

# Corporate Governance Statement for the Financial Period 2017

March 5, 2018

Sami Ensio

CEO

+358 50 584 2029

sami.ensio@innofactor.com

**Confidentiality: Public**

**Julkinen**

## Contents

1	Introduction .....	1
2	Descriptions relating to corporate governance .....	1
2.1	Composition and operation of the Board of Directors .....	1
2.1.1	Information on the Board members .....	1
2.1.2	Description of the operation of the Board of Directors .....	3
2.2	Composition and operation of the committees set up by the Board of Directors .....	11
2.2.1	Committees of the Board of Directors .....	11
2.2.2	Description of the organ that is responsible for the tasks of an Audit Committee .....	11
2.2.3	Appointment Committee of shareholders .....	11
2.2.4	Supervisory Board .....	11
2.2.5	CEO and CEO's tasks .....	12
	CEO .....	12
	Description of tasks .....	12
2.3	Other management .....	13
2.3.1	Organization of the other management .....	13
2.3.2	Personal and ownership information for the other management .....	14
3	Descriptions of the main features of the internal monitoring procedures and risk management systems .....	16
3.1	General description of the risk management .....	16
3.2	General description of the internal monitoring .....	16
4	Other information to be provided in the Corporate Governance Statement .....	17
4.1	Internal inspection .....	17
4.2	Possible decision-making concerning transactions with related parties .....	17
4.3	Main procedures of insider management .....	17
4.4	Name of the auditor .....	18
4.5	Remuneration of the auditors .....	18
4.6	Remuneration of the auditors for services not related to auditing .....	18

## 1 Introduction

Innofactor Plc is a Finnish public limited company which, in its decision-making and administration, complies with the Finnish Companies Act, other regulations concerning public companies, and the company's Articles of Association.

During the financial period that ended on December 31, 2017, Innofactor Plc complied with the Finnish Corporate Governance Code 2015 for listed companies, published by the Securities Market Association. The Corporate Governance Code is publicly available on the web site of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi), which is referred to at the Innofactor web site. Additionally, Innofactor Plc complies with the Guidelines for Insiders drawn up by the Helsinki Exchange and follows a consistent communications policy.

This Corporate Governance Statement, defined in the Chapter 7, Section 7 of the Finnish Securities Markets Act, will be published separate from the Annual Report.

In the financial period 2017, one deviation, which lasted for part of the financial period, was made as concerns the Corporate Governance Code 2015 published by the Securities Market Association. Deviating from the recommendation 8, representatives of both genders were not elected to Innofactor Plc's Board of Directors before the General Meeting of April 4, 2017, in which the election of the new Board of Directors rectified the situation.

## 2 Descriptions relating to corporate governance

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

#### 2.1.1 Information on the Board members

**Ari Rahkonen**, born in 1963, BBA



Mr. Rahkonen has extensive experience of 28 years on software business both in Finland and globally. His latest position was as the CEO of Microsoft Oy in 2007–2014. Additionally, he has held various management positions and a position in the Executive Board at IBM in 2001–2007, has acted as the Deputy Chairman in the Federation of Finnish Technology Industries in 2011–2014, a Board Member in Cinia Group Oy from May 2016 to June 2017, and the Chairman of the Association of Advertisers since the beginning of 2017. Mr. Rahkonen was selected as the Opinion Leader of the Year in 2011 by the TIVI magazine. Mr. Rahkonen has been a member of Innofactor Plc's Board of Directors since 2015.

Mr. Rahkonen is independent of the company and of the main shareholders.

On December 31, 2017, Mr. Rahkonen owned 30,000 shares in the company.

**Sami Ensio**, born in 1971, M.Sc. (Tech.)



Mr. Ensio has been Innofactor Plc's CEO since December 27, 2010, and before that, he was the founder and CEO of Innofactor Ltd starting from January 1, 2000. He has been a member of Innofactor Plc's Board of Directors since 2010, and before that, he was a member of the Innofactor Ltd's Board of Directors starting from 2000. Member of the Board of Directors of Sovelto Oyj from 2014 to April 2017. Member of the Microsoft Corporation's Partner Advisory Council since 2014. Several positions of trust in the Federation of Finnish Technology Industries and the Confederation of Finnish Industries since 2013. No other important positions of trust.

Mr. Ensio is not independent of the company as he is the CEO of the company and, together with his underage children, the most significant owner of the company with an ownership share of 20,6%. On December 31, 2017, Mr. Ensio and his underage children owned 7,468,823 shares in the company.

**Jukka Mäkinen**, born in 1954, M.Sc. (Econ. & Bus. Adm.)



Mr. Mäkinen acts as a member of the Board of Directors in various companies and also as an angel investor. Mr. Mäkinen has over 15 years of experience on capital investments and over 20 years of experience on IT companies: Siemens-Nixdorf, Oracle, IBM, and Xerox. Mr. Mäkinen has been in the Board of Directors of over 25 different companies and has implemented several acquisitions both in Finland and internationally. Mr. Mäkinen has been a member of the Board of Directors of Innofactor Plc since 2012. No other important positions of trust.

