

5 February 2013

# Corporate Governance Statement

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## 1. General principles

The operations and activities of Orion Corporation and its subsidiaries (the Orion Group) are based on compliance with laws and regulations issued thereunder, as well as with ethically acceptable operating practices. The tasks and duties of the different governance bodies of the Group are determined in accordance with legislation and the corporate governance principles of the Group.

In its governance, Orion Corporation follows the Finnish Corporate Governance Code 2010 for companies listed on NASDAQ OMX Helsinki. Orion Corporation deviates from the Code's recommendation No. 22 concerning the election of members to the Nomination Committee, which can also include persons other than members of the Board. The Company considers the exception justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members.

The Corporate Governance Statement of the Orion Group presented in connection with the latest annual Financial Statements as a separate report from the Report by the Board of Directors, as well as a description of the governance updated after its date are available at [www.orion.fi/corporate-governance](http://www.orion.fi/corporate-governance). The Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

## 2. Management system

The management system of the Orion Group consists of the Group-level functions and Business Divisions. In addition, the system includes the organisation of the administration of the legal entities. For the steering and supervision of operations, the Group has a control system for all levels.

The management of the whole Group takes place at the Group level. The following are examples of management of the whole Group at the Group level:

- determination and follow-up of the Group strategy
- the basic organisation and the steering and supervision of the operations of the Business Divisions
- the largest investment decisions
- issues concerning the entire parent company and the Group

The business operations of the Group take place in Business Divisions. The different Group-level functions provide services to the Business Divisions, each function being responsible for organising its own responsibility area Group-wide.

### 2.1. Group level

#### 2.1.1. Parent company Orion Corporation

The parent company of the Group is Orion Corporation, whose shareholders exercise their decision-making power at a General Meeting of Shareholders in accordance with the Limited Liability Companies Act and the Articles of Association. The Company is not aware of any agreements between shareholders other than information on the exercise of voting rights notified to the Company mentioned in connection with listing of the Company's largest shareholders.

The list of the largest shareholders is available at [www.orion.fi/shareholder-base](http://www.orion.fi/shareholder-base).

#### 2.1.2. Board of Directors of the parent company

The Board of Directors of the parent company comprises at least five and at most eight members elected by a General Meeting of Shareholders. The term of the members of the Board of Directors ends at the end of the Annual General Meeting of Shareholders following the election. A General Meeting of Shareholders elects the Chairman of the Board of Directors, and the Board of Directors elects the Vice Chairman of the Board of Directors, both for the same term as the other members. A person who has reached the age of 67 may not be elected a member of the Board of Directors.

The Board of Directors manages the operations of the Company in accordance with the provisions of the law and the Articles of Association. The Board of Directors of the parent company also functions as the so-called

Group Board of Directors. It handles and decides all the most important issues relating to the operations of the whole Group or any units irrespective of whether the issues legally require a decision of the Board of Directors. The Board of Directors may handle any issue relating to a company or unit of the Orion Group if deemed appropriate by the Board of Directors or the President and CEO of the parent company. The Board also makes sure that good corporate governance practices are followed in the Orion Group. The Board's charter includes a list of key matters to be handled by the Board of Directors.

The Board of Directors has an **Audit Committee**, a **Remuneration Committee** and an **R&D Committee**. The members of the committees are elected from the Board members by the Board of Directors. The designated auditor of the Company's auditor also attends the meetings of the Audit Committee. The committees prepare matters belonging to their sphere of responsibility and make proposals on these matters to the Board of Directors.

In addition to the committees composed of Board members, the Company has a **Nomination Committee** which can also include persons other than members of the Board.

### **2.1.3. President and CEO of the parent company**

The President and CEO of the parent company is elected by the Board of Directors. In accordance with the Limited Liability Companies Act, the President and CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board of Directors. In addition, the President and CEO ensures that the bookkeeping of the Company complies with the law and that its asset management is arranged in a reliable way.

The President and CEO of the parent company manages the Group's business operations via the Business Divisions. Accordingly, the executives responsible for the Business Divisions report to the President and CEO. The President and CEO carries out the steering and supervision of the operations of the divisions with the assistance of the Executive Management Board and the Group-level staff functions.

### **2.1.4. Executive Management Board**

The Executive Management Board includes the President and CEO as Chairman, and other persons appointed by the Board of Directors of the parent company as members. The Executive Management Board assists the President and CEO in decision-making.

The Executive Management Board handles all important issues relating to the whole Group and its units, including all the matters of the Business Divisions or line functions that are to be handled by the Board of Directors of the parent company. However, the President and CEO can, if considered appropriate, decide not to take a matter to the Executive Management Board.

### **2.1.5. Staff functions**

The Group-level staff functions participate in the steering and supervision of the operations of the units belonging to the Group as part of the management and control system. In this task they assist the President and CEO in the management of the Group.

The staff functions are in charge of, among other things, the following Group-level functions: finance, treasury, investor relations, human resources, legal affairs, intellectual property rights, communications, internal audit, insider administration and information management.

## **2.2. Business Divisions and line functions**

### **2.2.1. Business Divisions**

The operations of the Group are organised into Business Divisions. Each Business Division is managed by an executive who is responsible for the operations and operative management of the Business Division and who reports to the President and CEO.

### 2.2.2. Line functions

The line functions provide function-specific support and services to all Business Divisions within the Group. The responsibilities of the line functions include:

- sales and marketing
- supply chain
- research and development

### 2.3. Administration of legal entities

From the point of view of business operations, the Group subsidiaries operate in accordance with the Group's management system. In matters that are not directly subject to any Business Division or line function, the subsidiaries operate in accordance with instructions by the President and CEO of the parent company.

## 3. General Meeting of Shareholders

The Annual General Meeting of the Shareholders of Orion Corporation shall be held by the end of May each year on a date decided by the Board of Directors. A shareholder intending to attend a General Meeting of Orion Corporation must be registered as a shareholder in the Company's shareholder register maintained by Euroclear Finland Ltd on the record date of the General Meeting, and the shareholder must submit a notice of attendance to the Company no later than on the date specified in the notice to convene, which can be at the earliest ten days prior to the meeting. A notice to convene a General Meeting of the Shareholders of Orion Corporation shall be published in one daily newspaper of the capital region no earlier than two months and no later than three weeks prior to the General Meeting, however at least nine days prior to the record date of the General Meeting of Shareholders.

At a General Meeting of Shareholders a shareholder may vote the number of votes conferred by the shares held on the record date. Each A share of Orion Corporation entitles its holder to twenty (20) votes at General Meetings of Shareholders and each B share one (1) vote. However, exceptionally, a shareholder cannot vote more than 1/20 of the aggregate number of votes from the different share classes represented at the General Meetings of Shareholders.

Decisions at a General Meeting of Shareholders shall be taken through the decision-making process of the Limited Liability Companies Act and the Articles of Association.

The Annual General Meeting of Shareholders shall be presented:

- the Financial Statements, including the Consolidated Financial Statements and the Report by the Board of Directors
- the Auditor's Report

shall decide on:

- adoption of the Financial Statements and the Consolidated Financial Statements
- use of the profits available according to the Statement of Financial Position
- discharge from liability of the members of the Board of Directors and the President and CEO
- the number of members of the Board of Directors
- the fees payable to the members of the Board of Directors and the auditor

shall elect:

- the members of the Board of Directors, with the person or persons receiving the most votes from the General Meeting of Shareholders being elected
- the Chairman of the Board from among the members of the Board of Directors
- the auditor

shall consider:

- Other matters separately mentioned in the convening notice.

## 4. Board of Directors

### 4.1. Members of the Board of Directors as of 20 March 2012

	Board of Directors	Born	Education	Main position
Hannu Syrjänen	Chairman	1951	B.Sc. (Econ.), Master of Laws	Chairman of the Board of Directors
Jukka Ylppö	Vice Chairman	1955	M.Sc. (Eng.), M.Sc. (Econ.)	Senior Advisor on development of control systems for industrial electric drives, ABB Corporation
Sirpa Jalkanen	Member	1954	M.D.	University of Turku Vice Dean, Professor of Immunology
Eero Karvonen	Member	1948	M.Sc. (Eng.)	Owner and Managing Director of EVK-Capital Oy
Timo Maasilta	Member	1954	M.Sc. (Eng.)	Managing Director of Maa- ja vesitekniikan tuki ry and Tukinvest Oy
Heikki Westerlund	Member	1966	M.Sc. (Econ.)	Senior partner of Capman Plc

Information about the members of the Board of Directors is available at [www.orion.fi/board-members](http://www.orion.fi/board-members). Up-to-date information on the holdings in Orion of the members of the Board of Directors is available at [www.orion.fi/insider-register](http://www.orion.fi/insider-register).

