

Corporate Governance Statement of Suominen Corporation for 2016

In financial year 2016, Suominen Corporation (hereinafter "Suominen") complied with the Finnish Corporate Governance Code 2015 (hereinafter "Code") issued by the Securities Market Association. The Corporate Governance Statement (hereinafter "Statement"), required by the Code; Chapter 7, Section 7 of the Securities Markets Act; and Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security, is published as a separate statement in connection with the Report by the Board of Directors. The Statement has been published simultaneously with the Financial Statements and Report by the Board of Directors as a Stock Exchange Release and it is available also on Suominen's website, www.suominen.fi.

The Audit Committee and the Board of Directors of Suominen Corporation have reviewed the Statement. The Statement will not be updated during the financial year, but up-to-date information on its various topics is available on Suominen's website.

The Finnish Corporate Governance Code 2015 is available on the website of the Securities Market Association, www.cgfinland.fi.

1. Descriptions concerning Corporate Governance

Suominen Group

Responsibility for Suominen Group's business operations is held by the constitutional bodies required by the Limited Liability Companies Act: the General Meeting of Shareholders, which elects the members and the Chair of the Board of Directors; and the President & CEO, who is appointed by the Board of Directors.

The Group's supreme decision-making body is the General Meeting of Shareholders, where shareholders exercise their decision-making power. The Board of Directors is responsible for the company's management and its appropriate organization. As the Group's parent company, Suominen Corporation is responsible for the Group's management, accounting and financing, product development and management of intellectual property, human resources, ICT, as well as communications and investor relations.

While Suominen has two business areas, Convenience and Care, the company has only one operating segment.

Shareholder's Nomination Board of Suominen Corporation

Suominen has a permanent Shareholders' Nomination Board established by the Annual General Meeting. The task of the Nomination Board is to prepare and present to the Annual General Meeting and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members and the Chair of the Board of Directors. In addition, the task of the Nomination Board is to seek potential successors for the board members.

The Nomination Board shall consist of four (4) members, three of which shall be appointed by the company's three largest shareholders, who shall appoint one member each. The Chair of the company's Board of Directors shall serve as the fourth member.

The Nomination Board is established to exist and serve until the General Meeting of the company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them. The members of the Nomination Board shall be independent of the company, and a person belonging to the company's operative management cannot be a member of the Nomination Board.

The shareholders entitled to appoint members to the Nomination Board during financial year 2016 were determined on the basis of the registered holdings in the company's shareholder register on 1 September 2015 and on 1 September 2016.

From 1 January to 1 September 2016, the members of the Nomination Board were:

- Thomas Ahlström, Managing Director of Antti Ahlström Perilliset Oy and member of the Board of Directors of Ahlström Capital
- Mikko Mursula, Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company
- Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company
- Jorma Eloranta, Chair of Suominen's Board of Directors.

As of 2 September 2016, the members of the Nomination Board were:

- Thomas Ahlström, Managing Director of Antti Ahlström Perilliset Oy and member of the Board of Directors of Ahlström Capital
- Erkki Etola, CEO of Oy Etra Invest Ab
- Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company
- Jorma Eloranta, Chair of Suominen's Board of Directors.

In financial year 2016, the Nomination Board convened three times. The attendance rate at the meetings was 100%.

Board of Directors

Composition in 2016

Until the Annual General Meeting of 2016, held on 16 March 2016, Mr. Jorma Eloranta (Chair), Mr. Risto Anttonen (Deputy Chair), Mr. Andreas Ahlström, Mr. Hannu Kasurinen, Ms. Laura Raitio and Ms. Jaana Tuominen formed the Board of Directors of Suominen.

The Annual General Meeting held on 16 March 2016 re-elected Andreas Ahlström, Risto Anttonen, Jorma Eloranta, Hannu Kasurinen, Laura Raitio and Jaana Tuominen as members of the Board of Directors. The term of office of the members of the Board of Directors ends at the close of the Annual General Meeting 2017.

Biographical details of the Directors:

Jorma Eloranta, Chair of the Board

b. 1951

M. Sc. (Tech.), Dr. Sc. (Tech.) h.c.

Shareholding*: 40,030 Suominen shares

Risto Anttonen, Deputy Chair of the Board

b. 1949

B. Sc. (Econ.)

Shareholding*: 28,830 Suominen shares

Andreas Ahlström

b. 1976

M. Sc. (Econ. and Business Adm.), Investment Director, Ahlström Capital Oy

Shareholding*: 5,360 Suominen shares

Hannu Kasurinen

b. 1963

M. Sc. (Econ.), Senior Vice President, Head of Carton Board Business Unit, Stora Enso Corporation

Shareholding*: 19,210 Suominen shares

Laura Raitio

b. 1962

Licentiate of Technology (Forest Products), CEO, Diacor terveyspalvelut Oy

Shareholding*: 5,360 Suominen shares

Jaana Tuominen

b. 1960

M. Sc. (Chem. Eng.), CEO, Paulig Group

Shareholding*: 9,306 Suominen shares

* Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies on 31 December 2016.

