



March 2019

REPORT ON CORPORATE GOVERNANCE 2018 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 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 Finnish Corporate Governance Code of The Securities Market Association valid as from 1 January 2016. The Corporate Governance Code is publicly available for example in the website of The Securities Market Association at www.cgfinland.fi.

This report on corporate governance is ratified by the Board of Directors of Incap Corporation and has been drawn up in accordance with the Finnish Corporate Governance Code. The report on corporate governance is published separately from the report of the Board of Directors.

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 is 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 on request of shareholders, when the shareholders demanding the handling of a given matter hold no less than 10% of the total number of the company's shares.

The tasks falling within the decision-making power 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.

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



March 2019

prior to the General Meeting. At the same time, the company publishes the total number of shares 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 (www.incapcorp.com) at least until the end of the General Meeting.

The proposals for the composition and the remuneration of the Board of Directors as well as for the auditors are published in the Notice of Meeting, provided that the shareholders who have given the proposals are 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 the proposals can be included in the Notice of Meeting. Corresponding proposals given by shareholders with at least 10% of the votes 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 company will disclose on its website the date by which a shareholder must notify the company's Board of Directors of an issue that he/she demands to be addressed at the General Meeting. The date will be published by the end of the financial period preceding the General Meeting. 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 all the members of the Board of Directors. Persons proposed to the Board will participate in the General Meeting that decides on their election. Also the Auditor is present.

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 will be published on the company's website within two weeks after the General Meeting. Documents of the General Meeting will be kept on the company's website at least for a period of five years from the General Meeting in question.

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 2018, the Annual General Meeting was held on 17 April in Helsinki.
A total of 23 shareholders participated, representing a total of 42.3% of the company's shares and votes.*

Board of Directors

The administration of Incap Corporation and the due arrangement of its operations are attended to by the Board of Directors. The duty of the Board of Directors is to promote the best interest of the company and all its shareholders. The Annual General Meeting determines the number of members in the Board of Directors and elects the Directors.



March 2019

The proposal for the composition of the Board of Directors is prepared by the Board of Directors. Under the Articles of Association, the Board of Directors shall have from three 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.

When the number of Directors and the composition of the Board are decided, the diversity of the Board of Directors, the requirements set by 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 attending to the duties. In order to ensure the diversity of the Board of Directors, the Board of Directors will consider the age, gender, education and experience of the candidates when preparing the proposal for the composition of the Board of Directors.

Incap aims to ensure that both genres are represented in the Board. In order to reach this goal, the company is searching for Board candidates of both genres and considers this goal specifically when evaluating the candidates.

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 also 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 operations. The President and CEO will ensure that all Directors have access to sufficient information on the company's operations, operating environment and financial position.

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 reports, half-year reports, business reviews, financial statement release, 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



March 2019

- 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.

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 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.

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.

Considering the scope of the company's operations 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 process of financial statement reporting
- monitors the efficiency of internal control and risk management
- reviews the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- monitors the statutory audit of the financial statements and consolidated financial statements
- evaluates the independence of the statutory auditor or auditing firm, particularly the provision of related services to the company.

The Annual General Meeting on 17 April 2018 resolved to elect three members to the Board of Directors. Carl-Gustaf von Troil was re-elected and Päivi Jokinen and Ville Vuori were elected as new members to seats on the Board of Directors. At its organising meeting, the Board of Directors elected Carl-Gustaf von Troil as Chairman of the Board.



March 2019

Members of the Board 2018

Members until Annual General Meeting 17 April 2018

*Johan Ålander, Chairman of the Board
M.Sc. in Economics and Business Administration, born 1959
Managing Director of NIGA International AB,
A non-executive director, independent of the company and its major
shareholders
Incap shares: -*

*Per Kristiansson
M.Sc. (BA), born 1967
Managing Director of Vänerexpressen
A non-executive director, independent of the company and its major
shareholders
Incap shares: –*

*Vesa Mäkelä
M.Sc. (Eng.), MBA, born 1964
President and CEO of Incap Group 16 October 2017 – 25 June 2018
A non-executive director, independent of the company's major shareholders
Incap shares: -*

