

# CapMan Plc – Corporate Governance Statement 2014

## 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. The deviations from the Code are explained below in section 2. 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 (the “Statement”) has been prepared in compliance with the Code’s Recommendation 54 (Corporate Governance Statement). 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 the Audit Committee of CapMan’s Board of Directors (the “Board”) and it is issued separate from the report by the Board. 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/capman-group/governance](http://www.capman.com/capman-group/governance).

## DEVIATIONS FROM THE CODE

The Board of Directors has decided, in accordance with the Code’s Recommendation 22, that due to the overall small size of the Board, the Audit Committee comprises only two members.

In accordance with the decision of the Board of Directors, also the Nomination Committee comprised only two members until 19 March 2014 due to the overall small size of the Board. In addition, CapMan deviated until 19 March 2014 from the Code’s Recommendation 29 which corresponds to the independence of the

majority of the Nomination Committee members due to Ari Tolppanen’s, the other member of the then two-member Nomination Committee, being non-independent of the company. However, the Board considered the Nomination Committee membership of Mr Tolppanen to be justified due to his significant ownership of the company’s stock and, in addition, the Nomination Committee’s preparation process for the election of members of the Board of Directors included consultation with the largest shareholders. The three-member composition of the Nomination Committee elected by the Board in its organizing meeting held on 19 March 2014 meets the Code’s Recommendations 22 (Appointment of members to the committees) and 29 (Members of the nomination committee).

## BOARD OF DIRECTORS

### COMPOSITION

All members of the Board are elected by the general meeting. There is no specific order for the appointment of Board members in the articles of association. According to the articles of association, the Board comprises at least three and at most nine members, who do not have deputies. 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.

The AGM held on 19 March 2014 elected five members to the Board. Mr Koen Dejonckheere, Mr Claes de Neergaard, Mr Karri Kaitue, Ms Nora Kerppola and Mr Ari Tolppanen were re-elected to the Board. The Board elected from among its members Karri Kaitue as the Chairman of the Board and Nora Kerppola as the Vice Chairman of the Board.

Their biographical details are presented in the table on page 19. >

### INDEPENDENCE OF THE BOARD MEMBERS

The Board has in its organizing meeting on 19 March 2014 assessed its members' independence of the company and of its significant shareholders. Koen Dejonckheere, Karri Kaitue, Nora Kerppola and Claes de Neergaard were independent of both the company and its significant shareholders. Ari Tolppanen, CapMan's Senior Partner and member of CapMan Buyout investment team, was non-independent of both the company and its significant shareholders.

### 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, working principles and meeting practices of the Board, 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 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.

### WORK OF THE BOARD IN 2014

In 2014, the Board met ten times (nine meetings for the Board elected by the 2014 AGM and one meeting for the Board elected by the 2013 AGM). The table on page 19 presents Board members' attendance at the meetings in 2014.

### BOARD COMMITTEES

The committees are generally established and the committee members elected in the Board's organizing meeting to be held after the AGM from among its members for the same term as the Board. As a general rule, the committee shall have at least three members but, in accordance with Recommendation 22 (Appointment of members to the committees), the committee may, due to the limited number of board members, consist of two members only. 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 committees do not have autonomous decision-making power but the Board makes the decisions within its competence collectively.

In its organizing meeting held on 19 March 2014, CapMan's Board established Audit, Nomination and Remuneration Committees.

#### **AUDIT COMMITTEE**

The Audit Committee has been established to improve the efficient preparation of matters pertaining to financial reporting and supervision.

#### **The duties of the Audit Committee include:**

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control 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.

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The Board has in its organizing meeting on 19 March 2014 elected Nora Kerppola (Chairman) and Karri Kaitue as members of the Audit Committee. In 2014, the Audit Committee met four times in this composition. Prior to AGM 2014, the members of the Audit Committee were Karri Kaitue (Chairman) and Nora Kerppola in which composition the Committee met once in 2014. The table on page 19 presents the Committee members' attendance at the meetings.

#### **NOMINATION COMMITTEE**

The Nomination Committee has been established 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 remuneration of the Board members.

The Board has in its organizing meeting on 19 March 2014 elected Karri Kaitue (Chairman), Koen Dejonckheere and Ari Tolppanen as members of the Nomination Committee. In 2014, the Nomination Committee met three times in this composition. Prior to AGM 2014, the members of the Nomination Committee were Koen Dejonckheere (Chairman) and Ari Tolppanen in which composition the Committee met once in 2014. The table on page 19 presents the Committee members' attendance at the meetings.

