

# Corporate governance statement 2016



Munksjö Oyj (“Munksjö” or the “company”) is a Finnish public limited liability company, the shares of which are listed on Nasdaq Helsinki and Nasdaq Stockholm. In its corporate governance, Munksjö complies with applicable laws and regulations, including without limitation, the Finnish Limited Liability Companies Act (624/2006, as amended), the Finnish Securities Markets Act (746/2012, as amended), the rules of Nasdaq Helsinki as well as the Company’s Articles of Association. In addition, Munksjö complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2015 (“Finnish Code”). The Finnish Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

The company does not deviate from any of the recommendations of the Finnish Code. The company also complies with the Revised Swedish Corporate Governance Code (“Swedish Code”), which entered into force on 1 November 2015, with the exceptions listed in the Appendix of this corporate governance statement. The deviations are due to the differences between the Swedish and Finnish legislation, governance code rules and practices and the fact that the company follows the rules and practices in Finland. The Swedish Code is available on the Internet website [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se).

Munksjö’s corporate governance principles have been approved by the Board of Directors of Munksjö. This statement has been prepared in accordance with Chapter 7, Section 7 of the Securities Markets Act and the Finnish

Code. The statement has been reviewed by the company’s Audit Committee. This statement is presented as a separate report from the Board of Director’s Report.

## Corporate governance structure

Munksjö’s governance is based on a clear division of duties between the General Meeting, the Board of Directors and the CEO.

## General Meeting

The General Meeting is Munksjö’s highest decision-making body and normally convenes once a year. Its tasks and procedures are defined in the Finnish Limited Liability Companies’ Act and the Company’s Articles of Association. Certain important matters, such as amending the Articles of Association, adoption of the Financial Statements, approval of the dividend, return of equity to the shareholders, repurchase and distribution of company shares, election of the members of the Board of Directors and the auditors fall within the sole jurisdiction of the General Meeting.

The General Meeting is convened by the Board of Directors. The Annual General Meeting shall be held within six (6) months of the end of the financial year. An Extraordinary General Meeting shall be held whenever the Board of Directors deems necessary, the auditor of the company or shareholders with at least 10 per cent of the shares so demand in writing in order to deal with a given matter, or if this is otherwise required by law.

The General Meeting handles the matters presented on the agenda by the Board of Directors. According to the Finnish Limited Liability Companies Act a shareholder may also request that his/her proposal be handled at the next General Meeting.

Such a request shall be made in writing to the company’s Board of Directors at the latest on the date specified by the company on its website. The date shall be published no later than by the end of the financial period immediately preceding the General Meeting. The request is always deemed to be on time, if the Board of Directors has been notified of the request no later than four (4) weeks before the delivery of the notice of the General Meeting.

According to the Company’s Articles of Association notices of the General Meetings are published on the company’s website no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting. The notice shall in any event be published no later than nine (9) days before the record date of the General Meeting. In addition, the Board of Directors may decide to publish the notice in full or in part in an alternative manner as it deems appropriate. The notice shall contain information on the matters to be handled at the General Meeting and other information required under the Companies Act and the Finnish Code.

The notice of the General Meeting, documents to be submitted to the General Meeting (e.g. financial statements, report by the Board of Directors, auditor’s



report) and the resolution proposals to the General Meeting are made available on the company's website at least three (3) weeks before the General Meeting.

The minutes of the General Meeting are published on the company's website within two (2) weeks after the General Meeting. In addition, the decisions of the General Meeting are also published by means of a stock exchange release immediately after the General Meeting. The documents related to the General Meeting are available on the company's website at least for a period of five (5) years after the General Meeting.

Shareholders may attend a General Meeting either in person or by proxy. Notification regarding attending a

meeting must be made by the date mentioned in the notice to the General Meeting. Only shareholders, who are registered in Munksjö's shareholders' register maintained by Euroclear Finland on the record date (i.e. eight [8] working days before the General Meeting) are entitled to attend a General Meeting. Holders of nominee registered shares may be registered temporarily in said shareholders' register and therefore, they are advised to request from their custodian banks necessary instructions regarding such temporary registration and the issuing of proxy documents. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/ her right to represent the shareholder.

The Board of Directors may decide that the shareholders may participate in the General Meeting by post or telecommunications or other technical means.

Munksjö has one series of shares. Each share has one vote in all matters dealt with by a General Meeting.

A shareholder shall have the right to vote at the General Meeting, if he/she has registered to participate in the meeting by the date specified in the notice to the General Meeting, which date shall not be earlier than ten (10) days before the meeting. A shareholder

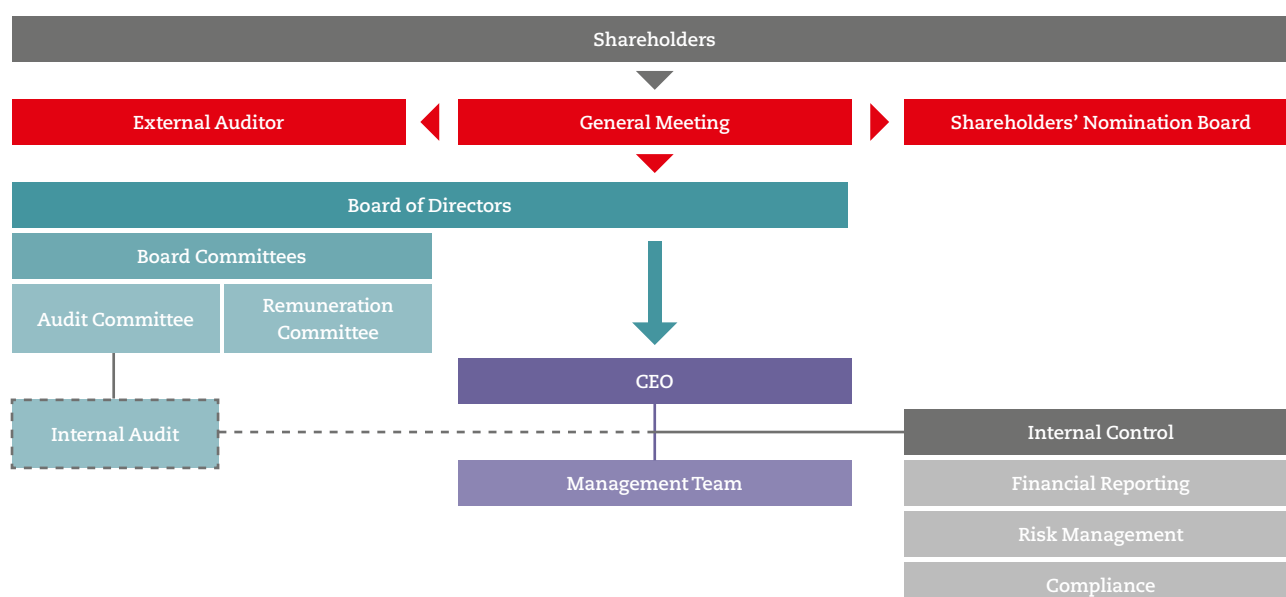
may at the General Meeting vote with different shares in a different manner and a shareholder may also vote with only part of his/her shares. The Articles of Association of Munksjö include no redemption clauses or voting limitations.

