

GROUP STRUCTURE AND MAIN FIELD OF BUSINESS

Ponsse Plc (hereafter "the Company") is a public limited liability company listed on the Helsinki Stock Exchange (NASDAQ Helsinki Ltd). The Company has its registered office in Vieremä, Finland.

The Ponsse Group includes the parent company Ponsse Plc, as well as the following wholly-owned subsidiaries: Ponsse Ab, Sweden; Ponsse AS, Norway; Ponsse S.A.S., France; Ponsse UK Ltd., the United Kingdom; Ponsse Machines Ireland Ltd., Ireland, Ponsse North America Inc., the United States; Ponsse Latin America Ltda, Brazil; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Uruguay S.A., Uruguay; and Epec Oy in Seinäjoki, Finland. As of the 2014 financial period, the Group includes the property company OOO Ocean Safety Center in Russia. In addition, the Company has a holding of 34 per cent in Sunit Oy, an affiliated company that operates in Kajaani, Finland.

The main field of business of the Company and the Group is the design, manufacture, sale and servicing of forest machines, other metal products, machine control systems, vehicle PC equipment, different types of separate systems and software.

GOVERNANCE AND APPLICABLE LEGISLATION AND OTHER REGULATIONS

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies, and the company's Articles of Association. The Company's Board has adopted this Code of Governance that complies with the Finnish Corporate Governance Code for Finnish listed companies (Corporate Governance 2015) approved by the Board of the Securities Market Association in 2015, and it has been prepared in compliance with the reporting guidelines A of the Corporate Governance Code (the Corporate Governance Statement). The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

PricewaterhouseCoopers Oy, Authorised Public Accountants, has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process contained in the Statement is consistent with the Financial Statements.

Further information regarding the Company's corporate governance is available on the Company's website.

GENERAL MEETING

The highest decision-making body of the Company is the Annual General Meeting, whose duties and procedures are defined in the Finnish Limited Liability Companies Act and the Company's Articles of Association. The AGM is responsible for, for example, making decisions on amending the Articles of Association, on increasing and decreasing share capital, on granting stock options and electing the Board of Directors and auditors.

The AGM shall be held each year before the end of June on a date to be specified by the Company's Board of Directors. At the Annual General Meeting, the Company's financial statements and the consolidated financial statements shall be presented; the adoption of the profit and loss account, the balance sheet, the consolidated profit and loss account and the consolidated balance sheet, and dividends or actions warranted by the profit or loss shown in the adopted profit and loss account shall be decided on; and the discharge of liability of the Board of Directors and the President and CEO shall be decided on. In addition, the AGM decides on the number of and the remuneration for Board members, the auditor's fee and the compensation for travel expenses. The AGM also elects the members of the Board of Directors and the auditor.

Shareholders are entitled to submit matters for consideration to the AGM by notifying the Board of Directors thereof in writing well enough in advance so that the matter can be included in the notice of the meeting. Proposals on matters involving the election of Board members and auditors, and other proposals submitted by the Board to the AGM may be countered at the meeting as each point on the agenda is being dealt with. Voting takes place in accordance with the voting procedure adopted by the AGM and all shareholders present at the AGM are entitled to vote.

The notice of an AGM and the following information is made available on the Company website at the latest 21 days before the AGM:

- total number of shares and votes on the day of the notice of the AGM;
- documents to be presented to the AGM (including financial statements, Annual Report and auditor's report;
- Board of Directors' decision proposals; and
- any business included in the agenda of the AGM without a decision proposal.

In order to attend an AGM, shareholders must inform the Company of their intention to do so by the date given in the notice. The given date may be no earlier than five (5) days prior to the AGM.

All shareholders who are entered as such in the Company's shareholder register maintained by Euroclear Finland Ltd eight (8) days prior to the meeting are entitled to attend the AGM.

Holders of nominee-registered shares may be temporarily entered in the shareholder register for the purpose of attending an AGM. Shareholders may exercise their rights at the AGM either in person or through a representative, in addition to which they are entitled to avail themselves of counsel at the AGM.

