



Corporate Governance Statement

Afarak Group Plc (“Afarak”, the “Company” or the “Group”) is a Finnish public limited company listed on the NASDAQ, OMX, Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak’s corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory Authority, the UK Listing, Disclosure and Transparency Rules, the NASDAQ OMX Helsinki Stock Exchange and the London Stock Exchange. As Afarak follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 (“UK CG”) are not followed. However, in the areas that the Company does not follow the UK CG the Company believes that its policies are acceptable for the following reasons which are set out below. Investors in the Company should note that 2013 was a year of material change in the Board due to the departure of a number of directors. The Company has worked hard to address this with the appointment of new directors and aims to comply with the UK CG over time.

UK CG Section	Description	The Reason for Non-Compliance
A.3.1	Independence of the Chairman	The Chairman of the Company has close family ties with the Company’s CEO. The Company’s view is that the arrangement is acceptable as three out of six board members are independent. Therefore, the Company considers that the board has sufficient independent members to follow the principles of the UK Corporate Governance Code.
B.2.1	There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors.	The Company’s view is that Executive Director Mr Michael Lillja is the most suitable board member to join the Nomination and Remuneration Committee due to his extensive knowledge regarding the nomination and remuneration related matters. However it is noted that Mr. Lillja is not an independent director. Independent Non-Executive Director Ms. Smart is a member of both committees.

B.2.4	The Annual Report must detail work of the nomination committee, including the process it has used in relation to board appointments	In 2013, the members of the board were chosen under exceptional circumstances (as outlined above) in accordance with the wishes of the Company's shareholders. The Company expects to comply with the relevant provisions in the future.
B.7.2.	The Board should set out to shareholders in the papers accompanying a resolution to elect a nonexecutive director why they believe an individual should be elected. The Chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.	In 2013, the members of the board were chosen under exceptional circumstances (as outlined above) in accordance with the wishes of the Company's shareholders. The Company expects to comply with the relevant provisions in the future.
C.1.1	The Directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities	The Company has chosen to follow the Finnish practise due to the Company being a Finnish public limited liability company and the mandatory provisions of the Finnish regulation that apply to it. The Company's view is that the main principles and most of the recommendations of the UK CG is complied with in spite of the foregoing.
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities	While this report includes a description of the work of the audit and risk management committee, all the contents requirements of this section of the UK GC are not required to be followed by the Finnish CG and, therefore, not included.
D.2.1.	The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors.	The Company's view that Executive Director Mr Michael Lillja is the most suitable Board member to join the Nomination and Remuneration Committee due to his extensive knowledge regarding the nomination and remuneration related matters. However, it is noted that Mr. Lillja is not an independent director and therefore the Company recognises this does not follow UK CG best practise. However, Independent Non-Executive Director Ms. Smart is a member of both committees and may take over as Chairman of the relevant committees over time.

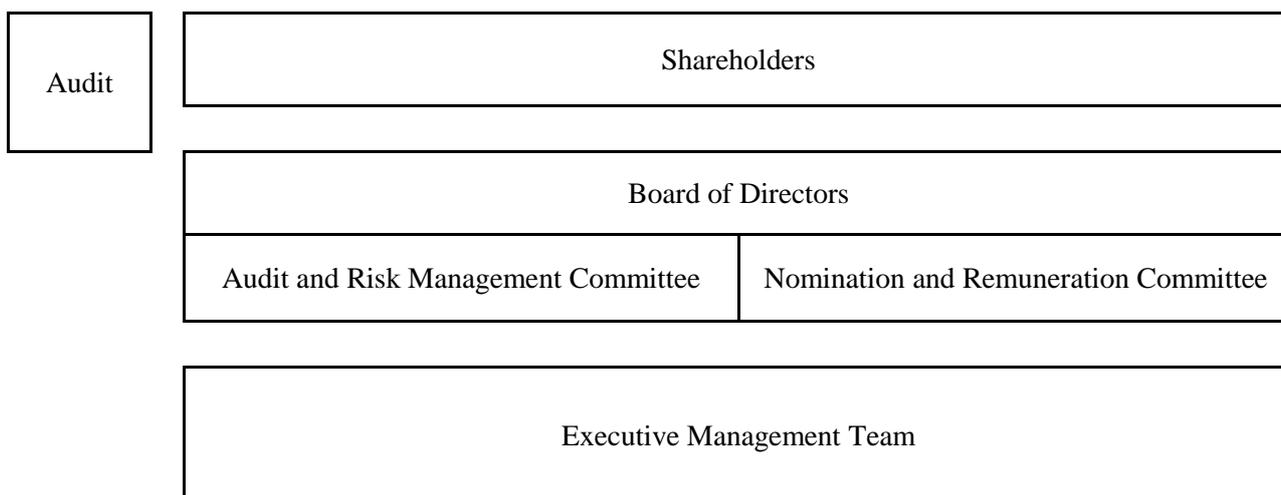
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company's view is that the main principle of the UK CG is complied with in spite of the foregoing.
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Afarak’s foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2013 is issued as a separate report to the Board of Directors’ Report and is available on the Group’s website at www.afarakgroup.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2010 and the guideline of the Securities Market Association dated 1 December 2010. Afarak complies with the Finnish Corporate Governance Code which can be found on the Securities Market Association’s website at www.cgfinland.fi. Afarak has made two exceptions in its Finnish Corporate Governance Code compliance that relate to the composition of the nomination and remuneration committee. The details of the exceptions are elaborated in the relevant Committee sections of this report.