Independence of the directors

The Board of Directors has evaluated the independence of its members. All members are independent of the company. All members are also independent of its significant shareholders, with the exception of Andreas Ahlström, who acted as Investment Director at Ahlström Capital Oy. The largest shareholder of Suominen, AC Invest Two B.V., is a group company of Ahlström Capital.

Tasks and responsibilities

The Board of Directors is responsible for the administration and appropriate organization of Suominen's operations. The Board is responsible for making decisions on matters that are likely to have a major impact on the company's operations. The Board convenes according to an annual meeting plan. The main duties of the Board include:

- deciding on the company's corporate structure and organization
- nominating and dismissing the President & CEO
- deciding on the salaries, bonuses, and other benefits paid to the President & CEO and his/her immediate subordinates
- deciding on the company's salary and incentive scheme
- considering and approving annual accounts, reports by the Board of Directors, financial statement releases, and interim reports
- monitoring and supervising the Group's performance and ensuring the effectiveness of its management
- approving the company's operating policies (financing policy, insurance and risk management policy, and principles for corporate governance)
- deciding on the acquisition and disposal of fixed assets
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on financial borrowings and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirming the company's targets.

The Board of Directors is elected by the General Meeting of Shareholders. It consists of at least three and at most seven members.

Meeting practice

The Board of Directors convenes under the direction of the Chair or, if the Chair is unable to attend, the Deputy Chair. Principally, the matters are presented by the President & CEO.

In 2016, the Board of Directors convened 18 times, of which 9 times per capsulam. The attendance rate at meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jorma Eloranta	Chair	18/18
Risto Anttonen	Deputy Chair	18/18
Andreas Ahlström	Member	18/18

Hannu Kasurinen	Member	18/18
Laura Raitio	Member	18/18
Jaana Tuominen	Member	18/18

Self-evaluation

In financial year 2016, after each of its meetings, the Board assessed the preparations of the meeting, the course of the meeting and its own operations, in line with the principle of continuous development. The Chair of the Board of Directors interviews each member of the board individually once a year in order to further develop the operations of the Board and to focus its attention to the most relevant matters.

In addition, the Board of Directors reviewed its operations and procedures in the financial year 2016 through an internal self-assessment. The results of the assessment were submitted confidentially also to the use of the Nomination Board.

Diversity principles of the Board of Directors of Suominen Corporation

At Suominen, diversity has been recognized as an essential success factor in the long term. Also in considering the Board's composition, diversity is assessed through a number of viewpoints. Diversity in the Board's competencies, experience and opinions promotes openness for new ideas and helps the Board support and challenge the company management. Further, diversity promotes open discussion, integrity of decision making, good corporate governance, effective supervision of both the Board and the management, as well as supports succession planning.

The Nomination Board of Suominen's shareholders evaluates the number of the members of the Board, its composition and the competence requirements of the Board in the light of the present and future needs of the company. When assessing the composition of the board, the Nomination Board considers, among other things, whether the Board possesses a broad range of business knowledge and members representing both genders and various ages. It is Suominen's objective to have both men and women in its Board.

It is fundamental that the final proposal of the Nomination Board to the Annual General Meeting is based on the qualifications and competencies of each candidate. In addition, candidates must also have the possibility to devote a sufficient amount of time for the Board work.

The essentials of the diversity principles are describe in this Statement. They can be reviewed in their entirety at www.suominen.fi.

Fulfillment of the diversity principles

The Annual General Meeting of Suominen held on 16 March 2016 elected six members to the Board of Directors of the company. Two of the six members are women. All members of the Board of Directors of Suominen hold an academic degree either from business economics or technical sciences. Considering their experience, they represent international business in all its broadness and therefore bring diverse expertise and versatile perspectives to the board work.

The youngest member of the Board of Directors turned 40 and the oldest 67 years during 2016. The Annual General Meeting held on 16 March 2016 decided to remove the limitation regarding the age of a member of the Board from the company's Articles of Association.

The diversity principles and their fulfillment will be reported annually as a part of the Corporate Governance Statement of Suominen.

