

Corporate governance

The SanomaWSOY Group is organised into five fully owned divisions: Sanoma Magazines, Sanoma, WSOY, SWelcom and Rautakirja. Rautakirja, in which the Group had a 57% shareholding, was merged into SanomaWSOY on 1 March 2003.

SanomaWSOY's divisions operate independently within the agreed goals and operational principles. The

Board of Directors

The Annual General Meeting elects the members of the Board of Directors, the Chairman, and his deputy. The number of Board members can vary between five and eleven. In addition, a maximum of two personnel representatives can be elected to the Board.

The term of office of the Board member begins at the close of the AGM and expires after the third AGM following their election. If a Board member's seat becomes vacant before the end of this three-year period, a new member is elected for the remainder of the term. The Articles of Association stipulate that no person aged 75, or who will reach the age of 75 during his term in office, can be elected to the Board.

The new principles of corporate governance issued



parent company, SanomaWSOY Corporation, is responsible for strategic control and administration of the Group. The management of the Group and the Group's businesses is based on a clear organisational structure, defined areas of authority and responsibility, common planning and reporting systems, and Group policies.

SanomaWSOY's Board of Directors confirms the principles of the Group's corporate governance, which have been drawn up according to the principles concerning the governance of public companies recommended by the Helsinki Exchanges, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. The valid corporate governance principles can be found on the Group's website at www.sanomawsoy.fi.

The Group's administrative bodies are the Board of Directors and the President & Chief Operating Officer (COO). Their duties essentially reflect those laid down by the Finnish Companies Act. SanomaWSOY's Management Group prepares matters to be discussed at the meetings of the Board of Directors and coordinates the management of the Group. The Management Group is not a formal decision-making body. Matters of principle reviewed and recommended by the Management Group are approved legally by SanomaWSOY's Board of Directors or those of its subsidiaries, or are implemented by authority of the President & COO.

by the Helsinki Exchanges recommend that the term of office of Board members be one year. At SanomaWSOY, the term of office of Board members is three years. The Group believes that the nature of its business activities makes it necessary for Board members to have a longer period to familiarise themselves with and commit themselves to the Group's operations. The terms of office of Board members have, however, been arranged so that about one-third of the members are elected annually.

The current Board has 10 members. Of these, Kyösti Järvinen, Seppo Kievari and Hannu Syrjänen are vacating their seats at the AGM in 2004, Paavo Hohti, Robert Castrén, Jane Erko and Robin Langenskiöld at the AGM in 2005, and Sari Baldauf, Jaakko Rauramo and Sakari Tamminen at the AGM in 2006.

The full-time Chairman & CEO of the Board is Jaakko Rauramo. Board members also employed by the Group are Hannu Syrjänen, President & COO, and Seppo Kievari, President of Sanoma Corporation, who will retire on 1 April 2004. Half of the Board members are independent in the manner stipulated in the new principles of corporate governance issued by the Helsinki Exchanges: Sari Baldauf, Robert Castrén, Paavo Hohti, Kyösti Järvinen and Sakari Tamminen.

SanomaWSOY's Board of Directors is responsible for the overall management of the Group and for organising its administration in accordance with the Finnish Companies Act. The Board appoints SanomaWSOY's President & COO, his deputy and the parent company ex-

executives who sit on SanomaWSOY's Management Group, approves the nominations of the Presidents of the divisions, their deputies and the Senior Editors-in-Chief of Helsingin Sanomat and Ilta-Sanomat, and decides on the remuneration of senior management.

In 2003, the Board of Directors convened six times. On average, 89% of Board members attended the meetings.

Board Committees

Matters to be presented to the Board are prepared, in accordance with the Articles of Association, by the Executive Committee, which consists of Jaakko Rauramo, Chairman & CEO, Paavo Hohti, Vice Chairman, and Hannu Syrjänen, President & COO. The Executive

and strategic HR matters. In addition, he is responsible for handling a broad range of the Group's external relations together with the President & COO.

The Chairman & CEO does not usually take part in the operational management of the Group. In preagreed cases, however, the Chairman & CEO can participate in operational management, particularly in respect of growth and international expansion projects. In 2003, Jaakko Rauramo served as full-time Chairman & CEO.

President & COO

The President & COO is independently responsible for the Group's operations, in line with strategic plans and budgets approved by the Board of Directors and in accordance with general principles approved by the Board



Committee convened five times during the year, and all the Committee members attended all the meetings. The Board is empowered to establish other committees as appropriate. A Compensation Committee and an Audit Committee operated during 2003.

