



## Corporate Governance Statement 2014

This Corporate Governance Statement has been drawn up separately from the report by the Board of Directors. The statement is not part of the official financial statements.

### General

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association in June 2010. The entire Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

### 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. An Extraordinary General Meeting 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 his or her absence.

The Annual General Meeting of eQ Plc was held on 27 March 2014.

### Board of Directors

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. The company's Articles of Association do not contain any provisions on the manner of proposing prospective directors. In its Annual Report, 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.

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. The Board's aim is to promote the versatility of the Board's composition for its part. eQ's Board has defined a target regarding equal representation of genders on the Board. According to it, there should always be representatives of both genders among the directors.

The company reports the following biographic details and holdings of the directors: name, year of birth, education, main occupation, primary working experience, date of inception of Board membership, key positions of trust, and shareholdings in the company.

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 27 March 2014 elected the following persons to the Board:

**Ole Johansson**, born 1951, member of the Board since 2011, Chairman of the Board, B.Sc. (Econ)

Svenska Handelsbanken AB (publ.), member of the Board, 2012 -; Aker Arctic Technology Oy, Chairman of the Board, 2014-; Hartwall Capital Oy Ab, Deputy Chairman of the Board 2014-; Outokumpu Oyj, Chairman of the Board, 2008-2013; Confederation of Finnish Industries (EK), Chairman of the Board, 2011-2012; Varma Mutual Pension Insurance Company, Deputy Chairman of the Board, 2005-2012; Technology Industries of Finland, member of the Board, 2010-2012; Finnish Business and Policy Forum EVA, member of the Board, 2010-2013.  
Independent of the company and significant shareholders.

**Nicolas Berner**, born 1972, member of the Board since 2013, LL.B.

2011- Berner Ltd, Chief Financial Officer; Berner Ltd, Member of the Board, 2006-; Nbe Holding Oy, Member of the Board, 2006-.  
Independent of the company and significant shareholders.

**Christina Dahlblom**, born 1978, member of the Board since 2012, D.Sc. (Econ)

2011- Dahlblom & Sparks Ltd, founder and Managing Director; Nordman Invest Oy, member of the Board, 2012-; Oy Transmeri Ab, member of the Board, 2012-; Diamanten i Finland rf, member of the Board, 2012-; Stiftelsen Svenska Handelshögskolan, member of the Board, 2014-; Soprano Plc, member of the Board, 2013-2014.  
Independent of the company and significant shareholders.

**Georg Ehrnrooth**, born 1966, member of the Board since 2011, studies in agriculture and forestry

Pöyry Oyj, member of the Board, 2010-; Norvestia Oyj, member of the Board 2010-; Forcit Oy, member of the Board, 2010-; Paavo Nurmi Foundation, member of the Board, 2005-; Anders Wall Foundation, member of the Board, 2008-; Louise and Göran Ehrnrooth Foundation, Chairman of the Board, 2013-; Semerca Investments S.A, Chairman of the Board, 2009-; Corbis S.A, Chairman of the Board, 2009-; Fennogens Investments S.A, Chairman of the Board, 2009-; OE Capital Ab, Chairman of the Board, 2010-; Vicus Oy, member of the Board, 2012-.  
Independent of the company, but not independent of its significant shareholders.

**Jussi Seppälä**, born 1963, member of the Board since 2011, M.Sc. (Econ)

Oy Cardos Ab, member of the Board, 1999-; Deamia Oy, deputy member of the Board, 1999-  
Independent of the company and significant shareholders.

eQ Plc's Board of Directors has drawn up a written charter for its operations. Below is a list of the most important principles and duties presented in the charter:

- the Board draws up the company strategy,
- based on the strategy, the Board approves the annual plan of operation and budget and supervises their outcome,
- the Board is responsible for the administration of the company and the appropriate organisation of the company's operations,
- the Board 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,
- the Board confirms the organisation structure,
- the Board appoints and dismisses the CEO, sets personal targets for the CEO and assesses their realisation,
- the Board appoints and dismisses the members of the Management Team and steers and supervises the company's executive management,
- the Board decides on the incentive schemes and annual bonuses of the CEO and the personnel,



- the Board decides on major investments, corporate acquisitions and divestments and on investments that exceed two million euros,
- the Board goes through and approves the interim reports, report by the Board of Directors and financial statements,
- the Board defines the company's dividend policy and makes a proposal on dividend distribution to the AGM,
- the Board convenes General Meetings,
- the Board assesses the independence of its members,
- the Board shall promote the interests of the company and all its shareholders,
- the members of the Board do not represent the parties who proposed them as directors when working for the company,
- the Board assesses its performance and working methods annually, either by means of internal self-evaluation or by using an external evaluator.

During the financial period 2014, the Board of Directors of eQ Plc convened eight times, average attendance being 95%.

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.

## **Board Committees**

eQ Plc does not have any Board Committees.