Board committees

Audit Committee

The main tasks of the Audit Committee relate to ensuring the company's good governance, accounting and financial reporting, internal control systems and the monitoring of the activities of the external auditing. The Audit Committee prepares for the Board matters that fall under its areas of responsibilities, but it does not have independent decision-making powers unless the Board resolves otherwise on certain matters.

The Chair and members of the committee are elected annually at the Board's constitutive meeting. At least three members are elected to the committee. The members of the Audit Committee must be independent of the company, and at least one member must be independent of the company's significant shareholders.

From 1 January 2016 until 16 March 2016, until the constitutive meeting of the Board, the Audit Committee consisted of Hannu Kasurinen as Chair and Andreas Ahlström and Laura Raitio as members. In its constitutive meeting on 16 March 2016, the Board of Directors elected Hannu Kasurinen as Chair and Andreas Ahlström and Jaana Tuominen as members of the Audit Committee.

In 2016, the Audit Committee convened four (4) times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Hannu Kasurinen	Chair	4/4
Andreas Ahlström	Member	4/4
Laura Raitio	Member until 16 March 2016	1/1
Jaana Tuominen	Member as of 16 March 2016	3/3

Personnel and Remuneration Committee

The Personnel and Remuneration Committee will prepare the remuneration and appointment matters concerning the company's President & CEO and other members of senior management, as well as principles and procedures related to the remuneration of the company's employees. The Committee will prepare for the Board matters that fall under its areas of responsibilities, but it does not have independent decision-making powers unless the Board resolves otherwise on individual matters.

The Chair and members of the committee will be elected annually at the Board's constitutive meeting. The majority of the members of the Personnel and Remuneration Committee must

be independent of the company. The President & CEO or a member of the company's or Group's management may not be a member of the Personnel and Remuneration Committee.

From 1 January 2016 until the constitutive meeting of the Board of Directors held on 16 March 2016, the members of the Personnel and Remuneration Committee were Jorma Eloranta (Chair), Risto Anttonen and Jaana Tuominen. In its constitutive meeting held on 16 March 2016, the Board of Directors elected Jorma Eloranta as the Chair of the Personnel and Remuneration Committee and Risto Anttonen and Laura Raitio as members.

In financial year 2016, the Personnel and Remuneration Committee convened three (3) times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jorma Eloranta	Chair	3/3
Risto Anttonen	Member	3/3
Jaana Tuominen	Member until 16 March 2016	0/0
Laura Raitio	Member as of 16 March 2016	3/3

President & CEO

The President & CEO of Suominen Corporation is appointed by the Board of Directors. The President & CEO is responsible for day-to-day operations in accordance with the Companies Act and guidelines and instructions provided by the Board of Directors. The President & CEO is responsible for ensuring that the company's accounting practices comply with the law and that its assets are reliably managed. The President & CEO acts as the Chair of the Corporate Executive Team and the Corporate Leadership Team as the immediate supervisor of the Teams' members.

Ms **Nina Kopola**, b. 1960, M.Sc. (Chemical Eng.), Technology Licentiate, acts as the President & CEO of Suominen Corporation. Nina Kopola held (directly and through corporations over which she exercises control in the company and its group companies) on 31 December 2016 85,172 Suominen shares.

Other executives

The President & CEO is supported by the Corporate Executive Team and Corporate Leadership Team. In 2016 the Corporate Executive Team comprised, in addition to the President & CEO who acts as its Chair, the following executives:

Tapio Engström

Senior Vice President, CFO

M.Sc. (Accounting)

b. 1963

Shareholding*: 33,266 Suominen shares

Lynda A. Kelly

Senior Vice President, Care

B.Sc. (Business Administration/Marketing)

b. 1964
Shareholding*: 10,000 Suominen shares

Larry L. Kinn
Senior Vice President, Operations Americas
B.A. (Chemistry)
b. 1957
Shareholding*: 6,348 Suominen shares

Ernesto S. Levy
Senior Vice President, Convenience
BIE (Industrial Engineering), MBA (Marketing)
b. 1969
Shareholding*: 12,000 Suominen shares

Mimoun Saïm
Senior Vice President, Operations EMEA
ENSI Engineering
b. 1964
Shareholding*: 21,525 Suominen shares

Hannu Sivula
Senior Vice President, Human Resources
M.Soc.Sc.
b. 1966
Shareholding*: 29,345 Suominen shares

* Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies on 31 December 2016.

