

# Contents

## **GOVERNANCE**

General Meeting of shareholders	1
Board of Directors	3
Board members	7
President and CEO	12
Executive Board	13
Executive Board members	14
Executive Team	18
Executive Team members	19
Control systems	22
Risk management	25
Remuneration	30

# FISKARS CORPORATE GOVERNANCE STATEMENT FOR 2013

Corporate governance at Fiskars Corporation is based on the Company's Articles of Association, Finland's Limited Liability Companies Act, and the rules and regulations concerning companies listed on the NASDAQ OMX Helsinki Ltd stock exchange. Fiskars is a member of Securities Market Association and complies, without exception, with the Finnish Corporate Governance Code approved by the Securities Market Association, which came into force on October 1, 2010 and can be consulted at [www.cgfinland.fi](http://www.cgfinland.fi). This Corporate Governance Statement was published separately from the Report by the Board of Directors on the Company's website [www.fiskarsgroup.com](http://www.fiskarsgroup.com) on February 17, 2014.

Ultimate decision-making power is vested in Fiskars Corporation's shareholders at the General Meeting of Shareholders. Fiskars Board of Directors is responsible for the management and proper arrangement of the operations of the Company. The Managing Director (President and CEO) is responsible for the day-to-day management of the Company under the instructions and orders of the Board of Directors.

# General meeting of shareholders

The Annual General Meeting is held annually before the end of June, either in Raseborg or Helsinki. The Annual General Meeting decides on matters stipulated in the Companies Act and the Articles of Association, such as approving the financial statements, distributing profits, discharging the members of the Board of Directors and the CEO from liability, electing the members of the Board of Directors and the Company's Auditors, and deciding upon remuneration for said Board members and Auditors.

In accordance with the Articles of Association, notices regarding the Shareholders' Meetings are published on the Company's website and, if deemed necessary by the Board of Directors, in an alternative manner. In 2013, notices were published in the Helsingin Sanomat, Hufvudstadsbladet and Västra Nyland newspapers in addition to the notice published on the Company's website.

Any shareholder wishing to submit a matter for inclusion on the agenda of the Annual General Meeting should submit a request in writing to the Board of Directors. To be included in the notice of the Annual General Meeting and in the agenda of the Annual General Meeting, the request should be sufficiently concise and the matter must fall within the authority of the Annual General Meeting, as defined in the Limited Liability Companies Act. Instructions on submitting requests to the Board of Directors and the deadline for requests are published on the Company's website. In 2013, no such requests were submitted to the Board of Directors.

## **Annual General Meeting for 2013**

Fiskars held its Annual General Meeting for 2013 on March 14, 2013. The meeting approved the financial statements, discharged the members of the Board and the CEO from liability, and decided on the dividend to be paid for the 2012 financial year. The Meeting also decided on the remuneration to be paid to the Board and elected the members, who will serve until the end of the Annual General Meeting in 2014. The Company's auditors were also elected, and remuneration was decided upon. The Meeting authorized the Board to acquire Fiskars own shares and make decisions about conveying them in accordance with separately agreed conditions.

# The Board of Directors

In accordance with the Articles of Association, the Board of Directors shall consist of a minimum of five and a maximum of nine members. The terms of office of all members will run from their election to the end of the following Annual General Meeting. The Board is responsible for electing a Chairman from among its members.

## **Responsibilities and Charter of the Board**

Fiskars Board of Directors is responsible for managing the Company in accordance with the law, official regulations, the Articles of Association, and decisions taken by the Annual General Meeting of Shareholders. Under the Charter approved by the Board of Directors, the Board is responsible for the following activities:

- Managing and appropriately arranging the Company's operations and confirming the Company's business strategy and budget.
- Overseeing the solidity, profitability, and liquidity of the Company, as well as the Company's management.
- Approving the risk management principles followed by the Company.
- Preparing financial statements.
- Confirming financial policy.
- Deciding on extraordinary or far-reaching measures, taking the scope and nature of the Company's operations into account, unless these matters come within the responsibilities of the General Meeting of Shareholders.
- Appointing the President and CEO and confirming the terms of his employment and other compensation.
- Appointing the members of the Executive Board, other senior managers, and the internal audit manager, and approving their terms of employment and other compensation.
- Deciding on the principles for the Group's compensation systems and other long-term personnel issues.
- Considering matters related to the appointment of the members of the Boards of Directors of subsidiaries.
- Appointing Board Committees and their members. These Committees are responsible for preparing matters within their specific area of competence to be put before the Board.

The Board convenes 8–9 times a year according to a pre-confirmed timetable, with additional meetings whenever necessary. Most meetings are connected with the publication of the Company's financial statements and interim reports, strategy, and budget cycle or the Annual General Meeting. The Board also holds a strategy meeting at which it considers the Group's future scenarios and confirms the Company's strategy. The Board usually conducts one or two of its meetings at rotating Fiskars locations, focusing on a specific business area.

The Board conducts an annual self-evaluation of its work and cooperation with management, facilitated by an external expert.

The Board of Directors evaluates the independence of each member according to the Corporate Governance Code in the constitutive meeting convened after the Annual General Meeting.

## **The Board of Directors in 2013**

The Annual General Meeting held on March 14, 2013 re-elected all nine members of the Board: Kaj-Gustaf Bergh, Ingrid Jonasson Blank, Ralf Böer, Alexander Ehrnrooth, Paul Ehrnrooth, Louise Fromond, Gustaf Gripenberg, Karsten Slotte and Jukka Suominen.

Convening after the Annual General Meeting, the Board of Directors re-elected Kaj-Gustaf Bergh as its chairman and Alexander Ehrnrooth and Paul Ehrnrooth as vice chairmen. The Board decided to establish an Audit Committee, a Compensation Committee and a Nomination and Strategy Committee.

All members of the Board are independent of the Company. Alexander Ehrnrooth, Paul Ehrnrooth and Louise Fromond are considered to be non-independent of major shareholders.

The Board of Directors convened nine times during 2013. The average attendance at Board meetings was 99%. Besides the regular annual Board work during the financial year, key priorities in 2013 included monitoring the implementation of the company's five-year investment program, the launch of the EMEA 2015 restructuring program and the integration of Royal Copenhagen. In addition, the board reviewed the company's strategic direction and long-term growth plans.

## Board Committees

The Board of Directors appointed three committees in 2013: an Audit Committee, a Compensation Committee, and a Nomination and Strategy Committee.

