

## **CORPORATE GOVERNANCE STATEMENT**

### **General issues**

This Statement has been issued separately from the company's operating and financial review.

Qt Group Plc's ("Company") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, and the company's Articles of Association and in-company rules and regulations on corporate governance.

Company's corporate governance principles are integrity, accountability, fairness and transparency. This means, inter alia, that:

- The Company complies with the applicable laws, rules and regulations.
- The Company organises, plans and manages its operations, and does business abiding by the applicable professional requirements approved by Board members, who demonstrate due care and responsibility in performing their duties.
- The Company demonstrates special prudence with respect to the management of its capital and assets.
- The Company's policy is to keep all market participants actively, openly and equitably informed of its business operations.
- The Company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

### **Adherence to the Governance Code**

The Company adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association and entered into force on 1 January 2016.

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

### **SHAREHOLDERS' MEETING**

The Company's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights regarding company matters. Each company share entitles the holder to one vote at the Shareholders' Meeting.

AGM will be held annually within three (3) months of the end of the financial year. An Extraordinary General Meeting will be held if the Board of Directors deems it necessary or if requested in writing by a company auditor or shareholders holding a minimum of 10 per cent (1/10) of the company's shares, for the purpose of discussing a specific issue.

The Finnish Limited Liability Companies Act and The Company's Articles of Association define the responsibilities and duties of the Shareholders' Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened.

## **BOARD OF DIRECTORS**

### **Operations and duties**

Elected by the Shareholders' Meeting, the Board of Directors is in charge of company administration and the appropriate organisation of company operations. Under the Articles of Association, the Board of Directors consists of a minimum of four (4) and a maximum of eight (8) members. The Compensation and Nomination Committee prepares a proposal for the Shareholders' Meeting regarding the composition of the new Board of Directors to be appointed.

The majority of Board members must be independent of the company and a minimum of two (2) of those members must also be independent of the company's major shareholders. The Managing Director or other company employees under the Managing Director's direction may not be elected members of the Board.

The term of all Board members expires at the end of the Annual General Meeting following their election. A Board member can be re-elected without limitations on the number of successive terms. The Board of Directors elects its Chairman and Vice Chairman from amongst its members.

The Board of Directors has determined the principles regarding the diversity of Company's Board of Directors. Accordingly, the requirements of company size, market position and business industry should be duly reflected when composing the Board of Directors. When composing the Board of Directors, the objective is that the Board of Directors will always include necessary expertise especially in the following key areas:

- Company's field of business,
- Management of a similar sized company,
- Specific nature of a publicly listed company,
- Accounting,
- Risk management, and
- Board activity.

The endeavor of composing the Board of Directors is, that the members of the Board of Directors shall consist of both genders. The defined diversity principles are well fulfilled in the Company's Board of Directors during the fiscal year 2016.

The Board has prepared and approved a written agenda for its work. In addition to Board duties prescribed by the Companies Act and other rules and regulations, the Company's Board of Directors is responsible for issues on its agenda, observing the following guidelines:

- Good board practices require that the Board of Directors, instead of needlessly interfering in the details involved in day-to-day operations, concentrate on elaborating the company's short- and long-term strategies.
- The Board's general duty is to steer the company's business with a view to maximizing shareholder value in the long term, while taking account of expectations set by various stakeholder groups; and

- Board members are required to perform on the basis of sufficient, relevant and updated information, in order to serve the company's interests.

In addition, the Board's agenda:

- Defines the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting;
- Provides guidelines for the Board's annual self-assessment;
- Provides guidelines for distributing notices of meetings and advance information to the Board and procedures for keeping and adopting minutes;
- Defines job descriptions for the Chairman, members and secretary of the Board of Directors (the secretary is the Company's General Counsel or, if absent, the CEO); and
- Defines the framework within which the Board may set up special committees or working groups.

The Board evaluates its activities and working methods annually, employing an external consultant for this evaluation, if necessary.

#### **Board Members in 2016, the Qt Plc Board of Directors comprises**

##### **Robert Ingman, b. 1961, M.Sc. (Eng.), M.Sc. (Econ.)**

Qt Group Plc's Chairman of Board since 2016. Member of the Compensation and Nomination Committee. Full-time Chairman of the Board of Ingman Group Oy Ab. His previous posts include Managing Director at Arla Ingman Oy Ab (2007–2011) and Ingman Foods Oy Ab (1997–2006). Chairman of the Board of Etteplan Plc and Halti Ltd. Vice Chairman of Digia Plc's Board, Member of the Board at Arla Ltd., Evli Pankki Plc and M-Brain Ltd.

