

Posti Group Corporation

## **Corporate Governance Statement 2014**

This is Posti's Corporate Governance Statement referred to in Recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association on June 15, 2010. It was reviewed by the Audit Committee of Posti Group Corporation's Board of Directors on February 11, 2015. The Corporate Governance Statement is published as a separate, unaudited report released in connection with the Financial Statements.

The remuneration statement and other information related to the Corporate Governance Code are available at [www.posti.com/corporategovernance](http://www.posti.com/corporategovernance). The management's résumés are available at [www.posti.com/management](http://www.posti.com/management).

### **1 Compliance with the Corporate Governance Code**

The duties and responsibilities of Posti's executive bodies are determined according to Finnish law. Posti's decision-making and administration comply with the Finnish Limited Liability Companies Act (624/2006), Posti Group Corporation's Articles of Association, and the Finnish Corporate Governance Code ([www.cgfinland.fi](http://www.cgfinland.fi)) for listed companies issued by the Securities Market Association.

Departures from the Corporate Governance Code recommendations:

- The notice of the General Meeting and the appendices thereto are not published on the company website because a state-owned company has only one shareholder. (recommendation 1).
- Posti has neither a public register of insiders nor any persons subject to the disclosure obligation because the company's shares are not publicly listed. (recommendation 51)

### **2 Supervisory Board**

The Supervisory Board's duties include the following:

- Ensuring that the company is managed according to sound business practices and on a profitable basis.
- Providing guidance to the Board of Directors on issues with broad implications or those deemed important in principle.
- Providing the Annual General Meeting (AGM) with an opinion on the company's financial statements and the auditors' report.
- Monitoring the functionality of postal services and the consideration of proposals for changes in the services.

The Supervisory Board has adopted written rules and procedures, which lay out the Board's key responsibilities and working principles.

Posti Group Corporation's AGM elects the members of the Supervisory Board and appoints the Board's Chairman and Vice Chairman. The Supervisory Board has six to twelve members. Persons aged 68 and above are not eligible for membership of the Board. The term of office for the members is one year and it ends at the close of the AGM that follows their election.

## Posti's Supervisory Board 2014

Member	Born	Education	Occupation	Attendance at meetings
Mauri Pekkarinen (Chairman)	1947	M.Soc.Sc.	Member of Parliament	3/4
Satu Haapanen (Vice Chairman)**)	1969	M.Sc.(Econ.)	Schoolteacher, Member of Parliament	2/4
Ritva Elomaa	1955	Matriculation examination, radiographer	Member of Parliament	3/4
Maria Guzenina	1969		Reporter, Member of Parliament	4/4
Lars-Erik Gästgivers	1946		Member of Parliament	2/4
Johanna Karimäki (Vice Chairman) *)	1973	M.Sc.(Tech.)	Member of Parliament	1/4
Sari Moisanen	1980	BEng		4/4
Outi Mäkelä	1974	M.Sc.(Econ.)	Member of Parliament	4/4
Reijo Ojennus	1947	Trade Technician	Entrepreneur, Managing Director	4/4
Raimo Piirainen	1952		Member of Parliament	4/4
Tuomo Puumala	1982	M.Soc.Sc.	Member of Parliament	3/4
Teuvo V. Riikonen	1960	MA (Theology)	Executive Manager	3/4
Kimmo Sasi	1952	Master of Laws, B.Sc.(Econ.)	Member of Parliament	3/4

\*) until March 25, 2014

\*\*\*) as of March 25, 2014

### 3 Board of Directors

The duties of Posti Group Corporation's Board of Directors are specified in the Limited Liability Companies Act, the Articles of Association, and the Decision-Making Guidelines approved by the Board of Directors. In accordance with these documents, the Board is responsible for controlling and supervising executive management, appointing and, if necessary, dismissing the President and CEO, approving the company's strategic goals and risk management principles, and ensuring the functioning of the company's management system. The Board has adopted written rules and procedures which lay out the Board's key responsibilities and working principles.

Posti Group Corporation's AGM elects the members of Posti Group Corporation's Board of Directors and appoints the Board's Chairman and Vice Chairman. The Board of Directors has between five and nine members. Persons aged 68 and above are not eligible for membership of the Board. The members are elected for a one-year term at a time and their terms of office end at the close of the AGM following their election.

The Board of Directors evaluates its performance and working methods on an annual basis. It also assesses the performance and working methods of the President and CEO.

