



# Corporate Governance Statement 2017

## 1 Applicable rules and regulations

CapMan Plc (“CapMan”) complies, in accordance with comply or explain principle, with the Finnish Corporate Governance Code 2015 (the “Code”) for listed companies issued by the Securities Market Association and entered into force on 1 January 2016. Furthermore, CapMan’s corporate governance is in compliance with the laws of Finland, its articles of association and the rules and directions of Nasdaq Helsinki Ltd. This Corporate Governance Statement (the “Statement”) has been prepared in compliance with the Code’s Corporate Governance reporting guidelines. The Code 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 <http://www.capman.com/investors/corporate-governance/capman-plc-governance/>.

## 2 Board of Directors

### 2.1 Composition and diversity of the Board of Directors

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 Board’s Nomination Committee makes the proposals on the Board composition and remuneration to the Annual General Meeting. The Nomination Committee’s proposals are typically published in the notice to convene the AGM.

The AGM held on 15 March 2017 elected five members to the Board. Mr Karri Kaitue, Ms Nora Kerppola and Mr Ari Tolppanen were re-elected to the Board. Mr. Andreas Tallberg and Ms. Mammu Kaario were elected to the Board of Directors as new members. The Board elected from among its members Andreas Tallberg as the Chairman of the Board and Karri Kaitue as the Vice Chairman of the Board.

The company values that its Board Members’ have diverse backgrounds taking into account the competences that are relevant for CapMan’s business, such as know-how of the financial sector. The aim is that the Board consists of representatives of both genders and different age groups, that the Board members’ have versatile educational and professional backgrounds and that the Board of Directors as a whole has sufficient experience on international operating environment. Based on the Boards evaluation its composition is aligned with the objectives set for the diversity of the Board composition.

The biographical details of the directors are presented in the table on page 22.

### 2.2 Independence of the Board members

The Board has in its organizing meeting on 15 March 2017 assessed its members’ independence of the company and of its significant shareholders. Andreas Tallberg, Karri Kaitue, Nora Kerppola and Mammu Kaario were independent of both the company and its significant shareholders. Ari Tolppanen was non-independent of both the company and its significant shareholders.

Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies are presented in the table on page 22.

### 2.3 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
- 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 fund investments to other than CapMan funds and direct investments exceeding EUR 5 million
- 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 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

## Board of Directors in 2017

Name	Personal information	Shares and share-based rights as of 31 Dec 2017	Attendance at the Board meetings	Attendance at the Committee meetings
<b>Andreas Tallberg*</b>	Chairman of the Board since 15 March 2017. Member of the Board since 2017 Born 1963, M.Sc. (Econ.). Main occupation: CEO of Oy G.W. Sohlberg Ab Chairman of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	804,530	10/10	Remuneration Committee: 4/4
<b>Mammu Kaario*</b>	Member of the Board since 2017 Born 1963, LL.M., MBA Main occupation: Board professional Member of the Audit Committee. Independent of the company and significant shareholders.	38,071	10/10	Audit Committee: 4/4
<b>Karri Kaitue</b>	Chairman of the Board during 7 August 2013 - 15 March 2017. Vice Chairman of the Board during 20 March - 7 August 2013 and since 15 March 2017 Member of the Board since 2012. Born 1964, LL. Lic. Main occupation: Board professional. Member of the Nomination Committee, Remuneration Committee, and Audit Committee. Independent of the company and significant shareholders.	9,224	13/14	Audit Committee: 4/5 Nomination Committee: 2/2 Remuneration Committee: 4/5
<b>Nora Kerppola</b>	Vice Chairman of the Board during 7 August 2013 - 15 March 2017. Member of the Board since 2011. Born 1964, MBA. Main occupation: CEO of Nordic Investment Group Oy. Chairman of the Audit Committee. Independent of the company and significant shareholders.	18,071	14/14	Audit Committee: 5/5
<b>Claes de Neergaard**</b>	Member of the Board during 2011 - 2017. Born 1949, M.Sc. (Econ.). Main occupation: Board professional. Member of the Audit Committee and the Remuneration Committee. Independent of the company and significant shareholders.	0	4/4	Audit Committee: 1/1 Remuneration Committee: 1/1
<b>Ari Tolppanen</b>	Member of the Board since 2013. Born 1953, M.Sc. (Tech.). Main occupation: Board professional. Member of the Nomination Committee and Remuneration Committee. Non-independent Board member.	7,032,865	14/14	Nomination Committee: 2/2 Remuneration Committee: 4/4
<b>Dirk Beusaert**</b>	Member of the Board during 2016 - 2017. Born 1964, Master of Laws (LL.M.) and Master's degree in Tax Law and Accounting. Main occupation: Private equity consultant. Member of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	0	4/4	Nomination Committee: 2/2 Remuneration Committee: 1/1

\*) Was elected as a new member at the AGM held on 15 March 2017    \*\*) A member of the Board of Directors until the AGM held on 15 March 2017

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.

