

Corporate Governance Statement

This Corporate Governance Statement is made in accordance with Recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association in 2010. It has been reviewed by Sanoma's Audit Committee and statutory auditors have checked that the Statement has been issued and that its description of the main features of internal control and risk management systems related to the financial reporting process is in line with the financial statements.

Sanoma adheres to the Finnish Corporate Governance Code issued by the Securities Market Association, with the exception of Recommendation 10 governing the term of Board members.

Sanoma's Corporate Governance Principles are approved by the Board of Directors of Sanoma.

⊕ The information related to Sanoma's Corporate Governance issues is maintained in the Corporate Governance section at Sanoma.com.

⊕ The Finnish Corporate Governance Code is available at Cgfinland.fi.

CORPORATE STRUCTURE

As of 1 January 2011, Sanoma integrated its Sanoma Magazines and Sanoma Entertainment divisions and formed a new Sanoma Media division. After this arrangement, the Sanoma Group comprises four divisions: Sanoma Media, Sanoma News, Sanoma Learning & Literature and Sanoma Trade. Sanoma Corporation, the Parent Company, is responsible for the Group's strategic control, corporate functions and Group-wide co-operation projects.

ADMINISTRATIVE BODIES

Sanoma's administrative bodies comprise the General Meeting, the Board of Directors as well as the President and CEO.

General Meeting

The General Meeting is Sanoma's highest decision-making body, convening at least once a year in accordance with the Articles of Association.

The Annual General Meeting (AGM) convenes within six months from the end of the financial year at a time determined by the Board of Directors. Notice of the General Meeting is published in at least one widely circulated newspaper as specified by the Board of Directors, no earlier than three months and no later than three weeks prior to the meeting.

In any case, the notice must be published at least nine days before the record date of the General Meeting.

The Sanoma Board of Directors convenes the General Meeting, prepares matters to be resolved there and implements decisions made therein.

Under the Articles of Association, matters decided upon by the AGM include:

- adopting the financial statements
- using the profit shown on the balance sheet
- discharging the members of the Board of Directors and the President and CEO from liability
- determining the number of Sanoma's Board members
- electing the Board's Chairman, its Vice Chairman and Board members to replace outgoing members, as well as deciding on Board remuneration
- electing the auditor and determining the remuneration for the auditor.

The AGM may also resolve such matters as fall within its competence under the Finnish Limited Liability Companies Act, such as:

- amendments to the Articles of Association
- issuing of new shares and option rights
- repurchasing of the company's shares.

Under the Companies Act, a shareholder may also, in writing to the company's Board of Directors, request that his or her proposal, in matters that fall within the competence of the General Meetings according to the Act, be dealt with by the next General Meeting. The request, together with a statement of the reasons or proposal for the decision, should be sent well in advance by email to legal@sanoma.com. The last date by which to send the requests will be announced at Sanoma.com in the General Meetings section.

Board of Directors

In accordance with Sanoma's Articles of Association, the Board of Directors comprises 5–11 members elected by the General Meeting. The Board meeting constitutes a quorum when more than half of its members are present. In the event of a tied vote, the Chairman shall have the casting vote.

A Board member's term begins at the conclusion of the AGM and ends after the third AGM following his or her election. If a Board member's seat becomes vacant before the end of this three-year term, a new member shall be elected for the remaining portion of the term.

According to the Finnish Corporate Governance Code, the term of a Board member should be one year. The Articles of Association of Sanoma stipulate the term of Board members as three years, as the development of the Company's business operations is deemed to make it necessary for Board members, in order to familiarise themselves with and commit to the Group's operations, to sit on the Board for a term longer than one year. In order to secure the continuity of operations, Sanoma has adopted a practice whereby approximately one third of the Company's Board members are elected every year.

