

**CORPORATE GOVERNANCE STATEMENT**

**Marimekko Corporation**

**marimekko®**

**APPROVED BY MARIMEKKO'S BOARD OF DIRECTORS**

**7 February 2011**

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## 1 Corporate Governance Statement

Marimekko Corporation applies the Finnish Companies Act, other regulation concerning public listed companies, Marimekko Corporation's Articles of Association as well as the rules and regulations of NASDAQ OMX Helsinki Ltd. Marimekko Corporation also complies with the recommendations of the Finnish Corporate Governance Code, effective as of 1 October 2010, in accordance with the 'comply or explain' principle, without deviating from the recommendations.

The Corporate Governance Statement has been drawn up in accordance with the recommendation 54 of the Corporate Governance Code. The Statement has been issued as a separate report and Marimekko Board of Directors has reviewed it. The Statement has been published on the Company's website at [www.marimekko.fi](http://www.marimekko.fi). Finnish Corporate Governance Code is publicly available on the website of the Securities Market Association, address [www.cgfinland.fi](http://www.cgfinland.fi).

PricewaterhouseCoopers Oy, Authorised Public Accountants, as the Company's auditor has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process are consistent with the financial statements.

## 2 Description of the operations of the Board and Board Committees

### 2.1 Board composition

Until the end of Marimekko's Annual General Meeting held on 15 April 2010, the Company's Board of Directors consisted of Pekka Lundmark, Mika Ihamuotila, Ami Hasan, Joakim Karske and Tarja Pääkkönen. The same persons were re-elected as Board members for financial year 2010. The composition of Marimekko's Board of Directors is as follows:

Chairman of the Board Pekka Lundmark

- Born 1963
- M.Sc. (Eng.)
- Principal occupation: President and CEO of Konecranes Plc, 2005–

Vice Chairman of the Board Mika Ihamuotila

- Born 1964
- Ph.D. (Econ.)
- Principal occupation: President and CEO of Marimekko Corporation, 2008–

Ami Hasan

- Born 1956
- Secondary school graduate
- Principal occupation: Chairman of the Board of advertising agency Hasan & Partners Finland Oy, 1997–

Joakim Karske

- Born 1963
- MA
- Principal occupation: Head of Design Strategy & Portfolio, Nokia Corporation, 2006–

Tarja Pääkkönen

- Born 1962
- Ph.D. (Eng., Business Strategies), M.Sc. (Tech.)
- Principal occupation: Partner, Boardman Ltd, 2010–

The Board evaluates the independence of its members annually in accordance with the Corporate Governance recommendations. Among the members of Marimekko's Board of Directors, Ami Hasan, Joakim Karske, Pekka Lundmark and Tarja Pääkkönen are independent of the company and its significant shareholders.

Mika Ihamuotila assumed the position of President and CEO of Marimekko Corporation on 1 February 2008. Muotitila Ltd, a company controlled by Mr Ihamuotila, holds 13% of Marimekko Corporation's shares and voting rights.

There is no particular order governing the appointment of Board members.

## **2.2 Description of the operations of the Board**

The Finnish Companies Act sets the ground for the operations of the Board. According to the Finnish Companies Act, The Board of Directors is responsible for the proper organisation of the company's administration and operations. The President and CEO is responsible for the day-to-day management and development of the Group in accordance with the instructions and orders of the Board of Directors.

The principal duties of Marimekko's Board of Directors are defined in the written rules of procedure. The rules of procedure are reviewed and confirmed annually at the Board's constitutive meeting, held following the Annual General Meeting. The Board reviews all matters that are significant to or that have long-term effects on the company's business operations.

According to the rules of procedure, the Board addresses issues such as the following:

- specifying and confirming strategic Corporate Governance objectives and policies for the Group and the various business areas
- reviewing and confirming operating plans and budgets for the Group and the various business areas
- reviewing and approving interim reports, the consolidated financial statements and the Report of the Board of Directors
- expanding and downsizing business operations
- considering mergers, acquisitions and demergers and restructuring arrangements

- deciding on investments and the acquisition and sale of assets that are either strategically or financially significant
- deciding on financial policy and contingent liabilities related to financing arrangements
- approving the Group's reporting, risk management procedures and internal control procedures and audit and control systems
- approving the audit plan
- appointing the company's President and CEO and the members of the Management Group and deciding on their remuneration
- providing instructions for President and CEO.

In 2010, the Board was focusing on e.g. the following subjects:

- Group strategy development as well as monitoring and aligning of business development projects, particularly those related to internationalisation.
- Changes in the composition of the Management Group and reorganisation of the Group's operations. The organisational changes implemented in 2010 aim to improve consistency in design across the different product lines, enhance efficiency in production and sourcing, and develop product assortment planning to better respond to the needs of different distribution channels.
- Investment of new machinery at the company's textile printing factory in Helsinki.
- The development of the remuneration payable to the members of the Management Group.

