

# Corporate Governance Statement 2011

## 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. 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.

## 2 Deviations from the Code

CapMan deviates from the Code's Recommendation 14 (Number of independent directors), 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 (the "AGM") 2011 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 (Number, composition and competence of the directors), 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 Board has deviated from the Code's Recommendations 26 (Independence of the members of the audit committee) and 29 (Members of the nomination committee) concerning the independence of the members of the Audit Committee and Nomination Committee. Due to the composition of the Board and the limited number of board members, the compositions of the Audit Committee and Nomination Committee do not meet all the independence requirements of the Code. In line with the Recommendation 22 (Appointment of members to the committees), the Board elected in its organizing meeting those members to the Committees that have the best qualifications to perform the responsibilities of the Committees. In addition, the Board 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 (Participation of the directors in a share-based remuneration scheme) 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 Board of Directors

### 3.1 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 30 March 2011 elected six members to the Board. Mr Koen Dejonckheere, Mr Claes de Neergaard, Mr Conny Karlsson, Ms Nora Kerppola, Mr Teuvo Salminen and Mr Heikki Westerlund were elected to the Board. The Board elected from among its members Heikki Westerlund as the Chairman of the Board and Teuvo Salminen as the Vice Chairman of the Board.

Sari Baldauf and Tapio Hintikka were members of the Board until the close of the AGM 2011.

Their biographical details are presented later on in this section.

### 3.2 Independence of the Board members

The Board has in its organizing meeting on 30 March 2011 assessed its members' independence of the company and of its significant shareholders. Nora Kerppola and Claes de Neergaard were independent of both the company and its significant shareholders. Koen Dejonckheere was independent of the company, but non-independent of its significant shareholders. Conny Karlsson and Teuvo Salminen, who act as advisors to CapMan's investment teams, were independent of the significant shareholders but non-independent of the company. Heikki Westerlund, CapMan's Senior Partner and member of CapMan Buyout and CapMan Public Market investment teams, was non-independent of both the company and its significant shareholders. No changes occurred in the independence of the Board members during the year.

### 3.3 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 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.

### 3.4 Work of the Board in 2011

In 2011, the Board met nine times (eight meetings for the Board elected by the 2011 AGM and one meeting for the Board elected by the 2010 AGM). The table below presents Board members' attendance at the meetings in 2011.

**Board of Directors in 2011**

<b>Name</b>	<b>Personal information</b>	<b>Attendance at the Board meetings</b>	<b>Attendance at the Committee meetings</b>
<b>Heikki Westerlund</b>	Chairman of the Board since 31 March 2010. Member of the Board since 2010. Born 1966, M.Sc. (Econ.). Main occupation: Senior Partner at CapMan. Chairman of the Nomination Committee. Non-independent Board member.	9/9	Remuneration and Nomination Committee: 2/2  Nomination Committee: 2/2
<b>Teuvo Salminen</b>	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. Chairman of the Audit Committee, member of the Nomination Committee. Independent of the significant shareholders.	9/9	Audit Committee: 4/4  Nomination Committee: 2/2
<b>Koen Dejonckheere</b>	Member of the Board since 2010. Born 1969, MBA, M.Sc. (Eng.). Main occupation: CEO at Gimv NV. Member of the Remuneration Committee and Nomination Committee. Independent of the company.	9/9	Remuneration Committee: 4/5  Nomination Committee: 2/2
<b>Claes de Neergaard</b>	Member of the Board since 2011. Born 1949, M.Sc. (Econ.). Main occupation: CEO of Industrifonden. Member of the Remuneration Committee. Independent of the company and significant shareholders.	8/8	Remuneration Committee: 5/5
<b>Conny Karlsson</b>	Member of the Board since 2008. Born 1955, MBA. Main occupation: Board professional. Member of the Audit Committee. Independent of significant shareholders.	9/9	Audit Committee: 4/4
<b>Nora Kerppola</b>	Member of the Board since 2011. Born 1964, MBA. Main occupation: CEO of Nordic Investment Group Oy, Chairman of the Remuneration Committee. Independent of the company and significant shareholders.	8/8	Remuneration Committee: 5/5

**The following persons were members of the Board until the end of the AGM 2011.**

<b>Name</b>	<b>Personal information</b>	<b>Attendance at the Board meetings</b>	<b>Attendance at the Committee meetings</b>
<b>Sari Baldauf</b>	Member of the Board during 2007-2011. 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. Member of the Remuneration and Nomination Committee. Independent of the company and significant shareholders.	1/1	Remuneration and Nomination Committee: 2/2
<b>Tapio Hintikka</b>	Member of the Board during 2004-2011. Born 1942, M.Sc. (Eng.). Main occupation: Board professional. Member of the Remuneration and Nomination Committee. Independent of the company and significant shareholders.	1/1	Remuneration and Nomination Committee: 2/2

## 4 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 30 March 2011, CapMan's Board established Audit, Nomination and Remuneration Committees. In 2010, the Board had established a joint Remuneration and Nomination Committee to handle matters pertaining to both remuneration and nomination issues. In 2010, the Board had not established an Audit Committee.