Sanoma's Corporate Governance Principles act as the Board's charter. Under the charter and according to the Companies Act, the Board of Directors:

- oversees the administration of the Company and the appropriate organisation of its operations (general competence)
- is responsible for the appropriate arrangement of the control of the Company accounts and finances

- appoints the President and CEO of Sanoma, his or her deputy, divisions' presidents and their deputies, the Parent Company executives who are Executive Management Group members, other Key Executives and the Senior Editor-in-Chief of Helsingin Sanomat
- determines their remuneration
- decides on the major strategic direction of the Group and its divisions
- controls the strategic goals and operational plans of the Group and its divisions
- decides on investments that have a value exceeding EUR 5.0 million
- confirms the Group's values and Principles of Business conduct
- confirms other general principles by issuing Group policies.

In 2010, the Board of Directors comprised

- Jaakko Rauramo (Chairman), born 1941, M.Sc. (Tech.). Term ends in AGM 2012.
- Sakari Tamminen (Vice Chairman), born 1953, M.Sc. (Econ.). President of Rautaruukki Corporation. Term ends in AGM 2012.
- Annet Aris, born 1958, M.Sc. Land planning and operations research, MBA. Adjunct Professor of Strategy and Management at INSEAD and a Visiting Professor at a variety of European universities. Term ends in AGM 2012.
- Robert Castrén, born 1957, B.Sc. (Econ.). Sales Director at UPM-Kymmene Corporation. Term ends in AGM 2011.
- Jane Erkko, born 1936. Term ends in AGM 2011.
- Antti Herlin (as of 8 April 2010), born 1956. Chairman of KONE Corporation. Term ends in AGM 2013.
- Paavo Hohti, born 1944, Ph.D. Managing Director of the Council of Finnish Foundations. Term ends in AGM 2011.
- Sirkka Hämäläinen-Lindfors, born 1939, D.Sc. (Econ.). Term ends in AGM 2013.
- Seppo Kievari, born 1943. Term ends in AGM 2013.
- Rafaela Seppälä, born 1954, M.Sc. (Journalism). Term ends in AGM 2011.
- Hannu Syrjänen (until 8 April 2010), born 1951, B.Sc. (Econ.), Master of Law. President and CEO of Sanoma Corporation until 31 December 2010.

⊕ More information about the members of the Board of Directors, their curricula vitae and holdings in the Company is available at Sanoma.com in the Board of Directors and Insiders sections.

In 2010, the Board of Directors had ten meetings, with an average attendance rate of 97%.

Over half of the members of the Board of Directors (Annet Aris, Robert Castrén, Jane Erkko, Antti Herlin, Paavo Hohti, Sirkka Hämäläinen-Lindfors, Seppo Kievari, Rafaela Seppälä and Sakari Tamminen) are non-executive directors and independent of the Company. Out of them, seven members (Annet Aris, Robert Castrén, Antti Herlin, Paavo Hohti, Sirkka Hämäläinen-Lindfors, Seppo Kievari and Sakari Tamminen) are also independent of major shareholders as stipulated in the Finnish Corporate Governance Code.

In order to develop its performance, the Board employs a self-assessment process on a regular basis.

DUTIES AND COMPOSITION OF THE BOARD COMMITTEES

In accordance with its Articles of Association, Sanoma has an Executive Committee that prepares proposals for matters to be decided or noted by the Board of Directors. The Board is authorised to establish other committees as it deems appropriate.

In addition to the Executive Committee, Board committees include the Audit Committee, the Human Resources Committee and the Editorial Committee. The respective charters have been approved by the Board of Directors. The committees report regularly to the Board of Directors.

THE EXECUTIVE COMMITTEE

Under its charter, the Executive Committee prepares matters to be discussed at the Board of Directors' meetings. The composition of the Committee is set in the Articles of Association and comprises the Chairman of the Board (Jaakko Rauramo), Vice Chairman of the Board (Sakari Tamminen) as well as President and CEO of Sanoma (Hannu Syrjänen until 31 December 2010, Harri-Pekka Kaukonen as of 1 January 2011.)