The Compensation Committee prepares matters regarding the management's remuneration and the Group's remuneration policy. The Compensation Committee's members at year's end were Paavo Hohti (Chairman), Sari Baldauf (Vice Chairman), Jane Erkko and Seppo Kievari. During 2003 the Compensation Committee convened twice, and all its members attended the meetings.

The Audit Committee develops and controls the Group's financial reporting procedures, the auditors' work and the reliability of internal control. At the end of 2003, the Audit Committee comprised Kyösti Järvinen (Chairman), Robert Castrén (Vice Chairman), Robin Langenskiöld and Sakari Tamminen. The Committee convened four times during 2003. On average, 94% of its members attended the meetings.

Full-time Chairman & CEO

The Board has a full-time Chairman & CEO who is responsible, in cooperation with the President & COO, for preparing the matters brought to the Board of Directors and for chairing Board and Executive Committee meetings. The Chairman & CEO's specific area of responsibility lies with the Group's strategic decisions and positions,

of Directors. The President & COO is responsible for day-to-day management of the Group, for the preparation of matters brought to the Board and for presenting these matters to the Board and its Committees. The President & COO also acts as Chairman of both SanomaWSOY's

1. and 3. The IS and the HS Business Unit had both a good year in 2003 despite the challenging market situation.
2. 2003 was an excellent year for SWelcom. The electronic media division improved its financial performance considerably. SWelcom's President, Tapio Kallioja, with Vice President Pekka Salmén of Helsingin Sanomat's Printing Plant.
4. Lehtipiste collected and distributed 40,000 magazines for Finland's National Schools' Magazine Day. A lesson under way at a comprehensive school in Helsinki.
5. Helsingin Sanomat's online edition was revamped in autumn 2003. The key people behind the revamp: Pekka Pekkala, Aki Nykänen, and Mikko Hämäläinen.
6. Helsingin Sanomat's monthly supplement had its 20th anniversary in 2003.

Management Group and the Boards of Directors of SanomaWSOY's divisions, unless otherwise agreed. In 2003, Hannu Syrjänen served as President & COO of SanomaWSOY.

Remuneration and incentives

The Board of Directors approves the employment terms of the President & COO and the other members of senior management, based on the proposal prepared by the Compensation Committee. The compensation paid to the Board of Directors is subject to approval by the AGM. The members of the Board of Directors are paid the following monthly compensations: EUR 5,000 to the Chairman, EUR 4,500 to the Vice Chairman and EUR 3,500 to members. A sum of EUR 200 is paid for attending

of 60, unless otherwise agreed, and his pension will be approximately 60% of his salary. The period of notice of the President & COO is six months and severance pay in the case of termination corresponds to 18 months' salary. The severance pay includes a fixed term non-competition clause. Syrjänen holds 50,000 2001A warrants, 50,000 2001B warrants and 50,000 2001C warrants.

The retirement age for the other members of SanomaWSOY's Management Group is 60 years, and their pension is approximately 60% of their salary. Their period of notice is six months and severance pay in the case of termination corresponds to 12 months' salary. The severance pay includes a fixed term non-competition clause.

To promote the achievement of challenging financial targets, all SanomaWSOY's divisions operate incentive



the meetings. Of the Board Members, Jaakko Rauramo, Chairman & CEO, Hannu Syrjänen, President & COO, and Seppo Kievari are included in the scope of SanomaWSOY's warrant system.

Remuneration and other benefits paid to SanomaWSOY's management in 2003 totalled EUR 8.0 (8.5) million. In this respect, management includes members of the Board of Directors of SanomaWSOY, the President & COO, the Presidents of the Group's divisions as well as their deputies, if any. This sum only covers the remuneration and benefits paid to the persons for these positions during the financial year.

Jaakko Rauramo, the full-time Chairman & CEO, was paid remuneration, bonuses, and other benefits totalling some EUR 732,600 in 2003 (in 2002 some EUR 903,100, including bonuses relating to the magazine acquisitions in 2001). Rauramo is entitled to retire after the age of 60 on a pension of 60% of his salary when he or the Company so wishes under the provisions of Sanoma Corporation's pension fund. The contract of employment of the Chairman & CEO is valid for the duration of his term of office, unless otherwise agreed with or decided by the AGM. Rauramo holds 100,000 2001B warrants and 100,000 2001C warrants.

