



## CORPORATE GOVERNANCE STATEMENT 2018

### I. INTRODUCTION

This Corporate Governance Statement has been prepared in accordance with the Governance Code for Listed Finnish Companies 2015 ("Governance Code") and chapter 7, section 7 of Finnish Securities Market Act (746/2012). This Statement has been issued separately from the company's operating and financial review.

The Governance Code is available on the Finnish Securities Market Association website at [www.cgfinland.fi](http://www.cgfinland.fi).

### II. GOVERNANCE

Qt Group Plc's (hereinafter referred to as the "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.

The company's corporate governance principles are integrity, accountability, fairness and transparency. This means, among other things, 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.

#### 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.

The 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 four (4) to 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 President and CEO or other company employees under the President and CEO'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 the 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:

- the company's field of business,
- management of a similar-sized company,
- the specific nature of a publicly listed company,
- accounting,
- risk management, and
- Board activity.

The aim for the composition the Board of Directors is to have both genders represented. The defined diversity principles were well fulfilled in the company's Board of Directors during financial year 2018.

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 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.

### Composition of Board of Directors

During the financial year 2018, the Board of Directors of Qt Group Plc comprised the following members:

NAME	EDUCATION	YEAR OF BIRTH	MAIN ACTIVITY	OWNERSHIP*
Robert Ingman	M.Sc. (Eng.), M.Sc. (Econ.)	1961	Chairman of the Board of Directors at Ingman Group Oy Ab	5,173,000 shares
Jaakko Koppinen**	M.Sc. (Eng.)	1969	President, Sandvik Mining and Construction Oy	0
Mikko Marsio**	M.Sc. (Eng.)	1971	SVP, Process Industries unit at ABB	0
Leena Saarinen	M.Sc. (Food Technology)	1960	Board professional	2,844
Tommi Uhari	M.Sc. (Eng.)	1971	Partner at Karma Ventures – Venture Capital fund	410,620
Matti Rossi***	Ph.D.	1966	Professor, Docent	
Kai Öistämö***	D.Sc. (Tech.), M.Sc. (Eng.)	1964	COO, InterDigital, Inc.	11,280

\* Company shares held directly or through legal entities under person's control per 31 December 2018.

\*\* Member of the Board since March 13th 2018

\*\*\* Member of the Board until March 13th 2018

No Board Member owns any stock-options or other share-based rights in the company.

Of the aforementioned Members of the Board, Jaakko Koppinen, Mikko Marsio, Leena Saarinen and Tommi Uhari are independent of the company and its major shareholders. Robert Ingman is independent of the company.

During the financial year 2018, the Board of Directors held 9 meetings. The participation rate into the meetings was the following.

MEMBER	PARTICIPATION
Robert Ingman (Chairman)	9/9
Jaakko Koppinen	7/7
Mikko Marsio	7/7
Leena Saarinen	8/9
Tommi Uhari	9/9
Matti Rossi	2/2

Kai Öistämö	2/2
<b>Total</b>	<b>98 %</b>

### Committees of the Board of Directors

The company's Board of Directors had two (2) committees in financial year 2018: 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.

The purpose of the 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. The Compensation and Nomination Committee also 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.

During 2018, the members of the Compensation and Nomination Committee and their participation rate into the meetings were as follows:

<b>MEMBER</b>	<b>PARTICIPATION</b>
Robert Ingman	4/4
Leena Saarinen (Chairman)	4/4
Tommi Uhari	4/4
<b>Total</b>	<b>100 %</b>

The 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.

During 2018, the members of the Audit Committee and their participation rate into the meetings were as follows:

<b>MEMBER</b>	<b>PARTICIPATION</b>
Jaakko Koppinen	3/3
Mikko Marsio	3/3
Tommi Uhari (Chairman)	4/4
Matti Rossi	1/1
Kai Öistämö	1/1
<b>Total</b>	<b>100 %</b>

### Management Team

The company has a Management Team, chaired by the CEO of the company. The Board of Directors appoints the Chief Executive Officer and, upon the CEO's proposal, confirms the appointment of Management Team members and their essential terms of their employment. The CEO, together with the other members of the Management Team, 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 is not a member of the Board of Directors but attends Board meetings.

During the financial year 2018, the Management Team of the company was as follows:

NAME	EDUCATION	YEAR OF BIRTH	RESPONSIBILITY	OWNERSHIP*
Juha Varelius	M.Sc. (Econ.)	1963	Chief Executive Officer	280,776 shares
Mika Harjuaho	M.Sc. (Econ.)	1966	Chief Financial Officer	5,000
Petteri Holländer	M.Sc. student (Eng.)	1974	SVP, Product Management	5,134
Lars Knoll	Ph.D. in Physics	1971	Chief Technology Officer	0
Katja Kumpulainen	eMBA	1973	SVP, Marketing	0
Juhapekka Niemi	M.Sc. (Computer Sciences)	1968	Executive Vice President, Sales and Business Development	30,211
Mika Pälsi	LL.M.	1970	General Counsel	2,087
Tuukka Turunen	M.Sc. (Computer Sciences), Licentiate of Technology	1974	SVP, R&D	137,990

\* Company shares held directly or through legal entities controlled by a person per 31.12.2018.

