

CAPMAN PLC – CORPORATE GOVERNANCE

Updated on 12 October 2011. The Board of Directors of CapMan Plc is responsible for confirming the Group's Corporate Governance principles.

1 Applicable rules and regulations

CapMan Plc (CapMan) complies, in accordance with comply or explain principle, with the Finnish Corporate Governance Code (the Code) for listed companies issued by the Securities Market Association and entered into force on 1 October 2010. Furthermore, CapMan's corporate governance is in compliance with the laws of Finland, its articles of association and the rules and directions of NASDAQ OMX Helsinki Ltd. The company's Remuneration Statement, required by the Code's Recommendation 47, and the Corporate Governance Statement, required by the Code's Recommendation 54, are available at the company's website at www.capman.com/capman-group/governance. The Corporate Governance Statement is also published in the company's Annual Report for 2010.

The Code as a whole is publicly available on the website of the Securities Market Association at www.cgfinland.fi/index.php?lang=en.

2 Deviations from the Code

CapMan deviates from the Code's Recommendation 14, which states that the majority of board members shall be independent of the company. Currently, three of the six members of CapMan's Board of Directors (the Board) are independent of the company and three members are non-independent of the company. This deviation has been made to ensure that the company has a competent Board that fulfils the requirements of the Code's Recommendation 9, particularly with regard to knowledge of the specifics of the private equity industry and the company's market areas. This deviation is also based on the company's ownership structure.

CapMan Board deviates from the Code's Recommendations 26 and 29 concerning the independence of the members of the Audit Committee and Remuneration Committee. Due to the composition of the Board and the limited number of board members the compositions of the Audit Committee and Remuneration Committee do not meet all the independence requirements of the Code. In line with the Recommendation 25, the Board has elected those members to the Committees that have the best qualifications to perform the responsibilities of the Committees. In addition, the Board has decided in line with Recommendation 22 that due to the limited number of board members the Audit Committee consists of two members only.

CapMan deviates from Recommendation 43, which covers the participation of non-executive directors in share-related remuneration schemes. Non-executive members of the Board can participate in a share-related remuneration scheme in accordance with the decision of the General Meeting, in which case shareholders have the opportunity to evaluate whether such remuneration is in their interest.

3 Group structure and operative organisation

The CapMan Group (the Group) is comprised of CapMan Plc and its subsidiaries and associated companies. CapMan has subsidiaries in Finland, Sweden, Norway, Denmark, Guernsey, Luxembourg, and Cyprus. These subsidiaries act as fund management and/or advisory companies for Group's funds making direct investments in portfolio companies or in real estate assets. The voting power in all subsidiaries is 100%-owned by CapMan, with the exception of CapMan Public Market Manager S.A. and CapMan Mezzanine Manager V S.A., of which CapMan owns 90%. CapMan's most significant associated companies are the Maneq companies, which, depending on the company, are 30–35%-owned by CapMan. All CapMan's subsidiaries and associated companies are listed in the Notes to the Accounts in the Financial Statements section of the company's Annual Report.



The Group has two operating segments: the Management Company business and Fund Investment business. The Management Company business is subdivided into two business areas: CapMan Private Equity, which manages funds that invest in portfolio companies, and CapMan Real Estate, which manages funds that invest in real estate. Investments by CapMan funds investing in portfolio companies focus on two key investment areas in the Nordic countries and on one investment area in Russia. The investment areas are middle market buyouts (CapMan Buyout), investments in mid-sized companies operating in Russia (CapMan Russia), and significant minority shareholdings in listed small and mid-cap companies (CapMan Public Market). The investment focus of CapMan's real estate funds is on real estate properties, principally in Finland. The Group has nominated teams for each investment area. The investment teams are responsible for identifying new investment opportunities, making investment proposals, supporting the value creation of portfolio companies or real estate assets, and carrying out exit projects. CapMan has furthermore two other investment areas (CapMan Technology and CapMan Life Science), which do not make new investments but focus on developing the value of their existing portfolio companies.

The Group has three service teams: (1) Sales, Marketing, Investor Relations and Communications, (2) Finance, Back Office, Legal and IT and (3) Human Resources.

4 General Meeting of shareholders

The ultimate decision-making power lies with CapMan's General Meeting of shareholders, through which shareholders can participate in the Group's decision-making and can exercise their right to speak, ask questions, and vote. The General Meeting decides on the matters specified by legislation and laid down in CapMan's articles of association. The articles of association are available at the company's website at www.capman.com/capman-group/governance/articles-of-association.

The Annual General Meeting (AGM) is held annually, no later than by the end of June. The meeting has usually been held in late March or early April. The most important matters within the competence of the AGM include:

- decisions on the number of Board members
- the election of Board members
- decisions on the remuneration and financial benefits of the members of the Board and Board Committees
- the election of the auditor and decisions on the auditor's fee
- the adoption of the financial statements
- decisions on discharging the Board and the CEO from liability
- amendments to the articles of association
- decisions on increases in the share capital
- decisions on the distribution of the company's earnings, such as profit distribution
- decision on authorisations to be given to the Board.

