ORION
Building well-being

Corporate Governance Statement 2017

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 2015 for companies listed on Nasdaq Helsinki Ltd. Orion Corporation departs from the Code's recommendation No. 15 concerning the election of members to the Nomination Committee, which can also include persons other than members of the Board. The Company considers the departure justified in view of the Company's ownership structure and the potential for flexibility when preparing for the election of the Board members. In addition, the Company regards that the departure promotes the proper implementation of the Company's governance system in such a way that, i.a., the manner applied to the preparation of the composition of the Board of Directors promotes the interaction between the Board and the largest shareholders and enables the opinions of the shareholders to be observed already when the proposed composition is being prepared. The Board of Directors of Orion Corporation has decided on the departure from the Code when confirming the charter of the Nomination Committee. The essentials of the charter of the Committee and the manner applied to the preparation of the proposal for the Board composition are described later in section 5.3.4.

The Corporate Governance Code is available at www.cgfinland.fi.

This Corporate Governance Statement has been presented in connection with the 2017 Financial Statements of the Orion Group as a separate report from the Report by the Board of Directors. The Governance Statement as well as an up-to-date description of the governance are available on the Company's website, at www.orion.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 on the Company's website at www.orion.fi.

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.

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 and the chairmen of the committees are elected by the Board of Directors from among itself in the organising meeting following the election of the Directors. Each committee shall have at least three members and they shall have the expertise and experience required for the duties of the committee. 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. The Nomination Committee prepares 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. In its recommendation, the Committee observes the recommendations 8 and 10 of the Corporate Governance Code concerning the composition of the Board and the independence of the Directors.

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, corporate responsibility 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 a stock exchange release and on the Company's website 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.

The decisions of the Annual General Meeting are published in a stock exchange release after the meeting. The meeting documents are kept on the Company's website at least five years from the meeting. The minutes of the meeting are provided in Finnish only and they are made available on the Company's website within two weeks of the meeting.

4 Board of Directors

4.1 Members of the Board of Directors as of 22 March 2017

	Board of Directors	Born	Education	Main position
Heikki Westerlund	Chairman	1966	M.Sc. (Econ.)	Board professional
Timo Maasilta	Vice Chairman	1954	M.Sc. (Eng.)	Managing Director of Maa- ja vesitekniikan tuki ry and Tukinvest Oy
Sirpa Jalkanen	Member	1954	M.D.	Academy professor
Ari Lehtoranta	Member	1963	M.Sc. (Eng.)	President and CEO of Caverion Corporation
Hilpi Rautelin	Member	1961	M.D., Ph.D., Specialist in Clinical Microbiology	Professor of Clinical Bacteriology, Uppsala University, Sweden
Eija Ronkainen	Member	1966	Licentiate of Medicine, Specialist in Internal Medicine	Specialist in Internal Medicine, Hyvinkää Hospital
Mikael Silvennoinen	Member	1956	M.Sc. (Econ.)	Executive Chairman of IMS Talent Oy

The holdings in Orion Corporation of the members of the Board of Directors are presented in chapter 12 of this Statement. Biographical details of Directors are presented in chapter 13 of this Statement. Information updated afterwards about the Directors is available at www.orion.fi.

4.2 Independence of the Board members

In its organizing meeting the Board of Directors has assessed the independence of its members and concluded 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, operations and different business areas, and the Group's Corporate Governance.

In 2017, altogether 14 Board meetings were held (14 Board meetings in 2016). The Directors attended the meetings as follows: Heikki Westerlund 14, Timo Maasilta 14, Sirpa Jalkanen 14, Ari

Lehtoranta 9 (member as of 22 March 2017), Hilpi Rautelin 10 (member as of 22 March 2017), Eija Ronkainen 14 and Mikael Silvennoinen 14 meetings. Hannu Syrjänen (Chairman until 22 March 2017) attended 4 meetings and Jukka Ylppö (member until 22 March 2017) 4 meetings. The average attendance of the members was 99% (100%).

The Board of Directors conducted the most recent self-evaluation in autumn 2017. In the annually made evaluation, the Board assesses, i.a., matters related to the Group's strategy and targets, the Board's operational efficacy and performance, the Board's role in establishing the control systems for the Group, the efficiency of the Board meetings, and the Board's working atmosphere. In self-evaluation, the Board assesses, also the performance of committees of the Board of Directors.

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 the parent company.

4.5 Principles Concerning Diversity of Board of Directors

Orion regards diversity as an important and natural approach in its operations. The principles concerning the diversity of the Board of Directors are in line with this premise.

In accordance with the Company's Articles of Association, the Board of Directors shall comprise at least five (5) and at most eight (8) members. The term of the members of the Board of Directors shall end at the end of the Annual General Meeting of the Shareholders following the election. The General Meeting of the Shareholders shall elect the Chairman of the Board of Directors and the Board of Directors shall elect the Vice Chairman of the Board of Directors, both for the same term as the other members.