Most resolutions by the General Meeting require a simple majority of the votes cast at the meeting. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. However, there are several matters, which according to the Companies Act require a two-third (2/3) majority of the votes cast and of the shares represented at the meeting.

The Annual General Meeting was held on 6 April 2016 with 127 shareholders of the company represented.

An Extraordinary General Meeting was held on 11 January 2017, with 183 shareholders represented. The EGM resolved to approve, in accordance with the merger plan, the combination of Ahlstrom's and Munksjö's business operations through a statutory absorption merger of Ahlstrom into Munksjö pursuant to the Finnish Companies Act and approve the merger plan. The registration of the merger is expected to take place in the beginning of the second quarter of 2017.

#### Corporate governance structure



### Shareholders' Nomination Board

Based on the proposal by the Board of Directors, the Annual General Meeting on 13 May 2013 resolved to establish a Shareholders' Nomination Board for an indefinite period to prepare proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors (including a recommendation on who shall be elected as Chairman) and the remuneration of the Board committees and the Nomination Board. The Nomination Board shall also establish the principles of diversity that it applies.

According to the charter of the Nomination Board, it shall comprise representatives of the three largest shareholders of the company and, in addition, of the chairman of the Board and a person nominated by the company's Board of Directors as expert members.

The right to nominate the shareholder representatives lies with those three shareholders whose share of all the voting rights in the company is on 31 May preceding the next Annual General Meeting the largest on the basis of the shareholders' register of the company held by Euroclear Finland and the register of shareholders held by Euroclear Sweden. However, holdings by a shareholder who, under the Finnish Securities Market Act, has the obligation to disclose its shareholdings (flagging obligation) that are divided into several funds or registers, will be summed up when calculating the share of all the voting rights, provided that such shareholder presents a written request to that effect to the chairman of the company's Board of Directors no later than

on 30 May preceding the next Annual General Meeting.

Further, holdings by a group of shareholders, who have agreed to nominate a joint representative to the Nomination Board, will be summed up when calculating the share of all the voting rights, provided that the shareholders in question present a joint written request to that effect together with a copy of such an agreement to the chairman of the company's Board of Directors no later than on 30 May preceding the Annual General Meeting. Holdings by a holder of nominee registered shares will be considered when determining the three largest shareholders if the holder of the nominee registered shares presents a written request to that effect to the Chairman of the Company's Board of Directors and General Counsel no later than on 30 May preceding the next Annual General Meeting. The written request shall be accompanied by documentation evidencing such shareholder's ownership of the nominee registered shares. Should a shareholder not wish to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

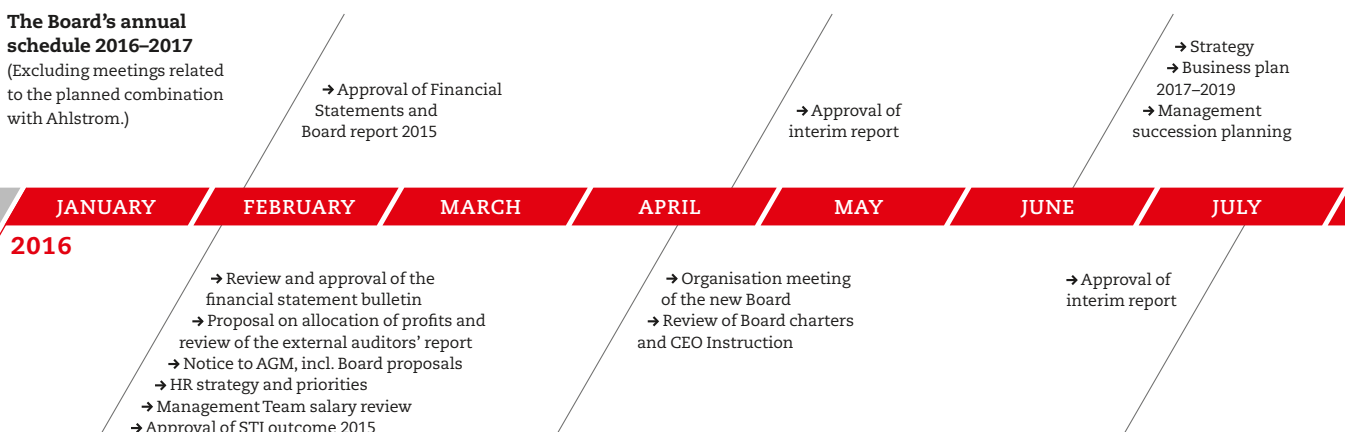
The shareholders have appointed the following three (3) members as their representatives in the Nomination Board: Thomas Ahlström, chairman (appointed by AC Invest Five B.V., Kai Nahi, Kasper Kylmä, Niklas Lund, Carl Ahlström and Michael Sumelius), Alexander Ehrnrooth (appointed by Viknum AB) and Mikko Mursula (appointed by Ilmarinen Mutual Pension Insurance Company). The Chairman of the board Peter Seligson and Mats Lindstrand act

as expert members of the Nomination Board. All members of the Nomination Board are independent of the company and are non-executive. Since its appointment in June 2016, the Nomination Board has held one (1) meeting.

On 26 January 2016, the Nomination Board proposed to the Annual General Meeting to be held on 6 April 2016 that the number of board members would be increased to seven (7) and that of the current members of the Board of Directors, Peter Seligson, Sebastian Bondes-tam, Alexander Ehrnrooth, Hannele Jakosuo-Jansson and Elisabet Salander Björklund, would be re-elected. In addition, the Nomination Board proposed that Anna Ohlsson-Leijon and Mats Lindstrand would be elected as new members of the Board of Directors. Further, the Nomination Board proposed that the Board, Board Committee and Nomination Board remuneration would remain unchanged with the exception of the vice chairman, who would receive an annual remuneration of EUR 50,000. The Nomination Board also proposed to the Annual General Meeting that a number of amendments would be made to the Nomination Board Charter, mainly as a consequence of the entry into force on 1 January 2016 of the New Finnish Code. According to the proposal, the Charter of the Nomination Board shall be amended by adding (i) a right for holders of nominee registered shares to be considered when the Nomination Board is appointed, (ii) a new duty of the Nomination Board to include a recommendation in its proposal of board members on who of the persons nominated shall be elected as Chairman of the Board of Directors, (iii)

### The Board's annual schedule 2016-2017

(Excluding meetings related to the planned combination with Ahlstrom.)





a new duty of the Nomination Board to establish its principles of diversity, (iv) a right for the Nomination Board to decide what knowledge and competencies are required by the board members in each case by removing the list of knowledge and competencies to be possessed by the board members from the Nomination Board Charter and (v) a right for the Nomination Board to receive information on factors affecting the evaluation of independence of the members of the Board of Directors. In conjunction with these amendments, the Nomination Board also proposed that some additional amendments of a mainly technical nature are made.