The Committee meets prior to each meeting of the Board of Directors, if seen necessary by the Chairman of the Board. In 2010, the Committee convened six times, with all members present at the meetings.

AUDIT COMMITTEE

Under its charter and in accordance with the Finnish Corporate Governance Code and applicable laws and regulations, the Audit Committee assists the Board in fulfilling its oversight responsibilities for matters pertaining to financial reporting and control, risk management as well as to external auditing and the internal audit activity.

The Audit Committee comprises 3–5 members, appointed annually by the Board of Directors. Members of the Committee shall be independent of the Company and at least one member shall also be independent of significant shareholders. The Committee meets at least four times a year.

In 2010, the Audit Committee comprised Sirkka Hämäläinen-Lindfors (Chairman), Robert Castrén (Vice Chairman) and Rafaela Seppälä, all independent of the Company. Sirkka Hämäläinen-Lindfors and Robert Castrén are also independent of significant shareholders. The Committee met five times with an average attendance rate of 93%.

HUMAN RESOURCES COMMITTEE

Under its charter, the Human Resources Committee prepares human resource related matters for the Board of Directors. These matters include e.g. the total compensation of President and CEO and certain executive positions (Key Executives) as determined by the Board of Directors, evaluation of the performance of the President and CEO as well as Key Executives, Group compensation policies, Human Resources Policies and practices, succession plans for President and CEO as well as Key Executives, and other preparatory tasks as may be assigned to the Committee from time to time by the Board of Directors and/or Chairman of the Board of Directors. In addition, the Committee discusses the composition of the Board of Directors and succession in the Board of Directors.

The Human Resources Committee comprises 3–5 members, appointed annually by the Board of Directors. Majority of the members shall be independent of the Company. The Committee meets at least twice a year.

In 2010, the Committee comprised Jaakko Rauramo (Chairman), Annet Aris (since 8 April 2010, Vice Chairman), Jane Erkko, Paavo Hohti (Vice Chairman until 8 April 2010, member since then) and Seppo Kievari. The majority of the Committee members are independent of the Company. The Committee convened three times during the year with an average attendance rate of 93%.

EDITORIAL COMMITTEE

Under its charter, the Editorial Committee follows the execution of Sanoma's publishing principles in general, accepts and monitors the execution of Helsingin Sanomat's editorial policy and any amendments thereof as well as prepares the appointment and proposes the remuneration and other benefits of Publisher/Senior Editor-in-Chief of Helsingin Sanomat.

The Editorial Committee comprises 3–5 members, appointed annually by the Board of Directors. The Committee shall meet as required at the request of the Chairman of the Committee.

In 2010, the Editorial Committee was constituted of Seppo Kievari (Chairman), Jane Erkko (Vice Chairman), Paavo Hohti and Sirkka Hämäläinen-Lindfors. The Committee convened three times, with all members present at the meetings.

President and CEO

The duties of the President and CEO of Sanoma are governed primarily by the Companies Act. The President and CEO assumes independent responsibility for the Group's daily operations, in line with strategic goals and operational plans approved by the Board of Directors and in accordance with general principles confirmed by the Board of Directors.

The person holding this office is in charge of:

- seeing that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner
- managing the Group's daily operations in line with the strategic guidelines and goals as well as operational plans approved by the Board of Directors and in accordance with general principles confirmed by the Board of Directors
- preparing decision proposals and matters for discussion for the Board of Directors' meetings, together with the Chairman of the Board of Directors, and presenting these matters and the agenda to the Board of Directors and its Committees
- chairing Sanoma's Executive Management Group
- chairing the Boards of Directors of the divisions, unless otherwise specifically agreed.

The President and CEO may take extraordinary or wide-ranging action only under a separate authorisation from the Board of Directors or when the time delay involved in waiting for a decision of the Board of Directors would cause substantial loss to Sanoma.

