



## Corporate Governance Statement 2012

This Corporate Governance Statement has been drawn up separately from the report by the Board of Directors. The statement is not part of the official financial statements.

### General

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association in June 2010. The entire Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

eQ Plc departs from the following recommendations of the Code: 50. Internal audit. In addition, eQ Plc has no board committees. These departures and their justifications are explained below.

### General Meeting of Shareholders

The General Meeting is eQ Plc's highest decision-making body, at which the shareholders participate in the supervision and control of the company. eQ Plc convenes one Annual General Meeting (AGM) during each financial period. An Extraordinary General Meeting may be convened when necessary. Shareholders exercise their right to vote and voice their views at the General Meeting.

eQ Plc provides shareholders with sufficient information about the agenda of the General Meeting in advance. The advance information is provided in the notice of the General Meeting, other releases and on the company website. The General Meeting is organized in such a way that shareholders can effectively exercise their ownership rights. The goal is that the CEO, Chairman of the Board, and a sufficient number of directors attend the General Meeting. A person proposed as director for the first time shall participate in the General Meeting that decides on his or her election, unless there are well-founded reasons for his or her absence.

eQ Plc's Annual General Meeting was held on 13 March 2012.

### Board of Directors

The General Meeting elects the directors. The director candidates put forward to the Board shall be mentioned in the notice of the General Meeting, if the proposal has been made by the Board or if the candidate is supported by shareholders holding at least 10 per cent of the total votes carried by all the shares of the company, provided that the candidate has given his/her consent to the election. The candidates proposed after the delivery of the notice of the meeting will be disclosed separately. The company's Articles of Association do not contain any provisions on the manner of proposing prospective directors. In its Annual Report, the company states the number of Board meetings held during the financial period as well as the average attendance of the directors. The directors are elected for one year at a time.

A person elected director must have the qualifications required by the work of a director and sufficient time for taking care of the duties. The company facilitates the work of the Board by providing the directors with sufficient information on the company's operations. eQ Plc's Board of Directors consists of 5 to 7 members. The members elect the Chairman of the Board.

The company reports the following biographic details and holdings of the directors: name, year of birth, education, main occupation, primary working experience, date of inception of Board membership, key positions of trust, and shareholdings in the company.



The members of eQ's Board of Directors shall provide the Board and the company with sufficient information for the evaluation of their qualifications and independence and notify of any changes in such information.

The Annual General Meeting held on 13 March 2012 elected the following persons to the Board:

Ole Johansson, born 1951, member of the Board since 2011, Chairman of the Board, B.Sc. (Econ) Outokumpu Oyj, Chairman of the Board, 2008 -; Svenska Handelsbanken AB (publ.), member of the Board, 2012 -; Confederation of Finnish Industries (EK), Chairman of the Board, 2011-2012; Varma Mutual Pension Insurance Company, Deputy Chairman of the Board, 2005-2012; Technology Industries of Finland, member of the Board, 2010-2012; Finnish Business and Policy Forum EVA, member of the Board, 2010-2013; Research Institute of Finnish Economy ETLA, member of the Board, 2011-2013.  
Independent of the company and significant shareholders.

Christina Dahlblom, born 1978, member of the Board since 2012, D.Sc. (Econ) 2011- Dahlblom & Sparks Ltd, founder and Managing Director; Nordman Invest Oy, member of the Board, 2012-; Oy Transmeri Ab, member of the Board, 2012-; Diamanten i Finland rf, member of the Board, 2012-.  
Independent of the company and significant shareholders.

Georg Ehrnrooth, born 1966, member of the Board since 2011, studies in agriculture and forestry Pöyry Oyj, member of the Board, 2010-; Norvestia Oyj, member of the Board 2010-; Forcit Oy, member of the Board, 2010-; Paavo Nurmi Foundation, member of the Board, 2005-; Anders Wall Foundation, member of the Board, 2008-; Louise and Göran Ehrnrooth Foundation, deputy member of the Board, 2003-; Semerca Investments S.A, Chairman of the Board, 2009-; Corbis S.A, Chairman of the Board, 2009-; Fennogens Investments S.A, Chairman of the Board, 2009-; OE Capital Ab, Chairman of the Board, 2010-; Vicus Oy, member of the Board, 2012-.  
Independent of the company, but not independent of its significant shareholders.

