

**TAALERI**

**CORPORATE GOVERNANCE  
STATEMENT**

17 February 2021

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## I. INTRODUCTION

Taaleri Plc (hereinafter “Taaleri” or “Company”) is a Finnish public limited company, which is listed on Nasdaq Helsinki (hereinafter “Helsinki Stock Exchange”).

In addition to the laws and regulations applicable to listed companies, the regulations of the Finnish Financial Supervisory Authority and Taaleri’s Articles of Association, the Company adheres to the Securities Market Association’s Finnish Corporate Governance Code (hereinafter “Corporate Governance Code”), which is publicly available on the Association’s website at [www.cgfinland.fi](http://www.cgfinland.fi).

Taaleri’s Board of Director’s Audit Committee has approved this Corporate Governance Statement on 12 February 2021. The Statement is available on the Taaleri website under Corporate Responsibility and Document Archive (<https://www.taaleri.com/en/corporate-responsibility/document-archive>). The Statement was prepared as a separate document from the Board’s Annual Report.

In 2020, Taaleri complied with the Corporate Governance Code without exception.

## II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

The administration, management and supervision of Taaleri are divided between the General Meeting of Shareholders, the Board of Directors and the CEO. The CEO manages operational business with the assistance of the Executive Management Team.

### General Meeting of Shareholders

The General Meeting of Shareholders is Taaleri’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 18 May 2020. The meeting was attended by 15 shareholders, who were represented either in person, through a legal representative or by proxy, representing 5,083,911 shares and votes (17.9% of the Company’s total number of shares and votes (a total of 28,350,620)). The minutes of the Annual General Meeting can be viewed at <https://www.taaleri.com/en/corporate-responsibility/governance/general-meetings>.

In order to prevent the spread of the COVID-19 pandemic, shareholders were strongly encouraged to consider absences from the venue, as the meeting could only be organised if the number of members of the General Meeting on-site was within the meeting limits set by the authorities. Instead of attending at the meeting venue, shareholders had the opportunity to vote in advance or to authorise a representative elected by the Company to represent themselves at the General Meeting. In addition, the shareholders were able to follow the General Meeting by video link and to ask the Company in advance in writing questions about the issues to be discussed at the General Meeting. The General Meeting was kept as short as possible and dealt only with matters that were necessary in accordance with the notice of the General Meeting.

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 on 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.

## Board of Directors

### Composition of the Board of Directors and member details

In accordance with Taaleri's Articles of Association, the Board comprises a minimum of three and a maximum of eight actual members. The Annual General Meeting selects the members of the Board. As stated in the Articles of Association, the Chairman of the Board of Directors and Vice Chairman of the Board of Directors are elected by the General Meeting. 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.

On 18 May 2020, the Annual General Meeting elected six Board members. The following were re-elected as Board members:

Name	Year of birth	Education	Main position
Juhani Elomaa	1960	M.Pol.Sc., eMBA	Chairman of the Board, Taaleri Plc
Juha Laaksonen	1952	BA	Professional Board Member
Elina Björklund	1970	M.Sc.	Managing Director, Reima Oy
Hanna Maria Sievinen	1972	M.Sc. (Econ.), MA	Professional Board Member
Tuomas Syrjänen	1976	M.Sc. (Tech.)	Founding member, Future Oy

The following were elected as new Board members:

Name	Year of birth	Education	Main position
Petri Castrén	1962	LL.M., MBA	CFO, Kemira Oyj

The Annual General Meeting elected Juhani Elomaa as Chairman of the Board and Juha Laaksonen as Vice Chairman. Peter Fagernäs (b. 1952, LL.M., Chairman of the Board of Hermitage & Co Oy) and Vesa Puttonen (b. 1966, D.Sc. (Econ.), Professor of Finance at Aalto University School of Business) served as Board members until 18 May 2020.

### Board's assessment on the independence of each member

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. According to the Board of Directors' assessment, all members of the Board of Directors are independent of the company and the company's significant

shareholders, with the exception of Juhani Elomaa, who has been working with the company for the last three years and is therefore not independent of the company.

## Ownership information of the Board members and their controlled undertakings

The shares and share-based rights of the Board members and companies over which they exercise control in the Company at the end of the financial period 31 December 2020:

- Juhani Elomaa: 1,723,278 shares
  - Ownership of controlled undertaking (E-Capital Oy), 266,656 shares
- Juha Laaksonen: no shares
  - No controlled undertakings
- Elina Björklund: 12,000 shares
  - No controlled undertakings
- Hanna Maria Sievinen: 7,900 shares
  - No controlled undertakings
- Tuomas Syrjänen: 7,782 shares
  - No controlled undertakings
- Petri Castrén: no shares
  - No controlled undertakings

Members of the Board of Directors, together with their controlled undertakings, own a total of 2,017,616 Taaleri shares, representing 7.11% of the Company's shares and votes.

