

# Corporate Governance Statement

## 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. This Corporate Governance Statement (Statement) has been prepared in compliance with the Finnish Corporate Governance Code Recommendation 54. The Code as a whole is publicly available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

The Statement is reviewed by CapMan's Board of Directors (the Board) and it is issued separate from the Report of the Board of Directors. CapMan's auditor PricewaterhouseCoopers Oy has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process contained in the Statement is consistent with the Financial Statements.

For further information regarding CapMan's corporate governance, please visit the company's website at [www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance).

## 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. Three of the six members of CapMan's Board elected by the annual general meeting 2010 are independent of the company and three members are not 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 linked to the company's ownership structure.

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.

The Board has decided to deviate from Recommendation 24 and not to establish an audit committee because the extent of the company's business does not require a separate committee of this type and the Board considers itself to be able to handle such duties alongside its other responsibilities.

## Board of Directors

### 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.

In accordance with the charter, 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

Since the Board has not established an audit committee, the Board carries out the following duties of the audit committee in addition to its above mentioned main duties:

- 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 described in section 6 herein
- 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

The Board may appoint one or several Board members to assist the company's management in carrying out various tasks relating to the matters listed above. As this is purely an assisting role, the liability of the person(s) concerned as (a) member(s) of the Board remains unchanged.

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/ir/corporate-governance](http://www.capman.com/ir/corporate-governance).

## Members of the Board in 2010

By decision of 2010 AGM, the members of the Board are Heikki Westerlund (Chairman), Teuvo Salminen (Vice Chairman), Sari Baldauf, Koen Dejonckheere, Tapio Hintikka and Conny Karlsson.

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There is no specific order for the appointment of directors in the articles of association.

Ari Tolppanen and Lennart Jacobsson were members of the Board until the annual general meeting 2010.

Further information on the Board members is presented in the table on the following page.

### Independency of the Board members

Based on the Board's annual evaluation on 30 March 2010 Ms Sari Baldauf, Mr Koen Dejonckheere, and Mr Tapio Hintikka were independent of the company and its significant shareholders. Mr Conny Karlsson and Mr Teuvo Salminen, who act as advisors to CapMan's investment teams, were dependent of the company. Mr Heikki Westerlund, CapMan's Senior Partner and member of CapMan Buyout and CapMan Public Market investment teams, was dependent of both the company and its significant shareholders. Subsequent to the performance of the independence evaluation, Mr. Dejonckheere has become dependent of a significant shareholder.

### Work of the Board in 2010

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 table on the following page presents Board members' attendance at the meetings in 2010.

## Board Committees

### Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee. The Remuneration and Nomination Committee performs the duties of both remuneration committee and nomination committee. The committee shall have at least three members and they shall be elected from among Board members for the same term as the Board. The majority of the committee members shall be independent of the company. 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.

In 2010 the members of the Remuneration and Nomination Committee were Ms Sari Baldauf, Mr Tapio Hintikka and Mr Heikki Westerlund. Mr Hintikka acted as the chairman.

In 2010 the Remuneration and Nomination Committee met four times. The table on the following page presents the committee members' attendance at the meetings in 2010.

### Tasks of the Remuneration and Nomination Committee

Although the Board has currently one committee for remuneration and nomination matters, the Board has adopted separate charters for the work of the Remuneration Committee and the Nomination Committee.

The task of the Remuneration Committee is to improve the efficient preparation of matters pertaining to the appointment and remuneration of the CEO and other executives of the company, 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.

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.

### Chief Executive Officer (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 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 of teams. The Board approves the recruitment of the CEO's immediate subordinates. The CEO cannot be elected as Chairman of the Board.

In 2010 CapMan's CEO was Heikki Westerlund until 31 May 2010 and Lennart Simonsen since 1 June 2010. The company's Deputy CEO was Jerome Bouix until 4 November 2010 whereafter the company has not appointed Deputy CEO. Further information on the CEO is presented in the table on the following page.

## Board of Directors in 2010

Name	Personal information	Attendance at the Board meetings in 2010	Attendance at the committee meetings in 2010
Heikki Westerlund	Chairman of the Board since 30 March 2010. Member of the Board since 2010. Born 1966, M.Sc. (Econ.) Main occupation: Senior Partner at CapMan Non-independent Board member Member of the Remuneration and Nomination Committee.	7/7	4/4
Tuuvo Salminen	Vice Chairman of the Board since 31 March 2005. Member of the Board since 2001. Born 1954, M. Sc. (Econ.), Authorised Public Accountant Main occupation: Board professional Independent of the significant shareholders.	9/9	Not member.
Sari Baldauf	Member of the Board since 2007. Born 1955, M. Sc. (Business Administration), D. Sc. (Tech.) h.c. (Helsinki University of Technology), Doctor h.c. (Econ. And Bus. Admin.) (Turku School of Economics and Business Administration) Main occupation: Board professional Independent of the company and significant shareholders. Member of the Remuneration and Nomination Committee.	9/9	4/4
Koen Dejonckheere	Member of the Board since 2010. Born 1969, MBA, M.Sc. (Eng.) Main occupation: CEO at Gimv NV Independent of the company.	7/7	Not member.
Tapio Hintikka	Member of the Board since 2004. Born 1942, M.Sc. (Eng.) Main occupation: Board professional Independent of the company and significant shareholders. Member of the Remuneration and Nomination Committee.	8/9	4/4
Conny Karlsson	Member of the Board since 2008. Born 1955, MBA Main occupation: Board professional Independent of significant shareholders.	9/9	Not member.

### The following persons were members of the Board until the end of the annual general meeting 2010:

Name	Personal information	Attendance at the Board meetings in 2010
Ari Tolppanen	Chairman of the Board since 31 March 2005 until 30 March 2010. Member of the Board since 1993. Born 1953, M. Sc. (Eng.) Main occupation: Senior Partner at CapMan Non-independent Board member.	2/2
Lennart Jacobsson	Member of the Board since 2002. Born 1955, BBA Main occupation: Senior Partner at CapMan Non-independent Board member.	2/2

## CEOs in 2010

Name	Personal information
Lennart Simonsen	CEO of CapMan since 1 June 2010, Senior Partner Born 1960, LL.M., M. Sc. (Law)
Heikki Westerlund	CEO of CapMan until 31 May 2010, Senior Partner Born 1966, M.Sc. (Econ.)

Further information on Board of Directors, CEO and Deputy CEO is in the Annual Report 2010 and on the company's website at [www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance).

### Internal Control and Risk Management Pertaining to the 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

### 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 person-

nel 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.

### 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.

### Information and Communication Pertaining to the 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/ir/corporate-governance/disclosure-policy](http://www.capman.com/ir/corporate-governance/disclosure-policy).

### 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.