### 4.2. Independence of the Board members

Based on an evaluation, the Board of Directors has determined that all the members are independent of the Company and its significant shareholders in the manner described in the Finnish Corporate Governance Code.

### 4.3. Meetings of Board of Directors and Board's right to receive information

A new member of the Board of Directors shall at the start of the term of office be familiarised with the Company structure, strategy and different business areas, and the Group's Corporate Governance.

In 2012, altogether 16 Board meetings were held (13 Board meetings in 2011). The average attendance of the members was 100% (99%).

The Board of Directors conducted a self-evaluation in autumn 2012.

### 4.4. Charter of the Board of Directors

The Board of Directors has adopted a written charter containing the rules for:

- constitution of the Board of Directors
- meeting arrangements
- minutes of the meetings
- confidentiality obligations of Board members
- ineligibility situations
- the most important matters to be handled by the Board
- communication about the matters handled by the Board
- self-evaluation of the Board's performance and working methods

The mode of operation of the Board of Directors is described in more detail in section 2.1.2. Board of Directors of parent company.

## 5. Committees of the Board of Directors

### 5.1. Members of the Board Committees

#### Composition of the Board of Directors and Board Committees as of 30 March 2012

	Board of Directors	Audit Committee	Remuneration Committee	R&D Committee
Hannu Syrjänen	Chairman		Chairman	Member
Jukka Ylppö	Vice Chairman	Member		Member
Sirpa Jalkanen	Member			Chairman
Eero Karvonen	Member	Member		Member
Timo Maasilta	Member	Member	Member	Member
Heikki Westerlund	Member	Chairman	Member	Member

#### Nomination Committee, appointed on 23 October 2012

Matti Kavetvuoto	Chairman
Kari Jussi Aho	Member
Timo Ritakallio	Member
Seppo Salonen	Member
Hannu Syrjänen	Member
Jukka Ylppö	Member

### 5.2. Meetings of the Board Committees

In 2012, Committee meetings were held as follows:

- Audit Committee 4 (4) meetings, average attendance 100% (100%)
- Remuneration Committee 4 (3) meetings, average attendance 100% (100%)
- R&D Committee 3 (3) meetings, average attendance 89% (94%)
- Nomination Committee 3 (5) meetings, average attendance 94% (97%)

### 5.3. Charters of the committees

The role of the committees, according to their charters, is limited to making proposals to the Board, without decision-making authority. A charter has been confirmed by the Board for each committee.

#### 5.3.1. Charter of the Audit Committee

According to its charter, the Audit Committee shall comprise at least three members elected by the Board annually for the term of the Board. The members shall have the qualifications necessary to perform the responsibilities of the committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

The members shall also be independent of the Company, and at least one member shall be independent of significant shareholders of the Company. The qualifications and the independence are evaluated as provided in the Finnish Corporate Governance Code.

The committee shall meet at least four times per year, and it shall report to the Board.

The committee concentrates particularly on matters pertaining to financial reporting and control in the Orion Group. Its duties include:

- monitoring the reporting process of the financial statements
- supervising the financial reporting process

- monitoring the efficiency of the Company's internal control, internal audit, and risk management systems
- monitoring the audit of the financial statements
- evaluating the independence of the auditor, particularly the provision of related services to the Company
- proposing a resolution on the election of the auditor
- monitoring the financial position of the Company
- evaluating the compliance with laws and regulations in the Company.

### **5.3.2. Charter of the Remuneration Committee**

According to its charter, the Remuneration Committee shall comprise at least three members elected by the Board annually for the term of the Board. The majority of the members of the committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

The committee shall meet at least twice a year, and it shall report to the Board.

The committee shall handle and prepare matters concerning compensation and remuneration of the management and the personnel of the Orion Group, as well as the nominations of executives appointed by a decision by the Board.

### **5.3.3. Charter of the R&D Committee**

According to its charter, the R&D Committee shall comprise at least three members elected by the Board annually for the term of the Board. The majority of the members of the committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

The committee shall meet at least twice a year, and it shall report to the Board.

The committee shall deal with and evaluate questions concerning research and development within the Orion Group, and make proposals concerning them to the Board.

### **5.3.4. Charter of the Nomination Committee**

In addition to the committees composed of Board members, the Company has a Nomination Committee which, deviating from the recommendation of the Corporate Governance Code, can also include persons other than members of the Board. The Company considers the exception justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members. The majority of the members of the Committee shall be independent of the Company in the manner described in the Finnish Corporate Governance Code.

According to the Nomination Committee's charter, the members of the committee are appointed by the Board annually for a term ending at the closing of the Annual General Meeting of shareholders following the appointment. For the appointments, the Board shall hear the views of the largest shareholders in the shareholder register by the number of votes about the composition of the committee. The hearing takes place at a meeting to which the twenty (20) largest registered shareholders by the number of votes shall be invited. Shareholders not entitled to participate in General Meetings on the basis of their shareholdings are, however, disregarded in calculating the largest shareholders.

The committee shall meet when necessary.

The task of the committee is to prepare and present a recommendation to the Board of Directors for the proposal to the Annual General Meeting of shareholders concerning the composition and compensation of the Board. The committee shall inform the Board of its recommendation. The recommendation prepared by the committee shall not be regarded as a proposal by a shareholder to a General Meeting of shareholders. Nor shall the recommendation have any impact on the Board's independent decision-making powers or its right to make proposals to General Meetings of shareholders.

## 6. President and CEO

Timo Lappalainen has been the President and CEO of Orion Corporation and Chairman of the Group's Executive Management Board since 1 January 2008. He was born in 1962 and holds a Master of Science degree in Engineering.

The role and responsibilities of the President and CEO are described in more detail in section 2.1.3. President and CEO of the parent company.

## 7. Other executives

### **Composition of the Executive Management Board as of 1 January 2012**

Timo Lappalainen	President and CEO of Orion Corporation, Chairman of Executive Management Board <sup>1)</sup>
Satu Ahomäki	Senior Vice President, Global Sales
Markku Huhta-Koivisto	Senior Vice President, Specialty Products and Fermion
Olli Huotari	Senior Vice President, Corporate Functions
Liisa Hurme	Senior Vice President, Proprietary Products
Jari Karlson	Chief Financial Officer, Vice President, Animal Health
Virve Laitinen	Senior Vice President, Supply Chain
Reijo Salonen	Senior Vice President, Research and Development

1) Timo Lappalainen also represents Orion Diagnostica in the Executive Management Board

The employees are represented in the Executive Management Board by Liisa Remes.

Information about the members of Executive Management Board is available at [www.orion.fi/other-executives](http://www.orion.fi/other-executives).

Up-to-date information on the holdings in Orion of the members of the Executive Management Board is available at [www.orion.fi/insider-register](http://www.orion.fi/insider-register).

The role and responsibilities of the Executive Management Board are described in more detail in section 2.1.4. Executive Management Board.

## 8. Remuneration statement

### 8.1. Remuneration principles

The aims of the remuneration system for Orion Corporation's Board of Directors and executive management are to enhance the Company's competitiveness and long-term financial success, to achieve the Company's targets and strategy, and to increase shareholder value.

### 8.2. Remuneration of the Board of Directors

According to the decision by the Annual General Meeting in 2012 concerning the annual fees for the term of office of the Board of Directors, the Chairman shall receive EUR 76,000, the Vice Chairman shall receive EUR 51,000 and the other members shall receive EUR 38,000 each. As a fee for each meeting attended, the Chairman shall receive EUR 1,200, the Vice Chairman shall receive EUR 900 and the other members shall receive EUR 600 each. The travel expenses of all Board members shall be paid in accordance with previously adopted practice. The afore-mentioned fees for each committee meeting attended shall also be paid to the Chairmen and to the members of the committees established by the Board.