Mr. Mäkinen is independent of the company and of the main shareholders. On December 31, 2017, Mr. Mäkinen owned 91,599 shares in the company.

**Ilari Nurmi**, born in 1975, M.Sc. (Tech.).



Nurmi is the Business Director and a member of the Executive Board in Basware Oyj. Before that, Mr. Nurmi worked for 14 years in managerial positions in Nokia Plc's product management, product marketing, and marketing in Finland and USA. Mr. Nurmi's special strength is his extensive knowledge of international software product management and product business. Mr. Nurmi has been a member of the Board of Directors of Innofactor Plc since 2013. No other important positions of trust.

Mr. Nurmi is independent of the company and of the main shareholders. On December 31, 2017, Mr. Nurmi owned 71,436 shares in the company.

**Pekka Puolakka**, born in 1971, LL.M, attorney at law



Mr. Puolakka has worked in various tasks in different law firms. His main occupation is as a partner in the Law Firm Sorainen in the Baltic countries. Mr. Puolakka has previously been a member of the Board of Directors of Innofactor Ltd (2000–2010), and has been in the Board of Directors of Innofactor Plc in 2010–2014 and again starting from March 24, 2015. No other important positions of trust.

Mr. Puolakka is independent of the company and of the main shareholders. On December 31, 2017, Mr. Puolakka owned 202,511 shares in the company directly and through his company or related parties.

**Anni Vepsäläinen**, born in 1963, M.Sc. (Tech.)



Member of the Board of Directors of Innofactor Plc since April 4, 2017. Ms. Vepsäläinen has extensive experience on managing business operations of service companies and on teleoperator, healthcare service and event management business in Finland and internationally. Ms. Vepsäläinen has been the CEO of The Finnish Fair Corporation since November 2014. She has also worked as the CEO of Diacor terveystalvet Oy in 2008-2014, and in various management positions in TeliaSonera Finland (current TeliaCompany) and its predecessors in 1987-2005. Ms. Vepsäläinen is a member of the Board of Directors in Martela Oyj, the Helsinki Region Chamber of Commerce, and Suomen Messu- ja tapahtumajärjestäjät.

Ms. Vepsäläinen is independent of the company and of the main shareholders. On December 31, 2017, Ms. Vepsäläinen owned 8,108 shares in the company.

## 2.1.2 Description of the operation of the Board of Directors

### Rules of procedure for the Board of Directors

#### 1. General

The tasks and responsibilities of the Board of Directors are based on the Companies Act, Securities Market Act, other laws, Articles of Association, Finnish Corporate Governance Code for listed companies published by the Securities Market Association, NASDAQ OMX Helsinki Exchange's rules for communications and insider management, and the rules of procedure for the Board of Directors.

These rules of procedure were last approved by the company's Board of Directors on May 2, 2017. The Board of Directors will update and change the rules as required.

#### 2. Composition of the Board of Directors

In accordance with the Articles of Association, the company has a Board of Directors, which comprises at a minimum of four (4) and at a maximum of eight (8) members.

The Annual General Meeting elects the members and deputy members for the Board of Directors. The term of the members ends at the end of the following Annual General Meeting, unless an Ex-

traordinary General Meeting decides to replace the Board of Directors before that. A member of the Board of Directors may resign from the task before the end of his/her term. The Board of Directors must be notified of the premature resignation. The General Meeting can dismiss a member of the Board of Directors. If the position of a member of the Board of Directors becomes vacant during the term and there is no deputy member, it is the duty of the remaining members of the Board of Directors to ensure that a new member is elected for the remainder of the term by the General Meeting. If the Board of Directors with its remaining members and deputy members has a quorum, the election may be postponed to the following General Meeting, in which the members of the Board of Directors would be elected in any case.

The Board members elect one of them as a Chairman for a term of one year. The tasks of the Chairman are described in section 5. No deputy chairman has been elected for the Board of Directors as it has been agreed on that the CEO will act as a deputy when the Chairman is absent.

The Board of Directors can name an outsider as a secretary or select a Board member as the secretary. The tasks of the secretary are described in section 6. Unless otherwise agreed on, the CEO will act as the secretary of the Board.

### **3. Familiarization and independence of the Board members**

The CEO explains the company's and group's business operations to the new Board members as soon after the selection as possible. As part of familiarizing the Board members, the company arranges training on securities market law and company law and other regulations concerning the company's operation as necessary.

The Board of Directors assesses the independence of its members as required and makes sure that any lack of impartiality is assessed when necessary.

