



# glaston

Corporate  
Governance  
Statement 2016

# Governance

## \ Corporate Governance Statement 2016

Glaston Corporation's administration and management are based on the Company's Articles of Association, the Finnish Companies Act and Securities Markets Act, and the rules of NASDAQ Helsinki Stock Exchange. In addition, Glaston complies with the Finnish Corporate Governance Code 2015, which is publicly available at the address [www.cgfinland.fi](http://www.cgfinland.fi).

The report has been approved by the Company's Board of Directors and audited by the auditor. The Corporate Governance Statement is issued as a separate report and is published together with the financial statements, the Report of the Board of Directors and a salaries and remuneration statement on the Company's website at the address [www.glaston.net/Investors/Governance](http://www.glaston.net/Investors/Governance). The information is also included in the Annual Review 2016.

### Duties and Responsibilities of Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the President & CEO, whose duties are determined mainly in accordance with the Finnish Companies Act, are responsible for the management of Glaston Group. The General Meeting of Shareholders elects the Board of Directors and the Auditors. The Board of Directors appoints the President & CEO, who is responsible for Company's daily operational management. The President & CEO is supported by the Executive Management Group.

### General Meeting of Shareholders

The General Meeting of Shareholders is the Company's ultimate decision-making body. It decides on the duties for which it is responsible in accordance with the Finnish Companies Act and the Articles of Association, which include the adoption of the financial statements and the consolidated financial statements contained therein, the distribution of profits, and the discharge of the Members of the Board of Directors and the President & CEO from liability. In addition, the General Meeting of Shareholders elects the Board of Directors and the Auditors. The Annual General Meeting decides on the remuneration paid to Members of the Board and the Auditors. The Annual General Meeting, furthermore, may decide on, for example, amendments to the Articles of Association, issuances of shares, and the acquisition of the Company's own shares.

Glaston Corporation's General Meeting of Shareholders meets at least once per year. The Annual General Meeting must be held at the latest by the end of May. In accordance with the Articles of Association, the notice to attend a General Meeting of Shareholders must be published on the Company's website no earlier than two (2) months before the last day of registration and no later than three (3) weeks before the General Meeting, but at

least nine (9) days before the record date of the General Meeting. The Board of Directors may also decide to publish the notice of the General Meeting in one or more Finnish- or Swedish-language national newspapers. In addition, Glaston publishes the notice to the General Meeting of Shareholders as a stock exchange release.

The minutes of the General Meeting, including the voting results and the appendices of the minutes that are part of the resolutions made by the meeting, are posted on the Company's website within two weeks of the meeting.

The President & CEO, the Chairman of the Board and the Members of the Board of Directors shall attend the General Meeting of Shareholders. In addition, the Auditor shall be present at the Annual General Meeting.

### Extraordinary General Meeting

An Extraordinary General Meeting of Shareholders is convened when the Board of Directors considers there is good cause to do so, or if the Auditor or shareholders who control one tenth of all the shares so demand in writing for the consideration of a certain issue.

### Shareholders' Rights

In accordance with the Finnish Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so requests in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice to attend. Glaston shall publish on its website, at the latest by the end of the financial year preceding the Annual General Meeting, the date by which a shareholder must notify the Board of Directors of his/her request. At a General Meeting, shareholders shall have the right to make proposals and ask questions on the matters on the agenda of the meeting.

A shareholder shall have the right to participate in a General Meeting if the shareholder is registered in the Company's register of shareholders eight (8) days before a General Meeting. Owners of nominee-registered shares may be temporarily registered in the Company's list of shareholders for participation in a General Meeting. A shareholder may attend a General Meeting personally or through an authorised representative. A shareholder may also have an assistant at a General Meeting.

### Annual General Meeting 2016

Glaston Corporation's Annual General Meeting was held in Helsinki on 5 April 2016. The meeting was attended by 73 shareholders, representing a total of 69% of the Company's

voting rights. The Annual General Meeting adopted the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2015. In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that a return of capital of EUR 0.01 per share be distributed. The return of capital was paid on 28 April 2016. The Annual General Meeting authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other rights granting entitlement to shares. The authorisation covers a maximum of 20,000,000 shares. The authorisation is valid until 30 June 2017. All documents relating to the Annual General Meeting are available on the Company's website at the address [www.glaston.net](http://www.glaston.net).

