

# Corporate Governance Statement 2019

## Introduction

eQ Plc (the company) is a Finnish public limited liability company the shares of which are listed on Nasdaq Helsinki Ltd (Helsinki Stock Exchange).

This Corporate Governance Statement has been drawn up separately from the report by the Board of Directors. eQ Plc's Board of Directors has reviewed this Corporate Governance Statement on 5 February 2020. This statement and other information that shall be provided in accordance with the Corporate Governance Code as well as the company's financial statements, report by the Board of Directors and auditors' report are available on eQ Plc's website ([www.eQ.fi/en](http://www.eQ.fi/en)). The statement is not part of the official financial statements.

In addition to acts and regulations applicable to listed companies, eQ Plc has during 2019 complied with the Finnish Corporate Governance Code published by the Securities Market Association on 1 January 2016. The entire Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

This Corporate Governance Statement has also been drawn up in accordance with the Finnish Corporate Governance Code 2020 issued by the Securities Markets Association. The new Code entered into force on

1 January 2020 and is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

In 2019, eQ Plc complied with the Finnish Corporate Governance Code 2015 without any departures.

## Descriptions concerning corporate governance

### General Meeting of Shareholders

The General Meeting is eQ Plc's highest decision-making body, at which the shareholders participate in the supervision and control of the company. eQ Plc convenes one Annual General Meeting (AGM) during each financial period. Extraordinary General Meetings may be convened when necessary. Shareholders exercise their right to vote and voice their views at the General Meeting.

eQ Plc provides shareholders with sufficient information about the agenda of the General Meeting in advance. The advance information is provided in the notice of the General Meeting, other releases and on the company website. The General Meeting is organised in such a way that shareholders can effectively exercise their ownership rights. The goal is that the CEO, Chairman of the Board, and a sufficient number of directors attend the General Meeting. A person proposed as director for the first time shall participate in the General Meeting that decides on his or her election, unless there are well-founded reasons for the absence.

The Annual General Meeting of eQ Plc was held on 25 March 2019.

## Board of Directors

### Composition of the Board

The General Meeting elects the directors. The director candidates put forward to the Board shall be mentioned in the notice of the General Meeting if the candidate is supported by shareholders holding at least 10 per cent of the total votes carried by all the shares of the company, provided that the candidate has given his or her consent to the election. The candidates proposed after the delivery of the notice of the meeting will be disclosed separately. In its Corporate Governance Statement, the company states the number of Board meetings held during the financial period as well as the average attendance of the directors. The directors are elected for one year at a time.

The company's Articles of Association do not contain any provisions on the manner of proposing prospective directors. eQ Plc's major shareholders, who as a rule represent at least one half of the number of shares and votes in the company, make a proposal on the number of directors, the directors and their remuneration to the AGM.

A person elected director must have the qualifications required by the work of a director and sufficient time for taking care of the duties. The company facilitates the work of the Board by providing the directors

with sufficient information on the company's operations. eQ Plc's Board of Directors consists of 5 to 7 members. The Board of Directors elects the Chairman from among its members. It is eQ Plc's AGM solely that ultimately elects the directors and makes preparations for their election.

The company reports the following biographical details and holdings of the directors: name, gender, year of birth, education, main occupation, primary work experience, international experience, date of inception of Board membership, key positions of trust, and shareholdings in the company. In addition, eQ reports the directors' independence of the company or its major shareholders together with the reasoning for determining that a board member is not independent.

The members of eQ's Board of Directors shall provide the Board and the company with sufficient information for the evaluation of their qualifications and independence and notify of any changes in such information.

The Annual General Meeting held on 25 March 2019 elected the following persons to the Board:

**Georg Ehrnrooth**, born 1966, male, member of the Board since 2011, Chairman of the Board, studies in agriculture and forestry  
Key positions of trust: Louise and Göran Ehrnrooth Foundation, Chairman of the Board, 2013-; Corbis S. A, Chairman of the Board, 2009-; Fennogens Investments S. A, Chairman of the Board, 2009-; Anders Wall Foundation, member of the Board, 2008-; Paavo Nurmi Foundation, member of the Board, 2005-.  
Primary work experience: Management positions in family owned companies with responsibility for finance and investments, 2008-; eQ Plc and eQ Bank Ltd, CEO, 2005.

Independent of the company, but not independent of its significant shareholders. Georg Ehrnrooth is a significant shareholder of eQ Plc's significant shareholder Fennogens Investments S.A.