Extraordinary meetings of shareholders shall be convened whenever the Board deems it necessary. Likewise, an extraordinary meeting of shareholders shall be convened for the purpose of dealing with a matter specified by them if the auditor or shareholders holding at least one-tenth of all shares issued so request in writing.

The minutes of the AGM, including voting results and any appendices that constitute the decision of the AGM, will be made available on the Company website two weeks after the AGM.

The Company aims for all Board members, as well as the President and CEO to be present at all AGMs. A person who is nominated as a Board member for the first time must attend the AGM deciding upon his or her election, unless there is a compelling reason for his or her absence.

The Company auditor must attend each AGM.

BOARD OF DIRECTORS

The Board of Directors, consisting of no fewer than five and no more than eight members, is responsible for the proper organisation of the Company's administration and operations. The AGM elects Board members for a term of office that expires at the end of the AGM following their election. The Board elects a Chairman and a Deputy Chairman from among its members. During the operation period 2016, there were six members in the Company's Board of Directors.

Persons elected to the Board of Directors shall have the competence required for their duties. Members shall be elected to represent a diverse range of expertise, as well as the viewpoint of the Company's owners. Under the Articles of Association, no upper age limit applies to Board members.

The majority of Board members shall be independent of the Company, in addition to which no fewer than two of the Board members belonging to the above-mentioned majority shall be independent of any of the Company's major shareholders. Board members shall submit sufficient information to assess their competence and independence, and report any changes in such information. Notice of independence is given in the Annual Report and on the Company's website.

The Board of Directors considers Board members Mammu Kaario, Matti Kylävainio and Ossi Saksman to be independent of the Company and its major shareholders. i.e. half of the members are independent, whereas the recommendation is a majority. Throughout its history, Ponsse has been a predominantly personally- and family-owned company. The Company has been successfully managed under the control of the owners and the Board throughout its history. The composition of the Board represents in the best possible way the continuance of this successful management method when taking into account the scope and the development phase of the company's business.

BOARD OF DIRECTORS IN 2016			
Name	Particulars	Shares and share-based rights in the company 30.12.2016	Attendance in the Board meetings
Juha Vidgrén	Chairman of the Board since 26.10.2010.	6,207,000	9/9
	Board Member since 2000.		
	Year of birth: 1970		
	Education: Master of Pedagogy Main occupation: Chairman of the Board of Ponsse Plc		
Mammu Kaario	Deputy Chairman of the Board since 12.4.2016.	4,500	9/9
	Board Member since 2010.		
	Year of birth: 1970		
	Education: Master of Law, MBA Main occupation: CEO of Partnera Oy. Independent of the company and major shareholders.		
Matti Kylävainio	Board Member since 2016.	0	7/8
	Year of birth: 1974		
	Education: M.Sc. (Econ.)		
	Main occupation: Director of sawmill operations of Keitele Group Independent of the company and major shareholders.		
Ossi Saksman	Board Member since 2009.	5,000	9/9
	Year of birth: 1951		
	Education: Commercial Counsellor, Administrative Notary		
	Main occupation: Chairman of the Board of Sepa Oy Independent of the company and major shareholders.		
Janne Vidgrén	Board Member since 2013.	3,691,742	7/9
	Year of birth: 1968		
	Education: Commercial College Graduate Main occupation: Area Director of Ponsse Plc		
Jukka Vidgrén	Board Member since 2011.	3,764,778	8/9
	Year of birth: 1983		
	Education: Bachelor of Culture and Arts Main occupation: Managing Director of Mutant Koala Pictures		

The Board members, and their shareholdings in the Company are presented in the Company's Annual Report and on the Company website at www.ponsse.com.

On 12 April 2016, the AGM confirmed the annual remuneration payable to the Chairman of the Board as EUR 46,000, the remuneration payable to the Deputy Chairman as EUR 41,000 and the remuneration payable to other members as EUR 35,000. In 2016, the Board held nine meetings. The average attendance rate of Board members was 92.7 per cent.