## Board of Directors

The Board of Directors is responsible for the appropriate arrangement of the Company's administration and operations. The Board of Directors consists of minimum of five (5) and a maximum of nine (9) members elected by a General Meeting of Shareholders. The term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election. According to the Articles of Association, a person who has reached 67 years of age cannot be elected a Member of the Board of Directors.

Under Recommendation 10 of the Finnish Corporate Governance Code, a majority of Members of the Board shall be independent of the Company, and at least two (2) Members who are independent of the Company shall also be independent of the Company's significant shareholders. In the selection of Members, attention shall be paid to the diversity of the Board of Directors, which means, among other things, that the Members' experience and competence in the Company's field of business and development stage are mutually complementary. In addition, education, age and gender are also taken into account. The Board of Directors should include both genders.

The notice to attend an Annual General Meeting shall include a proposal on the composition of the Board of Directors. The personal information of the candidates shall be published on Glaston's website in connection with the notice to attend an Annual General Meeting.

The Board of Directors shall elect from among its members a Chairman and a Deputy Chairman to serve for one year at a time. The Board of Directors has a quorum if more than half of its members are present at the meeting.

The Board of Directors' tasks and responsibilities are determined primarily by the Company's Articles of Association, the Finnish Companies Act and other legislation and regulations. It is the responsibility of the Board of Directors to further the interests of the Company and all of its shareholders.

The main duties and operating principles of the Board of Directors are defined in the board charter approved by the Board. It is the Board's duty to prepare the matters to be dealt with by a General Meeting and to ensure that the decisions made by a General Meeting are appropriately implemented. It is also the Board's task to ensure the appropriate arrangement of the control of the Company's accounts and finances. In addition, the Board directs and supervises the Company's executive management, appoints and dismisses the President & CEO and decides on the President & CEO's employment and other benefits. In addition, the Chairman of the Board approves the salary and other benefits of the Executive Management Group.

The Board approves the Executive Management Group's charter.

The Board of Directors also decides on far-reaching and fundamentally important issues affecting the Group. Such issues are the Group's strategy, approving the Group's action plans and monitoring their implementation, monitoring the Group's financial development, acquisitions and the Group's operating structure, significant capital expenditures, internal control systems and risk management, key organisational issues and incentive schemes.

The Board of Directors is also responsible for monitoring the reporting process of the financial statements, the financial reporting process and the efficiency of the Company's internal control, internal auditing, if applicable, and risk management systems pertaining to the financial reporting process, monitoring the statutory audit of the financial statements and consolidated financial statements, evaluating the independence of the statutory auditor or audit firm, particularly with respect to the provision of services unrelated to the audit, and preparing a proposal for resolution on the election of the auditor.

The Board of Directors also regularly evaluates its own actions and working practices. This evaluation may be performed by the Board itself or by an external evaluator.

Meetings of the Board of Directors are held as a rule in the Company's head office in Helsinki. The Board of Directors also visits each year the Group's other operating locations and holds meetings there. The Board of Directors may also, if necessary, hold telephone conferences. The Board of Directors meets according to a timetable agreed in advance, generally 7-10 times per year and additionally, if necessary. The Company's President & CEO and Chief Financial Officer generally attend the meetings of the Board. The Company's General Counsel acts as Secretary to the Board. If necessary, such as in connection with the handling of strategy or the annual plan, other Members of the Executive Management Group may also attend meetings of the Board. The Auditor attends at least two meetings per year.

## Board of Directors in 2016

The Annual General Meeting, held on 5 April 2016, decided to re-elect all current Members of the Board of Directors, Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Kalle Reponen, Pekka Vauramo and Anu Hämäläinen as Members of the Board of Directors for a term of office ending at the closing of the next Annual General Meeting. In addition, it was decided to elect Sarlotta Narjus M.Sc. (Architecture) as Member of the Board of Directors for the same term of office.

Andreas Tallberg has served as Chairman of the Board, and Teuvo Salminen as Deputy Chairman.

In March, Glaston's Board of Directors adopted the Company's new strategic priorities and financial targets for the period 2016–2018. In addition, the Board focused on developing the Company's operations and improving profitability.

## Independence of Members of the Board

According to an independence assessment performed by the Company's Board of Directors, all of the Board's seven members are, in principle, independent of the Company. Excluding Andreas Tallberg, the Members of the Board are independent of the Company's significant shareholders. Andreas Tallberg is Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 17.5% on 31 December 2016). The Members of the Board have no conflicts of interest between the duties they have in the Company and their private interests.

