

Corporate Governance Report 2014

This corporate governance report constitutes the report referred to in the Section 7 of Chapter 7 of the Finnish Securities Market Act (2012/746) as well as the corporate governance report referred to in Section 10 of the Swedish Corporate Governance Code.

This corporate governance report is approved by the Board of Directors of Sanitec Corporation on 27 February 2015.

GENERAL

Sanitec Corporation (*in Swedish Sanitec Abp and in Finnish Sanitec Oy*) is a public limited liability company incorporated and registered in Finland with a business identity code 1955115-2 (“Sanitec” or the “Company”). The Company is the parent company of Sanitec group of companies (the “Group”), a European leading bathroom ceramics manufacturer.

The shares in Sanitec are listed on NASDAQ Stockholm with an identification code (ticker) “SNTC”. Geberit AG has acquired more than 99% of the shares and votes in Sanitec Corporation 11 February 2015 pursuant to the completion of a voluntary public tender offer to all Sanitec shareholders. Sanitec Corporation has applied for de-listing of the Sanitec shares from NASDAQ Stockholm and the last trading date of Sanitec shares is announced to be 27 February 2015. Further information regarding the Geberit public tender offer is available in the Review of the Board of Directors.

The Company’s head office is located in Kaupintie 2, 00440 Helsinki, Finland.

The duties of the various governing bodies within Sanitec are determined by the laws of Finland, the Articles of Association and the Company’s Governance Guidelines complying with the Finnish Companies Act and the Finnish Securities Market Act. The rules and recommendations of the NASDAQ Helsinki and Stockholm stock exchanges are also followed, where applicable. This Corporate Governance Report has been approved by the Board of Directors of the Company (the “Board”).

Sanitec’s corporate governance also complies with the Swedish Corporate Governance Code entered into force on 1 February 2010 (the “Code”) as applicable to Sanitec as a foreign company with the exception of the deviations listed in Appendix 1 of this Corporate Governance Report.

The Code is issued by the Swedish Corporate Governance Board and is available at www.corporategovernanceboard.se.

This Corporate Governance Report is available as a PDF document at www.sanitec.com.

GENERAL GOVERNANCE

Pursuant to the Finnish Companies Act, the responsibility for our control and management is divided between the general meeting of shareholders, the Board and the President & CEO. The Board and the President & CEO are responsible for the management of the Company, assisted by other governance bodies reporting to the Board and the President & CEO.

Sanitec prepares audited consolidated financial statements (including the audited financial statements of Sanitec Corporation, the parent company of the Group) and unaudited consolidated quarterly reports conforming to International Financial Reporting Standards (IFRS)¹, and Annual Reports including the Review of Board of Directors, consolidated financial statements and parent company financial statements with full disclosure information as well as auditor's report. The financial statements and quarterly reports as well as Annual Report are prepared and published in Swedish and English.

Sanitec has one statutory auditor elected by the shareholders at the Annual General Meeting.

To the maximum extent possible, corporate actions and corporate records are taken and recorded in English.

Objectives and composition of governance bodies

The shareholders exercise their ownership rights through the shareholders' meetings. The general meeting of shareholders shall be convened and held when necessary but at least once a year to review and decide the matters pursuant to the Finnish Companies Act and the Company's Articles of Association. The decision-making bodies with responsibility for managing the Company are the Board and the President & CEO. The Top Management Team (TMT)) supports the President & CEO in managing the Company. Day-to-day operational responsibility rests with the President & CEO and TMT members and their functional organisations.

Shareholders' meetings

The Annual General Meeting of shareholders (AGM) is held annually to present detailed information about the Company's performance and to deal with matters such as adopting the annual accounts, setting the dividend (or distribution of funds) and its payment, and appointing members of the Board, electing Chairman of the Board and the Auditor. Shareholders may exercise their voting rights and take part in the decision-making process of Sanitec by attending shareholders' meetings. Shareholders also have the right to ask questions of the Company's management and Board at shareholders' meetings. Major decisions beyond the general authority of the Board and President & CEO and other decisions stipulated by the law or Articles of Association are taken by the shareholders at Annual or Extraordinary General Meetings. At a shareholders' meeting, each share in Sanitec carries one vote.

Pursuant to our Articles of Association, the Board convenes a shareholders' meeting by publishing a notice to a general meeting of shareholders on our website or in one or more widely circulated daily newspapers designated by the Board or otherwise in a verifiable manner no more than three months and no less than three weeks prior to our general meeting of shareholders, however, in any case, at least nine days before the record date of our general meeting of shareholders. The convening notice will also be issued through a stock exchange release.

The venue for the General Meeting of Shareholders may be located in Helsinki, Finland or the municipality of Stockholm, Sweden. The Board of Directors shall decide the venue and date for each General Meeting of Shareholders and shall under the Code inform of their decision by posting it on the Company's web page no later than in conjunction with the release of the third quarter interim report.

¹ Except for separate financial statements of Sanitec Corporation, the parent company of the Group that are prepared in accordance with the Finnish Accounting Standards

The Finnish Companies Act and Sanitec's Articles of Association specify in detail that at the AGM:

the following are presented

1. the financial statements, which include the consolidated financial statements, and the review of the Board of Directors;
2. the auditor's report;

the following are resolved upon

3. the adoption of the financial statements;
4. the use of profits shown in the balance sheet (of the parent company of the Group);
5. the discharge of members of the Board of Directors and the Managing Director from liability;
6. the remuneration of the members of the Board of Directors and the auditor;
7. the number of the members of Board of Directors;

the following are elected

8. the chairman and members of the Board of Directors; and
9. the auditor.

Additionally, any other matter notified separately in the notice to the meeting shall be dealt with and where relevant, decided upon in the AGM.

A shareholder may also propose items for inclusion in the agenda provided that they are within the authority of the shareholders' meeting and the Board was asked to include the items in the agenda at least four weeks before the publication of the notice to the meeting. An Extraordinary General Meeting of Shareholders is convened when considered necessary by the Board or when requested in writing by the Auditor or shareholders together holding a minimum of one tenth of all the shares to discuss a specified matter which they have indicated.

