



9 March 2015

## REPORT ON CORPORATE GOVERNANCE 2014 OF INCAP CORPORATION

In its operations, Incap Corporation complies with the Finnish Companies Act, its own Articles of Association and the regulations and instructions concerning public listed companies. Further, the company follows the regulations and rules of Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd.) and complies among others with the Guidelines for Insiders published by the Exchange and the recommendations of the Helsinki Takeover Code. Incap also complies with the rules and regulations of the Financial Supervisory Authority.

Incap complies with the Corporate Governance Code of The Securities Market Association. The Code is publicly available for example in the website of The Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

This report on corporate governance has been drawn up in accordance with the Finnish Corporate Governance Code for listed companies and the Securities Market Act Chapter 7, section 7. The report on corporate governance is published separately from the report of the Board of Directors.

Incap Corporation's Board of Directors has approved this report on corporate governance.

### ADMINISTRATIVE AND MANAGEMENT BODIES

The administration and operations of Incap Group are in the responsibility of the parent company Incap Corporation's administrative bodies. The highest decision-making body are the shareholders in the annual general meeting. The management is the responsibility of the Board of Directors and the President and CEO. The Board of Directors aims at ensuring that Incap follows the principles of good corporate governance.

The Group's line operations are in the responsibility of the President and CEO, assisted by the Group Management Team. Incap is reporting its operations as one entity.

### ANNUAL GENERAL MEETING

Incap Corporation's highest decision-making body is the general meeting of shareholders, which at the invitation of the Board, convenes once a year in an Annual General Meeting. The General Meeting is held within six months of the end of the financial period, generally in April. An extraordinary General Meeting is arranged if shareholders who represent a total of at least 10% of the company's shares, request it in written form for a specified issue to be decided in the General Meeting.

The tasks falling within the competence of the Annual General Meeting are defined in the Companies Act and the Articles of Association. The most important matters to be decided at the General Meeting include amending the Articles of Association, raising the share capital, approving the financial statements, adopting the profit and loss account and balance sheet, deciding on the payment of dividends, confirming the number of members on the Board of Directors and electing the members of the Board and the Auditors.



9 March 2015

The company announces the agenda for the General Meeting in a Notice of Meeting that is published as a stock exchange release and on the company's website at least 21 days prior to the General Meeting. At the same time, the company publishes the total number of shareholders and votes on the date of the notice, the documents that will be presented to the General Meeting, the proposals of the Board or of another authorised body as well as eventual items that have been included in the agenda without any proposal for a decision to be made. The information is available on the company's website at least until the end of the General Meeting.

The names of the prospective Director candidates announced to the Board of Directors are published in the Notice of Meeting, provided that the candidates are supported by shareholders holding at least 10% of the votes conferred by the shares in the company and provided that the candidates have given their consent to being elected and that the company has received the information in good time so that it can be included in the Notice of Meeting. Candidates that are proposed in corresponding order after the publication of the Notice of Meeting are disclosed separately. The personal information on the candidates is published on the company's website.

The General Meeting is organised in the way that promotes, with the available reasonable means, the shareholders to participate in the meeting and to exercise their ownership rights effectively.

Present at the General Meeting are the President and CEO, the Chairman of the Board of Directors and, if possible, all the members of the Board of Directors. Persons proposed to the Board for the first time participate in the General Meeting that decides on their election, unless there are well-founded reasons for the absence. Also the Auditor is present at the Annual General Meeting.

The minutes of the General Meeting with results of the voting as well as the appendices to the minutes relating to the decisions of the General Meeting shall be published on the company's website within two weeks after the General Meeting.

Incap Corporation's Articles of Association do not contain redemption clauses and the company is not aware of shareholder agreements or agreements restricting the transfer of the company's shares.

*In 2014, the Annual General Meeting was held on 10 April in Helsinki. A total of 21 shareholders participated, representing a total of 61.99 per cent of the company's shares and votes.*

*An Extraordinary General Meeting was held on 29 October 2014. A total of 13 shareholders participated, representing a total of 28.3 per cent of the company's shares and votes. The Meeting was convened to consider the financial position of the company according to the Limited Liability Companies Act, chapter 20, section 23, paragraph 3, because the equity of Incap Group's parent company had decreased to less than one half of the share capital.*



9 March 2015

## BOARD OF DIRECTORS

The administration of InCap Corporation and the due arrangement of its operations are attended to by the Board of Directors. The Annual General Meeting determines the number of members on the Board of Directors and elects the Directors. Under the Articles of Association, the Board of Directors shall have from four to seven ordinary members. The term of office for members of the Board of Directors is one year and it commences from the date of the Annual General Meeting at which they are elected and ends at the close of the next Annual General Meeting. Directors can be re-elected.

