

EFORE PLC'S CORPORATE GOVERNANCE STATEMENT 2016

The obligations of Efore's decision-making bodies are defined in accordance with Finnish legislation and the principles established by the Board of Directors. Efore's corporate governance complies with the provisions of the Companies Act. In addition, Efore complies with the Insider Guidelines issued by the NASDAX Helsinki Oy and the Finnish Corporate Governance Code 2015 for Listed Companies issued by Securities Market Association. This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. This statement has been issued separately from the report by the Board of Directors.

The Corporate Governance Code is publicly available, e.g. on the website of the Securities Market Association, address www.cgfinland.fi.

This statement was authorized for issue by the Board of Directors of Efore Plc on February 14, 2016 and is available in Annual Report and at the website of Efore, address www.efore.com.

GOVERNANCE

BOARD OF DIRECTORS

Composition and operations of the Board of Directors

As set out in Efore's Articles of Association, the Board of Directors shall have no less than three and no more than ten ordinary members. The company's President and CEO is not a member of the Board of Directors. The composition shall take into account the needs of the company operations and the

development stage of the company. A person to be elected to the Board shall have the qualifications required by the duties, sufficient knowledge of financial matters and business operations. A person to be elected to the Board shall have the possibility to devote a sufficient amount of time to the work.

The majority of the directors shall be independent of the company. In addition, at least two of the members representing this majority shall be independent of significant shareholders of the company.

Board members in 2016

The following persons were elected as Board members at the Annual General meeting on March 30, 2016.

Päivi Marttila, b. 1961

Education: MSc (Econ)
Board member since 2013
Chairman of the Board
Main duty: Midagon Oy, Chairman of the Board and Partner
Independent of the company and the company's main shareholders
Share ownership: 10,000 Efore shares

Olli Heikkilä, b. 1959

Education: M.Sc (Eng.)
Board member since 2011
Main duty: UPM-Kymmene Oyj, Vice President
Independent of the company and the company's main shareholders
Share ownership: 35,131 Efore shares

Marjo Miettinen, b. 1957

Education: M.Sc. (Education)
Board member since 2013

Vice Chairman of the Board
Main duty: Board professional
Independent of the company and the company's main shareholders
Share ownership: 12,465 Efore shares

Jarmo Simola, b. 1961

Education: M.Sc.(Eng)
Board member since 2013
Main duty: Tulisuoja Suomi Oy, Managing Director
Independent of the company and the company's main shareholders
Share ownership: 1,046 Efore shares and 7,495 forward agreements entitled to 749,500 Efore shares

Antti Sivula, b. 1961

Education: M.Sc.(Eng)
Main duty: Mekitec Group, CEO
Board member since 2016
Independent of the company and the company's main shareholders
No Efore shareholding

Jarkko Takanen, b. 1967

Education: Qualified Production Engineer and holds a Commercial College Diploma in Management Accountancy
Board member since 2013
Main duty: Jussi Capital Oy, Managing Director
Independent of the company
Share ownership: 475,000 Efore shares

Shareholdings per 31.12.2016

Duties and responsibilities of the Board of Directors

The Board of Directors has general decision-making authority in all company matters that are not stipulated (by

law or under the Articles of Association) for the decision or action of another party. The Board is responsible for the governance of the company and for duly organizing its operations. It also approves the corporate strategy, the risk management principles, the Group's corporate values, the operating plan and related annual budget, and decides on major investments.

The main duties and operating principles of the Board of Directors are given in a separate working order. This refers to the declaration of a quorum at Board meetings, the writing and approval of minutes, and the preparations needed on matters for decision.

More specifically, the Board:

- approves the company's values and strategy
- approves annually the company's main targets of business operations and monitors the Group's result development
- decides on the Group's major investments and company reorganizations
- reviews and approves interim reports and financial statements
- appoints and discharges the President and CEO and decides conditions of the President and CEO's service contract and his remuneration principles
- decides on the compensation scheme of the management and personnel
- monitors the major risks and their management as well as approves the principles of the risk management

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The Board of Directors reviews its own working procedures through an annual self-evaluation process or in co-operation with the external company.

