

## CORPORATE GOVERNANCE STATEMENT 2017

### General

The governance of Taaleri Plc (hereinafter Taaleri or the Company) is based on Finnish legislation, Taaleri's Articles of Association and the Finnish Corporate Governance Code 2015. Taaleri has one series of share and the shares have been traded on the main list of the Helsinki Stock Exchange since 1 April 2016, and until then since 2013, in the First North market operated by Nasdaq Helsinki Oy. The Company observes the rules and regulations concerning listed companies issued by Helsinki Stock Exchange as well as the regulations of the Finnish Financial Supervisory Authority.

Taaleri departs from the Finnish Corporate Governance Code [RECOMMENDATION 15] such that the Nomination Committee of the Board of Directors includes one member, Pertti Laine, from outside the Board of Directors. He is a significant shareholder and a long-term member of the Company's Board of Directors. He has sufficient expertise of the Company's affairs and of board work.

The Finnish Corporate Governance Code 2015 can be viewed on the Securities Market Association website at [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/).

This statement is published separately from the Report of the Board of Directors.

### Statement for 2017

#### Governance structure

The administration, management and supervision of Taaleri Plc are divided between the General Meeting of Shareholders, the Board of Directors and the CEO. An internal audit unit reporting to the Board of Directors is responsible for internal auditing, and external auditing is carried out by auditors. The CEO manages operational business with the assistance of the Executive Board.

#### General Meeting of Shareholders

The General Meeting of Shareholders is Taaleri Plc's ultimate decision-making body. Each of the Company's shares entitles its holder to one vote at a General Meeting. The Company's Annual General Meeting was held on 29 March 2017. The meeting was attended by a total of 216 shareholders, representing 53.0% of the Company's shares and votes. The minutes of the Annual General Meeting can be viewed on the Company's website at [www.taaleri.com/en/investor-relations/general-meetings](http://www.taaleri.com/en/investor-relations/general-meetings).

Matters to be resolved at the Annual General Meeting include the election of Members of the Board of Directors and the auditor, the remuneration to be paid to them, the adoption of the financial statements and consolidated financial statements, the release of the Board members and the CEO from liability, and the disposal of profits shown in the balance sheet.

A General Meeting may also deal with other matters specified in the Finnish Limited Liability Companies Act as being the business of General Meetings, such as increases or decreases of the share capital, issuances of shares, acquisitions of own shares, and amendments to the Articles of Association. In addition, General Meetings deal with matters included on the agenda by shareholders as set out in the Limited Liability Companies Act. An Extraordinary Meeting of Shareholders is convened when the Board of Directors considers it necessary or when one must be convened by law.

The CEO, the Chairman of the Board and Board members attend General Meetings in order to ensure that the shareholders and the administrative bodies of the Company can interact and shareholders can exercise

their right to ask questions. Nominees for election to membership of the Board of Directors must be present at the General Meeting that decides on their election.

## Board of Directors

Taaleri's Board of Directors comprises from three to eight members, who are elected by a General Meeting of Shareholders. Board members elect a Chairman of the Board from amongst their number. The term of office of a Board Member begins at the General Meeting at which he or she is elected, and ends at the close of the next Annual General Meeting. The Board of Directors evaluates the independence of its members and announces which of its members have been deemed to be independent of the Company and of its major shareholders.

On 29 March 2017, the Annual General Meeting elected six Board members. The following were re-elected as Board members:

- Peter Fagnäs, LL.M., b. 1952. Main occupation: Chairman of the Board, Hermitage Ltd
- Esa Kiiskinen, Graduate in Business, b. 1963. Main occupation: Chairman of the Board, Kesko Corporation
- Juha Laaksonen, BA, b. 1952. Main occupation: Professional Board Member
- Vesa Puttonen, D.Sc.(Econ.), b. 1966. Main occupation: Professor of Finance, Aalto University, School of Business
- Hanna Maria Sievinen, M.Sc.(Econ.) and MA, b. 1972. Main occupation: Independent Advisor

In addition, the following elected as a new Member of the Board:

- Tuomas Syrjänen, M.Sc.(Eng.), b. 1976. Main occupation: CEO, Futurice Oy

The Board of Directors elected from amongst their number Peter Fagnäs as Chairman of the Board and Juha Laaksonen as Vice Chairman of the Board.