Of the afore-mentioned annual fees, 60% was paid in cash and 40% in Orion Corporation B-shares, which were acquired to the members during 26–30 March 2012 from the stock exchange in amounts corresponding to EUR 30,400 for the Chairman, EUR 20,400 for the Vice Chairman and EUR 15,200 for each of the other members. The part of the annual fee paid in cash corresponds to the approximate sum necessary for the

payment of the income taxes on the fees and was paid on 25 April 2012. The annual fees encompass the full term of office of the Board of Directors.

There are no particular rules relating to ownership of the shares received by the members of the Board of Directors as fees.

### Fees paid to the members of the Board of Directors in the 2012 financial year

	Total remuneration, €	Number of B-shares received
Hannu Syrjänen, Chairman	102 400	2 053
Matti Kavetvu, Vice Chairman and member until 20 March 2012	5 750	0
Jukka Ylppö, Vice Chairman as of 20 March 2012	70 800	1 377
Sirpa Jalkanen	51 200	1 026
Eero Karvonen	51 853	1 026
Timo Maasilta	50 610	1 026
Heikki Westerlund	56 000	1 026
<b>Board of Directors total</b>	<b>388 613</b>	<b>7 534</b>

The figures comprise the fees for the Board meetings and the Committee meetings.

Up-to-date information on the holdings in Orion of the members of the Board of Directors is available at [www.orion.fi/insider-register](http://www.orion.fi/insider-register).

## 8.3. Remuneration of the President and CEO and the Company's other executives

### 8.3.1. Remuneration of the President and CEO

The remuneration of the President and CEO is decided by the Board of Directors. His remuneration comprises a monthly salary, a performance-based bonus and a share-based incentive plan. The performance-based bonuses and the share-based incentive plan are based on predefined targets that are confirmed annually by the Board of Directors. The criteria for performance and results are set so that they promote short-term and long-term financial success. The Board of Directors annually evaluates the performance and financial results against the criteria.

The performance-based bonus of the President and CEO can be no more than seven (7) months' salary. The upper limits of the share-based incentive plan are determined as described in '8.3.3. Share-based incentive plan'.

If the service contract of the President and CEO is terminated on the Company's initiative, the notice period is 6 months. If the service contract is terminated on the initiative of the President and CEO, the notice period is 6 months, unless otherwise agreed. The service ends at the end of the notice period. If the service contract is terminated either on the Company's initiative or on the initiative of the President and CEO because of a breach of contract by the Company, the President and CEO will be compensated with a total sum corresponding to the monetary salary for 18 months, unless otherwise agreed. No such separate compensation will be paid if the President and CEO resigns at his own request for reasons other than a breach of contract by the Company.

The salary, fees, fringe benefits and performance-based bonuses paid to the President and CEO in 2012 totalled EUR 1,040,065 (EUR 1,076,378 in 2011), comprising EUR 441,149 (416,400) in salary and fringe benefits, and EUR 598,916 (659,978) in performance-based bonuses for 2011. EUR 191,702 (234,483) of the total bonuses consists of the value of the 11,700 (14,000) Orion Corporation B shares received by the President and CEO on 12 March 2012 as part of the Company's long-term share-based incentive plan. The price per share of these shares was EUR 16.3848 (16.7488), the volume-weighted average quotation of the B share on 12 March 2012.

The retirement age of the President and CEO has been agreed to be 60 years, the target level of the pension being 60%. The pension is based on a defined benefit plan. The 2012 advance payment for the supplementary pension benefit was EUR 133,547.37.

### 8.3.2. Remuneration of other executives

The remuneration of the other members of the Group's Executive Management Board is decided by the Board of Directors or its Chairman. The remuneration system for these persons comprises a monthly salary, a performance-based bonus and a share-based incentive plan. The performance-based bonuses and share-based incentive plan are based on predefined targets that are confirmed annually. The criteria for performance and results are set so that they promote short-term and long-term financial success. The Board of Directors annually evaluates the performance and financial results against the criteria.

The maximum performance-based bonus of a member of the Executive Management Board cannot exceed the aforementioned maximum performance-based bonus of the President and CEO. The upper limits of the share-based incentive plan are determined as described in '8.3.3. Share-based incentive plan'.

The salaries, fees, fringe benefits and performance-based bonuses paid to the members of the Executive Management Board, including the President and CEO, for 2012 totalled EUR 4,044,561 (4,400,904), comprising EUR 1,893,007 (1,827,117) in salaries and fringe benefits and EUR 2,151,554 (2,573,787) in performance-based bonuses.

The pensions of the other members of the Executive Management Board are determined by the Employees Pensions Act (TyEL) with the exception of one person, whose retirement age has been agreed to be 60 years, the target level of the pension being 60% of the agreed pensionable salary. A supplementary pension is based on a defined benefit plan.

### 8.3.3. Share-based incentive plan

The Board of Directors of Orion Corporation decided in February 2010 on the current share-based incentive plan for the key persons in the Orion Group. The aim of the plan is to align the interests of the owners and key persons so as to increase the value of the Company, commit the key persons to the Company and offer them a competitive remuneration plan based on holding the Company's shares.

The share-based incentive plan has earning periods, and the Board of Directors will annually decide the beginning and duration of the earning periods in 2010, 2011 and 2012. The Board of Directors will decide the earning criteria for each period and targets to be set for them at the beginning of each earning period. Two earning periods, calendar year 2010 and calendar years 2010–2012, commenced upon implementation of the plan. Two earning periods commenced in 2011, calendar year 2011 and calendar years 2011–2013. Two earning periods commenced in 2012, calendar year 2012 and calendar years 2012–2014. A prerequisite for participation in the earning periods and for receipt of remuneration based on the earning periods is that the key person holds the Company's shares as determined by the Board of Directors. Under the plan, the potential remuneration for one-year-long earning periods is dependent on the Orion Group's profit performance and fulfilment of the above-mentioned participation prerequisite, and for the earning periods 2010–2012, 2011–2013 and 2012–2014 on the total shareholder return on Orion Corporation B shares.

The remunerations based on the system are paid partly in the form of the Company's B shares and partly in cash. The remunerations for earning period 2010 were paid in 2011. The remunerations for earning period 2011 were paid in 2012. Possible future remunerations for earning period 2010–2012 and for period 2012 will be paid in 2013, for period 2011–2013 in 2014 and for period 2012–2014 in 2015. The proportion to be paid in cash will be for paying taxes and tax-related costs arising from the remuneration to the key person. The value of the remuneration to be paid based on the plan during one calendar year is the key person's gross annual salary on the date of the remuneration payment multiplied by a maximum of 1.5. Gross annual salary means total salary including fringe benefits but excluding the annual bonus and long-term incentive plan. The system includes restriction periods during which shares received on the basis of the system cannot be transferred. The transfer restriction period for shares paid on the basis of earning period 2010 ended on 31 December 2012. The transfer restriction period for shares paid on the basis of earning period 2011 ends on 31 December 2013. The transfer restriction period for shares paid on the basis of earning period 2012 ends on 31 December 2014. No transfer restrictions are attached to the three-year-long earning periods. A key person whose

employment or service in a Group company ends during the restricted period must return the shares received as remuneration to the Company without compensation.

After the restricted period, the members of the Group Executive Management Board must continue to hold 50% of the shares received through the Plan as follows: the President and CEO, until the total value of the Company's shares held by him is equivalent to his gross annual salary, and any other member of the Group Executive Management Board, until the total value of the Company's shares held by him or her is equivalent to half of his or her gross annual salary.

Notwithstanding the transfer restrictions and conditions relating to ownership obligation, a person belonging to the Plan may purchase Orion Corporation A shares at will and at his/her expense on the stock exchange or otherwise and enter these shares under the transfer restriction and ownership obligation of the Plan. After the acquisition he/she may transfer a corresponding number of B shares under the transfer restriction and/or ownership obligation of the Plan.

The incentive plan target group comprises approximately 30 persons. The total maximum amount of remuneration to be paid on the basis of the incentive plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.

In the Financial Statements 2012 of the Orion Group, the share-based incentive plan is dealt with in Note 4 Employee benefits and auditor's remuneration.

#### **8.4. Management remunerations total**

The salaries, remunerations, fringe benefits and bonuses paid to the members of the Board of Directors of Orion Corporation, the President and CEO and the other members of the Group's Executive Management Board for 2012 totalled EUR 4,433,174 (EUR 4,766,284 for 2011).