The Board of Directors met 19 times, the audit Committee met 5 times and the Remuneration Committee met once during the financial year 2016.

Election process of the Board members and principles concerning the diversity of the Board of Directors

The Annual General Meeting elects the members of the Board of Directors by simple majority vote for a term of office that ends with the close of the next Annual General Meeting following their election. The Board of Directors elects among its members a Chairman and a Deputy Chairman.

When preparing the composition of the Board of Directors of Efore, attention is paid to requirements set by the Company's operations and the development stage of the company. Diversity is considered not only from the aspect of gender but also from other attributes promoting the Board's diversity, such as the age structure of the Board, the members' educational and profes-

sional background, their experience relevant for the position, and personal characters, for example. Diversity of the Board of Directors supports the development of the business. When preparing the composition, the way how the members' skills, education and experience complement each other is also assessed. The objective is that both genders are represented on the Board as well as the members at different ages and with a different educational background and experience. In respect of gender diversity, there were two female members of the Board in December 2016.

Composition and operation of the Committees of the Board of Directors

The Board of Directors has committees that assist in its work. The Board of Directors elects among its members committee members and Chairman of the committees. External members can be also members of the Nomination Committee. The committees' working orders set out the duties and operating principles for each committee. The committees report their work to the Board of Directors on a regular basis.

The main duties of the Audit Committee are to examine the company's finances; oversee compliance with the law and the relevant standards; monitor the reporting process of financial statements, supervise the financial reporting process, monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems; review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; monitor the statutory audit of the financial statements and consolidated financial statements, evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited and prepare the proposal for resolution on the election of the auditor.

The main duties of the Nomination Committee are to prepare proposals to the general meeting on the composition of the Board of Directors and fees and other financial benefits paid to the Board members.

The main duties of the Remuneration Committee includes preparing matters related to the remuneration of the CEO and other executives of the company as well as preparing proposals related to Group remuneration systems.

Members of the Board committees during the financial year 2016

During the financial year 2016 Efore had Audit Committee and Remuneration Committee that assist in Board of Directors' work. The nomination committee was not established in 2016

The members of the Audit Committee were Olli Heikkilä, Jarmo Simola and Jarkko Takanen. The Audit Committee

was chaired by Jarkko Takanen. The Audit Committee met 5 times during the financial year 2016 and the participation rate of the members was 100%.

Päivi Marttila continued as the chairman and Marjo Miettinen and Jarmo Simola continued as members of the Remuneration Committee during the financial year 2016. The Remuneration Committee met once during the financial year 2016 and the participation rate of the members was 100%.

President and CEO and his tasks

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing the President and CEO's appointment are detailed in written contract approved by the Board of Directors. The President and CEO manages and supervises Group business operations within the guidelines and directives issued by the Board of Directors, and ensures that the company's accounting accords with the law and that the financial management system is reliable.

Heikki Viika served as the President and CEO of Efore Plc until April 28, 2016. Jorma Wiitakorpi was appointed on April 29, 2016 as the President and CEO of Efore Plc with a contract for a specific term. On December 1, 2016 it was agreed that his service contract will remain in force until further notice.

Other management

Efore's corporate management consists of the Chief Executive Officer (CEO), the members of the Efore's Executive Management Team, as well as managers and experts from the global functions who assist the CEO and members of the Management Team.

Attendance of Board members at the meetings in 2016

	Board meeting	Audit Committee	Remuneration Committee
Päivi Marttila	19/19		1/1
Olli Heikkilä	19/19	5/5	
Marjo Miettinen	19/19		1/1
Jarmo Simola	18/19	5/5	1/1
Antti Sivula (from March 30)	13/14		
Jarkko Takanen	18/19	5/5	

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The Executive Management Team has no powers based in law or the Articles of Association and is instead a body which provides assistance to the President and CEO. Executive Management Team assists the CEO being responsible for the development of Efore's business. The Executive Management Team duty is to prepare strategy proposals for the Board and execute the approved strategy. The Executive Management Team members are accountable for the performance and development of their management areas and they supervise the operations of the units belonging to their areas.

