

Corporate governance statement 2017



I. INTRODUCTION

Kojamo plc is a public limited company registered in Finland that operates as Kojamo Group's parent company. Kojamo plc has issued bonds that are listed on the Helsinki Stock Exchange ("NASDAQ Helsinki") or the Irish Stock Exchange ("ISE").

In its decision-making and administration, Kojamo adheres to Finnish laws and decrees, regulations and Kojamo plc's Articles of Association. In its disclosure policy and insider administration, the company adheres to the EU's Market Abuse Regulation ("MAR"), the rules of Nasdaq Helsinki Ltd as well as the guidelines of the European Securities and Markets Authority (ESMA) and the Financial Supervisory Authority. In addition, Kojamo complies with the Securities Market Association's Finnish Corporate Governance Code 2015, which entered into force on 1 January 2016.

The Corporate Governance Statement is publicly available on the company's website at www.kojamo.fi/en.

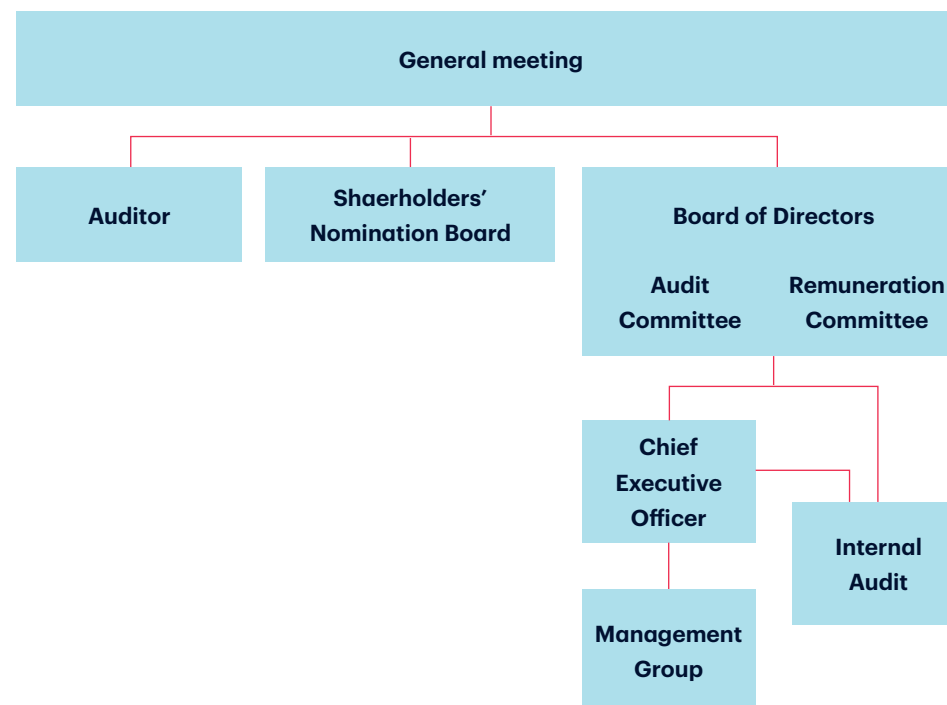
The statement is issued as a separate document from the report of the Board of Directors. The company also issues a separate Remuneration Statement.

This statement was discussed by the Audit Committee of Kojamo plc's Board of Directors on 14 February 2018. The statement is available on Kojamo's website at <https://kojamo.fi/en/finances/good-governance/>.

II. DESCRIPTIONS OF CORPORATE GOVERNANCE

Pursuant to the Finnish Limited Liability Companies Act and Kojamo plc's Articles of Association, control and administration

in the company is divided among the shareholders presented at the Annual General Meeting, the Board of Directors and the CEO. The CEO is assisted by the Management Group.



Annual General Meeting

The General Meeting is Kojamo plc's highest decision-making body, at which shareholders participate in the governance and control of the company. General Meetings are arranged so that shareholders can exercise their rights as owners effectively. For this reason, the CEO as well as the Chairman and members of the Board of Directors shall be present at General Meetings. Those standing for election to the Board of Directors for the first term shall attend the Annual General Meeting deciding on the election.

The Annual General Meeting shall, as per the Articles of Association, be arranged once a year on a date defined by the Board of Directors, at the latest six months after the financial year has ended.

The Annual General Meeting decides on the matters specified in Section 12 of the Articles of Association and any other business proposed for the agenda. Furthermore, the Annual General Meeting appoints a Shareholders' Nomination Board to prepare the election of the Chairman of the Board and/or Board members, their fees and/or the number of Board members.

