

MARIMEKKO CORPORATION

## CORPORATE GOVERNANCE STATEMENT 2014

### 1. Corporate Governance

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 the Board of Directors of Marimekko Corporation has reviewed it. The Statement has been published on the Company's website at [company.marimekko.com](http://company.marimekko.com). The 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 system in relation to the financial reporting process are consistent with the financial statements.

### 2. General

Marimekko Corporation's administrative bodies and officers with the greatest decision-making power are the General Meeting of Shareholders, the Board of Directors, the Chairman of the Board and the President and CEO. At the Annual General Meeting of Shareholders, the shareholders approve the financial statements, decide on the distribution of profits, select the members of the Board of Directors and the auditors and determine their remuneration, as well as amendments to the Articles of Association if necessary.

Marimekko Corporation's Annual General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held within six months of the closing of the financial year on a date decided by the Board of Directors.

Marimekko shares are listed on the NASDAQ OMX Helsinki Stock Exchange.

### 3. Board of Directors and Board Committees

#### 3.1. Composition and term of the Board of Directors

Marimekko Corporation's Annual General Meeting was held on 23 April 2014. The Annual General Meeting appointed the following members to the company's Board of Directors:

## 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–

## Elina Björklund

- Born 1970
- M. Sc. (Econ.), IDBM-pro
- Principal occupation: CEO of Reima Oy, 2012–

## Arthur Engel

- Born 1967
- Economics degree
- Principal occupation: Non executive Board Portfolio and self-employed at Engel Konsult AB, 2013–

## Joakim Karske

- Born 1963
- Master of Arts
- Principal occupation: Senior Vice President, Brands & Design, of OP Financial Group, 2014–

## Catharina Stackelberg-Hammarén

- Born 1970
- M. Sc. (Econ.)
- Principal occupation: Founder and Managing Director of Marketing Clinic, 2004–

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, Elina Björklund, Arthur Engel, Joakim Karske, Pekka Lundmark and Catharina Stackelberg-Hammarén are independent of the company and its significant shareholders.

Mika Ihamuotila assumed the position of President and CEO of Marimekko Corporation in 2008. Muotitila Ltd, a company controlled by Mr Ihamuotila, held 16.04% of Marimekko Corporation's shares and voting rights at the end of 2014.

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

## *3.2. Description of the operations of the Board of Directors*

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 Corporation'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 Marimekko Corporation'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 President and CEO and the members of the Management Group and deciding on their remuneration
- providing instructions for President and CEO.

In 2014, the Board was focusing on e.g. the following subjects:

- development of Marimekko Corporation's strategy as well as confirming strategic objectives for the various business areas with focus on design and product development, especially in fashion
- monitoring risks especially related to growth and the challenging market situation
- implementation and monitoring of the re-organisation of operations with the aim of adapting the company cost level to the current market conditions and improving the profitability of the Group, and
- reviewing and confirming operating plans and budgets.

In 2014, the Board held 9 meetings. The Board members' average attendance rate at meetings was 100%.

	<b>Position</b>	<b>Board member since</b>	<b>Independent of the company and its significant shareholders</b>	<b>Attendance</b>
Pekka Lundmark	Chairman since 2009	2008	Yes	9/9
Mika Ihamuotila	Vice Chairman since 2009	2008	No	9/9
Elina Björklund	Member	2011	Yes	9/9
Arthur Engel	Member	2011	Yes	9/9
Joakim Karske	Member	2008	Yes	9/9
Catharina Stackelberg-Hammarén	Member	2014	Yes	6/9
Ami Hasan*	Member	2008	Yes	3/9

\*A member of the Board of Directors 2008-2014

Marimekko Corporation does not have a supervisory board.

### 3.3. Board committees

Considering the nature and extent of the company's business, Marimekko Corporation'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.

## 4. President and CEO

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

## *4.1. Description of the President and CEO's duties*

The Board of Directors elects the 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.