Governance Bodies and the General Meeting of Shareholders

Governance Structure

The management and control of Afarak Group Plc and its subsidiaries (“Group”) is divided between the shareholders, the Board of Directors (“Board”), supported by the Board’s audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.



General Meeting

Afarak’s ultimate decision-making body is the shareholders’ General Meeting which usually convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company’s Articles of Association, the convening notice for a General Meeting will be published on the Group’s website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor’s report, will be available on the Group’s website and at the Group’s headquarters in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group’s website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

General Meetings in 2013

The Annual General Meeting was held on 8 May 2013 at G.W. Sundmans in Helsinki, Finland.

An Extraordinary General Meeting was held on 11 February 2013 at G.W. Sundmans in Helsinki, Finland. The General Meeting elected a new Board to the Company.

An Extraordinary General Meeting was held on 5 July 2013 at Hotel Haven in Helsinki, Finland. The General Meeting resolved to change the name of the Company from Ruukki Group Plc to Afarak Group Plc.

All the resolutions of the above-mentioned General Meetings can be found at:
<http://www.afarak.com/en/investors/shareholder-meetings/2013/>

The Board of Directors

Tasks and Responsibilities

A Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next annual General Meeting immediately following their election. The Board elects a chairman from among its members.

The duties of a Board member are specified in the Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established

specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies.

To ensure the efficiency of board work, the Board evaluates its operations and working methods regularly. The evaluation is conducted as internal self-evaluation.

Board Members

The 2013 Annual General Meeting elected six members to the Board: Dr Jelena Manojlovic, Ms Bernice Smart, Mr Markku Kankaala, Dr Danko Koncar, Mr Michael Lillja and Dr Alfredo Parodi were re-elected.

Mr Paul Everard, Mr Thomas Hoyer and Dr Chris Pointon resigned from their position in the Board to pursue other interests at the end of the Extraordinary General Meeting 11 February 2013 and were replaced by Mr Michael Lillja, Dr Alfredo Parodi and Ms Bernice Smart. Dr Jelena Manojlovic, Mr Markku Kankaala and Dr Danko Koncar were re-elected to the Board.

Biographical details of the Board members

Dr Jelena Manojlovic, Chairperson, Dependent Non-Executive Director
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since 11 July 2008, and has acted as Chairperson of the Board since 16 June 2009. She is also a member of the Remuneration and Nomination Committees. She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies. She was previously Human Resources Director of Kermas Limited (a major shareholder in the Company). Manojlovic is independent of the Company but through a controlled entity of her husband Danko Koncar, she is dependent on a major shareholder of the Company.

Mr Markku Kankaala, Independent Non-Executive Director
B.Sc. (Eng.)
Born 1963

Markku Kankaala has been a member of the Board since 30 June 2003. He is also a member of the Audit and Risk Management Committee. He was also the CEO of the Group from 2003 to 2004 and worked as a Branch Director in Ruukki Group Plc (Currently, Afarak) until 31 August 2006. Previously he worked for 10 years as an entrepreneur in the wood products industry and before that in different positions in Ahlstrom and Rautaruukki.

Dr Danko Koncar, CEO, Dependent Executive Director
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as a member of the Board at the Extraordinary General Meeting on 11 August 2010 and as the CEO on 11 February 2013. He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with six years of experience in application of direct current technology to ferrochrome processing. He has served as Chairman of Samancor Chrome and General Director of RCS Limited and is still General Director of Kermas. He was the Acting Managing Director of the Company between October 2010 and April 2011. Dr Koncar is dependent on the Company based on his position as the CEO and dependent on a major shareholder of the Company through his controlled entity Kermas Ltd.

Michael Lillja, Executive Director
M.Sc (Economics)
Born 1962

Michael Lillja is currently member of the Executive Management Team and the head of marketing of RCS Limited, the sales and marketing arm of Afarak. Prior to RCS, Mr. Lillja has served for decades in several different positions in the mining and metals industry, the energy sector, and in international trade for companies such as, Alloy 2000 SA/ENRC-Kazakhstan, International Ferro Metals Ltd, and SamChrome Ltd/Samancor Cr.