**Nicolas Berner**, born 1972, male, member of the Board since 2013, Master of Laws

Key positions of trust: Berner Ltd, member of the Board, 2006-. Primary work experience: Berner Ltd, CFO, 2011-; Hannes Snellman Attorneys Ltd, partner, 1998–2011.  
Independent of the company and significant shareholders.

**Timo Kokkila**, born 1979, male, member of the Board since 2016, M.Sc. (Eng.)

Key positions of trust: Ilmarinen Mutual Pension Insurance Company, member of the Board, 2017-; Valmet Automotive Ltd, member of the Board, 2016-; SRV Group Plc, member of the Board, 2010-; LAK Real Estate Oy, member of the Board, 2018-; Pontos Ltd, member of the Board, 2007-.

Primary work experience: Pontos Group, CEO, 2016-; Pontos Group, Investment Director, 2011–2015; SRV Group Plc, Manager, Project Development, 2008–2011; SRV Group Plc, Project Development Engineer, 2006–2008.

Independent of the company and significant shareholders.

**Lotta Kopra**, born 1980, female, member of the Board since 2019, M. Sc. (Econ)

Key positions of trust: Lindström Invest Ltd, member of the Board, 2019-; Solteq Plc, member of the Board, 2018-.

Primary work experience: Spinnova Oy, Chief Commercial Officer, 2019-; BearingPoint, Executive level, 2015–2018; Magenta Advisory, Founder, Chairman of the Board, 2010–2015; Finland and Nordics, Management consultant, 2004–2010.

Independent of the company and significant shareholders.

**Tomas von Rettig**, born 1980, male, member of the Board since 2019, BBA, CEFA certificate

Key positions of trust: Rettig Group Oy Ab, Chairman of the Board, 2019-; Purmo Group Oy Ab, Chairman of the Board, 2016-; Terveystalo

Oyj, Vice Chairman of the Board, 2017-; Rettig Capital Oy Ab, member of the Board, 2014-.

Primary work experience: Rettig Group Oy Ab, CEO, 2016–2019; Rettig Group Oy Ab, vice president business development, vice president corporate finance and development, 2011–2015; Rettig Asset Management Oy Ab, portfolio manager, senior portfolio manager, 2008–2011; Skandinaviska Enskilda Banken, Middle Office, 2006–2008.

Independent of the company, but not independent of its significant shareholders. Tomas von Rettig is a shareholder and member of the Board of Rettig Capital Ltd, an indirect parent company of Anchor Oy, which is a significant shareholder of eQ Plc.

Shares and share-related rights of the Board members and entities that they control in the company at the end of the financial period on 31 December 2019:

Member of the Board	Security	Holding
Nicolas Berner	Share	60,000
Georg Ehrnrooth	Share	8,018,137
Timo Kokkila	Share	10,000
Lotta Kopra	Share	0
Tomas von Rettig	Share	5,000

### Operations of the Board of Directors

eQ Plc's Board of Directors has drawn up a written charter covering its operations. Below is a list of the most important principles and duties presented in the charter. In order to carry out its duties, the Board of Directors:

- confirms the company values and manners of operating and monitors their implementation
- confirms the company's basic strategy and continuously monitors that it is up-to-date

- based on the strategy, approves the annual plan of operation and budget and supervises their outcome
- reviews and approves the interim reports, report by the Board of Directors and financial statements
- defines the company's dividend policy and makes a proposal on dividend distribution to the AGM
- convenes General Meetings
- makes proposals to the General Meeting, when necessary
- decides on major investments, corporate acquisitions and divestments and on investments that exceed two million euros
- confirms the organisation structure
- appoints and dismisses the CEO
- sets personal targets for the CEO annually and assesses their outcome
- appoints and dismisses the members of the Management Team, defines their areas of responsibility and decides on the terms of their employment
- decides on so called unconventional related party transactions that are not conducted in the ordinary course of eQ's operation and which are not made on ordinary commercial terms
- monitors and assesses related party transactions at least once a year
- reviews the Remuneration Policy for Governing Bodies of eQ at least once a year and presents the policy to the General Meeting of the company for consideration at least every four years
- reviews eQ Group's remuneration principles at least once a year
- decides on the incentive schemes and annual bonuses of the CEO and the personnel
- goes through the major risks related to the company's operations and their management at least once a year and gives instructions on them to the CEO, when necessary
- meets the auditors at least once a year
- convenes at least once a year without the executive management
- assesses its own operations at least once a year
- assesses the independence of its members

- confirms its own charter, which is reviewed annually
- handles other matters that the Chairman of the Board or the CEO has proposed to the agenda of a Board meeting; the directors also have the right to put matters on the Board agenda by informing the Chairman of this.