### **4. Responsibilities of the Board of Directors**

Responsibilities of the Board of Directors and its members are based on the Companies Act and the company's Articles of Association. The Board of Directors has general authority to decide and act in all such matters which are not reserved by the Companies Act or Articles of Association to other corporate governing bodies. The Board of Directors is responsible for the effective organizing of the company and the monitoring of the management of the company according to the best interests of the company and its shareholders.

The main responsibilities of the Board of Directors are as follows:

- Being responsible for the management and proper arrangement of the operation of the company.
- Defining the company's operational tasks and values and approving the company's strategic goals.
- Monitoring the implementation of the operational plan and controlling the company and the efficiency of its management.
- Deciding on major investments, acquisitions, and buying and selling of property.
- Being responsible for proper supervision of the book-keeping and controlling the financial matters of the company.
- Confirming the budget.
- Appointing the CEO (and his/her deputy) or ending his/her term.

- Monitoring the CEO's work and ensuring that the company's management system works.
- Appointing the Executive Board members and deciding on their fees.
- Reviewing and approving interim reports, financial statements and corporate reviews.
- Accepting the company's principles of risk management.
- Taking care of the tasks defined for the appointment and auditing committee.

## **5. Responsibilities of the Chairman of the Board**

The general responsibility of the Chairman of the Board is to lead the Board's work in such a manner that its responsibilities are carried out as efficiently and appropriately as possible. In this function, the Chairman's duties are:

- to ensure that the Board of Directors is operational and has a quorum;
- to monitor the CEO's work and oversee that the CEO is able to perform his/her tasks;
- to convene the meetings in accordance with the meeting plan of the Board of Directors;
- to ensure that the Board of Directors also meets at other times, when necessary, or if a Board member or the CEO so requests;
- to draw up agendas for Board meetings together with the CEO;
- to lead and develop the Board's work, monitor meeting preparations, act as a chairman of a meeting, and ensure that minutes of meeting are written and signed;
- to ensure that statutory tasks and tasks specified in the Articles of Association and decisions related to these are made in time;
- to accept the CEO's representation expenses and other expenses, vacations and other days off;
- to keep in touch with the Board members and the CEO between meetings;
- to keep in touch with the owners and other interest groups as necessary;
- to monitor closely the company's operation and take care of internal control;
- to help create a good atmosphere for the Board of Directors to work in; and
- to ensure that the Board of Directors operates in accordance with the rules of procedure accepted by the Board of Directors.

The Chairman of the Board also approves the compensations paid by the company to the Board members for the expenses related to their work in the Board of Directors. The CEO approves the compensation paid by the company to the Chairman of the Board for the expenses related to the work in the Board of Directors.

## **6. The responsibilities of the secretary of the Board of Directors**

The general responsibility of the Board secretary is to support the Chairman's work in such a manner that it is carried out as efficiently and appropriately as possible. In this function, the secretary's duties are:

- to collect issues to be discussed in a meeting into an agenda;

- to send the agenda to the Board members after the Chairman of the Board and the CEO have approved it;
- to maintain the minutes of Board meetings; and
- to ensure that the minutes of meeting are signed and archived in an appropriate manner.

## **7. Meetings of the Board of Directors**

The Board of Directors makes its decisions in Board meetings.

The Board of Directors meets according to a predefined schedule approximately once a month and, if necessary, arranges additional meetings, which may also be held via conference calls.

For its operation, the Board of Directors draws up a meeting calendar, which includes at least the following meetings:

- January–February
  - The Board's self-assessment concerning its operation during the previous year.
  - Discussing the extensive personnel satisfaction report.
- February–March
  - Meeting for reviewing business operations and updating strategy. In this meeting, the Board members report to the Board of Directors about the results of the previous quarter, customer and personnel satisfaction, changes made in the operation on the basis of these, situation in the current quarter, strategy and business changes to be made for the next quarter, and risks related to the business. For each Board member, 10–20 minutes are reserved for the presentation and 5–10 minutes are reserved for discussion after that. On the basis of the Executive Board's presentation, the Board of Directors discusses about the possible changes in the company's strategy and operation and assesses the risks. The special theme on Q1 is personnel.
  - Annual accounts meeting in which the Board of Directors handles and approves the annual accounts and annual report. In the annual accounts meeting, the company's auditor is also present, except when the assessment of the auditing services, proposal for the auditor, and other possible issues belonging to the general operation of the Board of Directors are discussed.
  - Convening the General Meeting.
- March
  - Regrouping meeting in which the Board of Directors elects one of its members as the Chairman and draws up a meeting calendar.
- April
  - Handling the interim report for the first quarter.
- May
  - Meeting for business review and strategy update in which the special theme on Q2 is customers, processes and quality.
- July–August



- Handling the interim report for the second quarter.
- Meeting for business review and strategy update in which the special theme on Q3 is a more detailed annual review of the strategy.
- September–October
  - Handling the interim report for the third quarter.
- November–December
  - Meeting for business review and strategy update in which the special theme on Q4 is the next year's annual plans and budget.
  - Budget meeting in which the Board of Directors handles and approves the company's budget for the next financial period, the schedule for publishing the annual accounts and, if possible, the preliminary time of the General Meeting.