##### **Matti Rossi, b. 1966, PhD**

Qt Group Plc's Board Member since 2016. Member of the Board's Audit Committee. Professor of information systems science at Aalto University School of Economics in the department of information and service economy and Docent of information systems development at Lappeenranta University of Technology. He has worked at Helsinki School of Economics as Professor of information systems science (1999–2009), visiting professor and visiting associate professor in several universities in US (2007–2008, 1997–1998) and researcher at Erasmus University Rotterdam in the Netherlands (1998–1999) and University of Jyväskylä (1985–1998). Chairman of Board at Synchron Tech Ltd (2007–).

##### **Leena Saarinen, b. 1960, M.Sc. (Food technology)**

Qt Group Plc's Board Member since 2016. Chairman of the Board's Compensation and Nomination Committee. Currently works as a board professional, holding Board chairman or Board member roles in various companies, including Palmia Ltd., Arla Ltd., Arcus-Gruppen AS and Etteplan Plc. Her previous posts include Managing Director at Suomen Lähikauppa Ltd. (2007–2010), President and CEO at Altia Corporation (2005–2007) and various positions at Unilever (1990–2005). Member of the Advisory Board of Varma Mutual Pension Insurance Company (2008–2012) and Luottokunta (2008–2011). Member of the Board at Outokumpu Plc (2003–2011) and Atria Plc (2006–2007).

##### **Tommi Uhari, b. 1971, M.Sc. (Eng.)**

Qt Group Plc's Vice Chairman of Board since 2016. Chairman of the Board's Audit Committee and member of Compensation and Nomination Committee. Currently works as Partner of Karma Ventures - venture

capital fund, and holds board member and strategic advisor roles in selected startups and public companies. Co-Founder and CEO at Uros Ltd. (2011–2015). His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006).

**Kai Öistämö, b. 1964, D.Sc. (Tech.), M.Sc. (Eng.)**

Qt Group Plc's Board Member since 2016. Member of the Board's Audit Committee. A professional board member, currently Chairman of the Board at Fastems Oy, Helvar Oy and University of Tampere and Board Member at InterDigital Technology Corporation and Sanoma Corporation. His previous posts include Chief Development Officer at Nokia until the autumn of 2014 and a member of the Nokia Group Executive Board in 2006–2014. Obtained his Doctorate in Technology (Signal Processing) from Tampere University of Technology in 1992. Independent of the company and its major shareholders.

Of the aforementioned current members of the Board, Matti Rossi, Leena Saarinen, Tommi Uhari and Kai Öistämö are independent of the company and its major shareholders. Robert Ingman is independent of the company.

**Committees of the Board of Directors**

The Company's Board of Directors has two (2) committees in 2016: the Compensation and Nomination Committee and the Audit Committee.

These committees do not hold powers of decision or execution. They assist the Board in decision-making concerning their own areas of expertise. The committees report regularly on their work to the Board, which governs and assumes collegiate responsibility for the committees' work.

Purpose of Qt's Compensation and Nomination Committee is to prepare and follow up compensation and remuneration schemes in order to ensure that the company's targets are met, to guarantee the objectivity of decision-making, and to see to it that the schemes are transparent and systematic. In addition, the Compensation and Nomination Committee prepares a proposal for the Annual General Meeting concerning the number of members of the Board of Directors, the members of the Board of Directors, the remuneration of the Chairman, Vice Chairman and members of the Board and the remuneration of the chairmen and members of the committees of the Board of Directors. In 2016, the members of the Compensation and Nomination Committee are Leena Saarinen (Chairman), Robert Ingman and Tommi Uhari.

Purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and other reported financial information are legitimate, balanced, transparent and clear, as further specified in the agenda. In 2016 the Audit Committee comprises Tommi Uhari (Chairman), Kai Öistämö and Matti Rossi.

**CEO**

The company's Chief Executive Officer is appointed by the Board of Directors. The CEO is in charge of company's business operations and administration in accordance with the instructions and regulations issued by the Board of Directors, and as defined by the Finnish Limited Liability Companies Act. The CEO may take exceptional and far-reaching measures, in view of the nature and scope of the company's activities, only if so authorised by the Board of Directors. The CEO chairs the Group Management Team's meetings. Moreover, the CEO is not a member of the Board of Directors, but attends Board meetings.

The CEO's service contract, approved by the Board of Directors, defines the key terms and conditions which govern his/her position, in writing.

MBA Juha Varelius (b. 1963) has been the company's CEO since 1.5.2016.

## **INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING**

### **Control functions and control environment**

The company has a financial administration tasked with verifying monthly reports. Financial administration reports to the management, the Board of Directors and the Board's Audit Committee regarding the financial performance of the company and its divisions.

The company uses a reporting system which compiles separate subsidiaries' reports into the consolidated financial statements. Validity of accounting and financial statement is monitored by the financial administration. The company also has the necessary, separate reporting facilities for monitoring business operations and asset management.

The Group's financial administration provides instructions for drawing up financial statements and interim financial statements, and compiles the consolidated financial statements. The financial administration has centralised control over the Group's funding and asset management, and is in charge of managing interest rate risk and currency risk.