4.1 Notice of the General Meeting

A General Meeting is convened by the Board of Directors of CapMan no earlier than three months and no later than three weeks prior the meeting. The notice to convene the General Meeting is published as a stock exchange release and on the company's website and shall contain at least the following information:

- the time and place of the meeting
- the proposed agenda
- the proposals for the number and appointment of Board members, the remuneration of Board members, and biographical information on the candidates



- the proposal for the appointment of the Auditor and his/her remuneration
- other proposals to the General Meeting
- matters placed on the General Meeting agenda for which no resolutions are proposed
- a description of the procedures that shareholders must comply with in order to participate in and vote at the General Meeting either in person or through proxy representative
- a description of shareholders' right to ask questions related to an item on the agenda either during the meeting or by submitting the question to the company in advance
- the 'record date' that defines the right to participate in and vote at the General Meeting
- the place where the General Meeting documents and proposed resolutions are available
- the total number of shares and voting rights by share class on the date of the notice to convene
- the address of the company website.

A notice to convene a General Meeting and the following information are published on the company's website www.capman.com/capman-group/governance/general-meetings at the latest three weeks prior to the General Meeting:

- the documents to be submitted to the General Meeting
- proposals presented for resolution by the Board of Directors or other competent body.

4.2 General Meeting materials on the company's website

CapMan has a separate section for General Meetings on its website and all documents related to General Meetings are published and updated in this section as follows:

4.2.1 The date of the General Meeting and shareholders' right to put items on the agenda

CapMan publishes the date for the following year's AGM as well as the date by which a shareholder shall notify the Board of an issue that he or she requests to be included in the agenda of the AGM, when it announces the disclosure dates for its quarterly interim reports. CapMan also specifies the mail or email address to which shareholders shall send requests. Requests are deemed to have arrived in due time if they arrive four weeks prior to the publication of the notice to convene. CapMan has usually published the following year's disclosure dates in late October or early November.

4.2.2 The notice to convene the General Meeting, documents to be submitted to the General Meeting, and proposals presented for resolution to the General Meeting

The documents will be available on the company's website at least three weeks prior to the General Meeting and will be kept there for at least three months after the General Meeting.

4.2.3 The minutes of the General Meeting, the voting results and the relevant appendices to the Minutes

The documents will be available on the company's website within two weeks after the General Meeting and will be kept there for at least three months after the General Meeting.

4.2.4 Information about previous General Meetings

The proposals for the General Meeting, the notice to convene the General Meeting, and the resolutions taken by the General Meeting will be kept on the company's website in respect of all previous General Meetings. Since 2010, the minutes of General Meetings will also be kept on the website.



4.3 Attendance of members of the Board, the CEO, and the Auditor at General Meetings

The company's CEO, the Chairman of the Board, and a sufficient number of members of the CapMan Board of Directors shall attend the General Meeting. In addition, the Auditor is always present at the General Meeting. It is the company's aim that all persons proposed for the first time as members of the Board also attend the General Meeting, unless there are well-founded reasons for their absence.

5 Board of Directors

5.1 Composition and term of office

All members of the Board are elected by the General Meeting. Members are elected for a term of office of one year, which starts at the close of the General Meeting at which they were elected and ends at the close of the AGM following their election. The Board elects a Chairman and a Vice Chairman from among its members.

According to the articles of association, the Board comprises at least three and at most nine members, who do not have deputies. There is no specific order for the appointment of directors in the articles of association. The Board's Nomination Committee's proposal for the composition of the Board is published in the notice to convene the AGM.

The AGM held on 30 March 2011 decided that the Board consists of six members. Mr. Koen Dejonckheere, Mr. Conny Karlsson, and Mr. Teuvo Salminen and Mr. Heikki Westerlund were re-elected to the Board of Directors and Ms. Nora Kerppola and Mr. Claes de Neergaard were elected to the Board as new members. Heikki Westerlund is the Chairman of the Board and Teuvo Salminen is the Vice Chairman of the Board.

Their biographical details are presented on the company's website at www.capman.com/capman-group/governance/board-of-directors.

In 2010, the Board met nine times (seven meetings for the Board elected by the 2010 Annual General Meeting and two meetings for the Board elected by the 2009 Annual General Meeting). The following table presents Board members' attendance at meetings during 2010.

Name	Position	Attendance in the Board meetings
Heikki Westerlund*	Chairman	7/7
Ari Tolppanen**	Chairman	2/2
Teuvo Salminen	Vice Chairman	9/9
Sari Baldauf	Member	9/9
Koen Dejonckheere*	Member	7/7
Tapio Hintikka	Member	8/9
Lennart Jacobsson**	Member	2/2
Conny Karlsson	Member	9/9

* Elected to the Board on 30 March 2010.
 ** Board member until 30 March 2010.

5.2 Duties and responsibilities

Under the Finnish Companies Act and CapMan's articles of association, the Board is responsible for the administration of the company and the proper organisation of its operations. The Board is also responsible for the appropriate arrangement of the control of the company's accounts and finances. The Board has confirmed a written charter for its work, which describes the main tasks and duties of the Board, working principles of the Board, meeting practices, and an annual self-evaluation of the Board's operations and working methods.



The main duties of the Board are:

- to appoint and dismiss the CEO and his/her deputy
- to supervise management
- to approve strategic goals
- to decide on the establishment of new CapMan funds and the level of CapMan's own commitments therein
- to decide on the major changes in the business portfolio
- to ensure that the company has a proper organisation
- to ensure the proper operation of the management system
- to supervise and approve annual financial statements and interim reports
- to ensure that the supervision of the accounting and financial management is properly organised
- to ensure that the business complies with relevant rules and regulations
- to approve the principles of corporate governance, internal control, risk management, and other essential policies and practices
- to decide on the CEO's remuneration and on the remuneration policy to be followed for other executives and CapMan's key employees
- to confirm the central duties and operating principles of Board committees.