## Information on Members of the Board of Directors

The shareholdings of Members of the Board of Directors also include shares of Glaston Corporation owned by companies controlled by the person in question.



**ANDREAS TALLBERG**, b. 1963, M.Sc.(Econ.)

Chairman of the Board, since 2007. Independent of the Company.  
CEO of Oy G.W. Sohlberg Ab, a significant shareholder.

**Share ownership on 31.12.2016:** 1,500,000 shares.

**Main occupation:** Oy G.W.Sohlberg Ab, CEO

**Primary work experience:**

EQT, Senior Partner, 1997–2006

MacAndrews & Forbes International, President, 1992–1995

Amer Group, Director, Business Development, 1987–1991

**Key positions of trust:**

Detection Technology Oy, Chairman of the Board, since 2007

StaffPoint Holding Oy, Member of the Board, 2013, Chairman, since 2015

Wulff Group Plc, Member of the Board, since 2015

Nissala Oy, Chairman of the Board, since 1999

Nordic Regional Airlines, Member of the Board, since 2015

Toolmakers Oy, Chairman of the Board, since 2011



**CLAUS VON BONSDORFF**, b. 1967, M.Sc.(Eng.), M.Sc.(Econ.)

Member of the Board since 2006. Independent of the Company and of significant shareholders.

**Share ownership on 31.12.2016:** 172,600 shares

**Main occupation:** Nokia, Networks, Head of Customer Operations, Strategy and Business Development, since 2007

**Primary work experience:**

Nokia Plc, Expert and management positions, since 1994

**Key positions of trust:** –



**ANU HÄMÄLÄINEN**, b. 1965, M.Sc. (Econ.)

Member of the Board since 2012. Independent of the company and significant shareholders.

**Share ownership on 31.12.2016:** 150,000 shares

**Main occupation:** Vice President, Group Treasury and Financial Services & Support at Wärtsilä Corporation.

**Primary work experience:**

Wärtsilä Corporation 2008–2010, Director, Financial Accounting;

SRV Group 2006–2008: Senior Vice President, Financial Administration,

IFRS & IPO project manager;

Quorum Group 2005–2006, Administration Director and Senior Partner;

Pohjola Group 2001–2005: Conventum Securities Ltd., Managing Director 2004–2005,

Conventum Ltd. Administration Director 2001–2004

**Key positions of trust:**

Fingrid Oyj, Member of the Board since 2016



**SARLOTTA NARJUS**, b. 1966, M.Sc. (Architecture) SAFA.

Member of the Board since 2016.

Independent of the Company and of significant shareholders

**Share ownership on 31.12.2016:** no shares

**Main occupation:** SARC Architects Ltd, CEO

**Key positions of trust:**

Wood in Culture Association, Member of the Board

Senate Properties, Deputy Member of the Expert Committee



**KALLE REPONEN**, b. 1965, M.Sc.(Econ.). Member of the Board since 2014  
Independent of the Company and of significant shareholders

**Share ownership on 31.12.2016:** 10,000 shares

**Main occupation:** Independent Consultant, Professional Board Member

**Primary work experience:**

Metso Corporation, Senior Vice President, Strategy and M&A, Member of Executive Team, 2006–2013

MCF Corporate Finance GmbH, Partner, 2003–2006

Nordea Corporate Finance, Director, 2000–2003

Metra Corporation, Business Development Director, 1999–2000

Wärtsilä, various managerial positions, 1995–2000:

Business Area Controller, Power Plants, Wärtsilä New Sulzer Diesel, 1997–1999

Business Development and Finance Manager, Wärtsilä Diesel, 1995–1997

Metra Corporation, Finance Manager, 1991–1995

Lohja Corporation, Finance Manager, 1988–1991

**Key positions of trust:**

Robit Plc, Member of the Board, since 2013

Swot Consulting Oy, Member of Advisory Board, since 2009

Marketing Clinic Oy, Member of the Board, since 2014

Monitera Oy, Chairman of the Board, since 2014

Koskitukki Oy, Member of the Board, since 2014

Premix Oy, Member of the Board, since 2014

Centenary Foundation of the Finnish Society of Crafts and Design, Member of the Board, since 2014



**TEUVO SALMINEN**, b. 1954, M.Sc.(Econ.), APA

Member of the Board since 2010, Deputy Chairman of the Board since 2014.

Independent of the Company and of significant shareholders.