In 2010, the Board held 8 meetings. All the Board members were present at all meetings. Marimekko does not have a supervisory board.

### **2.3 Board committees**

Considering the nature and extent of the company's business, Marimekko's Board of Directors has not found it necessary to establish separate committees. The company's Board, therefore, manages the tasks that would belong to the committees.

When acting as the audit committee, the Board is responsible for:

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control and risk management systems
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit firm and especially the related services offered to the company, and

- preparation of the proposal for resolution on the election of the auditor.

In 2010, the Board continued the project launched at the previous year to develop the company's internal control. As part of the project, the core and support processes were defined and described. The objective is to implement the outcome of development work to Marimekko's subsidiaries abroad during 2011.

### **3 President and CEO**

- President and CEO Mika Ihamuotila
- Born 1964
- Ph.D. (Econ.)

#### **3.1 Description of the President and CEO's duties**

The Board of Directors elects the company's President and CEO and decides on the terms of the President and CEO's employment. The terms are specified in a written contract which is approved by the Board of Directors. The President and CEO is responsible for the day-to-day management and development of the Group in accordance with the instructions and orders of the Board of Directors. The President and CEO is also responsible for keeping the Board up to date with regards to development of the company's business and financial situation.

### **4 Internal control and risk management in Marimekko Group**

#### **4.1 Internal control**

The Marimekko Group applies the internal control principles and an operating plan for the execution and monitoring of internal control. In the Marimekko Group, internal control is defined as a process effected by the Board of Directors, management and all levels of personnel. The objective of internal control is to provide reasonable assurance that:

- the company's operations are effective and aligned with strategy
- financial reporting and management information is reliable, and
- the Group is in compliance with applicable laws and regulations.

Marimekko's Board of Directors focuses on promoting the interests of the company's shareholders and, according to good corporate governance, it ensures that company has defined internal control principles. Moreover, the Board of Directors monitors the efficiency of the company's internal control and risk management.

Marimekko's internal control framework consists of the following components:

- The internal control and risk management policies and principles set by the Board of Directors,
- Management overseeing the implementation and application of the policies and principles

- Enterprise risk management process identifying, assessing and mitigating risks threatening the realization of Marimekko's objectives
- Compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values are adhered to
- Effective control environment at all organisational levels including control activities tailored for each process
- Shared ethical values and strong internal control culture among all employees

The Board of Directors is ultimately responsible for administration of the company and the appropriate organisation of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company accounts and finances. In addition, the Board of Directors approves the internal control, risk management and corporate governance policies.

The President and CEO sets the ground for internal control environment by instructing the management and by reviewing the manner how they control the business operations. President and CEO is responsible for the day-to-day management of the Group in accordance with the instructions and rules given by the Board of Directors. The Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The duties of the Management Group members are to define internal control instructions and operating principles related to their area of responsibility and to communicate them to the personnel.

Financial and administrative function supports the development of operational controls and monitors the adequacy and efficiency of the controls. Furthermore, it makes sure that external reporting is accurate, timely and in compliance with applicable laws and regulations.

Considering the nature and extent of the company's business, Marimekko has not found it necessary to establish a separate internal audit function. The Board of Directors reviews the level of the company's internal control activities at least once a year. Where necessary, the Board may purchase internal audit services from an external service provider.

## **4.2 Risk Management**

Risk management in Marimekko is guided by the Board approved risk management policy, which defines the Group's risk management principles, objectives and responsibilities as well as the organization and monitoring of risk management process.

Marimekko's risk management objective is to secure the interference of the business and to ensure the Group's stable financial performance. Enterprise risk management is a continuous process where key risks related to the company's operations and business environment are identified and assessed. Key risks are risks that may hinder the achievement of strategic objectives; business continuity of the Group or part of the Group; or otherwise result in significant penalties for the company, employees or stakeholders. Risk management is an integral part of

the company's management and decision-making process and it covers all of the Group's operations.

Risk reporting is an integral part of Marimekko's business planning and strategy process. Internal risk reporting is part of continuous business reporting, short-term business planning and decision-making process. Significant risks and risk management activities are reported annually in the report of the Board of Directors, in interim reports, according to laws, regulations and corporate governance principles and as needed basis.

## **5 Internal control and risk management pertaining to the financial reporting process**

Internal control in relation to the financial reporting process is part of the Group's overall internal control and risk management framework. The aim of internal control in Marimekko Corporation is to:

- focus on the most business relevant risks and issues from strategic alignment and operational effectiveness point of view
- promote ethical values, good corporate governance and risk management practices
- ensure compliance with laws, regulation, and Group's internal policies, and
- ensure reliable, complete and timely financial reporting and management information to support the needs of external stakeholders as well as internal decision-making.