All Board members are independent of the Company and major shareholders.

The Board of Directors convened 12 times in 2017. Board members were present at meetings of the Board as follows:

- Peter Fagnäs 12/12 (participation percentage 100%)
- Esa Kiiskinen 12/12 (participation percentage 100%)
- Juha Laaksonen 10/12 (participation percentage 83%)
- Pertti Laine (until 29 March 2017) 3/3 (participation percentage 100%)
- Vesa Puttonen 12/12 (participation percentage 100%)
- Hanna Maria Sievinen 12/12 (participation percentage 100%)
- Tuomas Syrjänen (as of 29 March 2017) 9/9 (participation percentage 100%)

The Board has prepared a charter on its activities, specifying the key tasks and operating principles of the Board and its Chairman. The Chairman of the Board ensures and supervises that the Board efficiently and appropriately discharges the tasks prescribed for it in legislation, the Articles of Association and the charter.

The Board is responsible for the administration and supervision of the Company's operations in accordance with the Finnish Limited Liability Companies Act, the Articles of Association and other applicable legislation, rules and regulations. The Board decides on far-reaching and fundamentally important matters affecting the Group, including

- assessing the Company's strategic direction and deciding on it

- approving the strategic plans of the Company and its business areas and assessing their implementation annually
- assessing and approving the Company's financial targets and major Group-level plans and transactions, and at the same time setting limits on investments, divestments and financial commitments that cannot be exceeded without the Board's approval
- supervising the assessment and management of risks to the Company's strategy and operations
- ensuring that the Company has specified operating principles for internal monitoring, and supervising the effectiveness of monitoring
- appointing the CEO and Deputy CEO and deciding on their dismissal

The charter of the Board of Directors can be viewed in its entirety on the Company's website at <https://www.taaleri.com/en/investor-relations/governance/board-of-directors>.

The Board meets regularly according to a meeting schedule confirmed in advance, and also when necessary. The Board has a quorum when more than half of the members are present. The CEO and the Head of Legal and Compliance, who serves as the Secretary of the Board, participate in meetings of the Board. Other members of Taaleri's Executive Board participate in Board meetings on the invitation of the Board.

The Board conducts an annual assessment of its activities and working procedures and develops its activities based on the results of the assessment.

## **Diversity of the Board of Directors**

### *Purpose of diversity of the Board*

Diversity of the Board supports the Company's business operations and its development. Diversity strengthens the activities of the Board by elucidating the views on the Company's development and business management of individuals of different ages, educational backgrounds and experience. Diversity increases open discussion and strengthens the decision-making of Board members.

### *Taking diversity into account in electing Board members*

The Board prepares for General Meetings a proposal on the number of Board members, the individuals to be elected members, and the remuneration of the Board.

When preparing proposals for General Meetings, the Board must take into account the requirement for diversity. In its preparatory work, the Board must assess the requirements set for the qualifications of Board members in the light of the Company's situation and assess how sufficiently diverse the Board is in terms of factors such as the experience of the Board members, their knowledge of the Company's business operations and their education as well as age and gender distribution. Board members must have sufficient expertise and experience as well as the opportunity to devote enough time to Board work, considering the current and planned needs of the Company. The Board must have an adequate number of members.

It is Taaleri Plc's objective that both genders will be represented by at least 1/3 of Board members by 2020. In the longer term, the objective is to move towards a gender distribution where both genders are equally represented on the Board of Directors.