If shareholders controlling more than 10 per cent of the Company's voting rights should notify the Company's Board of Directors of their proposal on the number and identity of Board members and the identity of the auditor, which are matters to be decided on by the AGM, this information shall be noted in the notice of the AGM. Any proposals on candidates made after the notice of the AGM has been published shall be made public separately.

In addition to the tasks separately specified in the Finnish Limited Liability Companies Act and the Company's Articles of Association, the Board is responsible for the business of the Company, its earnings and its development, ratifying the long-term strategy and the Group risk management policy, approving the budget and also deciding on corporate and real estate transactions and key strategic business expansions, equity-based investments, investment development and individual major investments. The Board appoints the Company's President and CEO and ratifies the nomination of other Management Team members, decides upon the principles for compensating top management and annually assesses management activities.

The Board ratifies its own agenda that will be adhered to in the Board meetings. The agenda generally contains e.g. the market, economy and financial reviews while other matters vary depending on the nature of the meeting.

In Board meetings, the business at hand is presented by the President and CEO or an executive appointed by the President and CEO. The Board's activities and working methods are annually assessed through self-assessment or by an external auditor.

COMMITTEES OF THE BOARD OF DIRECTORS

Duties and responsibilities have not been specifically divided among members and the Chairman of the Board of Directors, nor has the Board appointed any specific committees.

PRESIDENT AND CEO AND THE MANAGEMENT TEAM

The President and CEO is appointed by the Board of Directors. The President and CEO manages the Company's day-to-day business affairs in accordance with the guidelines and instructions issued by the Board of Directors. His or her duties include operational management, keeping the Board informed, presenting matters over which the Board has the power of decision, implementing the decisions of the Board and ensuring the legality of the Company's business operations. The President and CEO is assisted by a Management Team consisting of the President and CEO as Chairman and the executives appointed to the team by the Board of Directors. The Management Team meets approximately once a month, and also convenes whenever necessary to address, for example, business plans for the following year and strategy over the longer term.

Each member of the Management Team is responsible for a distinct sphere of operations based on key Company functions. Management Team members report to the President and CEO.

Juho Nummela (born 1977) has acted as President and CEO since 1 June 2008.

In 2016, the following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director; and Tommi Väänänen, Director, supply chain.

MANAGEMENT TEAM IN 2016		
Name	Particulars	Shares and share-based rights in the company 30.12.2016
Juho Nummela	Member of the Management Team since 2005. Chairman of the Management Team since 2008. Joined Ponsse in 2002 Year of birth: 1977 Education: Dr.Tech. Main occupation: President and CEO of Ponsse Plc	33,259
Jarmo Vidgrén	Member of the Management Team since 2001. Deputy Chairman of the Management Team since 2008. Joined Ponsse in 2001 Year of birth: 1975 Education: Commercial College Graduate in Marketing Main occupation: Group Sales and Marketing Director and Deputy to the CEO of Ponsse Plc	3,684,263
Petri Härkönen	Member of the Management Team since 2009 Joined Ponsse in 2009 Year of birth: 1969 Education: M.Sc. (Tech.) Main occupation: CFO of Ponsse Plc	5,980
Juha Inberg	Member of the Management Team since 2009 Joined Ponsse in 2003 Year of birth: 1973 Education: Dr.Tech. Main occupation: Director, Technology and R&D of Ponsse Plc	9,540
Tapio Mertanen	Member of the Management Team since 2010 Joined Ponsse in 1994 Year of birth: 1965 Education: Technician (technical college), MTD Main occupation: Service Director of Ponsse Plc	1,200
Paula Oksman	Member of the Management Team since 2005 Joined Ponsse in 2005 Year of birth: 1959 Education: MA Main occupation: Director of Human Resources and Ponsse Academy of Ponsse Plc	3,960
Tommi Väänänen	Member of the Management Team since 2013 Joined Ponsse in 2013 Year of birth: 1973 Education: B. Eng. Main occupation: Director, supply chain of Ponsse Plc	4,340

The Management Team members and their shareholdings in the Company are presented in the Company's Annual Report and on the Company website at www.ponsse.com.