## Description of the Board of Director's operations

### Duties and charter of the Board of Directors

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 of Directors controls and supervises the Company's executive management, appoints and dismisses the CEO, approves the company's strategic objectives and risk management principles and ensures the operation of the management system.

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 monitors that the Board efficiently and appropriately discharges the tasks prescribed for it in the legislation, Corporate Governance Code, the Articles of Association and the charter.

The main duties of the Board of Directors are:

- to assess the Company's strategic direction and to decide on it

- to approve the strategic plans of the Company and its business segments as well as their business and financial targets, and to annually assess their implementation
- to monitor the development of the operational business of the Group companies
- to make significant investment decisions
- to approve the Company's Corporate Governance and related governance principles
- to appoint the CEO and Deputy CEO and to decide on their dismissal
- to appoint the members of executive management reporting directly to the CEO
- to decide on the contracts of service and remuneration of the CEO and Deputy CEO
- on the proposal of the Remuneration Committee, to decide on the incentive scheme principles and the incentive schemes themselves

The essential content of the Board of Directors' charter is described at the address <https://www.taaleri.com/en/corporate-responsibility/governance/board-of-directors-and-committees>.

## **Board of Directors' activities during the 2020 financial period**

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

The Board of Directors convened 21 times in 2020. Board members were present at meetings of the Board as follows:

- Juhani Elomaa 21/21 (participation percentage 100%)
- Juha Laaksonen 21/21 (participation percentage 100%)
- Hanna Maria Sievinen 21/21 (participation percentage 100%)
- Tuomas Syrjänen 21/21 (participation percentage 100%)
- Elina Björklund 20/21 (participation percentage 95%)
- Petri Castrén 9/9 (participation percentage 100%)
- Peter Fagernäs 12/12 (participation percentage 100%)
- Vesa Puttonen 12/12 (participation percentage 100%)

## **Principles regarding the diversity of the Board of Directors**

### ***Purpose of diversity of the Board***

Diversity of the Board supports the Company's business operations and their 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 Shareholders' Nomination 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 Shareholders' Nomination 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 of Directors 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.

According to the diversity principles of Taaleri's Board of Directors, the Board must consist of at least one-third of both genders, and the aim is to transition towards a fully equal gender distribution over time.

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
- 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. All members of Taaleri's Board of Directors have university-level degrees in business, law, politics and/or engineering. The Board members extensively represent experience with the capital markets, business and societal structures as well as versatile entrepreneurial experience. The Board consists of four men and two women. The Board members have an average age of 55 years. The longest term of office of the members of the Board has lasted for eight years (Vice Chairman of the Board Juha Laaksonen) and the shortest less than a year.

## **Composition and activities of the committees set by the Board of Directors**

Taaleri's Board of Directors has two committees, which assist the Board by preparing matters pertaining to the Board. The duties and operating principles of the committees are defined in the committee procedures, the essential content of which is presented on the Company's website at <https://www.taaleri.com/en/corporate-responsibility/governance/board-of-directors-and-committees>.

### **Audit Committee**

Hanna Maria Sievinen was elected Chair of the Audit Committee, and Juhani Elomaa and Petri Castrén were elected as other members.



The Audit Committee is one of the committees of the Board of Directors, and its main function is to monitor the Company's processes of financial reporting, bookkeeping, auditing, internal control, internal auditing and risk management.

According to the Audit Committee's procedure, the Committee's duties include the following:

- to monitor the financial statement reporting and other financial reporting and the reliability thereof
- to monitor the efficiency, functionality, methods of internal control and risk and capital adequacy management
- to process and provide to the Board the principles for internal control and risk and capital adequacy management
- to regularly assess and monitor the efficiency and methods of the Company's internal audits as well as the organisation, tasks and human resources
- to prepare proposals for the Board regarding internal audit plans
- to monitor the arrangement of compliance, control of operability and prevention of malpractice
- to assess the competence, operations and independence of the auditor
- to approve the remunerations paid to the auditor in accordance with the instructions provided by the Annual General Meeting
- to monitor and control the statutory audit of the financial statements and consolidated financial statements
- to assess the services related and unrelated to auditing provided to the Company by the auditor
- to prepare and present to the Board of Directors a proposal on the auditor's fee and appointment/reappointment
- to monitor conformity of the Group's upcoming and existing incentive schemes and remuneration with requirements and to monitor the correctness of the payments made on the basis of the incentive schemes

The Audit Committee met 9 times in 2020. Audit Committee members were present at meetings of the Audit Committee as follows:

- Hanna Maria Sievinen 9/9 (participation percentage 100%)
- Juhani Elomaa 9/9 (participation percentage 100%)
- Petri Castrén 6/6 (participation percentage 100%)
- Vesa Puttonen 3/3 (participation percentage 100%)

## **Remuneration Committee**

Juhani Elomaa was elected Chairman of the Remuneration Committee, and Tuomas Syrjänen and Elina Björklund were elected as other members.