The Corporate Governance Code for the companies listed on the Helsinki Stock Exchange provides that the composition of the board of directors shall reflect the requirements set by the company's operations and development stage. A person elected as a director must have the competence required by the position and the possibility to devote sufficient time to attending the duties. The number of directors and the composition of the board of directors shall be such that they enable the board of directors to see to its duties efficiently. Both genders shall be represented in the board of directors. The Code also provides recommendations concerning the independence of the members of the board of directors and the board committees.

The proposals for the composition and remuneration of the Board of Directors of Orion are prepared by the Company's Nomination Committee, which is a body established and elected by the Board of Directors. Departing from the recommendation of the Corporate Governance Code, the Nomination Committee can also include persons other than members of the Board. Before appointing members to the Committee, 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. 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 remuneration of the Board. The Board of Directors independently decides on its proposals to the General Meeting. The composition and remuneration of the Board of Directors are decided by the General Meeting.

When preparing the composition of the Board of Directors of Orion, attention is paid to the afore-mentioned requirements set by the Company's Articles of Association and the Corporate Governance Code, as well as to the requirements set by the Company's operations and the accrued attributes of diversity. Diversity is considered not only from the aspect of gender but also from other attributes promoting the Board's diversity, such as the age structure of the Board, the members' educational and professional background, their experience relevant for the position, and personal characters, for example. When preparing the composition, the way how the members' skills, education and experience complement each other is also assessed. The Company's long-term needs are also taken into account.

The purpose of the diversity principles is to contribute to making sure that the Board's combined competence and experience and the diversity of its composition are sufficiently aligned with Orion's operational needs. With regard to gender structure, the objective is that both genders are sufficiently represented on the Board.

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 22 March 2017

	Board of Directors	Audit Committee	Remuneration Committee	R&D Committee
Heikki Westerlund	Chairman		Chairman	Member
Timo Maasilta	Vice Chairman		Member	Member
Sirpa Jalkanen	Member			Chairman
Ari Lehtoranta	Member	Member		Member
Hilpi Rautelin	Member	Member		Member
Eija Ronkainen	Member	Member		Member
Mikael Silvennoinen	Member	Chairman	Member	Member

Nomination Committee, appointed on 26 October 2017

Matti Kavetvuo	Chairman
Kari Jussi Aho	Member
Erkki Etola	Member
Petteri Karttunen	Member
Timo Maasilta	Member
Timo Ritakallio	Member
Heikki Westerlund	Member
Jukka Ylppö	Member

5.2 Meetings of the Board Committees

In 2017, Committee meetings were held as follows:

- Audit Committee 5 (4 in 2016) meetings
  - every meeting was attended by all members
- Remuneration Committee 3 (3) meetings
  - every meeting was attended by all members
- R&D Committee 2 (2) meetings
  - every meeting was attended by all members
- Nomination Committee 5 (6) meetings
  - the meetings were attended by all members except for Erkki Etola, who attended three meetings.

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 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 (i.a., accepting in advance, according to verified Company's policies and principles, procurement of other than audit services from the auditing 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 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 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, departing from the recommendation of the Corporate Governance Code, can also include persons other than members of the Board. The reasons for departing from the Code are explained in chapter 1 General principles of this Statement. 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 and the chairman of the committee are appointed by the Board annually. 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 based on their shareholdings are, however, disregarded in calculating the largest shareholders. The term of office of the members ends when the Board has elected the next Nomination Committee.

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 in 2017

Timo Lappalainen	President and CEO of Orion Corporation, Chairman of Executive Management Board [1]
Satu Ahomäki	Senior Vice President, Global Sales
Markku Huhta-Koivisto	Senior Vice President, Proprietary Products
Olli Huotari	Senior Vice President, Corporate Functions
Liisa Hurme	Senior Vice President, Specialty Products and Fermion
Jari Karlson	Chief Financial Officer, Vice President, Animal Health
Virve Laitinen	Senior Vice President, Supply Chain
Reijo Salonen	Senior Vice President, Research and Development until 20 February 2017
Christer Nordstedt	Senior Vice President, Research and Development as of 21 February 2017

[1] *Also represents Orion Diagnostica in the Executive Management Board*

In 2017, the employees were represented in the Executive Management Board by Marko Torppala, Compression Machine Operator.

The holdings in Orion Corporation of the Executive Management Board are presented in chapter 12 of this Statement. Biographical details of the Executive Management Board members are presented in chapter 14. Information updated afterwards about the members is available at www.orion.fi. 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 Decision-making procedures and main principles of remuneration

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.

8.1.1 Remuneration principles concerning the Board of Directors

The remuneration of the members of the Board of Directors is decided on by the Annual General Meeting of the shareholders. The remuneration recommendation to be presented in the invitation to the Annual General Meeting is prepared by the Nomination Committee.

8.1.2 Remuneration principles concerning 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 section 8.2.6.

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 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.

8.1.3 Remuneration principles concerning 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 section 8.2.6.

The pensions of the other members of the Executive Management Board are determined by the Employees Pensions Act (TyEL).