### Audit Committee

The Audit Committee is responsible for the following activities:

- Monitoring the reporting process used for the Company's financial statements
- Supervising the financial reporting process.
- Monitoring the efficiency of the Company's internal controls, internal auditing, and risk management
- Reviewing the description of the main features of the internal controls and risk management associated with the financial reporting process, as provided by the Company's administration and control system.
- Reviewing and monitoring the main legal actions, claims and other proceedings that Fiskars is involved in.
- Monitoring the statutory auditing of the Company's financial statements and consolidated financial statements.
- Evaluating the independence of the Company's statutory Auditors and the additional services provided by the Auditors.
- Drafting the proposal covering the selection of the Company's Auditors for the Nomination and Strategy Committee.

The following Board members belonged to the Audit Committee:

- Gustaf Gripenberg (Chairman)
- Alexander Ehrnrooth
- Paul Ehrnrooth
- Louise Fromond
- Karsten Slotte

The Audit Committee convened four times in 2013 and the attendance of members at meetings was 100%. Besides its ordinary work, the Audit Committee also monitored the progress of the company's five-year investment program and discussed the Company's sustainability management and reporting in 2013.

### Compensation Committee

The Compensation Committee is responsible for preparing matters related to the appointment and remuneration of the President and CEO and Group directors, as well as issues related to the Company's remuneration system.

The following Board members belonged to the Compensation Committee:

- Kaj-Gustaf Bergh (Chairman)
- Ralf Böer
- Ingrid Jonasson Blank
- Jukka Suominen

The Compensation Committee convened four times in 2013 and the attendance of members at meetings was 100%. In 2013, the Compensation Committee discussed the Company's compensation framework and bonus structure.

## Nomination and Strategy Committee

The Nomination and Strategy Committee is responsible for the following activities:

- Preparing proposals related to the composition of the Board for the General Meeting of Shareholders after consulting major shareholders.
- Preparing proposals for the General Meeting of Shareholders on the remuneration of Board members.
- Preparing proposals for the Board regarding the composition of the Board's committees.
- Preparing the proposal on the selection of the Company's Auditors based on the proposal of the Audit Committee.
- Confirming the criteria and processes to be used for evaluating the Board's work.
- Dealing with matters relating to the strategy of the Company in co-operation with the management and with focus on company's long-term initiatives.

The following Board members belonged to the Nomination and Strategy Committee:

- Kaj-Gustaf Bergh (Chairman)
- Alexander Ehrnrooth
- Paul Ehrnrooth

The Nomination and Strategy Committee convened ten times in 2013 and the attendance of members at meetings was 97%. Among the focus areas of the committee was preparing matters related to the company's long-term strategy.

# Board members, Dec 31, 2013

## **Kaj-Gustaf Bergh**

Born 1955, B.Sc., LL.M.

Chairman, elected to the Board in 2005

Chairman of the Compensation Committee and Nomination and Strategy Committee

Independent of the Company and significant shareholders

Managing Director of Föreningen Konstsamfundet r.f. 2006–

Primary working experience:

SEB Asset Management, Director 1998–2001, Ane Gyllenberg Ab,

Chief Executive Officer 1986–1998



Other positions of trust:

Chairman of the Board: Sponda Plc 2013–, KSF Media Holding Ab 2007–, Finaref Group Ab 1999–

Member of the Board: JM AB 2013 -, Wärtsilä Corporation 2008–, Julius Tallberg Oy Ab 2006–, Ramirent Group 2004–

## **Alexander Ehrnrooth**

Born 1974, M.Sc. (Econ.), MBA

Vice Chairman, elected to the Board in 2000

Member of the Audit Committee and Nomination and Strategy Committee

Independent of the Company and dependent on significant shareholders

CEO of Virala Oy Ab 1995–

Other positions of trust:

Chairman of the Board: Aleba Corporation 2003–, Belgrano Investments Oy 1999–

Member of the Board: Wärtsilä Corporation 2010–



## **Paul Ehrnrooth**

Born 1965, M.Sc. (Econ.)

Vice Chairman, elected to the Board in 2000

Member of the Audit Committee and Nomination and Strategy Committee

Independent of the Company and dependent on significant shareholders

Managing Director & Chairman: Turret Oy Ab 2005–

Other positions of trust:

Chairman of the Board: Savox Group 2004–

Vice Chairman of the Board: Ixonos Oyj 2010–

Member of the Board: Wärtsilä Corporation 2010–



## **Gustaf Gripenberg**

Born 1952, D. (Eng.)

Elected to the Board in 1986

Chairman of the Audit Committee

Independent of the Company and significant shareholders

Professor, Aalto University 1999–

Primary working experience:

Assistant professor, University of Helsinki 1987–1998



## **Ralf R. Böer**

Born 1948, Juris Doctor

Elected to the Board in 2007

Member of the Compensation Committee

Independent of the Company and significant shareholders

Primary working experience:

Partner, Foley & Lardner LLP 1981–,

Foley & Lardner LLP, Chairman and CEO 2002–2011

Other positions of trust:

Member of the Board: Plexus Corp. 2004–



## **Louise Fromond**

Born 1979, LL.M.

Elected to the Board in 2010

Member of the Audit Committee

Independent of the Company and dependent on significant shareholders

Primary working experience:

University of Helsinki, assistant and doctoral student 2004–2008

Other positions of trust:

Chairman of the Board: Oy Holdix Ab 2010–

Member of the Board: Louise and Göran Ehrnrooth Foundation 2013–,

Tremoko Oy Ab 2008–, Bergsrådinnan Sophie von Julins stiftelse 2004–,

Fromille Oy Ab 1998–



## **Ingrid Jonasson Blank**

Born 1962, M.Sc (Econ.)

Elected to the Board in 2010

Member of the Compensation Committee

Independent of the Company and significant shareholders

Primary working experience:

ICA Sverige AB, Executive Vice President 2004–2010

Other positions of trust:

Member of the Board: Orkla ASA 2013-, Matas A/S 2013- Royal Unibrew A/S 2013-, Musti ja Mirri Oy 2012-, Scandinavian Studios AB 2012-, Travel Support & Services Nordic AB 2012-, Ambea AB 2012-, ZetaDisplay AB 2010-, Bilia AB 2006–



## **Karsten Slotte**

Born 1953, B.Sc. (Econ.)