The meetings may also be held as conference calls or by using other technical devices.

## **8. Convening meetings**

The Chairman of the Board is responsible for convening the meetings. The CEO, together with the Chairman of the Board and with the help of the secretary, takes care of preparing the agenda for a Board meeting. The Board secretary must be notified five business days before the meeting on any issues that are to be dealt with in the meeting.

An invitation to the meeting and materials for the meeting are delivered electronically in such a manner that the Board members receive them at least two business days before the meeting or, whenever possible, the materials for the meeting are delivered to the Board members by 15:00 on the Friday before the meeting.

The invitation includes the agenda, the minutes of the previous Board meeting, the latest monthly financial report, and other possible documents related to the handling of issues on the agenda.

The materials for the meeting and other confidential material relating to the company are not to be sent through unsecured email, unless it is absolutely necessary.

## **9. Handling issues and making decisions in the meetings**

The Chairman of the Board, or if he/she is absent, the CEO, acts as the chairman in the Board meetings.

The Board of Directors handles the issues listed in the agenda of the meeting. In addition to the issues based on these rules of procedure, the Board meeting handles as standard issues the approval and signing of the minutes of the previous meeting, the financial review, and the CEO's situation review.

Other issues than those in the agenda may be handled on the initiative of either a Board member or the CEO. A decision on other issues can be made only, if all Board members accept it.

In addition to the Board members, the CEO, CFO (during issues concerning the financial reporting) and Board secretary are present in the meetings. An issue is presented to the Board of Directors by the CEO or some other person to whom the CEO, with the Board's approval, has delegated the making of the presentation.

Sami Ensio

March 5, 2018

Julkinen

The CEO has the right to be present in the meetings and the right to be heard, unless otherwise decided by the Board of Directors in a specific case. The auditor has the right to be present and the right to be heard at the Board meetings in which issues related to the auditor's tasks are discussed. If necessary, the Board of Directors discusses the company and its development without the operating management being present.

The Board of Directors has a quorum when over half of the Board members are present. Decisions are made by simple majority of votes. All Board members must be reserved an opportunity to participate in the handling of an issue, if possible, in order to ensure that the decision of the Board of Directors is made in an appropriate manner. If the votes are divided equally, the Chairman's vote decides.

If a Board member disagrees with a decision of the Board of Directors, he/she may state a dissenting opinion to be registered to the minutes of the meeting. The dissenting opinion must be stated immediately after the decision has been made.

A Board member or the CEO may not participate in the handling of a contract between him/herself and the company or in the handling of a contract between the company and a third party, if he/she may thereby receive a material benefit, which may be in contradiction with the interest of the company or which is related to a company or other organization in which he/she is a member of the operating management or governing body. The Board of Directors is responsible for taking any lack of impartiality into consideration when necessary. A Board member must also always assess and consider the need for recusing him/herself.

If a Board member is unable to attend, his/her deputy (if one has been elected) must be reserved the same opportunity to participate in handling the issue.

A quorum requires that the invitation has been delivered to all Board members in an appropriate manner. Any inadequacies in the invitation are considered corrected, if all Board members are present in the meeting or if the Board members afterwards accept the decisions, for example, by signing the minutes of meeting.

## **10. Minutes of meeting**

Minutes of meeting with consecutive numbering according to the calendar year are drawn up for the Board meetings. The minutes of meeting must state the time and location of the meeting and the names of Board members present. The Chairman of the Board is responsible for maintaining the minutes of meeting. A person named by the Board of Directors acts as the Board secretary.

The minutes of meeting are kept in the form of a final protocol. For important issues, also the main grounds for the decision are entered into the minutes of meeting or an attachment thereof. Any dissenting opinions, votes and Board member's incompetence due to the likelihood of bias are entered into the minutes of meeting.

All Board members sign the minutes of meeting. The minutes of meeting for a phone meeting are signed by all Board members who took part in handling the issue.

The minutes of meeting without attachments are delivered to the Board members after each meeting when the Chairman of the Board and the CEO have approved the minutes. The goal is to deliver the minutes of meeting within five business days after the meeting. The minutes of meeting will be approved in the next Board meeting.

The minutes of meeting will be stored at the head office of the company for as long as the company shall exist.

### **11. Providing information for the Board of Directors between the meetings**

The CEO is responsible for ensuring that the Board of Directors is notified of the minutes of the Executive Board meetings. The secretary of the Executive Board sends the minutes of meeting to the Board of Directors electronically without delay as soon as the CEO has approved the minutes. The goal is to deliver the minutes of meeting within five business days after the meeting.

It is the CEO's responsibility to keep the Chairman of the Board well informed of the company's daily situation.

