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CORPORATE GOVERNANCE STATEMENT

Introduction

A listed company shall present a Corporate Governance Statement (below statement) in connection with the report by the board of directors. This obligation is based on law and recommendation 54 of the Finnish Corporate Governance Code (below Corporate Governance Code). The statement shall be drawn up annually. As the obligation to present the statement is based on law, it is not possible to depart from the obligation on the basis of the Comply or Explain principle mentioned in the Corporate Governance Code.¹

This guideline gives the company an example that can be used when drawing up the statement. The use of this guideline is voluntary.

Companies listed at several exchanges may present the statement in a manner that departs from this guideline, in order to also comply with the rules and requirements of foreign exchanges and in order to present the information in a consistent manner to all investors and in all markets.

Extent of the statement

The law and recommendation 54 of the Corporate Governance Code define the entities that the company shall present in the statement. This guideline describes the entities that are to be presented in the statement. The company may decide, whether it presents the information required by law and recommendation 54 or if it wishes to expand the statement by, e.g. presenting its organisation. The company shall discuss the impact of a more extensive statement on the work of the auditor with its auditor in advance.

Issuing the statement as a separate report

According to law, the statement may be presented in the report by the board of directors or as a separate report. Recommendation 54 of the Corporate Governance Code recommends, however, that the statement be presented as a separate report. In this case, the statement and the report by the board of directors must contain references to each other. By presenting the statement as a separate report, the company can emphasise the information given to shareholders and other investors. The information can also easily be found in a separate report.

When the statement is issued as a separate report, the auditor shall check that the statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process is consistent with the financial

¹ Among the mandatory provisions, see Chapter 2, section 6 of the Securities Markets Act (392/2008) and section 5a of the Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security (393/2008).



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statements. If the statement is presented in the report by the board of directors and not as a separate report, in accordance with recommendation 54 of the Corporate Governance Code, it is subject to the audit of the report by the board of directors, which will have an impact on the extent of the audit.

The audit committee or some other competent committee shall review the statement. If the company has no audit committee or other competent committee, the board shall review the statement. The revision shall be entered in the minutes of the audit committee or board. The statement does not have to be signed separately.

If a statement issued as a separate report is enclosed to the annual report, it must be made separate from the other material enclosed to the annual report that has been audited.

Disclosure to the public and presentation of the statement on the company website

When the statement is issued as a separate report, it shall be disclosed to the public together with the report by the board of directors or made available on the company website simultaneously, in the Corporate Governance section designed for investors. When the company discloses to the public the financial statements and the report by the board of directors in the form of a stock exchange release, the release shall, however, mention that the statement is available on the company website. The company shall also see to it that the statement is delivered to the release storage maintained by NASDAQ OMX Helsinki Ltd.

In practice, it is convenient for the company to use one stock exchange release for disclosing to the public the information that the financial statements, report by the board of directors and the Corporate Governance Statement have been published and that they are available on the company website and as appendix to the release. As the above mentioned documents are enclosed to the release, they are saved in the release storage without any separate measures.

The company is not obliged to submit a statement issued as a separate report to the Trade Register.

The statement shall in any case be made available on the company website based on recommendation 55 of the Corporate Governance Code.

Manner of presenting the statement on the company website

The statement shall be available on the company website at the above-mentioned time as one separate entity, in an investor-friendly manner, e.g. as a PDF file or as part of the annual report. The statement is not updated during the financial period.



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The company shall keep the statement on its website for at least five years. The statements must be easily found on the company website.

The company shall, however, present the information required by recommendation 55 of the Corporate Governance Code as updated on its website, in accordance with its own practices.

CONTENTS OF THE CORPORATE GOVERNANCE STATEMENT

Information on compliance with the Corporate Governance Code

- The statement must mention that the company complies with the Corporate Governance Code.

Departure from recommendations

- If the company has departed from an individual recommendation of the Corporate Governance Code, information on this as well as the explanation for the departure are presented in the statement.

Availability of the Corporate Governance Code on the internet

- The statement shall report the address of the website on which the Corporate Governance Code is publicly available.
 - The Corporate Governance Code is publicly available, e.g. on the website of the Securities Market Association, address www.cgfinland.fi.

Description of the composition and operations of the board and board committees

Board of directors

- **Composition**
 - Directors
 - Biographical details of the directors
 - name,
 - year of birth,
 - education,
 - main occupation
 - Directors who are independent of the company and directors who are independent of significant shareholders
 - Special order of appointment of directors, if applicable



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- **Description of the operations**
 - Description of the essential content of the charter of the board
 - Number of meetings during the previous financial period
 - Attendance of the directors at the meetings
 - The attendance of the directors at board meetings can be reported as the attendance of individual directors or as the average attendance of all directors.