Elected to the Board in 2008

Member of the Audit Committee

Independent of the Company and significant shareholders

Primary working experience:

Fazer Group, President and CEO 2007–2013, Cloetta Fazer Ab (publ.), President 2002–2006, Cloetta Fazer Konfektyr Ab, Managing Director 2000–2002, Fazer Confectionery Ltd, Managing Director 1997–2000

Other positions of trust:

Member of the Board: The Onvest Group 2013-, Royal Unibrew A/S 2013-, Oriola-KD Corporation 2013-, Varma Mutual Pension Insurance Company 2009–, Finnish-Swedish Chamber of Commerce 2003–, Onninen Oy 2001–



## **Jukka Suominen**

Born 1947, M.Sc. (Eng.), B.Sc. (Econ.)

Elected to the Board in 2008

Member of the Compensation Committee

Independent of the Company and significant shareholders

Primary working experience:

EFFOA/Silja Oyj Abp, Vice President,

Senior Vice President, CEO, Group CEO 1975–2000

Other positions of trust:

Chairman of the Board: Lamor Corporation Ab 2005–2007, 2010–,

Rederiaktiebolaget Eckerö 2006–

Member of the Board: Huhtamäki Oyj 2005–



# President and CEO

The Board of Directors is responsible for appointing and, if necessary, dismissing the Managing Director, who also acts as the Group's President and CEO.

The President and CEO is responsible for the day-to-day management and administration of the Company, in accordance with the Company's Articles of Association, legislation, official regulations, and the instructions and orders of the Board. The President and CEO is also responsible for ensuring that the Company's accounting is in accordance with legal requirements and that assets are managed reliably. The President and CEO is assisted in these duties by the Executive Board.

The current President and CEO is Mr. Kari Kauniskangas, M.Sc. (Econ.) (b.1962). He joined the Company in 2008.

The Company does not have a CEO's deputy.

# Executive Board

The Executive Board of Fiskars Corporation consists of the management team responsible for corporate and Group-wide functions. Under the leadership of the President and CEO, the Executive Board prepares proposals for the Board and addresses issues related to the Group's strategy, resource allocation and the implementation of Fiskars common operating model and business model. The Executive Board also addresses issues related to Group-wide and corporate functions and their development. The Executive Board's duties also include stakeholder relations.

The Executive Board convenes monthly accordingly to a pre-confirmed timetable, with additional meetings whenever necessary. The Executive Board convened a total of nine times in 2013.

Among the key priorities for Fiskars Executive Board in 2013 were the implementation of the Company's five-year platform investment program in EMEA and the EMEA 2015 restructuring program.

The Executive Board follows the business areas' and sales regions' performance and plans using monthly and quarterly reports and meets regularly with the Presidents of the business areas and sales regions to follow up on key activities and to address strategies for business areas, brands and categories, as well as business model implementation.

In September 2013, Fiskars Executive Board was strengthened with two new members: the group's new Senior Vice President, Human Resources, Nina Ariluoma-Hämäläinen, and Chief Information Officer, Frans Westerlund.

To facilitate development of the Company's operations and the establishment of common processes and platforms, the heads of the Group's Human Resources and IT functions had previously been members of Fiskars Executive Team and had participated in Executive Board meetings.

In addition to the President and CEO, Kari Kauniskangas, the Executive Board members are the Group's Chief Strategy Officer, Max Alfthan, SVP, Human Resources, Nina Ariluoma-Hämäläinen, SVP, Supply Chain, Risto Gaggl, the General Counsel, Jutta Karlsson, and the CFO, Ilkka Pitkänen.

# Executive Board members, Dec 31, 2013

## **Kari Kauniskangas**

President and CEO, employed 2008

Born 1962, M.Sc. (Econ.)

Primary working experience:

Amer Sports Corporation, Head of Winter & Outdoor division 2007

Amer Sports Corporation, Senior Vice President,  
Sales & Distribution 2004–2007

Amer Sports Europe GmbH, President & GM 1999–2004

Positions of trust:

Member of the Board: Veho Group Oy Ab 2013–



## **Max Alfthan**

Chief Strategy Officer, employed 2008

Born 1961, M.Sc. (Econ.)

Primary working experience:

Amer Sports Corporation, Senior Vice President,  
Communications 2001–2008

Lowe & Partners, Managing Director 1998–2001

Oy Sinebrychoff Ab, Marketing Director 1989–1998

Positions of trust:

Member of the Board: Nokian Panimo Oy 2008–



## **Ilkka Pitkänen**

Chief Financial Officer, employed 2012

Born 1966, M.Sc. (Econ.)

Primary working experience:

DNA Group, CFO & Deputy to CEO 2010–2012

Metsäliitto Group, Executive Vice President & CFO 2005–2010

KONE Corporation, Vice President, Alliances & Acquisitions 2003–2005

KONE Italy Spa, Financial Director & Group Controller 2000–2003

KONE Corporation, Vice President, Corporate Controller 1998–2000



## **Jutta Karlsson**

General Counsel, employed 2006

Born 1963, LL.M.

Primary working experience:

LMR Attorneys-at-law, Legal Counsel 2004–2006

Council of the Baltic Sea States (Stockholm), Legal Advisor 2002–2004



## **Nina Ariluoma-Hämäläinen**

Senior Vice President, Human Resources, employed 2013

Born 1971, M.Sc. (Psych), EMBA

Primary working experience:

Nokia Siemens Networks Oy, Head of HR Region, North, East and West, Russia 2013

Nokia Siemens Networks Oy, Head of Region HR for North and East Europe, Russia, CIS and Turkey, Russia 2011-2013

Nokia Siemens Networks Oy, Head of HR for Global Sales 2008-2011

Nokia Oyj, Head of Business HR for Emerging Businesses 2005-2007

Nokia Oyj, Business HR Manager, Nokia Business Infrastructure 2001-2003

Nokia Oyj, Human Resources Manager, Nokia Ventures, US 1999-2000



## **Risto Gaggl**

Senior Vice President, Supply Chain, employed 2011

Born 1968, M.Sc. (Tech)

Primary working experience:

Fiskars, Vice President, Operations, Garden EMEA 2011–2012

Elcoteq SE, Vice President, Business Excellence 2010–2011

Elcoteq SE, Vice President, Business Unit Mobile Devices 2009–2010

Elcoteq Personal Communications,

Vice President, Operations & SCM 2008–2009

Elcoteq Group, various management positions in Finland, Hungary and Estonia 2001–2007



## **Frans Westerlund**

Chief Information Officer, employed 2009

Born 1966, M. Sc. (Econ.)