### 2.4 Work of the Board in 2017

In 2017, the Board of Directors met fourteen times. The Board had ten meetings for the Board elected by the 2017 AGM and four meetings for the Board elected by the 2016 AGM. The table on page 22 presents Board members' attendance at the meetings in 2017.

## 3 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. 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 15 March 2017, CapMan's Board of Directors established Audit, Nomination and Remuneration Committees.

### 3.1 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.

The Board has in its organizing meeting on 15 March 2017 re-elected Nora Kerppola (Chairman) and Karri Kaitue as members of the Audit Committee. Mammu Kaario was elected to the Audit Committee as a new member. In 2017, the Committee met four times in this new composition and once in the composition elected by the Board of Directors in 2016. The table on page 22 presents the Committee members' attendance at the meetings.

### 3.2 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 15 March 2017 re-elected Karri Kaitue and Ari Tolppanen as members of the Nomination Committee. Andreas Tallberg (Chairman) was elected to the Nomination Committee as a new member. In 2017, the Committee did not meet in this new composition but met two times in the composition elected by the Board of Directors in 2016. The table on page 22 presents the Committee members' attendance at the meetings.

### 3.3 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:

- CEO remuneration
- company executive remuneration principles and individual situations as required

- company's overall principles for total compensation structure. The Committee shall further contribute to:
- securing the objectivity and transparency of the 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 appointment of the executives of the company.

The Board has in its organizing meeting on 15 March 2017 re-elected Karri Kaitue as a member of the Remuneration Committee. Andreas Tallberg (Chairman) and Ari Tolppanen were elected to the Remuneration Committee as new members. In 2017, the Committee met four times in this new composition and once in the composition elected by the Board of Directors in 2016. The table on page 22 presents the Committee members' attendance at the meetings.

## 4 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 2017, CapMan's CEO was Heikki Westerlund (born 1966, M.Sc. (Econ.)) until 3 May 2017. Joakim Frimodig (born 1978, BA (Oxon)) was CapMan's interim CEO from 4 May 2017 to 31 August 2017 and CEO since 1 September 2017. Westerlund's and Frimodig's shares and share-based rights and those of the corporations over which they exercise control are presented in the table on page 24.

## Management Group in 2017

Name	Responsibilities	Personal information	Shares and share-based rights on 31 Dec 2017
<b>Joakim Frimodig</b>	CEO (since 4 May 2017) Director, Strategic Growth Initiatives (until 4 May 2017)	Born: 1978 Education: BA (Oxon)	Shares: 301,249 2013B-options: 41,451 2013C-options: 120,000 2016A-options: 100,000
<b>Niko Haavisto</b>	CFO	Born: 1972 Education: M. Sc. (Business)	Shares: 63,437 2013B-options: 182,191 2013C-options: 200,000 2016A-options: 100,000
<b>Pia Käll</b> (since 5 June 2017)	Head of CapMan Buyout	Born: 1980 Education: M.Sc. (Tech.)	0
<b>Mika Matikainen</b>	Head of CapMan Real Estate	Born: 1975 Education: M. Sc. (Econ), M.Soc. Sc	Shares: 45,000
<b>Juha Mikkola</b> (since 2 February 2017)	Head of CapMan Growth Equity	Born: 1961 Education: M.Sc. (Econ.)	Shares: 3,930 2016A-options: 100,000
<b>Mari Simula</b> (since 5 December 2017)	Head of Fund Investor Relations	Born: 1982 Education: M.Sc. (Tech.)	2013A-options: 100,000 2013B-options: 100,000 2013C-options: 100,000 2016A-options: 12,500
<b>Heikki Westerlund</b> (until 3 May 2017)	CEO	Born: 1966 Education: M.Sc. (Econ.)	Shares: 2,372,156 2013A-options: 400,000 2013B-options: 400,000 2013C-options: 400,000
<b>Jerome Bouix</b> (until 5 December 2017)	Head of Scala Fund Advisory	Born: 1971 Education: M.Sc. (Econ.)	Shares: 84,495 2013B-options: 200,000 2013C-options: 200,000 2016A-options: 100,000
<b>Hans Christian Dall Nygård</b> (until 5 June 2017)	Head of CapMan Russia	Born: 1968 Education: M. Sc. (Econ), MBA, CEFA	0
<b>Markus Sjöholm</b> (until 5 June 2017)	Head of CapMan Buyout	Born: 1971 Education: M. Sc. (Econ), LL.M.	Shares: 74,807

## 5 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 composition of the Management Group, responsibilities and the shares and share-based rights of the members of the Management Group and of the corporations over which he/she exercises control are presented in the table on the left.