The Chairman of the Board ensures and monitors that the Board fulfils the tasks appointed to it under legislation and by the company's articles of association. Additional information on the Board and its compensation can be found on the company's website www.capman.com/capman-group/governance/board-of-directors and www.capman.com/capman-group/governance/compensation.

5.3 Members of the Board and their independency

Under a decision taken by the Board, at least three members of the Board shall be independent of the company. In addition, at least two of these three members shall also be independent of the company's significant shareholders.

CapMan deviates from the Code's Recommendation 14, which states that the majority of board members shall be independent of the company. This deviation has been made to ensure that the company has a competent Board that fulfils the requirements of the Code's Recommendation 9, particularly with regard to knowledge of the specifics of the private equity industry and the company's market areas. The deviation is also based on the company's ownership structure. Although the Company deviates from the Code in this respect, final decision-making power regarding Board members remains with the General Meeting, which elects them.

The Board has in its organizing meeting on 30 March 2011 assessed the independence of its members and concluded that Nora Kerppola and Claes de Neergaard are independent of both the company and its significant shareholders. Koen Dejonckheere is independent of the company, but non-independent of its significant shareholders. Conny Karlsson and Teuvo Salminen, who act as CapMan advisors, are non-independent of the Company but independent of its significant shareholders. Heikki Westerlund, CapMan's Senior Partner and member of CapMan Buyout and CapMan Public Market investment teams, is non-independent of both the Company and its significant shareholders.

6 Board Committees

The Board has established a Remuneration, Audit and Nomination Committees. . As a general rule the committee shall have at least three members, but in accordance with Recommendation 22, the Committee may due to the limited number of board members consists of two members only The members shall be elected from among Board members for the same term as the Board. . The charters for each Committee



shall be confirmed by the Board and the minutes of the meetings shall be delivered to the Board for information.

The tasks of the committees are described in more detail below. The members of the committees are:

Audit Committee

- Teuvo Salminen (chairman)
- Conny Karlsson

Remuneration Committee

- Nora Kerppola (chairman)
- Koen Dejonckheere
- Claes de Neergaard

Nomination Committee

- Heikki Westerlund (chairman)
- Koen Dejonckheere
- Teuvo Salminen

6.1 Remuneration Committee

The task of the Remuneration Committee is to improve the efficient preparation of matters pertaining to the remuneration of the CEO and other executives of the company, appointment of the executives as well as the remuneration policy covering the company's other personnel.

The committee has no autonomous decision-making power and the Board makes decisions within its competence collectively. The Board remains responsible for the duties assigned to the committee.

The main duty of the Remuneration Committee is to assist the Board by preparing the Board decisions concerning:

- company executive remuneration principles and individual situations as required
- company's overall principles for total compensation structure.

The committee shall further contribute to securing:

- objectivity in decision-making regarding remuneration issues in the company
- the systematic alignment of remuneration principles and practice with company strategy and its long-term and short-term goals
- the transparency of the company's remuneration programs.

6.2 Nomination Committee

The task of the Nomination Committee is to improve the efficient preparation of matters pertaining to the nomination and remuneration of Board members. The main duty of the committee is to give proposals to the AGM on the composition of the Board and on the compensation for the Board members.

6.3 Audit Committee

The main duties of the Audit Committee are:

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control, internal audit, and risk management systems
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process



- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit company, particularly the provision of related services
- preparing the proposal for resolution on the election of the auditor.

7 CEO

The Board elects the company's CEO and deputy CEO. The CEO's service terms and conditions are specified in writing in the CEO's service contract, which is approved by the Board. The financial benefits included in the service contract are described in section 9 Remuneration. The CEO manages and supervises the company's business operations according to the Finnish Companies Act and in compliance with the instructions and authorisations issued by the Board. Generally, the CEO is independently responsible for the operational running of the company and for day-to-day decisions on business activities and the implementation of these decisions. The CEO also appoints the heads teams. The Board approves the recruitment of the CEO's immediate subordinates. The CEO cannot be elected as Chairman of the Board.

CapMan's CEO is Lennart Simonsen since 1 June 2010.

The biographical details of CapMan's CEO and his shareholding in CapMan and stock option rights are presented on the company's website: www.capman.com/capman-group/governance/ceo and www.capman.com/capman-group/governance/insider-issues.

8 Management Group

The main tasks of the Management Group consist of (i) coordination of team strategy, fundraising, resources as well as marketing and brand issues, (ii) implementation of decisions by the Board and the CEO/ Management Group, (iii) giving input by providing information for the decision making and participate in discussion, and (iv) spreading information within the teams as agreed in the Management Group.

The current composition of the Management Group is as follows:

Name	Responsibilities
Lennart Simonsen	CEO, Senior Partner.
Jerome Bouix	Head of Sales, Marketing, IR & Communications. Senior Partner.
Niko Haavisto	CFO. Responsible for Finance, Back Office, Legal and IT teams.
Mika Matikainen	Head of CapMan Real Estate, partner.
Kai Jordahl	Head of CapMan Buyout, Senior Partner.
Hans Christian Dall Nygård	Head of CapMan Russia, Senior Partner.
Joakim Rubin	Head of CapMan Public Market, Senior Partner.

The biographical details of Management Group members and their shareholding in CapMan and stock option rights are presented on the company's website: www.capman.com/capman-group/governance/management-group and www.capman.com/capman-group/governance/insider-issues.