### **9. Internal control, risk management and internal audit**

#### **9.1. Internal control principles**

The Board of Directors of Orion has defined the Company's principles for internal control in the Company. Management practices and management culture are based on compliance with the law and the Articles of Association, and with Orion's values and ethical business practices. Internal control is part of normal steering and management of operations, as described in the management system, and it is supported by risk management, the audit and internal auditing. The aim of internal control is to ensure that operations are efficient and profitable, operational risks are adequately managed, laws and regulations are complied with and information is reliable. It is based on clear setting and monitoring of objectives, and effective and pragmatic risk management.

In practice, the management of each sub unit is responsible for its internal control, and each business unit or function organises internal control in its own unit or organisation in accordance with the principles in the policies and guidelines set at Group level. Key guidelines are included in the Group's Corporate Governance Manual.

#### **9.2. Risk management in the Orion Group**

Risk management constitutes a significant part of the Orion Group's corporate governance and is an integral part of the Company's responsibility structure, operational control principles, and business operations. The aim is by all applicable means to identify, measure and manage the risks that might threaten the Company's operations and the achievement of the objectives set for the Company, as well as to improve ability to acknowledge such known risks which cannot be completely eliminated.

Risk management is not a separate function but embedded as a natural and normal process within day-to-day business and management,

Overall risk management processes, practical actions and the definition of responsibilities are developed by means of regular risk identification approaches covering the following areas:

- strategic risks, including research and development risks
- operational risks, including sales and business risks, as well as risks related to production, safety and the environment
- financial risks, including market, credit and liquidity risks

Operational risk management also includes project-specific risk management.

### **9.2.1. Strategic risks**

#### **9.2.1.1. Long-term business development risks**

Development of new pharmaceuticals involves considerable risks because of the long time spans required by the development work and the inherent uncertainties related to the final outcome, i.e. whether the product can ever be launched in the markets. This strategic risk is managed by the following means:

- The Group includes business units that focus on areas of health care other than the development of its own proprietary products. These units that balance the Group's operations include generic drugs, veterinary medicines and diagnostic tests.
- The pharmaceutical product range is to be kept sufficiently broad.
- Product development and marketing risks are shared by working in close co-operation with partners

Proprietary drugs account for a significant proportion of the Group's net sales and earnings. Orion engages in intensive research with the aim of introducing its own new proprietary drugs in markets worldwide. However, the Group cannot guarantee that new products can be introduced in the markets in accordance with expectations. Furthermore, changes can occur in the co-operation with partners, for example due to corporate actions.

The scope of strategic risks also includes the thoroughness of the Company's corporate governance and reporting principles. In line with the Finnish Corporate Governance Code 2010, the Orion Group's explicit corporate governance code inspires public trust in the Orion Group and its management. The trust is based on transparently published fundamental characteristics and principles of the system, as well as clear definitions of the responsibilities, rights, obligations and reporting relationships of the persons involved.

In addition, the Company enhances the confidence of its stakeholders, such as people affected by its operations, capital markets and its shareholders, by providing open, truthful and consistent information about events, the Company's operations and financial status in a timely manner.

#### **9.2.1.2. Research and development risks**

The development of proprietary drugs involves many uncertainties. Typically, only about one in ten research projects that reach the clinical phase is launched in the markets. The main reasons for discontinuing a development project relate to the efficacy and safety of the drug candidate, but also to its health economic added value in comparison with comparable treatments. This is why the pharmacological properties of drugs under development, such as their efficacy and safety, and their health economic benefits, are delineated through phased research. Clinical trials with humans can only be conducted with the approval of regulatory drug authorities.

The pharmacology and safety of a drug candidate are extensively studied using preclinical laboratory models and by monitoring tolerability and adverse effects throughout the clinical trials.

In major research projects, Orion's Board of Directors takes the decision on whether to progress from one research phase to the next. In minor research projects, the decision is taken by the executive management. The decisions are always based on a comprehensive analysis of the accumulated research results and the current market situation. For the marketing authorisation application and the summary of product characteristics (SPC), all phases and results of the research are carefully documented for regulatory approval. In accordance with statutory requirements, the adverse effects of a drug continue to be monitored even after it has been launched.

The financial risks increase as research projects progress to clinical trials in humans. The most expensive phase is the last, Phase III clinical trials, which are multinational and involve hundreds or thousands of patients. Double-blind studies are used to ensure as reliable as possible evidence of the efficacy and safety of

the drug. This is why Orion generally shares the high financial risks of Phase III trials by conducting them jointly with another pharmaceutical company that will also be a marketing partner for the drug. Collaboration with external parties also in earlier research phases is, however, an essential part of managing risks. The Company aims to find ways of keeping the number of research projects high enough by sharing their costs and risks and also possible earnings with partners.

#### 9.2.1.3. Risks relating to competing generic drugs

A characteristic feature of the pharmaceutical industry is that manufacturers of generic drugs seek to launch into a market at the earliest possible stage their own versions of drugs, which are generally cheaper than the originator company's products. This can be done by, for example, trying to use the courts to invalidate the originator company's patents or other intellectual property rights well before they are due to expire. These actions can result in high litigation and other expenses for an originator company, and may lead to significant losses of sales.

In developing its products, Orion endeavours to protect them as well and extensively as possible, whilst defending its product rights effectively by itself and together with its marketing partners.

#### 9.2.1.4. Downward pressure on pharmaceutical prices

In addition to normal price competition, there are many other factors putting downward pressure on the prices of pharmaceuticals, mainly due to decisions by authorities as governments seek to curb the rise in national drug costs. They include generic substitution and reimbursement systems based on reference prices, changes in regulations concerning them, and cuts in drug prices and reimbursement. Parallel imports in the EU area are also depressing prices.

Orion is responding to these challenges by maintaining a sufficiently diverse product range, continuously enhancing cost-effectiveness and allocating its development and sales resources appropriately.

### **9.2.2. Operational risks**

#### 9.2.2.1. Sales and business risks

Market-specific operational models are necessarily applied to sales of pharmaceuticals. The traditional way of maintaining an extensive network of sales representatives requires substantial fixed costs. Orion's business operations in Europe are based on its own sales network, and sales elsewhere in the world through partners. This structure is intended to optimise available resources and risk-bearing capacity, in view of the input required for worldwide marketing of own new proprietary products. In some markets, certain product categories are only sold to insurance companies or hospital procurement organisations, based on bidding.

Where Orion has its own sales organisation, sales must be kept sufficiently high to maintain profitability. This generally requires a broad enough product range.

#### 9.2.2.2. Risks associated with pharmaceutical production

Pharmaceutical manufacturing is subject to regular inspections by the authorities. Pharmaceutical products must be safe and efficacious, and they must meet all quality standards. To comply with statutory requirements, in pharmaceutical production close attention must be paid to various safety and quality risks.

Adequate quality of pharmaceuticals is ensured through systematic overall management of operations covering all factors with direct or indirect impact on the quality of the drugs. The operations are directed with comprehensive instructions and adequate control of materials and products before and after production.

Orion's currently high production capacity utilisation rate and its broad product range may cause risks to the delivery reliability and make it more challenging than before to maintain the very high quality standard required. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs. Possibly required corrective actions may at least temporarily reduce delivery reliability.

#### 9.2.2.3. Legal, intellectual property rights and regulatory risks

The pharmaceutical sector is subject to some special regulations and close regulatory control by authorities. Pharmaceutical manufacture, distribution and research require licences from authorities. The pharmaceutical sector is also overseen by the competition authorities. Orion has clear policies and principles for its operations that ensure compliance with these regulations.

Intellectual property rights are inherently of crucial importance to the pharmaceutical sector. To protect Orion's position, the patent situations of its products available for sale and in the pipeline are continuously monitored worldwide. This is done to ensure the rights to products developed by Orion can be defended and to prevent Orion itself from infringing patents or other intellectual property rights of others.

Patent protection is nevertheless of limited duration, and the expiry of patent protection on an important product can have a negative impact on the Orion Group's operations, financial position or operating results. Nor does Orion have guarantees that patent protection will be obtained for new products in the pipeline to the desired extent or that the authorities will grant the marketing authorisations required for the products.

#### 9.2.2.4. Product liability risks

As explained in the description of research and development risks above, the launch of a new drug in markets is preceded by extensive phased trials that delineate the drug's pharmacological properties, such as its efficacy and safety. Marketing authorisation issued by drug authorities is required to start sales and marketing of a drug.