On 6 October 2016 the Nomination Board approved a Policy on the Diversity

of the Munksjö Oyj Board of Directors. As further set forth in the Diversity Policy, the Nomination Board sees diversity at the Board level as an essential element in supporting the Company's attainment of its strategic goals and ensuring that the Board fulfills its fiduciary responsibilities. Board work requires understanding of differences in culture, values and ways of conducting business.

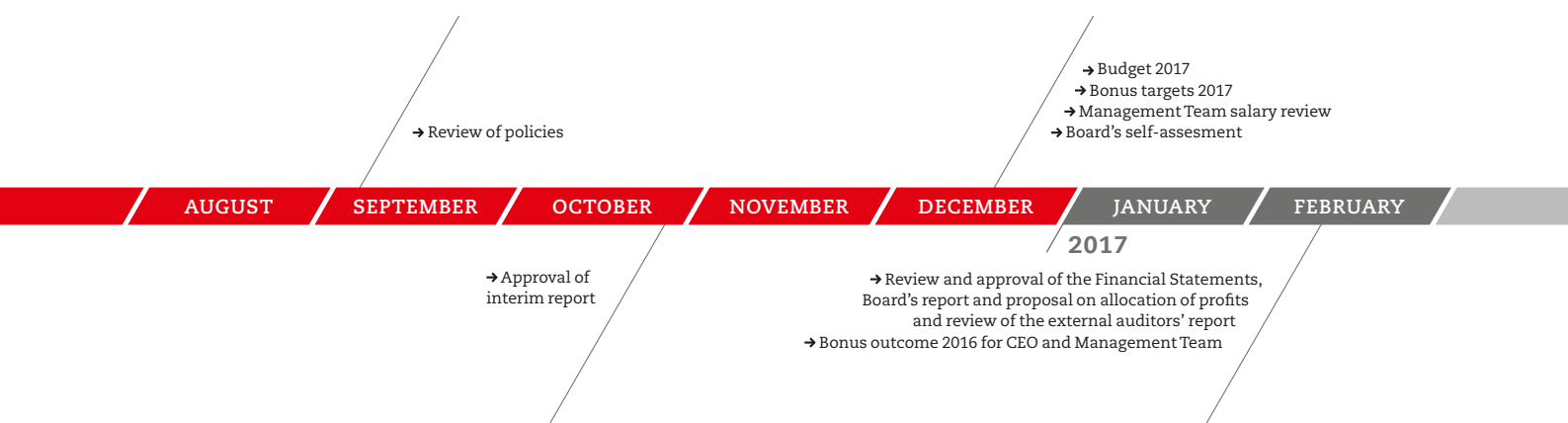
Diversity of the Board is considered from a number of aspects, including, but not limited to gender, age, nationality and cultural background. The Nomination Board deems it is important to have a Board with an appropriate age mix with different experiential and educational backgrounds as well as

work experiences. The Board composition should also take into account the ownership structure of the Company and the Board shall ideally consist of members with experience from international businesses representing different industries, tasks, positions, cultures and countries. Having members from both genders on the Board is necessary. The Nomination Board strives to achieve its diversity targets by retaining professional advisors in recruiting members to the Board that meet the criteria set forth in the Diversity Policy. The Nomination Board believes it has been able to meet the criteria set in most respects. Both genders are well represented on the Company's Board of Directors of which 43 per cent are women.

Due to the planned merger between Munksjö Oyj and Ahlstrom Corporation, the Annual General Meeting of Munksjö will be held later than normally. As a consequence, a part of the Nomination Board meetings was postponed until after the planned merger and therefore, contrary to previous years, information on the Nomination Board meetings held in the spring of 2017 could not be included in this Corporate Governance Statement.

### **The Board of Directors**

The role of the Board is to manage the company's business in the best possible way and in its work protect the interests of the company and its shareholders. In accordance with the Articles of Association of Munksjö as amended at the Extraordinary General Meeting held on 11 January 2017, the Board of Directors shall consist of a minimum of four (4) and a maximum of twelve (12) members



elected by the General Meeting. The members of the Board of Directors shall be appointed for one year at a time. The Shareholders' Nomination Board prepares a proposal on the composition of the Board to the Annual General Meeting for its decision.

The composition of the company's Board of Directors shall reflect the requirements set by the company's operations and development stage. A person elected as a director must have the competence required by the position and the possibility to devote a sufficient amount of time to attending to the duties. The number of directors and the composition of the Board of Directors shall be such that they enable the Board of Directors to see to its duties efficiently. Both genders shall be represented in the Board of Directors.

The Board of Directors shall evaluate the independence of the directors. The majority of the directors shall be independent of the company. At least two directors who are independent of the company shall also be independent of significant shareholders of the Company.

The Board has general authority to decide on and act in any matters not reserved by law or under the provisions of the Articles of Association to any other governing body of the company.

The Board of Directors is responsible for the management of the company and its business operations. Additionally, the Board is responsible for the appropriate arrangement of the bookkeeping and financial administration.

The operating principles and main duties of the Board of Directors have been defined in the Procedural Rules for the Board of Directors and include, among other things, to:

- establish business objectives and strategy,
- appoint, continuously evaluate and, if required, remove the CEO from office,
- ensure that there are effective systems in place for monitoring and controlling the Group's operations and financial position compared to its stated objectives,
- ensure that there is satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations,
- ensure that guidelines to govern the company's and the Group's ethical conduct are adopted, and
- ensure that the company's external disclosure of information is marked by openness and is correct, timely, relevant and reliable, by way of, among other things, adopting a communication policy.



The Board of Directors makes a self-assessment of its performance, practices and procedures annually. In 2016, the self-assessment was done via an IT tool and the findings were reported both to the Nomination Board and to the Board of Directors in their meetings.