The Board members must have a range of different areas of expertise that support the achievement of the Company's current strategic objectives. In addition to knowledge of the fields of business, these areas of expertise include:

- finance and treasury

- business management
- strategy development and management as well as
- knowledge of capital market operating mechanisms

Board members must have sufficient education that supports the Company's operations and achievement of objectives. A majority of the Board members must be independent of the Company. At least two members who are independent of the Company must also be independent of the Company's major shareholders.

### *Realisation of diversity*

The Company has fulfilled the requirements for diversity in the composition of the Board of Directors. Five members of Taaleri's Board of Directors have a university degree representing economy and law. The Board members represent extensively experience of the capital markets, business, industry and engineering, and dynamism of society as well as versatile entrepreneurial experience. The Board consists of five males and one female. The Board members have an average age of 53.5 years. Of the terms of office of Board members, the longest is over nine years (Chairman of the Board Peter Fagernäs, who is one of the Company's founders) and the shortest is one year, with the median being 3.5 years.

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

In its meeting on 29 March 2017 the Board of Directors decided to establish Nomination Committee, addition to the earlier established Audit Committee and Remuneration Committee. Vesa Puttonen was elected as Chairman and Hanna Maria Sievinen and Tuomas Syrjänen as members of the Audit Committee. Peter Fagernäs was elected as Chairman and Esa Kiiskinen and Juha Laaksonen as members of the Remuneration Committee. Peter Fagernäs was elected as Chairman and Juha Laaksonen and Pertti Laine as members of the Nomination Committee.

The functions and responsibilities of the Audit Committee concern the monitoring of the company's processes of financial reporting, bookkeeping, auditing, financial reporting, internal control, internal auditing, and risk management.

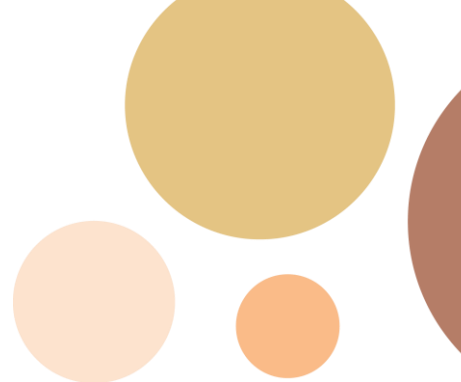
The functions and responsibilities of the Remuneration Committee concern the remuneration of the CEO, Deputy CEO and the Group's Executive Management Team, the preparation and monitoring of Taaleri Group's incentive schemes, successor planning and the monitoring of the conformity to requirements of remuneration.

The functions and responsibilities of the Nomination Committee concern the proposals for the appointment of the members of the Board of Directors and their remuneration to the Annual General Meeting.

### **CEO**

It is the task of the CEO to attend to the practical management of Taaleri's business operations and to organise administration. He is responsible for preparing matters to be dealt with and decided by the Board of Directors, implementing the decisions of the Board and achieving the goals set by the Board of Directors. The CEO ensures that the Company's bookkeeping complies with the applicable law and that management of funds is handled in a reliable manner. The CEO also serves as the chairman of Taaleri's Executive Board. The Board of Directors appoints the CEO and Deputy CEO and relieves them of their duties.

Since the founding of the Company in 2008, Taaleri Plc's CEO has been Juhani Elomaa M.Sc.(Pol.), eMBA (b. 1960). Taaleri Plc's Deputy CEO is Karri Haaparinne BBA, eMBA (s. 1967).



## Executive Board

Taaleri's Executive Board assists the CEO in planning operations and in operational management and decision-making. It also prepares matters to be dealt with by the Company's Board of Directors. The Executive Board deals with matters concerning business operations as well as the development and supervision of operations.