Sufficient information about the issues to be discussed at a General Meeting shall be made available to shareholders before the meeting.

Shareholders shall be invited to a General Meeting at least two weeks before the

meeting or the last day of registration for the meeting, by means of a registered letter of invitation. The invitation is sent to the address recorded in the share register for the shareholder in question. The earliest possible registration deadline is ten days before the meeting.

The Annual General Meeting was held on 27 March 2017. The meeting was attended by 17 shareholders, representing approximately 77 per cent of the company's shares and voting rights. The minutes of the Annual General Meeting are available on the company's website.

Shareholders' Nomination Board

The Annual General Meeting appoints the Shareholders' Nomination Board, consisting of four members elected at the Annual General Meeting and the Chairman of the Board of Directors in an advisory capacity. The Nomination Board elects the Chairman from amongst its members.

The Annual General Meeting is where members of the Board of Directors and/or the Chairman of the Board are elected and/or the fees and/or number of Board members are determined. Therefore, the task of the Shareholders' Nomination Board is to prepare a proposal for these decisions before the meeting, to be submitted to the next Annual General Meeting.

As of 27 March 2017, the composition of the Nomination Board was as follows:

Jarkko Eloranta, Chairman, b. 1966, M.Soc.Sc., SAK, President

Ville-Veikko Laukkanen, b. 1970, LL.M., Varma, Executive Vice-President

Pasi Pesonen, b. 1981, M.Ed., OAJ, Organisation Director

Esko Torsti, b. 1964, Lic.Soc.Sc., Ilmarinen, Director

The Nomination Board convened twice during the financial year, with an attendance rate of 100 per cent. The Nomination Board members were present at the meetings as follows:

| | |
|-----------------------------|-----|
| Jarkko Eloranta..... | 2/2 |
| Ville-Veikko Laukkanen..... | 2/2 |
| Pasi Pesonen..... | 2/2 |
| Esko Torsti..... | 2/2 |

Composition and operations of the Board of Directors

Kojamo plc's Board of Directors is elected by the Annual General Meeting, based on a proposal by the Shareholders' Nomination Board. The Board of Directors consists of a minimum of five and a maximum of eight members who are elected for a one-year term.

The term of the Board of Directors is one year and ends at the close of the next Annual General Meeting following the election.

The Annual General Meeting held on 27 March 2017 elected the following members to the Board of Directors:

Riku Aalto, Chairman, b. 1965, M.Sc. (Admin.), Industrial Union, Chairman

Mikko Mursula, Vice-Chairman, b. 1966, M.Sc. (Econ.), Ilmarinen, Chief Investment Officer

Matti Harjuniemi, b. 1958, MA, Finnish Construction Trade Union, Chairman

Olli Luukkainen, b. 1957, Ph.D. (Ed.), Trade Union of Education in Finland OAJ, Chairman

Jorma Malinen, b. 1959, automation designer, Trade Union PRO, Chairman

Reima Rytsölä, b. 1969, M.Soc.Sc., CEFA, AMP, Varma Mutual Pension Insurance Company, Chief Investment Officer

Jan-Erik Saarinen, b. 1967, MBA, Trade Union for the Public and Welfare Sectors JHL, Financial Manager

Ann Selin, b. 1960, MBA, Trade union officer qualification, Service Union United PAM, President

The Board of Directors convened nine times in 2017, with an average attendance rate of 93.5 per cent.

The Board members were present at the meetings as follows:

| | |
|-------------------------|-----|
| Riku Aalto | 9/9 |
| Mikko Mursula | 8/9 |
| Matti Harjuniemi..... | 9/9 |
| Olli Luukkainen..... | 8/9 |
| Jorma Malinen..... | 8/9 |
| Reima Rytsölä..... | 9/9 |
| Jan-Erik Saarinen | 9/9 |
| Ann Selin..... | 8/9 |

The Board oversees the management and operations of the company in accordance with the Limited Liability Companies Act. The Board acts as the representative of all shareholders by governing the company's operations in accordance with the Articles of Association, so that the company will generate the highest possible added value in the long term while taking into account the expectations of its various stakeholders.

The Board of Directors guides and supervises the operational management. The Board of Directors' duties include:

- approving financial statements, consolidated financial statements and interim reports
- approving the Group's strategic plan, annual budget and investment and divestment plans
- deciding on major, strategically important business matters as well as investments and divestments
- deciding on taking out a loan for the Group, and on issuing any loans or guarantees
- confirming any policies governing the Group, including personnel, financing and risk management policies
- ensuring the appropriate organisation of risk management and internal audit within the Group.