The Annual General Meeting held on 6 April 2016, confirmed the number of board members to be seven (7). Sebastian Bondestam, Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Mats Lindstrand, Anna Ohlsson-Leijon, Elisabet Salander Björklund (vice chair) and Peter Seligson (chairman) were elected

#### Board of directors' shareholding 31 December 2016

Member	Title	Shares	Total
Peter Seligson	Chairman	312,504	530,057
Spouse		5,534	
Shares held by controlled entities:			
Baltiska Handel A.B.		212,019	
Fredrik Cappelen	Board member	7,138	7,138
Elisabet Salander Björklund	Vice chairmen	4,200	4,200
Sebastian Bondestam	Board member	1,591	77,517
Spouse and child		75,926	
Alexander Ehrnrooth	Board member	1,000	6,051,000
Shares held by organisations in which the person exercises influence (substantial economic interest, no control):			
Viknum AB		6,050,000	
Hannele Jakosuo-Jansson	Board member	1,000	1,000
Mats Lindstrand	Board member	-	54,084
Shares held by controlled entities:			
DNK Invest AB		54,084	
Anna Ohlsson-Leijon	Board member	-	

#### Management Team's shareholding 31 December 2016

Member	Title	Shares
Jan Åström	President and CEO	12,833
Pia Aaltonen-Forsell	CFO	4,274
Gustav Adlercreutz	Senior Vice President and General Counsel	4,475
Anna Bergquist	Senior Vice President Strategic Development	7,181
Anna Selberg	Senior Vice President Communications	-
Åsa Jackson	Senior Vice President Human Resources	2,039
Anders Hildeman	Senior Vice President Sustainability	2,500
Daniele Borlatto	Executive Vice President and President Release Liners	4,283
Norbert Mix	President Decor	888
Dan Adrianzon	President Industrial Applications	4,275
Roland Le Cardiec	President Graphics and Packaging	4,406



board members. Information on the board members and their shareholdings are set forth at the end of this statement and on the previous page.

All board members are independent of the company in addition to which Sebastian Bondestam, Hannele Jakosuo-Jansson, Mats Lindstrand, Anna Ohlsson-Leijon and Elisabet Salander Björklund are independent of the significant shareholders of the company. Peter Seligson is not independent of the company's significant shareholder AC Invest Five B.V., a subsidiary of Ahlström Capital Oy, and Alexander Ehrnrooth is not independent of the company's significant shareholder Viknum AB, a subsidiary of Virala Oy Ab.

In 2016, the Board convened nineteen (19) times, including eight (8) meetings held as telephone meetings. The attendance of the individual board members is set forth in the table below. The unusually high number of board meetings in 2016 is due to the

negotiations regarding the merger between Munksjö Oyj and Ahlstrom Corporation. Peter Seligson, Alexander Ehrnrooth and Sebastian Bondestam recused themselves from participating in any decisions regarding the merger with Ahlstrom due to a conflict of interest and did not participate in any board meetings in which only matters relating to the merger were dealt with. The Extraordinary General Meeting held on 11 January 2017, subject to the completion of the merger between Munksjö and Ahlstrom Oyj, confirmed the number of board members to be eleven (11). Sebastian Bondestam, Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Mats Lindstrand, Anna Ohlsson-Leijon, Elisabet Salander Björklund, Peter Seligson, Hans Sohlström, Harri-Pekka Kaukonen, Johannes Gullichsen and Jan Inborr were conditionally elected board members for the term commencing on the date of registration of the execution of the merger and expiring at the end

of the next Annual General Meeting of Munksjö following the date of registration of the execution of the merger.

#### **Board Committees**

The Board annually appoints an Audit Committee and Remuneration Committee and their Chairmen and may also appoint other permanent committees if considered necessary at its organisation meeting following the Annual General Meeting. The composition, duties and working procedures of the committees shall be defined by the Board in the charters confirmed for the committees. The committees regularly report on their work to the Board. All board members have the right to attend Board Committee meetings and have access to all information relating to the Board Committees' work regardless of whether he or she is a member of the Committee in question.

#### **Audit Committee**

The Audit Committee consists of at least three (3) members. The majority of the members of the Audit Committee must be independent of the Company and at least one member shall be independent of the Company's significant shareholders.

The members of the Audit Committee must have the expertise and experience required for the performance of the responsibilities of the audit committee. At least one member shall have expertise specifically in accounting, bookkeeping or auditing.

According to its charter, the Audit Committee assists the Board in fulfilling its supervisory responsibilities and also prepares certain accounting and auditing matters to be handled by the Board. In addition, the Audit Committee makes recommendations for the election and removal of the external auditors and for their compensation and approves the external auditors' audit plan based on the auditors' proposal. Among its other duties, the Audit Committee reviews and monitors the financial reporting process, the efficiency of the system of internal control and risk management, and the audit process. The Audit Committee monitors and approves the purchases of permissible non-audit services from the

#### **Board of Directors' and Committees' attendance 2016**

Member	Board member since	Board	Audit Committee	Remuneration Committee
Peter Seligson	2012	9 (9)		5 (5)
Sebastian Bondestam	2013	9 (9)	7 (7)	
Alexander Ehrnrooth	2014	9 (9)	1 (1)	4 (4)
Hannele Jakosuo-Jansson	2013	16 (19)		5 (5)
Elisabet Salander Björklund	2013	19 (19)	7 (7)	
Mats Lindstrand	2016	17 (17)		
Anna Ohlsson-Leijon	2016	14 (17)	6 (7)	
Fredrik Cappelen	until 6 April 2016	1 (1)		1 (1)

auditors and reviews the independence confirmation of the auditors.

On 6 April 2016, the board appointed two committees, the Audit Committee and the Remuneration Committee. The members of the Audit Committee are from said date Elisabet Salander Björklund (chair), Sebastian Bondestam and Anna Ohlsson-Leijon. All members of the Audit Committee are independent of the company and its significant shareholders. All have the expertise and experience required for the performance of the responsibilities of the audit committee as well as expertise in accounting, bookkeeping or auditing. In 2016, the Audit Committee convened seven (7) times, including two (2) meetings held as telephone meetings. The attendance of the individual committee members set forth on page 6.

#### *Remuneration Committee*

The Remuneration Committee consists of at least three (3) members, all of which shall be Board members who are independent of the company. Representatives of the company's senior management may not be members of the committee. According to its Charter, the Remuneration Committee assists the Board in the efficient preparation and handling of the matters pertaining to the appointment and dismissal of the CEO and other executives and their remuneration.

On 6 April 2016, the board appointed two committees, the Audit Committee and the Remuneration Committee. The members of the Remuneration Committee are from said date Peter Seligson (chairman), Alexander Ehrnrooth and Hannele Jakosuo-Jansson. All members of the Remuneration Committee are independent of the company and non-executive members. In 2016, the Remuneration Committee convened seven (7) times, including two (2) meetings held as telephone meetings. The attendance of the individual committee members is set forth on page 6.

#### **CEO**

The CEO of Munksjö is appointed by the Board and his/her service contract is approved by the Board. The CEO is in charge of the day-to-day management of the company. The duties of the CEO

are governed primarily by the Finnish Limited Liability Companies Act and the CEO instruction, and the CEO leads the operational activities and prepares information and decisions to support the Board and presents his findings at Board meetings. The CEO shall not be elected chairman of the Board of Directors.