Participation to the shareholders meeting

Sanitec's shares are registered in book-entry form in the account-based electronic securities system operated by Euroclear Finland as well as the corresponding Swedish securities system operated by Euroclear Sweden. The company and its shares will have its primary registration in the securities system operated by Euroclear Finland. To facilitate trading on NASDAQ Stockholm, the company and its shares are also registered with Euroclear Sweden.

Shareholders with shares registered in Euroclear Sweden's securities system

In order to have the right to attend and vote at a general meeting, a non-Finnish shareholder with shares registered in Euroclear Sweden's securities system must (i) be registered in the register of shareholders maintained by Euroclear Sweden not later than the day stated in the notice to the general meeting, and (ii) request temporary registration of ownership in Sanitec's shareholders register maintained by Euroclear Finland. Such request shall be submitted in writing to Euroclear Sweden not later than the date specified in the notice to the general meeting.

In addition, non-Finnish shareholders whose shares are registered in the name of a nominee must, in order to be entitled to participate in the general meeting, request that their shares are re-registered in their own names in the register of shareholders maintained by Euroclear Sweden, and procure that the nominee sends the abovementioned request for temporary registration to Euroclear Sweden on their behalf.

Shareholders with shares registered in Euroclear Finland's securities system

In order to have the right to attend and vote at a general meeting, a shareholder must be registered in the register of shareholders maintained by Euroclear Finland eight (8) business days prior to the relevant general meeting. A shareholder whose shares are registered in the name of a nominee must also seek a

temporary registration in the register of shareholders maintained by Euroclear Finland by the date announced in the notice to the general meeting.

2014

Sanitec's AGM was held on 13 May 2014 in Stockholm, Sweden and 63.75% of the shares and votes in the Company was represented in the meeting. The decisions adopted by the AGM are presented in the Review of the Board of Directors. No other general meetings were held in 2014.

Auditor

The AGM annually elects one auditor for Sanitec. The auditor shall be an authorised public accounting firm, which appoints the auditor in charge.

2014

KPMG Oy Ab has been acting as Sanitec group auditor since 1990s. AGM 2014 re-elected KPMG with APA Virpi Halonen as the auditor in charge for a term of office expiring at the end of the AGM 2015.

Board of Directors (Board)

The duties and responsibilities of the Board are defined according to the Finnish Companies Act, the Articles of Association of the Company and other applicable legislation and guidance, including but not limited to the Swedish Corporate Governance Code.

The work of Board is further governed by Governance Guidelines setting out and specifying the way of working of the Board, Chairman of the Board, President & CEO and the Board Committees. The Board evaluates its performance and reviews and, where necessary, amends the Governance Guidelines annually.

The Board has general authority in all matters where neither law nor the Company's Articles of Association stipulate that a matter should be decided or performed by any other corporate organisation. The Board is responsible for the Company's administration, the appropriate organisation of Company's operations and supervision of control of the Company's accounts and finances.

According to the Company's Articles of Association, the Board comprises three to nine ordinary members appointed by the shareholders at the AGM for a one-year term. According to the Articles of Association, one deputy member may be elected if needed. No deputy member is currently elected. The Chairman of the Board is elected by the AGM.

The majority of the members of the Board shall be independent of the Company. In addition, at least two of the directors comprising this majority shall be independent of major shareholders of the Company. According to the Code, a major shareholder is a shareholder that controls directly or indirectly at least 10% of shares or the votes in the Company.

The AGM decides the remuneration of the Board members, including the remuneration of the members of the Board committees.

Matters to be dealt with and decided upon by the Board include but are not limited to:

Organisation of Company's administration and operations

- Appoint and dismiss the President & CEO;
- Decide on remuneration including salary, pension benefits and incentives and other material terms of employment of President & CEO and the members of TMT with the exception of all share and share-price related incentive schemes which are, under the Code, to be resolved upon by the shareholders' general meeting;

- Adopt the duties, responsibilities and working calendar of the Board and evaluate the progress and performance of the Board work regularly.

Supervision of management of the Company's accounts and finances

- Prepare interim reports, annual financial statements and the review of the Board;
- Supervise the management of audit work and meet annually with the Company's auditor;
- Review press releases and stock exchange releases;
- Prepare proposals to the general meeting of shareholders;
- Oversee material risks related to the Company and arrange risk management.

Direction of the business and operations of Sanitec

- Prepare, update and approve the strategic plan and long term financial and other targets;
- Prepare, update and approve the business plan on the basis of the strategy;
- Approve annual plan and budget;
- Approve mergers, disposals and acquisitions;
- Approve the financial, compliance and other policies regulating the management of affairs and conduct of the Company;
- Approve material investments in accordance with the Company's policies;
- Approve financial indebtedness, guarantees or other financial commitments in accordance with the Company's policies;
- Approve organisational structure and management resources.

According to Company's governance guidelines, the Board receives information on the business activities, financial situation and risks of the Company regularly. Between the Board meetings the President & CEO shall keep the Board informed about performance and financial position of the Company and other matters of material importance.

2014:

The Board convened 17 times and had following members during the year:

Name	Position with the Company	Term 2014	Independent of the Company and its management	Independent of the major shareholders*	Member of Audit Committee	Member of Remuneration Committee	No. of meetings participated
Fredrik Cappelen	Director and chairman	1.1.-31.12.	Yes	No	No	Yes, chairman	17
Adrian Barden	Director	1.1.-31.12.	Yes	Yes	Yes	No	17
Johan Bygge	Director	1.1.-31.12.	Yes	No	Yes, chairman	No	14
Caspar Callerström	Director	1.1.-31.12.	Yes	No	No	Yes	15
Margareta Lehmann	Director	1.1.-31.12.	Yes	Yes	No	No	15
Pekka Lettijeff	Director	1.1.-31.12.	Yes	Yes	Yes	No	17
Ulf Mattsson	Director	1.1.-31.12.	Yes	No	No	Yes	12
Joakim Rubin	Director	13.5.-31.12.	Yes	Yes	Yes	No	11

* Independence is evaluated in accordance with the Swedish Corporate Governance Code, according which major shareholder is a shareholder who directly or indirectly controls at least 10% of the shares or votes in the company.