Primary working experience:

Nokia, Director, Process and System Solutions in Nokia Markets 2006–2009

Nokia, Director, Delivery Management in Nokia Information Management  
2001–2006

Nokia, Manager, Application Services in Nokia Singapore 2001

Nokia, various positions in Nokia Information Management 1994–2001



# Executive Team

Fiskars Group has four reporting segments: EMEA (Europe, Middle East and Asia-Pacific), Americas, Wärttilä (associated company) and Other (Real Estate, corporate headquarters and shared services).

The Company has three business areas: Home, Garden and Outdoor. The three business areas are managed under the two geographical segments: EMEA and Americas.

In the EMEA region, Fiskars has adopted a matrix organization to accelerate growth. In 2013, two sales regions – North and Central – carried the commercial responsibility for their respective regions. The heads of country sales units report to the respective Sales Region President.

The Executive Board, Presidents of Fiskars business areas, and Presidents of the EMEA Sales Regions form the Executive Team of the Company. The Executive Team meets a minimum of four times a year to discuss the implementation of the integrated company strategy, the implementation of common operating and business models, and corporate business performance and opportunities.

The Presidents of Fiskars business areas and sales regions are responsible for the day-to-day operations and development of their units and for ensuring that their businesses comply with the requirements of local laws, regulations, and Fiskars Code of Conduct.

They are also responsible for ensuring that the subsidiaries associated with their businesses have the appropriate resources needed for their businesses.

The Presidents of each business area and sales region are assisted in these duties by their own leadership teams. To facilitate close cooperation between the sales units and business units, the Presidents of EMEA sales regions participate in EMEA business area leadership team meetings.

In 2013, Fiskars Executive Team members, in addition to the Executive Board, were as follows:

- Thomas Enckell, President, Garden EMEA
- Axel Goss, President, Sales Region Central
- Jakob Hägerström, President, Sales Region North
- Teemu Kangas-Kärki, President, Home EMEA
- Jason Landmark, President, Outdoor Americas until November 1, 2013
- Juha Lehtola, President, Boats
- Timo Leskinen, VP, HR until July 31, 2013
- Paul Tonnesen, President, Garden & SOC, Americas

# Executive Team members, Dec 31, 2013

## **Thomas Enckell**

President, Garden, Europe and Asia-Pacific, employed 2007  
Born 1963, M.Sc. (Econ.)

Primary working experience:

Iittala Group, Sales Director, Wholesale 2007

Iittala Group, Group Director, Iittala Brand and International Sales 2003–2007

Iittala Group, Business Area Director 2000–2003

Designor, Business Area Director 1996–2000

Positions of trust:

Member of the Board: Stala Oy and Stala Tubes Oy 2008–



## **Axel Goss**

President, Sales Region Central, employed 2012  
Born 1961, M.Sc. (Econ.)

Primary working experience:

Reckitt Benckiser, Area Sales Director, Europe 2006–2012

Reckitt Benckiser, Director, Global Customer Development, Global Sales  
2001–2006

Reckitt Benckiser, Regional Sales Director, Europe, Private Label 1998–2000



## **Jakob Hägerström**

President, Sales Region North, employed 2009

Born 1971, M.Sc. (Econ.)

Primary working experience:

Fiskars Home, Vice President, Sales 2009–2011

Samsung Electronics Nordic Ab, Head of Marketing, Finland 2009

L'Oréal Finland Oy, General Manager,

Consumer Products Division 2005–2008

L'Oréal Finland Oy, Product and Marketing Manager 1999–2003



## **Teemu Kangas-Kärki**

President, Home, employed 2008

Born 1966, M.Sc. (Econ.)

Primary working experience:

Fiskars Corporation, Chief Financial Officer 2008–2012

Alma Media Corporation, Chief Financial Officer 2003–2008

Kesko Group, Vice President, Corporate Controller 2002–2003

Kesko Group, Corporate Business Controller 2000–2001

Suomen Nestlé Oy, Finance Director 1999–2000

Smith & Nephew Oy, Financial Manager 1996–1998

Unilever Oy & GmbH, Marketing Controller and Internal Auditor 1992–1996



## Juha Lehtola

President, Boats, employed 2009

Born 1966, M. Sc. (Econ.)

Primary working experience:

Stora Enso Oyj, Senior Vice President 2007–2009

Stora Enso Oyj, Vice President, New Business Innovations 2003–2007

Stora Enso Oyj, Vice President, New Business Areas 2002–2003

Stora Enso Packaging Sp., Managing Director 1999–2002



## Paul Tonnesen

President, Garden & SOC, Americas, employed 2007

Born 1964, MBA, B. Sc. (Marketing)

Primary working experience:

Elmer's Products, Inc., Corporate Officer and Senior Vice President Global Sales and Customer Service 2005–2007

Spectrum Brands, Corporate Officer and Vice President Sales 2002–2005

American Safety Razor, Corporate Officer and Vice President Sales and Category Marketing 1998–2002

Positions of trust:

Member of the Board: Milwaukee Institute of Art & Design 2011–,

Boys and Girls Club 2011–, Le Moyne College School of Business 2011–



# Control systems

The Board of Directors is responsible for the appropriate management and organization of operations. The Board of Directors has approved the principles of internal control, risk management, and internal auditing to be followed within the Group.

In practice, it is the responsibility of the President and CEO, together with the management to put in place and oversee accounting and control mechanisms and other similar mechanisms.

The Risk Management function supports identification, evaluation, and management of risks that may threaten the achievement of Fiskars business goals.

## **Code of Conduct**

Fiskars objective is to pursue long-term profitable business in an ethical and responsible manner. The way of operating for all Fiskars employees, including directors and officers, is defined in the Company's Code of Conduct. The Code of Conduct shall be complied with by all companies belonging to Fiskars Corporation and shall be supplemented by local laws and regulations in case they impose stricter rules. All company rules, guidelines and practices in Fiskars companies must be in full compliance with the Code of Conduct.

All Fiskars employees participate in regular training on the Code of Conduct. The Internal Audit Manager acts as the Corporate Compliance Officer for this Code.

## **Internal audit**

The Internal Audit function is responsible for auditing and reviewing how well internal control systems function, the appropriateness and efficiency of functions, and how well guidelines are observed.

The Internal Audit function also strives to promote the development of risk management practices in the Group's business units. The Parent Company has an internal audit manager, who is administratively subordinate to the President and CEO, but reports to the Audit Committee.

## **Auditing**

The task of statutory auditing is to verify that Fiskars financial statements and Board of Director's report provide accurate and adequate information on the company's results and financial position. In addition, auditing includes an audit of Fiskars accounting and administration.