**Share ownership on 31.12.2016:** 562,277 shares

**Main occupation:** Professional Board Member

**Primary work experience:**

Pöyry Plc, 1985–2010:

Senior Advisor 2010, Group Executive Vice President, Deputy to the CEO, 1999–2009

Head of Infrastructure & Environment Business Group, 1998–2000

Head of Construction Services Business Group, 1997–1998

Chief Financial Officer, 1988–1999

**Key positions of trust:**

Cargotec Plc, Member of the Board, since 2010

Evli Bank Plc, Member of the Board, since 2010

Pöyry Plc, Deputy Chairman of the Board, since 2015

Tieto Corporation, Member of the Board, 2010–2016

YIT Oy, Member of the Board, 2014–2016

3Step It Group, Member of the Board, since 2016

Havator Oy, Chairman of the Board, since 2010

Holiday Club Resorts Oy, Member of the Board, since 2015



**PEKKA VAURAMO**, b. 1957, M.Sc.(Mining)

Member of the Board since 2011. Independent of the Company and of significant shareholders

**Share ownership on 31.12.2016:** 250,000 shares

**Main occupation:** Finnair Plc, President & CEO

**Primary work experience:**

Cargotec Corporation, 2007–2013:

MacGregor, Chief Operating Officer, 2012–2013

Cargotec Corporation, Chief Operating Officer, Deputy to CEO, 2007–2012

Employed by Sandvik, 1985–2007:

President of the Underground Hard Rock Mining Division of Sandvik Mining and

Construction (SMC) and Member of the SMC Management Team Sandvik Country

Manager in Finland, 2005–2007, President of TORO Loaders Division of SMC,

2003–2005, President of Drills Division of SMC, 2001–2003

**Key positions of trust:**

Boliden Group, Member of the Board, since 2016

Ilmarinen Mutual Pension Insurance Company, Member of the Board, since 2016

Normet Group Oy, Member of the Board, 2008–2016

Finnish Fair Corporation, Member of the Board, since 2015

IS Mäkinen Oy, Member of the Board, since 2004

Service Sector Employers (Palta), Chairman of the Board, since 2017

Confederation of Finnish Industries, Member of the Board, since 2017

Savonlinna Opera Festival, Board of Trustees, since 2014

## Attendance at meetings of the Board

In 2016 Glaston's Board of Directors held 11 meetings, of which 1 was via a telephone conference. The attendance of Members of the Board at the meetings was 97%.

## Committees of the Board of Directors

The Company has no Audit Committee established by the Board of Directors and therefore the Board of Directors is responsible for the duties of the Audit Committee in accordance with the Finnish Corporate Governance Code. The Company's Board of Directors has considered that it wishes to participate as a whole in the preparation of issues specified for the Board and that the effectiveness of the Company's Corporate Governance is such that it does not currently require the establishment of separate committees.

## Nomination Board

The Nomination Board's task is to prepare and present annually for the Annual General Meeting and, if necessary, for an Extraordinary General Meeting, a proposal concerning the number of Members of the Board of Directors, a proposal on the identities of the Members of the Board, and a proposal on the remuneration of the Members of the Board. In addition, the task of the Nomination Board is to seek candidates as potential Members of the Board of Directors.

In its activities, the Nomination Board complies with current legislation, stock exchange rules applicable to the Company, and the Finnish Corporate Governance Code.

The Nomination Board consists of four members, all of which are appointed by the Company's four largest shareholders, who shall appoint one member each. The Chairman of the Company's Board of Directors shall serve as an advisory member of the Nomination Board.

The Company's largest shareholders entitled to appoint members to the Nomination Board shall be determined on the basis of the registered holdings in the company's shareholder register held by Euroclear Finland Ltd as of the first working day in September in the year concerned. The Nomination Board shall elect a Chairman from among its members. The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board's Chairman shall be responsible for convening subsequent meetings.

A Nomination Board shall be established to serve until a General Meeting decides otherwise. The members of the Nomination Board shall be appointed annually and the term of office of the members shall expire when new members are appointed to the Board.

The members of the Nomination Board shall be independent of the company, and no person belonging to the Company's executive management shall be a member of the Board.

The members of the Nomination Board shall not be entitled to receive a fee for membership of the Board. The travel expenses of members of the Nomination Board shall be reimbursed in accordance with the Company's travel rules. The Nomination Board may within the scope of its duties use external experts, at the Company's approved expense, to identify and assess candidates as potential Members of the Board of Directors.