As necessary, the Management Team monitors and revises the Company's internal principles and procedures, which refer to, for example, reporting, financial administration, investments, risk management, insurance policies, IT systems, general procurement, industrial property rights, management of contractual risks, human resources administration, quality management issues, environmental issues, occupational health and safety, insider guidelines and communications.

REMUNERATION

The Company's annual remuneration is described in the Remuneration Statement published by the Company that is provided on the Company website at <http://www.ponsse.com/fi/sijoittajat>. Information about the Management Team members and their shareholdings is also available on the same address.

The Company annually decides on the remunerations of the Board at the Company's General Meeting. The annually paid remunerations are described in the Remuneration Statement published by the Company.

Under the contract of service concluded between the Company and its President and CEO, both parties may terminate the agreement by giving six (6) months' notice. Should the Company terminate the agreement, it shall pay the President and CEO a sum equal to 12 months' salary in addition to salary and other benefits accruing during the period of notice.

The compensation of the President and CEO and the Management Team consists of a fixed monthly salary and a performance bonus. The performance bonus is based on the operational and performance objectives set by the Board of Directors annually. The Company's Board of Directors decides on the salaries of the President and CEO and members of the Management Team, the contents and objectives of the bonus scheme, the persons included within the scope of the scheme and ultimately the payment of the bonus. The annual performance bonus of the President and CEO and members of the Management Team may be at most 50 per cent of the previous year's salary.

The Company has a long-term incentive in use, which consists of the share-based incentive system established for the key persons of the Group in 2015, the commitment period of which will end on 31 March 2018. The prerequisite for participating in the plan is that a key employee owns the Company's shares up to the number determined by the Board of Directors, or acquires them from the market or in the Company's directed share issue. Furthermore, receipt of reward is tied to the validity of the key employee's employment or service upon reward payment.

The reward from the plan was paid partly in the Company's shares and partly in cash in spring 2015. The cash proportion will cover taxes and tax-related costs arising from the reward to the key employee. Shares given as reward may not be transferred during the commitment period ending on 31 March 2018. If a key employee's employment or service ends during the restriction period, the key employee will be obliged to return the shares given as reward, fully or partly, to the company, without compensation.

The Company also has another long-term incentive in use, which is a group pension insurance plan aimed at the Management Team members responsible for the Company's strategy and finances. This group comprises the CEO, Deputy CEO and CFO of the Company. The company pays an annual premium to each member of this group, amounting to 20 per cent of the annual earnings of the policyholder on which their statutory pension is based. The lowest possible retirement age under the group pension insurance plan is 60 years. In the plan, the Company can determine the payment schedule and validity of the insurance itself.

AUDITING

The primary purpose of statutory audits is to verify that the financial statements give a true and fair view of the Group's result and financial position for the financial period. The Company's financial year is the calendar year.

The auditor is responsible for auditing the Company's accounts and financial statements to verify that they are free of material misstatement. The auditor shall also submit a report on the audit performed to the AGM. In addition, under Finnish law, the auditor also audits the Company's corporate governance for compliance with the relevant legislation. Normally, the auditor reports to the Board of Directors once per year.

The Company has one auditor, which shall be a public accounting firm authorised by the Central Chamber of Commerce. The auditor is elected by the AGM, and the auditor's term of office expires at the end of the first AGM following its election.

The auditing procedures of the foreign subsidiaries within the Ponsse Group have been organised in the manner required by each country's legislation and other regulations. In 2016, PricewaterhouseCoopers Oy, Authorised Public Accountants, acted as the parent company's auditor, with Sami Posti, Authorised Public Accountant, as the principal auditor.

In 2016, the Group's auditing costs amounted to EUR 171,000.

INSIDERS AND INSIDER MANAGEMENT

The Company complies with the insider regulations of Nasdaq Helsinki Ltd.