The Annual General Meeting elects the members of the Board. When the number of Directors and the composition of the Board are decided, the needs of the company's operations and the present development stage of the company shall be taken into consideration with the target to ensure an efficient management of the Board's tasks. Persons to be elected to the Board shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to the work. Both genders are represented on the Board.

When electing Board members, it is taken into consideration that the majority of the Directors must be independent of the company. In addition, at least two of the Directors representing this majority must be independent of significant shareholders in the company. The Board is evaluating the independence of the members and informs who are independent of the company and who are independent of significant shareholders. For the evaluation of a member's qualifications and independence, a member shall give to the Board adequate information and inform also on the eventual changes in the information.

New members of the Board of Directors are introduced to the company's affairs. The President and CEO is responsible for ensuring that Directors are provided at all times with enough necessary information on the company's operations.

InCap Corporation's Board of Directors steers and supervises the company's operational management. The most important tasks of the Board of Directors are to:

- decide on the Group's strategic objectives
- decide on the Group structure and organisation
- review and approve interim management statements, interim reports, the consolidated financial statements and the Report of the Board of Directors
- approve the Group's operating plan, budget and investment plan
- decide on mergers and acquisitions, divestments and other corporate restructuring
- decide on individual investments of strategic and financial importance and contingent liabilities according to the approval guidelines of the company
- approve the Group's financing agreements and contractual risks that are above average
- approve the Group's risk management and reporting procedures
- approve the Group's financing policy
- approve the framework of the Management team's terms of employment and pay
- decide on the Group's performance bonus system
- appoint the President and CEO and decide on his or her compensation
- ensure that the company's management system is functional.



9 March 2015

The Board of Directors ensures that the company has specified guidelines for internal control and that the company is monitoring the proper functioning of the control. Further, the Board of Directors ensures that the company has specified the values and ethical principles that the company shall comply with in its operations.

The Board of Directors has drawn up written rules of procedure for its work, describing the major tasks, operating principles and decision-making procedures of the Board of Directors. The Board of Directors meets as required and it has a quorum when at least half of the members are present. The decisions are made by the statutory majority and in case the votes are even, the Chairman of the Board has the decisive vote. The Board will elect the Chairman among its members.

The Board of Directors draws up an action plan and annual calendar for the period between General Meetings. The plan includes among others the meeting schedule and the regular topics of the agenda. The number of the meetings during financial year as well as the average attendance of Directors at the meetings is recorded in the Report of the Board of Directors.

The Board conducts an annual evaluation of its performance and working methods using an internal self-assessment method that is described in the Board's rules of procedure.

The biographical details and holdings of the Directors as well as information on the remuneration paid to Directors and their other financial benefits for the financial year are published in the Annual Report and on the company's website.

The Incap Group does not have a Supervisory Board and the Board of Directors has not appointed committees.

The Board of Directors shall take care of the duties of an audit committee in accordance with the written rules of procedure for its work. In this role, the Board of Directors among others

- monitors the efficiency of internal controlling, internal auditing and risk management
- monitors and controls the reporting process of financial statements and other financial information
- monitors the statutory audit of the financial statements
- evaluates the independence of the Auditor
- prepares the proposal for the election of the Auditor to the Annual General Meeting.

*The Annual General Meeting on 10 April 2014 resolved to elect five members to the Board of Directors. Fredrik Berghel, Raimo Helasmäki, Olle Hulteberg, Susanna Miekk-oja and Lassi Noponen were re-elected to seats on the Board of Directors. At its organisation meeting, the Board of Directors elected from amongst its number Lassi Noponen as Chairman of the Board.*

**Members of the Board in 2014:**

*Lassi Noponen (Chairman of the Board)*

*LL.M., MBA, born 1963*

*A non-executive director, who is independent of the company and its major shareholders*



9 March 2015

*Susanna Miekk-oja*  
M.Sc., born 1950  
A non-executive director, who is independent of the company and its major shareholders

*Raimo Helasmäki*  
M.Sc. (Eng.), born 1963  
A non-executive director, who is independent of the company and its major shareholders

*Fredrik Berghel*  
M.Sc. (Eng.), born 1967  
Acting president and CEO of Incap Group until 23 June 2014, and after that a non-executive director, who is independent of the company.