8.2 Remuneration report for 2017

8.2.1 Remuneration of the Board of Directors

According to the decision by the Annual General Meeting in 2017 concerning the annual fees for the term of office of the Board of Directors, the Chairman shall receive EUR 84,000, the Vice Chairman shall receive EUR 55,000 and the other members shall receive EUR 42,000 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 27 April – 4 May 2017 from the stock exchange in amounts corresponding to EUR 33,600 for the Chairman, EUR 22,000 for the Vice Chairman and EUR 16,800 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 24 May 2017. 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 2017 financial year

	Total remuneration, €	Number of B-shares received
Heikki Westerlund, Chairman	104,937	628
Timo Maasilta, Vice Chairman	73,951	411
Sirpa Jalkanen	53,068	314
Ari Lehtoranta [1)]	50,668	314
Hilpi Rautelin [1)]	51,268	314
Eija Ronkainen	54,868	314
Mikael Silvennoinen	59,068	314
Hannu Syrjänen [2)]	7,800	-
Jukka Ylppö [2)]	3,600	-
Board of Directors total	**459,231**	**2,609**

[1] *As of 22 March 2017*
[2] *For 1 Jan – 22 March 2017*

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

8.2.2 Remuneration of the President and CEO

The salary, fees, fringe benefits and performance-based bonuses paid to the President and CEO in 2017 totalled EUR 1,565,562 (1,549,148 in 2016), comprising EUR 473,287 (468,720) in salary and fringe benefits, and EUR 1,092,275 (1,080,428) in performance-based bonuses for 2016. EUR 471,011 (466,239) of the total bonuses corresponds of the value of the 10,000 (15,000) Orion Corporation B shares received by the President and CEO on 1 March 2017 as part of the Company's long-term share-based incentive plan. The price per share of these shares was EUR 47.1011 (31.0826), the volume-weighted average quotation of the B share on 1 March 2017.

The 2016 payment for the supplementary pension benefit was EUR 429,338. The 2017 advance payment for the supplementary pension benefit was EUR 573,460.

8.2.3 Remuneration of other executives

The salaries, fees, fringe benefits and performance-based bonuses paid for 2017 to the members of the Executive Management Board, excluding the President and CEO, totalled EUR 5,049,746 (4,820,702) comprising EUR 1,740,361 (1,564,251) in salaries and fringe benefits and EUR 3,309,385 (3,256,451) in performance-based bonuses.

8.2.4 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 2017 totalled EUR 7,075,139 (6,797,578 for 2016).

8.2.5 Authorisations of the Board of Directors concerning remuneration

The Board of Directors has an authorisation confirmed by the Annual General Meeting held on 22 March 2016 to decide on a share issue in which shares held by the Company can be conveyed in a targeted issue as part of the Company's incentive system. The terms of the authorisation have been published in a stock exchange release on 22 March 2016.

8.2.6 Share-based incentive plans

The Group has two share-based incentive plans in force for key persons of the Group.

The plan that commenced in 2013 includes earning periods and the Board of Directors has annually decided on the beginning and duration of the earning periods in 2013, 2014 and 2015. The Board of Directors shall decide on the earning criteria and targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2013 and calendar years 2013–2015, commenced upon implementation of the plan. Two earning periods, calendar year 2014 and calendar years 2014–2016, commenced in 2014. Two earning periods, calendar year 2015 and calendar years 2015–2017, commenced in 2015. The reward under the plan for the earning periods 2013, 2014 and 2015 is based on the Orion Group's operating profit. The reward under the plan for the earning periods 2013–2015, 2014–2016 and 2015–2017 is based on the total return on Orion Corporation B share.

The target group of the plan consists of approximately 35 people. The total maximum amount of rewards to be paid based on the plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. By 31 December 2017, a total of 366,775 Orion Corporation B shares had been paid as rewards under this plan.

The key terms of the 2013 incentive plan are provided in a stock exchange release dated 5 February 2013.

The plan that commenced in 2016 includes earning periods. The Board of Directors has decided or shall decide annually on the beginning and duration of the earning periods annually in 2016, 2017 and 2018. The Board of Directors shall decide on the earning criteria and on targets to be established for them at the beginning of each earning period. Two earning periods, calendar year 2016 and calendar years 2016–2018, commenced upon implementation of the plan. Two earning periods, calendar year 2017 and calendar years 2017–2019, commenced in 2017. The reward under the plan for the earning periods 2016 and 2017 is based on the Orion Group's operating profit and for the earning periods 2016–2018 and 2017–2019 on the total return on Orion Corporation B shares.

The target group of the plan consists of no more than 50 people. The total maximum amount of rewards to be paid based on the plan is 500,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares.–By 31 December 2017, a total of 61,665 Orion Corporation B shares had been paid as rewards under this plan.

The key terms of the 2016 incentive plan are provided in a stock exchange release dated 2 February 2016.

Under both plans, shares received based on one-year earning periods cannot be transferred during the restricted period determined in the plans. For the earning periods currently in effect, the dates

when the restricted periods end are shown in the table below. There is no restricted period for the three-year earning periods. The value of reward to be paid based on the plans during one calendar year is a key person's gross annual salary multiplied by 1.75, in the maximum, at the date of the reward payment.

