

## **Componenta Corporation**

### **Corporate Governance Statement**

### **2011**

This Corporate Governance Statement has been handled at the meeting of the Board of Directors of Componenta Corporation on 23 January 2012.

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

## Corporate Governance Statement 2011 of Componenta Corporation

### The rules and the Corporate Governance Code observed by Componenta

The parent company of Componenta Group is Componenta Corporation, a public company whose share is listed on the Helsinki stock exchange, NASDAQ OMX Helsinki.

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

### Deviating from the Corporate Governance Code

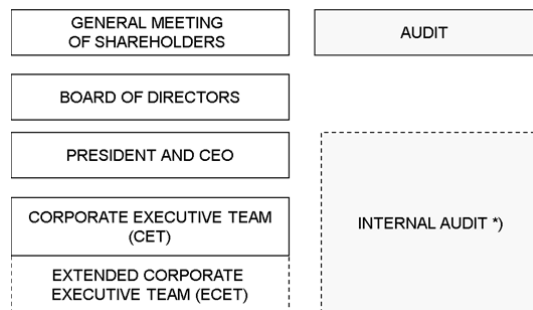
Deviating from recommendation of the Corporate Governance Code, Componenta has no committees of the Board of Directors. Taking into account the composition of the Board and the nature and size of Componenta's operations, the Board of Directors has considered it unnecessary to establish specific committees to prepare matters that are the responsibility of the Board.

### Governing bodies of Componenta

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

The company is managed by the Board of Directors and the President and CEO. Other management assists and supports the President and CEO in carrying out his duties.

#### *Governing bodies*



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

### Board of Directors

#### **Composition of Board of Directors**

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

The majority of the Board members must be independent of the Company. In addition, at least two of the members belonging to this majority must be independent of major shareholders in the Company.

Independence is evaluated in accordance with Recommendation 15 of the Corporate Governance Code for Finnish listed companies.

The Annual General Meeting on 28 February 2011 selected the following six members to Componenta's Board of Directors.

Heikki Bergholm, b. 1956, M.Sc. (Eng.)

Pii Kotilainen, b. 1960, M.Sc (Econ.), Executive Vice President, Human Resources at Outokumpu Oyj

Heikki Lehtonen, b 1959, M.Sc. (Eng.), President and CEO at Componenta Corporation

Juhani Mäkinen, b. 1956, Counsellor of Law, Chairman of the Board of Directors at Aval Oy

Marjo Miettinen, b. 1957, M.Sc. (Ed.), Chief Executive Officer at EM Group Oy

Matti Tikkakoski, b. 1953, M. Sc. (Econ.)

The Board elected Heikki Bergholm as its Chairman and Juhani Mäkinen as Vice Chairman.

Heikki Bergholm, Pii Kotilainen, Juhani Mäkinen, Marjo Miettinen and Matti Tikkakoski are independent of the Company and of the shareholders. Heikki Lehtonen is President and CEO of Componenta Corporation. He is also a major shareholder in the Company through companies that he controls.

### **Main tasks**

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

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

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

The Board of Directors met 13 times during the year, and the average attendance rate at Board meetings was 100%.

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

The Board of Directors evaluated its own performance under the leadership of the Chairman in December 2011. The Componenta Corporate Governance was updated in the meeting on 28 March 2011.

### **President and CEO**

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

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

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

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

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

## **Risk management and monitoring**

In its business operations Componenta complies with all current legislation and regulations and with generally accepted business practices. In addition, business activities are governed by Componenta's values and the Company's own operating principles, the Componenta Way to Operate.

### ***Risk management***

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

The Board of Directors confirms the principles for risk management and the President and CEO supervises the implementation of the risk management program such that the principles and program focus on matters that are essential for local and operational activities.

The Corporate Executive Team participates in identifying and evaluating risks, in allocating responsibilities and in monitoring the risks.

The CFO is responsible in financial matters and the General Counsel in all other areas for supporting the operative businesses and the Group's other functions in risk management and developing risk management.

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

Each employee is responsible for identifying and evaluating the risks that are related to their own work or are otherwise under their control and for reporting them to their supervisors.

The Group's treasury department manages financial risks and ensures for their part the availability of equity and debt finance to the Group on competitive terms. The Group's treasury department is also responsible for managing and hedging the cash position.

The most significant risks related to Componenta's business environment and business operations and financial risks are presented on the company's website.

In 2011 the Corporate Executive Team (CET) examined the annual entity risk management (ERM) process, which identifies and assesses risks and decides on appropriate corrective measures. The CET regularly monitors the main risks to business operations. In accordance with the risk management process, the management of the business operations also examines the risks to operational activities each year and reports the main findings to the CET.

### ***Internal audit***

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

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

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

## **Audit**

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

The responsible auditor may function as an auditor for a maximum of 7 years in succession.

During the 1 January - 31 December 2011 financial period, Componenta's auditor was Authorized Public Accountants PricewaterhouseCoopers Oy. In accordance with the decision of the AGM on 28 February 2011, the fees paid to the auditor are based on invoicing.