The CEO also has the responsibility to inform the company's Board of Directors on his/her own initiative about important matters concerning the company's operation, such as development of sales, significant changes in liquidity and bearing, substantial credit losses, and significant purchases or other contracts.

If necessary, in matters of importance for the company, individual Board members have the right, at the cost of the company, to seek information and advice from independent sources.

### **12. Assessing the operation of the Board of Directors**

The Board of Directors must assess its operation and working methods annually. The assessment is carried out as an internal self-assessment.

The purpose of the assessment is to find out how the operation of the Board of Directors has been carried out and how it can be developed.

### **Number of meetings during the previous financial period**

There were 17 meetings held in 2017.

### **Participation of the members in the meetings**

The members of the Board of Directors were present in the meetings as follows:

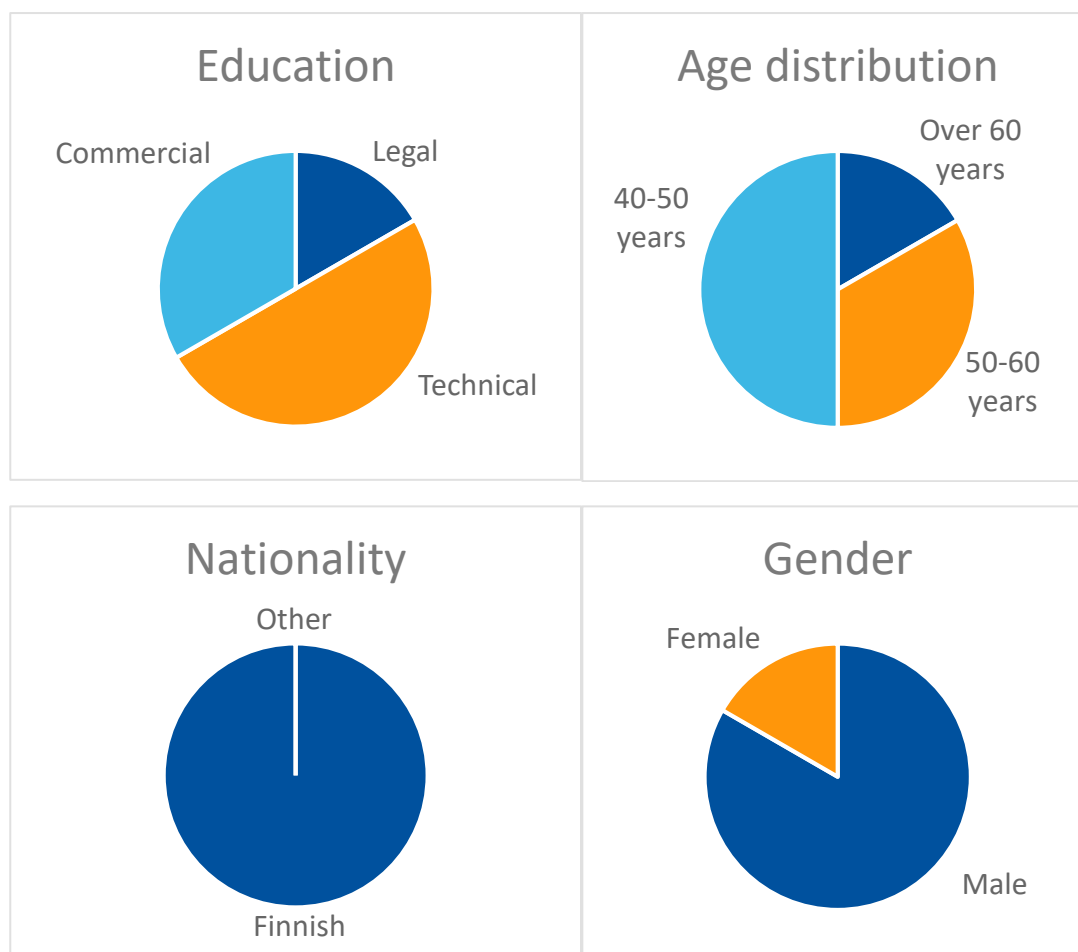
- Ari Rahkonen 17/17 (100%)
- Sami Ensio 17/17 (100%)
- Jukka Mäkinen 17/17 (100%)
- Ilari Nurmi 17/17 (100%)
- Pekka Puolakka 17/17 (100%)
- Anni Vepsäläinen 13/13 (100%) (elected to the Board of Directors on April 4, 2017)

### **The principle concerning the diversity of the Board of Directors**

According to the Articles of Association, the company's Board of Directors has a minimum of four (4) members. In accordance with the Helsinki Exchange's Corporate Governance Code for Finnish listed companies, the composition of the Board of Directors needs to take into consideration the requirements set by the company's operation and the company's developmental stage. A person elected as a Board member must have proper qualifications for the task and must be able to use an

adequate amount of time for performing the task. The number of Board members and the composition of the Board of Directors must enable efficient performing of the Board of Directors' tasks. The Board of Directors must include members from both genders.