The adverse effects of a drug are monitored as required by the authorities even after the launch of the product. Through the trials and pharmaceutical production methods described above, Orion strives to ensure in advance that its products do not have any adverse effects such as might lead to a liability to pay compensation or to withdrawal of a major product from markets.

As cover for the financial impact of product liability risk, the Orion Group's products and operations are insured through operational and product liability insurance that also covers clinical studies, except for clinical studies carried out in the United States or Canada. Studies conducted in the United States and Canada are insured through separate insurances. The purpose of the insurance is to provide cover for any liability for damages on the part of the policyholder. As is customary in insurance terms, this protection is limited as regards potential payout, for example. Certain products and active pharmaceutical ingredients are also excluded from the cover, some of which are included in Orion's operations. Nevertheless, they are not estimated to increase Orion's product liability risk materially.

#### 9.2.2.5. Risks of damage

In addition to statutory insurance, Orion has property, business interruption and liability insurance to cover such risks of damage as are deemed to be material and limitable through insurance.

#### 9.2.2.6. Corporate safety risks

Orion's Corporate Governance Manual includes the Group's corporate safety guidelines. The objective of the Group's corporate safety policy is to ensure the uninterrupted continuation of operations, the safety of people, the protection of property and the environment against damage, and the adequacy of the measures relating to data protection. The corporate safety guidelines set out the principles for corporate safety activities, and also cover guidelines for crisis management. In addition to guidelines, the data protection policy includes the objectives, key principles and responsibilities for data protection.

#### 9.2.2.7. Environmental risks

The Group's environmental protection guidelines include detailed instructions and responsibilities. Persons responsible for development and monitoring of environmental issues have been appointed for each unit of the Group. Environmental impacts are monitored through, for example, emissions measurement, waste quantity control and statistics on the consumptions of various raw materials. The implementation of environmental protection is monitored through annual internal audits. The Company has the valid environmental permits required for its operations.

#### 9.2.2.8. Product procurement and corporate acquisition risks

Orion endeavours to expand its operations by purchasing from other pharmaceutical companies or in-licensing products that are under development or already available in markets, or possibly by acquiring other pharmaceutical and biotechnology companies. In carrying out such projects, Orion strives to observe due care and diligence and to utilise both internal and external expertise in the planning and implementation phases, as well as when integrating acquired operations within the overall business.

Product procurement and possible corporate acquisitions can involve customary corporate acquisition liabilities or risks as well as other liabilities and risks connected with the nature and value of the purchased assets.

#### 9.2.2.9. Ensuring competence

Orion's success depends on the competence of its executive management, R&D staff and other personnel. Human resources management strives to promote well-being at work and continuous improvement of competence and the workplace. Orion's success also depends on the Company's ability to recruit, develop, train, motivate and retain professionally skilled personnel.

### **9.2.3. Financial risks**

The objective of the Group's financial risk management is to decrease the negative effects of market and counterparty risks on the Group's profit and cash flow and to ensure sufficient liquidity. The Group's most important financial risks are foreign exchange risk and counterparty risk.

The main principles for financial risk management are described in the Group Treasury Policy approved by the Company's Board of Directors. The treasury management team is responsible for implementation of the Treasury Policy. Treasury activities are centralised in the Group's treasury department.

#### 9.2.3.1. Market risk

Market risk includes foreign exchange risk, interest rate risk and electricity price risk. At the end of the reporting period, the Group had no investments in equities or equity funds.

#### Exchange rate risk

The Group's exchange rate risk consists of transaction risk and translation risk.

#### *Transaction risk*

Transaction risk arises from operational items (such as sales and purchases) and financial items (such as loans, deposits and interests) in foreign currency in the statement of financial position, and from forecast cash flows over the upcoming 12 months. Transaction risk is monitored and hedged actively. The largest risk in terms of value is posed by sales based on US dollars. Other significant currencies are the Japanese yen, the Swedish krona, the Norwegian krona, the British pound and the Polish zloty. As regards other currencies, no individual currency has a significant effect on the Group's overall position.

In accordance with the Treasury Policy, items based on significant currencies in the statement of financial position are hedged 90–105% and the forecast cash flows over the upcoming 12 months are hedged 0–50%. Currency derivatives with maturities up to 12 months are used as hedging instruments. The positions of operational items are presented in the table in Note 24.1.1 of the Financial Statements 2012.

The Group has an external loan of GBP 8.2 million for which the capital and interest cash flows are fully hedged against foreign exchange risk with a cross currency swap. More details of the loan are presented in Note 24.1.3. of the Financial Statements 2012.

The Group's internal loans and deposits are denominated in the local currency of the subsidiary and the most significant ones are fully hedged with currency swaps.

The fair value changes of the foreign currency derivatives are recognised through profit or loss in either other operating income and expenses or finance income and expenses depending on whether, from an operational perspective, sales revenue or financial assets and liabilities has been hedged.

#### *Translation risk*

Translation risk arises from the equity of subsidiaries that have a functional currency other than the euro. At 31 December 2012, the equity in these subsidiaries totalled EUR 50.1 (2011: 40.6) million. The most significant translation risk arises from the British pound. This translation position has not been hedged.

#### *Sensitivity analysis*

The effect of changes in foreign exchange rates on the Group's profit (before taxes) and equity at the reporting date is presented for EUR/USD exchange rates in the table in Note 24.1.1 of the Financial Statements 2012. The assumption used in the sensitivity analysis is a +/- 10% change in the exchange rate (USD depreciates/appreciates by 10%) while other factors remain unchanged. In accordance with IFRS 7, the sensitivity analysis includes only the financial assets and liabilities in the statement of financial position and so

the analysis does not take into account the forecast upcoming 12-month foreign currency cash flow included in the position. The potential translation position is not taken into account in the sensitivity analysis.

#### Electricity price risk

The price risk refers to the risk resulting from changes in electricity market prices. The market price of electricity fluctuates greatly due to weather conditions, hydrology and emissions trading, for example. The Orion Group obtains its electricity through deliveries that are partly fixed-price contracts and partly tied to the spot price of the price area of Finland, and in the latter case is therefore exposed to electricity price fluctuation.

The electricity portfolio is managed so that it is possible to hedge the cash flow risk resulting from fluctuations in the market price of electricity. The hedging instruments used are standard electricity derivative instruments that are quoted on Nord Pool. Nord Pool's closing prices are used as levels for valuation.

Hedge accounting under IAS 39 is applied to hedging electricity price risk. In applying hedge accounting to the cash flow, the amount recognised for the hedging instrument in the fair value reserve in equity is adjusted according to IAS 39.96 so that it is the lower (in absolute figures) of the following two figures:

- the cumulative gain or loss accrued by the hedging instrument from its inception
- the cumulative change in the fair value of expected future cash flows of the item hedged from the inception of the hedge

The remaining portion of the profit or loss accrued by the hedging instrument represents the ineffective portion of the hedge and it is recognised through profit or loss.

A fair value valuation of EUR 0.0 (2011: -0.2) million (before taxes) for electricity derivatives was recognised in the equity at 31 December 2012. The EUR 0.6 (2011: 0.2) million ineffective portion of derivatives has been recognised in the expenses of the functions. The nominal values of the derivatives totalled EUR 5.0 (2011: 6.7) million.

#### Interest rate risk

Changes in interest rates affect the Group's cash flow and results. At 31 December 2012, the Group's interest-bearing liabilities totalled EUR 136.7 (2011: 88.7) million. The Group is exposed to interest rate risk associated with long-term loans raised from the European Investment Bank. At 31 December 2012, the capital of these loans with interest rates tied to the Euribor rate totalled EUR 124.4 (2011: 66.1) million. EUR 22.3 million of these loans has been hedged with an interest rate swap for which Orion pays fixed-rate interest. In addition, the interest cash flow of a GBP 8.2 million floating-rate loan is hedged against rising interest rates with a cross currency swap, due to which fixed-rate euro-denominated interest is paid by the Group.

If interest rates rose in 2013 in parallel by one percentage point (1%) compared with market interest rates at the end of the reporting period, and other factors remained unchanged, the estimated interest expenses of the Group would rise by EUR 1.0 million in 2013 (before taxes).