Executive Board 2017:

- Juhani Elomaa CEO, b. 1960, M.Sc.(Pol.), eMBA, in Taaleri's service since 2008
- Karri Haaparinne, Deputy CEO, b. 1967, BBA, eMBA, in Taaleri's service since 2008
- Vesa Aho, Managing Director, Garantia Insurance Company Ltd, b. 1974, M.Sc.(Econ.), in Taaleri's service since 2015
- Jorma Alanne, Executive Vice President, Asset Management Segment (as of 1 April 2016), b. 1963, M.Sc.(Econ.), in Taaleri's service since 2016
- Janne Koikkalainen, Head of Legal and Compliance, b. 1971, LL.M, in Taaleri's service since 2008
- Petri Lampinen, Managing Director, Taaleri Wealth Management Ltd, b. 1967, BBA, Licensed Real Estate Agent, in Taaleri's service since 2008
- Minna Smedsten, CFO, b. 1976, M.Sc.(Econ.), in Taaleri's service since 2013

Head of Legal and Compliance serves as Secretary to the Executive Board. The Executive Board met 20 times in 2017.

## Remuneration

The Annual General Meeting decides on the remuneration paid to the members of the Board of Directors. The Company's Board of Directors decides on the terms of service and employment of the CEO, Deputy CEO and members of the Executive Board as well as their other compensation. More detailed information on remuneration can be found in the Remuneration Statement published on Taaleri Plc's website at [www.taaleri.com/en/investor-relations/](http://www.taaleri.com/en/investor-relations/).

## Auditing

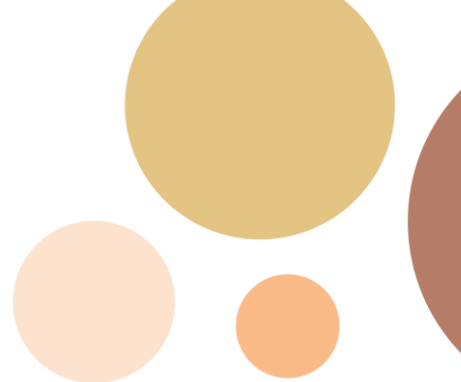
The auditor is elected at the Annual General Meeting to a term of office that ends at the close of the next Annual General Meeting following the auditor's election. In a public limited company, at least one auditor elected by the Annual General Meeting must be an authorised public accountant or an authorised public accounting firm. On 29 March 2017, the Annual General Meeting elected Ernst & Young Oy, Authorised Public Accountants, as the Company's auditor, with Ulla Nykky, Authorised Public Accountant, as the auditor-in-charge.

In 2017, the auditor was paid auditing fees of approximately EUR 293,000. In addition, the auditor was paid approximately EUR 57,000 for other services (including all the companies belonging to the same group).

## Insiders and insider administration

The Company complies with insider and trading guidelines approved by the Board of Directors.

The list of persons in the Company's insiders' immediate circles includes the members of the Board of Directors, the CEO and the Deputy CEO, the auditor-in-charge of the auditing firm, and the current members of the Executive Board. As required by law, the list of persons in the Company's insiders' immediate circles contains information on the Company's insiders, persons in their immediate circles, and organisations in which they exercise control or influence. In addition, the Company has project-specific insider lists.



Taaleri has specified an insider administration organisation, which includes the person responsible for insiders and the custodian of the insider list. The insider administration function maintains lists of the insiders and persons in their immediate circles, as well as regularly examines the information on insiders and persons in their immediate circles, and announces closed and possible open windows for trading in the Company's shares.

Insiders may not acquire or convey Taaleri securities between the end of reporting period and the publication of a financial statement release or half year financial report (closed window). The closed windows begin 1 January and 1 July and end at the publication of financial statements and a half year financial report respectively.

The project-specific insiders should not trade in Taaleri's securities while the project is pending. It is recommended that investments of insiders in Taaleri's securities should be long-term.

### **Taaleri's internal control and risk management systems for financial reporting**

Taaleri continuously monitors its functions to ensure that the result of its operations is reliable. The objective of internal control is to ensure that the Company's operations are efficient and productive, reporting is reliable and that laws and regulations are complied with. However, the internal control system cannot provide full certainty that realisation of risks can be prevented.

Taaleri's business operations are guided by consistent Group-wide business principles, decision-making authorisations and the Company's values. Internal control is founded on a healthy corporate and management culture as well as specified reporting and its justifications. In particular, internal control is based on financial reports, management reports, risk reports and internal audit reports. The Company's main operations are directed by means of written internal operating policies and procedures.