The Corporate Leadership Team comprises, in addition to the members of the Corporate Executive Team, the Vice President of R&D, the Vice President of Investments & Technology, the CIO, the Vice President of Marketing & Product Management, the Vice President of Sourcing, and the Vice President of Corporate Communications & Investor Relations.

2. Descriptions of internal control procedures and the main features of risk management systems

Internal control

Control environment

Control operations are embedded in the activities of Suominen's organization. Controlling is executed in connection with the steering of business processes, supported by comprehensive reporting.

Suominen's control environment is based on instructions, the business culture and on the way of working adopted by the company's managers and employees. The Group has established

its values or guiding principles which encourage everyone at Suominen to adopt an active and ethical way of working both with various stakeholders and within the Group. In cascading the principles in the organization, honesty, transparency and working in teams are integral elements of establishing high ethical standards throughout the company.

The foundation of the internal control process relating to activities is built up around the Group's policies approved by the Board of Directors and other directives and instructions. The responsibility structure of the Group is based on authority inherent in the positions and work descriptions, segregation of duties and the "four-eyes" and "one-over" decision making principles. Effective internal control requires that duties are properly allocated to employees and potential conflicts of interests are identified and eliminated. A satisfactory control environment is ensured through internal analyses and evaluations of key processes as well as through revisions conducted by external auditors.

Group Finance function supports the business units in analyzing their performance and profitability and in the decision-making concerning various business choices. Business Controllers at the unit level are responsible for ensuring that control procedures are in place and implemented in the units. It is the ICT function's task to ensure that the security checks of ICT systems throughout the Group companies are functioning and are conducted at a sufficient level.

Control activities

The internal control activities are in place, among others, to verify that the company's financial reports provide true and fair information about the financial position of the Group. It is the duty of the Board of Directors and the President & CEO to organize the internal control activities. Each member of the Board of Directors receives monthly a report on the financial position of the Group.

In practice, control activities are conducted in the meetings of the Board of Directors and the management groups, where the results of the activities are reviewed. Group Finance and the company's controller network support and coordinate the financial management and control of the activities of the Group.

The internal control of Suominen has been decentralized across Group functions, who monitor the compliance of the operating guidelines approved by the Board concerning their areas of responsibility. In addition to the Group-level guidance, controlling measures are taken also at business unit and plant level. Controlling measures include both general and more detailed control procedures aiming to prevent, reveal and correct errors and deviations.

In the continuing business operations several controls activities are exercised to prevent potential errors and deviations in financial reporting. Moreover, the control activities are in place to help reveal and correct the identified errors. Suominen categorizes control activities into three categories. Documented instructions help the organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on the performance of Group functions and entities ensures that instructions and defined processes are followed. In critical processes, specific authorizations are needed in the work flow, either for security or for verification needs.

The need for separate evaluations, as well as their scope and frequency, will be defined by assessing risks and the effectiveness of ongoing monitoring procedures. Information security and related control activities play a key role when the features of ICT systems are being defined and applied.

Information and communication

The Group accounting manual, policies approved by the Board and other directives and instructions relating to financial reporting are updated and communicated on a regular basis by management to all affected employees and are also available in the intranet systems of Group companies. In addition, a standard reporting package is used by the units. Group management and business unit management conduct monthly reviews that include an analysis of performance metrics and indicators assisting management to better understand the underlying business performance.

Follow-up

Ongoing responsibility for follow-up rests with the business units' management and controller functions.

Regular inspections by quality auditors or customer audit personnel cover also the internal controls of supply chain processes.

The Group's Finance function monitors the operations and processes of the Group units and the accuracy of external and internal financial reporting.

Risk management

Risk management is considered an integral part of running the business of Suominen, and the identification and assessment of risks is an essential element of internal control. The aim is to focus on the material risks that are significant from a business perspective. Risks are categorized into business risks caused by changes in the business environment and operational risks, caused by deficiencies in Suominen's processes.

Operational risks are considered to have potentially a material value in transactions with external parties. However, Group instructions, process check-ups, allocation of tasks and standards set up by total quality operating systems help to establish a prudent environment in which exposure to material risks can be mitigated.

Risks relating to financial reporting are evaluated and monitored by the Board, aiming to ensure that the financial reporting of the corporation is reliable, supports decision-making and serves the needs of external stakeholders. The valuation of assets, liabilities and contingent liabilities based on various evaluation assumptions and criteria may constitute a risk.

Future estimates and assumptions on the reporting date involving a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously evaluated. Complex and evolving factors having an impact on business circumstances may add uncertainty to the assessment of the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular check-ups are made, e.g. by comparing material flows,

values, and quantity and quality data with the information in accounting. The risk of errors due to irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

3. Other information

Internal audit

Suominen does not have a separate internal auditing organization. The company's auditor agrees with the Audit Committee on the annual auditing plan that takes into account that Suominen does not have an internal auditing organization.