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

According to the Remuneration Committee's procedure, its duties include the following:

- to prepare and present to the Board of Directors the executive management's service contracts and their terms
- to assess the functionality of the incentive scheme and remuneration in terms of its purpose
- to prepare a proposal for the incentive scheme principles
- to prepare a proposal for the incentive schemes to be used within the Group
- to carry out continuous successor planning

The Remuneration Committee met 3 times in 2020. Remuneration Committee members were present at meetings of the Remuneration Committee as follows:

- Juhani Elomaa 2/2 (participation percentage 100%)
- Elina Björklund 3/3 (participation percentage 100 %)
- Tuomas Syrjänen 3/3 (participation percentage 100%)
- Peter Fagernäs 1/1 (participation percentage 100%)

## **Shareholders' Nomination Board**

Taaleri's Annual General Meeting 2019 decided to establish a permanent Shareholders' Nomination Board, the primary task of which is to prepare and present to the Annual General Meeting and, if necessary, any Extraordinary General Meeting proposals regarding the election and remuneration of members of the Board of Directors, and to seek potential successors for members of the Board. The duties and operating principles of the Nomination Board are defined in the committee's charter, the essential content of which is presented on the Company's website at <https://www.taaleri.com/en/corporate-responsibility/governance/board-of-directors-and-committees>.

The Nomination Board will have three members representing the Company's biggest shareholders. The right to nominate will rest with the three shareholders with the largest number of votes conferred by the Company's shares according to the share register maintained by Euroclear Finland Oy or based on shareholder information presented separately by holders of nominee-registered shares on the last weekday in August of the year preceding the next Annual General Meeting. If a shareholder chooses not to exercise the right to nominate, the right will transfer to the next largest shareholder that would otherwise not have a right to nominate. If two shareholders hold the same number of voting rights and it is not possible to appoint both members proposed by the shareholders for the nomination committee, the matter will be decided by lot.

It is the duty of the Chairman of the Board of Directors to request the three largest shareholders to each appoint one member for the appointment committee.

The Chairman of the Board of Directors will convene the first meeting of the Nomination Board and act as the chairman of the Nomination Board until the Nomination Board has chosen from among its number a chairperson, who will convene the Nomination Board thereafter. At the request of the Nomination Board, the Chairman of the Board of Directors may serve as an expert member of the Nomination Board.

The Nomination Board will be established to operate until further notice until decided otherwise by the general meeting. Members of the Nomination Board will be appointed on an annual basis, with a term that ends once new members have been appointed for the Nomination Board.

## **Composition of the Shareholders' Nomination Board**

Composition of Taaleri's Shareholders' Nomination Board on 31 December 2020:

- Peter Fagernäs, Chairman of the Board of Hermitage & Co Oy
- Pertti Laine, Chairman of the Board of Veikko Laine Oy
- Juhani Elomaa, Chairman of Taaleri's Board of Directors

At its meeting on 10 September 2020, the Shareholders' Nomination Board elected Peter Fagernäs as its Chairman.

### **Activities of the Shareholders' Nomination Board during the 2020 financial period**

The Shareholders' Nomination Board met four times in 2020. The members of the Nomination Board attended the meetings as follows:

- Peter Fagernäs 4/4 (participation percentage 100%)
- Pertti Laine 4/4 (participation percentage 100%)
- Juhani Elomaa 3/4 (participation percentage 75%)

### **The CEO and his duties**

It is the task of the CEO to attend to the practical management of Taaleri's business operations and to organise administration. The CEO 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 Management Team. The Board of Directors appoints the CEO and Deputy CEO and relieves them of their duties.

Taaleri's CEO is Robin Lindahl (M.Sc. (Econ.), b. 1964), who took up his duties on 1 June 2019. Karri Haaparinne (BBA, eMBA, b. 1967) served as Taaleri's Deputy CEO until 13 August 2020.