The Group's exposure to risks related to changes in market rates is somewhat reduced by the fact that the Group's money market investments, which at 31 December 2012 totalled EUR 15.0 (2011: 70.3) million, are invested in floating interest rate instruments. If these investments were taken into account in the above sensitivity analysis, the forecast net finance expenses would increase by EUR 0.9 million in 2013.

Cash flow hedge accounting under IAS 39 is applied to the aforesaid loans hedged with interest rate derivatives. At 31 December 2012, a fair value valuation of EUR -0.3 (2011: 0.2) million (before taxes) for interest rate derivatives was recognised in the equity. The nominal values of these derivatives totalled EUR 31.9 (2011: 19.1) million.

#### 9.2.3.2. Counterparty risk

Counterparty risk is materialised when a counterparty to the Group does not fulfil its contractual obligations, resulting in non-payment of funds to the Group. The maximum credit risk exposure at 31 December 2012 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totals EUR 315.0 (2011: 289.8) million. The main risks relate to trade receivables and cash and cash equivalents.

The Group Treasury Policy defines the requirements for the creditworthiness of the counterparties to investments and derivative instruments. Limits have been set for counterparties on the basis of

creditworthiness and solidity, and they are regularly monitored and updated. Investments are made mainly in interest-bearing instruments with duration up to three months that are tradable in secondary markets.

The Group Customer Credit Policy defines the requirements for the creditworthiness of the customers. In the pharmaceutical industry trade receivables are typically generated by distributors representing different geographical areas. In certain countries, products are also sold directly to local hospitals. The Group's 25 largest customers generated about 71% of the trade receivables. The most significant individual customers are Novartis, a marketing partner in pharmaceutical sales, and Oriola-KD Corporation, a pharmaceuticals distributor. The trade receivables are not considered to involve significant risk. In Southern Europe the receivables from individual counterparties are not significant for the Group. Credit losses for the period recognised through profit or loss were EUR 0.3 million.

#### 9.2.3.3. Liquidity risk

The Group seeks to maintain a good liquidity position in all conditions. In addition to cash flows from operating activities and cash and cash equivalents, the liquidity is ensured by EUR 100 million of binding undrawn bilateral credit facilities that will mature in 2019, and bank overdraft limits and an unconfirmed commercial paper programme of EUR 100 million. No issued commercial paper is included in the financial statements.

Forecast cash flows of financial liabilities and interest payments are presented in the table in Note 24.3 of the Financial Statements 2012. Forward rates or the average reference rate per contract have been used for forecasts of interest payments on floating-rate loans. The cash flows have not been discounted.

The Group's interest-bearing liabilities at 31 December 2012 were EUR 136.7 (2011: 88.7) million. The average maturity for loans from financial institutions is three years and two months. The Group's cash and cash equivalents and other money market investments at 31 December 2012 totalled EUR 145.2 (2011: 123.0) million, thus exceeding the Group's interest-bearing net debt. To ensure the Group's liquidity, surplus cash is invested mainly in current euro-denominated interest-bearing instruments with good creditworthiness that are tradable in secondary markets.

#### 9.2.3.4. Capital structure management

The financial objectives of the Group include a capital structure related goal to maintain the equity ratio, i.e. equity in proportion to total assets, at a level of at least 50%. This equity ratio is not the Company's opinion of an optimal capital structure, but rather part of an aggregate consideration of the Company's growth and profitability targets and dividend policy.

The terms of the Company's loans include financial covenants according to which the lender is entitled to demand early repayment of the loan, if the covenants are breached.

The covenants granted by the Company and the key figures relating to the capital structure are presented in Note 24.4. of the Financial Statements 2012.

## **9.3. Control measures**

For financial steering and reporting, the Group has a reporting system intended to provide the management sufficient and timely information to plan and manage the operations. Orion has Group-wide guidelines and supporting policies for financial steering and harmonising practices. The guidelines and the Company's extensive enterprise resource planning system ensure uniformity in processes. The Group's finance department handles financing, Group accounting and tax affairs centrally. In addition, finance personnel in subsidiaries, and the centralised Controller function ensure uniform practices in every country and business area.

### **9.3.1. Reporting and communications**

Orion's efficient and uniform processes are based on the integrated enterprise resource planning system. For steering of operations, monthly financial reports are produced presenting actual results achieved, a comparison of actual results with targets, and a forecast of future development. Orion also uses numerous indicators in target setting and follow-up in various functions to aid supervision and steering of operations in accordance with the objectives set.

### 9.3.2. Follow-up and auditing

The Audit Committee of the Board of Directors evaluates the effectiveness of the Company's internal control and is responsible for evaluating the effectiveness of the internal reporting process. The external audit of the Group companies is carried out in accordance with the applicable laws and the Articles of Association.

The objective of the statutory audit is to verify that the financial statements and the report of the Board of Directors give a fair and adequate presentation of the results of the operations and the financial position of the Group. The audit also includes auditing of the Company's accounting and administration. The designated auditor of the parent company's auditor co-ordinates the audit of the subsidiaries of the Group in co-operation with the President and CEO and the Internal Audit of the Group.

For the purpose of the supervision and steering of operations, the Group has an internal audit function which functions administratively subordinate to the President and CEO of the parent company and reports in its work to the Audit Committee. The central task of the internal audit is to examine and evaluate the effectiveness and credibility of the internal control and risk management of the companies and units belonging to the Group.

## 10. Insider Administration

The Orion Group follows the insider guidelines issued by NASDAQ OMX Helsinki, on which the Group's own Guidelines for Insiders are based. The Group's permanent insiders comprise the insiders with the duty to declare their holdings in Orion's public insider register and other persons defined by the Company as permanent company-specific insiders in accordance with the Company's own insider register. The insiders with the duty to declare comprise the members of the Board of Directors of Orion Corporation, the President and CEO, the designated auditor, and the members of the Executive Management Board. The permanent company-specific insiders are persons that the Company has decided are permanent company-specific insiders.

The Company maintains its insider register in the SIRE system of Euroclear Finland Ltd.

Up-to-date information on the holdings of the Company's insiders with the duty to declare is available at [www.orion.fi/insider-register](http://www.orion.fi/insider-register).

## 11. Audit

Orion Corporation shall have one auditor, which shall be an Authorised Public Accountants Organisation. The term of the auditor shall be the financial period. The duties of the auditor shall terminate at the close of the Annual General Meeting of the Shareholders following the election.

For the financial year 2012, the auditor of Orion Corporation is PricewaterhouseCoopers Oy, Authorised Public Accountant Firm, the designated auditor being Janne Rajalahti, Authorised Public Accountant.

### 11.1. Remuneration of auditor

The fees to the auditors are paid against invoicing accepted by Orion Corporation.

In 2012, the auditors were paid EUR 244,000 (EUR 237,000 in 2011) in auditing fees and EUR 111,000 (249,000) for other consultancy services. A detailed specification of the fees paid is presented in Note 4 of the Financial Statements for 2012.

**Shareholdings in Orion Corporation as on 31 December 2012 of the Members elected to the Board of Directors on 20 March 2012**

	A shares	Change from	B shares	Change from	A and B total	% of total shares	% of total votes
		1 Jan 2012		1 Jan 2012			
		A		B			
Hannu Syrjänen	10 000	0	8 848	2 053	18 848	0.01	0.02
Jukka Ylppö	1 247 136	0	294 520	1 377	1 541 656	1.09	2.62
Sirpa Jalkanen	0	0	4 172	1 026	4 172	0.00	0.00
Eero Karvonen	546 200	0	24 435	1 026	570 635	0.40	1.14
Timo Maasilta	21 928	0	1 026	1 026	22 954	0.02	0.05
Heikki Westerlund	0	0	2 835	1 026	2 835	0.00	0.00
<b>Board of Directors total</b>	<b>1 825 264</b>	<b>0</b>	<b>335 836</b>	<b>7 534</b>	<b>2 161 100</b>	<b>1.53</b>	<b>3.82</b>

The figures include the shares held by organisations and foundations controlled by the person.