The Company's management is not allowed to trade in any of the Company's financial instruments for their own account or on behalf of a third party directly or indirectly during the period that starts 30 days prior to the publication of each financial statements release or interim report and ends on the day following the publication of this information. The Company shall, however, separately notify the persons within the trading restriction if the financial statements release exceptionally does not contain all material information about the company's financial position, and hence the closed window is also extended to 30 days prior to the publication of the financial statements.

During other periods, the trading with the Company's financial instruments is permitted provided that the person is not registered in a project-specific insider register at the time and that the person does not otherwise have insider information in his or her possession.

Pursuant to the Securities Markets Act, Board members, the President and CEO, and his or her deputy, as well as the auditors, are considered permanent insiders due to their position in the Company. In addition to these, pursuant to a decision taken by the Company, the members of the Management Team and specifically named persons, who, by virtue of their duties, regularly deal with non-public information having an impact on the value of the Company's share are also considered permanent insiders.

The prohibition on misuse of insider information refers to anybody with insider information, regardless of how he or she has obtained the information. Thus, the prohibition on misuse of insider information covers persons other than the Company's permanent insiders.

An insider is not allowed to provide any sales, purchase, etc. assignments on the Company shares or, directly or indirectly, advise any third parties on any trading of which he or she has insider information. No such information may be disclosed to a third party, unless such disclosure is done as part of the regular job, profession or tasks of the person disclosing the information.

In addition to a public insider register, the Company maintains a company-specific insider register on people who, due to their position or tasks, regularly obtain insider information and whom the Company has specified as company-specific insiders. The information in the company-specific register is not public.

The shareholdings of insiders are available for inspection at the insider register of the Company maintained by Euroclear Finland Ltd. Information on the shareholdings of permanent insiders may be viewed on the Company's website and in the office of Euroclear Finland Ltd at Urho Kekkosen katu 5 C, Helsinki, Finland. Insiders are obligated to inform the person in charge of managing insider matters within the Company of any changes in the information entered in the insider register without delay.

The Market Abuse Regulation (MAR) requires that suspected infringements of the rules and regulations concerning the financial market can be reported and that the reports are appropriately handled. At the moment, the Company does not have a practice according to the requirements in use but it will be taken into use during 2017. Nevertheless, the Company has a limited practice in use that enables the reporting and its appropriate treatment.

INTERNAL AUDITING

In compliance with the Finnish code of corporate governance, internal auditing and risk management seek to ensure that the Company's activities are effective and profitable, the information used by the management when making decisions is reliable, the Company policies are followed, implementation of risk management measures complies with the risk management policy, and the Company complies with all laws and regulations. Internal auditing supports the Board's management task.

Internal auditing is integrated into the Company's management and reporting system. Internal auditing is implemented by the Board of the Company, operational management and employees. Implementation of internal auditing is ensured by

paying special attention to organising activities, the competence of personnel, operational guidelines, reporting and the scope of auditing.

The Board ensures that the auditing of the Company's accounting, asset management and risk management has been properly organised and complies with the relevant legislation. Furthermore, the Board ensures – together with the President and CEO – that the Company conducts its business in compliance with its values. The Board approves the risk management policy and all guidelines pertaining to internal auditing and the code of governance. If necessary, the Board may request external auditors or other service providers to conduct an internal audit.

The President and CEO is in charge of the daily management of the Company in compliance with the Board's instructions. The President and CEO provides a basis for internal auditing by managing and guiding top management and monitoring how executives audit their own activities.

The Company's Management Team ensures that different activities of the Company comply with the internal auditing guidelines and practices. Risk management, financial administration guidelines and financial administration practices are of particular importance.

Under the management of the Company CFO, financial administration assists in creating proper risk management and financial management auditing practices, and monitors the sufficiency and practical functionality of the auditing measures.