Dr Alfredo Parodi, Independent Non-Executive Director
Dr in Chemical Engineering
Born 1940

Dr Parodi has been working as a technical consultant for ferro-chrome and chrome-chemical productions. He has numerous years of engineering and managerial experience and has served in a number of positions in the petrochemical and alloys industries. He was responsible for production, technical organisation and plant construction in several international companies such as SIR & Saras Chemical (Italy), Stopani Engineering (Italy), Dirox (Uruguay), Sarasota (USA) and Anxian (China).

Bernice Marguerite Smart, Independent Non-Executive Director
BA (Marketing)
Born 1949

Bernice Smart has recently retired after a long career in the banking industry. She was a financial advisor, predominately working in wealth management and focusing on Asian and East European accounts. She was also a Director for Wealth Management in UBS and the Vice President for Wealth Management at Credit Suisse.

Board Independence

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Ms Bernice Smart, Mr Markku Kankaala and Dr Alfredo Parodi are independent of the Company and

significant shareholders and Dr Jelena Manojlovic is independent of the Company. The Board has named Ms Bernice Smart as the senior independent non-executive director.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination Committee	Remuneration Committee
Jelena Manojlovic	Chairman	11 July 2008	Dependent	-	Chair	Chair
Bernice Smart	NED	11 February 2013	Independent	Chair	Member	Member
Alfredo Parodi	NED	11 February 2013	Independent	Member	-	-
Michael Lillja	Executive	11 February 2013	Executive	-	Member	Member
Markku Kankaala	NED	30 June 2003	Independent	Member	-	-
Danko Koncar	Executive	11 August 2010	Executive	-	-	-
Chris Pointon	Resigned	21 April 2010	Resigned	-	-	-
Barry Rourke	Resigned	21 April 2010	Resigned	-	-	-
Paul Everard	Resigned	21 April 2010	Resigned	-	-	-
Thomas Hoyer	Resigned	5 May 2011	Resigned	-	-	-

Board Committees

The Board establishes its committees and appoints the committee members for a term of office that continues until the end of the following Annual General Meeting.

Audit and Risk Management Committee

The Audit and Risk Management Committee currently has three members: Ms Bernice Smart (committee chairman), Mr Markku Kankaala and Dr Alfredo Parodi.

The Board has defined the committee's duties in accordance with the recommendations of the Finnish Corporate Governance Code. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The committee evaluates internal audit and risk management, maintaining contact with auditors and evaluating their reports. The committee reports regularly to the Board.

In 2013, the Audit and Risk Management Committee evaluated and monitored the development of internal controls and risk management policies. The Group had no permanent internal auditor during the year, although operational management commissioned local specialists to conduct internal audit reviews within several business units as part of their local assurance process. The Board has received assurance from a number of sources, including a Board review of the Group's overall strategy and management processes, which has exercised substantial supervision over the local operations.

All significant Group companies are audited by the Company's auditor in order to ensure a consistent approach and to facilitate communication between the auditors and the Committee. The Committee has focused on improving management information flow to the Board and on the identification and management of the main risks facing the Group. The risks are discussed in the Board of Directors' Report. These priorities continued to form the core of the committee's business during 2013, along with the regular scrutiny of the Group's compliance with laws, regulations and best practice.

Nomination and Remuneration Committee

The combined Nomination and Remuneration Committee of the Company currently has three members: Dr Jelena Manojlovic (committee chairman), Mr Michael Lillja and Ms Bernice Smart.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board, and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration.

The Company is making an exception of the Finnish Corporate Governance Code recommendation 29 and 32 as Michael Lillja is part of the Executive Management Team and member of the Nomination Committee. The reason for the exception is the Company's view that Mr Michael Lillja is the most suitable Board member to join the Nomination and Remuneration Committee due to his extensive industry knowledge regarding the nomination and remuneration related matters.

Board and Committee meetings

During 2013 the Board held 17 meetings. The Audit and Risk Management Committee met on six occasions and the Remuneration and Nomination Committee met on one occasion. The attendance record of the Directors during the period is shown in the table below. The average attendance percentage of the members of the Board was 99 %.

	Board	Audit and Risk Management Committee	Nomination and Remuneration Committee
Paul Everard	1		
Thomas Hoyer	1		
Markku Kankaala	17	6	
Danko Koncar	17		
Michael Lillja	16		1
Jelena Manojlovic	17		1
Alfredo Parodi	15	6	
Chris Pointon	1		
Barry Rourke	1		
Bernice Smart	16	6	1

Remuneration

The Extraordinary General Meeting held on 11 February 2013 and later the Annual General Meeting held on 8 May 2013 approved that all Board Members are paid EUR 3,000 per month. The Extraordinary General Meeting held on 5 July 2013 resolved that the non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for the committee work. Directors' monthly remuneration fee of EUR 3,000 remained unchanged.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for the Board or Committee memberships.