Board Committees

The Board has established two permanent committees from among its members to support its work and prepare decision to be taken by the Board. The committees have no independent decision-making

power. Each committee's chairman and members are appointed by the Board annually. The committees report on their work to the entire Board of Directors on a regular basis.

Audit Committee

The Board has appointed the Audit Committee to assist it in its task of supervising the Company's financial administration. The Audit Committee comprises a minimum of three members of the Board of Directors. The majority of the members must be independent of the Company and its executive management. At least one member who is independent of the company and its executive management must also be independent of the Company's major shareholder. Such entirely independent member must also have accounting or auditing competence. The Audit Committee meets at least 3 times per year and maintains regular contact with the Company's external auditor. The Audit Committee monitors the arrangement and management of accounting and financing and related reporting processes, internal control systems regarding finance, accounting, financial reporting and business practices and conduct established by management and the Board. In addition, the Audit Committee monitors preparation of annual financial statements and interim reports of the Company, statutory audit process and evaluates the independence of the statutory audit firm.

Audit Committee convened five (5) times in 2014. As per the decision of AGM 2014, remuneration for Chairman of the Audit Committee is 9,000 EUR and EUR 6,000 for other members of the Audit Committee.

Remuneration Committee

The Board has appointed a Remuneration Committee to prepare matters and specific decisions related to remuneration principles, structures and other employment conditions of senior executives and other Sanitec personnel. Remuneration Committee develops guidelines for remuneration for senior executives and other Sanitec personnel and monitors application of the guidelines. The Remuneration Committee supervises and measures the fixed remuneration structures and levels and the ongoing and finished variable remuneration schemes and development and outcome thereof on the basis of the financial and other information available to the Remuneration Committee.

The Remuneration Committee consists in minimum of three members of the Board of Directors. The chairman of the board shall be the chairman of the committee. Other members of the committee shall be independent in relation to the Company and its executive management. The committee, taken as a whole, must possess adequate knowledge and experience of matters related to remuneration of senior executives.

The remuneration committee shall convene at least two times yearly and otherwise as required. The Committee shall report to the entire Board after each meeting and as otherwise requested by the Chairman of the Board and/or present relevant matters to the Board for adoption with exception to all share and share-price related incentives that shall be presented to the general shareholders meeting for adoption. The minutes from each meeting shall be made available for the Board. The Committee shall have the authority to establish its own rules and procedures for efficient arrangement of its meetings and fulfilling its task. Committee meetings may be held at any place within or outside Finland or using communication equipment.

Remuneration Committee convened five (5) times in 2014. As per the decision of AGM 2014, remuneration for Chairman of the Remuneration Committee is 6,000 EUR and 3,000 EUR for other members of the Remuneration Committee.

President & CEO

The President & CEO is elected by the Board and has the primary responsibility for the Company's operations. The President & CEO shall be in charge of the day-to-day management of operations of the Company and shall be responsible for and carry out all necessary tasks and activities and make all respective decisions related thereto, except where such measures are unusual or extensive in view of

the scope and nature of the activities of the company and as such generally require authorisation by the Board. It is the duty of the CEO to ensure that the Company's accounting principles comply with laws and regulations and those financial matters are arranged in a reliable manner.

The President & CEO shall closely cooperate with the Chairman of the Board and shall be responsible for presenting and preparing the matters to the Board.

The President & CEO appoints the members of and leads work of the TMT consisting of CFO, CCO, COO, EVP Product Management & Design, EVP Business Development & Change Management, CVP Global Business Development & Change Management and EVP Human Resources.

Top Management Team (TMT)

The TMT is in charge of organising the Company's day-to-day operations. TMT meets monthly to discuss the Group's performance and financial position and issues concerning strategy, budget, forecasting and business development. TMT is also responsible for leading and implementation of key day-to-day operations, key personnel issues, investment proposals, planning and control of acquisitions and divestments, arrangement of support services, allocation of resources and preparatory work with regard to Board meetings.

One Sanitec

Since 2010, Sanitec management has been implementing "One Sanitec" initiatives, aimed at transforming a group of stand-alone companies successful in their own local markets into an integrated group that combines the ability to serve local markets with a local front-end (brands, sales force and customer services) with the scale benefits having integrated back-end processes (innovation, design and product development, purchasing, production, marketing, business and management information systems, distribution and support functions).

Sanitec's business operations are managed through matrix organisation, consisting of three main functions and their respective organisations: Operations, Product Management & Design and Sales & Marketing. These core functions serve, together with necessary support functions, needs of the Bathroom Ceramics and Ceramic Complementary Products product areas that, together with certain businesses not included in the core business, form the business of Sanitec Group. Geographically Sanitec's organisation is split into 6 regions, namely North Europe, Central Europe, East, UK & Ireland, South and Rest of the World that in turn consist each of several legal units employing the personnel of operational and support functions.

REMUNERATION

Decision making

The remuneration for the President & CEO shall be determined by the Board. The remuneration for other members of TMT or other direct reports to the President & CEO shall be proposed by the President & CEO or Remuneration Committee and approved by the Board of Directors. For remuneration of other Sanitec employees, the "grandfather principle" is applied. The "grandfather principle" means, that decisions involving employees should be referred by the decision-making manager to his immediate superior for approval, modification or veto before any decision is adopted.

All share or share price related remunerations and incentives shall be decided exclusively by the general meeting of shareholders.

Remuneration of the Board of Directors	2014	2013
euro	Board fee¹⁾	Board fee
Fredrik Cappelen (chairman)	37,988	50,000
Adrian Barden	21,029	25,000
Johan Bygge	23,064	—
Margareta Lehmann	16,959	4,167
Caspar Callerström	18,994	—
Pekka Lettijeff	21,029	25,000
Ulf Mattsson	18,994	25,000
Joakim Rubin	21,029	—
Total	179,086	129,167

¹⁾ Includes fees for committee work.