The President and CEO, the members of the Management Team and managers of the subsidiaries have the responsibility for legislative compliance of the accounting and administration of their areas of responsibility, as well as compliance with the Company's operational guidelines. Auditors annually check the accounting and administration of the subsidiaries. Audits of all the Group companies are performed by authorised accounting firms. The auditor of the parent company has the responsibility for coordinating audit focus areas, analysing audit observations from the perspective of the consolidated financial statements and communicating with the Group's financial administration. The internal auditing structure of the Group companies is taken into account when deciding upon the scope of the audit. Annual detailed reports on auditing results are provided to Group management and the Board.

RISK MANAGEMENT

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Risk management is based on the Company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the Company's strategy, as well as to ensure the financial development of the Company and the continuity of its business.

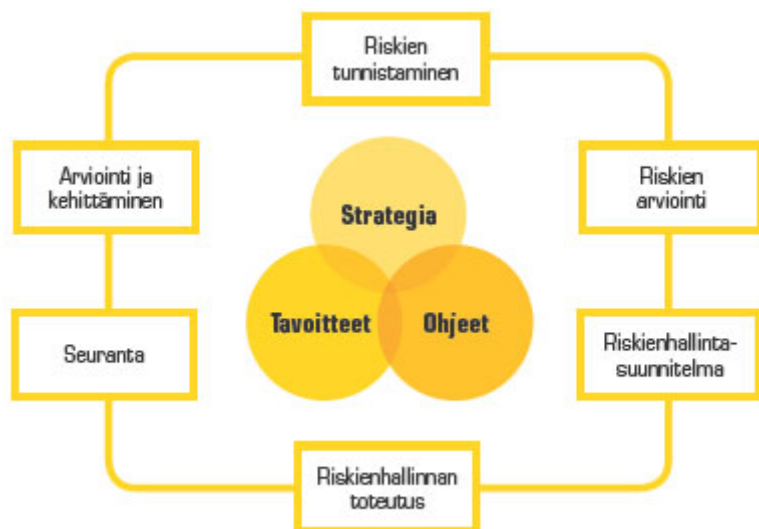
Furthermore, risk management aims to identify, assess and monitor business-related risks which may influence the achievement of the Company's strategic and financial goals or the continuity of its business. Decisions on the necessary measures to anticipate risks and react to observed risks are made on the basis of this information.

Risk management is a part of the regular daily business in the Company, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

A risk is any event that may prevent the Company from reaching its objectives or that threatens the continuity of business. On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by controlling and minimising their impact.

