

RISKS

Risk management process and key risk categories

CapMan faces many different risks and uncertainties, which could if realised affect its strategic direction, financial position, earnings, operations and reputation. Assessment and management of risks is an integral part of CapMan’s ability to conduct its operations in a successful manner. CapMan classifies risks according to various categories and identifies principal risks for each category. CapMan performs an annual review of the risk environment and reports on any material developments quarterly.

Risk management strategy and process

Risk management constitutes a significant part of CapMan’s corporate governance. Risk needs to be managed rather than avoided and consideration of risk should not stifle innovation. Rather, consideration of risk should enable CapMan to make better decisions.

As the risk definition includes both positive and negative effects of uncertainty on company objectives, harnessing opportunities, as compared to only managing threats, should be considered as part of risk management.

The Board of Directors decides on the risk appetite and risk tolerance with the target to ensure continuity of operations and to optimise CapMan’s ability to meet its objectives

The Chief Operating Officer, supported by the independent Risk & Valuation team, has day-to-day responsibility for the implementation and continuous development of the risk management process.

Risk management objectives

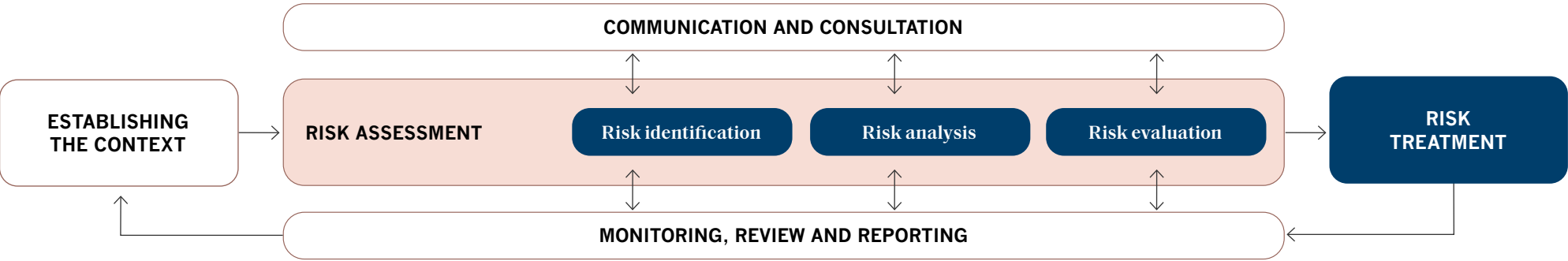
Risk management at CapMan aims to

- Set the risk appetite and tolerance in accordance with CapMan’s strategy;
- identify and assess key risk factors in CapMan’s operations and business environment; and
- manage these risk factors to allow CapMan to achieve its strategic and financial objectives.

Further risk management objectives

- Ensure the safety and wellbeing of employees;
- ensure the continuity of business operations;
- increase risk awareness throughout the organisation;
- protect the reputation of CapMan, its personnel and investors;
- effectively allocate resources for risk treatment; and
- identify opportunities.

CapMan’s risk management process



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Key risk categories

CapMan categorises its risks and identifies the following principal risks for each category:

Risk category	Principal risks
1. Strategic risk	<ul style="list-style-type: none">• Failure to achieve strategic or performance targets• Failure to select the correct strategy in a competitive environment• Failure to recruit key personnel• Failure to scale the business
2. Financial risk	<ul style="list-style-type: none">• Poor financial performance• Insufficient liquidity position• Failure to obtain financing
3. Market risks	<ul style="list-style-type: none">• Interest rate, inflation and asset price volatility• Changes in customer preferences
4. Operational risks	<ul style="list-style-type: none">• Cyber threats and system errors• Inadequate or failed processes or controls• Corruption, fraud or criminal behaviour• Mistakes
5. Regulatory risks	<ul style="list-style-type: none">• Adverse changes in the regulatory environment
6. Sustainability risk	<ul style="list-style-type: none">• Physical and transition risks of climate change• Inefficient procedures to address safety and well-being• Human rights risks in the supply chain
7. Reputational risk	<ul style="list-style-type: none">• Negative public perception

The drivers of principal risks under each risk category are further described below.

1. Strategic risk

Strategic risks occur when, for internal or external reasons, the company is unable to achieve its strategic targets, or the chosen strategy proves incorrect or ineffective.