The Company's Annual General Meeting elects an auditor. The auditor is elected for a term that expires at the end of the following Annual General Meeting.

The Annual General Meeting in 2013 elected KPMG Oy Ab, Authorized Public Accountant Virpi Halonen having the principal responsibility.

A total of EUR 0.8 million was paid in audit fees to the auditors employed by Group companies in 2013. In addition, a total of EUR 0.8 million was paid to the auditors in fees for other consultancy services related to tax matters and other advisory services.

## **Insider administration**

Fiskars applies the insider regulations of NASDAQ OMX Helsinki that came into force on October 9, 2009. In addition, the Company has its own insider regulations that were last updated on January 1, 2013.

The Company's Public Insiders include the members of the Board, the President and CEO, the Executive Board, the Presidents of the business areas and EMEA sales regions and the Company's Auditors. Fiskars also has a Company-specific insider register as well as a separate project-based register which is maintained for projects that, on completion, may have an impact on the Company's share value.

Fiskars Corporation's Legal Department maintains lists of insiders. Information on Public Insiders can be consulted at Euroclear Finland Ltd., Urho Kekkosen katu 5 C, 00100 Helsinki, tel. +358 20 770 6000 and the Company's website, [www.fiskarsgroup.com](http://www.fiskarsgroup.com).

## **Internal control and risk management systems related to financial reporting**

The financial reporting process refers to activities that generate financial information used in managing the Company and the financial information published in accordance with the requirements of legislation, standards, and other regulations covering the Company's operations.

The role of internal control is to ensure that the Company's management has access to up-to-date, sufficient, and essentially accurate information needed for managing the Company and that the financial reports published by the Company provide an essentially accurate view of the Company's financial position.

## **Governance**

The Parent Company has a Group-level financial management organization that operates under the leadership of the CFO. Financing and financial risk management belong to the Group Treasury function under the responsibility of the CFO.

The business areas and sales regions are run by their own leadership teams. All the business areas as well as EMEA sales regions have their own financial management organizations.

The business areas and country legal units within the sales regions comprise the base level of financial reporting. Business units and country sales units are responsible for organizing their own financial management and for the accuracy of their financial reporting.

With the support of the Company, the business areas and sales regions are responsible for the day-to-day risk management associated with their operations and for monitoring the operations of the finance departments of individual business units and country sales units.

The Internal Audit function audits and monitors the efficiency of the reporting process and assesses the reliability of financial reporting.

The Group's Audit Committee, the Group's Board of Directors, the Executive Board, and the leadership teams of each business area and sales region monitor the development of the financial situation and analyze progress on targets on a monthly basis.

## **Planning and performance reporting**

Setting and monitoring financial targets is an important part of Fiskars management responsibilities. Short-term financial targets are set as part of the annual planning cycle, and progress in achieving these targets is monitored on a monthly basis. Business areas and country legal units report actual financial data monthly and file quarterly projections of how financial performance is expected to develop over the remainder of the reporting period. Additionally, business areas and EMEA sales regions update the outlook for the remainder of the reporting period on a monthly basis on an aggregated level.

The Group's financial performance is reviewed monthly using a reporting system that covers all units and operations.

Information from reporting units is consolidated and validated by the Group's financial organization and the data is used to prepare a monthly report for senior management. Monthly reports contain condensed income statements for Fiskars operational segments and business areas and EMEA sales regions, key indicators, and an overview of the major events affecting their businesses. Reports also include a consolidated income statement, balance sheet data, cash flows, and a projection of the expected development of the financial situation covering the remainder of the reporting period.

## **Accounting principles and financial IT systems**

Financial reporting is governed by a set of common principles. The Group applies the IFRS accounting standards approved within the EU and has a common Group chart of accounts. The Group's financial management organization has drawn up guidelines for units, covering the content of financial reporting and the dates within which reporting must take place.

Business units and country sales units make use of a number of different accounting and financial reporting systems. Group-level financial reporting is handled using one centrally-managed system. Business units and business areas, as well as EMEA country sales units and sales regions, are responsible for providing data for the Group's reporting system. The Group-level financial management organization is responsible for maintaining the Group's reporting system and for monitoring that appropriate and correct data is fed into the system.

As part of the five-year development program the Company is in the process of implementing a common enterprise resource planning system (ERP) in the EMEA region in order to simplify the financial reporting process and reduce risks associated to the management of several different systems in parallel. The new system will be implemented in phases. The first implementation took place in late 2011, and by the end of 2013 approximately 60 % of business volume targeted by the program was running through the common system.

# Risk management

The overall objective of risk management is to identify, evaluate, and manage risks that may threaten the achievement of the Company's business goals. The aim is to secure personnel and assets, ensure the uninterrupted delivery of products to customers, and protect the Company's reputation, brands, and shareholder value from developments or damage that may undermine the Company's profitability or adversely affect its assets.

In relation to financial reporting, the task of risk management is to identify potential threats affecting the financial reporting process that, if they were to become reality, could lead to a situation in which management lacked the up-to-date, sufficient, and essentially accurate information needed to manage the Company and in which financial reports published by the Company did not provide an essentially accurate picture of the Company's financial position.

The principles observed in risk management are included in the risk management policy approved by the Board of Directors. The Board's Audit Committee oversees the efficiency of risk management systems. Responsibility for identifying, evaluating, and also, to large extent, managing Fiskars risks is delegated to business units and support functions. The Group Treasury is responsible for developing and maintaining the methods, tools, and reporting associated with risk management. In addition, it carries out regular risk assessments together with business units and support functions and assists in the preparation of action plans based on the results of these assessments.