The auditing plan includes, among other things, the extended auditing of internal controls. Internal audit findings are reported to the Audit Committee, President & CEO and the relevant management concerned.

Related party transactions

As Suominen Corporation considers its potential related party transactions not to deviate from the company's normal business operations, the company does not report the decision-making procedure applied in connection with related party transactions. Related party transactions made in financial year 2016 are reported in the consolidated financial statements.

Insider management

Suominen complies with Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, the Board of Directors of the company has confirmed specific insider guidelines for the Company to complement Nasdaq Helsinki Ltd's guidelines for insiders. Company's insider guidelines were completely renewed due to Market Abuse Regulation ((EU) N:o 596/2014, "MAR"), effective as of 3 July 2016.

As a result of the MAR regulation, Suominen has decided that after 3 July 2016 it will not maintain company specific register of permanent insiders. Persons involved in potential insider projects will be entered into project specific insider lists, established as needed.

Directors required to submit notifications

Based on MAR Regulation, Suominen is no longer obliged to maintain a public insider register. Instead, Suominen maintains a list of company's directors and persons closely associated with them. Persons entered into that list have an obligation to notify Suominen and Finnish Financial Supervisory Authority all transactions made with Suominen's financial instruments by them or on behalf of them. Suominen will disclose the notifications it has received as stock exchange releases as soon as possible.

At Suominen Corporation, the members of the Board of Directors and the President & CEO have been defined to be subject to the requirement to notify their transactions.

The information presented on the Management shareholdings page will not be updated after 3 July 2016. Disclosed stock exchange releases on the transaction notifications of directors and

persons closely associated with them can be viewed at www.suominen.fi (> Investors > Share and shareholdings > Management transactions).

Closed period

Since the MAR regulation came in to force, as of 3 July 2016, Suominen's defined directors are subject to comply with so called closed period. The closed period is applied prior to disclosure of financial reports. It lasts 30 calendar days, including the date of disclosure of a financial report. During the closed period, defined directors of Suominen may not trade with the share or another financial instrument of the company. Also core persons preparing financial reports, among others, are subject to a similar 30-day closed period. The times of the closed periods are disclosed through a stock exchange release and in the event calendar available at the company's website.

During a closed period, trading with Suominen's financial instruments by defined directors and core persons is possible only in certain very exceptional situations. An example of such an exceptional situation could be transaction conducted by director or core person to participate a share saving scheme of Suominen employees, which is a prerequisite for a director's or a core person's position. Making an exception to the 30-days-long closed period requires that the company gives approval for the transaction in question. The exception cannot be applied if a director or a core person has inside information.

Trading by directors and core persons

Directors and core persons, in addition to abiding by the closed period and other trade restrictions, must time their trading so that their trading does not weaken the general trust for the securities market. Suominen recommends that directors and core persons shall make long-time investments to the company's shares and other financial instruments. Further, it is also recommendable to time the trading to a point in time, when the market has as complete knowledge of the factors affecting the value of the share or the financial instrument as possible.

Monitoring and control

The Insider Officer of Suominen is the company's Chief Financial Officer. The Insider Officer is generally responsible for the administration insider issues with the company.

Without limiting to the obligations coming from MAR, Securities Marketing Act or Nasdaq Insider Guidelines, the Company's insider administration will assume responsibility for the following:

- internal communications concerning insider issues
- training in insider issues within the company
- preparing and maintaining lists of directors and their closely associated persons
- receiving notifications, which concern the transactions of the directors' and their closely associated persons, going-through the notifications and forwarding those to the Financial Supervisory Authority (if a directors/closely associated person has authorized the company to do so) and publishing the relating stock exchange release
- preparing and maintaining project-specific insider lists

- preparing lists of personnel, who are defined as core persons
- monitoring of the insider issues
- administering the information to be published on the Internet, if needed.

Auditing

The Annual General Meeting held on 16 March 2016 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as auditor of the company, with Kristina Sandin, Authorized Public Accountant, as the principal auditor.

The auditors and the Audit Committee of Suominen agree annually on an audit plan that takes into account that Suominen does not have a separate internal auditing organization. Internal audit findings are reported to the Audit Committee, President & CEO and the relevant management concerned.

In 2016, the fees paid to Ernst & Young for the statutory auditing of the Group companies totaled EUR 459 thousand. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS and other services, totaled EUR 24 thousand.