## 6 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

### 6.1 General description of the financial reporting process

CapMan's business model is based on having a local presence in Finland, Sweden, Denmark and Russia, and operating the organisation across national borders. CapMan's subsidiaries in six countries report their results on a monthly basis to the parent company. The bookkeeping function is mainly outsourced.

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 reporting and consolidation system was renewed in 2017 which decreased the manual work leading to quicker and more efficient reporting process. In line with the new process the monthly accounting entries of the most significant subsidiaries are transferred to the Group's reporting system on an entry-by-entry level. The other subsidiaries submit their figures either monthly or quarterly to the group accounting to be 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.

### 6.2 Financial reporting process control and risk management

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 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.

### 6.3 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.

### 6.4 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 are handled in accordance with the group disclosure policy, which is available on the company's website <http://www.capman.com/investors/corporate-governance/disclosure/>.

### 6.5 The organisation of internal controls and 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,

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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 the quarterly valuation process of the funds, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income.

CapMan's subsidiary CapMan Real Estate Ltd obtained in March 2017 a license to act as alternative investment fund manager from Finnish Financial Supervisory Authority. CapMan has arranged a separate risk management function within this company as required by regulations.

The compliance function oversees that the operations of CapMan group comply with regulation and that the group companies will adopt the relevant new regulations promptly.

## 7 Other information

### 7.1 Insider administration

CapMan complies with the insider rules of the Market Abuse Regulation (596/2014) that came into force on 3 July 2016 and the guidelines for insiders issued by Nasdaq Helsinki. CapMan has supplemented the general insider guidelines with its own set of internal insider guidelines, which are partly stricter than the general rules. The Group's Compliance Officer is responsible for insider management.

CapMan maintains project-specific insider lists for the projects which may have a significant effect on the prices of the financial instruments issued by CapMan. These project-specific insider lists will be drafted and maintained in accordance with the Market Abuse Regulation and the internal policies and are established following a decision to delay disclosure of inside information.

CapMan has defined the Board and Management Group members (including the CEO) as 'persons discharging managerial responsibilities' pursuant to the Market Abuse Regulation and publishes the transactions by managers and their closely associated persons with the financial

instruments issued by CapMan in case the total value of all transactions exceeds EUR 5000 within a calendar year. The total owning of CapMan's shares and share-based rights of each manager will be published as a part of the Annual Report as required in the the Code. CapMan maintains a non-public listing of the managers and their closely associated persons. CapMan's managers have been requested to inform their closely associated persons on the duty to disclose transactions.

CapMan's managers and the employees of CapMan Group are not permitted to trade CapMan's shares, option rights or other financial instruments issued by CapMan without a pre-approval of the person responsible for insider management (compliance officer). Also other persons in possession of inside information on CapMan are not permitted to trade in CapMan's financial instruments.

Trading by the aforementioned managers and personnel is completely forbidden in the 30-day period prior to publication of the company's financial results (closed period). These publication dates are disclosed annually in advance by a stock exchange release. CapMan's managers and personnel have been requested to inform their closely associated persons on the closed periods and refrain from trading in CapMan's financial instruments.

The Group's compliance officer monitors adherence to insider guidelines in line with Guidelines for Insiders by Nasdaq Helsinki and reminds employees of trading restrictions, maintains insider lists and arranges internal training for employees regarding insider issues and disclosure responsibilities of listed companies.

### 7.2 Principles regarding Related Party Transactions

The company does not customarily enter into transactions with its related parties which would be significant for the company and deviating from the ordinary course of business or would be conducted in deviation from customary market terms. No such transaction were made in 2017. Possible significant and out of ordinary transaction deviating from market terms would be discussed in the Board meeting. The company maintains a list of its related parties.

### 7.3 Audit fees

In 2017, the audit fees paid to the auditor amounted to 257 000 euros (261 000 euros in 2016) and the fees related to other non-audit related services amounted to 165 000 euros (299 000 euros in 2016).

### 7.4 Internal audit

Taking into account the nature and extent of the company's business CapMan has not considered it necessary to organise internal audit as a separate function. The internal audit of the licensed operation has been outsourced to an external service provider. CapMan has in recent years increased the number of personnel in compliance and risk management functions in order to ensure that the operations comply with laws and regulations and that the risks are identified, monitored and managed appropriately.