Eero Heliövaara, born 1956, member of the Board since 2011, M.Sc. (Econ), M.Sc. (Eng) Finnish Foundation for Share Promotion, Chairman of the Board, 2010-; Paulig Ltd, member of the Board, 2009-; Realia Group Oy, member of the Board, 2010-; Helsinki Bourse Club, member of the Board, 2006-; Foundation of the Finnish Cancer Institute, member of the Board, 2009-; Economic Information Office, member of the Board, 2011-; Finnish Foundation of Economic Education, member of the Board, 2002-; Scout Foundation of Finland, member of the Board, 2007-; HLD Healthy Life Devices Oy, Chairman of the Board, 2012-.  
Independent of the company and significant shareholders

Jussi Seppälä, born 1963, member of the Board since 2011, M.Sc. (Econ) 2008- Minerva Group, Managing Director of Minerva Partnership Oy, Cardos Oy, member of the Board, 1999-; Hoivakoti Villa Lauriina Koy, member of the Board; Lintuvaaran hoivakoti Koy, member of the Board; Minerva Partnership Oy, member of the Board, Deamia Oy, deputy member of the Board; Keskinäinen Koy Eiran Edelfelt, deputy member of the Board; Minerva Hoiva I GP Oy, Chairman of the Board.  
Independent of the company and significant shareholders.

eQ Plc's Board of Directors has drawn up a written charter covering its operations. Below is a list of the most important principles and duties presented in the charter:

- the Board shall be responsible for the administration of the company and the appropriate organization of the company's operations,



- the Board shall steer and supervise the company's operative management as well as appoint and dismiss the CEO,
- the Board shall approve the company's strategic goals,
- the Board shall approve the company's risk management principles and make sure that the management system functions well,
- the Board shall ensure that the company confirms the values that are to be applied in its operations,
- the Board shall promote the interests of the company and all its shareholders,
- the members of the Board do not represent the parties who proposed them as Board members when working on the Board,
- the Board shall assess its performance and working methods annually, either by means of internal self-evaluation or by using an external evaluator.

During the financial period 2012, the Board of Directors of eQ Plc convened 9 times, average attendance being 96 per cent.

The majority of the members of eQ Plc's Board of Directors are independent of the company and the company's major shareholders. The Board of Directors assesses the independence of the directors and states on the company website which of the directors have been deemed independent. When evaluating independence, the circumstances of private individuals or legal entities regarded as related parties will be taken into consideration in all situations. Companies belonging to the same group as a company are comparable with the company.

## **Board Committees**

eQ Plc does not have any committees due to the size of the company and its Board.

## **CEO**

The CEO is in charge of the day-to-day administration of the company in accordance with the rules and regulations of the Finnish Limited Liability Companies Act and instructions and orders issued by the Board of Directors. The CEO may take measures that, considering the scope and nature of the operations of the company, are unusual or extensive with the authorization of the Board. The CEO ensures that the accounting practices of the company comply with the law and that financial matters are organized in a reliable manner.

eQ Plc's Board of Directors appoints the CEO.

Janne Larma, M.Sc. (Econ) (born 1965) was appointed CEO on 16 March 2011.

The company discloses the same biographic details and information on the holdings of the CEO as of the directors. The CEO shall not be elected Chairman of the Board.

## **Substitute for the CEO**

The substitute for the CEO is responsible for the CEO's duties in the event that the CEO is unable to attend to them. eQ Plc's Board of Directors appointed Lauri Lundström, M.Sc. (Econ) (born 1962), substitute for the CEO on 23 November 2011.

The company discloses the same biographic details and information on the holdings of the substitute for the CEO as of the directors.



## Other executives

eQ Plc's Management Team during the financial period 2012:

Management Team to 21 February 2012:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, CEO of eQ Plc

Staffan Jåfs, born 1974, M.Sc. (Econ), Director, Private Equity

Lauri Lundström, born 1962, M.Sc. (Econ), CEO of eQ Asset Management Ltd

Annamaija Peltonen, born 1964, Vocational Qualification in Business and Administration, Deputy CEO of eQ Fund Management Company Ltd

Management Team from 21 February 2012:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, CEO of eQ Plc

Staffan Jåfs, born 1974, M.Sc. (Econ), Director, Private Equity

Lauri Lundström, born 1962, M.Sc. (Econ), CEO of eQ Asset Management Ltd

Annamaija Peltonen, born 1964, Vocational Qualification in Business and Administration, Deputy CEO of eQ Fund Management Company Ltd

Juha Surve, born 1980, LL.M., M.Sc. (Econ), Group General Counsel of eQ Plc

Management Team from 1 October 2012:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, CEO of eQ Plc