### **Ownership information of the CEO and his controlled undertakings**

The shares and share-based rights of the CEO and his controlled undertakings in the Company at the end of the financial period on 31 December 2020:

- Robin Lindahl: 34,513 shares (0.11% of the Company's shares and votes)
  - No controlled undertakings

### **Executive Management Team**

#### **Composition, duties and member responsibilities of the Executive Management Team**

Taaleri's Executive Management Team 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 Management Team deals with matters concerning business operations as well as the development and supervision of operations.

Composition of the Executive Management Team in 2020:

Name	Responsibility area	Year of birth	Education	Has served the Group since
<b>Robin Lindahl</b>	CEO	1964	M.Sc. (Econ.)	2019
<b>Janne Koikkalainen</b>	Head of Legal	1971	LL.M.	2007
<b>Minna Smedsten</b>	CFO	1976	MSA	2013
<b>Titta Elomaa</b>	Managing Director of Garantia Insurance Company Ltd	1967	M.Sc. (Econ.)	2015
<b>Kai Rintala</b>	Managing Director of Taaleri Energia Ltd	1975	PhD Construction Management	2016
<b>Perttu Purhonen</b>	Head of the Wealth Management segment	1969	M.Sc.	2019
<b>Essi Sten</b>	Head of Real Estate	1973	LL.M., eMBA	2020 (member of the Executive Management Team since 1 April 2020)
<i>Karri Haaparinne</i>	<i>Deputy CEO</i>	<i>1967</i>	<i>BBA, eMBA</i>	<i>2007 – 13 August 2020 (member of the Executive Management Team and Deputy CEO until 13 August 2020)</i>

The Head of Legal serves as Secretary to the Executive Management Team. The Executive Management Team met 23 times in 2020.

### Ownership information of the Executive Management Team members and their controlled undertakings

The shares and share-based rights of the Executive Management Team members and their controlled undertakings in the Company at the end of the financial period on 31 December 2020:

- Robin Lindahl: 34,513 shares
  - No controlled undertakings
- Janne Koikkalainen: no shares
  - No controlled undertakings
- Minna Smedsten: 18,049 shares

- No controlled undertakings
- Titta Elomaa: 20,854 shares
  - No controlled undertakings
- Kai Rintala: no shares
  - No controlled undertakings
- Perttu Purhonen: no shares
  - No controlled undertakings
- Essi Sten: no shares
  - No shares in controlled undertakings

Members of the Executive Management Team, together with their controlled undertakings, own a total of 73,416 Taaleri shares, representing 0.25% of the Company's shares and votes.

### III. DESCRIPTIONS OF THE INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

This chapter describes the main characteristics of the internal control and risk management systems related to Taaleri's financial reporting process, i.e. how well the Company's internal control and risk management arrangements ensure that the financial reports published by the Company provide accurate information on the Company's finances.

#### Financial control and monitoring

In matters concerning internal control and risk management, the highest decision-making body is Taaleri's Board of Directors, 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 administration 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 and capital adequacy 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 Executive Boards 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. 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, and 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 the 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 ongoing 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 approval 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 prepares its regularly published financial reports in accordance with the IFRS standards and prepares Group-level 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.

## **General overview of risk management systems**

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 and to ensure that the principles approved by Taaleri's Board of Directors are observed in business operations. Risk management aims to reduce the probability, impact and threat to Taaleri Group's business of unforeseen risks being realised. Risk management supports the achievement of the targets set in the strategy by promoting the better utilisation of opportunities relating to the various functions and the efficient distribution of the risk-taking capacity within the willingness to take risks that has been determined for the various functions and projects.

Taaleri Group's risks are divided into five main categories: strategic and business risk, credit risk, liquidity risk, market risk and operating risk (including compliance risk). The principles of Taaleri's risk and capital adequacy management are described in Note 38 to the financial statements.

Taaleri Group's risk-bearing capacity comprises an optimal capital structure, profitability and qualitative factors of business operations, which include reliable corporate governance, internal control and the proactive management of risks and capital adequacy. Through effective risk management, Taaleri Group aims to ensure the operational continuity of the Group and its companies and the maintenance of the risk-bearing capacity required to reach targets in the long term.

Taaleri Group's attitude towards risk-taking is based on calculated risk/return thinking. Taaleri Plc's Board of Directors has decided that the Group must not take risks in its operations that endanger the target level set for the capital adequacy ratio of its own funds.

## **General overview of internal control**

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 the laws, regulations and internal procedures are complied with. However, the internal control system cannot provide full certainty that the 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, the practical implementation of internal control is based on financial reports, management reports, risk and solvency reports and internal audit reports. The Company's main operations are directed by means of written internal operating policies and models.