Members of the Executive Management Team and their responsibilities on December 31, 2016:

Jorma Wiitakorpi, b. 1957, M. Sc. (Eng.)

- President and CEO
- No Efore shareholding and option rights

John Cahill, b. 1958

- Vice President, Productions
- Shareholding: 114,843 pcs Efore shares, no option rights

Alessandro Leopardi, b. 1968

- Executive Vice President, Sales and Marketing
- No shareholding and option rights

Martin Raznovich, b. 1971

- CFO
- No shareholding and option rights

Samuli Räsänen, s. 1968, DI

- Executive Vice President, Technology and R&D
- No shareholding and option rights

Ruben Tomassoni, b. 1974

- Vice President, Sourcing and Procurement
- No shareholding and option rights

Auditors

The Annual General Meeting held on March 30, 2016 re-elected KPMG Oy Ab as the company's auditor. Authorized Accounting Firm KPMG Oy Ab had informed that Authorized Public Accountant Henrik Holmbom shall continue as the responsible.

The fees for auditing the financial statements of Efore Plc amounted to EUR 56,000 in 2016. The auditing company charged EUR 61,000 for other services in 2016.

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Systems of internal control

The Board of Directors is responsible that the internal control and risk management are adequately and effectively arranged. In addition, it is the responsibility of the Board to ensure that the internal control of the accounting and financial management is arranged in an appropriate manner. The Audit Committee is responsible for the control of the financial reporting process. The financial management shall inform its findings to the relevant members of the management.

The Group has financial reporting systems for the control of the business, financial management and risks. The Board of Directors of the company has approved the management organization and principles, decision-making authorities and approval procedures, operational policies of the organiza-

tional sectors, financial planning and reporting as well as remuneration principles.

The Group does not have a separate internal audit function but the internal audit is part of the Group financial administration. The representatives of the financial administration shall perform certain controls when they visit the subsidiaries. The financial management shall report the findings to the President and CEO and the Audit Committee, which in turn report to the Board.

The Group financial management together with the other management prepares monthly the financial report. The report contains a summary of the net sales, gross profit, costs level, results, net working capital, cash flow and personnel development for the previous month, year-to-year period and for the forecasted latter part of the year. Furthermore, the report includes the main risks and possibilities. The report is delivered to the Board of Directors, Executive Management Team and to the financial management of the largest subsidiaries as well as to the auditors when it concerns interim reports. In addition to the monthly reporting the management follows more actively certain actual items in their weekly meeting. Efore's target is to simplify the financial process and the main business processes of the company as well as to reduce risks related to the maintenance of the several parallel systems. The same ERP system has been implemented in Finland and China.

The Group financial management oversees the centralized interpretation and application of the accounting standards (IFRS). The Group's financing and hedging against currency risks are centralized in the head office in Finland. The Audit Committee of the

Board evaluates the financial statements and interim statements as well as separately certain special subjects. The Audit Committee reports its findings to the Board, which monitors that the necessary measures are taken.

The principal auditor of Efore Plc is responsible for the audit and the directions and coordination of the audit in the Group. The principal auditor prepares annually an audit plan, which contains focus areas and which the Audit Committee approves. The audit report of the Group financial statements required by law is issued by the auditor to the company's shareholders. Furthermore, the auditor reports its findings to the Audit Committee.

Risk management

The aim of the risk management system of Efore is to recognize the strategic, operational and financing risks of the Group as well as any conventional risk of loss. The risks that the Group takes in its operations are risks that are encountered in pursuit of the strategy and goals. Risk management seeks to control these risks in a proactive and comprehensive manner. The measures taken can include risk avoidance, risk reduction or risk transfer by insurance or agreement.

Risk management forms part of the Group's business processes in all operational units. In this way the risk management process is tied to internal controls. The Group and its operational units assess the risks of their operations, prepare risk management plans and report risks in accordance with the organizational structure.

The CFO of the Efore Group oversees that risk management is arranged efficiently and that its performance is ensured. CFO is responsible for the

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general development of Efore's risk management. CFO reports the Group's risk status to the Audit Committee and acts as a representative of the Executive Management Team in the Audit Committee meetings.