During the financial year 2013, the Board members received a total of EUR 251,000 (665,400) in Board and Committee membership fees.

Chief Executive Officer and Executive Management Team

Chief Executive Officer

The Board appoints the Chief Executive Officer ("CEO"), who leads the executive management of the Group in accordance with the Board's instructions. It is the responsibility of the CEO to lead and steer the Group and to act as the spokesperson for the Group both internally and externally. The CEO manages, develops, guides and supervises the Group's activities. In these duties, the CEO is assisted by the Executive Management Team and the personnel at the Group's headquarters. The CEO reports to the Board of Directors and prepares presentations and documentation for the Board. The focus of the CEO role is on major strategic activities, where his or her direct involvement and commitment are essential, whether concerning acquisitions, capitalisation, listing or other special projects.

The CEO's ongoing responsibilities include the following:

- Providing leadership to the Group and determining its priorities and operating practices;
- Preparing and developing the Group's strategy for the Board's approval;
- Implementing the Group's strategy and delivering performance in line with targets;
- Planning and managing the organisational structure, capital structure, investments, mergers and acquisitions, demergers, credits, guarantees and other substantial commitments for the Board's approval;
- Organising the Group's finance, bookkeeping and internal control matters; and
- Coordinating communications to shareholders, the investment community and the media.

Dr Danko Koncar was appointed the CEO 11 February 2013. The previous CEO Thomas Hoyer had previously served the Company as the CEO since May 2011. Biographical details of the CEO are included under "*Biographical details of the Board members*".

Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the

CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.

The current members of the EMT are:

Dr Danko Koncar *Group CEO*

Mr Michael Lillja, *Head of Marketing*

Dr Alistair Ruiters *Executive Chairman, Afarak South Africa*

Mr Thomas Hoyer (former Group CEO), Mr Markus Kivimäki (former General Manager, Corporate Affairs and Company Secretary) and Mr Kalle Lehtonen (former General Manager, Finance) announced 15 January 2013 that they will leave the Group and the EMT, however, they remained with the Group and the EMT until 31 March 2013.

Mr Stefano Bonati, (the former Chief Commercial Officer) left the EMT 18 December 2013 but continued as a consultant in the Company.

Internal Control

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

Main Principles of Risk Management and Internal Control

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel, and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

The Structure of Internal Control Systems

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

The Internal Control of the Financial Reporting Process

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

Roles and Responsibilities Regarding Risk Management and Internal Control

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

External Audit

According to the Articles of Association, the annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

On 8 May 2013 Afarak's General Meeting elected Authorised Public Accountant Ernst & Young Oy ("EY") as auditor, with Authorised Public Accountant Tomi Englund having the principal responsibility. EY is also the local auditor of all of the Group companies.

In 2013 the Company paid EUR 438,000 for audit fees (501,000) and EUR 12,000 for non-audit services (233,000) to EY.

Insider Administration

The Company complies with the legal provisions applying to the management of insiders, the Guidelines for Insiders issued by the NASDAQ OMX Helsinki Stock Exchange and the stipulations and guidelines of the Finnish Financial Supervision Authority.

Public Insider Register

The Company's permanent public insiders comprise the Board members, the CEO, the Executive Management Team and the auditors. All permanent public insiders and the statutory information about them, their related parties and the entities controlled by them or in which they exercise

influence, have been entered into the Company's public insider register which is published on the Group's website.

Afarak imposes a restriction on trading for insiders which forbids trading in the Company's shares for 30 days before the publication of financial reports. Prior to the preliminary announcement of the Company's annual results and the publication of its annual financial report the closed period is 60 days or, if shorter, the period from the end of the relevant financial year up to and including the time of the announcement.

Compliance with the insider regulations is monitored by taking samples at certain intervals of trading by insiders in the Company's shares.

Company-specific Insider Register

In addition to the public insider register, the Company holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of its securities. These persons include all Afarak Group Plc employees and subsidiary and other third-party service providers who regularly obtain insider information.

When necessary, the Company sets up a separate project-specific insider register. Project-specific insiders are those who, in connection with the insider project receive information that might have material impact on the value of the Company's shares. The establishment of a project is decided by the Board or the CEO.

Shareholdings of the Public Insiders at 31 December 2013

Members of the Board		Shares	Options
Jelena Manojlovic	Chairman	150,000	0
Markku Kankaala	Non-executive Director	7,090,616	0
Danko Koncar	Executive Director, CEO	70,815,639	0
Michael Lillja	Executive Director	71	200,000
Alfredo Parodi	Non-executive Director	22,600	0
Bernice Smart	Non-executive Director	0	0
Auditors			
Tomi Englund	Auditor	0	0
Other insiders			
Alistair Ruiters	Executive Chairman, Afarak South Africa	418,211	600,000