### 4.1 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, 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.

The Board has in its organizing meeting on 30 March 2011 elected Teuvo Salminen (Chairman) and Conny Karlsson as members of the Audit Committee. In 2011, the Audit Committee met four times. The table after section 3.4 presents the Committee members' attendance at the meetings.

### 4.2 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 30 March 2011 elected Heikki Westerlund (Chairman), Koen Dejonckheere and Teuvo Salminen as members of the Nomination Committee. In 2011, the Nomination Committee met two times in this composition. Prior to AGM 2011, Nomination Committee matters were handled in the joint Remuneration and Nomination Committee which met two times. The table after section 3.4 presents the Committee members' attendance at the meetings.

### 4.3 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:

- 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 30 March 2011 elected Nora Kerppola (Chairman), Koen Dejonckheere and Claes de Neergaard as members of the Remuneration Committee. In 2011, the Remuneration Committee met five times in this composition. Prior to AGM 2011, Remuneration Committee matters were handled in the joint Remuneration and Nomination Committee which met two times. The table after section 3.4 presents the Committee members' attendance at the meetings.



## 5 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 2011, CapMan's CEO was Senior Partner Lennart Simonsen (born 1960, LL.M., M. Sc. (Law)).

## 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 the Nordic countries 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 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).

### 6.2 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 the functions. Management and employees 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.



As part of the risk management process the company conducted an extensive risk mapping project during 2011. As a consequence of the project, CapMan's risks are better identified, documented and classified. 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 is handled in accordance with the group disclosure policy, which is available on the company's website.

#### **6.5 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 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. The 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.



## *Information for shareholders*

### **Annual General Meeting for 2012**

CapMan Plc's Annual General Meeting for 2012 will be held on Wednesday, 14 March 2012 at 10 am EET at G18 Ball room, Yrjönkatu 18, 00120 Helsinki. All shareholders registered with the company's list of shareholders maintained by Euroclear Finland Oy on 2 March 2012 are entitled to attend.

Shareholders wishing to attend the AGM should inform the company by 10.00 am on 9 March at the latest. Registration can be made in writing to the company at Korkeavuorenkatu 32, 00130 Helsinki, online at [www.capman.com/general-meetings](http://www.capman.com/general-meetings), by phone (Anni Varjo, +358 (0)207 207 627 or Hannele Luukkainen, +358 (0)207 207 649), by email ([agm@capman.com](mailto:agm@capman.com)), or by fax (+358 (0)207 207 550). Registrations must reach the company by the date and time specified above. Any proxy for exercising voting rights must be delivered to CapMan at the aforementioned postal address before expiry of the registration period.

### **Dividend**

The Board of Directors will propose to the AGM that a dividend of €0.07 per share should be paid for 2011. The dividend decided by the AGM will be paid to shareholders registered in the list of shareholders maintained by Euroclear Finland Oy on the record date set for payment, 19 March 2012. Payment of the dividend in Finland will be made on 26 March 2012.

### **CapMan Plc's financial reporting in 2012**

CapMan Plc will publish three interim reports during 2012:

1 January – 31 March 2012: Friday, 4 May 2012

1 January – 30 June 2012: Thursday, 9 August 2012

1 January – 30 September 2012: Thursday, 1 November 2012.

Financial reports are published in Finnish and English. The company's Annual Reports, Interim Reports, and stock exchange releases and press releases can be consulted at [www.capman.com](http://www.capman.com). The company's Web site also includes other IR material. Anyone interested in receiving CapMan releases by email can subscribe them at [www.capman.com](http://www.capman.com).

### **Changes of address**

Euroclear Finland Oy maintains CapMan Plc's share, shareholder, and option lists. Shareholders and option holders are requested to inform Euroclear Finland Oy or their custodian bank of any changes in their personal information or address. Euroclear's free phone number – +358 (0)800 180 500 – can provide further information. CapMan is not responsible for updating shareholders' addresses.

### **IR contacts**

CapMan's IR contacts are the joint responsibility of the CEO, the Head of Sales, Marketing, Investor Relations and Communications team, the CFO, and the Manager, Communications and IR. The company observes a two-week silent period prior to publication of its interim reports and financial statements, during which it does not comment on the company's financial performance or future prospects and does not meet investors, analysts, or financial journalists.

### **Analysts following CapMan Plc**

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