Earning periods currently in effect	2017	2017–2019	2016–2018	2015–2017
Start date of earning period	1 Jan 2017	1 Jan 2017	1 Jan 2016	1 Jan 2015
End date of earning period	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017
End date of restricted period	31 Dec 2019			
Grant date of share rewards	30 Mar 2017	30 Mar 2017	23 Mar 2016	27 Feb 2015
Fair value of shares at granting, EUR [1]	48.83	48.83	29.16	29.09
Fair value of reward at grant date, EUR [1]		14.82	8.67	13.73

[1] *The fair value of the rewards per share on the granting date has been determined with the Binary "asset or nothing call" evaluation model.*

The rewards under the plan shall be paid partly in the form of the Company's B shares and partly in cash. Rewards have been paid and potential future rewards shall be paid as follows:

Earning period	Reward paid on / potential reward to be paid in
2013	3 March 2014
2014	2 March 2015
2013–2015	1 March 2016
2015	1 March 2016
2014–2016	1 March 2017
2016	1 March 2017
2015-2017	2018
2017	2018
2016–2018	2019
2017–2019	2020

In the Financial Statements 2017 of the Orion Group, the share-based incentive plans are dealt with in Note 4 Employee benefits and auditor's remuneration.

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 as well as such threats in the operational environment as may turn to business risks
- operational risks, including sales and business risks, corporate security and information security risks as well as risks related to corporate responsibility, such as environmental and patient safety risks
- potential risks of production and supply chain interruptions, the evaluation of their impacts, and continuity plans
- 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 and test systems.
- 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 Corporate Governance Code, 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, risks and 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 broad product range may cause risks to the delivery reliability and make it challenging to maintain the very high quality standard required in production. Authorities and key customers in different countries undertake regular and detailed inspections of development and manufacturing of drugs at Orion's production sites. Any remedial actions that may be required may at least temporarily have effects that reduce delivery reliability and increase costs. Orion's product range also includes products manufactured by other pharmaceutical companies. Possible problems related to the delivery reliability or quality of the products of those manufacturers may cause a risk to Orion's 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.

Information is an essential part of Orion's immaterial capital. For collecting, handling, storage and transmitting data, Orion uses efficient, safe and reliably functioning information systems which, for their part, secure the performance and the continuity of the Group's operations. With compliant information systems Orion also manages its pharmaceuticals business-specific obligations to secure the availability of its medicinal products, pharmacovigilance, and the reliability of drug related information.

The data security risk materialises if the data or the data system is not at the right persons' disposal, the information has changed or ended up in the possession of outsiders. Orion manages the risks concerning information and information management systems by means of regular risk assessments, protection of operational premises and data systems, by practices which strengthen information security and by ensuring the employees' awareness of the risks and threats concerning data security.

9.2.2.7. Environmental risks
The Group's Environmental, Health and Safety policy includes 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 EHS management 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 profits and cash flows and to ensure sufficient liquidity.

The main principles for financial risk management are described in the Group Treasury Policy approved by the Board of Directors of the parent company, and the Group Treasury is responsible for its implementation. Treasury activities are centralised in the Group Treasury.

9.2.3.1. Market risk
The Group is exposed to market risks related to foreign currency exchange rate, market interest rate and electricity price.

9.2.3.1.1. Foreign currency exchange rate risk
The Group's foreign currency 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 interest flows) 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. In accordance with the Treasury Policy, items based on significant currencies in the statement of financial position are normally hedged 90−105% and the forecast cash flows over the upcoming 12 months 0−50%. Currency derivatives with maturities up to 12 months are used as hedging instruments.

The most significant currencies for the Group’s operational items are the US dollar, Swedish krona, Polish zloty, Norwegian krona, Russian rouble, Japanese yen and British pound. As regards these currencies, no individual currency accounts for a significant portion of the overall position. The position as regards these currencies is presented in the table in Note 24.1.1 of the Financial Statements 2017.

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 currency derivatives are recognised through profit and loss in either other operating income and expenses or finance income and expenses depending on whether, from an operational perspective, sales revenues or financial assets and liabilities have been hedged.

Translation risk
Translation risk arises from the equity of subsidiaries outside the eurozone. At 31 December 2017, the equity in these subsidiaries totalled EUR 72.3 (2016: 73.5) 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 currency exchange rates on the Group’s results (before taxes) and equity at the reporting date is presented for the significant currencies in the table in Note 24.1.1 of the Financial Statements 2017. The assumption used in the sensitivity analysis is a +/- 10% change in the exchange rates (foreign currency 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.

9.2.3.1.2. 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 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. This price risk is not hedged.

9.2.3.1.3. Interest rate risk
Changes in interest rates affect the Group's cash flow and results. At 31 December 2017, the Group’s interest-bearing liabilities totalled EUR 151.3 (2016: 152.5) million. Most of the Group's interest-bearing liabilities are tied to a fixed interest rate, so the impact of changes in interest rates on the Group is minor. Interest rate derivatives were not used in 2017.

The effect of an interest rate rise on net interest expenses has been estimated through a sensitivity analysis in which interest rates are assumed to rise in 2018 in parallel by one percentage point (1%)

compared with market interest rates at the end of the reporting period while other factors (including liabilities) remain unchanged. The estimated interest expenses of the Group would then rise by EUR 0.0 million in 2018 (before taxes) (2017: EUR 0.0 million).