In accordance with the Finnish Limited Liability Companies Act, the CEO has a right to decide himself on certain urgent matters which otherwise would have required a board decision.

Jan Åström is the CEO of the company. Biographical details and shareholdings are set forth on page 6 and 14.

#### **Management Team**

The Management Team consists of the CEO, functional managers and business area managers. The members of the Management Team are proposed by the CEO and appointed by the Board. The members of the Management Team report to the CEO.

The CEO, CFO and functional leaders meet with the business area leaders and other business area management monthly to discuss the business areas' performance and financial status. In addition, the Management Team meets to discuss issues concerning group performance, strategy, budget, forecasting, business development and other matters relating to the Group. In accordance with the policies and guidelines established by the Board, group functions are responsible for business development, distribution of financial resources between the Group's operations, capital structure and risk management. Their duties also include matters concerning group-wide research and development, acquisitions and disposals, purchasing coordination, consolidated financial reporting, Human Resources, internal and external communications, IT, legal matters and coordination and monitoring of safety, environment, sustainability, occupational health and quality and some major projects.

At the end of 2016, the Management Team consisted of eleven members. The members and their biographical details, areas of responsibility and shareholdings are described at pages 6 and 14–15.

#### **Remuneration**

The remuneration of the members of the Board of Directors, the Board Committees and the Shareholders' Nomination Board is decided by the Annual General Meeting based on a proposal by the Shareholders' Nomination Board.

The Board of Directors decides on the remuneration of the CEO based on a proposal by the Remuneration Committee and on the remuneration of the senior executives based on a proposal by the CEO, which is reviewed by the Remuneration Committee.

The objective of remuneration is to promote the long-term financial success and competitiveness of the Company and the favourable development of shareholder value. Remuneration is based on predetermined and measurable performance and result criteria.

In accordance with the Finnish Code the company publishes its Remuneration statement on the company's website.

#### **Auditor**

The objective of a statutory audit is to express an opinion whether the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group, as well as whether the parent company's financial statements give a true and fair view of the parent company's financial performance and financial position. Statutory audit encompasses also the audit of the accounting and governance in the company. The auditor considers whether the information in the Board of Directors' report is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable legal requirements.

According to the Articles of Association, Munksjö shall have one auditor, which shall be an audit firm authorized by the Finnish Patent and Registration Office.

The Audit Committee prepares a proposal on the appointment of Munksjö's auditors, which is then presented to the AGM for its decision. The compensation paid to the auditors is decided by the AGM and assessed annually by the Audit Committee.

KPMG Oy Ab (KPMG) was appointed the auditors of the company on 6 April 2016. KPMG has designated Sixten Nyman, APA, as the responsible auditor. The company's subsidiaries are subject to local auditing under local regulations which are conducted by representatives of KPMG's network in each country.

The fees of the statutory audit in 2016 were EUR 0.5 million in total in the Group. Other fees charged amounted to EUR 0.2 million. The other fees were related to tax and other advice.

### **Risk management**

Munksjö Group has a Risk Management Policy, which is reviewed annually by the Board of Directors. The policy sets out the principles for the risk management process as well as the split of responsibilities and reporting within the Group, to ensure that risks are properly managed and monitored.

The Board of Directors is responsible for the risk oversight within the Group while the CEO is responsible for assessing and reporting the consolidated risk exposure to the Board of Directors.

Munksjö has defined a process for assessing, mitigating and monitoring risks to support the achievement of strategic goals and business objectives. The risks are primarily identified by the Business Area and Group Management teams in accordance with the Group Risk Management Policy. The management teams are required to update their risk evaluation at least once a year.

### **Internal control and risk management systems in relation to financial reporting**

The Board of Directors and the CEO have the overall responsibility for the internal controls. The CEO is responsible for ensuring that processes and procedures are available to safeguard the internal controls and quality in financial reporting. The structure and steering documents in the form of policies, guidelines and instructions provide the basis for ensuring the maintenance of quality in the internal controls and financial reporting. The business segments/areas and group functions are responsible for applying these policies and guidelines to achieve efficient



and appropriate controls on the basis of their individual circumstances and operational contexts.

The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to assure compliance with applicable laws and regulations.

The internal control framework has been created using a risk based approach and it includes elements from the framework introduced by the Committee of Sponsoring Organizations (COSO). There are five principle components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. As most of the financial procedures are carried out at the unit level, also a large part of the controls is carried out at the unit level.

Detailed financial reports are produced each month, on both a business area and Group level. The company's primary reporting segments are based on the company's business areas: Decor, Release Liners, Industrial Applications, Graphics and Packaging and Other (HQ and group eliminations/adjustments). An important part of the Group's internal control process are the meetings, which are held within each business area, where the CEO, CFO, functional management and the group controller, together with the operational management of the business area, review the month's outcome in comparison with

projections, etc. At these meetings, reviews and analysis are carried out on, among other things, the market situation, order bookings, earnings trend, cash flow and tied-up capital. In addition, improvement measures are initiated, if any.

Financial reporting is carried out in a harmonized manner in all Group companies. Munksjö's accounting principles are based on the International Financial Reporting Standards (IFRS). In addition to IFRS, more specific group policies and guidance are provided in Munksjö accounting manual (Corporate Manual). Munksjö's Finance function is responsible for maintaining the company's accounting policies and reporting systems, and also performs monitoring to ensure that these reporting policies are followed. The Group's business segments are consolidated at the Group Finance function.

The performance of Munksjö is reviewed regularly at different organisational levels. The Group Internal Control function adheres to the Internal Control Charter, approved by the CEO and reviewed by the Audit Committee, which stipulates the mission and scope of work for this function. The Group Internal Control function visits the company's businesses to perform operational reviews and to monitor compliance with internal control procedures, policies and guidelines according to an agreed plan.

During 2016, the internal control activities have been focused on following



up last year's review of the process flow documents as well as making a new review of the units that were not covered last year. The Internal Control function has performed such reviews in five (5) units during 2016.

During 2015, a project was initiated with the aim to renew the order handling and production planning as well as the financial systems in the mills. The aim over time is to convert all mills into the same platform. This year the first implementation was done in Jönköping, and the plan is to start the new set up in Billingsfors in the first half of 2017. The remaining units are planned to be converted during the next 3–5 years.

#### **Internal Audit**

Munksjö does not presently have a separate internal audit function, as the company's organisation and size do not justify a separate internal audit function. Munksjö has retained an external service provider to perform certain internal audit tasks defined by the Audit Committee. In addition, the Audit Committee and Munksjö Finance function annually define one or more audit themes over and above the statutory auditing requirements. The findings are reported by the statutory auditors to the Audit Committee and Munksjö management. In addition, Munksjö has retained another external service provider to perform certain internal audit tasks defined by the Audit Committee. Munksjö's Audit Committee is annually reviewing whether there is a need to change the way internal audit is organised in the company.