9 Remuneration

9.1 Board of Directors

9.1.1 Principles of remuneration and the decision-making process

The remuneration of the members of the Board of Directors is confirmed by the AGM. According to the decision of the AGM 2011, the Chairman and Vice Chairman of the Board of Directors are paid a monthly remuneration of EUR 4,500, and members of the Board are each paid a monthly remuneration of EUR 4,000. In addition, Board committee members shall be paid a remuneration of EUR 800 per committee meeting. These remunerations are not currently payable in shares. All members of the Board shall be reimbursed for reasonable travel expenses. Board members employed by a CapMan Group company are entitled to the employee benefits provided from time to time by the company in question.

9.1.2 Remuneration and benefits related to an employment contract or service agreement with the company

The Chairman of the Board, Heikki Westerlund, is employed by a CapMan group company and works actively with CapMan's investment operations as a Senior Partner, thus making him a part-time Chairman of the Board. The salary and bonuses paid to Westerlund in 2010 are described in section 9.1.4. As a Senior Partner he is also entitled to the additional pension insurance described in section 9.2.2. Westerlund has a 6-month mutual notice period and is entitled to a severance fee corresponding to six months' salary, if his employment is terminated by the company.

Board members Conny Karlsson and Teuvo Salminen act as advisors to CapMan's investment teams and invoice their services under separate consultancy agreements.

9.1.3 Participation in share-related compensation systems

CapMan deviates from Code's Recommendation 43, which covers the participation of non-executive directors in share-related remuneration schemes. Non-executive members of the Board can participate in a share-related remuneration scheme in accordance with the decision of the General Meeting, in which case shareholders have the opportunity to evaluate whether such remuneration is in their interest. Over the past years the practice has been that non-executive Board members do not participate in share-related compensation systems. All shares and share-related rights that are granted to Board members are published on CapMan's website www.capman.com/capman-group/governance/insider-issues.

Currently, one Board member is part of a share-related compensation system, the stock option program 2008. Chairman Heikki Westerlund, who is also CapMan's Senior Partner, was granted stock options in January 2010 before he joined the Board.

9.1.4 Remuneration of the members of the Board in 2010

Name	Position	Main occupation	Board remuneration, €	Other remuneration paid to members of the Board employed by CapMan or members acting as advisors to CapMan, €
Ari Tolppanen *	Chairman	Senior Partner, CapMan	-	29,538
Heikki Westerlund **	Chairman	Senior Partner, CapMan	40,500	152,349
Teuvo Salminen	Vice Chairman	Board professional	52,500	27,939



Sari Baldauf	Member	Board professional	51,000	-
Tapio Hintikka	Member	Board professional	48,500	-
Lennart Jacobsson *	Member	Senior Partner, CapMan	-	45,985
Conny Karlsson	Member	Board professional	46,500	43,409
Koen Dejonckheere ***	Member	CEO of Gimv NV	-	-

* CapMan Board member from 1 January 2010 to 31 March 2010.

** Mr. Westerlund was elected to the Board of directors as of 1 April 2010 and he also acted as CEO until 31 May 2010. Remuneration for Mr. Westerlund as CapMan's employee from 1 June 2010 to 31 December 2010, i.e. after the termination of his CEO position, is included in the figure in the last column of this table. Remuneration for Mr. Westerlund in his position as CEO is indicated in section 9.2.5.

*** Mr. Dejonckheere has informed the company that he prefers not to accept board remuneration.

9.2 CEO and Management Group

9.2.1 Principles of remuneration and the decision-making process

The Board of Directors of CapMan confirms the overall remuneration principles and elements covering the CEO and Management Group members on an annual basis. The Board's Remuneration Committee, consisting of at least two independent Board members and no executives, prepares remuneration-related matters for the Board.

Currently, the total compensation program consists of a monthly fixed salary, additional pension insurance, performance bonuses as short-term incentives (STI), and stock options as long-term incentives (LTI). No share plans are currently in use. The CEO and other Management Group members do not receive any payment or remuneration for their work on any CapMan-related boards, committees, or other decision-making or preparatory bodies. The monthly salary of individual Management Group members (apart from the CEO) can be increased on the basis of a proposal by the CEO and subsequent approval by the Remuneration Committee/the Board.

The CEO of CapMan, Lennart Simonsen, enjoys the same benefits as other members of the Management Group as explained below and has no separate or special compensation elements. Any adjustments to the CEO's salary and other compensation can only be made with the Board's approval. The CEO has a 12-month mutual notice period. No special severance fee has been agreed upon for the potential termination of the CEO's agreement with the company.

9.2.2 Additional pension insurance

The CEO, Senior Partners appointed after 1 January 2010, and Management Group members are covered by additional payment-based pension insurance, for which the company pays an annual premium equivalent to 5% of the participant's annual salary. This premium can be increased by up to 10% of the annual salary if the Board so decides. The individual's entitlement to a premium-free policy grows gradually after 3 years and after 6 years covers 100% of the cumulative additional pension saving. The retirement age is set at 60 years of age.

9.2.3 Performance bonuses

The annual performance-based bonus program is tied to the annual individual performance evaluation process and to the Group's profit level. The actual bonus payout to each individual executive is dependent on both the annual result of the CapMan Group and how well they achieve their individual annual performance targets. On an annual basis, the Board defines in advance a minimum profit level (threshold) for any bonuses to be paid out, together with a profit level at which it is possible to pay out the maximum



bonuses provided the individual targets have been achieved in full. The maximum individual bonus potential (bonus sum at maximum Group profit level and 100% individual target achievement) is defined annually. The bonus potential of both the CEO and other Management Group members is currently set at six times their monthly salary. Individual bonus potential grows at a constant ratio to the Group profit level from the threshold profit level up to the maximum profit level.