- Additional information: section three of the Corporate Governance Code, above all recommendations 5, 6, 15 and 16

Board committees

- **Composition**
 - Members
 - The biographical details do not have to be repeated, as they have already been given in connection with the information on the directors.

- **Description of the operations**
 - Description of the essential contents of the charter confirmed by the board of directors for the committee
 - Number of meetings during the previous financial period
 - Attendance of the members at the meetings
 - The attendance of the members at the meetings can be reported as the attendance of individual members or as the average attendance of all the members.

- The information is presented separately for each committee.

- Additional information: section four of the Corporate Governance Code, above all recommendation 20

Supervisory board

- A description of the composition and operations of a supervisory board and its committees, if applicable, shall contain the corresponding information as given on the board and its committees, for applicable parts.



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Description of the body that is responsible for the duties of the audit committee

- If the company has an audit committee, the information has been presented on the basis of the item above.
- If the company does not have an audit committee, it shall report if the duties of the audit committee are discharged by the board or by some other committee.
- The composition and operations are reported in the same manner as for the other committees. The information does not have to be repeated, if it has been given earlier.
- Additional information: section four of the Corporate Governance Code, above all recommendation 27

Nomination board consisting of shareholders or representatives of shareholders

- If the general meeting or supervisory board has established a nomination board consisting of shareholders or representatives of shareholders in order to prepare the election of directors, instead of a nomination committee of the board, the election process, composition and operations of the nomination board shall be disclosed.
- A description of the composition and operations of a nomination board shall contain the corresponding information as given on the board committees, for applicable parts.
- Additional information: explanation to recommendation 28 and recommendation 55 of the Corporate Governance Code

Information about the managing director and his or her duties

- **Managing director**
 - Biographical details
 - name,
 - year of birth,
 - education
- **Description of the duties**
 - Description of the duties according to the Limited Liability Companies Act and any other duties.
- Additional information: section five of the Corporate Governance Code



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Description of the main features of the internal control and risk management systems in relation to the financial reporting process

- The description accounts for the main features of the internal control and risk management systems in relation to the financial reporting process, i.e. how the internal control and risk management of the company function in order to ensure that the financial reports disclosed to the public by the company give essentially correct information about the finances of the company.
- The aim is not to describe the financial reporting process or the internal control and risk management systems in relation to the financial reporting process in detail.
- The size of the company and the structure of the business operations will have an impact on the nature of the description.
- The description is issued at group level.
 - This means a description of how the company ensures at group level that the financial reporting on the group companies is reliable.
- Additional information: section eight of the Corporate Governance Code and explanation to recommendation 54
- Contents of the description in relation to the financial reporting process
 - General description of risk management
 - Main principles for arranging risk management
 - Main features of the risk management process and the connection of the process with internal control
 - General description of internal control
 - Main features of the internal control framework in the company
 - Description of the main features of the monitoring mechanisms of the operations and controls
 - Description of the operating principles for internal control
 - Main features of carrying out internal control
 - The aim is not to open up individual controls nor tell about the processes that are the object of control in detail.
- If the company so wishes, it can issue a more extensive description of the main features of the internal control and risk management systems in relation to the financial reporting process. In this case, the company can use the COSO² or other corresponding framework, if

² Committee of Sponsoring Organizations of the Treadway Commission, www.coso.org.



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the company applies such a framework in its operations. Below is a more detailed example, divided based on the five elements of the COSO framework.

Example of a more extensive description

1. Control environment (interface of the control activities)

- Description of the controlled environment
- Description of the company's various operating models of control
- Values and the role of ethical instructions
- Group structures
 - Explanatory charts, etc. may be used in the description
- Processes
 - Control over the functioning of the processes
 - Description of the distribution of control responsibility
- Role of risk management
- Role of financial management
- Roles of other possible functions
 - Role of information management
 - Role of internal control

2. Risk assessment

- Main principles for identifying risks
- Risk assessment regarding controls

3. Control activities

- Description of how the control activities have been organised
 - Description of the main principles for the control activities, e.g.
 - Description of who ensures that control has actually been carried out.
 - The mechanisms of the control activities (principles for approval, reconciliations, reporting)
 - Description of how control related to the different processes is carried out

4. Information and communication

- The distribution of information about and documentation of the controls
- Distribution of financial management instructions
- Information systems and communication

5. Monitoring

- Monitoring mechanisms of the operations and controls
- Description of the roles and responsibilities of the board and audit committee when monitoring the results