#### **Related Party Transactions**

The company evaluates and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The company keeps a list of parties that are related to the company.

#### **Compliance**

It is the policy of Munksjö to comply throughout the organisation with all applicable laws and regulations and to

maintain an ethical workplace for its officers and employees as well as an ethical relationship with its customers, suppliers and other business partners. These principles are set forth in Munksjö's Code of Conduct and other policies. In 2016 all relevant employees had to take and pass e-learning training in competition and anti-bribery law. In addition, legal audits were made by Group lawyers in six (6) units in order to assess their compliance with Group policies and practices. These audits will continue in other units in 2017.

In its insider administration Munksjö follows the applicable EU regulations (especially the Market Abuse Regulation (EU 596/2014, "MAR") and any regulation and guidance given by the European Securities Markets Authority (ESMA) or otherwise under MAR) and Finnish legislation (especially the Finnish Securities Markets Act (746/2012, as amended) and the Finnish Penal Code (39/1889, as amended) as well as the insider guidelines of Nasdaq Helsinki Ltd ("Nasdaq Helsinki") and the guidance by the Finnish Financial Supervisory Authority ("FIN-FSA"). For the purposes of MAR, as regards the company, Management includes the members of the Board of Directors, the CEO and the CFO.

Based on the company's governance structure, no other senior executives of the company are deemed to have regular access to inside information relating to the company and power to take managerial decisions affecting the future developments and business prospects of the company.

The Management is prohibited to trade (on its own account or for the account of a third party), directly or indirectly, in the Financial Instruments of the company after the end of each calendar quarter until the day after the announcement of the interim report or financial statements bulletin, as the case may (the "Closed Window"). The Closed Window shall, however, always include at least 30 calendar days immediately preceding the announcement of the interim report or financial statement bulletin, as the case may be, and the day of publication of such report.

The prohibition is in force regardless of whether such a person holds any inside information at that time.

An insider project and the related project-specific list are established when inside information arises, i.e. usually when the preparation of a set of measures or an arrangement has proceeded to a stage in which its realisation in the near future can be objectively expected and/or when the Company makes a decision to continue preparations (or the relevant counterparty has started the execution of measures) aimed at the realisation of the set of measures or arrangement. Project-specific insiders are prohibited to trade, directly or indirectly, in the Financial Instruments of the company until the termination of the project.

Preparation of periodic disclosure (interim reports, financial statement bulletin) or regular access to unpublished financial information is not regarded as an insider project, nor does the Company resolve to delay disclosure in relation thereto. However, due to the sensitive nature of the unpublished information on the company's financial results the persons determined by the company (based on their position or access rights) having authorized access to unpublished financial result information (each a "Financial Information Recipient") are entered in a list maintained and updated by the company on a continuous basis. The Closed Window as well as obligations on confidentiality and prohibition to disclose information or advice any person with respect to trade apply also to the Financial Information Recipients.

Munksjö employees may report actual or potential infringements of MAR and other related regulations as well as other legislation and company policies to their immediate supervisor or, if he or she is involved or otherwise conflicted, to his or her immediate supervisor. Reports of violations may also be made confidentially to a dedicated and confidential mailbox at [codeviolation@munksjo.com](mailto:codeviolation@munksjo.com). Only the Group General Counsel has access to said mailbox.

# Appendix

## ► Refers to the Finnish Code

Due to differences between the Swedish and Finnish legislation, governance code rules and practices, Munksjö Oyj's corporate governance deviates from the Swedish Code in the following aspects:

### Rule 1.3

The company's nomination committee<sup>1)</sup> is to propose a chair for the annual general meeting. The proposal is to be presented in the notice of the meeting.

- According to Finnish annual general meeting practice, the chairman of the board opens the meeting and proposes the chair, who is normally an attorney-at-law.

### Rule 1.4

If the ownership structure warrants it, and it is financially feasible given the financial situation of the company, the company is to offer simultaneous interpretation of the shareholders' meeting into other relevant languages than Swedish, as well as translation of all or parts of the meeting documentation. The same applies to the minutes of the meeting.

- The meeting is conducted in Finnish and partly in Swedish. The meeting materials are available in Finnish, Swedish and English. The minutes of the meeting are in Finnish.

### Rule 2.1

The company is to have a nomination committee. The nomination committee is to propose candidates for the post of chair and other members of the board, as well as fees and other remuneration to each member of the board. In its assessment of the board's evaluation and in its proposals in accordance with rule 4.1, the nomination committee is to give particular consideration to the requirements regarding breadth and versatility on the board, as well as the requirement to strive for gender balance.

The nomination committee is also to present proposals on the election and remuneration of the statutory auditor.

- The nomination board<sup>2)</sup> makes proposals to the shareholders' meeting, in accordance with its charter. As the chairman of the board, in accordance with the Finnish Companies' Act and articles of association of the company, is elected by the board, the nomination board cannot propose the chairman. The audit committee prepares the proposals on the election and remuneration of the statutory auditor in line with the Finnish Code.

### Rule 2.6

The nomination committee's proposals are to be presented in the notice of the shareholders' meeting where the elections of board members or auditors are to be held as well as on the company's website. When the notice of the shareholders' meeting is issued, the nomination committee is to issue a statement on the company's website explaining its proposals regarding the board of directors with regard to the requirements concerning the composition of the board contained in Code rule 4.1. The committee is to provide specific explanation of its proposals with respect to the requirement to strive for gender balance contained in rule 4.1. If the outgoing chief executive officer is nominated for the post of chair, reasons for this proposal are also to be fully explained.

The statement is also to include an account of how the nomination committee has conducted its work.

The following information on candidates nominated for election or re-election to the board is to be posted on the company's website:

- the candidate's year of birth, principal education and professional experience,
  - any work performed for the company and other significant professional commitments,
  - any holdings of shares and other financial instruments in the company owned by the candidate or the candidate's related natural or legal persons,
  - whether the nomination committee, in accordance with Code rules 4.4 and 4.5, deems the candidate to be independent of the company and its executive management, as well as of major shareholders in the company. Where circumstances exist that may call this independence into question, the nomination committee is to justify its position regarding candidates' independence,
  - in the case of re-election, the year that the person was first elected to the board.
- Under the Finnish Code, the nomination board does not issue a statement explaining the composition of its proposal regarding the board of directors on the company's website. The share ownership of the candidates or related persons and companies are only published once the candidate has been elected board member.