## **CEO**

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 organized 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 biographic 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 a substitute for the CEO.

## **Other executives**

eQ Group's Management Team during the financial period 2014:

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

Staffan Jåfs, born 1974, M.Sc. (Econ), Director, Private Equity, eQ Asset Management Ltd

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

Lauri Lundström, born 1962, M.Sc. (Econ), Director, Group Administration, eQ Plc

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



## **Remuneration**

### **Board of Directors**

#### **Remuneration and other financial benefits of the Board of Directors**

The General Meeting decides on the remuneration of the directors annually.

The 2014 Annual General Meeting decided that the directors would receive remuneration according to following: Chairman of the Board EUR 3 300 per month (2013: 3 300) and the directors EUR 1 800 per month (2013: 1 800). The remuneration is paid in cash. The members of eQ Plc's Board of Directors have no share-related rights, nor are they covered by any other remuneration scheme.

### **CEO and other executives**

#### **Decision-making process and main principles of remuneration**

eQ's Board of Directors decides annually on the remuneration system of the Group, as well as on the principles of performance-based remuneration and the persons included in the system. The Board of Directors also decides the remuneration of the CEO and the members of the Management Team, based on a proposal by the CEO. The Compliance Officer reviews annually that eQ Group has complied with the remuneration system defined by the Board and reports directly to eQ Plc's Board.

The main principles of eQ's remuneration systems are:

- The remuneration systems support eQ Group's long-term goals, such as improving the profitability of the business in a long term, sufficient capital adequacy, return on investments and cost efficiency.
- Remuneration must be designed to prevent unsound risk-taking.
- The Board decides on the payment of the performance bonuses based on the systems. The decision will be made annually after the end of the incentive period.
- A performance bonus will not be paid and it may be recovered as unfounded, partly or in full, if it is found that the person concerned has acted contrary to eQ's internal guidelines, laws, or regulations or guidelines issued by authorities.
- eQ may also refrain from paying out remuneration, if eQ Group's solvency, capital expenditure or liquidity or their foreseeable future development do not make payment possible.
- The decision about remuneration is always made by the superior of the concerned person's superior.
- The share of the variable remuneration may basically not exceed 100% of the total fixed salary of the recipient. If the General Meeting so expressly decides, the variable remuneration can amount to 200% of the total fixed salary, however.
- eQ Group has decided that the maximum amount of the variable remuneration is EUR 500 000 per person annually.
- When paying out variable remuneration, the company shall take into consideration at least the risks that it is aware of when making the assessment, and future risks, eQ Group's capital expenditure and necessary liquidity. The total amount of the remuneration to be paid out may not be so large that it would restrict the consolidation of eQ Group's capital base.
- The remuneration of persons engaged in supervisory operations may not be dependent on the result of the unit they supervise. The remuneration of persons engaged in supervisory operations may, however, be dependent on the result of the entire eQ Group.
- As a rule, the Group does not undertake to pay any absolute remuneration. This is only possible, if eQ Plc's Board makes a decision about it for especially substantial reasons, and even in this case the absolute remuneration may only apply to the first year of employment.



eQ's remuneration systems can be divided into:

- long-term incentive schemes, and
- the annual performance bonus system.

#### *Long-term incentive scheme*

The aim of the long-term incentive scheme is to commit key personnel of the Group to eQ Group and its objectives. The long-term incentive scheme primarily consists of eQ's option scheme. Options are issued to those who can influence the development of the entire eQ Group through their performance. eQ's Board of Directors decides on the issue of options.

In addition, eQ Group can introduce other long-term incentive schemes based on the consideration of the Board of Directors. Such incentive schemes shall basically be tied to the company's share price development, either directly or indirectly.

#### *Annual bonus system*

All employees of eQ Group are basically covered by the annual bonus system. It is common that annual bonuses are mostly paid to experts, however. The amount of the annual bonus is determined based on the achievement of personal goals and the result of the own business unit and eQ Group. The share of eQ Group's result is the higher, the more the person concerned is able to influence the result of eQ Group.

eQ's Board of Directors determines annually in advance on what basis annual bonuses will be paid and what their size is. In addition, the Board decides on the distribution of the annual bonuses after the incentive period has ended taking into consideration, e.g. the above presented central principles of remuneration.

#### **Remuneration and other financial benefits of the CEO**

The Board of Directors appoints the CEO and decides on the CEO's salary, benefits and other terms related to the CEO's employment relationship. The terms of the CEO's employment relationship have been specified in writing in the CEO's contract of employment approved by the Board. Both parties may give notice on this contract with a period of notice of two (2) months. When notice is given by the company for whatever reason or if the contract is terminated through mutual agreement by the company and the CEO, the CEO is entitled to a severance pay corresponding to his or her overall remuneration for six (6) months preceding the termination of the contract, which is paid on the day when the contract is terminated.