9.2.3.2. Counterparty risk

Counterparty risk is realised 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 2017 is the total of financial assets less carrying amounts of derivatives in financial liabilities, which totalled EUR 372.1 (2016: 445.3) million (Note 23 of the Financial Statements 2017). The main risks relate to trade receivables, cash and cash equivalents, and money market investments.

The Group Treasury Policy defines the requirements for the creditworthiness of the financial institutions acting as counterparties to Group companies. Limits have been set for counterparties on the basis of creditworthiness and solidity, and they are regularly monitored and updated. Money market investments are made mainly in interest-bearing instruments with duration up to six months.

The Group Customer Credit Policy defines the basis for classifying customers and setting limits for them, and the ways through which the credit risk is managed. Payment performance and the financial situation of customers are monitored, and effective collection is regularly undertaken. Credit risk can be reduced by requiring advance payment as a payment term or a letter of credit or a bank guarantee to secure the payment or by using credit insurance. In the pharmaceutical industry, trade receivables are typically generated by distributors representing different geographical areas. In certain countries, the Group also sells directly to local hospitals. The 25 largest customers accounted for 77.5% of the trade receivables at 31 December 2017 (2016: 78.5%). The trade receivables are not considered to involve significant risk. Credit losses for the period recognised through profit and loss were EUR 0.1 (2016: 0.2) million.

9.2.3.3. Liquidity risk

The Group seeks to maintain a good liquidity in all conditions. In addition to cash flows from operating activities and cash and cash equivalents and other money market investments, the liquidity is ensured by EUR 100 million of binding undrawn bilateral credit limits that will mature in 2022. In addition to this, the Group has undrawn bank overdraft limits and a EUR 100 million unconfirmed commercial paper programme from which no commercial papers had been issued on the reporting date.

The Group's interest-bearing liabilities at 31 December 2017 were EUR 151.3 (2016: 152.5) million. The average maturity for interest-bearing liabilities excluding finance lease liabilities is one year and five months (2016: two years and five months). At 31 December 2017, the Group’s cash and cash equivalents and money market investments, which decrease liquidity risk, totalled EUR 164.1 (2016: 231.9) million. To ensure the Group’s liquidity, any surplus cash is invested mainly in short-term euro-denominated interest-bearing instruments with good creditworthiness. An investment-specific limit is determined for each investment.

Forecast undiscounted cash flows of financial liabilities, interest payments and derivatives are presented in the table in Note 24.3 of the Financial Statements 2017.

9.2.3.4. Management of capital structure

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 credit limit agreements of the Company include covenants that specify that if the covenants are breached, the lender optionally has the right to demand early repayment of the loan. The tables presented in Note 24.4. of the Financial Statements 2017, show the levels of financial covenants specified in the terms of the loans and the corresponding values at 31 December 2017.

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 that 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 insider administration of the Orion Group is arranged in accordance with the Insider Guideline of Nasdaq Helsinki Ltd (Nasdaq Helsinki). The Group's own Insider Guidelines (Orion Insider Guidelines) are based on applicable EU regulation, especially the Market Abuse Regulation (EU 596/2014, MAR) and any regulation and guidance given by the European Securities Markets Authority (ESMA) or otherwise under MAR, and Finnish legislation, especially the Securities Markets Act (746/2012, as amended) and the Penal Code (39/1889, as amended), as well as the insider and other guidelines of Nasdaq Helsinki and the guidance by the Finnish Financial Supervisory Authority (FIN-FSA). In the event there is any discrepancy between the Orion Insider Guidelines and the applicable laws and regulations, such laws and regulations shall prevail.

According to the Orion Insider Guidelines, the managers and their closely associated persons are required to notify the company and the FIN-FSA of every transaction they have conducted on their own account relating to such financial instruments of the company as are defined in the MAR. Orion shall disclose such information in stock exchange releases. The company has defined that the members of the Board of Directors of Orion Corporation and the members of the Executive Management Board of the Orion Group are managers meant by the MAR.

11 Audit

Orion Corporation shall have one auditor, which is 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 2017, the auditor of Orion Corporation was PricewaterhouseCoopers Oy, Authorised Public Accountant Firm, the designated auditor being Kalle Laaksonen, Authorised Public Accountant. PricewaterhouseCoopers Oy has served as Orion's auditor since 2007.