## **5. Internal control and risk management in Marimekko Corporation**

### *5.1. Internal control*

Marimekko Corporation applies internal control principles and an operating plan to support 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 operations are effective and aligned with strategy
- financial reporting and management information is reliable
- the company is in compliance with applicable laws and regulations, and
- Code of Conduct and ethical values are established

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

The system of internal control of Marimekko Corporation is based on the Committee of Sponsoring Organizations (COSO) framework, which consists of five key components: the control environment, risk assessment, control activities, information and communication and monitoring. The components and their relation to control over financial reporting are presented in more detail in chapter 7.

## **6. Responsibilities**

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 President and CEO 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.

## *6.1. Internal audit*

Considering the nature and extent of the company's business, Marimekko Corporation 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.

## *6.2. Risk Management*

Marimekko Corporation's risk management is guided by the risk management policy approved by the Board of Directors, which defines Marimekko Corporation's risk management principles, objectives and responsibilities as well as the organisation and monitoring of risk management process.

Marimekko Corporation's risk management objective is to support the achievement of strategic objectives of the business and to ensure 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 company or part of the company; 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 company's operations.

Risk reporting is an integral part of Marimekko Corporation'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.

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

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

- ensure reliable, complete and timely financial reporting and management information to support the needs of external stakeholders as well as internal decision-making, and
- ensure compliance with laws, regulation, and Marimekko Corporation's internal policies

The consolidated financial statements of Marimekko Corporation 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.

Development of the business and achievement of financial targets of Marimekko Corporation are monitored through a companywide financial reporting process. Sales reports are prepared, where applicable, daily, weekly and monthly. Financial statements are prepared monthly. The President and CEO reports monthly, quarterly and annual financial statements as well as other items according to Board's rules of procedure to The Board of Directors. Group's financial and business development is disclosed in quarterly and annual financial statements.

## *7.1. The components of internal control over financial reporting*

### *7.1.1. Control environment*

Control environment is the foundation of Marimekko Corporation'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 Corporation's internal control environment related to financial reporting process encompasses various instructions that the company has defined in order to harmonise processes and procedures as well as an integrated reporting system. Moreover, the company wide accounting principles are applied in financial statements and the Board of Directors approves the applied accounting principles.

### *7.1.2. Risk assessment*

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 Corporation's strategic and operational objectives form the basis for risk identification. The purpose is to identify risks threatening the achievement of the company'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 the company's financial reporting process. Examples of controls are internal policies and authorisation practices, reconciliations, verifications and segregation of duties.

### *7.1.3. Control activities*

Control activities are the policies and procedures that help Marimekko Corporation'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 Corporation's objectives are managed adequately.

Control points which were defined in the financial reporting process risk assessment are in place at all levels of the organisation 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 organisation. 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 Corporation's consolidated financial statements include the accounts of the parent company, Marimekko Corporation and its subsidiaries. Marimekko Corporation's subsidiaries report to the parent company on a monthly and quarterly basis and during the preparation of consolidated Financial Statements. The Financial Statements of the subsidiaries are prepared in accordance with the local accounting standard applicable in those countries; the subsidiaries do not prepare their financial statements in accordance with the IFRS. The IFRS adjustments required are prepared at the group level.

The parent company financial function is responsible for preparing the consolidated Financial Statements of Marimekko Corporation based on the Financial Statements of the subsidiaries. The 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 parent company finance function reviews the income statement and balance sheet before handing them over to the Board of Directors.

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

#### *7.1.4. 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 Corporation. The people responsible for financial reporting in subsidiaries and in the parent company have been involved in the assessment of financial reporting process risks and controls. Common controls encompassing all group companies have been communicated to all people involved in the reporting process. The parent company finance function supports the implementation of the controls in the subsidiaries with regular guidance and monitoring.

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

#### *7.1.5. 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 the parent company finance 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 of Directors.

Other company monitoring activities consist of e.g. administrative and legal instructions, defining the responsibilities and authorities as well as the monitoring and analysing of the realisation of organisation's

objectives. Moreover, the operation of the risk management system is controlled as part of company monitoring activities.

Approved by Marimekko Corporation's Board of Directors on 9 February 2015