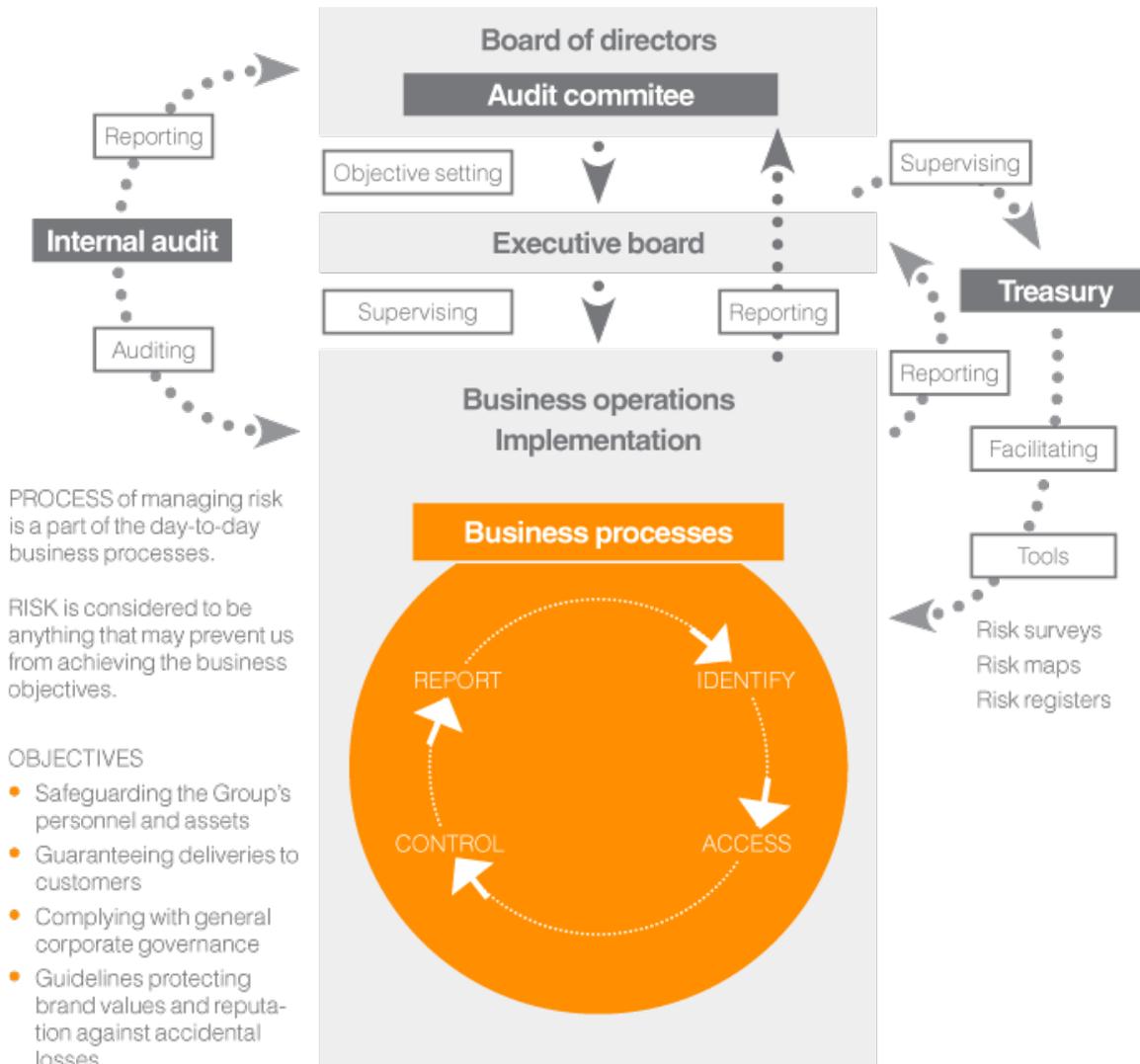
Fiskars has taken out extensive insurance to provide cover for the Group's main assets, business interruptions, transportation, and liabilities. Insurance matters, with the exception of certain types of local insurance, are managed centrally by the Group Treasury. The Group Treasury manages financial risks in accordance with principles approved by the Board of Directors.

Fiskars manages the risks associated with its financial reporting process in a number of ways including the following:

- Maintaining and resourcing an appropriate financial management organization.
- Limiting the rights and responsibilities of individual members of staff appropriately.
- Managing the user rights that give access to the Group's reporting system centrally.
- Issuing guidelines on accounting and reporting.
- Maintaining a common Group chart of accounts.
- Making effective use of IT tools.
- Providing ongoing training for personnel.
- Validating the accuracy of information that is reported as part of the reporting process.

The Company is currently unifying its financial processes and implementing modern IT tools as part of its five-year development program in the EMEA region. With regards to risk management, the objectives are to increase the number of internal checks and controls and to improve the transparency and quality of information used in management decision-making.

## Risk management framework



## **Principal uncertainties**

### **Customer relationships and distribution**

As Fiskars produces and sells consumer products, general market conditions and a decline in consumer demand in key market areas in Europe and North America could have a material adverse effect on the Company's net sales and profitability.

Fiskars products are primarily sold to wholesalers, retailers, and directly to consumers through its own stores. Sales to large individual customers are significant in some businesses, but none of the customers account for more than 10% of the total net sales of the Group. As some major customers decide on their product range and suppliers only once annually, failure to meet customer needs may result in Fiskars losing customers, and the loss of even a small number of major customers or disruption in the activities of a specialized distribution channel could have an adverse effect on Fiskars business and profits.

### **Supply chain**

A significant proportion of the products sold by Fiskars are manufactured by external suppliers and, in addition, the Company purchases components and raw materials from several suppliers. By making greater use of outsourcing the Company is increasingly exposed to risks related to its outsourced supply chain. In addition, the company is consolidating its supplier base and its dependency on certain key suppliers is increasing. Most of the suppliers are located in Asia, which is far from the Company's key markets, and disturbances at the source of supply or in the logistics chain could prevent the orderly delivery of products to customers.

Fiskars is also increasingly exposed to legal, economic, political, and regulatory risks related to the countries of its suppliers. When selecting its suppliers, the Company emphasizes delivery performance, suppliers' ability to react to changes in demand, quality, and ethical aspects of suppliers' operations. Fiskars requires its partners to commit to principles covering labor and human rights, health and safety, the environment, and business ethics. Suppliers are required to follow Fiskars Supplier Code of Conduct, and audits are carried out to verify compliance.

The importance of a seamlessly functioning supply chain continues to increase and Fiskars is continuously strengthening its global sourcing operations. The Company currently runs regional sourcing offices in Shanghai, Bangkok, and Helsinki and focuses on value creation by harmonizing sourcing processes and supplier-base management principles on a global scale.

### **Raw materials and components**

The most important raw materials used in Fiskars products are steel, aluminum, and plastics. Sudden fluctuations in raw material, component, and energy prices or availability can have an impact on the Company's profitability. Fiskars uses long-term contracts with some of its raw material suppliers to manage price risks, and derivatives are used to hedge the price of electricity for production plants in Finland.