On 31 December 2018 CEO Juha Varelius owned 568,941 stock-options under the company's 2016 Option scheme and other management team members combined owned a total of 579,286 stock options.

### III. FINANCIAL REPORTING RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

#### Control functions and control environment

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

The company uses a reporting system which compiles separate subsidiaries' reports into the consolidated financial statements. The accuracy of accounting and the financial statements is monitored by the finance unit. The company also has the necessary separate reporting and information systems for monitoring business operations and asset management.

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

**Internal risk control**

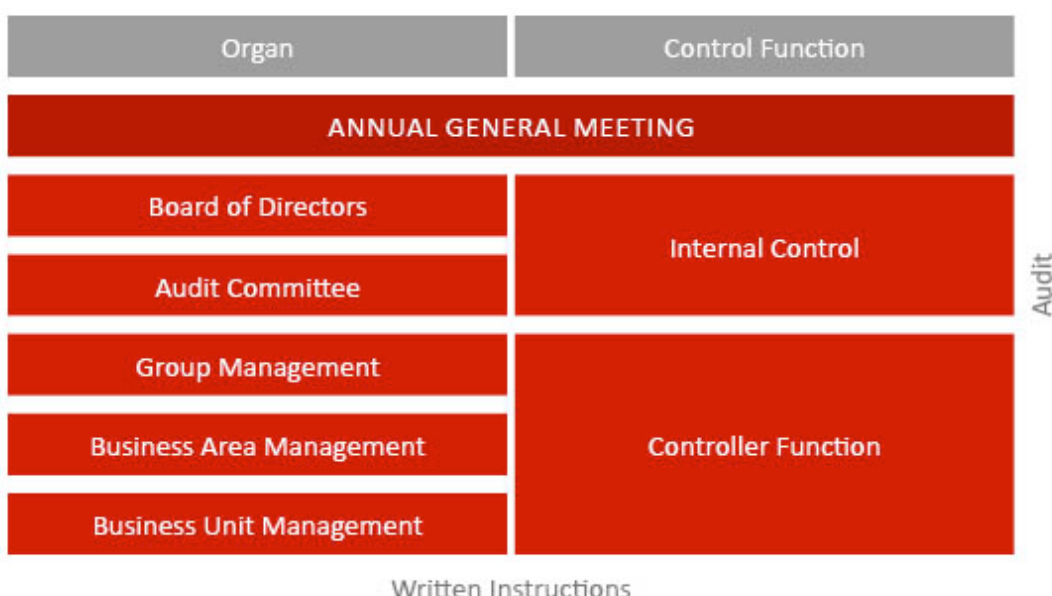
As a general principle, authorisation is distributed in the company in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company’s bookkeeping and asset management are managed by separate persons, and two authorised persons are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

Group-level reporting and supervision are based on monthly income reporting led by the CFO and on updates of the latest forecasts.

The company’s operations are divided into function- specific areas of responsibility, with the Senior Vice Presidents in charge of each function reporting to the President and CEO. The Senior Vice Presidents responsible for the company’s functions report to the Management Team on development matters, strategic and annual planning, investments and internal organisational matters related to their areas of responsibility.

The company’s operational management and supervision take place according to the corporate governance system described hereinabove. 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.

**Financial Control Environment**



**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 the 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 the continuous development of working models, security practices and processes. Risks associated with 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 finance function 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.

## **IV. OTHER INFORMATION**

### **Internal audit**

The tasks of internal audit include, among other things, the assessment of the company's internal control systems and risk management, as well as evaluation of the appropriateness and efficiency of management and administration processes.

Internal audit does not form a function of its own in the company but is the responsibility of the company's Financial and Legal functions.



To follow business activities and financial administration, the company has necessary reporting systems in use. As part of the legality control of the company's activities, the company's Auditor evaluates the functionality of this internal control system.

### **Auditor**

KPMG Oy Ab, Authorised Public Accountants, serves as the auditor of the company, with Authorised Public Accountant Kim Järvi as the principal auditor.

During financial year 2018, the auditor's fees for auditing services was 46,600 euros and 33,000 euros for services that were not related to auditing.

### **Insider Administration**

The company follows the Guidelines for Insiders by Nasdaq Helsinki Oy.

The company's General Counsel is responsible for the compliance with the Insider Guidelines and the follow-up of the disclosure obligation, regarding training.