### Rule 6.1

The chair of the board is to be elected by the shareholders' meeting. If the chair relinquishes the position during the mandate period, the board is to elect a chair from among its members to serve until a new chair has been elected by the shareholders' meeting.

- According to the Finnish Companies' Act, the chair of the board is elected by the board if not otherwise stated in the company's articles of association or otherwise decided when the board is elected.

### Rule 9.1

The board is to establish a remuneration committee, whose main tasks are to

- prepare the board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management,
  - monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management, and
  - monitor and evaluate the application of the guidelines for remuneration that the annual general meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.
- According to Finnish law, the remuneration of the CEO and management is the responsibility of the Board of Directors. The guidelines and information on remuneration is presented in this corporate governance statement and on the company's website in the remuneration statement.

### Rule 9.6

The shareholders' meeting is to decide on all share- and share-price related incentive schemes for the executive management.

- The incentive plans are established by the board of directors. If the plan includes issuing new shares, options or repurchase of shares or disposal of shares, such disposal, issuance or repurchase of shares will be subject to shareholders approval or authorisation. Currently the board has an authorization to repurchase shares and dispose of them.

### Rule 10.2

As well as the items stipulated by legislation, the following information is to be included in the corporate governance report if it is not presented in the annual report (below are only parts that are relevant for comparison):

- for the chief executive officer:
  - year of birth, principal education and work experience,
  - significant professional commitments outside the company, and
  - holdings of shares and other financial instruments in the company or similar holdings by related natural or legal persons, as well as significant shareholdings and partnerships in enterprises with which the company has important business relations, and
  - any infringement of the stock exchange rules applicable to the company, or any breach of good practice on the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council during the most recent financial year.
- Under the Finnish Code, shareholdings in companies with which the company has significant business do not have to be reported. Infringements of the stock exchange rules applicable to the company and similar do not need to be reported according to the Finnish Code.

### Rule 10.3

The company is to have a section of its website devoted to corporate governance matters, where the company's three most recent corporate governance reports are to be posted, together with that part of the audit report which deals with the corporate governance report or the auditor's written statement on the corporate governance report.

The corporate governance section of the website is to include the company's current articles of association, along with any other information required by the Code. It is also to include up to date information regarding

- members of the board, the chief executive officer and the statutory auditor,
- a description of the company's system of variable remuneration to the board and executive management, and of each outstanding share- and share-price related incentive scheme.
- No later than three weeks before the annual general meeting, the board is also to report the results of the evaluation required by bullets two and three of Code rule 9.1 on the company's website.
- According to the Finnish Code, the audit committee or some other competent committee shall review the corporate governance statement. The auditors shall check that the statement has been issued and that the descriptions of the main features of the internal control and risk management systems related to the financial reporting process included in it is consistent with the financial statement. The incentive plans are established by the board of directors. If the plan includes issuing new shares or repurchase of shares or disposal of shares, such disposal, issuance or repurchase of shares will be subject to shareholders approval or authorisation. Currently the board has an authorization to repurchase shares and dispose of them.

<sup>1)</sup>The Swedish Code uses the term nomination committee while in Finland the term nomination board is used for nomination bodies appointed by the shareholders.

# Board of Directors



**Peter Seligson**

*Chairman of the Board*

**Born:** 1964  
**Citizenship:** Finnish  
**Member of the Board since:** 2012  
**Current position:** Partner, Seligson & Co Oyj  
**Chairman of the Board:** Aurajoki Oy, Broadius Partners Ltd, Hercculia Oy Ab  
**Board memberships:** Ahlström Capital Oy; Seligson & Co Oyj  
**Other positions of trust:** Chairman of Skatte- och Företagsekonomiska Stiftelsen; Member, Folkhälsan  
**Previous positions:** Board Member, Ahlstrom Corporation 2001–2014; Managing Director, Alfred Berg Finland 1991–1997; Head of Sales and Trading, Arctos Securities 1987–1991  
**Education:** Lic. oec. (HSG)  
Independent of the company, non-independent of significant shareholders



**Elisabet Salander Björklund**

*Vice chairman*

**Born:** 1958  
**Citizenship:** Swedish  
**Member of the Board since:** 2013  
**Current position:** CEO, Bergvik Skog AB  
**Board memberships:** SweTree Technologies AB; Firefly AB; Cellutech AB; Marcus Wallenberg Prize Foundation  
**Previous positions:** EVP, Stora Enso Oyj and member of Stora Enso's Group Executive team 2005–2010; Board member, Claes Ohlson AB 2000–2010  
**Education:** M. Sc. in Forestry  
Independent of the company and significant shareholders



**Sebastian Bondestam**

*Board member*

**Born:** 1962  
**Citizenship:** Finnish  
**Member of the Board since:** 2013  
**Current position:** President, Uponor Infra Ltd  
**Board memberships:** –  
**Previous positions:** Board member, Ahlstrom Corporation 2001–2013; EVP Supply Chain, Uponor 2007–2012; Various executive positions, Tetra Pak Group in Asia, America and Europe 1991–2006  
**Education:** M. Sc. in Engineering  
Independent of the company and significant shareholders



**Alexander Ehrnrooth**

*Board member*

**Born:** 1974  
**Citizenship:** Finnish  
**Member of the Board since:** 2014  
**Current position:** President and CEO, Virala Oy Ab and Vimpu Intressenter Ab  
**Chairman of the Board:** Aleba Corporation; Belgrano Inversiones Oy  
**Board memberships:** Ahlstrom Corporation since 2015; Fiskars Corporation since 2000  
**Previous positions:** Board member, Wärtsilä Corporation 2010–2015  
**Education:** M. Sc. in Economics, MBA  
Independent of the company, non-independent of significant shareholders



**Hannele  
Jakosuo-  
Jansson**

*Board member*

**Born:** 1966  
**Citizenship:** Finnish  
**Member of the Board since:** 2013  
**Current position:** SVP Human Resources and Safety, Neste Oil Corporation  
**Board memberships:** Neste-Jacobs Oy  
**Previous positions:** Laboratory and Research Manager at the Technology Center, Neste Oil Corporation 1998–2004; Vice President, Human Resources at Oil Refining, Neste Oil Corporation 2004–2005  
**Education:** M. Sc. in Engineering  
 Independent of the company and significant shareholders



**Mats  
Lindstrand**

*Board member*

**Born:** 1959  
**Citizenship:** Swedish  
**Member of the Board since:** 2016  
**Current position:** Founder and Managing Partner, BioMass Capital AB; Founder and owner, FRISQ AB  
**Chairman of the Board:** FRISQ AB  
**Board memberships:** Papyrus AB, Sirva Inc.; Erik Andersson AB  
**Other positions of trust:** Senior advisor at McKinsey & Company and Triton Advisers Ltd.  
**Previous positions:** McKinsey & Company, 1987–2008 (Partner since 1992 and Director since 1998); Det Norske Veritas, Structural Engineer 1982–1985  
**Education:** MBA, MSc in Engineering  
 Independent of the company and significant shareholders