Staffan Jåfs, born 1974, M.Sc. (Econ), Director, Private Equity

Mikko Koskimies, born 1967, M.Sc. (Econ), CEO of eQ Asset Management Ltd

Lauri Lundström, born 1962, M.Sc. (Econ), Senior Vice President, Administration, eQ Plc

Annamaija Peltonen, born 1964, Vocational Qualification in Business and Administration, Deputy CEO of eQ Fund Management Company Ltd

Juha Surve, born 1980, LL.M., M.Sc. (Econ), Group General Counsel of eQ Plc

Management Team from 20 November 2012:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, CEO of eQ Plc

Staffan Jåfs, born 1974, M.Sc. (Econ), Director, Private Equity

Mikko Koskimies, born 1967, M.Sc. (Econ), CEO of eQ Asset Management Ltd

Lauri Lundström, born 1962, M.Sc. (Econ), Senior Vice President, Administration, eQ Plc

Juha Surve, born 1980, LL.M., M.Sc. (Econ), Group General Counsel of eQ Plc

## Remuneration

### Board of Directors

#### Remuneration and other financial benefits of the Board of Directors

The General Meeting decides on the remuneration of the members of the Board of Directors annually.

The 2012 Annual General Meeting decided that the Board of Directors would receive remuneration according to following: Chairman of the Board EUR 3 300 per month and the directors EUR 1 800 per month. The remuneration is paid in cash. The members of eQ's Board of Directors have no share-related rights, nor are they covered by any other remuneration scheme.

### CEO and other executives

#### Decision-making process and main principles of remuneration

eQ's Board of Directors decides annually on the remuneration system of the Group, as well as on the principles of performance-based remuneration and the persons involved in the system. The



Board of Directors also decides the remuneration of the CEO and the members of the Management Team, based on a proposal by the CEO. The Board reviews annually, in a manner that it decides on separately, that eQ Group has complied with the remuneration system.

eQ's remuneration systems are divided into long-term incentive schemes and the annual performance bonus system. In remuneration, eQ follows the following main principles:

- The systems support eQ Group's long-term goals, such as improving the profitability of the business in a long term, sufficient capital adequacy, return on investments and cost efficiency.
- Remuneration must be designed to prevent unnecessary risk-taking.
- The Board decides on the payment of the performance bonuses based on the systems, and the decision will be made annually after the end of the incentive period.
- A performance bonus will not be paid and it will be recovered as unfounded, if it is found that the person concerned has acted contrary to eQ's internal policies, laws or regulations or guidelines issued by authorities.
- The decision about remuneration is always made by the superior of the concerned person's superior.
- eQ Group does not have any pre-determined thresholds for remuneration, but eQ's Board of Directors will consider annually and case by case whether it is necessary to restrict the payment of the remuneration. When necessary, decisions are made on a postponement of the payment of variable remuneration, on whether non-cash payment should be used or if the payment should be cancelled. If variable remuneration does not exceed EUR 50 000 per year, payment will not be postponed.

#### *Long-term incentive scheme*

The aim of the long-term incentive scheme is to commit key personnel to eQ Group and its objectives. The long-term incentive scheme primarily consists of eQ's option scheme. Options are issued to those who can influence the development of the entire eQ Group through their performance. eQ's Board of Directors decides on the issue of options. The terms of the option scheme are available on eQ's website, in the Investors section.

In addition, eQ Group can introduce other long-term incentive schemes based on the consideration of the Board of Directors. Such incentive schemes can be tied directly or indirectly to the company's share price development.

#### *Annual bonus system*

The amount of the annual bonus is determined by the achievement of personal goals, the business unit's result and sales, as well as the company result. The share of the result is the higher, the more the person concerned is able to influence the outcome. eQ's Board of Directors determines annually in advance on what basis annual bonuses will be paid and what their size is. In addition, the Board of Directors decides on the distribution of the annual bonuses after the incentive period has ended.

#### **Remuneration and other financial benefits of the CEO**

The Board of Directors appoints the CEO and decides on the CEO's salary, benefits and other terms related to the CEO's employment relationship. The terms of the CEO's employment relationship have been specified in writing in the CEO's contract of employment approved by the Board. Both parties may give notice on this contract with a period of notice of two (2) months. When notice is given by the company for whatever reason or if the contract is terminated through mutual agreement by the company and the CEO, the CEO is entitled to a compensation corresponding to his/her overall remuneration for six (6) months preceding the termination of the contract, which compensation is paid on the day when the contract is terminated.