**Shareholdings in Orion Corporation of the Members of the Executive Management Board as on 31 December 2012**

	A shares	Change from	B shares	Change from	A and B total	% of total shares	% of total votes
		1 Jan 2012		1 Jan 2012			
		A		B			
Timo Lappalainen	0	0	44 750	11 700	44 750	0.03	0.00
Satu Ahomäki	0	0	16 126	5 850	16 126	0.01	0.00
Markku Huhta-Koivisto	0	0	26 850	5 850	26 850	0.02	0.00
Olli Huotari	0	0	15 353	4 388	15 353	0.01	0.00
Liisa Hurme	0	0	17 525	5 850	17 525	0.01	0.00
Jari Karlson	0	0	22 898	4 388	22 898	0.02	0.00
Virve Laitinen	0	0	3 713	1 463	3 713	0.00	0.00
Reijo Salonen	0	0	24 100	7 020	24 100	0.02	0.00
<b>Executive Management Board total</b>	<b>0</b>	<b>0</b>	<b>171 315</b>	<b>46 509</b>	<b>171 315</b>	<b>0.12</b>	<b>0.02</b>

The figures include the shares held by organisations and foundations controlled by the person.

## Introductions of the members of the Board of Directors



**Hannu Syrjänen**  
B. Sc. (Economics), Master of Laws  
b. 1951

Chairman of the Board of Directors of Orion Corporation since 24 March 2010, member since 2 April 2007  
Chairman of the Remuneration Committee, member of the R&D Committee and the Nomination Committee

### Career

2001–2010 President and CEO and Chairman of the Executive Management Group of Sanoma Corporation  
1999–2001 Member of the Executive Management Group of SanomaWSOY  
1989–2001 President and CEO, Vice President, and Executive Vice President and Deputy CEO of Rautakirja Corp.

Previously Mr. Syrjänen served as Vice President at the TS Group, Vice President at Wihuri Oy, and Managing Director of Finnish Lawyers' Publishing Oy

### Current key positions of trust

Chairman of the Board of Directors: Orion Corporation 2010–, VR Group Ltd 2011–, Management Institute of Finland MIF Oy 2012–  
Member of the Board of Directors: Orion Corporation 2007–, Realia Group Oy 2011–, The Finnish Fair Corporation 2012–, John Nurminen Foundation 2012–

### Former key positions of trust

Chairman of the Board of Directors: Federation of the Finnish Media Industry 2002–2006, Ilmarinen Mutual Pension Insurance Company 2004–2011  
Chairman of the Executive Board of the Finnish section of International Chamber of Commerce 2010–2011  
Member of the Board of Directors: Employers Confederation of Service Industries 1999–2001, East Office of Finnish Industries 2008–2010, Confederation of Finnish Industries EK 2005–2006, Sanoma Corporation 2001–2010



**Sirpa Jalkanen**  
Professor, MD  
b. 1954

Member of the Board of Directors of Orion Corporation since 23 March 2009  
Chairman of the R&D Committee

### Career

2010– Vice Dean, University of Turku  
2008– Director of a Centre of Excellence of the Finnish Academy until 2013  
2006– Research professor, National Institute for Health and Welfare, THL  
2001– Professor of Immunology, University of Turku  
2000–2005 Director of a Centre of Excellence of the Finnish Academy  
1996–2006 Academy professor  
1996– Director, Receptor Programme, University of Turku  
1986–1996 Researcher, University of Turku, Academy of Finland, THL  
1983–1986 Researcher, Stanford University, USA

### Current key positions of trust

Member of the Board of Directors: Orion Corporation 2009–, Emil Aaltonen Foundation 2000–



**Jukka Ylppö**  
M. Sc. (Eng.), M. Sc. (Economics)  
b. 1955

Member of the Board of Directors of Orion Corporation since 2 April 2007,  
Vice Chairman as of 20 March 2012  
Member of the Audit Committee, Remuneration Committee, R&D Committee and the Nomination Committee.

### Career

Jukka Ylppö has done a long career in the product development organisation of ABB Corporation since 1981:

1999– Senior Advisor in the development of control systems for industrial electric drives  
1996–1998 Head of the development of a control system for a new thyristor supply unit  
1993–1995 Development of new controls for direct-current drives  
1991–1992 Automation system development engineer, Västerås, Sweden  
1988–1990 Sales engineer of ship automation systems  
1986–1987 Project manager of the development of analyzers for paper making processes  
1984–1985 Head of the development of control systems for direct-current drives  
1982–1983 Product development engineer / power electronics

### Current key positions of trust

Vice Chairman of the Board of Directors: Orion Corporation 2012–  
Member of the Board of Directors: Orion Corporation 2007–

### Former key positions of trust

Vice Chairman of the Board of Directors: Orion Corporation 2007 – 24 March 2010



**Eero Karvonen**  
M. Sc. (Eng.)  
b. 1948

Member of the Board of Directors of Orion Corporation since 1 July 2006  
Member of the Audit Committee and the R&D Committee

### Career

1986– EVK-Capital Oy, Owner and Managing Director  
1980–1986 Rintekno Oy, Process Engineer, Division Manager and Technology Manager for biochemical and pharmaceutical process engineering  
1975–1980 VTT Technical Research Centre of Finland, Biotechnical laboratory, researcher  
1974–1975 Helsinki University of Technology, Senior Assistant in industrial microbiology

### Current key positions of trust

Member of the Board of Directors: Orion Corporation 2006–

### Former key positions of trust

Member of the Board of Directors: Orion Corporation 1997–2002, demerged Orion 2004 – 30 June 2006, Rocla Oyj 2006–2009  
Member of the Supervisory Board: Orion Corporation 1988–1997, Instrumentarium Corporation 1996–1999

Member of the committee of medical experts of Sigrid Juselius Foundation 2001–  
Member of scientific committee of Cancer Institute 2002–

**Former key positions of trust**

Chairman of Finnish Academy of Science and Letters 2010–2012

Sirpa Jalkanen has published about 240 scientific articles on mechanisms of inflammatory diseases and spreading of cancer. Several related patents granted and pending.



**Timo Maasilta**

M. Sc. (Eng.)

b. 1954

Member of the Board of Directors of Orion Corporation since 20 March 2012  
Member of the Audit Committee, Remuneration Committee and the R&D Committee

**Career**

1993– Managing Director, Maa- ja vesiteknikan tuki ry  
1984– Managing Director, Tukinvest Oy  
1982–1984 Engineer, Vesi-Pekka Oy  
1980–1982 Project Engineer, Vesi-Pekka Oy, Libya

**Current key positions of trust**

Chairman of the Board of Directors: Maa- ja vesiteknikan tuki ry 1998–, Tuen Kiinteistöt Oy 1985–, Ympäristöviestintä YVT Oy 2001–,  
Member of the Board of Directors: Orion Corporation 2012–, Tukinvest Oy 1996–  
Vice Chairman of Amer Cultural Foundation 2010–

**Former key positions of trust**

Member of the Board of Directors: Amer Sports Corporation 1986–2008, Amer Cultural Foundation 1986–2009, Ompus Inc. 1984–1994  
Chairman of the Nomination Committee: Orion Corporation 2004–2011  
Member of the Nomination Committee: Oriola-KD Corporation 2006–2007, 2010–2011  
Member of the Supervisory Board: Orion Corporation 1991–2002, Amer Group 1985–1986



**Heikki Westerlund**

M. Sc. (Economics)

b. 1966

Member of the Board of Directors of Orion Corporation since 24 March 2010  
Chairman of the Audit Committee, member of the Remuneration Committee and the R&D Committee

**Career**

2010– CapMan Plc, Chairman, Senior Partner  
2005–2010 CapMan Plc, CEO  
2002–2005 Head of CapMan Buyout team  
1994–2002 CapMan, Investment Manager, Investment Director  
1990–1994 Finnish Fund for Research and Development SITRA, Investment Analyst, Project Manager  
1988–1989 Foresport Oy, Managing Director, entrepreneur

**Current key positions of trust**

Chairman of the Board of Directors: CapMan Plc 2010–  
Member of the Board of Directors: Lumene Ltd 2006–, Orion Corporation 2010–, Walki Oy 2011–

**Former key positions of trust**

Chairman of the Board of Directors: Finlayson Oy 2011–2012  
Member of the Board of Directors: Aldata Solution Oyj 1997–2001, AtBusiness Communications Oyj 1997–2003, Finnish Venture Capital Association 2007–2011, Medianorth Group Oy 1999–2004, Nexor Superstore 1995–1998, Satama Interactive 1997–2000

## Introductions of Executive Management Board members



**Timo Lappalainen**  
M.Sc. (Eng)  
b. 1962

President and CEO of Orion Corporation,  
Chairman of the Executive Management  
Board  
since 1 January 2008

### Career

Timo Lappalainen joined Orion in 1999. He has since occupied the following positions:

- 2008– President and CEO
- 2005–2007 Senior Vice President, Proprietary Products and Animal Health
- 2003–2005 Executive Vice President, Orion Pharma
- 1999–2003 Senior Vice President, Business Development
- 1994–1999 Leiras Oy, Vice President, International Marketing and Business Development
- 1989–1993 Finvest Ltd., Vice President, Business Development and General Manager of Finvest's German unit
- 1987–1988 Arthur Andersen & Co. (Chicago, USA), Consultant

### Current key positions of trust

Member of the Board of Directors: Vaisala Oyj 2011–, Chemical Industry Federation of Finland 2008–, Finnish Foundation for Cardiovascular Research 2010–  
Vice Chairman of the Board of Directors: Chemical Industry Federation of Finland 2013–  
Member of the Advisory Board: The Finnish Fair Corporation 2009–

In addition, Timo Lappalainen is a member of the Council of the Helsinki Region Chamber of Commerce and a member of the Council of the Finnish Section of the International Chamber of Commerce (ICC Finland).