The Board also appoints the CEO, Deputy CEO and members of the Management Group as well as confirms the terms of their employment.

The Board of Directors has compiled a written working order for its operations, defining the main tasks and operating principles of the Board.

The Board of Directors evaluates its operations and working methods annually, and develops the operations based on the results. The outcomes of the eval-

uation shall be observed when preparing a proposal for the composition of the new Board of Directors.

Independence of the members of the Board of Directors

A majority of the Board members must be independent of the company. At least two of the members belonging to the aforementioned majority must be independent of the company's significant shareholders. Independence here refers to independence within the meaning of the Finnish Corporate Governance Code 2015, which entered into force on 1 January 2016.

The Board of Directors has evaluated that all Board members are independent of the company. In addition, Riku Aalto, Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Jan-Erik Saarinen and Ann Selin are independent of significant shareholders.

Diversity of the Board of Directors

The diversity of the Board members' expertise, experience and views supports the company's business operations and development as well as open dialogue and independent decision-making. Diversity enables the Board of Directors to take an open view to innovative ideas. Moreover, diversity promotes good corporate governance, effective supervision of the executives and succession planning.

The Shareholders' Nomination Board

prepares a proposal to the Annual General Meeting regarding the number of Board members, persons to be elected and remuneration of the Board. In preparing the proposal, the Nomination Board shall take into account the requirement for diversity.

Kojamo has established the principles for ensuring the diversity of the Board of Directors. The number of Board members and the composition of the Board shall meet the requirements of the company's size, market position and industry, while also taking into consideration future business challenges. Board members shall have the necessary competence required by the position, and the Board shall include complementary competencies and experience from various sectors. A further aim is that Board members shall represent both genders and different age groups and serve terms of different lengths. Board members are also expected to have sufficient time for their Board duties.

The composition of the Board of Directors is in line with the diversity principles. Five of the Board members have graduated from higher education institutions, and one of them has a doctoral degree. The Board members work in executive positions in various fields. They are aged 49 to 60. The Board of Directors includes both genders. The terms of office of the members range from two to fifteen years.

Board committees

The company has an Audit Committee and a Remuneration Committee appointed by the Board of Directors. The Board of Directors may also appoint other committees and temporary working groups to carry out specified duties. The committees have no decision-making authority in themselves; their purpose is to prepare issues within their remit to the Board of Directors or the General Meeting for a decision. The committees report regularly to the Board of Directors.

The Board of Directors has confirmed written working orders for the committees, defining their tasks and operating principles.

Audit Committee

The Board of Directors appointed an Audit Committee for 2017 from amongst its members. The committee has four members.

The main duties of the Audit Committee include:

- monitoring the process of financial statement reporting
- monitoring the efficiency of the internal control, internal audit and risk management systems
- reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, included in the company's Corporate Governance Statement

- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or auditing firm, particularly the provision of related services to the company
- monitoring the company's financial position
- overseeing the financial reporting process
- evaluating compliance with laws and regulations
- maintaining contacts with the auditor and reviewing the Auditor's Report.

As of 27 March 2017, the Audit Committee was chaired by Mikko Mursula and included Matti Harjuniemi, Jorma Malinen and Jan-Erik Saarinen as members.

The Audit Committee convened four times during the financial year, with an attendance rate of 100 per cent.

The Audit Committee members were present at the meetings as follows:

| | |
|-------------------------|-----|
| Mikko Mursula | 4/4 |
| Matti Harjuniemi..... | 4/4 |
| Jorma Malinen | 4/4 |
| Jan-Erik Saarinen | 4/4 |

Remuneration Committee

The Board of Directors appointed a Remuneration Committee for 2017 from amongst its members. The committee has four members.

The main duties of the Remuneration Committee include preparing matters pertaining to the remuneration and other financial benefits of the company's CEO, Deputy CEO and other executives as well as preparing matters pertaining to the company's remuneration schemes.

As of 27 March 2017, the Remuneration Committee was chaired by Riku Aalto and included Olli Luukkainen, Reima Rytsölä and Ann Selin as members. The Remuneration Committee convened six times during the financial year, with an attendance rate of 91.7 per cent.