Joakim Rubin has been a member of the Board of Directors since 13 May 2014.

Pursuant to the Finnish Companies Act, the amount of compensation for the members Board of Directors is approved by the general meeting of shareholders. At the annual general meeting on 13 May 2014, it was resolved that the annual compensation of the Chairman would amount to EUR 50,000 and the other members of our Board of Directors would be paid an annual remuneration of EUR 25,000,. No variable remuneration schemes were available to the Board members in 2014.

The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board of Directors.

The members of the Board of Directors have no special right to an additional compensation from the company when a member resigns or his function otherwise terminates as a result of a public tender offer.

Remuneration of the Top Management Team

Sanitec aims to offer top executives competitive remuneration to enable the right competencies to be recruited, developed, motivated and retained. The remuneration is a supporting mechanism that contributes to development of business acumen and the corporate culture of Sanitec.

Comparative studies of relevant industries and markets are carried out annually in order to ensure that total remuneration is in line with market practice and that current remuneration levels are duly evaluated. The result of such studies is an important source of information when determining Sanitec's remuneration policy and, as a consequence, when determining the total remuneration of the executive management.

The remuneration principles for Sanitec executive management are:

- The target group shall receive a total remuneration which is competitive and in line with market conditions;
- The allocation between base salary and variable salary shall be in proportion to the employee's position and to what is customary on the market for similar positions.
- The remuneration shall be based on 1) performance & results 2) position 3) individual qualifications 4) market situation;
- The remuneration level and design shall attract the best competence necessary and appropriate to develop the business;
- The remuneration shall not discriminate on the basis of gender, ethnic background, national origin, age, disability or any other circumstances.

Sanitec's total remuneration for executive management consists of following main components:

1. Cash remuneration
 - a. Base salary
 - b. Variable salary
 - i. Short term incentives (annual bonus)
 - ii. Long term incentives (share- based incentive plan)
2. Benefits
 - a. Insurance
 - b. Pension
 - c. Other employee benefits (company car, healthcare etc)
3. Career ("non-monetary")
 - a. Training and development programs
 - b. Promotions
 - c. Other non-monetary benefits

Annual Bonus

Annual bonus forms variable part of remuneration of Sanitec executive management and certain other personnel of the Group. The bonus scheme principles, rules and predetermined bonus targets are prepared by the Remuneration Committee and approved by the Board of Sanitec, with the exception of possible share and share price related remuneration schemes which will be approved by the general meeting of shareholders.

Sanitec's bonus scheme consists currently of two parts – Group targets and Specific targets. The Group targets are proposed by the Remuneration Committee and approved by the Board and the Specific targets are decided by the relevant functional manager in cooperation with functional HR manager acting within the limits set out by the Bonus Scheme Rules.

The bonus criteria are tied to Group financial targets and, secondly, to function specific financially measurable targets. For 2014 the bonus targets were mainly related to sales growth, EBIT (earnings before interest and taxes) and working capital and/or net debt development.

Annual maximum bonus of a relevant employee is proposed by regional HR and/or the direct manager of such employee. Annual bonus shall be within the range of 5 – 50% of the annual base salary if no special exceptions have been decided and confirmed by the Remuneration Committee. All changes regarding the President & CEO and/or the direct reports to the President & CEO shall be decided and approved by the Board. The maximum bonus opportunity shall be approved according to the "grandfather principle" and always by functional HR manager. The development and accruals under the annual bonus scheme are measured by the Remuneration Committee and Group's finance organisation regularly.

Share-based incentive plan 2014

AGM 2014 adopted a decision to establish a share-based incentive plan ("Performance Share Plan 2014") for Sanitec. The main reason for the introduction of Performance Share Plan 2014 is to align the participants' interests and rewards with those of the shareholders and it is, therefore, for the benefit of the company. Performance Share Plan 2014 will also strengthen Sanitec's ability to recruit, motivate and retain leading industry talents and to balance short and long-term remuneration and fixed and variable remuneration. Because Performance Share Plan 2014 is Sanitec's first share based incentive plan following Sanitec's listing on NASDAQ Stockholm in December 2013, Performance Share Plan 2014 allows in part for shorter vesting periods than is customary for Swedish long-term incentive plans, to cater for the transition into a listed environment and to create share-based incentives that can materialise before 2017. Performance Share Plan 2014 comprises of approximately 25 employees, consisting of the top management team and other key employees.

Remuneration of Top Management Team Peter Nilsson (CEO)	2014 euro	2013 euro
Basic salary	578,571	582,473
Variable compensation	45,622	446,918
Accrual for share-based incentive plan	43,403	—
Other benefits (fringe benefits)	8,580	—
Total	676,176	1,029,391
Pension	292,024	383,840
Total	968,200	1,413,231

CEO's remuneration is paid in SEK and converted to EUR using the average exchange rate of the period. The amounts shown in EUR are subject to currency fluctuations.

Other Top Management Team members	2014 euro	2013 euro
Basic salary	1,584,709	1,545,695
Variable compensation	77,219	220,683
Redundancy compensations	—	631,631
Accrual for share-based incentive plan	70,747	—
Other benefits (fringe benefits)	49,481	51,310
Total	1,782,155	2,449,318
Pension	526,065	500,043
Total	2,308,220	2,949,361

Some Top Management Team members receive their remuneration in other currencies than EUR. These are converted to EUR using the average exchange rate of the period. The amounts shown in EUR are subject to currency fluctuations.

In addition to a monthly salary, the President & CEO and other members of the top management are generally entitled to an annual bonus of a maximum of 30 to 75% of their annual salary in accordance with the Sanitec bonus scheme, annual pensions premiums equal to 15 to 27.5% of their annual salary, sickness benefits equal to 75 to 100% of their monthly salary for the first 3 to 6 months of any period of illness, and a company car.

The CEO's period of notice is 6 months. In the event the company would give notice to the CEO, he will receive an additional remuneration equalling 12 months' salary.