Taaleri's business is based on three operational segments: wealth management, financing and energy. Taaleri's income consists of fee and commission income, net income from insurance operations of financing, and other operating income. Other operating income includes net gains or net losses on trading in securities and foreign currencies, return on equity, interest income and sale of projects.

### **Financial control**

In matters concerning internal control and risk management, the highest decision-making body is the Board of Directors of Taaleri Plc, which is responsible for ensuring that the Group's internal control and risk management are appropriately organised. The Board of Directors approves the Group's business strategy, operating plans and authorisation- and decision-making system, and confirms the business objectives, guidelines and budget in conjunction with the Group's strategy.

The Board of Directors is responsible for the monitoring of Taaleri Group's financial reporting. The Audit Committee supports the Board's practical work. The tasks of the Audit Committee include the monitoring of financial reporting, monitoring of internal control and internal audit, regular evaluation of risk management, and monitoring of auditing.

Taaleri Group's accounting and financial reporting are concentrated in the Group's financial administration. In a concentrated fashion, the Group's financial administration is responsible for financial accounting and management reporting. Financial development is reported to the Management Teams and the Board of Directors on a monthly basis. The Group's financial administration is also responsible for segment development monitoring and reporting.



Taaleri's consolidated financial statements have been prepared observing the International Financial Reporting Standards (IFRS). International accounting standards refer to those standards and interpretations which have been approved in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council. In addition to the IFRS standards, regulations and guidelines applied to investment service companies are applied to the preparation of Taaleri Group's financial statements. The half year financial report is published in accordance with the IAS 34 standard. The guidelines and accounting principles governing financial reporting are applied in all Group companies.

An external auditor audits financial reporting on a regular basis and reports directly to the Board of Directors. In ensuring the effectiveness and appropriateness of operations, a key control process is monthly financial reporting, in which actual results are compared with the budget. Also the outlook of the reporting period, the implementation of strategic projects and other material issues are monitored.

The financial management and control of operations are supported and coordinated by the Group's financial management function. Taaleri has prepared Group-level reporting models for standardising the financial reporting of the business operations. The reports of the business operations seek to ensure that control covers all important areas of business. This ensures that any deviations from financial objectives are identified, communicated and reacted to efficiently, in an effective, consistent and timely manner.

Financial control measures also include management's on-going business control procedures. Financial reports define the key financial indicators that aim to measure and support business efficiency and consistency and to monitor the achievement of set objectives.

The Board of Directors has approved the Group's internal decision-making authorisations.

## **Reliability of financial reporting**

Monitoring of the reliability of financial reporting is based on the principles and instructions Taaleri has specified for the financial reporting process.

Taaleri reports on a Group level and the IFRS standards are applied to regularly published reports. The interpretation and application of financial reporting standards are centralised in the Group's financial management function, which maintains Taaleri's Accounting Manual. The Group's financial management unit oversees compliance with financial reporting standards and instructions.

The supervision of budgeting and reporting processes is based on Taaleri's budgeting instructions. The Group's financial management function is responsible for preparing and maintaining these instructions on a centralised basis. The principles are applied consistently throughout the Group.

## **Internal audit**

Internal audit is Taaleri Group's assurance function, which is independent of companies' operational activities. Internal audit is a function established by the Group's Board of Directors and it operates administratively under the Group's CEO. Taaleri Group has outsourced the practical implementation of the Group's internal audit to an external service provider. The Group compliance function is responsible for execution of audit plan approved by the Board of Directors. In 2017, LL.M Jukka Kokko acted as Group Compliance Officer.

Internal audit work is an independent and objective assessment and assurance activity whose task is to verify the adequacy, effectiveness and efficiency of internal control. Internal audit work supports the Group's senior and operational management (Board of Directors, CEO, supervisors) in steering and supervising operations.