The consolidated financial statements of Marimekko Group are prepared in compliance with IFRS (International Financial Reporting Standards). Furthermore, the notes to the consolidated financial statements are in compliance with the Finnish Accounting Act and Companies Act.

### **5.1 The components of internal control over financial reporting process**

#### **5.1.1 Control environment**

Control environment is the foundation of Marimekko's internal control. It promotes the control consciousness of the organisation and forms the basis for other internal control components.

Control environment encompasses the ethical values, competence and development of the organisation's employees, the management's philosophy and the way management assigns authority and responsibility, as well as the guidelines set by the Board of Directors.

Marimekko has subsidiaries in Sweden, Germany, Great Britain and USA as well as retail shops in Stockholm, Malmö, Berlin, Frankfurt and London. Exports to other countries are handled directly or through local agents and importers. Marimekko products are exported to over 40 countries. Marimekko has approximately 30 concept stores outside Finland.



Examples of Marimekko's internal control environment related to financial reporting process are various instructions that the Group has defined in order to harmonize processes and procedures. Moreover, the Group wide accounting principles are applied in financial statements and Marimekko's Board of Directors approves the applied accounting principles.

### **5.1.2 Risk assessment**

In Marimekko, risks are identified as part of the annual strategy and operational planning. Risk management actions and responsibilities as well as risk management activities are defined for the identified risks. Risk identification is updated quarterly together with interim reports.

Marimekko's strategic and operational objectives form the basis for risk identification. The purpose is to identify risks threatening the achievement of the Group's objectives. Risk analyses and assessments are conducted as self-assessments.

Control objectives and common control points are defined for the identified key risks of Group's financial reporting process. Examples of controls are internal policies and authorization practices, reconciliations, verifications and segregation of duties.

### **5.1.3 Control activities**

Control activities are the policies and procedures that help Marimekko's management to ensure the effectiveness, efficiency and reliability of the company's operations. Moreover, controls also help to ensure that the risks that may hinder the achievement of Marimekko's objectives are management adequately.

Control points which were defined in the financial reporting process risk assessment are in place at all levels of the organization to ensure that applicable laws, internal procedures and ethical values are adhered to. Function directors are responsible for following up developments in legislation and regulation in their respective areas and communicating them to the organization. Function directors are also responsible for setting up adequate compliance controls and compliance related training in their units. Moreover, process controls have been defined for the most significant business and reporting processes.

Marimekko's consolidated financial statements include the accounts of the parent company, Marimekko Corporation and its subsidiaries. Marimekko's foreign subsidiaries report to Group on a monthly, quarterly and during the preparation of consolidated Financial Statements. The Financial Statements of the Group subsidiaries are prepared in accordance with the local accounting standard applicable in those countries; the foreign subsidiaries do not prepare their financial statements in accordance with the IFRS. The IFRS adjustments required are prepared at the group level.

Group financial function is responsible for preparing the Group consolidated Financial Statements based on the Financial Statements of the subsidiaries. CFO reviews the figures of the subsidiaries and analyses the reasons for possible deviations in order to assure the reliability of financial reporting. In addition, the Group financial function reviews the income statement and balance sheet before handing them over to the Board of Directors.

Board of Directors approves the interim reports and financial statements release as well as financial statements.

#### **5.1.4 Information and communication**

The communication of controls and control procedures is an essential part of the internal control pertaining to the financial reporting process in Marimekko. The people responsible for financial reporting in subsidiaries and in Group level have been involved in the assessment of financial reporting process risks and controls. Group level common controls have been communicated to all people involved in the reporting process. The Group's financial function supports the implementation of the controls in the subsidiaries with regular guidance and monitoring.

The Group has instructions for financial reporting and the instructions are updated regularly. Accounting principles and reporting instructions are communicated to all people involved.

#### **5.1.5 Monitoring**

Monitoring of controls is a way to assess the efficiency and effectiveness of control activities on an ongoing basis. Monitoring can be done through ongoing activities as part of normal day-to-day tasks or as separate evaluations.

The Board of Directors executes its monitoring duties when monitoring the financial reporting of interim reports and financial statements and by evaluating the level of internal control and risk management pertaining to the reporting process.

The management is responsible for monitoring the internal control systems pertaining to the financial reporting process. Monitoring can also be conducted by Group financial function. Ongoing monitoring includes regular management activities and other tasks done by the personnel while executing their duties.

The scope and frequency of separate evaluations depends primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. The detected deficiencies in internal control of financial reporting process are reported upstream, with serious matters reported to top management and the Board.

Other Group monitoring activities consist of e.g. administrative and legal instructions, defining the responsibilities and authorities as well as the monitoring and analyzing of the realization of organisation's objectives. Moreover, the operation of risk management system is controlled as part of Group monitoring activities.