Strategic risk management at CapMan is a part of the over-all Group strategy development. For example, strategic risks are considered when evaluating which businesses, investment strategies or funds are pursued, what kinds of investors or clients are targeted with different products and services, how concentrated the customer base is, or how to ensure business continuity. Moreover, as CapMan’s success is based on skilled and motivated personnel, who may be difficult to replace or

recruit, a people strategy together with continuous succession planning are a key part of strategic risk management.

CapMan aims to have a diversified portfolio of businesses with entrepreneurial teams and a diversified customer base. Strategic risks and targets are continuously monitored by senior management and Board of Directors.

2. Financial risk

Financial risk refers to risks impacting the financial position and/or performance of the company.

CapMan's turnover is to a large extent based on long-term agreements and therefore risk levels are relatively low in the short term. Similarly, the majority of the cost base is fixed in the short term. Therefore, the biggest drivers for financial risk for CapMan are returns of fund investments as well as the timing and magnitude of carried interest, both of which have significant exposure to market risk as well as the performance of individual funds and portfolio assets. Monitoring and managing these underlying risks is a key activity of all investment teams. The risks are also monitored by the Risk & Valuations team on a continuous basis.

Another key financial risk for CapMan is Group liquidity and financing, as CapMan typically has sizeable off-balance sheet liabilities relating to the commitments made to funds.

Financial risks are actively managed by continuous follow-up of the liquidity position and cash flow forecasts and by maintaining sufficient liquidity buffers relative to open commitments. CapMan has long term financial objectives, including targets for growth, return on equity and equity ratio, which are continuously monitored and regularly reported to senior management and Board of Directors. CapMan also has a revolving credit facility to ensure its ability to cover unexpected cash requirements. The company targets a long maturity profile for debts by actively managing its credit portfolio in order to secure long-term debt financing at attractive terms also in the future.

3. Market risk

Market risk refers to the risk of losses arising from movements in market prices, or the risk that the market or customer behaviour changes in a way that makes CapMan’s business model or product/service offering sub-optimal.

CapMan is exposed to significant market risk both due to its significant investments in funds, as well as due to its reliance on the international fundraising market in raising capital for its funds under management. Market risk may also impact the timing and magnitude of carried interest by causing delay or value impair-

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ment of exits from the funds. Market risk is part of operating in the finance industry and can be only partially mitigated.

CapMan aims to have a diversified portfolio of businesses and investment strategies, covering multiple asset classes and geographies. CapMan has also strategically improved its earnings mix by launching different types of funds and also services less dependent on the financial markets. Investments to funds and the diversification as well as income from different business areas are monitored as part of executing CapMan's strategy and each time new investments are decided.

4. Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes or systems, human error or from external events.

For CapMan, the most important operational risks relate to cyber and IT systems, compliance with often complex regulations and agreements, fraud, corruption or other criminal behaviour, and mistakes or human error.

CapMan has continuous process to monitor and manage operational incidents and risks. Issues are actively managed and there are controls in place to mitigate risk for the most critical functions. CapMan implements Anti-Money Laundering (AML) policies and procedures designed to prevent and detect money laundering, bribery and corruption and related activities. The activities involve KYC (Know Your Customer) procedures on fund investors and portfolio companies. These topics are covered by regular trainings for employees. CapMan works together with reputable insurance brokers to ensure reasonable insurance coverage for potential liability that might result from any material conventional operative incidents.

5. Regulatory risk

Regulatory risk refers to the risk of adverse changes in the regulatory environment.

Fund and wealth management are regulated industries and CapMan has subsidiaries that are regulated under AIFMD or MiFID regimes. There are also several other laws and regulations that may impact CapMan's operations or strategy. CapMan has a dedicated Compliance function, supported by Risk & Valuation, Legal and ESG teams, to monitor regulatory changes in co-operation with external advisors. In fund and investment structuring CapMan also uses advisors to ensure up-to-date understanding of the latest regulations, including concerning taxation. CapMan does not practise aggressive tax planning.

The most significant ongoing regulatory developments that impact the finance industry in Europe are related to sustainability. CapMan continues to monitor and adapt to sustainability-related and other regulation that impacts the industry.

6. Sustainability risk

Sustainability risk refers to environmental, social or governance events or conditions that, if they occur, could cause a material negative financial impact, or negatively impact the environment or the people involved in CapMan's operations or portfolio, and/or other stakeholders.