The Nomination Board shall submit its proposals to the Company's Board of Directors annually by the end of the January preceding the Annual General Meeting. Proposals for an Extraordinary General Meeting shall be submitted to the

Company's Board of Directors so that they can be included in the notice to attend the meeting.

Individuals proposed as members of the Board of Directors shall possess the competence required of the position and the opportunity to spend an adequate amount of time in handling the duties required of the position.

A decision of the Nomination Board shall be the opinion of a majority of the members of Nomination Board. If the votes are tied, then the Chairman's vote shall be decisive. If the votes are tied in the election of the Chairman, the member candidate for Chairman nominated by the shareholder who had the largest number of shares when the Nomination Board was established shall be elected as Chairman.

A report on the activities of the Nomination Board shall be presented at the Annual General Meeting and published on the Company's website.

## Nomination Board 2016

In accordance with the ownership situation on 1 September 2016, the following were elected to the Nomination Board of Glaston Corporation: Ari Saarenmaa (Oy G.W.Sohlberg Ab), Stefan Björkman (Etera Mutual Pension Insurance Company), Markku Seppälä (Hymy Lahtinen Oy) and Mikko Koivusalo (Varma Mutual Pension Insurance Company). Andreas Tallberg, Chairman of Glaston's Board of Directors, served as an advisory member of the Nomination Board.

In its organising meeting held on 2 November 2016, the Nomination Board elected Ari Saarenmaa from among its members to be Chairman. The Board met two (2) times during 2016 and the average attendance of members was 88%. No fees were paid to the members of the Nomination Board. In accordance with its charter, the Nomination Board focused in its activities on preparing a proposal on the composition of the Board of Directors, on the identification of candidates as potential Members of the Board of Directors, and on remuneration issues pertaining to the Members of the Board of Directors. In its assessment of Members of the Board of Directors, the Nomination Board has taken into account the competence, experience and diversity of views of the Members of the Board.

## President and CEO

The President & CEO handles the operational management of the Company in accordance with instructions issued by the Board of Directors. He is responsible to the Board of Directors for fulfilling the targets, plans and goals that the Board sets. The President & CEO is responsible for ensuring that the Company's accounting is in compliance with the law and that financial management has been arranged in a reliable manner. The President & CEO is supported by the Executive Management Group.

Arto Metsänen has served as President & CEO since 1 September 2009. SVP, Machines Sasu Koivumäki serves as Deputy to the President & CEO.

## Executive Management Group

At the end of 2016, the Executive Management Group consisted of the President & CEO, the Chief Financial Officer, the Senior Vice Presidents of the business areas, the Senior Vice Presidents of the Americas, Asia and EMEA market areas, and the General Counsel and Senior Vice President, Human Resources. The Members of the Executive Management Group report to the



## Information on the Members of the Executive Management Group



**ARTO METSÄNEN**, b. 1956, M.Sc.(Eng.)

President and CEO

Employed by the Company and Chairman of the Executive Management Group, since 2009

**Share ownership on 31.12.2016:** 1,750,000 shares

**Primary work experience:**

CPS Colour Group Oy, President & CEO, 2005–2009

Consolis Oy, President & CEO, 2005

Sandvik Tamrock Oy, President, 2003–2005

Sandvik Tamrock, SVP USA and Mexico, 2002–2003

Sandvik Tamrock Oy, SVP South Europe and Middle East, 1998–2002



**SASU KOIVUMÄKI**, b. 1974, M.Sc.(Econ.)

Senior Vice President, Machines and Deputy CEO

Employed by the company since 2002, Member of the Executive Management Group since 2012

**Share ownership on 31.12.2016:** 300,000 shares

**Primary work experience:**

Glaston Corporation, CFO, 2012–2016

Glaston America Inc., Sales Director, 2010–2012

Glaston Corporation, Finance Manager, 2007–2010

Tamglass Finton Oy, Managing Director, 2005–2007

Tamglass Glass Processing Ltd, Business Controller, 2002–2005

Finnforest Oyj, Several financial management positions, 1998–2002



**TAINA TIRKKONEN**, b. 1975, LL.M., M.Sc.(Admin.), MBA

General Counsel and Senior Vice President, Human Resources

Employed by the Company since 2011, Member of the Executive Management Group since 2013