#### Posti's Board of Directors 2014

Member	Born	Education	Occupation
Arto Hiltunen, Chairman	1958	M.Sc. (Econ.)	
Päivi Pesola, Vice Chairman	1956	M.Sc.(Econ.)	CFO
Petri Järvinen **)	1964	M.Sc.(Tech.)	Global Supply Chain Planning Director
Petri Kokko **)	1966	M.Sc.(Econ.)	Director
Jussi Kuutsa	1964		Country Director
Timo Löyttyniemi *)	1961	D.Sc.(Econ. & Bus.)	CEO
Ilpo Nuutinen *)	1964	M.Sc.Econ. (Licentiate of Laws)	Senior Government Counsellor
Marja Pokela	1955	BBA, M.Sc. (Adm.)	Government Ownership Steering Department, Senior Financial Specialist
Riitta Savonlahti	1964	M.Sc.(Econ.)	Executive Vice President, HR
Suvi-Anne Siimes	1963	Licentiate of Social Sciences	Managing Director
Maarit Toivanen- Koivisto *)	1954	M.Sc.(Econ.)	CEO

\*) until March 25, 2014

\*\*) as of March 25, 2014

All Board members other than Marja Pokela (and Ilpo Nuutinen), who is in an employment relationship with the Ownership Steering Department of the Prime Minister's Office, are independent of the shareholder.

### **3.1 Audit Committee**

The Board of Directors elects a maximum of four of its members to the Audit Committee, the duties of which include:

- preparation, control, review, and assessment of risk management policies, internal control systems and internal audit reports, organizing financial reporting and auditing;
- examining financial statements with the auditors before submitting them for review by the Board of Directors;

- submitting a proposal concerning the appointment of the auditor;
- assessing the independence of the auditor and the additional services offered by the auditor.
- steering and monitoring the activities of the Compliance Officer.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

On March 28, 2014, the Board of Directors decided that the members of the Audit Committee are: Päivi Pesola (Chairman), Jussi Kuutsa, Marja Pokela and Suvi-Anne Siimes.

### **3.2 Remuneration and Nomination Committee**

The Board of Directors elects a maximum of four of its members to the Remuneration and Nomination Committee, the duties of which include:

- preparation of decisions concerning the appointments and remuneration of executive management
- preparation of the outlines for the remuneration, bonus, and incentive schemes and ensuring that they are fair and competitive.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

On March 28, 2014, the Board of Directors decided that the members of the Remuneration and Nomination Committee are: Arto Hiltunen (Chairman), Petri Järvinen, Petri Kokko and Riitta Savonlahti.

#### The Board of Directors' attendance at meetings

<b>Member</b>	<b>Committee membership</b>	<b>Board of Directors</b>	<b>Committee</b>
Arto Hiltunen, Chairman	Remuneration and Nomination Committee	14/14	7/7
Päivi Pesola, Vice Chairman	Audit Committee	14/14	6/6
Petri Järvinen **)	Remuneration and Nomination Committee	11/14	5/7
Petri Kokko **)	Remuneration and Nomination Committee	11/14	5/7
Jussi Kuutsa	Audit Committee	14/14	6/6
Timo Löyttyniemi *)	Audit Committee	2/14	1/6
Ilpo Nuutinen *)	Remuneration and Nomination Committee	2/14	2/7
Marja Pokela **)	Audit Committee	12/14	5/6
Riitta Savonlahti	Remuneration and Nomination Committee	12/14	7/7
Suvi-Anne Siimes	Audit Committee	14/14	5/6

Maarit Toivanen-Koivisto *)	Remuneration and Nomination Committee	2/14	2/7
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\*) until March 25, 2014

\*\*\*) as of March 25, 2014

#### 4 President and CEO

The President and CEO is responsible for the Group's operative management in accordance with the Limited Liability Companies Act and the instructions and directions issued by the Board of Directors. The President and CEO is appointed and, if necessary, dismissed by the Board of Directors, which also determines the terms and conditions of the President and CEO's employment relationship.

Heikki Malinen, M.Sc.(Econ.), MBA, has served as President and CEO of Posti Group Corporation since December 11, 2012.

#### 5 Internal control and risk management systems associated with the financial reporting process

The internal control and risk management processes associated with financial reporting have been planned in such a way that they produce sufficient certainty of the reliability of financial reporting and ensure that the applicable laws and regulations have been complied with.

Posti's Board of Directors has approved the corporate policies on which the control environment is based, as well as the policies concerning risk management and corporate governance. The financial reporting process incorporates internal control principles pursuant to the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission 1992).