Hannu Syrjänen was Sanoma's President and CEO until 31 December 2010. On 6 August 2010, Harri-Pekka Kaukonen was appointed President and CEO of the Sanoma Group as of 1 January 2011.

⊕ The curriculum vitae of the President and CEO can be found at Sanoma.com in the Executive Management Group section and his shareholdings in the Insider Register section.

EXECUTIVE MANAGEMENT GROUP

Sanoma's Executive Management Group (EMG) acts as a Board of Directors, the highest decision-making body of the divisions, for the divisions' parent companies except for Sanoma Media, where an Executive Board is in place to act as the Division Board. In addition, the EMG supports the President and CEO in his duties in co-ordinating the Group's management, approving Group-level guidelines and preparing matters to be discussed at Board meetings. Matters addressed by the President and CEO and EMG include the strategic direction of the Group, organisational and management issues, investments exceeding EUR 3.0 million and development projects, operational plans, as well as internal control and risk management systems.

The EMG comprises the President and CEO of Sanoma Group, the divisions' presidents, CFO of the Sanoma Group and CSO of the Sanoma Group.

⊕ More information about the members of the EMG and their holdings in the Company is available at Sanoma.com in the Executive Management Group and Insiders sections.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

Control environment

Management of the Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems, and policy guidelines.

The Sanoma Board of Directors approves all Group-level policies including governance-related policies such as Sanoma's Corporate Governance Principles, the Principles of Business Conduct and the Group Risk Management Policy. Sanoma's strategy and business objectives as well as Sanoma's Corporate Governance Principles set the foundation for the Internal Control processes.

The Audit Committee, in order to assist the Board of Directors in its responsibilities, deals with matters related to financial reporting procedures, the Group's risk management, the reliability of internal control systems, and compliance with Sanoma's Corporate Governance Principles, as well as matters related to statutory audit and internal audit work.

The Group Internal Audit function reports directly to Sanoma's President and CEO, and to the Audit Committee of the Board of Directors. It cooperates with the Group and division managements as well as with the Group's statutory auditors. It is responsible for internal audits involving assessment of the adequacy and efficiency of risk management, internal control systems and governance policies and processes. The scope of Group Internal Audit covers all organisational levels and businesses. The operations of the function are steered by Sanoma's Corporate Governance Principles and the Group Policy on Internal Audit. The Audit Committee confirms the internal audit plan periodically.

Sanoma's divisions operate within the approved scope of strategic goals and financial targets, Sanoma's Corporate Governance Principles as well as within Group policies and guidelines. In addition, Sanoma's shared values govern the daily operations of the personnel.

The Parent Company is responsible for carrying out Sanoma's statutory duties as a publicly listed company under, for example, the Finnish Securities Market Act, for managing investor relations, centralised treasury activities, as well as Group compliance with applicable laws and regulations. In addition, the Parent Company supports the President and CEO in the management of the Group's daily operations and provides support and guidance to the divisions in areas such as finance and administration, legal affairs, strategic development, treasury, ICT, real estate, human resources, and communications.

Each support function in the Parent Company prepares policies for Board approval and general guidelines to be approved by the President and CEO regarding its area of responsibility. Group policies and operational guidelines are available in the Group intranet in full. In addition, business units may have their own instructions within the set policies and operational guidelines. These instructions are available in the respective intranets.

There is a channel in place to report breaches of Principles of Business Conduct or thereto related policies or laws. Any person who notices breaches of the Principles of Business Conduct or thereto related policies or laws may confidentially report them as indicated in the Principles.

Risk assessment and control activities

The main objective of Sanoma's Risk Management Policy is to identify and manage essential risks related to execution of Sanoma Group's strategy and operations. The Risk Management Policy defines Group-wide risk management principles, objectives and responsibilities within the Sanoma Group.

The Board of Directors is responsible for approving and setting Sanoma's Risk Management Policy and for overseeing the effectiveness of risk management.