11.1 Remuneration of auditor

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

In 2017 and 2016, the auditors were remunerated for their services as follows:

EUR 1,000	2017	2016
Auditing	267	224
Assignments in accordance with the Auditing Act	42	46
Advice on taxation	82	93
Other services		17
Total	**391**	**381**

12 Shareholdings in Orion Corporation of the Board of Directors and the Executive Management Board

Shareholdings in Orion Corporation as on 31 December 2017 of the Members elected to the Board of Directors on 22 March 2017

	A shares	Change from 1 Jan 2017 A	B shares	Change from 1 Jan 2017 B	A and B total	% of total shares	% of total votes
Heikki Westerlund	5,000	5,000	5,987	628	10,987	0.01	0.01
Timo Maasilta	21,928	0	4,141	411	26,069	0.02	0.05
Sirpa Jalkanen	0	0	7,010	314	7,010	0.00	0.00
Ari Lehtoranta [1]	0	0	314	314	314	0.00	0.00
Hilpi Rautelin [1]	1,800	1,800	1,314	314	3,114	0.00	0.00
Eija Ronkainen	11,000	0	14,840	314	25,840	0.02	0.03
Mikael Silvennoinen	0	0	2,095	314	2,095	0.00	0.00
Board of Directors total	**39,728**	**6,800**	**35,701**	**2,609**	**75,429**	**0.05**	**0.10**

[1] *For Ari Lehtoranta and Hilpi Rautelin, the changes have been observed as of 22 March 2017, when they started as Board members*

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 2017

	A shares	Change from 1 Jan 2017 A	B shares	Change from 1 Jan 2017 B	A and B total	% of total shares	% of total votes
Timo Lappalainen	0	0	92,519	10,000	92,519	0.07	0.01
Satu Ahomäki	0	0	19,561	1,400	19,561	0.01	0.00
Markku Huhta-Koivisto	0	0	20,535	-600	20,535	0.01	0.00
Olli Huotari	0	0	49,000	4,595	49,000	0.03	0.01
Liisa Hurme	0	0	19,432	4,250	19,432	0.01	0.00
Jari Karlson	0	0	23,340	-2,600	23,340	0.02	0.00
Virve Laitinen	0	0	13,792	-300	13,792	0.01	0.00
Christer Nordstedt [1]	0	0	0	0	0	0.00	0.00
Executive Management Board total	**0**	**0**	**238,179**	**16,745**	**238,179**	**0.17**	**0.03**

[1] *For Christer Nordstedt, the changes have been observed as of 21 February 2017, when he started as member of the Executive Management Board*

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

13 Introductions of the members of the Board of Directors

Heikki Westerlund

Chairman

M. Sc. (Economics)
b. 1966

- Chairman of the Board of Directors of Orion Corporation since 22 March 2017, member since 24 March 2010
- Chairman of the Remuneration Committee, member of the R&D Committee and the Nomination Committee

Career
2017- Board professional
2013–2017 CapMan Plc, CEO
2010–2013 CapMan Plc, Chairman
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: Heiwes Oy 1997-, Orion Corporation 2017-
Member of the Board of Directors: Orion Corporation 2010-

Advisor, CapMan Growth Equity 2017-

Former key positions of trust
Member or Chairman of the Board of Directors: Aldata Solution Oyj 1997–2001, AtBusiness Communications Oyj 1997–2003, Finnish Venture Capital Association 2007–2011, Lumene Ltd 2006–2013, Medianorth Group Oy 1999–2004, Nexor Superstore 1995–1998, Norvestia Oyj 2015-2017, Satama Interactive 1997–2000, Walki Oy 2011-2017

Timo Maasilta

Vice Chairman

M. Sc. (Eng.)
b. 1954

- Vice Chairman of the Board of Directors of Orion Corporation since 22 March 2016, member since 20 March 2012
- Member of the Remuneration Committee, the R&D Committee and the Nomination Committee

Career
1993- Managing Director, Maa- ja vesitekniikan 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 vesitekniikan tuki ry 1998-, Tuen Kiinteistöt Oy 1985-, Ympäristöviestintä YVT Oy 2001-

Vice Chairman of the Board of Directors: Orion Corporation 2016-
Member of the Board of Directors: Orion Corporation 2012-, Tukinvest Oy 1996-

Vice Chairman of the Advisory Board: Amer Cultural Foundation 2010-, Editor-in-chief of the Vesitalous-magazine 1998-

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

Sirpa Jalkanen

Academician, Professor, MD
b. 1954

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

Career
2014– Academy professor
2010–2013 Vice Dean, University of Turku
2008–2013 Director of a Centre of Excellence of the Finnish Academy
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

Sirpa Jalkanen was granted the Finnish honorary title of Academician on 4 September 2015.

Current key positions of trust
Chairman of the Board of Directors: Cancer Foundation Finland 2017–
Member of the Board of Directors: Orion Corporation 2009–, Emil Aaltonen Foundation 2000–, Tampere University of Technology 2010–

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 300 scientific articles on mechanisms of inflammatory diseases and spreading of cancer. Several related patents granted and pending.