**Anna  
Ohlsson-  
Leijon**

*Board member*

**Born:** 1968  
**Citizenship:** Swedish  
**Member of the Board since:** 2016  
**Current position:** CFO AB Electrolux  
**Board memberships:** Several subsidiaries of the Electrolux Group  
**Previous positions:** 2001–2016 Electrolux AB (2013–2016, CFO, EMEA; 2011–2013 SVP, Head of Corporate Control & Services 2008–2011 SVP, Group Treasurer 2005–2008 SVP, Head of MA&SA 2003–2005 Director Internal Audit Corporate & Global Program Manager 2001–2003 Director of Project Management); 2000–2001 Kimoda.com AB CFO. 1993–2000 PricewaterhouseCoopers (1999–2000 Business Assurance Manager 1997–1999 Business Assurance Manager, Boston, US 1993–1997 Business Assurance positions)  
**Education:** B.Sc in Business Administration  
 Independent of the company and significant shareholders

### Changes in the Board of Directors 2016

On 6 April 2016 the AGM resolved in accordance with the proposal of the Nomination Board that Anna Ohlsson-Leijon and Mats Lindstrand were elected as new members of the Board.

# Management Team



## Jan Åström

*President and CEO*

**Born:** 1956

**Citizenship:** Swedish

**Previous positions:** President and CEO, Munksjö AB 2008–2013; President and CEO, SCA AB 2002–2007; Deputy CEO, SCA AB 2000–2002; CEO, Modo Paper AB 1999–2000

**Board memberships:** Sekab BioFuel Industries AB; ECO Development in Europe AB

**Education:** M. Sc. in Chemical Engineering



## Pia Aaltonen-Forsell

*CFO*

**Born:** 1974

**Citizenship:** Finnish

**Previous positions:** CFO, Vacon Plc., 2013–2015; Senior Vice President Finance, IT and M&A, Building and Living Business Area, Stora Enso 2012–2013; SVP Group Controller, Stora Enso 2009–2012; Various positions within Stora Enso 2000–2009; Corenso United 1997–2000

**Board memberships:** Helapala Oy

**Education:** M. Sc. in Economics



## Gustav Adlercreutz

*Senior Vice President and General Counsel*

**Born:** 1957

**Citizenship:** Finnish

**Previous positions:** Senior Vice President, General Counsel, Ahlstrom Corporation 2001–2013; Various positions within Ahlstrom 1984–2001

**Board memberships:** Chairman, Soldino Oy; Board member, Oy The English Tearoom Ab; Board member, Mannerheim Foundation

**Education:** LL.M.



## Anna Bergquist

*Senior Vice President Strategic Development*

**Born:** 1980

**Citizenship:** Swedish

**Previous positions:** Senior Vice President Strategic Development, Munksjö AB 2010–2013; Engagement manager at McKinsey 2005–2010

**Board memberships:** –

**Education:** M. Sc. in Industrial Economy



## Anders Hilderman

*Senior Vice President Sustainability*

**Born:** 1956

**Citizenship:** Swedish

**Previous positions:** Global Forestry Manager, IKEA, 2009–2015; Various positions, latest Senior Vice President Environment and Regulatory Affairs, SCA, 1984–2009; Associate Professional Officer, United Nations Food and Agriculture Organisation, 1989–1991

**Board memberships:** Chairman, Sow a Seed Foundation since 2010

**Education:** M. Sc. Forestry



## Åsa Jackson

*Senior Vice President Human Resources*

**Born:** 1964

**Citizenship:** Swedish

**Previous positions:** Senior Vice President Human Resources, ABB Sweden 2012–2015; Various positions within finance, marketing, HR within ABB 1994–2011

**Board memberships:** Mälardalen University

**Education:** M. Sc. in Business and Economics



## Anna Selberg

Senior Vice President Communications

**Born:** 1962

**Citizenship:** Swedish

**Previous positions:** Communication Consultant and Partner, Astega Advisory AB, 2010–2015; Acting SVP Communications, SCA, 2010; VP Corporate Branding and Group Communications, SCA, 2005–2010; Communications Director, SEB Trygg Liv, 1999–2005; The Riksbank, 1995–1999

**Board memberships:** Astega Advisory AB

**Education:** M. Sc. in Business and Economics



## Daniele Borlatto

Executive Vice President and  
President Release Liners

**Born:** 1969

**Citizenship:** Italian

**Previous positions:** Executive Vice President, Label and Processing, Ahlstrom Corporation 2011–2013; Senior Vice President, Release & Label Papers; Member of Corporate Executive Team in 2007–2010; employed at Ahlstrom 1990–2013

**Board memberships:** –

**Education:** Studies in Business and Administration, INSEAD



## Norbert Mix

President Decor

**Born:** 1957

**Citizenship:** German

**Previous positions:** Business Area Manager Sales and Marketing Decor, Munksjö 2011–2015; President and CEO, Munksjö Inc, USA; Sales and Technical Director, Technocell Decor Canada and USA; Technical Director Munksjö Decor Inc, USA; Head of Technical Customer Support, PWA Dekor, Germany

**Board memberships:** –

**Education:** M. Sc. in Finance and Forestry Economics



## Dan Adrianzon

President Industrial Applications

**Born:** 1960

**Citizenship:** Swedish

**Previous positions:** Group Chief Controller, Munksjö AB; Interim CEO and CFO, Munksjö Aspa Bruk AB (Specialty Pulp); Interim CFO, Munksjö Arches in France; employed at Munksjö since 1998; Various positions within Group Saint Gobain 1985–1998

**Board memberships:** –

**Education:** Bachelor in Business Administration and Economics and Mechanical Engineer from Technical High School



## Roland Le Cardie

President Graphics and Packaging

**Born:** 1957

**Citizenship:** French

**Previous positions:** Vice President Thin Print paper, Fine Art paper and E2P, Munksjö AB 2011–2013; Vice President Thin Print paper, EMEA Projects Manager, China Platform General Manager, ArjoWiggins 2003–2011; Various positions at ArjoWiggins 1988–2003; Production Manager, R&D Manager, Le Nickel SLN (Eramet) 1981–1988

**Board memberships:** –

**Education:** Ingénieur Civil des Mines (M. Sc. in Engineering)

## Changes in the Management Team



On 1 February 2017 Andreas Elving succeeded Gustav Adlercreutz as General Counsel. Andreas Elving joined Munksjö in October 2016 and most recently held a position as Associate General Counsel at Autoliv 2015–2016. Previously he worked at the law firm Mannheimer Swartling as Senior Associate 2004–2015. He holds a Master of Laws degree.