The President and CEO has no special right to an additional compensation from the company when the President and CEO resigns or his function otherwise terminates as a result of a public tender offer.

In the event their employment agreements are terminated by Sanitec, a majority of the Top Management Team members are entitled to 12 months' severance pay (the notice period is six months). Three of the Top Management Team members are bound by non-competition and non-solicitation (with respect to customers and other employees) provisions during 12 months after the termination of their employment. The non-compete terms and conditions do not contain any provision for compensation during the non-compete period. Other than as set out above, the members of the Top Management Team members are not entitled to any benefits upon termination of their employment.

The CEO of Sanitec Corporation is entitled to retire at the age of 65. The retirement age of other members of the Top Management Team is 65 years.

SHARE OWNERSHIP

Board of Directors, number of shares	31 December 2014	31 December 2013
Fredrik Cappelen (chairman) ¹⁾	50,820	50,820
Adrian Barden	18,033	18,033
Caspar Callerström	—	—
Pekka Lettijeﬀ	18,115	13,115
Ulf Mattsson ²⁾	32,787	32,787
Johan Bygge	8,197	8,197
Margareta Lehmann	—	—
Joakim Rubin	—	—
Total	127,952	122,952

¹⁾ Shares held via endowment insurance

Top Management Team, number of shares	31 December 2014	31 December 2013
Peter Nilsson ²⁾	170,434	163,934
Krister Boëthius	12,000	10,000
Miguel Definti	1,927	—
Gun Nilsson	50,180	49,180
Anders Spetz	3,000	1,000
Magnus Terrvik ²⁾	99,000	98,360
Harald TremI	2,028	—
Liselotte Bergmark	—	—
Total	338,569	322,474

²⁾ Shares held via a related party and / or endowment insurance

Additionally, following members of the Board and the management of the Group (the “Sofia LP Investors”) are indirect shareholders of Sanitec via their participation in Sofia LP, an English limited partnership that in turn is an indirect shareholder of Sofia IV S.a r.l. holding 20% of shares in Sanitec Corporation as at 31 December 2014: Fredrik Cappelen, Adrian Barden, Pekka Lettijeﬀ, Ulf Mattsson, Johan Bygge, Peter Nilsson, Miguel Definti, Gun Nilsson, Anders Spetz, Magnus Terrvik, Krister Boëthius and Harald TremI.

The total participation of Sofia LP Investors in Sofia LP equals to 0.22% indirect ownership in Sanitec Corporation as at 31 December 2014.

With the exception of Sofia IV S.à r.l. no shareholder holds 10% or more of the shares or votes in the Company.

FINANCIAL REPORTING AND INTERNAL CONTROLS

The Board has an overall responsibility for the Company's administration and appropriate organisation of its operations and supervision of control of the Company's accounts and finances. The President & CEO shall be in charge of the day-to-day management of operations of the Company and shall be responsible for proper arrangement of the company's accounts and finances, including financial reporting, internal controls and internal audit. The Group's performance and financial position is reviewed by the Board monthly based on the reports produced by the management.

The Group's financial management and operational control are supported and coordinated by the Group's financial management and controller network.

In order to follow the implementation of Group financial policies and compliance with Group and local legal accounting requirements, the Group holds organisation of financial controllers reporting to the CFO. The Group also holds organisation of functional business controllers reporting to the CVP Business Controlling who in turn reports to the CFO. Business controllers are in charge of measuring, analysing and planning operations within the respective function and producing good quality and timely information to the Group management and to operate harmonised systems and processes in order to measure and analyse business of the Group or parts thereof in transparent and reliable manner. The Group's financial and business controllers are also responsible for ensuring that the Group, its functions and subsidiaries operate in accordance with the established policies and manuals and instructions of the Group management. The Group also holds policies and instructions regarding authorisations to approve fees and expenses, approve and conduct payments and sign agreements on behalf of the Group and its subsidiaries.

The Group's financial reporting process complies with the Group's operating guidelines and standards relating to financial reporting, including the Financial Manual of Sanitec Group. The interpretation and application of financial reporting standards has been concentrated in the Group's Financial Management organisation, which maintains operating guidelines and standards relating to financial reporting and is responsible for internal communication relating to them. The Group's Financial Management organisation also supervises compliance with these guidelines and standards. The Group's Financial Management organisation regularly monitors the reporting of business units and group companies and addresses deviations perceived in reporting. Control of reporting and budgeting processes is based on the Group's reporting principles, which are determined and centrally administered by the Group's Financial Management organisation. The principles are applied consistently throughout the Group and a consistent Group reporting system is in place.

The Group's internal control processes are designed to ensure essentially that:

- Shareholders' interests are protected;
- Company objectives and strategies are duly implemented and monitored;
- Financial reports are produced in accordance with accounting rules, laws and regulations and other requirements applicable to the company from time to time; and
- Financial reports provide a true and fair view of the financial performance and position of the Group.

The Group has in place internal structural and steering documents to ensure a common vision, common way of working and control within the Group. Such documentation includes but is not limited to:

- Finance Manual
 - Financial and Business Planning
 - Financial reporting;
 - Financing and Cash Management
 - Investments and acquisitions
 - Hedging
- Risk management and insurance;
- Authorisation instructions

Sanitec has no separate internal audit organisation but the assessment and audit of internal controls are conducted annually by Sanitec finance organisation reporting to CFO as an integrated part of the business and financial controller's work in accordance with the principles set out below, which has been found appropriate in light of the Group's size and complexity by the Board.

The assessment on internal controls is conducted on the basis of a comprehensive risk enquiry and analysis thereof. A direct verification of material aspects arising from the enquiry forms an important part of the assessment.