Hannu Syrjänen, President & COO, was paid in total approximately EUR 656,700 in remuneration and benefits in 2003 (some EUR 568,100 in 2002). According to his employment contract, Syrjänen will retire at the age

systems designed to foster the personnel's commitment to business goals, and to reward people for good performance and results. In addition to skill-, responsibility- and performance-based salary, the personnel receive one-off bonuses. Divisions also operate short-term incentive systems tied to their particular businesses. The general principles of incentive systems are confirmed by SanomaWSOY's Board of Directors. The criteria for setting incentives are the previous year's development, the competitive situation, the lifecycle of the business, action plans, etc. Sanoma and Sanoma Magazines Finland also maintain a personnel fund for profit sharing. Annual payments from this fund are harmonised with the bonus of the short-term incentive scheme. The Group also has a warrant scheme, which is described in more detail on page 43 of the Financials.

SanomaWSOY's chartered public accountant in charge is PricewaterhouseCoopers Oy.

System of control and risk management

SanomaWSOY's Board of Directors has approved the Group's risk management policy. In addition to this, other risk management tools include the Group's, divisions' and business units' policies and guidelines.

The Board of Directors is responsible for monitoring the Group's asset management. The President & COO is responsible for arranging the appropriate accounting and control mechanisms. The Group's financial perform-

ance is monitored on a monthly basis using a group-wide operational planning and reporting system. The system includes data on the actual income statement, balance sheet figures and main key figures, up-to-date estimates for the current year, and rolling estimates for the next 12 months.

The Board of Directors selects an Audit Committee from among its members annually. The Audit Committee prepares, steers and evaluates the Group's risk management, internal control procedures, financial reporting, auditing and internal auditing in accordance with the policy confirmed by the Board of Directors.

At the end of 2003, the members of SanomaWSOY's four-person Audit Committee were independent in the manner stipulated in the new principles of corporate

the Group's net sales are derived from media advertising, which reacts quickly to changes in GDP. New products, acquisitions and product development involve more risks than normal business. The geographic distribution of risks varies according to division.

Financial risk management is described in more detail in note 22 on page 39 of the Financials.

Intellectual property rights

SanomaWSOY's most important intellectual property rights in respect of the Group's products and services are copyrights, publishing rights, trademarks, business names, domains, and know-how possessed or licensed by the Group. Intellectual property rights are an essential part of the Group's identifiable intellectual capital, and



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governance issued by the Helsinki Exchanges, with the exception of Robin Langenskiöld. All Board members are entitled to attend the meetings of the Committee. Depending on the issue it is addressing, the Audit Committee invites experts to attend its meetings, such as President & COO, Senior Vice President, Finance and Administration, Internal Audit Director, or the auditors.

SanomaWSOY's internal auditing is handled by the Group's Internal Auditing Department. Internal Auditing is carried out in collaboration with SanomaWSOY's Management Group, the Audit Committee, and the Group's auditors in accordance with the Group's corporate governance principles and the policy for internal auditing given by the Audit Committee.

Authority issues regarding approval of investments and HR related matters have been clearly defined in SanomaWSOY's corporate governance principles. Investments are considered as part of the review of strategies, action plans and budgets carried out by various administrative bodies across the Group. All investment decisions are taken on the basis of a separate investment proposal, in accordance with the authority to approve investments. For decision-making and monitoring purposes, an investment proposal, which covers the bases for the investment, including financial calculations, is made for all major investments.

SanomaWSOY's business risks are first and foremost related to the operating environment. About one-fifth of

the principles regarding their management have been approved by SanomaWSOY's Management Group.

The Group aims to gain competitive advantage by acquiring intellectual property rights as cost-effectively as possible.

7. The Group's fifth Vision Day looked at stakeholder expectations. Christina von Wackerbarth from Sanoma Magazines Belgium, Vice President of the European Investment Bank Sauli Niinistö, and Chairman & CEO Jaakko Rauramo.
8. Mickey Mouse celebrated his 75th anniversary in 2003, and Donald Duck will turn 70 in 2004. Sanoma Magazines holds the Disney licenses in Finland and the Netherlands.
9. Group teams have been actively developing operational guidelines for finance, planning, personnel administration, and legal affairs. Juha Jaskara, Kerstin Rinne, Jussi Vuorinen, and Gerard Moussault in a Planning team meeting.
10. Dutch-based Libelle is SanomaWSOY's largest-circulation magazine.
11. On the way to Sanoma Uitgevers' Strategy Day.