Ari Lehtoranta

M.Sc. (Eng.)
b. 1963

- Member of the Board of Directors of Orion Corporation since 22 March 2017
- Member of the Audit Committee and the R&D Committee

Career
2017– President and CEO, Caverion Corporation
2014–2016 President and CEO, Nokian tyres plc
2010–2014 Executive Vice President, Central and North Europe, KONE Corporation
2008–2010 Executive Vice President, Major Projects, KONE Corporation
2005–2008 Head of Radio Access, Nokia Siemens Networks / Nokia Networks
2003–2005 Vice President of Operational Human Resources, Nokia Corporation
1999–2003 Head of Broadband Division, Head of Systems Integration and Customer Services for Europe, Nokia Networks
1985–2003 Managing director in Italy and various other positions, Nokia Telecommunications

Current key positions of trust
Member of the Board of Directors: Orion Corporation 2017–
Member of the Supervisory Board: Ilmarinen Mutual Pension Insurance Company 2015–

Former key positions of trust
Chairman of the Board of Directors: Caverion Corporation 2015–2016
Member of the Board of Directors: Caverion Corporation 2013–2015

Hilpi Rautelin

Professor, M.D., Ph.D., Specialist in Clinical Microbiology
b. 1961

- Member of the Board of Directors of Orion Corporation since 22 March 2017
- Member of the Audit Committee and the R&D Committee

Career
2008– Professor of Clinical Bacteriology, Uppsala University, Sweden
1986–2016 University of Helsinki, Research and teaching positions in 1996–2016: Clinical lecturer 2002-2016 (part time 2008–2016), Research Associate 1996–2002

Current key positions of trust
Member of the Board of Directors: Orion Corporation 2017–, Arvo and Lea Ylppö Foundation 2011–
President of European Union of Medical Specialists UEMS, Section of Medical Microbiology 2012–

Hilpi Rautelin has published more than 140 reer-reviewed original articles mainly on Microbiology and Infectious Diseases published in international scientific journals.

Eija Ronkainen

Licentiate of Medicine, Specialist in Internal Medicine
b. 1966

- Member of the Board of Directors of Orion Corporation since 22 March 2016
- Member of the Audit Committee and the R&D Committee

Career
2006– Specialist in Internal Medicine, Hyvinkää Hospital
1999–2002 Specialist in Internal Medicine, Hyvinkää Hospital
1995–1999 Resident Physician, Helsinki University Central Hospital
1992–1995 Resident Physician, Hyvinkää Hospital

Current key positions of trust
Member of the Board of Directors: EVK-Capital Oy 2015–, Orion Corporation 2016–

Mikael Silvennoinen

M. Sc. (Economics)
b. 1956

- Member of the Board of Directors of Orion Corporation since 25 March 2014
- Chairman of the Audit Committee, member of the Remuneration Committee and the R&D Committee

Career
2013– Executive Chairman, IMS Talent Oy
1997–2013 President and CEO, Chairman of the Executive Committee, Pohjola Bank Plc
1997 Member of the Executive Board, Head of Capital markets, Pohjola Bank Plc
1994–1997 Head of Investment banking and International affairs, Pohjola Bank Plc
1989–1992 Head of private equity, Pohjola Bank Plc
1988–1989 Group treasurer, Wärtsilä Corporation
1986–1988 Finance manager, Wärtsilä Corporation
1983–1985 Dealer, Wärtsilä Corporation

Current key positions of trust
Member of the Board of Directors: Orion Corporation 2014–, Metsäliitto Cooperative 2015–, Pontos Oy 2014–

Former key positions of trust
Chairman of the Board of Directors: Pohjola Insurance Ltd 2005–2012, Pohjola Asset Management Ltd 2005–2012, Helsinki OP Retail Bank Plc 1997–2005

Member of the Board of Directors: Hartwall Capital Ltd. 2014–2017, Konecranes Plc 2008–2015, Pohjola Group Oyj 2000–2001, Unico Banking Group 1997–2013

14 Introductions of the Executive Management Board members

Timo Lappalainen

M.Sc. (Eng)
b. 1962

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

Career in Orion
2008– President and CEO, Orion Corporation
2005–2007 Senior Vice President, Proprietary Products and Animal Health, Orion Corporation
2003–2005 Executive Vice President, Orion Pharma
1999–2003 Senior Vice President, Business Development, Human Pharmaceuticals, Orion Pharma

Earlier career
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 subsidiary
1987–1988 Arthur Andersen & Co. (Chicago, USA), Consultant

Current key positions of trust
Vice Chairman of the Board of Directors: Chemical Industry Federation of Finland 2017–

Member of the Board of Directors: The Research Institute of the Finnish Economy ETLA 2017–, The Finnish Business and Policy Forum EVA 2017–, Kemira Oyj 2014–, Chemical Industry Federation of Finland 2008–, Finnish Foundation for Cardiovascular Research 2010–

Member of the Supervisory Board: The Finnish Fair Corporation 2009–

In addition, Timo Lappalainen is a member of the Council of the Helsinki Region Chamber of Commerce.