The education, age range, nationality and gender of the Board members are presented below.



In addition to the recommendations of the Articles of Association and the Corporate Governance Code, the company's target regarding the diversity of the composition of the Board of Directors is

- To continue maintaining the Board of Directors' diversity as regards education, age range, and representation of both genders.
- The company is not actively seeking to complement the Board of Directors by including other nationalities than Finnish nationals, because this has not been deemed necessary, considering the requirements set by the company's operation and the company's developmental stage. The materials of the Board of Directors are mainly available in Finnish and the meetings are mainly held in Finnish, so participation of people who do not understand Finnish would require significant changes in the operating methods and would incur extra costs. However, in 2016, the company set up a Nordic Advisory Board, which includes representatives from Finland, Sweden, Denmark, and Norway. The Board of Directors meets

the Nordic Advisory Board as necessary in order to ensure a Nordic outlook in the company's operation.

## **2.2 Composition and operation of the committees set up by the Board of Directors**

### **2.2.1 Committees of the Board of Directors**

In its meeting on May 2, 2017, the Board of Directors established a Remuneration Committee and accepted its written rules of procedure, which are available on the company's web site. According to the rules of procedure, the Remuneration Committee makes proposals to the Board of Directors in respect of remunerations of the company's CEO and other executives of the Group as well as on the principles and practices of the employee remunerations. The Remuneration Committee observes and evaluates the competitiveness of the incentive and compensation plans of the Group. The Committee prepares the following matters for the Board of Directors' decision-making:

- 1) Innofactor Plc's CEO's salary, pension terms and conditions, benefits, and other key terms and conditions of the service contract;
- 2) other Group executives' salary, pension terms and conditions as well as benefits, including the management's compensation plan;
- 3) share-based compensation plans; and
- 4) principles and practices of the employee remunerations.

During the financial period that ended on December 31, 2017, the Remuneration Committee consisted of its chairman Ari Rahkonen and members Jukka Mäkinen and Ilari Nurmi. The Remuneration Committee had three meetings on the financial period that ended on December 31, 2017, and all members attended 100% of the meetings.

The Board of Directors has had no other committees.

### **2.2.2 Description of the organ that is responsible for the tasks of an Audit Committee**

The Board of Directors takes care of the tasks of an Audit Committee.

### **2.2.3 Appointment Committee of shareholders**

Innofactor Plc has no Appointment Committee.

### **2.2.4 Supervisory Board**

Innofactor Plc has no Supervisory Board.

Sami Ensio

March 5, 2018

Julkinen

## 2.2.5 CEO and CEO's tasks

### CEO

**Sami Ensio**, born in 1971, M.Sc. (Tech.)



Mr. Ensio has been Innofactor Plc's CEO since December 27, 2010, and before that, he was the founder and CEO of Innofactor Ltd starting from January 1, 2000. He has been a member of Innofactor Plc's Board of Directors since 2010, and before that, he was a member of the Innofactor Ltd's Board of Directors starting from 2000. Member of the Board of Directors of Sovelto Oyj from 2014 to April 2017. Member of the Microsoft Corporation's Partner Advisory Council since 2014. Several positions of trust in the Federation of Finnish Technology Industries and the Confederation of Finnish Industries since 2013. No other important positions of trust.

On December 31, 2017, Mr. Ensio and his underage children owned 7,468,823 shares in the company.

### Description of tasks

The CEO is responsible for the day-to-day management of the company, which consists of managing and controlling the company's business in accordance with instructions and decisions issued by the Board of Directors.

The CEO may not carry out unusual or extensive actions without the specific approval of the Board of Directors, except in situations in which not carrying out the action would cause essential damage to the operations of the company and the approval of the Board of Directors cannot be obtained in time. The Board of Directors must be immediately notified of such actions for which there was no time to wait for the Board's approval.

The main responsibilities of the CEO are:

- to be responsible for the day-to-day management of the company;
- to approve business plans and performance objectives and control their implementation;
- to actively protect the company's interests;
- to ensure the effective functioning of the Board of Directors and to ensure that the members of the Board of Directors receive proper and adequate information;
- to see to it that the accounting and book-keeping of the company complies with the law and that the financial matters are being handled in a reliable manner;
- to report accurately and precisely following the instructions given by the Board of Directors;

- to implement decisions made by the Board of Directors and the General Meeting; and
- to ensure on his/her part that the company respects its legal obligations and regulations.

Even if the CEO is not a member of the Board of Directors, he/she has the right to be present and to be heard in the Board meetings, unless otherwise decided by the Board of Directors in a specific case.

The CEO may not participate in the handling of a contract between him/herself and the company or in the handling of an issue between the company and a third party, if he/she may thereby receive a material benefit, which may be in contradiction with the interest of the company.