##### 5.1 Control environment

Posti's internal control system supports the implementation of the Group's strategy and ensures compliance with regulations as well as the reliability of financial reporting. The Code of Conduct approved by Posti's Board of Directors is based on Posti's values and defines the principles for how business operations are conducted. The internal control framework consists of Group-level operating guidelines and processes, as well as the controls and processes for business operations and support functions. The control environment for financial reporting is described in the document "Posti Group Policy on Control over Financial Reporting".

Management responsibilities are specified in the Group management system, which is described in the guidelines of the Posti Way Handbook. Posti Group follows responsible and ethical procedures that are described in Posti's Corporate Responsibility Principles and Code of Conduct. The Group has a feedback channel for reporting actions that are in conflict with the Code of Conduct.

The Audit Committee appointed by the Board of Directors supervises the Group's financial reporting process and monitors the effectiveness of the Group's internal control and risk management systems. The internal audit function monitors the effectiveness of the internal control system on financial reporting in accordance with the Audit Committee's instructions.



Early in the year, the Group appointed a Chief Compliance Officer whose task is to develop compliance operations throughout the Group. The Chief Compliance Officer reports to the Audit Committee, which approves the compliance program and monitors compliance operations and their development.

The Group's risk management function is responsible for the Group's risk reporting and maintaining the risk management system. The Board of Directors approves the operating models concerning risk management and corporate governance.

Group Finance, led by the Chief Financial Officer, is responsible for the top-level control system for the financial reporting process. Control is based on Group-level processes, guidelines and recommendations. The principles and guidelines for financial reporting are collected on the Group intranet.

The Group's business operations are divided into four business groups (Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita) and Group functions, which are also responsible for internal control. OpusCapita is also a subgroup of Posti Group.

## **5.2 Risk assessment**

Operational risks related to the process of financial reporting are assessed as part of Posti's risk management. The twice-yearly systematic process involves identifying and assessing risks associated with financial processes and reporting them to management. The implementation and monitoring of the necessary measures and improvements is integrated into operational management.

## **5.3 Control measures**

The guidelines and Group-wide principles issued by the Group Finance unit hold a key position in ensuring the accuracy of financial reporting. Financial control and reporting instructions contain the common accounting and reporting principles and practices as well as the roles and responsibilities of the finance functions. Financial statements are subject to Group-wide accounting principles and Group reporting employs a common chart of accounts.

The control measures cover the entire financial reporting process. Responsibilities for the implementation and monitoring of measures have been assigned. The processes include control measures related to the initiation of business transactions as well as their approval, recording and accounting, including the information technology and system solutions associated with financial reporting. The Finance and Accounting Services unit under OpusCapita manages the majority of the Group companies' accounting and other statutory reporting.

Each business group has a financial organization responsible for ensuring that business performance is sufficiently analyzed, including the assessment of operating volume, income, expenses, working capital, assets and investments. These analyses are assessed at different levels in the Group, with the final assessment performed by the Board of Directors.

The Group's profitability is reported in each meeting of the Board of Directors, and the Board reviews all interim and annual reports before they are published. Posti complies with the reporting standards specified for listed companies and publishes stock exchange releases



on its interim and annual reports. Posti also reports to the Finnish Communications Regulatory Authority on operations related to its universal service obligation.

Posti's Supervisory Board discusses Posti Group Corporation's Board of Directors' report, financial statements and auditors' report in its meeting and issues a statement on these to the Annual General Meeting.

#### **5.4 Information and communications**

The principles and guidelines for financial reporting, as well as the IFRS standards and calculation principles applied in the Group, are available on the intranet to all those participating in financial reporting. The Group also arranges regular training and joint information sessions on financial processes, principles and operating guidelines.

#### **5.5 Monitoring**

The Group's Chief Financial Officer is responsible for developing procedures and tools to support the consistent execution and maintenance of internal control systems concerning financial reporting. Business groups regularly prepare financial and management reports for the units' and the Group's management. The reports analyze and discuss matters related to the business units' profitability and risks.

The Group's internal audit assesses and audits the implementation and effectiveness of internal control of financial processes in accordance with a risk-based annual plan approved by the Audit Committee. The results of the audits are discussed with the object of the audit, in the Executive Board and in the Board's Audit Committee. Corrective actions, with responsible persons and schedules, are defined for any observations made in the audits. The internal audit also monitors the implementation of actions. In 2014, the focus of internal audits was on Itella Russia's operations.

The Group's Finance unit monitors the correctness and accuracy of external and internal reporting and ensures that external reporting complies with regulations. The senior management and Finance Directors of Group companies further ensure that external reporting complies with the applicable regulations.

Representatives of the Group and its business groups meet monthly to assess financial reports and analyze any deviations. The Group's result is monitored in monthly reporting, and the Executive Board examines reporting on results at the monthly level.