During the financial period 2019, the Board of Directors of eQ Plc convened nine (9) times, average attendance being 96%

Attendance at the Board meetings 2019:

#### Member of the Board

Nicolas Berner	8/9
Georg Ehrnrooth	9/9
Carl Haglund	1/2
Timo Kokkila	9/9
Lotta Kopra	7/7
Annika Poutiainen	2/2
Tomas von Rettig	7/7

The majority of the members of eQ Plc's Board of Directors are independent of the company and of the company's significant shareholders. The Board of Directors assesses the independence of the directors and states on the company website which of the directors have been deemed independent. When evaluating independence, the circumstances of private individuals or legal entities regarded as related parties will be taken into consideration in all situations. Companies belonging to the same group as a company are comparable with that company.

#### *Principles on the diversity of the Board of Directors*

The Board's aim is to promote, for its part, the diversity of the Board's composition. When assessing diversity, the Board takes into consideration, for instance, the age and gender of the directors, their education and professional experience, personal qualities and experience that is essential with regard to the task and the company operations. Regard-

ing the equal representation of genders on the Board, eQ Plc has defined as its goal that there should always be representatives of both genders on eQ Plc's Board of Directors. The Board aims at reaching this goal and maintaining it primarily by informing eQ Plc's owners actively about it. During the financial period 2019, eQ Plc's Board met the preconditions of diversity set by the company, including the goal of having representatives of both genders on the Board. The directors have versatile experience in sectors that are of importance to the company operations, such as the investment and financial sector and real estate sector. In addition, the work experience and education of the directors as well as their international experience complement each other. The directors are elected by eQ Plc's AGM.

The Board of Directors of the company has monitored the development of the company's diversity during the financial period 2019.

#### *Board Committees*

eQ Plc has no audit or other committees.

With regard to the composition and size of the Board, eQ Plc has found it appropriate that the Board of Directors takes care of the duties of the audit committee and other committees directly. The composition and operations of the Board have been described above.

#### **CEO and his duties**

The CEO is in charge of the day-to-day administration of the company in accordance with the rules and regulations of the Finnish Limited Liability Companies Act and instructions and orders issued by the Board of Directors. The CEO may take measures that, considering the scope and nature of the operations of the company, are unusual or extensive with the authorisation of the Board. The CEO ensures that the accounting practices of the company comply with the law and that finances are organised in a reliable manner. eQ Plc's Board of Directors appoints the CEO.

Janne Larma, M.Sc. (Econ) (born 1965) was appointed CEO on 16 March 2011. The company discloses the same biographical details and information on the holdings of the CEO as of the directors. The CEO shall not be elected Chairman of the Board.

eQ Plc does not have substitute for the CEO.

Shares and share-related rights of the CEO and entities that he controls in eQ Plc at the end of the financial period on 31 December 2019:

Name	Task in the organisation	Security	Holding
Janne Larma	CEO	2015 Option right 2018 Option right Share	100,000 100,000 5,945,275

## Other Management Team members

eQ Group has a Management Team that convenes regularly every month. The status of the Management Team is not based on company law, but in practice it has a significant role in the organisation of the company management. The Management Team consists of the persons heading the company's operative business, the CFO and Group General Counsel. The main duty of the Management Team is to assist the CEO.

eQ Group's Management Team during the financial period 2019:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, eQ Plc, CEO

Staffan Jäfs, born 1974, M.Sc. (Econ), eQ Asset Management Ltd, Head of Private Equity

Mikko Koskimies, born 1967, M.Sc. (Econ), eQ Asset Management Ltd, CEO

Antti Lyttikäinen, born 1981, (M.Sc. (Econ)), eQ Plc, CFO

Juha Surve, born 1980, Master of Laws, M.Sc. (Econ), eQ Asset Management Ltd, Group General Counsel

Shares and share-related rights of the other Management Team members and entities that they control in eQ Plc at the end of the financial period on 31 December 2019:

Name	Task in the organisation	Security	Holding
Staffan Jäfs	Director, Private Equity, eQ Asset Management Ltd	2015 Option right 2018 Option right Share	100,000 100,000 16,778
Mikko Koskimies	CEO, eQ Asset Management Ltd	2015 Option right 2018 Option right Share	100,000 100,000 4,100,000
Antti Lyttikäinen	CFO, eQ Plc	2015 Option right 2018 Option right	55,000 75,000
Juha Surve	Group General Counsel, eQ Asset Management Ltd	2015 Option right 2018 Option right Share	45,000 75,000 40,000

## Descriptions of internal control procedures and the main features of risk management systems

### Control and risk management related to the financial reporting process

The objective of the financial reporting process is to produce timely financial information and to ensure that decision-making is based on reliable information. The aim is to ensure that the financial statements and interim reports are prepared according to applicable laws, generally accepted accounting principles and other requirements on listed companies.