The Remuneration Committee members were present at the meetings as follows:

| | |
|----------------------|-----|
| Riku Aalto..... | 6/6 |
| Olli Luukkainen..... | 5/6 |
| Reima Rytsölä..... | 6/6 |
| Ann Selin..... | 5/6 |

CEO

The Board of Directors appoints the CEO and Deputy CEO. The CEO is responsible for running the operating activities of Kojamo in accordance with the Limited Liability Companies Act and the administrative regulations and as instructed and ordered by the Board of Directors.

The CEO is responsible for the company's business in general, and for ensuring that its operations are properly organised and its objectives achieved. The CEO pre-

pares and presents to the Board of Directors the company's strategic plan, budget and investments and divestments plan as well as ensures that they are implemented as decided by the Board of Directors. The CEO reports to the Board of Directors on the company's financial position, business environment and other significant matters related to the company's operations. The CEO also chairs the Management Group.

The CEO is Jani Nieminen, M.Sc. (Tech.), MBA, b. 1968. The CEO's deputy is CFO Erik Hjelt, LL.Lic., eMBA, b. 1961.

The terms of the CEO's service are specified in writing in the CEO's service contract approved by the Board of Directors.

Management Group

The Management Group assists the CEO in the preparation of Group strategy issues, in the handling of significant and fundamental operational issues, and in facilitating internal communications.

The Management Group is responsible for implementing the Board of Directors' decisions under the leadership of the CEO, analysing changes in the operating environment and preparing actions accordingly as well as preparing matters for the Board of Directors and its committees.

The composition of the Management Group was as follows:

Jani Nieminen, Chairman, CEO, b. 1968, M.Sc. (Tech.), MBA

Erik Hjelt, CFO, b. 1961, LL.Lic., EMBA

Juha Heino, Customer Director, b. 1960, M.Sc.

Mikko Suominen, Investments Director, b. 1971, LL.M.

Kim Jolkkonen, Real Estate Development Director, b. 1971, Lic.Sc. (Tech.)

Irene Kantor, Marketing and Communications Director, b. 1968, MA, EMBA

Mikko Pöyry (until 31 August 2017), ICT and Development Director, b. 1957, M.Sc. (Tech.)

Teemu Suila (as of 1 September 2017), Chief Development Officer, b. 1970, M.Sc. (Tech.)

At the CEO's discretion, Jouni Heikkinen, the company's internal auditor, and other specialists may also attend Management Group meetings.

The members of the Management Group or corporations over which they exercise control have no shares in the company.

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

Risk management

Kojamo's risk management is based on the company's risk management and treasury policy, ethical guidelines and the risk assessments carried out during the strategy and annual planning process. Risk management is part of the company's internal control, its purpose being to ensure that the company achieves its business objectives.

The role of risk management is to identify, classify, analyse and manage central risks associated with the operations. The aim is to ensure the achievement of the goals related to financial performance, customers and personnel.

Responsibility for the organisation of risk management and the risk management policy rests with the Board of Directors. Risk management is based on the risk assessments carried out during the strategy and annual planning process, which involve identifying key risks, evaluating their likelihood and potential impacts, and defining the means to manage them. Any significant changes in risks associated with the operations and the business environment

are evaluated regularly and reported to the Audit Committee and the Board of Directors as part of quarterly interim reporting.

Internal control

Internal control seeks to ensure that Kojamo's operations comply with current legislation and regulations and the company's operating principles, and that the company's financial and business reporting is reliable. Internal control also seeks to safeguard Kojamo's assets and ensure that its operations are efficient and reliable, thereby enabling its strategic goals to be achieved.

The internal control and risk management operating model for financial reporting is designed so as to gain sufficiently dependable information on the reliability of financial reporting and to ensure that the financial statements are drawn up according to current legislation and regulations.

Kojamo's internal control system is based on the framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The organisation of internal control is the responsibility of the Board of Directors and the CEO. However, responsibility for carrying out internal control is shared by the entire organisation: each individual Group employee is responsible to his/her supervisor for internal control in his/her area of responsibility.

Control environment

Principal responsibility for the internal control of financial reporting rests with the Board of Directors. The working order of the Board of Directors outlines the responsibilities of the Board and the division of duties within the Board and among its committees. The principal task of the Audit Committee appointed by the Board of Directors is to ensure that the principles outlined for financial reporting, risk management and internal control are complied with, and that appropriate contact is kept with the company's auditors. It is the duty of the CEO to maintain an organisational structure in which responsibility, authority and reporting relationships are clearly and comprehensively defined in writing, and to ensure that the internal control environment is adequately resourced.

In addition to laws and regulations, financial reporting is governed by Kojamo's operating principles, HR policy, financing policy, data security policy, accounting principles and reporting instructions.