Of the members of the Management Group, the Head of Investor Services also participates in a special success fee-type of fundraising bonus program defined by the Board. This fundraising bonus is equivalent to 0.5% of the total amount of capital raised (excl. CapMan's own investment), or as otherwise defined by a decision of the Board. The fundraising bonus is divided principally between the members of the fundraising team, and the amount of personal bonus depends, among other things, on the person's career path level. The fundraising bonus is paid out in five equal installments over a four-year period. The first installment is paid at the final closing of a fund and the subsequent installments one, two, three, and four years from the final closing.

9.2.4 Stock option program

Stock options are used to commit key individuals/executives to the company and reinforce the alignment of the interests of key individuals/executives and CapMan shareholders. CapMan currently has one stock option program in force, the stock option program 2008. The terms and conditions of the program are available at www.capman.com/capman-group/shares-and-shareholders/stock-option-programs/stock-option-terms-2008-.

In January 2010, all Management Group members were granted 2008A and B stock options. Their holdings are specified here on the company's website at www.capman.com/capman-group/governance/insider-issues.

9.2.5 Remuneration of CEO, Deputy CEO and Management Group in 2010

Name	Salary, €	Bonus linked to financial performance and achievement of personal goals, €	Other variable amount, €	In total, €	Option rights granted
CEO Heikki Westerlund (1.1.–31.5.2010)	150,184	-	-	150,184	215,000
CEO Lennart Simonsen (1.6.2010–)	200,433	-	-	200,433	200,000
Deputy CEO Jerome Bouix (1.1.–4.11.2010)	174,420	574,375	-	748,795	155,000
Management Group*	2,021,887	59,278	-	2,081,165	1,277,000

* Excluding the periods mentioned above in respect of the CEO and Deputy CEO. The figures include the aggregate remuneration paid by CapMan during the financial year 2010 to the members of the Management Group whether or not such members belong to the current composition of the Management Group.

9.3 Carried interest income and Maneq investment opportunity

The investment team responsible for the fund's investment activities receives a share of carried interest from funds established in 2004 and thereafter. In connection with the establishment of a new fund, the Board makes a decision on the division of the possible carried interest between CapMan and the investment team



responsible for the fund's investment activities. CapMan's share of carried interest received from a fund is typically 50% and the investment team's share is 50%.

It is a common practice in the private equity industry to direct carried interest income to the members of the investment teams. The aim of the carried interest split is to align the interests of the fund investors and the investment professionals and to commit the investment professionals to the company in a long term. A new fund typically starts to generate carried interest after 6 or 7 years, provided that the original investment and a preferred annual return, which is generally 7 to 8%, have been paid to investors. The investment team's share of carried interest is further divided to the team members. An individual investment professional's right to receive carried interest income requires that he or she has made an investment in the carried interest vehicle of the fund. The amount of carried interest income also depends on the fund's overall performance (i.e. on the success of the investment operations) and on the investment professional's career path level.

CapMan employees have the opportunity to invest in portfolio companies alongside the funds managed by CapMan through Maneq funds. The Board decides on the structure and size of the yearly established Maneq funds as well as the target employee groups, and thereafter the investment rights are allocated to the personnel on the basis on career path levels.

9.4 Auditor's remuneration

In accordance with the decision of the AGM held on 30 March 2010, the Auditor shall be remunerated as per the amount invoiced. In 2010 the Auditor's fees were the following:

	2010 (euro)
Auditing fees	227.623
Other services	35.350
In total	262.973

10 Risk management and internal control and audit

CapMan has a risk management program aimed at ensuring that the risks associated with the company's business and objectives are identified and evaluated, and that the company reacts appropriately to these risks. Major risks are published, provided that the information does not contain confidential business information.

The Board is ultimately responsible for the proper organisation of risk management and internal control. The Management is responsible for implementing risk management. The Group's CFO coordinates the risk management program and is responsible for drafting and updating an internal control program. The CFO reports regularly to the Board on matters concerning risk management and internal control. More information on the organisation of risk management, risk categories, and the organisation of internal control and audit is presented below.

10.1 Organisation of risk management

10.1.1 Management Group

The Management Group defines the main risks associated with business areas and other functions. The company has an action plan for the most relevant identified risks.



10.1.2 Investment Committees

CapMan has Investment Committees, one for each fund. Investment Committees make investment proposals to funds' decision making bodies and are not involved in managing the company's operational activities. Investment proposals are always made on the basis of a consensus of opinion among the members of the Investment Committee. Investment Committees comprise Senior Partners and other members nominated by the CEO. The Chairman is a person nominated by the Group's CEO.

Investment proposals by real estate funds operating in Finland are prepared by the investment team responsible for the investment, and proposals are accepted or rejected by the Board of the general partner of each fund.

