Auditor.

Business unit, segment and Group level risk management process and activities are engaged with the Group's strategic planning and budgeting process. 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.

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2016 is available in the Directors' Report and on the Company's website in section "Risk management" (<http://www.huhtamaki.com/investors/governance/risk-management>).

### Overview of internal control

Successful business requires continuous development and monitoring of the Group's operations, processes and procedures. Internal control is an essential part of the corporate governance and management of the Group. The Company has defined the operating principles for internal control. The Board of Directors and the CEO are responsible for adequate internal control. The Audit Committee of the Board of Directors is monitoring the effectiveness and 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 controls belongs to the executive management of the Group and is being carried out by the whole organization. The aim of 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.

Control of compliance ensures that the Group follows applicable laws and regulations.

Foundation of all Group's activities lies with Huhtamaki values and principles providing discipline and structure for the operations formalized in policies and 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 business segments and business 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. In addition to the Group policies, there are more specific local policies in the business segments and their business units.

### Reliability of financial reporting

The Group's finance function and the network of business segment and business 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 with 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

The Group's strategic direction, objectives and related actions are deployed and communicated throughout the Group. Key performance indicators and annual targets 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 segments and business units.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks as well as designing preventive and detective controls. Corrective actions are implemented and monitored by business segment and business 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 both internally and by external service providers.

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

### Compliance with laws and regulations

Group-wide policies, for example 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 and training. Internal audit also covers the compliance with policies.

### Overview of 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 in 2016 internal audit field work has been managed in cooperation with Deloitte & Touche Oy. The Code of Ethics and other standards and guidelines issued by the Institute of Internal Auditors are complied with in internal audit activities. In 2016 internal audits have been conducted in various Group and business segment level processes as well as in business units on a monthly basis according to an approved annual internal audit plan.

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 development recommendations for the aforementioned systems and processes in the internal audit reports. The 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, focus areas defined by the Board and the executive management of the Group on a rotation basis. The internal audit function reports to the Audit Committee. Additionally, the CEO, the CFO, the General Counsel and management of the business segment and business unit where the audit has been conducted are informed of the results of the audit.

Internal audit pre-material, documentation and data are collected before internal audit field work. During the field work further findings are recorded at site. Internal audit reports include key findings, conclusions and recommendations for control improvements. The management of the audit target prepares an action plan to mitigate risks and develop controls to improve recommended audit issues. The implementation of the action plans is followed up regularly by the line management and the Group internal audit manager.

### Other information

#### Insider administration

##### Legal framework

The Company follows the Regulation No. 596/2014 of the European Parliament and of the Council (the Market Abuse Regulation), the Finnish Securities Market Act and the thereto relating regulations and guidelines by the European Securities Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd. In addition, the Group has an insider policy which was updated in 2016. Certain key provisions of the Company's insider policy have been described

below. The insider policy clearly defines certain practices and decision-making procedures in order to ensure that insider administration in the Company is arranged in a consistent and reliable way.

#### Assessment regarding inside information

The assessment whether certain information constitutes inside information is made by the CEO after consultation with the General Counsel. Similarly, the CEO also determines, after consultation with the General Counsel, whether the Company is to immediately disclose the information or whether conditions exist to delay the disclosure. The Company properly records any decisions to delay disclosure and the grounds for such decision, and follows set procedures as required by applicable laws and regulations.

#### Insider list

The Company maintains an insider list for recording the persons having inside information. The Company's employees and service providers who have access to inside information are entered into a relevant project-specific section of the insider list. The decision to establish such section is made by the CEO. The Company has decided not to establish a permanent insider section. Each person entered into a project-specific section is notified by e-mail of the entry, the duties entailed and the applicable sanctions. The person receiving such notification shall promptly confirm their acknowledgment of such notification in written form. The decision to terminate the project-specific section is made by the CEO after consultation with the General Counsel and persons entered into such list are notified by email of the termination of the project-specific section. Service providers may assume the task of maintaining insider lists of their employees as decided by the Company on a case-by-case basis.

#### Trading restrictions

Insider dealing is always prohibited. In addition, there are trading restrictions imposed on certain managers and employees of the Company even when such parties do not hold any inside information.

The Company has defined the Board and the GET members as persons discharging managerial responsibilities in accordance with the Market Abuse Regulation. Such managers cannot, subject to the exceptions set out in the applicable regulations, conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the Company's shares or debt instruments or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim report or a year-end report.

The Company also applies a specific recommendation not to trade to its employees who regularly receive information on the contents of the Company's interim and year-end reports before their publication due to the highly confidential nature of the unpublished financial information. Such restricted period commences 30 calendar days before the announcement of an interim report or a year-end report.

#### Notification obligations

The persons discharging managerial responsibilities at the Company i.e. the Board and the GET members as well as their related parties must notify the Company and the Finnish Financial Supervisory Authority of the transactions conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. The notification obligation applies to any transaction made once a total value of EUR 5,000 has been reached within a calendar year (calculated without netting). The Company has an obligation to publish the received notification through a stock exchange release.

#### Related party transactions

The Company has not concluded transactions with its related parties in 2016 that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

#### Audit

The Company must have one Auditor, which is an accounting firm approved by the Auditor Oversight unit of the Finnish Patent and Registration Office. The AGM elects the Company's Auditor. The AGM 2016 elected the Authorized Public Accounting firm Ernst & Young Oy as the Auditor of the Company. Mr. 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. Ernst & Young Oy has acted as the Company's Auditor since the AGM 2010. Before the financial year 2010 the Company's Auditor for several years was the Authorized Public Accountant firm KPMG Oy Ab and auditors representing it.

In 2016, total auditing costs of the Group amounted to EUR 2.3 million (2015: EUR 1.9 million). The Ernst & Young network has also provided other consultancy not related to auditing worth EUR 0.8 million (2015: EUR 1.0 million). Such other consultancy services included e.g. advisory in connection with various structuring and transactional projects. During 2016 the Company has actively discussed and defined the processes relating to the new legal framework (Regulation (EU) No 537/2014) concerning the provision of non-audit services by the auditor.