Control measures

Kojamo's financial and operational reporting process complies with the Group's operating instructions and current process descriptions. Kojamo's financial management is responsible for the content of the reporting process and for compliance with instructions. The quality of reporting

is ensured through process control measures. These include the reconciliation of accounts, system-generated controls, and inspections and other measures undertaken by management or other parties. Control functions have designated managers who are responsible for their sufficiency and the efficacy of their execution.

Control of the reporting and budgeting processes is based on Kojamo's standardised reporting principles, which are drawn up and maintained by the financial management.

Monitoring

The effectiveness of internal financial reporting control is monitored by the Board of Directors, the Audit Committee, the CEO, Group management, the internal auditing department, and the managers of the various units and departments. Internal control encompasses monitoring monthly financial and business reports, reviews of prognoses and plans, reports prepared by internal auditing, and quarterly interim reports from the external auditors.

Any significant changes in risks in business operations and the business environment are regularly evaluated as part of quarterly interim reporting.

Internal auditing submits a summary report to the Audit Committee every six months concerning the inspections conducted, principal observations made, and actions agreed upon.

IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

Internal auditing

Internal auditing supports the organisation by providing independent and systematic evaluation of the efficiency and appropriateness of business processes. It also monitors the effectiveness of internal control and risk management. Internal auditing seeks to ensure that the company's financial and business reporting is correct, its business operations are legal, and its assets are being appropriately managed. On the basis of its inspections, internal auditing issues recommendations for improving the company's operations. Internal auditing seeks to support and promote risk management development in the company's various functions.

The internal auditing action plan is drawn up for one calendar year at a time. Each year, inspections are carried out in areas considered important to the risks at hand and the Group's objectives. The relevance and feasibility of the action plan are reviewed with management at six-month intervals.

The internal auditing officer reports administratively to the CEO.

In 2017, internal audits focused on operational and supervisory process inspections of principal and support processes.

Insider administration

Kojamo plc has prepared its insider guidelines so that they correspond with the regulations that govern insider regulation and trading restrictions and that are set out in the Market Abuse Regulation (EU) No 596/2014 (MAR or the Market Abuse Regulation), the application of which began in Finland on 3 July 2016.

The insider guidelines shall be applied to persons discharging managerial responsibilities within Kojamo as well as to persons who have access to inside information. The guidelines shall also be applied to any persons otherwise acting on behalf of the company or on its account when they perform tasks through which they have access to inside information.

In addition to event-based insider lists, Kojamo draws up a list of its permanent insiders and keeps them up to date in an electronic format.

All persons who have access to project-related inside information and who work for the company or perform tasks for the company through which they have access to project-related inside information, including any external consultants and auditors, are entered in the event-based insider list. In addition, permanent insiders who have project-related inside information are also entered in the event-based insider list.

The permanent insider list includes per-

sons who are considered, on the basis of their tasks, to have regular access to Kojamo-related inside information. Permanent insiders are the members of Kojamo plc's Board of Directors, the CEO, the members of the Management Group, the principal auditor and other persons determined by the CEO, such as persons participating in the preparation of financial reports.

The insider guidelines are available on Kojamo's website at <https://kojamo.fi/en/finances/good-governance/>.

Auditors

Audits are conducted by the auditors elected at the Annual General Meeting. The company has one to three auditors and their deputies. If an auditing firm is selected as an auditor, no deputy is required. All auditors and deputy auditors must be chartered accountants or accounting firms as stipulated in the Auditing Act. In addition, one (1) auditor and one (1) deputy auditor must be an Authorised Public Accountant (KHT) or an Authorised Public Accounting Firm, approved by the Central Chamber of Commerce.

The term of the auditors is one (1) year and ends at the close of the Annual General Meeting.

During the statutory annual audit, the auditor inspects the company's accounts, annual report, financial statements, and governance for the period under review.

The auditor of the parent company also inspects the consolidated financial statements and relationships between Group companies.

The auditor for the financial year 1 January–31 December 2017 was KPMG Oy Ab. The auditor with principal responsibility for the auditing firm was Esa Kailiala, KHT. In 2017, the auditing firm was paid EUR 196,000 of auditing fees. In addition, the auditor was paid EUR 145,000 for other services. The aforementioned fees include fees paid to the auditing firm by companies belonging to Kojamo.

Related party transactions

Kojamo's related party transactions are described in the Notes to the consolidated financial statements. Related party transactions do not deviate from the company's normal business operations and are made on customary market terms. Disqualification provisions have been taken into account in decisions concerning related party transactions.



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