### **Internal risk control**

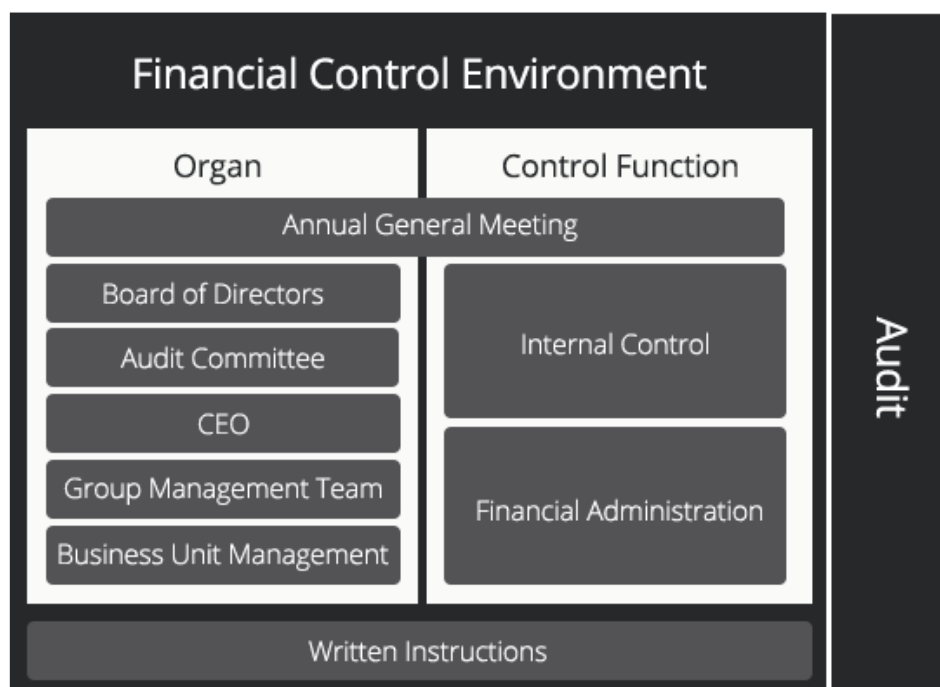
As a general principle, authorisation is distributed in the Company in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company's bookkeeping and asset management are managed by separate persons, and two authorised persons are needed to sign on behalf of the company.

The Group's business is divided into business units lead by directors reporting to the CEO. Reporting and supervision are based on monthly income reporting and on updates of the latest forecasts.

The directors in charge of the divisions report to the Management Team on development matters, strategic and annual planning, business and income monitoring, investments, potential acquisition targets and internal organisation matters related to their areas of responsibility.

Company's operational management and supervision take place according to the corporate governance system described above.

The Group's administration unit is in charge of HR management and policy. The legal affairs unit provides instructions for and monitors contracts made by the company and ensures the legality of the Group's operations.



### Communications

The Group's General Counsel is in charge of the company's external communications and their correctness. External communications include financial reports and other stock exchange communications. The General Counsel is responsible for the publication of interim reports and financial statements, as well as for actions related to convening and holding Shareholders' Meetings. Most communications take place through the company's website and using stock exchange releases.

### Risk management

The purpose of the company's risk management process is to identify and manage risks in such a way that the company is able to meet its strategic and financial targets. Risk management is a continuous process, by which the major risks are identified, listed and assessed, the key persons in charge of risk management are appointed and risks are prioritised according to an assessment scale in order to compare the effects and mutual significance of risks.

The main operational risks handled by company's risk management function are customer risk, personnel risk, data security risk, IPR risk and goodwill risk.

The company manages customer risk by actively developing its customer portfolio structure and avoiding any potential risk positions. Personnel risks are actively assessed and managed using a goal and development discussion process for key personnel. To improve personnel commitment, the company strives to improve the efficiency of internal communications systematically, using regular personnel events and increasing the visibility of management. In addition, the Group's certified quality systems are regularly evaluated. Data security risk is managed through continuous development of working models, security practices and processes. Risks associated with the integration of businesses, shared operating models and best practices, as well as their integrated development, are managed according to plan under the supervision of the Group Management Team. Risks typical to software business, especially to international product business, relating to appropriate protection of company's own IPRs and violation of IPRs of third

parties are managed through extensive internal policies, standard contracts and appropriate follow-up and analysis. With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and the related impairment tests, as part of prudent and proactive risk management practices within financial management.

In addition to operational risks, the Company is subject to financial risks. The Company's internal and external financing and the management of financial risks are coordinated by the financial administration of the Group's parent company. This function is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financial risks during the normal course of its business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, currency risk, credit risk and funding risk. The general principles of risk management are approved by the Board of Directors, and the Group's finance function is responsible for their practical implementation together with the business divisions.