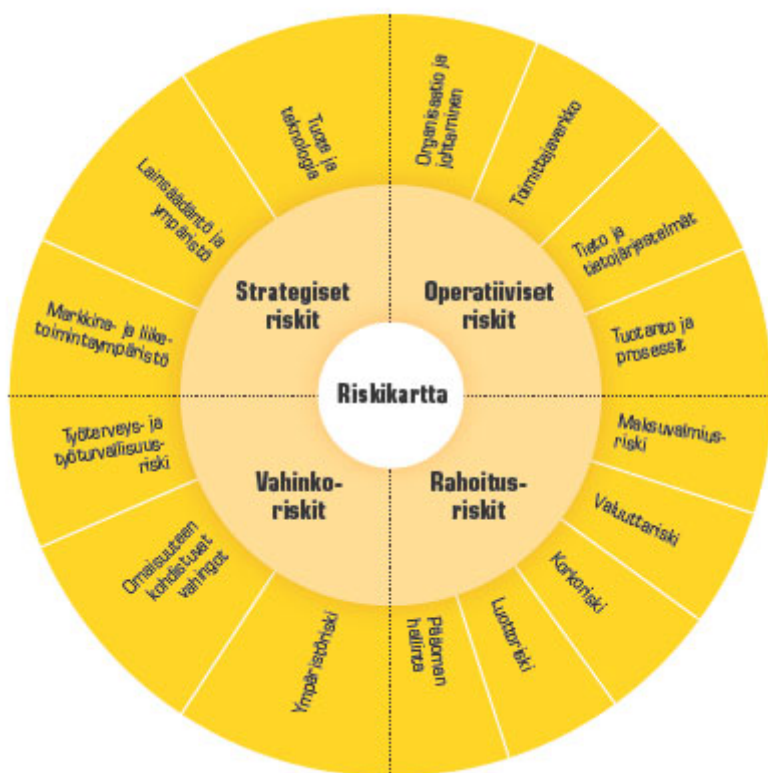
RISK MANAGEMENT PROCESS

The Company's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. The risk management process includes systematic surveying of function and unit-specific risks, their assessment and comparing the risks with the Company risk management plan. Risk management is systematically implemented and monitored as part of the daily business. The Company aims at promoting its risk management by increasing awareness of the significance of risk management and supporting shared risk management projects of the functions.



RISK CLASSIFICATION

The key risks to the Company's business are divided into four categories: strategic and operative risks, as well as financing risks and risks of injury or damage.



STRATEGIC RISKS

The term "strategic risk" refers to a risk related to the nature of the Company's business, its selected strategy and implementation of the strategy. Such risks may refer to the competitive situation, markets or market environment, legislation and other legal norms, for example. A strategic risk may also be a major investment or a strategic choice related to the business. If realised, a strategic risk may clearly deteriorate the preconditions for the Company's business.

Market and operating environment

Any global economic crisis and general economic fluctuations affect the demand for the Company's products, and thus its financial position. The fact that the Company does business in more than forty countries balances out the fluctuation risks. Furthermore, the Company aims to maintain its business so that it is flexible and adaptable to changes in order to

be ready to quickly adapt its business to the prevailing market situation. The competitive situation and changing requirements of the markets may influence the demand for and profitability of the Company's products. The Company invests in understanding the needs of its customers, and it carefully studies the requirements posed by different markets on products in order to ensure that the products comply with the specific requirements of each region and are competitive. The Company has an extensive network of stakeholders. Stakeholder risks are mitigated by continuously monitoring the network and engaging in good cooperation. The price development of strategically important raw materials and their availability in the global market influence the profitability of the Company's products. Risks related to the price development and availability of raw materials are mitigated by surveying alternative materials and developing acquisition channels.

Legislation and the environment

Changes to the political environment, legislation influencing the Company's business and phenomena connected to climate change may clearly influence the Company's business in different market areas. In cooperation with its subsidiaries and regional partners, the Company actively monitors the requirements posed by the markets on products, services and the business as a whole – such as general business and import legislation, as well as product compliance and environmental requirements. Furthermore, the Company actively communicates with its stakeholders, influences future solutions and sees such solutions as new opportunities.

Product and technology

The Company's product and technology risks refer to technological choices and R&D. These risks are mitigated by staying close to customers and other stakeholders in order to ensure that product technology is developed in the correct manner. Furthermore, the Company aims to actively cooperate with universities, institutions of higher education and research establishments, as well as participate in global R&D projects. Developed technologies and products are protected by intellectual property rights. The Company is also aware of the industrial property rights of its competitors and respects them in the conduct of its own business.

OPERATIVE RISKS

The term "operative risk" refers to a risk related to the Company's internal processes, personnel, business network and systems. If realised, operative risks may deteriorate the Company's earnings, effectiveness and profitability.

Organisation and management

Risks related to the Company's organisation and management include risks connected to, for example, the availability of workforce, labour market disturbances and the management of key competence. The Company's personnel strategy has a key role in managing risks related to the organisation and management. The commitment of key employees in the Company is improved through an incentive scheme. Investments in recruitment are made in order to ensure access to the correct type of workforce. The Company's image as an employer is developed through appropriate communications and cooperation with various educational establishments and other stakeholders.

Information and IT

The Company's information and IT risks include, for example, the risk of trade secrets leaking out of the Company, as well as risks related to the functionality, security and safety of IT systems. The Company complies with an information security policy to manage these risks, with the aim of ensuring that all preconditions for the functionality and safety of the systems exist. Information leaks are proactively prevented by all possible means.