**Share ownership on 31.12.2016:** 75,000 shares

**Primary work experience:**

Metso Minerals Oy, Legal Counsel, 2008–2011

Cargotec Corporation, Legal Counsel, 2006–2008



**JUHA LIETTYÄ**, b. 1958, B.Sc.(Eng.)

Senior Vice President, Emerging Technologies since 2017

Employed by the company since 1986, Member of the Executive Management Group since 2007

**Share ownership on 31.12.2016:** 250,000 shares

**Primary work experience:**

Glaston Corporation, SVP, Americas, 2016

Glaston Corporation, SVP, Machines, 2014–2016

Glaston Finland Oy, SVP, Heat Treatment Product Line, 2012–2013

Glaston Finland Oy, SVP, Services Segment, 2009–2012

Glaston Corporation, SVP, Quality and Business Development, 2007–2009

Kyro Corporation, SVP, Technology, 2003–2007

Tamglass Engineering Ltd. Oy, Managing Director, 1999–2003

Tamglass Ltd. Oy, Several management positions, 1991–2003



**PÄIVI LINDQVIST**, b. 1970, M.Sc.(Econ), MBA

Chief Financial Officer

Employed by the company and Member of the Executive Management Group since 19 September 2016

**Share ownership on 31.12.2016:** 60,000 shares

**Primary work experience:**

Basware Corporation, Vice President, Business Control, 2014–2016

Otokumpu Plc, Divisional CFO, Stainless Coil EMEA, 2012–2013; SVP

Communications and Investor Relations, 2007–2011

Tieto Corporation, Leadership positions in Communications and Investor relations, and specialist roles in finance, 1997–2007



**ARTTURI MÄKI**, b. 1969, M.Sc.(Eng.)

Senior Vice President, Services

Employed by the company and Member of the Executive Management Group since 2 February 2016

**Share ownership on 31.12.2016:** 12,531 shares

**Primary work experience:**

Valmet, Director, Roll Maintenance, 2015–2016

Valmet / Metso Paper, Director, Roll Operations, 2011–2015

Metso Paper: General Manager, Production Development, Service, 2008–2011;

Vice President, Spare parts, Asia-Pacific, 2006–2007; Global Technology Manager,

Process Parts, 2002–2005; Production Manager, Winders, 1998–2002



**FRANK CHENGdong ZHANG**, b. 1968, e-MBA B.Sc. (Power Machinery Engineering)

Senior Vice President, Asia

Employed by the company since 2008, Member of the Executive Management Group since 2010

**Share ownership on 31.12.2016:** no shares

**Primary work experience:**

GE 2005–2008:

GE Motors & Controls, General Manager, Asia, 2005–2008

GE Lighting Systems, Product Line Director, 2005–2008



**PEKKA HYTTE**, b. 1955, M.Sc.(Eng.)

Senior Vice President, EMEA

Employed by the company since 2010, Member of the Executive Management Group since 2015

**Share ownership on 31.12.2016:** 100,000 shares

**Primary work experience:**

Sandvik Mining and Construction, Sub-region Med, General Manager,

Sandvik Italy S.p.A., 2004–2009

Sandvik Tamrock, Business Line Manager, Tools, Sandvik Espanola SA, 2000–2004

Drilltech Mission LLC, USA, Sales and Marketing Manager, 1999

Tamrock Oy 1992–1998:

Surface Division, Sales and Marketing Manager, 1992–1995

Product Companies, Vice President, Product Support, 1995–1998

Product Companies, General and Plant Manager, Tampere, 1998

Oy Tampella Ab, Tamrock, 1982–1992:

Tamrock Japan, Area and Sales Management, 1987–1992

Various sales and product management positions, 1982–1987



**PEKKA HUUHKA**, b. 1956, M.Sc.(Eng.)

Senior Advisor

Employed by the company and Member of the Executive Management Group 2010–1 May 2016

**Primary work experience:**

Glaston Finland Oy, Senior Vice President, Supply Chain, 2010–2012

Swot Consulting Finland Oy, Managing Partner, 1998–2010

Tamrock Region Europe, Area Sales Director, Germany, 1993–1998

Tamrock Oy, Product Management, 1991–1993

Tamrock Oy, Production Management positions, 1982–1991



President & CEO and assist him in implementing the Company's strategy, operational planning and management, and in reporting the development of business operations. The Executive Management Group meets under the direction of the President & CEO.

The Chairman of the Company's Board of Directors appoints, on the proposal of the President & CEO, the Members of the Executive Management Group and confirms their remuneration and other contractual terms. The Company's President & CEO acts as the Chairman of the Executive Management Group. The Executive Management Group handles the Group's and business areas' strategy issues, capital expenditure, financial development, product policy, Group structure and control systems, and supervises the Company's operations.