The remuneration of the CEO consists of a fixed monthly salary in cash (monthly salary and fringe benefits), performance bonus as short-term incentive and an option scheme. The Board of Directors decides on the CEO's remuneration. The retirement age and pension of the CEO are determined in accordance with the Finnish Employees Pensions Act. The CEO does not have a supplementary pension scheme. The remuneration of the substitute for the CEO consists of a fixed monthly salary in cash (monthly salary and fringe benefits) and performance bonus as short-term incentive. The substitute for the CEO does not have a supplementary pension scheme. The Board of Directors decides on remuneration of the substitute for the CEO.

In 2012, the CEO was paid an overall remuneration of EUR 234 856, the share of variable remuneration being EUR 46 329. The substitute for the CEO was paid on overall remuneration of EUR 150 507, the share of variable remuneration being EUR 11 241.

Janne Larma, CEO, has been granted, as part of the long-term incentive scheme, 450 000 option rights (90 000 2010A options, 90 000 2010B options, 90 000 2010C options, 90 000 2010D options and 90 000 2010E options).

A company controlled by the CEO subscribed for 216 906 shares in the personnel issue directed to eQ's Group's personnel. A company controlled by the substitute for the CEO subscribed for 31 789 shares in the personnel issue. A maximum of 1 800 000 new shares in the company were issued in the personnel issue, deviating from the shareholders' pre-emptive right. eQ had a weighty financial reason to deviate from the shareholders' pre-emptive right, as the shares were issued to the personnel in order to encourage personnel to acquire and hold company shares and thus incentivise and enhance the personnel's commitment in the long term. The share subscription period began on 10 December 2012 and ended on 12 December 2012. The subscription price of the shares was EUR 1.80 per share. The volume-weighted average price of the company's share on NASDAQ OMX Helsinki Ltd for the period of 20 consecutive trading days before the Board meeting that decided on the personnel issue was EUR 1.81 per share. Thus, the discount in the personnel issue was EUR 0.01 per share. A subscriber has no right to dispose of or assign the subscribed shares before 18 December 2013, and if the subscription exceeds 20 000 shares, not before 18 December 2015.

### **Remuneration and other financial benefits of the other executives**

The Board of Directors decides on the remuneration system of the Management Team based on the CEO's proposal. The remuneration system consists of a fixed salary in cash (monthly salary and fringe benefits), performance bonus as short-term incentive and a long-term incentive scheme. Management Team members do not receive remuneration when acting as Board members in the subsidiaries of eQ Plc. The retirement age and pension of the Management Team are determined in accordance with the Finnish Employees Pensions Act. The Management Team members do not have a supplementary pension scheme.

In 2012, the other Management Team members than the CEO and the substitute for the CEO were paid an overall remuneration of EUR 284 715, the share of the variable remuneration being EUR 19 695.

Mikko Koskimies, member of the Management Team, has been granted 200 000 option rights as part of the long-term incentive scheme (50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options) and Staffan Jåfs, member of the Management Team, 250 000 options (50 000 2010A options, 50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options).



Mikko Koskimies, member of the Management Team, has invested in eQ's shares as part of the long-term incentive scheme for the management. For the purpose of shareholding, a share issue was directed to a company wholly owned by Mikko Koskimies on 4 September 2012. The subscription of shares was financed by capital from the company owned by Mikko Koskimies and through a loan issued by eQ to the company. As part of the arrangement, eQ's Board decided on 4 September 2012 to grant the company wholly owned by Mikko Koskimies an interest-bearing loan of a maximum of EUR 1 336 000 in order to finance the subscription of eQ shares. The loan will be repaid in full within five years at the latest. The company owned by Koskimies has the right to repay the loan prematurely at any time, and transfer of the eQ shares owned by it is restricted for three years during the duration of the scheme.

The other members of the Management Team than the CEO and the substitute for the CEO subscribed for 50 000 shares in the share issue directed to eQ Group's personnel in December.

## **Description of the main features of the internal control and risk management systems in relation to the financial reporting process**

The objective of the financial reporting process is to produce timely financial information and to ensure that decision-making is based on reliable information. The aim is to ensure that the financial statements and interim reports are prepared according to applicable laws, generally accepted accounting principles and other requirements on listed companies.

The financial reporting process produces eQ Group's monthly and quarterly reports. The Management Team of the Group reviews eQ Group's result and financial performance monthly. The Group management presents the result and financial position of the Group quarterly to the Board of Directors. The Board of Directors supervises that the financial reporting process produces high-quality financial information.