*Olle Hulteberg*  
M.Sc. (Eng.), born 1962  
A non-executive director, who is independent of the company.

*The Board of Directors convened 27 times in 2014 and the average attendance was 88.1 per cent.*

*Attendance in meetings and annual remuneration including meeting fees:*

<i>Board member</i>	<i>Attendance</i>	<i>Remuneration (EUR)</i>
<i>Lassi Noponen</i>	<i>27/27</i>	<i>18,750</i>
<i>Susanna Miekk-oja</i>	<i>27/27</i>	<i>-</i>
<i>Raimo Helasmäki</i>	<i>23/27</i>	<i>13,125</i>
<i>Fredrik Berghel</i>	<i>20/27</i>	<i>13,125</i>
<i>Olle Hulteberg</i>	<i>22/27</i>	<i>13,125</i>

*No meeting fee was paid to the members of the Board in 2014. The 2014 Annual General Meeting confirmed that the annual remuneration paid to the Chairman of the Board of Directors shall be EUR 25,000 and the annual remuneration paid to Directors shall be EUR 17,500. A fee of EUR 200 is paid for each meeting. The salaries and remuneration paid to Directors in 2014 totalled EUR 58,125.*

*Of the present Board members, Fredrik Berghel and Olle Hulteberg were paid a consultancy fee according to the resolution of the Extraordinary General Meeting held in 2013. The consultancy fee was paid until 10 April 2014, and after that they were paid remuneration of Board members. The consultancy fee paid to Olle Hulteberg in 2014 was EUR 51,336 and to Fredrik Berghel EUR 63,440.*

*None of the Directors was part of the share-based compensation system.*



9 March 2015

## PRESIDENT AND CEO

The company's line operations are managed by the President and CEO, who carries out his or her duties in accordance with the instructions and regulations laid down by the Board. The President and CEO informs the Board of Directors of the development of the company's business operations and financial situation as well as oversees the legality of the company's operations and accounting and the reliable organisation of treasury management.

The President and CEO is elected by the Board of Directors, which decides on the President and CEO's salary and other benefits. The terms and conditions of the President and CEO's employment are specified in writing in his or her written employment contract that is approved by the Board of Directors. The Chairman of the Board of Directors is the President and CEO's supervisor. The President and CEO participates in Board meetings as a presenting officer, but is not a Board member.

The biographical details and the holdings of the President and CEO are disclosed in the Annual Report and on the company's website in the same extent than the respective information of Board members. In addition, the company publishes the President and CEO's salary and other financial benefits included in his or her contract, shares and stock options received as remuneration, retirement age and the criteria for determining his or her pension, period of notice and the terms and conditions of salary for the period of notice and eventual other compensation payable on the basis of termination.

*As the President and CEO of Incap Group served in 2014 Fredrik Berghel, M.Sc. (Eng.) until 23 June 2014 and after that Ville Vuori, B.Sc. (Eng.), eMBA.*

*Fredrik Berghel held the position as the acting President and CEO of Incap Group as from 20 September 2013. He has received no separate remuneration for the position of the President and CEO. Instead, he has been paid a consultancy fee of a total of EUR 63,440 in accordance with the consultancy agreement arrangement approved by the Extraordinary General Meeting in 2013. The consultancy fee paid to him during the period in his position of President and CEO 1 January – 23 June 2014 amounted to EUR 63,440. At the end of the financial year 2014, Fredrik Berghel held through Inission AB a total of 40,707,563 shares, or 37.3%, of all shares of Incap Corporation.*

*The salary paid to Ville Vuori in 2014 amounted to a total of EUR 75,264. According to the executive contract, the chief executive's period of notice is three months when the duration of employment is less than 12 months and six months after that. If the contract is terminated by the company, he will be paid the salary during the period of notice. The retirement age of the President and CEO is determined in accordance with the Employees' Pensions Act.*

## OTHER MANAGEMENT

The Incap Group's Management team assists the President and CEO in the management of line operations and participates in the preparation of matters that are to be dealt with by the Board of

9 March 2015

Directors. In addition to the President and CEO, the Management team includes the executives in charge of the company's different functions. The members of the Management team are appointed by the President and CEO, who also decides on the terms and conditions of the employment and salaries of the Management Team's members following the one-over-one principle. The Management team meets regularly under the direction of the President and CEO, following the general guidelines of the Board of Directors.

The composition of the Management team with the members' biographical details and areas of responsibility as well as the members' holdings are disclosed in the Annual Report and on the company's website.