The main characteristics of the assessment and audit of the internal controls are following:

- Sanitec uses a self-assessment questionnaire, i.e. internal control questionnaire (ICQ), which means that business and legal units will evaluate their own control processes by answering questions that cover several areas of internal control and governance.
- The questionnaire is designed to measure the extent of compliance with defined requirements.
- After the self-assessment, the Company auditor reviews the questionnaire, compares it to existing processes and agrees or disagrees with the company's own evaluation. The review is a part of the audit procedures during the third quarter interim audit.
- When the internal self-assessment and the external auditor's review of it have been fulfilled, possible improvement areas are identified and corrective actions implemented.
- To test the internal controls in different regions/legal units Sanitec has a process in which financial employees from other regions/legal units will perform testing of the internal controls, controls in place and efficiency of the controls in another region/legal unit. The tests take place annually during the second quarter.
- Group Financial Controlling is responsible for coordinating the assessment and audit of the internal controls. However, each Financial Director responsible for each region is ultimately responsible for maintaining a high level of internal control, and for following up and ensuring daily compliance with Sanitec's reporting procedures and accounting principles.
- Result of the self-assessment procedure is reported to the Sanitec Audit Committee and the Board by management and external auditors as part of their ordinary audit reporting routine.

COMPLIANCE

Sanitec complies with all applicable laws and regulations wherever it operates and is committed to create and maintain ethical relationships with its customers, suppliers and other stakeholders. Sanitec's Compliance Committee consisting of President & CEO (chairperson), Compliance Officer and CFO develops, supervises and monitors compliance of laws, regulations and internal compliance policies and is in charge of implementation and maintenance of compliance related processes and addressing concrete compliance issues.

INSIDER MANAGEMENT

Sanitec has adopted internal insider policy prepared on the basis of the Finnish Companies Act (624/2006), the Finnish Securities Markets Act (746/2012) Regulations of the Finnish Financial Supervisory Authority (Standard 5.3) Guidelines for insiders of listed companies, as prepared by NASDAQ Helsinki, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industries (EK), effective 1 July 2013, Rule Book for Issuers NASDAQ Stockholm, dated 1 January 2015, and other laws and regulations applicable to the company.

The insider policy and implementation of related practices reflect Sanitec being a Finnish public company listed in NASDAQ Stockholm governed by *inter alia* the Finnish Companies Act and the Finnish Securities Markets Act and supervised by both Finnish Financial Supervisory Authorities and NASDAQ Stockholm.

Public insiders

The permanent public insiders in Sanitec are the Board members, the President & CEO, the top management team members, other persons (if any) with a right to make decisions on the future

development and arrangement of the business operation of the Company and the auditor in charge. The permanent public insiders and the required information on them and their closely affiliated natural and legal persons are entered into Sanitec's register of public insiders available at www.sanitec.com.

Company-specific and project insiders

Other permanent insiders in Sanitec are persons who, pursuant to their position or tasks has access to or receives the inside information regularly. These company-specific insiders are entered in Sanitec's non-public permanent insider register.

Sanitec maintains also non-public temporary insider registers for insider projects.

Persons included in a company-specific or project insider register are informed and instructed on their position and related obligations either by letter or by e-mail.

Silent Period and Closed Window

During the Silent Period, Sanitec does not comment on issues related to the company's financial situation or general outlook, except where required by the laws and regulations.

During the Closed Window, Sanitec insiders are prohibited from trading the shares and other financial instruments of Sanitec. Persons included in project specific insider register are prohibited from trading the shares and other financial instruments of Sanitec until the project in question expires or is made public.

The Silent Period and Closed Window will start one month before publication of quarterly report/annual financial statements. The Silent Period ends at the moment when relevant quarterly report/annual accounts are published. The Closed Window ends at the beginning of the next trading day following the publication of relevant quarterly report/annual financial statements.

The financial calendar of Sanitec is available at www.sanitec.com.

RISKS AND RISK MANAGEMENT

The risk management actions are focused on identifying and reducing risks related to the Group's business and operating environment. Each business function, namely Operations, Product Management & Design and Sales & Marketing has responsibility to monitor, analyse and evaluate and manage risks related directly or indirectly to the business and operational environment of each individual function. Each geographical region has responsibility to perform similar risk management operations independently within their own legal and business environment and capture risks that may not be visible for the Group's functional organisations. In addition to the functional and geographical risk management measures, the Group's support functions, namely finance, human resources, information management and legal services support both functional organisations and all regions in their risk management processes and perform their own risk management operations.

Russia and Ukraine

Sanitec carries out sales operations in Russia and sales and production operations in Ukraine. The Ukrainian production facilities are located in Western part of Ukraine, approximately 250 kilometres from the Polish border and have not been affected by on-going hostilities in Eastern part of Ukraine. Due to the on-going hostilities and tightened relationship between Russia and western countries, country and political risks related to Ukraine and Russia have, however, increased in general and negative effects on Ukrainian and Russian businesses and operations cannot be entirely excluded going forward.

General market risk

Our business is affected by fluctuations in the economic conditions of the markets in which we sell our products, which in turn, are materially affected by general global economic conditions and trends. Changes in our financial performance often result from factors beyond our control, such as the degree to invest in new buildings, the willingness by consumers and customers to renovate or invest in replacement products, price developments on individual housing markets, etc. Sanitec's business is diversified geographically with a broad customer base within several product lines to partly offset the risk. Sales & Marketing function and local units review and analyse the market behaviour and trends as a part of their day-to-day operations and Sanitec's market intelligence function is assessing relevant market data from various external and internal sources to provide a relevant high quality information to a basis for decision making and to allow the Company to react on changes in market in time.

Competition and pricing

The bathroom products market is competitive and we compete with both large-scale global manufacturers and numerous local and specialised competitors. Some of our competitors may be able to adapt more quickly to new technologies and changes in customer preferences, offer products which we do not provide, or reduce prices on products similar to our products below prices that we cannot profitably offer.

We believe that developing and maintaining competitive advantage will require continued investment by us in our brands, product development, manufacturing capabilities, sales and marketing and our customer relationships. We continuously analyse market trends and involve our customers in the product development process in order to be able to meet the expectations and demand of the market.

Customer risks

While we believe we have established long-standing and stable relationships with our customers and continuously invest in these relationships, commercial and business relationships are managed at a local market level and the potential loss of any one of the major customers could have a large effect on our business compared with other businesses whose customer bases are less concentrated. As a whole, Sanitec Group's business is diversified geographically with a broad customer base within several product lines to partly offset the risk.