The Group's subsidiaries report their results monthly to the parent company. The financial administration of the Group mostly takes care of the bookkeeping of the subsidiaries. At Group level, this will make it easier to make sure that the financial reporting of the subsidiaries is reliable. The Group's interim reports and financial statements are prepared in accordance with the IFRS reporting standards. The financial administration of the Group monitors the changes that take place in IFRS standards.

Based on risk assessments, the company has developed measures for controlling the risks pertaining to financial reporting, which make sure that financial reporting is reliable. The companies use various reconciliations, checks and analytical measures, for instance. The financial administration of the Group prepares monthly analyses of income statement and balance sheet items, both at company and segment level. In addition, tasks related to risk-exposed work combinations are separated, and there are appropriate approval procedures and internal guidelines. The reliability of financial reporting is also supported by various system controls in the reporting systems. Other basic principles of control are a clear division of responsibility and clear roles as well as regular reporting routines.

The Group does not have a separate internal audit organization (**Recommendation 50. Internal audit**). The CEO is responsible for the tasks of the internal audit function. The CEO may assign external evaluators to carry out audits on areas that the CEO deems necessary. The risk management and compliance function of the Asset Management segment is responsible for risk management related to the business and the compliance of the operations to rules and regulations. The risk management and compliance function carries out different sample checks of the operations. The CEO reports the observations to the Board of Directors.



## Insider administration

eQ Plc complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd on 9 October 2009.

The company maintains an insider register on statutory insiders and company-specific insiders. The statutory insider register, which is public, includes the members of the company's Board of Directors, the CEO, the substitute for the CEO, the Management Team, and the auditor with main responsibility. In addition, the personnel of financial administration, risk management and communications, the secretary of the CEO and the management of major subsidiaries are regarded as company-specific insiders. The insider register is maintained by the Euroclear Finland Ltd.

Those who are regarded as eQ Plc's insiders or those whose interests they protect (persons under guardianship) or corporations they control are not be permitted to trade in eQ Plc's shares on a short-term basis. Investments are regarded as short-term investments when the period between the purchase and transfer or the transfer and purchase of the security is less than one (1) month.

Company insiders may not trade in securities issued by the company for 14 days prior to the publication of the company's interim report and financial statements release. It is recommended that insiders schedule their trading, as far as possible, to periods during which the market has as complete information as possible on issues influencing the value of the share.

The restriction on trading is applied to the company's permanent insiders, those under their guardianship and the organizations they control, as referred to in chapter 2, section 4 of the Securities Markets Act (746/2012). The restriction on trading does not apply to auditors, nor corporations in which insiders exercise significant influence.

It is contrary to good practice and forbidden to circumvent the trading restriction by trading in shares on one's own behalf in the name of a related party or through other intermediaries, such as organizations in which the insider exercises significant influence.

The company uses a register on project-specific insiders in issues or arrangements that deviate from the company's regular business activities due to their nature or size. The company evaluates on a case-by-case basis whether an issue or arrangement under preparation is to be deemed a project. The purpose of the project-specific register is to clarify the moment at which a person is to be regarded as an insider and to make the processing of insider information more efficient.

eQ Plc has informed its permanent insiders of the company's Guidelines for Insiders. The company has a designated person in charge of insider issues, who carries out tasks related to the management of insider issues. The company checks the information to be declared with the permanent insiders annually. In addition, the company checks at least once a year the trading of the permanent insiders based on the register information of the Euroclear Finland Ltd.

## Audit

The proposal for the election of an auditor prepared by the Board of Directors of the company will be disclosed in the notice of the General Meeting. If the Board has not arrived at a decision on the prospective auditor by the time the notice is sent, the candidacy will be disclosed separately.

In 2012, Ernst & Young Oy, Authorized Public Accountants, acted as an Auditor of eQ Plc. The responsible auditor was Ulla Nykky, APA.





### **Auditors' fees**

The auditors have been paid the following amounts for the services related to the audit and for other services: Fees for the audit and closely related fees in 2012 totalled EUR 139 484 (2011: EUR 149 956). The other services in 2012 amounted to EUR 116 825 (2011: EUR 81 743).

### **Disclosure of information**

The major issues concerning eQ Plc's administration are disclosed on the company website ([www.eQ.fi](http://www.eQ.fi)). The stock exchange releases are available on the company website immediately after their publication.