The remuneration of the CEO consists of a fixed monthly salary in cash (monthly salary and fringe benefits), performance bonus as short-term incentive and an option scheme. The Board of Directors decides on the CEO's remuneration. The retirement age and pension of the CEO are determined in accordance with the Finnish Employees Pensions Act. The CEO does not have a supplementary pension scheme.

In 2014, the CEO was paid an overall remuneration of EUR 233 727 (2013: 240 074), the share of variable remuneration being EUR 22 178 (2013: 50 000).

As part of the long-term incentive scheme, Janne Larma, CEO, has been granted 450 000 option rights (90 000 2010A options, 90 000 2010B options, 90 000 2010C options, 90 000 2010D options and 90 000 2010E options). Of these options, altogether 270 000 had been exercised by the end of 2014.

#### **Remuneration and other financial benefits of the other executives**

The Board of Directors decides on the remuneration system of the Management Team based on the CEO's proposal. The remuneration system consists of a fixed salary in cash (monthly salary and fringe benefits), performance bonus as short-term incentive and a long-term incentive scheme.



Management Team members do not receive remuneration when acting as Board members in the subsidiaries of eQ Plc. The retirement age and pension of the Management Team are determined in accordance with the Finnish Employees Pensions Act. The Management Team members do not have a supplementary pension scheme.

In 2014, the other Management Team members than the CEO were paid an overall remuneration of EUR 546 932 (2013: 546 693), the share of the variable remuneration being EUR 25 373 (2013: 44 209).

Mikko Koskimies, member of the Management Team, has been granted 200 000 option rights as part of the long-term incentive scheme (50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options) and Staffan Jáfs, member of the Management Team, 250 000 options (50 000 2010A options, 50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options).

## **Description of the main features of the internal control and risk management systems 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 supervises that the financial reporting process produces high-quality financial information.

The Group's subsidiaries report their results monthly to the parent company. The financial administration of the Group takes care of the bookkeeping of the subsidiaries for the most part. At Group level, this makes 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.

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



## **Insider administration**

eQ Plc complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd on 1 July 2013.

The company maintains an insider register on statutory insiders and company-specific insiders. The statutory insider register, which is public, includes the members of the company's Board of Directors, the CEO, the Management Team, and the auditor with main responsibility. In addition, the personnel of financial administration, the risk management, compliance and IT functions, the secretary of the CEO, and the persons responsible for the business operations are regarded as company-specific insiders. The insider register is maintained by the Euroclear Finland Ltd.

Those who are regarded as eQ Plc's insiders or those whose interests they protect (persons under guardianship) or corporations they control are not be permitted to trade in eQ Plc's shares on a short-term basis. Investments are regarded as short-term investments when the period between the purchase and transfer or the transfer and purchase of the security is less than one (1) month.

Company insiders may not trade in securities issued by the company for 14 days prior to the publication of the company's interim report and financial statements release. It is recommended that insiders schedule their trading, as far as possible, to periods during which the market has as complete information as possible on issues influencing the value of the share.

The restriction on trading is applied to the company's permanent insiders, those under their guardianship and the organisations they control, as referred to in chapter 2, section 4 of the Securities Markets Act (746/2012). The restriction on trading does not apply to auditors, nor corporations in which insiders exercise significant influence.

It is contrary to good practice and forbidden to circumvent the trading restriction by trading in shares on one's own behalf in the name of a related party or through other intermediaries, such as organisations in which the insider exercises significant influence.

The company uses a register on project-specific insiders in issues or arrangements that deviate from the company's regular business activities due to their nature or size. The company evaluates on a case-by-case basis whether an issue or arrangement under preparation is to be deemed a project. The purpose of the project-specific register is to clarify the moment at which a person is to be regarded as an insider and to make the processing of insider information more efficient.

eQ Plc has informed its permanent insiders of the company's Guidelines for Insiders. The company has a designated person in charge of insider issues, who carries out tasks related to the management of insider issues. The company checks the information to be declared with the permanent insiders annually. In addition, the company checks at least once a year the trading of the permanent insiders based on the register information of the Euroclear Finland Ltd.

## **Audit**

The proposal for the election of an auditor prepared by the Board of Directors of the company will be 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 2014, KPMG Oy Ab, a firm of authorised public accountants, acted as auditor of eQ Plc. The auditor with main responsibility was Raija-Leena Hankonen, APA.



### **Auditors' fees**

The auditors have been paid the following amounts for the services related to the audit and for other services: fees for the audit and closely related fees in 2014 totalled EUR 146 514 (2013: 187 378). The other services in 2014 amounted to EUR 22 240 (2013: 49 099).

### **Disclosure of information**

The major issues concerning eQ Plc's administration are disclosed on the company website ([www.eQ.fi](http://www.eQ.fi)). The stock exchange releases are available on the company website immediately after their publication.