The Audit Committee and Board of Directors address risks in connection with the addressing of other business operations. Risk management is taken into consideration in the Group's quality systems, which include also survival plans. There is a more detailed statement of the Group's different risks and their management which can be found at the Efore's website.

RELATED PARTY TRANSACTIONS

Efore keeps a list of its related parties. The company evaluates and monitors transactions concluded between the company and its related parties and ensures that it identifies, decides on, approves, reports, and controls related party transactions in accordance with appropriate procedures. Any potential related party transactions are reported in accordance with the Finnish Limited Liability Companies Act and regulations concerning the drawing up of financial statements and published when certain conditions are satisfied in accordance with the Rules of the Helsinki Stock Exchange.

In decision-making pertaining to potential related party transactions, the company ensures that decisions are based on exceptionally careful preparatory work and appropriate reports, opinions and/or assessments. Preparatory work, decision-making, and the evaluation and approval of individual transactions are arranged taking into account all relevant disqualification provisions and the appropriate decision-making body in each individual

matter so that a representative of a related party does not participate in the decision-making.

In the financial year 2016, the company rearranged its financing. In connection with the arrangement, Jussi Capital Oy, which belongs to the related parties of Efore, issued an absolute guarantee for the loan. As a counter guarantee for the absolute guarantee granted by Jussi Capital Oy, the Board of Directors of Efore resolved to pledge own shares of the company in accordance with the authorization granted by the Annual General Meeting of Shareholders. The credit arrangement has been conducted on market equivalent terms in line with the interests of the company from the company's business perspective.

In addition to the absolute guarantee, Jussi Capital Oy granted the loan to Efore in 2016.

Both arrangements were conducted on market equivalent terms in the interests of the company from the company's business perspective.

INSIDER ADMINISTRATION

Efore has drawn up Group level Insider Guidelines including guidelines e.g. on prohibition on unlawful disclosure and abuse of inside information, insider lists, notification requirements and trading restrictions. Efore's Board of Directors has confirmed the Insider Guidelines. Group CFO is responsible for Insider administration.

Efore has decided, not to establish a separate list of permanent insiders. A project-specific insider list according to the Nasdaq Insider Guidelines is prepared when Efore has an ongoing project.

The persons deemed to discharge managerial responsibilities at Efore

(“Managers”) are: Members of the Board of Directors; President and CEO and Chief Financial Officer. Efore's persons discharging managerial responsibilities and persons closely associated with them have an obligation to notify Efore and the FIN-FSA about transactions conducted with Efore's Financial Instruments. Efore then discloses the information as a separate stock exchange release.

Efore has organized regular supervision of the trading and the notification requirement regarding persons in an insider list and the persons discharging managerial responsibilities and persons closely associated with them in such a way that the company checks the information to be notified with the persons discharging managerial responsibilities and the persons closely associated with them at regular intervals often enough, at least once a year. Efore's duty of supervision also extends to any external advisors registered in the insider list who have taken on the duty of drawing up and maintaining the insider list. Therefore it is recommendable that the company agrees in writing (e.g. by e-mail) with such external advisor upon the maintenance of the insider list and assure that such party is aware of the obligations and duties under MAR and these Insider Guidelines.

The trading prohibition begins 30 days before the announcement of a financial statement release, a half year interim report as well as financial report from the last three or nine months and ends the following day after the release of such information. In the exceptional event that the financial statements release does not include all relevant information regarding the financial position of the company, and the closed window accordingly also

applies during the 30 days period prior to the publication of the financial statements, the company will inform about this separately.

Outside this period trading in Efore's Financial Instruments is allowed provided that a person is not entered into a project-specific list and he/she does not otherwise possess inside information at that point in time and that the person has prior to the trading received from Efore's person in charge of insider issues in writing or by email an estimate that there is no obstacle for the trading.

Persons in the service of Efore Plc's may via an independent channel announce any alleged infringements of rules and regulations concerning the financial market, including acts against the guidelines for insiders of the company and of Nasdaq Helsinki Ltd. The notification shall be made in an informal letter (anonymously if one so wishes) to the Managing Director of the company.