Former key positions of trust
Chairman of the Board of Directors: Chemical Industry Federation of Finland 2015–2016, Vice Chairman of the Board of Directors: Chemical Industry Federation of Finland 2013–2014

Member of the Board of Directors: Vaisala Oyj 2011–2014, Confederation of Finnish Industries, EK 2015–2016, ICC Finland 2014

Satu Ahomäki

M.Sc. (Econ.)
b. 1966

- Senior Vice President, Global Sales, as of 1 October 2010

Career in Orion
2010– Senior Vice President, Global Sales
2008–2010 Senior Vice President, 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

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

Current key positions of trust
Member of the Board of Directors: Turun Osuuskauppa 2017–

Member: European Federation of Pharmaceutical Industries and Associations (EFPIA), European Markets Committee 2015–

Markku Huhta-Koivisto

M.Sc. (Eng.), MBA
b. 1956

- Senior Vice President, Proprietary Products, as of 1 January 2014

Career in Orion
2014– Senior Vice President, Proprietary Products
2006–2013 Senior Vice President, Specialty Products and Fermion
2004–2006 Senior Vice President, Supply Chain, Orion Pharma
2004–2005 President, Fermion Oy
2002–2004 Senior Vice President, Supply Chain, Orion Pharma
2000–2002 Program Director, business processes and information systems, Orion Pharma
1998–2000 Vice President, International Sales, Orion Pharma
1996–1998 Director and Vice President, Materials Management, Orion Pharma
1991–1996 Director, Materials Management, Orion-Farmos Pharmaceuticals
1990–1991 Director and Vice President, Materials Management, Farmos Oy, Pharmaceutical Division
1987–1990 Materials Manager, Farmos Oy
1984–1987 Plant Manager, Farmos Oy
1982–1983 Production Planning Manager, Farmos Oy

Earlier career
1981–1982 Oy Santasalo-Sohlberg Ab, Development Engineer

Former key positions of trust
Member of the Board of Directors: PharmaService Oy 2011–2014

Member of the Chemical Industry Pool Committee of the National Emergency Supply Organisation, NESO 2006–2007, Member of Health Cluster of the National Emergency Supply Organisation, NESO 2007–2014

Olli Huotari

Master of Laws, LL.M.
b. 1966

- Senior Vice President, Corporate Functions (including, i.a., Communications, Corporate Responsibility, Human Resources, Intellectual Property Rights and Legal Affairs), as of 1 July 2006
- Secretary to the Board of Directors of Orion Corporation, as of 1 October 2002

Career in Orion
2006– Senior Vice President, Corporate Functions
2002– Secretary to the Board of Directors
2005–2006 Vice President, Human Resources, 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

Earlier career
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.

Current key positions of trust
Member: Finland Chamber of Commerce, Committee of International Trade 2017–, International Chamber of Commerce ICC Finland, ICC Advisory Board 2016–

Liisa Hurme

Ph. D. (Biochemistry)
b. 1967

- Senior Vice President, Specialty Products, and Chairman of the Board of Fermion Oy as of 1 January 2014

Career in Orion
2014– Senior Vice President, Specialty Products, and Chairman of the Board of Fermion Oy
2008–2013 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

Earlier career
1995–1999 Senior Research Associate, Pharmacia & Upjohn, Diagnostics (Sweden) and ELIAS GmbH (Germany) and Institute Pasteur (France)

Former key positions of trust
Member of the Board of Directors: Pharmaservice Oy 2014–2016, Finnish Bioindustries FIB 2010–2016

Member of the Economic & Social Policy Committee of the European Federation of Pharmaceutical Industries and Associations (EFPIA) 2010–2015, Member of the Healthcare Sector Committee of the National Emergency Supply Organisation (NESO) 2014–2015

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

Jari Karlson

M.Sc. (Econ.)
b. 1961

- Chief Financial Officer (CFO), as of 1 August 2002
- Senior Vice President, Animal Health, as of November 2010

Career in Orion
2010– Chief Financial Officer (CFO), Senior Vice President, Animal Health
2002– Chief Financial Officer (CFO)
2001–2002 Orion Pharma, Vice President, Finance

Earlier career
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

Current key positions of trust
Member of the Board of Directors: Elo Mutual Pension Insurance Company 2010–, Finnish Foundation of Veterinary Research 2011–, Polttimo Oy 2012–

Virve Laitinen

M.Sc. (Tech.), MBA
b. 1972

- Senior Vice President, Supply Chain, as of 1 January 2012

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

Current key positions of trust
Member of the Healthcare Sector Committee of the National Emergency Supply Organisation (NESO) 2015–
Deputy member of the Board of Directors: Finnish Medicine Verification Organisation (FiMVO) Ltd. 2017-

Christer Nordstedt

PhD, MD
b. 1962

- Senior Vice President, Pharmaceutical Research and Development as of 21 February 2017

Career in Orion
2017– Senior Vice President, Pharmaceutical Research and Development

Earlier career
2011–2017 Vice President and Head CNS Research and Clinical Investigation, Eli Lilly Research Laboratory, USA
2007–2011 Global Head and SVP, CNS Discovery, F. Hoffmann-La Roche, Switzerland
2000–2007 Vice President Discovery & Preclinical Development CNS/Pain Control, Site Head Södertälje, AstraZeneca, Sweden
1997–2000 Various leadership positions in Research and Development, F. Hoffmann-La Roche, Switzerland
1992–1998 Laboratory Head, Clinical Neurobiology, Karolinska Institute, Sweden

Christer Nordstedt received both his MD (1989) and PhD (1991) degrees from Karolinska Institute, Sweden.

Employee representative

The employee representative in the Executive Management Board in 2017 was **Marko Torppala**, Compression Machine Operator. The employee representative is not a member of the Executive Management Board.