*In 2014, salaries and other employee benefits paid to the Management Team members amounted to EUR 454,164. The share of fixed salary was 100%.*

*Management team members, responsibilities and period of membership:*

<i>Ville Vuori</i>	<i>President and CEO, as from 23 June 2014</i>
<i>Priit Kadastik</i>	<i>IT, until 23 May 2014</i>
<i>Siret Kegel</i>	<i>Kuussaare factory, quality, until 31 July 2014</i>
<i>Murthy Munipalli</i>	<i>Indian operations</i>
<i>Kirsti Parvi</i>	<i>Finance and administration</i>
<i>Susanna Pyykkö</i>	<i>HR, until 31 December 2014</i>
<i>Vesa Tammela</i>	<i>Vaasa factory, until 31 December 2014</i>

## REMUNERATION AND INCENTIVES

Information on the remuneration and other financial benefits of the Board of Directors as well as the total number of shares and stock options held by the President and CEO and the Management team are published in the Annual Report and on the company's website.

The main criteria concerning the compensation system covering the President and CEO and other executives are decided upon by the Board of Directors and they are disclosed in the Annual Report and on the company's website.

*At the close of the financial year 2014 the Board members and their interest parties, the President and CEO and the Management Team own a total of 41,552,421 shares. Members of the Board of Directors and the Management Team have no stock options.*

*The company had no special incentive plan. President and CEO Ville Vuori is paid an incentive amounting to maximum 40% of his annual salary. During the financial year 2014, there were no incentives paid to the President and CEO.*

*The share-based reward system launched in 2009 became void in January 2014 and no options were used to subscribe shares.*



9 March 2015

## RISK MANAGEMENT

The objective of Incap Corporation's risk management is to observe and analyse factors that have a negative impact on the achievement of the company's goals in the long and short run, and take measures to minimise and postpone or eliminate the risks. Risk management is part of the company's control system. The principles of the company's risk management are specified in writing. The supervision of business risks is part of the normal tasks of the management team and the Board of Directors.

Essential features in risk management include coverage of control and actions, systematic approach, essentiality, continuity, competence, traceability and documentation.

Significant short-term risks and uncertainties relating to business operations are described in interim reports and financial statement releases. Moreover, the Board evaluates the most important risks and uncertainties in the Report of the Board of Directors.

## INTERNAL CONTROL

The Board of Directors at Incap Corporation is responsible for determining operating principles for internal control, as well as for monitoring internal control. Internal control is executed at different levels at Incap by the Board of Directors, management and personnel.

The objective of internal control is to assure the management that the following items are under control:

- Operations are effective, functional and in line with the strategy.
- Financial reporting and information given to the management are reliable, complete and up-to-date.
- Financial reports issued by the company give substantial and correct information on the company's financial position.
- The company operates according to specified internal operating instructions.
- The Group follows laws and regulations, as applicable.

The President and CEO, and the directors of different operations are responsible for arranging adequate control actions, as well as training related to the observance of orders in their units. Moreover, they make certain that bookkeeping and administration in their own areas of responsibility comply with the laws, Group's operating principles and the instructions and orders given by the Board of Directors at Incap Corporation.

Incap's internal control consists of operations by the Board and the management team, as well as of different financial and accounting operations. There are defined control actions for every level of organisation. Their purpose is to ensure that all applicable laws, regulations, internal operating instructions and ethical principles are observed. Control actions refer to the operating instructions and procedures that are used to ensure that the management's orders are obeyed. These actions





9 March 2015

include, for instance, approvals, authorisations, inspections, balancing, performance monitoring, protection of property and division of tasks.

Individual operations are monitored continuously with separate evaluations, such as audits of the accounts, supplier audits made by customers, as well as with external and internal quality audits.

The internal control of financial reporting is performed by the Group's financial department. The Group's financial and controller functions monitor that the financial reporting processes and control instructions are observed. Moreover, the financial and control functions monitor the correctness of external and internal financial reporting.

Besides the Group's external and internal reporting, the financial department is responsible for financing, hedging against currency risks and transfer pricing.

Financial reporting aims to produce up-to-date and relevant information for decision-making. The company's reporting is based on IFRS standards. The interpretation and application of accounting standards is centralised in the Group's finance and administration function. The standards were used as the basis when creating Group-wide recognition principles, as well as reporting and accounting standards. The controlling function, which is part of the financial department, provides the whole organisation with instructions on the general principles for monthly reporting. In addition, it is responsible for special reporting instructions related to budgeting and forecasting. The Group's financial department distributes internal instructions on the processes and practices related to financial reporting. The finance and administration function also provides other organisations with focused training related to practices and changes in financial reporting.