The financial reporting process produces eQ Group's monthly and quarterly reports. The Management Team of the Group reviews eQ Group's result and financial performance monthly. The Group management presents the result and financial position of the Group quarterly to the Board of Directors. The Board of Directors of eQ Plc supervises that the

financial reporting process produces high-quality financial information. The CEO is responsible for eQ Group's internal risk management.

The Group's subsidiaries report their results monthly to the parent company. The financial administration of the Group takes care of the book-keeping of the subsidiaries for the most part. At Group level, this will make it easier to ensure that the financial reporting of the subsidiaries is reliable. The Group's interim reports and financial statements are prepared in accordance with the IFRS reporting standards. The financial administration of the Group monitors the changes that take place in IFRS standards.

Based on risk assessments, the company has developed measures for controlling the risks pertaining to financial reporting, which make sure that financial reporting is reliable. The companies use various reconciliations, checks and analytical measures, for instance. The financial administration of the Group prepares monthly analyses of income statement and balance sheet items, both at company and segment level. In addition, tasks related to risk-exposed work combinations are separated, and there are appropriate approval procedures and internal guidelines. The reliability of financial reporting is also supported by various system controls in the reporting systems. Other basic principles of control are a clear division of responsibility and clear roles as well as regular reporting routines.

### Risk management overview

The purpose of the Group's risk management is to make sure that the risks associated with the company's operations are identified, assessed and that measures are taken regarding them. eQ Plc's Board supervises that the CEO takes care of eQ Plc's day-to-day administration according to the instructions and orders issued by the Board. The Board also supervises that risk management and control are organised in a proper manner. The executive management is responsible for the practical implementation of the risk management process and control.

eQ Group comprises a fully owned subsidiary of eQ Plc, eQ Asset Management Ltd, which is an investment firm. A permanent risk management function is responsible for risk management at eQ Asset Management Ltd. The risk management function, which is independent of the other operations, consists of risk experts and is led by the Chief Risk Officer. eQ Asset Management has a risk management committee, which the Chief Risk Officer convenes regularly. The risk management committee reviews the follow-up reports of risk management-related operations and decides on corrective measures, for instance. It also approves new products, changes made in products and counterparties.

### General description of internal control

eQ Plc's Board of Directors is responsible for arranging sufficient and well-functioning internal control. Internal control covers all functions within eQ Group, which means that eQ Plc steers and controls the operations of the subsidiaries in order to make sure that the result of its operations is reliable. The business operations are steered by the Group's operating principles, decision-making powers and company values that cover the entire Group. eQ Plc takes into account the Group structure and the nature and extent of the operations when arranging internal control.

eQ Group's internal control system covers financial and other control. Internal control is carried out by the Board, CEO and other superior management as well as the entire personnel. The aim of internal control is to make sure that the operations of the entire Group are efficient and contribute to the achievement of the goals and targets, reporting is reliable and that the Group follows laws and other regulations. In addition, the aim of internal control is to ensure that information, eQ Plc's assets and client assets are secured in a sufficient manner and that internal procedures and information systems are arranged properly and in order to support operations.

Internal control is above all based on financial reports, management reports, risk reports and reports of internal control. The company's central operations are steered according to internal operating policies and practices.

### Other information to be provided in the CG statement

#### Internal audit

The Group does not have a separate internal audit organisation. The CEO is responsible for the tasks of the internal audit function. The risk management and compliance functions of the Asset Management segment are responsible for the risk management related to the business and the compliance of the operations with rules and regulations. The risk management and compliance functions also carry out sample checks of the operations. The CEO may assign external evaluators to carry out audits on areas that the CEO deems necessary. The CEO reports the observations to the Board of Directors.

#### Principles concerning related party transactions

eQ's Group Administration is responsible for managing related party matters at Group level and for maintaining the related party register, in accordance with principles on the management of related party matters approved by eQ Plc's Board of Directors. The management of each company that is a member of the Group is responsible for ensuring that any related party transactions at the Group are made in accordance with the approved principles. At eQ Group, all business transactions within the Group and related party transactions are always made on arm's-length terms and as part of the company's normal business operations. Group companies can offer their services to related party individuals or organisations under their control or influence on market terms, and ordinary assignments are implemented in the ordinary course of business of the company. Related party transactions are allowed, provided that they promote the purpose and interest of the company and are commercially justified.