Supplier risks

Although prices for the majority of our key raw materials have remained relatively stable in recent years, we are exposed to fluctuations in price and availability of our raw materials, including those we source from third party suppliers. A disruption in the supply chain could affect our business adversely, for example in relation to quantity, quality or delivery times. We evaluate all our suppliers with a target to have a flexible supplier structure to reduce dependency on a single supplier. To minimise the risk for major price variations and supply shortages and to benefit from economies of scale substantial part of the procurement activities are centrally managed by Sanitec global purchasing organisation.

Production risks

Our performance is dependent on production and delivery of good quality products to our customers. While we manufacture most of our products within the Sanitec production network and operate it ourselves, we cannot guarantee that no business interruption takes place within the network and that all products manufactured are defect-free and delivered in time to customers. Because a significant part of our production costs are fixed, our profitability may be adversely affected by a decline in net sales and lower production volumes.

Human capital risks

The success of our business is dependent on the leadership of our key management personnel and on our ability to attract, motivate and retain highly skilled and qualified personnel. We are committed to

establishing a performance driven culture and have dedicated Human Resources organisation and relevant processes and strategies in place for this purpose.

Reorganisation, divestment and acquisition risks

In the past, we have grown in part through acquisitions. Any possible acquisition, divestment and reorganisation may affect our capitalisation and the results of our operations. There is also a risk that expected integration and/or implementation actions may be more costly or time consuming than estimated and expected synergies do not materialise to the extent expected. Sanitec has long experience of change management and uses separate working teams with clear goals and procedures to successfully capture the benefits of integration and/or divestments.

Financial risk management

Our main financial risks are liquidity, credit, interest rate, currency and commodity risks. The financial risks and financial risk management are described in detail in Note 18 of the Consolidated Financial Statements.

Legal risks

The Group is subject to local, partially un-harmonised legal regimes, laws and regulations and varying interpretations and court practices in every jurisdiction of its operations.

Differences and changes in EU or local legislations including trading, construction and cross border trading regulations and court practices and in other regulation and administrative orders and practices applicable to the Sanitec legal units may affect on the Group's ability to manage and perform its operations in accordance with the past practice. Sanitec monitors changes in legal environment and is prepared to adapt its operations and ways of working where required.

In order to manage risks related to the diversified legal environment, risks related to the ordinary course of business and normal operations of the Group are in the first place managed within each function and geographical region with the support of Group Legal Services. Certain exceptional legal risks related to the Group as a whole are managed directly by Group Legal Services or other relevant Group functions.

To manage further risks resulting from diversified legal and operational environment and to guide and harmonise the instructions for proper, ethical behaviour pattern within the Group, the Compliance Committee has introduced Code of Conduct for the Group.

Intellectual property

The development, maintenance and protection of our intellectual property including trademarks, patents and designs is critical for our future success, especially in highly competitive European markets and when operating in markets where protection is less organised, for example in Eastern Europe, Asia and Africa.

The general administration and management of intellectual property matters takes place at Group level for all businesses within Sanitec.

Tax risk

The Group is subject to local, un-harmonised tax regimes and varying interpretations thereof in every jurisdiction of its operations. The Group tax risks related to the ordinary course of business and normal operations of the Group are in the first place managed within each geographical region with the support of Group Tax Manager. Certain exceptional tax risks, including but not limited to tax audits and material tax litigations are managed directly by Group Tax Manager.

MEMBERS OF THE BOARD OF DIRECTORS

27 February 2015

Fredrik Cappelen, born in 1957 has served as the chairman of the Board of Directors since 2010. He is presently the chairman of the board of directors of Bygghmax AB, Dustin AB, Dometic Holding AB, Eterna Invest AB and Terveystalo Oy. He is also a member of the board of directors of Securitas AB and Munksjö Oyj.

Previously Mr. Cappelen has served *inter alia* as President and Group Chief Executive of Nobia, Marketing Director of Stora Finepaper, President of Kaukomarkkinat International Sweden and Norway and Managing Director of Kaukomarkkinat GmbH, Germany.

Mr. Cappelen holds a Bachelor of Business Administration degree from Uppsala University.

Mr. Cappelen is independent of the Company and its management but not independent of the major shareholders.

Adrian Barden, born in 1954 has served as a member of the Board of Directors since 2008. He is presently a member of the board of directors of Volution Holdings Ltd and the managing director of Blue Burgee Ltd. Previously Mr. Barden has served *inter alia* as CEO Wolseley UK, Chief Business Development Officer Wolseley PLC, Consultant/Advisor Construction Industry.

Mr. Barden has attended Lausanne University, Wharton School at the University of Pennsylvania, Duke University and Canfield Management College UK.

Mr. Barden is independent of the Company and its management and the major shareholders.

Caspar Callerström, born in 1973 has served as a member of the Board of Directors since 2009. He is presently a member of the board of directors of Scandic Hotels AB and Kramerica Industries AB and a partner of EQT Equity Stockholm at EQT Partners AB.

Mr. Callerström studied Financial Economics and Marketing at the Stockholm School of Economics.

Mr. Callerström is independent of the Company and its management but not independent of the major shareholders.

Johan Bygge, born in 1956 has served as a member of the Board of Directors since 2013. He is presently Chief Operating Officer at EQT Holdings AB and chairman of the board *inter alia* of Novare Human Capital AB, and Samsari Act Group AB and member of the board of *inter alia* Anticimex International AB and Getinge AB.

Previously Mr. Bygge has served *inter alia* as Chief Financial Officer and member of the Management Group within Investor AB, CEO Electrolux Major Appliance Europe and Asia Pacific and held various other positions within Electrolux and Ericsson.

Mr. Bygge holds a degree in Business Administration from the Stockholm School of Economics and has also studied at the Institute of International Business at the Stockholm School of Economics.

Mr. Bygge is independent of the Company and its management but not independent of the major shareholders.