## **Currency rates**

A significant proportion of the Group's operations is located outside of the eurozone. Consolidated financials are reported in euros and changes in foreign exchange rates may have an adverse impact on the reported net sales of the Group, its operating results, and balance sheet. Changes in foreign exchange rates may also impact Fiskars competitiveness negatively. The Company aims to manage currency risks related to commercial cash flows primarily through business means. Acquisition of production inputs and sale of products are primarily denominated in the local currencies of the Group companies. Most of the estimated exports and imports in foreign currencies are hedged up to 12 months in advance.

## **Brands and corporate reputation**

Fiskars has a number of global, regional, and local brands in its portfolio. Any adverse event affecting consumer confidence towards Fiskars or its brands could have a detrimental impact on its business. Fiskars monitors its corporate reputation and the performance of its leading brands closely, and is committed to taking appropriate action to mitigate any threat to brand value or corporate reputation.

## **Product offering**

It is essential for the Company to offer products appealing to consumers. Failing to meet evolving consumer preferences or adverse changes in the competitive landscape would impact the financial performance of the Company. Fiskars manages these risks by constantly renewing its products and services to meet the needs of consumers and trade customers.

Fiskars offers a wide variety of products to be used in the home, the garden, and outdoors. Most products are sold in several geographical markets. A severe manufacturing or design defect may require corrective actions which can negatively impact the Company's sales and profitability. Fiskars manages the risk by applying systematic new product development process and strict quality assurance controls.

## **Weather and seasonal dependence**

Some product groups, particularly garden tools during the spring and snow tools during the winter, can be affected by the weather. Unexpected weather conditions can have a negative impact on sales of these products. Sales of homeware products are heavily geared towards the last quarter of the year, and any negative issues related to product availability or demand during this quarter could affect the full-year result of this business significantly.

## **Investment and restructuring programs in the EMEA region**

In December 2010, Fiskars launched a five-year development program in the EMEA region with an investment of approximately EUR 65 million. This program was launched to ensure competitiveness through well-functioning processes and systems which enable shared functions and structures. In June 2013, the company announced a restructuring program entitled "EMEA 2015" to optimize operations and sales units in the EMEA region. The total cost of the program is estimated be around EUR 25–30 million in 2013 and 2014. The programs may be delayed or the planned objectives may not be achieved if the Company fails to execute the programs as planned. Dedicated project teams, also including external advisors, have been established to implement the programs. The corporate management team monitors the progress of the programs and their status is regularly reported to the Board of Directors.

## **Acquisitions**

Despite a careful due diligence process, all acquisitions include risks. Fiskars mitigates these risks by planning the integration of acquired businesses in advance, by establishing Fiskars corporate governance principles immediately after the takeover, by setting up a joint integration team and by following the integration and the development of the new company intensively within its corresponding management team, the Executive Board and the Board of Directors of Fiskars.

## **Associated company**

Fiskars has a substantial investment in an associated company, Wärtsilä Corporation. Major changes in Wärtsilä's share price, profitability, or dividend would have a material impact on Fiskars.

# Fiskars remuneration statement for the year 2013

## Board's remuneration

The Annual General Meeting decides on the remuneration of the Board of Directors. The Board's Nomination Committee is responsible for preparing proposals for the General Meeting of Shareholders on the remuneration of Board members.

In 2013, the Annual General Meeting decided on the following annual remuneration for the members of the Board of Directors:

- Chairman of the Board: EUR 80,000
- Vice Chairman of the Board: EUR 55,000
- Members of the Board: EUR 40,000

In addition, the Board members are paid EUR 600 per Board or Committee meeting, the Chairman of the Board EUR 1,100 per Board and Committee meeting, and the Chairman of the Audit Committee EUR 1,100 per Audit Committee meeting. The fees for Board members residing abroad per Board and Committee meeting are doubled. In addition, members are reimbursed for their travel and other expenses incurred as a result of their activities on behalf of the Company.

Compensation paid to the members of the Board totaled EUR 540,800 in 2013. The members of the Board are not included in Fiskars incentive schemes and they are not employed by the Company.

## Remuneration paid to the members of the Board of Directors for the year 2013

Name	Annual remuneration (EUR)	Meeting remuneration (EUR)	Total (EUR)
Kaj-Gustaf Bergh, Chairman	80,000	24,200	104,200
Alexander Ehrnrooth, Vice Chairman	55,000	13,800	68,800
Paul Ehrnrooth, Vice Chairman	55,000	13,800	68,800
Ralf Böer	40,000	13,200	53,200
Louise Fromond	40,000	7,800	47,800
Gustaf Gripenberg, Chairman of the Audit Committee	40,000	9,800	49,800
Ingrid Jonasson Blank	40,000	13,200	53,200
Karsten Slotte	40,000	7,200	47,200
Jukka Suominen	40,000	7,800	47,800
<b>Total</b>	<b>430,000</b>	<b>110,800</b>	<b>540,800</b>

## **Fiskars compensation philosophy**

Fiskars compensation philosophy is based on its core belief that all things – even the simplest – can be made better and smarter through our continuous quest for improvement. Our compensation structures are designed to be market-relevant and performance-based – outstanding performance is rewarded more than average performance. For most of Fiskars employees, from factory floor to senior management, compensation consists of a base salary, bonus and benefits. The total compensation including bonus should be competitive against the relevant market. For all employees, salary is based upon home country, level of responsibility, contribution to the business, experience and performance. The bonus practice is based upon a philosophy of continuous improvement, which means that Fiskars pays bonuses only when it is able to improve business performance compared to the previous year.

## **Main features of the Executive Board's remuneration**

The Board appoints the Managing Director (President and CEO) and confirms the terms of his employment and other compensation. The Board is also responsible for appointing the members of the Executive Board, approving their terms of employment and other compensation, and deciding on the principles for the Group's compensation systems. The Compensation Committee is responsible for preparing matters related to these topics.

In addition to base salary, Fiskars offers its executives variable pay programs to further promote high performance. The company has established an Annual Bonus Plan and a Long-term Incentive Plan.

Executive Board members have voluntary, contribution-based additional pension insurance. Fiskars Corporation has no share-based remuneration programs in place.

## **Incentive Plan design**

Both Fiskars Annual Bonus Plan and its Long-term Incentive Plan are designed to reward for achievements against pre-established goals. Incentive Plan participants are assigned a "target level" that will dictate the incentive payout as a percentage of base pay. Incentive targets represent an overall target opportunity and are not a guarantee that a payout will be made.