## 2.3 Other management

### 2.3.1 Organization of the other management

The company has an Executive Board, which is appointed by the Board of Directors.

The Executive Board is responsible for the following tasks among others:

- Preparing matters for the Board of Directors
- Making important business decisions
- Monitoring the financial situation and reporting to the Board of Directors
- Handling critical sales, projects and customer relationships
- Ensuring adequate personnel resources and operating premises
- Ordering customer and workplace surveys, analyzing them and making proposals for actions
- Making decisions concerning the quality system and processes
- Making decisions concerning the details of the organization
- Ensuring data security

Executive Board members on December 31, 2017:

- Sami Ensio, CEO, temporarily the Group's CFO, responsible for the group business operations, strategy and marketing, and as regards being the deputy CFO, responsible for the financial management
- Vesa Syrjäkari, Development Director, responsible for the Group's operative efficiency and developing the Group's business operations
- Sanna Lindner, Executive Vice President, Human Resources, responsible for the Group's human resources management
- Janne Heikkinen, Technology Director, Executive Vice President, Products and Services, responsible for Innofactor's offering and own products and services
- Jari Hahl, Country Manager, Finland, responsible for Finnish business operations
- Robert Erlandsson (until January 13, 2018), Country Manager, Sweden, the Managing Director of the operative companies in Sweden, responsible for Swedish business operations (since January 13, 2018, this position has been held by Viktor Lundqvist)
- Stig Nerland, Country Manager, Norway, responsible for Norwegian business operations
- Per Bendix Olsen, Country Manager, Denmark, responsible for Danish business operations

## 2.3.2 Personal and ownership information for the other management

**Robert Erlandsson**, born in 1966, M.Sc. (Econ. & Bus. Adm.)  
Country Manager, Innofactor Sweden (until January 13, 2018)



The CEO of Cinteros and one of its founders since 2005. Strong background in building successful and profitable business. Strengths include change management, inspiring management, sales, marketing, and communications. Before Cinteros, had various tasks in several different IT companies, such as CEO in Aaro Systems, CFO in Cygate, and Business Controller in Ericsson.

Mr. Erlandsson owned no shares in the company on December 31, 2017 (according to his own statement).

**Jari Hahl**, born in 1962, Diploma in Business Information Technology  
Country Manager, Innofactor Finland



In Innofactor since February 2016. Has worked previously as Innofactor's Chief Sales Officer (CSO), and the 14 years preceding that in Microsoft Finland as a member of the Executive Board, first responsible for consulting and service business and last the sales to major customers. Strong experience in the IT field after working, before Microsoft, in management positions in Novo Group and as a system architect in SP-palvelut, an IT company focused on the banking field.

On December 31, 2017, Mr. Hahl owned 66,793 shares in the company.

**Janne Heikkinen**, born in 1974, M.Sc. (Tech.)  
Chief Technology Officer (CTO)



In Innofactor since 2015. Responsible for the product and service business (Executive Vice President, Products and Services). Worked previously in Microsoft's international organization in which his last task was being responsible for the Surface product management in San Diego. Also worked for 14 years in Nokia, being responsible for product management and marketing of various Nokia products and software, and working in tasks related to development of Nokia's technology strategies, business operation analyses, and business development.

On December 31, 2017, Mr. Heikkinen owned 83,044 shares in the company.



**Sanna Lindner**, born in 1973, M.A. (Psych.)

EVP Human Resources



In Innofactor since 2017. Main responsibility for human resources management and development of personnel. Worked earlier in international HR management and organization development positions, for example, in Nokia, General Electric, and UPM. Her latest position is as a HR manager at Microsoft in Finland. Previous experience on acquisitions, integration and change management in several different companies.

Ms. Lindner owned no shares in the company on December 31, 2017.

**Stig Nerland**, born in 1979, M.Sc. (Econ. & Bus. Adm.)

Country Manager, Innofactor Norway (Lumagate AS)



In Innofactor since October 2016. Previously the CEO of Lumagate AS since the company was founded in 2012. Before that, he worked in various different positions in Microsoft Norway for 6 years.

Mr. Nerland owned no shares in the company on December 31, 2017 (according to his own statement).

**Per Bendix Olsen**, born in 1958, MBA

Country Manager, Denmark (in addition to his actual position, permanently since January 1, 2018)



Country Manager, Denmark (in addition to his actual position) and the Manager responsible for the Nordic public administration business since August 2017. Country Manager, Denmark (since January 1, 2018) Extensive experience on managerial positions in IT companies, especially in Microsoft, where his latest job was managing international public administration partnerships at the Microsoft's head office in Redmond.

Mr. Olsen owned no shares in the company on December 31, 2017 (according to his own statement).