Another task of the Group's financial department is to take care of accounting and reporting for the Finnish parent company. External accounting and reporting of the Estonian subsidiary are managed by the local financial department, but internal accounting is managed by the Group's financial department. Internal and external accounting tasks at the Indian subsidiary are managed by the local financial department. The subsidiaries report actual figures on a monthly basis to the Group's reporting system. Consolidated financial statements are compiled with a tool chosen for consolidation and reporting. The Group's financial department draws up actual reports and forecasts that are part of the Board of Directors' documents used at monthly meetings.

The Group has no specific organisation for internal auditing due to the scope of its business. When needed, the audit service is acquired from an external auditing service provider selected by the Group's Board of Directors.

*No internal audits were organised during 2012-2014 neither with own resources nor with external service.*

## INSIDERS

The InCap Group's Guidelines for Insiders comply with the NASDAQ OMX Helsinki's Guidelines for Insiders, which came into effect on 1 July 2013, and they have been posted on the company's website. The Guidelines for Insiders have been distributed to all insiders and compliance with the



9 March 2015

Guidelines is supervised by, for example, inspecting the information on and trading by insiders once a year.

According to the company's Guidelines for Insiders, permanent insiders may not trade in the company's shares or equivalent securities in the 21-day period before the publication of an interim report or the financial statement bulletin. The appropriate time for such trading is within 28 days from the publication of an interim report and financial statement bulletin, nevertheless with the provision that a person who is a permanent insider does not have in his or her possession at that time any other insider information. The members of the Board of Directors and the Management team as well as the secretary to the Board of Directors must always ascertain the appropriateness of their own trading by checking with the person in charge of insider issues prior to ordering the purchase or sale of shares. Persons who are temporary insiders must not engage in trading in the company's shares during the time when they are insiders participating in a particular project.

The Group's permanent insiders are recorded in a register kept by Euroclear Finland Ltd. (former Finnish Central Securities Depository Ltd.). The register is divided into a public and non-public register. The public register includes the members of the Board of Directors, the Auditor and the deputy Auditor, the President and CEO and the Management Team. The non-public register includes the secretary of the Board and Incap employees who have regular access to insider information in the course of their duties and whom the President and CEO has specified as insiders. A register of project-specific insiders is kept by Corporate Administration.

## AUDIT

The primary purpose of the audit is to confirm that the financial statements give a true and fair view of the company's result of operations and financial position. In addition, the Auditor inspects the legality of the company's administration.

The Auditor is elected each year at the Annual General Meeting for a term that ends at the conclusion of the next Annual General Meeting. The proposal for Auditor made by the Board of Directors or by the shareholders having at least 10% of the companies votes will be published in the Notice of Meeting provided that the candidate has given his or her consent to the election and that the company has received the information in good time so that it can be included in the Notice of Meeting. If the candidate for an Auditor is not known to the Board at that time, a proposal made in a similar manner will be announced separately.

The fees paid to the Auditor, as well as the fees paid for non-audit services, if any, are reported in the Annual Report and on the company's website.

*The 2014 Annual General Meeting re-elected as the company's Auditor the independent firm of accountants Ernst & Young Oy. The Auditor was paid in 2014 a total of EUR 54,226 in audit fees and EUR 7,583 for other services.*

## COMMUNICATIONS

In connection with its financial statements and report of the Board of Directors Incap will release a separate report on the corporate governance. Information on the issues addressed in the



9 March 2015

Corporate Governance Code is provided on the company's website ([www.incap.fi](http://www.incap.fi)), which is available in Finnish and English.

The purpose of Incap's investor communications is to support the right development of the share price by providing precise and up-to-date information on its business operations and financial development. It is ensured with open, timely and diverse communications that all stakeholders are provided with sufficient information on the company's operations simultaneously in order to assess the company as a prospective investment.

In its disclosure policy, Incap complies with the Finnish legislation, the common disclosure rules of NASDAQ OMX Helsinki and the instructions of the Finnish Financial Supervisory Authority.

The updated written disclosure policy document has been approved by Incap Corporation's Board of Directors on 21 January 2014. The policy describes the essential operating procedures that Incap as a listed company uses when communicating with the capital market and other stakeholders. Incap's disclosure policy aims at ensuring that all market participants have simultaneously adequate and correct information on the company, its business operations and price formation of the company's share.

Helsinki, 9 March 2015

INCAP CORPORATION  
Board of Directors