The current Chairmen of Investment Committees/Boards of funds are as follows:

Fund	Chairman of the Investment Committee / Board
CapMan Equity VII	Heikki Westerlund, Senior Partner
CapMan Buyout VIII	Heikki Westerlund, Senior Partner
CapMan Buyout IX	Heikki Westerlund, Senior Partner
CapMan Mezzanine IV	Heikki Westerlund, Senior Partner
CapMan Mezzanine V	Heikki Westerlund, Senior Partner
CapMan Technology 2007	Lennart Jacobsson, Senior Partner
CapMan Life Science IV	Heikki Westerlund, Senior Partner
CapMan Russia Fund	Knut J. Borch, CapMan Advisor
CapMan Public Market	Heikki Westerlund, Senior Partner
CapMan Real Estate I	Jukka Iivari, CapMan Advisor
CapMan RE II	Niko Haavisto, CFO
CapMan Hotels RE	Niko Haavisto, CFO
CapMan PSH	Jukka Iivari, CapMan Advisor

10.1.3 Monitoring

The Monitoring team is part of the Investor Services team and is independent of investment teams and the Group's Finances and Administration. The Monitoring team is responsible for collecting and reviewing the monthly reporting of portfolio companies, monitoring and forecasting the success of the Group's funds, and preparing the models for and calculating carried interest income.

10.1.4 Valuation Committee

The Valuation Committee decides on the valuations of the funds managed by the CapMan Group. The Valuation Committee comprises the Head of each investment area, the CEO, the CFO, Head of Investor Services, and a Senior Partner appointed by the CEO. Portfolio companies are valued four times a year in conjunction with CapMan's interim financial reporting. The investment professionals responsible for portfolio companies make proposals on the valuations of investment targets and compile background material to support their proposals. The Monitoring team checks the validity of the principles applied in these proposals. The task of the Valuation Committee is to process valuations and ensure that the same valuation principles are consistently used for all portfolio companies and that the principles comply with International Private Equity and Venture Capital Valuation guidelines (IPEVG). Compliance audits

Compliance audits are conducted on a regular basis to ensure that investments made comply with the funds' Procedure Manuals. The legal team is responsible for compliance audits, and its members are independent of investment teams.



10.2 Risk categories

CapMan classifies risks into four main categories: external risks, operative risks, financial risks, and strategic risks.

10.2.1 External risks

External risks consist of prevailing or anticipated changes in the political or legal operating environment, regulations, the economy, or the competitive situation.

General market changes in share prices have an impact on the fair values of portfolio companies. Under IFRS, these valuations can be short-term in nature and do not necessarily reflect on the long-term returns of a fund. In order to even out the effects of economic cycles, it is important that investments are made on a sustainable valuation level, that fund portfolios contain companies operating in non-cyclical sectors, and that portfolio companies are constantly and actively developed.

It is typical of the private equity industry that a proportion of investments are financed with debt financing. If an investment is highly leveraged, the valuation of the fund investment can fluctuate significantly within a short period if market multiples change.

10.2.2 Operative risks

The Group's operative risks are mainly related to possible ineffectiveness or failure of processes, personnel, and systems. Operative risks include legal and regulatory risks, and risks relating to IT systems, business disruption, or failures in internal control. The Management is responsible for identifying, evaluating, controlling, and reporting operative risks. The Group's general operating principles and standards, monitoring and control programs, and agreed division of responsibilities support the Management in this area. The Management is responsible for internal control and for regularly reporting on internal control.

The Group has defined procedures, principles, and methods for, among other things, investment activities, data protection, insider issues, personal performance evaluation, signatory rights, and invoice approval. These principles and procedures are available to personnel via the Group's intranet.

Implementing the Group's strategy depends on the company's ability to recruit, develop, and retain the best professionals in private equity in all its teams. Performance appraisals are conducted twice a year, when an individual's performance is assessed against agreed targets.

10.2.3 Financial risks

Unexpected changes in the pace of investments or exits have a substantial impact on the Group's cash flow. An individual investment or exit can considerably change the cash flow situation, and the exact timing of cash flow is difficult to forecast accurately. The company's goal is for management fees to cover the Group's operating expenses. Carried interest is used to finance fund commitments that are not paid in or to increase dividend payment capacity. Cash flow calculations for different scenarios and for different time spans are updated regularly to ensure adequate liquidity. The Group also has a credit facility for short-term financing needs.

Financial risk management, liquidity risk, interest rate risk, credit risk, currency risk, and the price risk of fund investments are discussed in more detail in the following sections.

10.2.3.1 Financial risk management

The purpose of financial risk management is to ensure that the Group has adequate and effectively utilised financing in respect of the nature and scope of its business. The objective is to minimise the



impact of negative market development on the Group with consideration for cost efficiency. Financial risk management has been centralised and the Group's CFO is responsible for financial risk management and control.

The Management constantly monitors cash flow forecasts and the Group's liquidity position on behalf of all Group companies. In addition, the Group's principles for liquidity management include rolling 12-month covenant assessments. Loan covenants are related to equity ratio and the company's net debt/fund investments ratio.

The Monitoring team monitors the performance and the price risk of the investment portfolio (financial assets entered at fair value through profit and loss) independently and objectively of investment teams. The Monitoring team is responsible for reviewing the monthly reporting and forecasts for portfolio companies. Valuation proposals made by the relevant investment professionals are examined by the Monitoring team and subsequently approved by the Valuation Committee.

10.2.3.2 Liquidity risk

The Group's cash flow is a mix of predictable cash flow from management fees received and highly volatile carried interest income. The third main component in liquidity management is the timing of capital calls to funds and the proceeds received from fund investments.

Management fees received from funds are based on long-term agreements and are designed to cover the Group's operational expenses. The Management fees are relatively predictable for the coming 12 months.

The timing and receipt of carried interest generated by funds is uncertain and contribute to the volatility of the Group's result. Changes in investment and exit activity levels may have a significant impact on the Group's cash flows. A single investment or exit may change the cash flow situation completely and the exact timing of cash flow is difficult to predict.