The Audit Committee regularly reviews and monitors the implementation of the Risk Management Policy and risk management process.

The President and CEO, with the support of the EMG, is responsible for defining risk management strategies and procedures, and setting risk management priorities.

Sanoma has a Group-wide risk reporting process for assessment of significant risks. Risk assessment is linked to the Group's strategic objectives and is part of the normal management, strategic planning and internal control processes. A risk framework is used for identifying and assessing risks, as well as for defining risk management activities. Risks and their probability of occurrence are assessed in different stages of decision-making. Key risks and their mitigation actions are reported to the Audit Committee and further to the Board twice a year.

Managing business risks and the opportunities associated with them is a core element in the daily operational responsibilities of Sanoma's management. Risk taking is an essential part of a competitive business. While executing strategy, Sanoma and its divisions and subsidiaries are exposed to numerous risks and risk taking opportunities.

In Sanoma's risk model, risks are divided into four main categories as defined below.

STRATEGIC RISKS

Strategic risks include risks related to changing customer needs, preferences or behaviour, changes in the competitive situation, risks related to suppliers or operating countries, intellectual property rights as well as laws and regulations.

OPERATIONAL RISKS

Operational risks include risks related to the quality of products and services, customer satisfaction, ability and readiness to change, ICT, integration of new operations, human resources and knowledge management. Risks related to governance models, either unintentional or wilful noncompliance as well as risks related to accounting information, and financial planning and reporting are also operational risks.

FINANCIAL RISKS

Financial risks include interest rate and currency risks as well as risks related to equity, counterparties and availability of capital.

HAZARD RISKS

Hazard risks include business interruption and risks related to health and safety issues or environmental issues.

⊕ Risk categories and corresponding risk mitigation actions are described further in the Risk Management section, p. 76–78, and at Sanoma.com.

Divisions and businesses identify, measure, report and manage the risks related to their operations. Risk coordinators of the Group and the divisions co-ordinate the risk management activities within divisions and at Group level and produce a periodical risk report for the President and CEO and EMG.

Claims against Sanoma are monitored by Group Legal Affairs through a process covering claims over EUR 0.2 million or resulting in a potential negative effect of over EUR 0.2 million, whether by a governmental body, partner, agreement counterpart, personnel or some other party.

Monitoring of financial reporting process

The Group Finance and Control function of Sanoma Corporation prepares and maintains the guidelines and principles related to acquisitions and mergers and other financial reporting in the Sanoma Group. These guidelines are approved by the President and CEO and their purpose is to ensure the accuracy of financial reporting. These control activities on both the Parent Company and divisional level seek to ensure that potential deviations and errors are prevented, discovered and corrected. Internal control systems cover the whole financial reporting process.

The Group's financial performance is monitored on a monthly basis using a Group-wide operational planning and reporting system, which includes divisions' management letters, the actualised income statements, balance sheets and key performance indicators, as well as estimates for the current financial year and the rolling 12 months.

Furthermore, business reviews between Group and division management are held quarterly. In addition to the division's financial performance, issues such as changes in the operating environment, structure and rolling estimates are also discussed in these meetings. The quarterly business reviews also have a role in the process of ensuring that the continuous risk assessment and internal control systems are functioning properly.

In 2010, Pekka Pajamo, Authorised Public Accountant, and KPMG Oy Ab, represented by Kai Salli, Authorised Public Accountant, acted as Sanoma's statutory auditors. The statutory audit included acquiring evidence of accuracy of the accounts and other issues presented in the Financial Statements and evaluating the applied accounting principles, material prediction of the management and the material related to the Financial Statements as a whole. The aim of auditing the administration was to determine whether the activities of Sanoma's responsible management were in compliance with the applicable law.

This Corporate Governance Statement is presented as a separate report and disclosed together with the Financial Statements and the report by the Board of Directors on the Company's website at Sanoma.com.