Margareta Lehmann, born in 1958 has served as a member of the Board of Directors since 2013. Mrs. Lehmann is President of SCA Incontinence Care Europe since 2012 with previous positions in different

areas within SCA and Mölnlycke. She is presently a member of the board of directors of SCA Hygiene Products AB and a member of the supervisory board of UCM BV.

Mrs. Lehmann holds a Bachelor's degree in Economics and Business Management from the University of Gothenburg.

Mrs. Lehmann is independent of the Company and its management and the major shareholders.

Pekka Lettije*ff, born in 1961* has served as a member of the Board of Directors since 2011. He is presently the chairman of the board of directors of Lettijeff Consulting AB. Mr. Lettijeff has professional experience as Chief Supply Chain Officer at Konecranes Plc, Head of Global Purchasing at Nokia Siemens Networks, VP Supply Network Management and VP Sourcing at Nokia Networks and VP Global Supply and Purchasing at Astra Zeneca.

Mr. Lettijeff holds a degree in Business Administration from the University of Växjö.

Mr. Lettijeff is independent of the Company and its management and the major shareholders.

Ulf Mattsson, born in 1961 has served as a member of the Board of Directors since 2009. He is presently the chairman of the boards of directors of AcadeMedia AB, Mackmyra Svensk Whisky AB, Itslearning A/S and Crem International Holding AB. He is also a member of the boards of directors of *inter alia*, Bactiguard Holding AB and Addtech AB.

Mr. Mattsson has past experience as CEO Gambro AB, President and CEO of Capio AB (publ.), CEO of Mölnlycke Health Care AB, President and CEO of Domco Tarkett Inc (publ.)

Mr. Mattsson holds a degree in Business Administration from the University of Stockholm and also studied a program for management development at Harvard Business School.

Mr. Mattsson is independent of the Company and its management but not independent of the major shareholders.

Joakim Rubin, born in 1960 has served as a member of the Board of Directors since 2014. He is founding partner of Zeres Capital Partners and senior partner of CapMan Group. Mr. Rubin is presently the board member of ÅF AB, B&B TOOLS AB and Intrum Justitia AB.

Mr. Rubin holds a degree of Master of Science.

Mr. Rubin is independent of the Company and its management and the major shareholders.

MEMBERS OF THE TOP MANAGEMENT TEAM

27 February 2015

Peter Nilsson, born in 1962 has served as the President & CEO since 2010 and before that as the chairman of the Board of Directors from September 2008 until March 2010. Mr. Nilsson is presently the chairman of the board of directors of Poleved Industrial Performance AB, Better Ski Apartments 1 AB, Better Ski Apartments 2 AB and Ski Apartments Åre Holding Ab. He is also a member of the boards of directors of *inter alia* Team Tråd & Galler Holding AB, J.H. Tidbeck AB, Signtronic Produktion AB and Kylpanel i Nässjö AB.

Peter Nilsson has vast experience from positions in corporate leadership and listed companies with previous positions as CEO at Duni AB and Senior Vice President Group Business Development at Swedish Match Group.

Mr. Nilsson studied Business Administration and Economics at the Stockholm School of Economics.

Gun Nilsson, born in 1955, has served as the Executive Vice President and Chief Financial Officer since 2010. She is presently a member of the board of directors of Hexagon AB. Mrs. Nilsson has previous professional experience as CFO at Nobia AB and Duni AB and as CEO at Gambro Holding AB.

Mrs. Nilsson holds a degree in Business Administration from the Stockholm School of Economics.

Harald Tremi, born in 1962 joined the Company in 2008 and has served as the Executive Vice President and Chief Operating Officer since 2010. Before joining Sanitec, Mr. Tremi has worked as the Vice President Logistics at Electrolux Europe.

Mr. Tremi holds a degree in Business Informatics from Bildungswerk der DAG, Aalen, Germany.

Krister Boëthius, born in 1977 joined the Company in 2010 and has been a Corporate Vice President of Global Business Development & Change Management since 2013. Before joining Sanitec, Mr. Boëthius worked several years at McKinsey & Company

Mr. Boëthius holds a Master of Science in Industrial Engineering and Management from Chalmers University of Technology in Gothenburg and a Bachelor's degree in Economics from Gothenburg University.

Liselotte Bergmark, born in 1966 has served as Executive Vice President, Human Resources since 2014. Mrs Bergmark has previous professional experience as Vice President Talent & Leadership Development, Group HR at TeliaSonera AB, Vice President Management & Organisational Development at SCA Group, and HR Director at DHL Sweden.

Mrs. Bergmark holds a Master of Science in Human Resources.

Magnus Terrvik, born in 1964 has served as the Executive Vice President, Global Business Development & Change Management since 2010. Mr. Terrvik joined Sanitec after a seventeen-year career at McKinsey & Company, where he worked on several change and improvement programs across multiple industries.

He is presently the chairman of the board of directors of LumenRadio AB, SRE Management AB, Sweden Renewable Energy Investments AB and ERSI AB. He is also a member of the board of directors of *inter alia* Malevik Öfvre AB, Sense Touch Kungsbacka AB, Venture Cup Väst AB and a deputy member of the board of directors of Yogakliniken i Väst AB.

Mr. Terrvik holds a Master of Science in Industrial Engineering and Management from Chalmers University of Technology in Gothenburg.

Miguel Definti born in 1974 has served as the Executive Vice President for Product Management & Design since 2012. Mr Definti has worked previously as head of product management at Georg Fischer, a Swiss manufacturer of piping systems.

In addition to training in sanitary engineering at KV Basel in Basel, Switzerland, Mr. Definti holds a degree in Business Administration from the University of Applied Sciences of Northwestern Switzerland.

Appendix 1

Deviations from the Swedish Corporate Governance Code

Rule 2 – Nomination Committee

Explanation

AGM 2014 adopted a decision to establish nomination committee for Sanitec. Due to the public tender offer to all shareholders of Sanitec Corporation by Geberit AG and subsequent acquisition of more than 99% of the shares and votes in Sanitec Corporation by Geberit AG on 11 February 2015, no nomination committee has been established.