CapMan has made commitments to the funds it manages. Most existing commitments will typically be called in to funds within the next four years.

10.2.3.3 Interest rate risk

The Group's exposure to interest rate risk arises principally from its long-term liabilities. The Group manages cash flow-related interest rate risk by using floating-interest and floating-to-fixed interest rate swaps. The objective is that at least half of the Group's interest rate risk is restored to fixed with regard to loan maturity date.

Long-term loan receivables from Maneq funds are fixed to five-year interest rate periods.

10.2.3.4 Credit risk

The Group's exposure to credit risk is limited mainly to loan receivables from Maneq funds. CapMan typically has a 30-35% stake in these companies and it finances them with senior and mezzanine loans.

The analysis of possible credit provisions and impairment of loan receivables takes into account the fact that fund solvency follows the J-curve pattern, which is common for private equity funds. The fair value of funds typically falls below acquisition cost in the early investment phase until the first exits are made. As a result, a more reliable assessment of credit risk may be performed approximately four years after the initial investment date, as repayment solvency is endangered only if the average exit multiple within the investment portfolio equals less than one. CapMan has a historical exit multiple of



approximately three. In addition the assessment of credit risk incorporates the portfolio companies' expected realisation returns, which are often greater than fair value at that time. The company believes that this credit risk is small.

10.2.3.5 Currency risk

CapMan has subsidiaries outside the Euro zone with equity exposed to movements in foreign currency exchange rates (Sweden, Denmark, Norway, and Russia).

The Group does not hedge currency, however, as the impact of exposure to currency movements on equity is relatively small.

10.2.3.6 Price risk of fund investments

The Group's investments in funds are valued using the International Private Equity and Venture Capital Valuation Guidelines. According to these guidelines, fair values are derived generally by multiplying the key performance metrics of investee companies (e.g., EBITDA) by the relevant valuation multiple (e.g., price/equity ratio) tracked for comparable publicly traded companies or transactions. Changes in valuation multiples can lead to significant changes in fair values depending on the leverage ratio of the investee company.

10.2.4 Strategic risks

One of the major risks associated with CapMan's business is the potential failure of fundraising. Successful fundraising provides a firm basis for management fees and creates opportunities for carried interest over a number of years into the future. CapMan is exposed to investors' decisions to spread their investments over different asset classes. CapMan has endeavoured to minimise this risk by spreading its operations over six investment areas in five countries. The sensitivity of CapMan's business to fluctuations in investor demand and to market volatility is reduced because typically a new fund is always in an active fundraising phase in one of CapMan's investment areas. Success in CapMan's investment teams' investment operations is a requirement for successful fundraising.

10.3 Organisation of internal control and audit

The Group's CFO is responsible for drafting and updating an internal control program and he/she reports to the Board regularly on internal control matters. The internal control program also covers monitoring the legal compliance of funds and their activities, and its purpose is to ensure that:

- authorisations concerning payments by the Group and by funds are clearly defined
- authorisations concerning investment commitments made in the Group's name are clearly defined, and that
- the Group and funds abide by the commitments applying to them.

The Head of the Legal and Compliance team is responsible for drafting and updating the fund compliance program. The aim of the program is to ensure that the activities of funds managed by the Group comply with contracts, agreements, and other commitments.

The Group does not have its own separate internal audit organisation, which is taken in account when defining the scope and content of external audit.

10.4 Internal control and risk management pertaining to financial reporting

The internal control and risk management pertaining to the financial reporting process is part of CapMan's overall internal control framework. The key roles and responsibilities for internal control have been defined in



the Internal Control Policy, which has been approved by the Board and for which the Management has an updating responsibility.

CapMan's internal control and risk management concerning financial reporting is designed to provide reasonable assurance concerning the reliability, comprehensiveness, and timeliness of the financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles, and other requirements for listed companies.

The aim of CapMan's internal control is to:

- focus on the most relevant risks from a strategic and operational effectiveness point of view
- promote ethical values and good corporate governance and risk management practices
- ensure compliance with laws, regulation, and CapMan's internal policies
- ensure the production of reliable financial reporting to support internal decision-making and service the needs of shareholders

10.4.1 Financial reporting process control at CapMan

CapMan's business model is based on having a local presence in the Nordic countries and Russia, and operating the organisation in teams across national borders. CapMan's subsidiaries in seven countries report their results on a monthly basis to the parent company. The accounting function is outsourced except for Finland and Sweden.

Financial information is assembled, captured, analysed, and distributed in accordance with existing processes and procedures. The Group has a common reporting and consolidation system that facilitates compliance with a set of common control requirements. Group Accounting maintains a common chart of accounts that is applied in all units. Subsidiaries submit their figures monthly to the Group Accounting where the figures are inserted to the Group reporting system for consolidation. The reported figures are reviewed in subsidiaries as well as in Group Accounting. Group Accounting also monitors the balance sheet and income statement items by analytically reviewing the figures. The consolidated accounts of CapMan are prepared in compliance with International Financial Reporting Standards (IFRS).

The Board is ultimately responsible for the proper organisation of internal control and risk management over financial reporting by approving the Risk Management Policy and other relevant documents.

The Management is responsible for the implementation of internal control and risk management processes and for ascertaining their operational effectiveness. The Management is also responsible for ensuring that the company's accounting practices comply with laws and regulations and that the company's financial matters are managed in a reliable and consistent manner.