**Satu Ahomäki**  
M.Sc. (Econ.)  
b. 1966

Senior Vice President, Global Sales,  
since 1 October 2010

### Career

Satu Ahomäki joined Orion in 1992. She has since occupied the following positions:

- 2010– Senior Vice President, Global Sales
- 2008–2010 Senior VP, Animal Health
- 2006–2007 Head of Business Development
- 2005 Business Development Director
- 2000–2004 Project Manager and Program Leader of Hormonal and Urological therapies
- 1992–1999 Several duties in pharmaceutical R&D

Before joining Orion, Satu Ahomäki worked in accounting in different companies.



**Markku Huhta-Koivisto**  
M.Sc. (Eng.), MBA  
b. 1956

Senior Vice President, Specialty Products and  
Fermion, since 1 November 2006

### Career

Markku Huhta-Koivisto joined Orion in 1982. He has since occupied the following positions:

- 2006– Senior Vice President, Specialty Products and Fermion
- 2004–2006 Orion Pharma, Senior Vice President, Supply Chain
- 2004–2005 Fermion Oy, President
- 2002–2004 Orion Pharma, Senior Vice President, Supply Chain
- 2000–2002 Orion Pharma, Programme Director, business processes and information systems
- 1998–2000 Orion Pharma, Vice President, International Sales
- 1996–1998 Orion Pharma, Director and Vice President, Materials Management
- 1991–1996 Orion-Farmos Pharmaceuticals, Director, Materials Management
- 1990–1991 Farmos Oy, Pharmaceutical Division, Director and Vice President, Materials Management
- 1987–1990 Farmos Oy, Materials Manager
- 1984–1987 Farmos Oy, Plant Manager
- 1982–1983 Farmos Oy, Production Planning Manager
- 1981–1982 Oy Santasalo-Sohlberg Ab, Development Engineer

### Current key positions of trust

Member of the Board of Directors: Pharmaservice Oy 2011–  
Member of Health Cluster of the National Emergency Supply Organisation, NESO 2007–



**Olli Huotari**  
Master of Laws, LL.M.  
b. 1966

Senior Vice President, Corporate Functions  
(Communications, Human Resources,  
Intellectual Property Rights and Legal Affairs),  
since 1 July 2006  
Secretary to the Board of Directors of Orion  
Corporation, since 1 October 2002

### Career

Olli Huotari joined Orion in 1996. He has since occupied the following positions:

- 2006– Senior Vice President, Corporate Functions
- 2005–2006 Vice President, Human Resources at Orion Pharma and Corporate Vice President, HR development of the Orion Group
- 2002–2006 General Counsel of the Orion Group
- 1996–2002 Legal Counsel in Corporate Administration
- 1992–1995 Law firm Asianajotoimisto Jouko Penttilä Oy, Legal Counsel

In 1995–1996, Olli Huotari completed the degree of Master of Laws in International Commercial Law at the University of Kent at Canterbury, UK.



**Liisa Hurme**  
Ph. D. (Biochemistry)  
b. 1967

Senior Vice President, Proprietary Products,  
since 1 January 2008

#### Career

Liisa Hurme joined Orion in 1999. She has since occupied the following positions:

- 2008– Senior Vice President, Proprietary Products
- 2005–2007 Head of Urology and Oncology business
- 2004–2005 Program Leader of pharmaceutical development projects for Hormonal and Urological therapies
- 2002–2004 Portfolio Manager
- 2001–2002 Project Manager
- 1999–2001 Researcher and Project Manager, Hormonal therapies
- 1995–1999 Pharmacia & Upjohn, Researcher, Diagnostics Unit (Sweden) and Researcher, Development projects at ELIAS GmbH (Germany) and Institute Pasteur (France)

Liisa Hurme completed her doctoral thesis on biochemistry at the University of Helsinki, Faculty of Science, in 1996.

#### Current key positions of trust

Member of the Board of Finnish Bioindustries FIB 2010–  
Member of the Economic & Social Policy Committee of the European Federation of Pharmaceutical Industries and Associations (EFPIA) 2010–



**Virve Laitinen**  
M.Sc. (Tech.), MBA  
b. 1972

Senior Vice President, Supply Chain, since  
1 January 2012

#### Career

Virve Laitinen joined Orion in 1997. She has since occupied the following positions:

- 2012– Senior Vice President, Supply Chain
- 2007–2011 Finance, Director, Business Planning and Control
- 2001–2006 Supply Chain, Manager, Industrialisation and Contract Manufacturing
- 1997–2000 Supply Chain, Development Engineer



**Liisa Remes**  
Research Assistant

Liisa Remes is the employee representative  
in the Executive Management Board.



**Jari Karlson**  
M. Sc. (Econ.)  
b. 1961

Chief Financial Officer (CFO),  
since 1 August 2002

#### Career

- 2002– Chief Financial Officer (CFO)
- 2001–2002 Orion Pharma, Vice President, Finance
- 1999–2001 Kuusakoski Group Oy, Vice President, Finance
- 1990–1999 Genencor International Inc, Controller, Director of Planning for the Europe and Asia region and Director of Finance in Europe
- 1988–1989 Cultor Oy, Financial controller for the Biochem division

As of November 2010, CFO Jari Karlson also takes the executive responsibility of the Animal Health business division.

#### Current key positions of trust

Member of the Board: LocalTapiola Mutual Pension Insurance Company 2010–, Finnish Foundation of Veterinary Research 2011–, Polttimo Oy 2012–



**Reijo Salonen**  
Professor, Docent, MD, PhD  
b. 1956

Senior Vice President, Research and  
Development and Chief Medical Officer, since 1  
November 2006

#### Career

- 2006– Senior Vice President, Research and Development and Chief Medical Officer
- 2004–2006 Pfizer, Vice President, Neurology, Psychiatry and Ophthalmology and Worldwide Therapeutic Area Head Neurosciences (USA)
- 2002–2004 GlaxoSmithKline, Vice President, Clinical Development and Medical Affairs, Neurosciences
- 2001–2002 GlaxoSmithKline, Vice President, Clinical Development, Neurology and GI
- 1999–2001 GlaxoWellcome, Director, Medical Strategy and Communications in the Neurosciences Therapy Group
- 1998–1999 GlaxoWellcome, Principal Medical Strategy Head in Neurology and Psychiatry
- 1997–1998 GlaxoWellcome, Senior Medical Strategy Head, Neurology (USA)
- 1995–1997 GlaxoWellcome, Country Medical Director (Finland)

Reijo Salonen received both his MD degree and PhD (in Neuroimmunology) from the University of Turku in 1983. He is Specialist in Neurology and has been Docent in Neuroimmunology at Turku since 1989. He received the Finnish honorary title of Professor in 2009.

#### Current key positions of trust

Member of the Board of Directors: The Finnish Medical Foundation 2011–  
Member: European Brain Council Industry Board 2006–, University of Turku, External Advisory Board 2010–

#### Former key positions of trust

Member of the Board: European Brain Council 2006–2010  
Member: European Federation of Pharmaceutical Industries and Associations (EFPIA), Research Directors Group 2007–2012