Actual incentive payments will be made on the basis of performance against "plan metrics". The plan metrics may consist of a mix of financial metrics, operational metrics and personal goals. The potential payout ranges from nothing to a maximum percentage of each participant's annual salary. The maximum level for the President and CEO and the other members of the Executive Board is 1.5 times the target level.

Participants in the Long-term Incentive Plan are selected by the Board of Directors annually, and the Board also decides on the earning criteria based on financial targets for the plan annually. The long-term incentive targets are purely financial and, in 2013, they were tied to the Company's consolidated net sales and operative cash flow.

The earning period for the Long-term Incentive Plan is one year, which is followed by a two-year vesting period. The bonus will be paid during the quarter following the vesting period. The bonuses for performance in 2013 will be paid during the first quarter of 2016.

A positive change in the value of the Company's shares related to its own operations (excluding the impact of Wärttilä on the share price) during the vesting period may increase the final payout by up to 50%.

### Principles of the Presidents and CEO's incentive scheme in 2013

	Minimum	Target	Maximum	Maximum final payout after vesting period *
Annual Bonus Plan, % of annual base salary	0	60%	80%	N/A
Long-term Incentive Plan, % of annual base salary	0	60%	90%	135%

\* Depending on the development of the value of the Company's shares related to its own operations, excluding Wärttilä's impact on the share price.

### Principles of the Executive Board's incentive scheme in 2013

	Minimum	Target	Maximum	Maximum final payout after vesting period*
Annual Bonus Plan, % of annual base salary	0	20—60%	30—90%	N/A
Long-term Incentive Plan, % of annual base salary	0	20—40%	30—60%	45—90%

\* Depending on the development of the value of the Company's shares related to its own operations, excluding Wärttilä's impact on the share price.

### Bonuses earned and accrued through the Long-term Incentive Plan

Earning period To be paid*	2011	2012	2013
	2014	2015	2016
CEO (EUR)	286,230	95,256	233,137
Other members of the Executive Board (EUR)	220,942	70,936	181,209

\* after having been adjusted by share price multiple.

## **President and CEO's remuneration**

The President and CEO's compensation consists of a salary, annual bonus and the Long-term Incentive Plan. The President and CEO's target bonus corresponds to 60% of his annual salary. In 2013 the financial targets of the Annual Bonus Plan were related to net sales growth, EBT excluding Wärtsilä, and gross profit margin and cash flow. The financial targets of the Long-term Incentive Plan were related to net sales and EBIT.

The President and CEO is provided with a voluntary supplementary contribution-based pension, under which the Company contributes 20% of his annual salary excluding bonuses.

The President and CEO's employment contract will end when he reaches the age of 60. The President and CEO and the Company have a notice period of six months. Remuneration on dismissal by the Company is 12 months' basic salary, in addition to salary for the six-month notice period.

The salary, benefits, and bonuses paid in 2013 to the President and CEO, Kari Kauniskangas, totaled EUR 1,013,692. Basic salary accounted for EUR 404,736, bonuses for the 2012 result came to EUR 247,542 and bonuses for 2010 through the Long-term Incentive Plan came to EUR 361,414.

During the 2013 earning period, the President and CEO earned bonuses through the Long-term Incentive Plan, excluding any possible increase due to changes in the share price, of EUR 233,137. These long-term bonuses for performance in 2013 will be paid during first quarter of 2016.

## **Principles of the President and CEO's Long-term Incentive Plan 2013-2014**

In August 2012, the Board of Directors decided to launch a revised Long-term Incentive Plan for the President and CEO and set his targets for the earning periods of 2013 and 2014 in order to compensate him for accelerated profitable growth and reward him for continuously improving performance.

The President and CEO's compensation level in 2014 was set at 30–270% of his annual salary. The final payout is, however, dependent on the Company's share price development during the vesting period. A positive change in the value of the Company's shares related to its own operations (excluding the impact of Wärtsilä on the share price) may increase the final payout by up to 200 % and a negative change may decrease the final payout by up to 50%.

The earning period for the bonus is one year, which is followed by a vesting period. Half of the bonus vests after one year and the other half vests after two years. The final bonus will be paid during the quarter following the vesting period.

## Remuneration of the President and CEO in 2013

	2013	2012
Basic salary (EUR)	404,736	403,744
Annual bonus for previous year (EUR)	247,542	234,354
Bonus paid through long-term incentive plan (EUR)	361,414	409,500
<b>Total (EUR)</b>	<b>1,013,692</b>	<b>1,047,598</b>
Voluntary pension contribution by the company (EUR)	80,749	77,963

The figures in this remuneration are presented on a cash basis. The remuneration of the President and CEO and the rest of the Executive Board are presented on an accrual basis in the notes to Fiskars financial statements for 2013.

### Executive Board's remuneration

The Executive Board's Annual Bonus Plan in 2013 was designed to provide a target bonus equivalent to 20–60% of their annual salary. The earning criteria were tied to the Group's financial targets and, secondarily, to personal, function-specific targets. In 2013, the financial targets were mainly related to net sales growth, EBT excluding Wärtsilä, and gross profit margin. Members of the Executive Board can also be included in a Long-term Incentive Plan.

The members of the Group's Executive Board have voluntary, contribution-based additional pension insurance under which the Company contributes 14–20% of their annual salaries excluding bonuses. Their retirement ages vary between 60 and 68 years.

In 2013, salaries, benefits, and bonuses paid to the members of the Executive Board (excluding the President and CEO) totaled EUR 1,193,274. Basic salaries accounted for EUR 888,068. Bonuses for the 2012 result came to EUR 184,856 and bonuses paid through the Long-term Incentive Plan for 2010 amounted to EUR 120,350.

During the 2013 earning period, bonuses earned through the Longterm Incentive Plan, excluding any possible increase due to changes in the share price, totaled EUR 181,209 for the Executive Board (excluding the President and CEO). These bonuses will be paid during the first quarter of 2016.

## Remuneration of the other members of the Executive Board\* in 2013

	2013	2012
Basic salary (EUR)	888,068	722,586
Annual bonus for previous year (EUR)	184,856	255,740
Bonus paid through long-term incentive plan (EUR)	120,350	414,005
<b>Total (EUR)</b>	<b>1,193,274</b>	<b>1,392,330</b>
Voluntary pension contribution by the company (EUR)	142,461	98,736

\*Including Nina Ariluoma-Hämäläinen and Frans Westerlund starting from 16.9.2013.

The figures in this remuneration are presented on a cash basis. The remuneration of the President and CEO and the rest of the Executive Board are presented on an accrual basis in the notes to Fiskars financial statements for 2013.