CapMan has limited direct sustainability risk, due to limited scope of operation and lack of any manufacturing operations. However, CapMan AIFM integrates sustainability risks in its decision-making process, as referred to under Article 3 of the SFDR. Environmental risks can relate to, among others, to climate-related risks (physical and transitional), biodiversity or pollution. Social risks can relate to for instance safety and

well-being, human rights in the supply chain, and employee or tenant satisfaction or others. Governance risks can relate to for example inadequate management of ESG, management incentives, corruption, bribery, cybersecurity, or data privacy. The potential sustainability risks to which any investment is exposed may cause a negative impact on the value of investments. CapMan AIFM considers principal adverse impacts on sustainability impacts of its investment decisions as described by Article 4 of the SFDR. On a Group level, sustainability risk may also contribute significantly to reputational risk, in the event that there would be a significant incident – even when the direct financial impact on CapMan is limited due to low exposure through own investments.

CapMan is committed to multiple sustainability reporting initiatives to make its sustainability actions more transparent. CapMan has implemented a restriction list to restrict or exclude certain activities or industries from the investment scope.

7. Reputational risk

Reputational risk is the risk of negative publicity, poor public perception or uncontrollable events to have an adverse impact on CapMan's reputation, thereby affecting its ability to meet strategic or financial objectives or reducing shareholder value.

Reputational risk is a core risk for CapMan, since the business mainly relies on mutual trust between business parties. Realisation of reputational risk could impact fundraising and deal flow as well as the ability to attract and retain key employees, all of which could have substantial impact on CapMan's performance. CapMan aims to build an ethical culture and has identified high ethics as one of its values. CapMan has a Code of Conduct and other policies in place to guide its employees beyond being compliant with laws and regulations. CapMan also has controls, such as a Whistleblowing Channel, in place and aims to maintain a continuous dialogue with relevant stakeholders.

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Corporate Governance Statement 2022

CapMan Plc (“CapMan”) complies with the Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association which entered into force on 1 January 2020 (the “Code”). CapMan complies with all of the recommendations of the Code. This Corporate Governance Statement (the “Statement”) has been prepared in compliance with the Code’s Corporate Governance reporting guidelines, it has been reviewed by the Audit Committee of CapMan’s Board of Directors (the “Board”) and it is issued separately from the report by the Board. CapMan’s corporate governance model also follows the Finnish laws, the Articles of Association of the company and the rules and directions of Nasdaq Helsinki Ltd.

The Code is publicly available on the website of the Securities Market Association at www.cgfinland.fi/en. For further information regarding CapMan’s corporate governance, please visit the company’s website at <https://www.capman.com/shareholders/governance/>.

1 CapMan’s governance model

CapMan is a Finnish public limited liability company headquartered in Helsinki, Finland. The parent company CapMan Plc and its subsidiaries form CapMan group. CapMan’s shares are publicly listed in Nasdaq Helsinki. CapMan’s governance model consists of the General Meeting of shareholders, the Board of Directors and the CEO. In the operative management of the company the CEO is assisted by the management group.

2 General Meeting of the shareholders and the Articles of Association

The highest decision-making power at CapMan is held by the General Meeting of shareholders. Among other things, the General Meeting adopts the financial statements, decides on distribution of assets based on the proposal of the Board, elects the members of the Board and the auditor, decides on the discharge from liability and on amendments to the Articles of Association. The notice to the General Meeting, the documents to be presented and the proposals for the General Meeting are published on the company’s website and, if needed, as a stock exchange release three weeks prior to the General Meeting at the latest.

In 2022, CapMan’s Annual General Meeting (AGM) was held on 16 March in Helsinki. In order to curb the spread of the Covid-19 pandemic, the General Meeting was organized without shareholders’ and their proxy representatives’ presence at the General Meeting venue. Shareholders were able to participate in the meeting and use their shareholder rights only by voting in advance, by submitting counterproposals in advance and by asking questions in advance. In total 72 shareholders representing approximately 31% of the registered share capital and voting rights voted in advance. The decisions are available on the company’s website at <https://www.capman.com/shareholders/general-meetings/>.

CapMan’s Articles of Association and material related to the General Meeting are

available on the company’s website at the address: <https://www.capman.com/shareholders/governance/>.

3 Shareholders’ Nomination Board

CapMan Plc’s 2018 AGM decided to establish a Shareholders’ Nomination Board to prepare future proposals concerning the election and remuneration of the members of the Board to the General Meeting. The AGM also adopted a Charter for the Nomination Board. The Shareholders’ Nomination Board shall serve until further notice. The term of office of the members of the Shareholders’ Nomination Board expires annually after the new Shareholders’ Nomination Board has been nominated.

The Shareholders’ Nomination Board consists of representatives nominated by the four largest shareholders of the company and the Chairman of CapMan Plc’s Board, serving as an expert member. As an expert member the Chairman of the Board of CapMan Plc does not take part in the decision-making of the Shareholders’ Nomination Board.