#### **REMUNERATION COMMITTEE**

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

#### **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 Board has in its organizing meeting on 19 March 2014 elected Karri Kaitue (Chairman), Koen Dejonckheere and Claes de Neergaard as members of the Remuneration Committee in which composition the Committee met once in 2014. Prior to AGM 2014, the members of the Remuneration Committee were Nora Kerppola (Chairman), Koen Dejonckheere and Claes de Neergaard in which composition the Committee met once in 2014. The table on page 19 presents the Committee members' attendance at the meetings.

#### **CHIEF EXECUTIVE OFFICER (CEO)**

The Board elects the company's 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. The CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. Generally, the CEO is independently responsible for the operational activities of the company and for day-to-day decisions on business activities and the implementation of these decisions. The CEO appoints the heads of business areas. The Board approves the recruitment of the CEO's immediate subordinates. The CEO cannot be elected as Chairman of the Board.

In 2014, CapMan's CEO was Senior Partner Heikki Westerlund (born 1966, M.Sc. (Econ.)).

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## BOARD OF DIRECTORS IN 2014

Name	Personal information	Attendance at the Board meetings	Attendance at the Committee meetings
<b>Karri Kaitue</b>	Chairman of the Board since 7 August 2013. Vice Chairman of the Board during 20 March - 7 August 2013. Member of the Board since 2012. Born 1964, LL. Lic. Main occupation: Board professional. Chairman of the Nomination Committee and Remuneration Committee, member of the Audit Committee. Independent of the company and significant shareholders	10/10	Nomination Committee: 3/3  Remuneration Committee: 1/1  Audit Committee: 5/5
<b>Nora Kerppola</b>	Vice Chairman of the Board since 7 August 2013. Member of the Board since 2011. Born 1964, MBA. Main occupation: CEO of Nordic Investment Group Oy. Chairman of the Audit Committee, Chairman of the Remuneration Committee until 19 March 2014. Independent of the company and significant shareholders.	9/10	Audit Committee: 5/5  Remuneration Committee: 1/1
<b>Koen Dejonckheere</b>	Member of the Board since 2010. Born 1969, MBA, M.Sc. (Eng.). Main occupation: CEO of Gimv NV. Member of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	7/10	Nomination Committee: 3/4  Remuneration Committee: 2/2
<b>Claes de Neergaard</b>	Member of the Board since 2011. Born 1949, M.Sc. (Econ.). Main occupation: Board professional. Member of the Remuneration Committee. Independent of the company and significant shareholders	10/10	Remuneration Committee: 2/2
<b>Ari Tolppanen</b>	Member of the Board since 2013. Born 1953, M.Sc. (Eng.). Main occupation: Senior Partner at CapMan. Member of the Nomination Committee. Non-independent Board member.	9/10	Nomination Committee: 4/4

## 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 and risk management have been defined in the group's internal guidelines which are approved and updated by the management of the company.

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

### GENERAL DESCRIPTION OF THE FINANCIAL REPORTING PROCESS

CapMan's business model is based on having a local presence in Finland, Sweden and Russia, and operating the organisation 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. The 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. The 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) as adopted by the EU.

### FINANCIAL REPORTING PROCESS CONTROL

The Board has the overall responsibility for the proper arrangement of internal control and risk management over financial reporting. The Board has appointed the Audit Committee to undertake the more specific tasks in relation to financial reporting process control such as monitoring the financial statements reporting process, the supervision of the financial reporting process and monitoring the efficiency of the company's internal control. The Audit Committee also reviews regularly the main features of the internal control and risk management systems pertaining to the financial reporting process.

The management of the group 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 Audit Committee 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 different functions. Management and accounting department 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. >

In the annual strategy process, the identified risks are reviewed, the risk management control activities are audited and effects of potential new identified risks on the strategy are evaluated.

#### **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 functions, such as the Board, the management group and the monitoring team. All external communications is handled in accordance with the group disclosure policy, which is available on the company's website <http://www.capman.com/capman-group/governance/disclosure>.

#### **MONITORING**

To ensure the effectiveness of internal control pertaining to financial reporting, monitoring activities are conducted at all levels of the organisation. Monitoring is performed 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 Audit Committee and the Board.

The group accounting performs monthly consistency checks of income statement and balance sheet for subsidiaries and business areas. The group accounting team also conducts management fee and cost analysis, quarterly fair value change checks, impairment and cash flow checks as well as control of IFRS changes. The Audit Committee and the Board regularly review group-level financial reports, including comparison of actual figures with prior periods and budgets, other forecasts, monthly cash flow estimates and covenant levels. In addition, the Audit Committee monitors in more detail, among others, the reporting process (including the management's discretionary evaluations), risk management, internal control and audit.

The monitoring team is responsible for collecting the monthly reporting of the funds' portfolio companies, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income.