The Board of Directors regularly monitors and evaluates transactions between eQ Plc and the company's related parties, and assesses how contracts and other legal transactions made between the company and its related parties meet the requirements on the ordinary course of business and arm's-length terms. Primarily, all related parties are personally responsible for ensuring that eQ is informed of any related party transactions they make. eQ also monitors related party transactions on a business segment basis, and eQ Plc's CFO is responsible for reporting related party transactions to the Board of Directors annually. Related party transactions that are not conducted in the ordinary course of eQ's operation and which are not made on ordinary commercial terms are "unconventional business transactions". Only eQ Plc's Board of Directors can make decisions on implementation of unconventional business transactions. The Board of eQ Group's parent company always decides on all related party loans to related parties or entities outside the eQ Group.

eQ complies with the obligations of the Finnish Corporate Governance Code 2020 for listed companies and the IFRS standards (IAS 24) on related party disclosures. As required by the standard, eQ discloses, in the consolidated financial statements or separate financial statements, the related party relationships and transactions and outstanding balances of the parent company or an investor with joint control or significant control over the investment target with related parties, which are presented in accordance with the IFRS. eQ also discloses in the company's annual report information to be presented on the basis of the Finnish Limited Liability Companies Act, concerning loans, liabilities and commitments to related parties and the main terms thereof, if the business transactions are material and implemented on unconventional terms.

eQ Plc publishes, by a stock release, related party transactions that are significant for the company's shareholders.

## Central procedures of insider administration

In its insider administration, eQ Plc complies with the applicable Finnish and EU legislation (including the Market Abuse Regulation 596/2014), rules and regulations issued by the Finnish Financial Supervisory Authority as well as the Guidelines for Insiders issued by the Helsinki Stock Exchange (insider regulations). eQ Plc has drawn up guidelines on insider issues and trading. The company has informed the company management, insiders and persons covered by the trading restriction of the insider guidelines.

Managers and persons closely associated with them are obliged to inform the company and the Financial Supervisory Authority of their trading in company shares or other financial instruments. The company discloses the information that it has received without delay with a stock exchange release. At eQ, such managers (covered by the disclosure obligation) are the CEO and directors as well as the members of the Management Team appointed by the Board. eQ maintains a list of managers and persons closely associated with them. This list is not an insider list.

The company maintains insider lists required by insider regulations of persons who have access to inside information. These lists are not public. The information on eQ Plc's managers required by regulations and the insider lists are maintained by Euroclear Finland Ltd. The information in the insider lists is available to the Financial Supervisory Authority for the supervision of the securities market.

eQ's permanent insiders are only persons who, due to their tasks or position, have permanent access to all inside information in the listed company and who have the right to make decisions on the company's future development and the arrangement of business. eQ's permanent insiders comprise the directors, CEO and the members of the Group's Management Team appointed by the Board of Directors. In addition to insider lists, eQ maintains a list of persons covered by the so-called extended trading restriction.

eQ Plc's closed period commences 30 days prior to the disclosure of an interim report (first and third quarter), half-yearly report or financial statements report and ends at the end of the day following the disclosure.

The company has informed the company management, insiders and persons covered by the extended trading restriction of the insider guidelines. The company has a designated person in charge of insider issues (Compliance Officer), who carries out tasks related to the management of insider issues, training in insider matters, maintenance of the insider lists and the supervision of trading. The knowledge of other employees about insider matters is maintained and their need of training assessed continuously.

## Audit

The proposal for the election of an auditor prepared by the Board of Directors of the company is disclosed in the notice of the General Meeting. If the Board has not arrived at a decision on the prospective auditor by the time the notice is sent, the candidacy will be disclosed separately.

In 2019, the company auditor was KPMG Oy Ab, a firm of authorized public accountants, with Marcus Tötterman, APA, as auditor with main responsibility.

KPMG Oy Ab has acted as eQ Plc's auditor since 2014 and Marcus Tötterman, APA, has acted as auditor with main responsibility since the Annual General Meeting 2019. The decision on continuing with the period of the auditor with main responsibility and the auditing firm is made annually at the AGM, and the auditor with main responsibility and the auditing firm are changed at least in accordance with the valid regulations.

## Auditors' fees

The independent auditors have been paid the following fees in 2019: for the audit and closely related services a total of EUR 133,170 (2018: EUR 95,310) and for other services than audit a total of EUR 9,395 (2018: 9,674).