### Executive Management Group in 2016

Artturi Mäki was appointed Senior Vice President of Glaston's Services business and member of the Executive Management Group as of 8 February 2016. Juha Liettyä, Senior Vice President, Machines and Member of the Executive Management Group was appointed Senior Vice President, Americas as of 1 July 2016, and Chief Financial Officer Sasu Koivumäki was appointed Senior Vice President, Machines as of the same date. Päivi Lindqvist was appointed Glaston's Chief Financial Officer and Member of the Executive Management Group on 19 September 2016.

The Executive Management Group convened nine (9) times in 2016.

The Extended Management Group included, in addition to members of the Executive Management Group mentioned above, Moreno Magon, Vice President Sales & Services, South America; Scott Steffy, Vice President Sales & Services, North America; Marko Pantti, Finance Director, Machines; and Heikki Halonen, Finance Director, Asia. The Extended Management Group met three (3) times during the year.

### Main Features of the Internal Control and Risk Management Pertaining to the Financial Reporting Process

Internal control is an essential part of the Company's administration and management. Its aim is to ensure that the Group's operations are efficient, productive and reliable and that legislation and other regulations are complied with. The Group has specified for the main areas of its operations Group-wide principles that form the basis for internal control.

The Group's internal control systems serve to provide reasonable assurance that the financial reports published by the Group give reasonably correct information about the Group's financial position. The Board of Directors and the President & CEO are responsible for arranging internal control. A report covering the Group's financial situation is supplied monthly to each Member of the Board of Directors. The Group's internal control is decentralised to different Group functions, which supervise compliance with instructions approved by the Board of Directors within their areas of responsibility. The Group's financial management and operational control are supported and coordinated by the Group's financial management and controller network.

The Group's financial reporting process complies with the Group's operating guidelines and standards relating to financial reporting. The interpretation and application of financial reporting standards has been concentrated in the Group's Financial Management organisation, which maintains operating guidelines

and standards relating to financial reporting and is responsible for internal communication relating to them. The Group's Financial Management organisation also supervises compliance with these guidelines and standards. The Company has no separate internal auditing organisation. The Group's Financial Management organisation regularly monitors the reporting of the Group's units and addresses deviations perceived in reporting and, if necessary, performs either its own separate internal auditing or commissions the internal auditing from external experts. Control of reporting and forecasting processes is based on the Group's reporting principles, which are determined and centrally maintained by the Group's Financial Management organisation. The principles are applied consistently throughout the Group and a consistent Group reporting system is in place.

### Risk Management

Risk management is an essential part of Glaston's management and control system. The purpose of risk management is to ensure the identification, management and monitoring of risks relating to business targets and operations. Risk management principles and operating practices have been specified in a risk management policy approved by the Company's Board of Directors.

The principle guiding Glaston's risk management is the continuous, systematic and appropriate development and implementation of the risk management process, with the objective being the comprehensive recognition and appropriate management of risks. Glaston's risk management focuses on the management of risks relating to business opportunities and of risks that threaten the achievement of Group objectives in a changing operating environment. From the perspective of risk management, the Company has divided risks into four different groups: strategic risks, operational risks, financial risks and hazard risks. Risks relating to property, business interruption as well as liability arising from the Group's operations have been covered by appropriate insurances. Management of financial risks is the responsibility of the Group Treasury in the Group's parent company.

Glaston's risk management policy includes guidelines relating to the Group's risk management. Risk management policy also specifies the risk management processes and responsibilities. Glaston's risk management consists of the following stages: risk recognition, risk assessment, risk treatment, risk reporting and communication, control of risk management activities and processes, business continuity planning and crisis management. As part of the risk management process, the most significant risks and their possible impacts are reported to company management and the Board of Directors regularly, based on which management and the Board can make decisions on the level of risk that the Company's business areas are possibly ready to accept in each situation or at a certain time.

It is the duty of Glaston's Board of Directors to supervise the implementation of risk management and to assess the adequacy and appropriateness of the risk management process and of risk management activities. In practice, risk management consists of appropriately specified tasks, operating practices and tools, which have been adapted to Glaston's business area and Group-level management systems. Risk management is the responsibility of the directors and managers of each business area and Group-level function. Risk recognition is in practice the responsibility of every Glaston employee.