The aim of the Group's internal audit is to support the Group in achieving its objectives by offering a systematic approach to assessing and developing the effectiveness of risk management, monitoring and corporate governance processes. A further goal of internal audit is to produce added value for the organisation and to improve its operations. Responsibility for the effectiveness and adequacy of supervision rests with the Group's Board of Directors, however.

Internal audit work is directed at the internal control, risk management and corporate governance processes of all of the organisation operations. Via audit activity, internal audit provides for the Company's senior and executive management the information necessary for decision-making and supervision, and strives to prevent actions, errors and abuses contrary to the rules.

The tasks of internal audit include:

- assessing the adequacy and effectiveness of control procedures
- assessing the effectiveness of risk management and compliance
- assessing the adequacy of supervisor control
- assessing the economy and efficiency of resource allocation
- assessing means to safeguard assets
- assessing the comprehensiveness and reliability of the capital adequacy management process as well as the sufficiency and effectiveness of control procedures

## Risk management system

The function of risk management is to identify, evaluate, measure, limit and monitor risks caused by business operations that affect the implementation of the Group's strategy. Risk management aims to reduce the probability, impact and threat to Taaleri Group's business of unforeseen risks being realised, and to support the achievement of the targets set in the strategy by ensuring that the principles approved by Taaleri Plc's Board of Directors are observed in business operations. Taaleri Group's risks are divided into five main categories: strategic and business risk, credit risk, liquidity risk, market risk, and operating risks (including compliance risk). The principles of Taaleri's risk and capital adequacy management are described in Note 37 to the financial statements.

Taaleri Group's risk-carrying capacity comprises an optimal capital structure, profitability and qualitative factors of business operations, which also includes, among other things, reliable corporate governance, internal control and the anticipatory management of risks and capital adequacy. Taaleri Group's view of risk-taking is based on considered risk/profit thinking. In its operations, the Group must not take risks that endanger the target level set for the capital adequacy ratio of its own funds (1.5 times the minimum imputed level of own funds or 1.1 times the minimum internal level of own funds).

## Share ownership on 31 December 2017

Members of the Board of Directors

- Peter Fagernäs, no shares
  - Ownership of controlled undertaking (Hermitage Ltd), 2,503,128 shares
- Esa Kiiskinen, 78,891 shares
  - Ownership of controlled undertaking (Saija ja Esa Kiiskinen Oy), 78,891 shares
  - Ownership of controlled undertaking (Saija Kiiskinen Oy), 74,714 shares
- Juha Laaksonen, no shares
  - no controlled undertakings
- Vesa Puttonen, no shares



- Ownership of controlled undertaking (Enabla Oy), 182,224 shares
- Hanna Maria Sievinen, 3,000 shares
  - no controlled undertakings
- Tuoma Syrjänen, 2,500 shares
  - no controlled undertakings

## CEO and Deputy CEO

- Juhani Elomaa, 1,804,175 shares
  - Ownership of controlled undertaking (E-Capital Oy), 266,656 shares
- Karri Haaparinne, 1,502,092 shares
  - Ownership of controlled undertaking (Xabis Oy), 167,683 shares

## Other Executive Board members

- Vesa Aho, no shares
  - no controlled undertakings
- Jorma Alanne, no shares
  - Ownership of controlled undertaking (Alanne Capital Oy) 1,000 shares
- Janne Koikkalainen, 10,000 shares
  - no controlled undertakings
- Petri Lampinen, 508,328 shares
  - no controlled undertakings
- Minna Smedsten, 7,500 shares
  - no controlled undertakings

Members of the Board of Directors own together with their controlled undertakings 2,923,348 Taaleri Plc's shares, representing a total of 10.3% of the Company's shares and votes. The CEO, his deputy and the rest of the Executive Board own together with their controlled undertakings and related parties 4,267,434 Taaleri Plc's shares, representing a total of 15.1% of the Company's shares and votes. In addition, Taaleri Plc owns a total of 45,000 of its own shares, representing 0.16% of the Company's shares.