Supplier network

The Company persistently develops its supplier network. Material price and availability risks are also related to the supplier network. The Company aims to ensure a competitive material price level by studying alternative procurement channels and concluding long-term agreements. In order to achieve cost-efficient solutions, the Company invests in close R&D cooperation with its supplier network.

Whenever possible, the Company utilises a policy of two suppliers, in order to manage material availability risks. The business environment is stabilised through long-term supplier agreements, and suppliers are regularly audited in compliance with the auditing programme. The Company aims to create a supply chain by which the Company does business directly with manufacturers in order to retain a real-time communications channel. A supply chain management tool is utilised in monitoring the supplier network and optimising batch sizes.

Production and processes

The Company's business requires comprehensive process management. What is important for a cost-efficient business is maintaining and improving processes. The Company's quality management system is continuously developed in order to maintain its processes functional. Functionality of the system is assessed by utilising results obtained from process management, as well as ISO 9001 certification by a third party.

Production process disturbances or disruptions may hamper business operations. Preparations for major disturbances are made by maintaining substitute manufacturing methods and equipment. Furthermore, the opportunity to manufacturing cooperation with key partners is maintained.

FINANCING RISKS

The Company is exposed to several financing risks in the normal course of its business. The Company's financing risk management system aims to protect the Group's performance, cash flows, shareholders' equity and liquidity from unfavourable financing market fluctuations. Financing risk management is handled in a centralised manner by the Company Financing Unit. The Board ratifies the Company financing risk management policy, and the Company CFO is in charge of its practical implementation in cooperation with the Financing Unit.

The Company's financing risks include currency, interest, credit and liquidity risks, as well as capital management risks. For more information on financing risk management, please see Note 30 to the consolidated financial statements.

RISK OF INJURY OR DAMAGE

The main focus in risk of injury or damage mitigation lies in identifying and preventing risks. Identified risks of injury or damage include, for example, occupational health and safety risks, environmental risks and risks of property damage. Risks of injury or damage are managed with an extensive insurance scheme. Damage is proactively prevented by applying a safety policy and safety guidelines, as well as ensuring that working methods and tools are safe. The Company quickly reacts to any dangers observed. All accidents and close-call situations are recorded in a monitoring system, and the necessary measures to prevent dangers are implemented. The Company's objective is an accident-free working environment. Risks of injury or damage are regularly assessed by internal audits. The entire personnel participate in identifying the risks of injury or damage.

RISK MANAGEMENT ORGANISATION AND RESPONSIBILITIES

Board of Directors	Decides on risk management objectives and principles, as well as ratifies the Company Risk Management Policy. The Board supervises the implementation of risk management.
President and CEO	Responsible for arranging risk management measures and presenting risk management issues to the Board.
CFO	Coordinates the risk management process, carries the responsibility for reporting and presents risk management issues to the Management Team.
Management Team	Risk management is included in the strategy process. The Management Team participates in controlling the risk management process and naming the persons in charge. Each member of the Management Team is in charge of identifying risks in his or her business area and implementing risk management.
Regional directors	The subsidiaries independently implement their risk management in compliance with the Group's risk management policy and guidelines.
All employees	Obligated to act in a manner required to prevent risks, follow the Company policies and report any observed risks to their supervisors.

SHAREHOLDER AGREEMENTS

The Company is not aware of its shareholders having entered into shareholder agreements.

DIVIDEND POLICY

The Company has adopted a dividend policy whereby dividends are paid in accordance with the Company's long-term performance and capital requirements.

COMMUNICATION

The Company complies with the communication policy adopted by the Board. The Company's President and CEO carries the responsibility for communication outside the Company. The Company's Communications Unit and financial administration participate in handling investor and media relations, stock exchange communication and creation of investor information published on the Company website, managed by the President and CEO.

In connection with its financial statements and Annual Report, the Company publishes its Corporate Governance Statement as a separate document.

The Company's corporate governance statement is available under Investor Information on the Company website at www.ponsse.com.