The Group Legal function is responsible for guidelines,

support, control and monitoring of risk management measures. In addition, the function consolidates business-area and Group-level risks. The Group Legal function reports on risk management issues to the President & CEO and the Executive Management Group and assesses in collaboration with them any changes in the probabilities of the impacts of identified risks and in the level of their management. The Group Legal function also reports the results of risk management processes to the Board of Directors.

Segment and group-level risk management is included in the regularly repeated group-wide risk management process. The process can also always be initiated when required if substantial strategic changes requiring the initiation of the risk management process take place in a certain area of operations.

The management group of each business area identifies and assesses its operational risks and specifies risk management measures by which an acceptable level of risk can be achieved.

With the aid of the risk management process, risks are systematically identified and assessed in each business area and at Group level. In addition, at each level measures are specified which, when implemented, will achieve an acceptable level of risk. Risks are consolidated at Group level. Action plans are prepared at each level of operations to ensure risks remain at an acceptable level.

The Group's risks are covered in more detail in the Report of the Board of Directors on [page 23](#). The management and organisation of the Group's financial risks are presented in more detail in Note 3 of the consolidated financial statements on [page 49](#).

### Insider administration

In addition to the statutory insider regulations, Glaston complies with the insider guidelines of NASDAQ Helsinki Ltd as well as the internal guidelines adopted by Glaston at any given time.

In accordance with the Market Abuse Regulation, Glaston prepares and maintains a list of persons discharging managerial responsibilities as well as persons and entities closely associated with them. In Glaston Corporation, the persons discharging managerial responsibilities are the Members of the Board of Directors, the President & CEO, the Deputy CEO, and the Chief Financial Officer. At least once a year, Glaston checks the information of persons discharging managerial responsibilities that have a duty to declare as well as persons and entities closely associated with them.

Currently, Glaston has decided that it will not establish and maintain an insider list relating to permanent insiders. During the preparation of significant projects and events, the Company maintains project- and event-specific lists of insiders.

The Company's persons discharging managerial responsibilities, persons serving in certain key positions and persons participating in the preparation of financial reports must not trade in the Company's financial instruments during the 30-day period before the publication of interim reports and financial statement releases. With respect to project-specific insiders, trading in the Company's financial instruments is prohibited until the cancellation or publication of the project.

The Company's insider administration, its implementation and supervision are the responsibility of Group Legal function and the Communications Department. Glaston's General Counsel is

responsible for the Company's insider issues. The Company's Communications Director is responsible for maintaining the list of insiders and for overseeing the restriction on trading and duty to declare.

### Auditing

The Company has one Auditor, which must be an auditing firm authorised by the Finnish Central Chamber of Commerce. The Annual General Meeting elects the Auditor to audit the accounts for the financial year, and the Auditor's duties cease at the close of the subsequent Annual General Meeting. The Auditor's duty is to audit the consolidated and parent company financial statements and accounting as well as the parent company's governance, and to give reasonable assurance that the financial statements and the Report of the Board of Directors give a true and fair view of the Group's operations and result as well as its financial position. The Company's Auditor presents the audit report required by law to the Company's shareholders in connection with the annual financial statements and reports regularly to the Board of Directors. The Auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

### Audit 2016

At the 2016 Annual General Meeting, the accounting firm Ernst & Young Oy was elected as the Company's Auditor.

The auditor with principal responsibility was Kristina Sandin APA. Auditing units representing Ernst & Young have mainly served as the auditors of the Company's subsidiaries in each country. In 2016 the Group's auditing costs totalled approximately EUR 284,000, of which Ernst & Young received approximately EUR 265,000. Ernst & Young Oy's auditing expenses for the audit for financial year 2016 totalled approximately EUR 233,000. In addition, auditing units belonging to Ernst & Young have provided other advice to Group companies to a value of EUR 19,000.

### Related-party transactions

Glaston Group's related parties include the parent of the Group (Glaston Corporation), its subsidiaries and associated companies. Shareholders that have significant influence in Glaston through their shareholding are also considered to related parties, as are the companies controlled by these shareholders. Parties are considered to be related to each other if one party is able to exercise control or significant influence over the other party's financial and operating decision-making.

Members of the Board of Directors and the Group's Executive Management Group, the President & CEO and their family members are also considered to be related parties.

There is no special decision-making procedure with respect to related party transactions. In its transactions with associated companies and other related parties, Glaston adheres to the same commercial terms and conditions as in its transactions with external parties.