**Vesa Syrjäkari**, born in 1960, M. Sc.  
Development Director



In Innofactor since September 2017. Responsible for improving profitability and focuses on ensuring that the already made plans for improving effectiveness in business units are implemented successfully. A returnee from the Microsoft head office and one of the highest-ranking Finns ever in the Microsoft's international organization, his last task was to be responsible globally on the efficiency of Microsoft sales to major customers.

On December 31, 2017, Mr. Syrjäkari owned 50,000 shares in the company.

### **3 Descriptions of the main features of the internal monitoring procedures and risk management systems**

#### **3.1 General description of the risk management**

Innofactor's operations, finances and shares involve risks that may be significant for the company and its share value. These risks are assessed by Innofactor Plc's Board of Directors four times a year as part of the strategy and business planning process. The risks are published in their entirety in the financial statement and in the Annual Report of the Board of Directors. The interim reports only present the changes in short term risks.

On June 22, 2015, the Board of Directors approved the Group's risk management process. The risk management process defines the goals, principles, procedures, organization and responsibilities of risk management. Risks are identified, assessed, monitored and reported in the Group systematically, as part of the business operations, on the group, company and unit levels in all operating countries. Business goals and possibilities are the basis for identifying risks. Identified risks are prioritized by assessing the effects of the risks in euros and the probability of the realization of the risks. Persons responsible for the risk management actions are named and it is their responsibility to take care of planning, implementation and monitoring. The risk management process also defines the reporting of risks within the Group.

#### **3.2 General description of the internal monitoring**

It is the duty of the Innofactor Plc's Board of Directors to take care that the monitoring of the Group's book-keeping and financial control have been properly arranged. The Chairman of the Board is responsible for the internal monitoring of the Group and reports any findings to the Board of Directors. The internal monitoring in the Group is implemented by the Board of Directors together with the CEO. Internal monitoring is based on procedures and reporting, which are implemented on different levels of the subsidiaries' organizations. For monitoring purposes, there is a

reporting system, according to which information is produced concerning the Group's business operations and subsidiaries. The reporting system is used for trying to ensure the legality of the company's operations, compliance with regulations and reliability of financial reporting.

## 4 Other information to be provided in the Corporate Governance Statement

### 4.1 Internal inspection

The Board of Directors decided on November 23, 2015, that the internal inspection is part of the General Counsel's responsibilities starting from January 1, 2016. The internal inspection systematically finds out and verifies the efficiency of risk management, monitoring, management and administration in the group. The internal inspection is based on risk analyses and risk management and monitoring discussions with the Group and business management. The Board of Directors names a member who is responsible for the internal inspection and to whom the General Counsel reports the inspections carried out, the results and the agreed on actions. An annual summary is drawn up for the entire Board of Directors and, additionally, significant findings are reported to the Board of Directors immediately or during the next meeting, depending on the urgency of the issue.

### 4.2 Possible decision-making concerning transactions with related parties

There were no transactions with related parties in Innofactor in 2017.

### 4.3 Main procedures of insider management

Innofactor complies with the EU Market Abuse Regulation (MAR), rules and guidelines of the Financial Supervisory Authority, and the [insider regulations](#) for listed companies published by the Helsinki Exchange. The coordination and control of insider issues are the responsibility of the Innofactor's General Counsel.

Innofactor maintains a list, as required by the MAR, of the persons in the company's management who are required to inform the company and the Financial Supervisory Authority of any transactions they have made on the financial instruments issued by the company. The company's list of persons, which the MAR obligates to disclose any transactions, includes the members of the Board of Directors, the CEO, and the members of the Group's Executive Board. According to MAR, also persons close to these persons are included in the company's list of persons with the obligation to disclose. The management personnel with the obligation to disclose may not trade financial instruments issued by the company during the 30-day closed window preceding the publishing of an interim report or financial report or during an insider project.

The company maintains insider lists for each contract-specific or transaction-specific insider information. Persons on the insider list may not trade financial instruments issued by the company during the project in question.

Sami Ensio

March 5, 2018

Julkinen

According to the company's guidelines, the persons participating in the financial reporting may not trade financial instruments issued by the company during the 30-day closed window preceding the publishing of an interim report or financial report.

The company's management must time their trading on financial instruments issued by the company in such a manner that it does not diminish general trust to the market. It is recommended that the persons in the company's management only make long-term investments in financial instruments issued by the company.

#### **4.4 Name of the auditor**

The Annual General Meeting of Innofactor Plc on April 4, 2017, elected Authorised Public Accounting Firm PricewaterhouseCoopers Oy as the auditor of the company for the financial period of January 1–December 31, 2017. The principal accountant is Samuli Perälä, APA.

#### **4.5 Remuneration of the auditors**

The Annual General Meeting decided to pay the auditing fees according to the invoicing. In 2017, the auditor was paid a total of EUR 133 thousand in fees.

#### **4.6 Remuneration of the auditors for services not related to auditing**

The auditor was paid a total of EUR 43 thousand in fees for services not related to auditing.