## **IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT**

### **Organisation of internal audit and main principles to be observed in auditing**

Internal audit is Taaleri Group's assurance function, which is independent of companies' operational activities. Internal auditing 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 auditing to an external service provider. The Group compliance function is responsible for the execution of the audit plan approved by the Board of Directors. In 2020, Jukka Kokko, LL.M, acted as Group Compliance Officer.

Internal auditing is an independent and objective assessment and verification function whose task is to verify the adequacy, effectiveness and efficiency of internal control. Internal auditing supports the Group's senior and executive management (Board of Directors, CEO, managers) in the control and monitoring of operations.

The aim of the Group's internal auditing 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 auditing is to produce added value for the organisation and to improve its operations. Responsibility for the effectiveness and adequacy of supervision rests with the Taaleri'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. Through audit activity, internal auditing provides the Company's senior and executive management with the information necessary for decision-making and supervision, and strives to prevent actions, errors and abuses contrary to the rules.

The tasks of internal auditing 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

## Principles for related party transactions

Taaleri's Board of Directors has approved the principles for the monitoring and assessment of related party transactions. Related party transactions are agreements or other actions between the Company and its related parties.

According to the principles regarding related party transactions, Taaleri's business operations can entail regular or less frequent business activities with parties that are regarded as related parties of the Company. Related party transactions are acceptable when they are in line with the Company's operating purpose and interests, and there is a business-related justification for them.

In accordance with the principles for related party transactions, Taaleri handles the specification of the related parties and maintains a list of any actual and legal persons regarded as related parties, in order to identify related party transactions. The Company's legal unit is responsible for specifying the related parties and maintaining the list of related parties. The currency of the list of related parties is determined each quarter, and persons for whom the list is maintained are obliged to immediately report any changes in their information to the Company. The Company must provide sufficient instructions and training on related party transactions to Board members, the CEO and Taaleri's other personnel.

Taaleri's Board of Directors monitors and assesses the Company's related party transactions. The Board decides on related party transactions that are outside the Company's normal business activities or that are not conducted under conventional commercial terms. The decision-making must take into account any applicable disqualification provisions based on which Board members or the CEO may not take part in the preparation of related party transactions or decision-making in the context of a business venture linked to themselves that are outside the Company's normal business activities or that are not conducted under conventional commercial terms.

The applicable principles state that the nature of related party transactions and its terms must be assessed particularly with regard to the Company's normal activities and conventional commercial terms. For example, standardised agreements offered to customers and employees in general are typically regarded as normal business, which means that they do not require any special monitoring or assessment measures.

Unconventional business activities can include operations outside the Company's field. The contractual terms of related party transactions must be evaluated with due consideration to the market practices observed and accepted in the field and, on a case-by-case basis, in relation to the normal commercial terms observed between the Company and its customers, for example.

Taaleri reports on its related party transactions each year in its financial statements. The annual report and notes to the financial statements must present details of related party transactions in accordance with the effective regulations. In addition to this, Taaleri complies with the obligations to provide information that are based on the Securities Markets Act and the Market Abuse Regulation. In accordance with the Securities Markets Act, related party transactions that are essential to shareholders and cannot be regarded as normal business activities or activities conducted under conventional commercial terms are publicised. The Market Abuse Regulation, in turn, states that related party transactions can be or include insider information, which must be publicised as such.



## **Main procedures relating to insider administration**

In its insider management, Taaleri adheres to the applicable Finnish and EU legislation (including the Market Abuse Regulation (MAR)), the regulations and guidelines of the Finnish Financial Supervisory Authority, and the stock exchange insider guidelines published by the Helsinki Stock Exchange. Taaleri's Board of Directors has approved insider and trade instructions concerning Taaleri Group, which define insiders, the insider management and trading procedures for executives and any parties related to them.

Taaleri Group's Head of Legal is responsible for organising insider management at Taaleri. In addition to the Head of Legal, the insider management includes the person responsible for the insider list. Insider management is responsible for overseeing compliance with insider and trading guidelines, the Market Abuse Regulation and other insider regulations issued in all activities. These include the maintenance of insider registers, the granting of trading licences, notifications to the management and to the Financial Supervisory Authority, as well as training and guidance. 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.

The Company maintains the insider lists required by the Market Abuse Regulation on members of the management. In addition, the Company has project-specific insider lists.

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

The project-specific insiders may 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.

## **Name of the Company's auditor**

The auditor is elected at the Annual General Meeting for a term of office that ends at the close of the next Annual General Meeting following the auditor's election. On 18 May 2020, 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.

## **Remuneration paid to the auditor**

In 2020, the auditor was paid auditing fees of approximately EUR 263,606. In addition, the auditor was paid approximately EUR 108,601 for other services (including all the companies belonging to the same group).