The following members were nominated to the Shareholders’ Nomination Board in September 2022: Stefan Björkman (Managing Director of Föreningen Konstsamfundet r.f., representative of Silvertärnan Ab) (Chairman of the Nomination Board), Mikko Mursula (Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company), Ari Tolppanen (Chairman of the Board of Oy Inventiainvest

Ab) and Mikko Kalervo Laakkonen. Additionally, Andreas Tallberg, the Chairman of the Board of CapMan Plc, served as the expert member on the Shareholders’ Nomination Board.

The Nomination Board convened three times in 2022. The Nomination Board conducted an evaluation of the Board work, discussed, in particular the size, composition and diversity of the Board and the areas of expertise that are deemed most beneficial for the company. The Nomination Board also reviewed the remuneration of the Board and gave its proposals to the Annual General Meeting on 26 January 2022. The proposals were published as a stock exchange release.

The Charter of the Shareholders’ Nomination Board is available on CapMan’s website at: <https://www.capman.com/shareholders/governance/nomination-board/>.

4 Board of Directors

4.1 Composition of the Board of Directors

All members of the Board are elected yearly by the Annual 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, which starts at the close of the Annual General Meeting at which they were elected

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and ends at the close of the Annual General Meeting following their election. The Board elects a Chair and a Vice Chair from among its members. The Shareholders' Nomination Board makes the proposals on the composition of the Board and the remuneration for the Board and Committee Members to the Annual General Meeting. The Shareholders' Nomination Board's proposals are typically published as a separate stock exchange release and are also included in the notice to convene the Annual General Meeting.

The Annual General Meeting held on 16 March 2022 elected six members to the Board of Directors. Mr. Johan Bygge, Ms. Catarina Fagerholm, Ms. Mammu Kaario, Mr. Olli Liitola, Mr. Johan Hammarén and Mr. Andreas Tallberg were re-elected to the Board. Mr. Eero Heliövaara had announced that he was not available for re-election. At its organisational meeting on 16 March 2022, the Board elected from among its members Andreas Tallberg as its Chair and Mammu Kaario as Vice Chair.

The biographical details of the Board members are presented in the table on page 7.

4.2 Diversity of the Board of Directors

The company values that its Board members' have diverse backgrounds taking into account the competencies 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 an international operating environment.

The company considers that the composition of its Board is in its current form sufficiently aligned with the objectives set for the diversity of the Board composition. In 2022 both genders were represented in the Board (33% female, 67% male), the members were between 53 and 66 years of age, their educational backgrounds were relevant to the company's operations, and they had experience on both international and local operating environments.

4.3 Independence of the Board members

The majority of the Board must be independent from the company. At least two of the members that are independent from the company shall also be independent of the company's significant shareholders.

The Board made an assessment on the independence of the Board members in its organisational meeting on 16 March 2022. According to the assessment Johan Bygge, Catarina Fagerholm, Mammu Kaario, Olli Liitola and Andreas Tallberg were independent of both the company and its significant shareholders. Johan Hammarén was non-independent of company's significant shareholder Silvertärnan Ab through board membership, and non-independent of the company due to his employment with a group company until 2019.

Shares and share-based rights of each Board member and corporations over which he/she exercises control in the company and its group companies are presented in the table on page 7.

4.4 Duties and responsibilities of the Board

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 were:

- to convene the General Meetings of shareholders
- to appoint and dismiss the CEO
- to supervise the management
- to approve strategic and financial objectives
- to approve the budget
- to decide on the establishment of new CapMan funds and the level of CapMan's own commitments therein
- to decide on fund investments to other than CapMan funds and direct investments exceeding EUR 5 million
- to decide on 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 as well as other essential policies and practices
- to decide on the CEO's remuneration as well as on the remuneration policy of other executives and CapMan's key employees
- to confirm the central duties and operating principles of the Board committees

The Chair 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.

4.5 Work of the Board in 2022

In 2022, the Board of Directors met eight times. The Board had seven meetings in the composition as elected by the 2022 AGM and one meeting in the composition as elected by the 2021 AGM.

The table on page 7 presents Board members' attendance at the meetings in 2022.

5 Board Committees

The Board may establish Committees to ensure efficient preparation of the matters under its responsibility. The Committees are established, and their members are elected from among the members of the Board in the Board's organisational meeting to be held after the AGM for the same term as the Board. The Committees shall consist of at least three members. The charters for each committee shall be confirmed by the

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