The CEO leads the risk management process by defining and allocating responsibility areas. The CEO has nominated the Group's CFO as Risk Manager to be in charge of coordinating the overall risk management process. The Risk Manager reports regularly to the Board on matters concerning internal control and risk management. The Management has allocated responsibility for establishing more specific internal control policies and procedures to personnel in charge of the different teams and functions. Management and employees possess appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

10.4.2 Risk assessment and control activities

CapMan has defined financial reporting objectives in order to identify risks related to the financial reporting process. The risk assessment process is designed to identify financial reporting risks and to determine how these risks should be managed.



The control activities are linked to risk assessment and specific actions are taken to address risks and achieve financial reporting objectives. Financial reporting risks are managed through control activities performed at all levels of the organisation. These activities include guidelines and instructions, approvals, authorisations, verifications, reconciliations, analytical reviews, and segregation of duties.

During 2010, CapMan continued identification and analysis of risks related to the Group's financial reporting process initiated in 2009. Risks related to monthly closings and consolidation processes have been identified and they are systematically analysed during the financial year.

10.4.3 Information and communication pertaining to financial reporting

CapMan has defined the roles and responsibilities pertaining to financial reporting as an essential part of Group's information and communication systems.

In terms of internal control and financial reporting information, CapMan's external and internal information is obtained systematically, and the Management is provided with relevant information on the Group's activities. Timely, current, and accessible information relevant for financial reporting purposes is provided to the appropriate people, such as the Board of Directors, the Management Group, and the Monitoring team. All external communications is handled in accordance with the CapMan Group Disclosure Policy, which is available on the company's website www.capman.com/capman-group/governance/disclosure.

10.4.4 Monitoring

To ensure the effectiveness of internal control pertaining to financial reporting, monitoring activities are conducted at all levels of the organisation. Monitoring is accomplished through ongoing follow-up activities, separate evaluations, or a combination of the two. Separate internal audit assignments may be initiated by the Board or Management. The scope and frequency of separate evaluations depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported to the Management, and serious matters to the Board.

The Board regularly reviews Group-level financial reports, including comparison of actual figures with prior periods and budgets, other forecasts, and monthly cash flow estimates. Group Accounting performs monthly consistency checks of income statement and balance sheet for legal entities and business areas. The Group Accounting team also conducts management fee and cost analysis, fair value change checks, impairment and cash flow checks, as well as control of IFRS changes.

The Monitoring team is responsible for collecting and reviewing the monthly reporting of portfolio companies, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income. Compliance audits are conducted on a regular basis to ensure that funds comply with funds' Procedure Manual.

11 Insider administration

CapMan complies with the guidelines for insiders issued by NASDAQ OMX Helsinki that came into force on 19 October 2009. CapMan has supplemented the general guidelines with its own set of internal insider guidelines, which are stricter in some areas. An insider register extract is regularly distributed to public insiders for inspection. The Board appoints a person responsible for insider issues.

According to the definition of public insiders specified in the Securities Market Act, CapMan's public insiders are the members of the Board of Directors, the CEO, the Deputy CEO, the members of the Management Group, and the Auditors including the lead auditor. In addition, the company-specific insider register includes the CEO's Executive Assistant, the CFO, the Chief Accountant, the Financial Controller, the Monitoring team, the Communications team, Legal Counsels, and certain members of the Human Resources and IT teams.



The insider register for CapMan is held by the Finnish Central Securities Depository Ltd. A list of CapMan's public insiders and their holdings of shares and stock options is updated monthly on the company's website www.capman.com/capman-group/governance/insider-issues.

Employees belonging to the Group's public or company-specific insider registers are not permitted to trade the company shares or stock options without the permission of the person responsible for insider issues. Trading is completely forbidden in the fourteen-day period prior to publication of the company's financial results.

Members of the CapMan Public Market team are not permitted to trade in securities of small and mid-cap companies listed on the Nordic Exchanges. In addition, the company's insider instructions recommend that no other persons employed by the Group trade in securities of small and mid-cap companies listed on the Nordic Exchanges. According to the recommendations of the company's insider instructions CapMan Group's employees should always get a clearance from the person responsible for the insider issues for their trading with publicly listed Nordic securities.

12 Auditing

CapMan's articles of association state that the company shall have one auditor (a chartered public accountant or auditor) approved by the Finnish Central Chamber of Commerce. The Board's proposal for the Auditor and for the remuneration of the Auditor is published in the notice to convene the AGM. The Auditor is elected by the AGM for a one-year term, which terminates at the end of the AGM following the election. The company complies with the provisions of the Finnish Auditing Act in calculating the length of the Auditor's term of office. Under these provisions, the expiration of the prescribed time of the Auditor's term of office begins from the start of the financial year following the coming into force of the new Auditing Act, which is the 1 January–31 December 2008 financial year. CapMan's Auditors PricewaterhouseCoopers Oy, and Lead Auditor Mikko Nieminen, Authorised Public Accountant, are responsible for guiding and coordinating the auditing work of the entire Group.

The remuneration paid to the Auditor for 2010 is detailed in Section 9.4 .

13 Communications

CapMan's Communications team serves the company's various stakeholder groups by providing information about CapMan's strategy, operations, objectives, and business environment in a way that gives a true and fair view of CapMan as an investment target and as a partner.

Information regarding CapMan's compliance with the Code, CapMan Group's Corporate Governance Statement 2010, CapMan Group's Remuneration Statement, the Company's Disclosure Policy, releases, Annual Reports, the investor calendar, and share-related information, as well as other information required by the Finnish Corporate Governance Code, are presented on the company's website (www.capman.com).