*Carl-Gustaf von Troil
B.Sc. (Eng.), born 1954
Member of the Board at United Bankers, partner and asset manager at UB
Wealth management, Member of the Board at Oy Kontino Ab
A non-executive director, independent of the company and its major
shareholders.
Incap shares (direct ownership and holding of interest parties): 40,604*

From the Annual General Meeting 17 April 2018

*Carl-Gustaf von Troil, Chairman of the Board
B.Sc. (Eng.), born 1954
Member of the Board at United Bankers, partner and asset manager at UB
Wealth management, Member of the Board at Oy Kontino Ab
A non-executive director, independent of the company and its major
shareholders.
Incap shares (direct ownership and holding of interest parties): 40,604*

*Päivi Jokinen
M. Sc. (Econ), born 1968
Vice President at Stora Enso Consumer Board Division
Member of the Advisory Council of the private equity company Bocap
A non-executive director, independent of the company and its major
shareholders
Incap shares (direct ownership and holding of interest parties): –*



March 2019

Ville Vuori
B.Sc. (Eng.), eMBA, born 1973
CEO of Kemppi Oy. President and CEO of Incap Group during 2014-2017
A non-executive director, independent of the major shareholders.
Incap shares (direct ownership and holding of interest parties): –

The Board of Directors convened 14 times in 2018 and the average attendance was 100%.

Attendance in meetings and Company shares on 31 December 2018

<i>Board member</i>	<i>Attendance</i>	<i>Number of shares</i>
<i>Carl-Gustaf von Troil</i>	<i>14/14</i>	<i>40 604</i>
<i>Per Kristiansson</i>	<i>4/4</i>	<i>0</i>
<i>Vesa Mäkelä</i>	<i>4/4</i>	<i>0</i>
<i>Johan Ålander</i>	<i>4/4</i>	<i>0</i>
<i>Päivi Jokinen</i>	<i>10/10</i>	<i>0</i>
<i>Ville Vuori</i>	<i>10/10</i>	<i>0</i>

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 Companies Act, other applicable legislation and instructions and regulations given by the Board. The President and CEO informs the members of the Board of Directors of the development of the company's business operations and financial position. The President and CEO is responsible for the legality of the company's operations and accounting and the reliable organisation of treasury management.

The President and CEO is appointed 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 employment contract further specifies the financial benefits of the service, including the CEO's severance package and any other compensation. The Chairman of the Board of Directors is the President and CEO's supervisor. The President and CEO is participating 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.



March 2019

As the President and CEO of Incap Group served in 2018 Vesa Mäkelä, M.Sc. (Eng.), MBA until 25 June 2018. Otto Pukk, M.Sc. (Ec.) served as an interim President and CEO 25 June - 18 September and after that as a President and CEO.

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 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 principles determined by the Board of Directors. 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.

Management team members, their responsibilities and Company shares 31 December 2018

<i>Member</i>	<i>Responsibility</i>	<i>Number of shares</i>
<i>Otto Pukk</i>	<i>Interim president and CEO, President and CEO as from 25 June 2018, Estonian operations</i>	<i>0</i>
<i>Murthy Munipalli</i>	<i>Indian operations</i>	<i>0</i>
<i>Tero Lehtonen</i>	<i>CFO 2 Jan – 8 August 2018</i>	<i>0</i>
<i>Vesa Mäkelä</i>	<i>President and CEO until 25 June 2018</i>	<i>0</i>

Otto Pukk joined Incap on 17 November 2015 and serves as the Managing Director of Incap's operations in Estonia. He is M.Sc. (Econ). He was appointed President and CEO on 18 September after acting as interim President and CEO since 25 June 2018. Otto Pukk does not hold any of Incap Corporation's shares.

Murthy Munipalli has been in charge of Incap's operations in India as from 2011. He came to serve at Incap in 2008 acting first as director for the sales and marketing in India. In January 2010 he was appointed to director of the business unit Energy Efficiency Asia. Munipalli is M.Sc. (IT) and he has also MBA in marketing. Murthy Munipalli does not hold any of Incap Corporation's shares.

On 23 November 2018 Incap announced that Antti Pynnönen, M.Sc. (Econ) was appointed Chief Financial Officer and the Management Team member as from 21 June 2019.



March 2019

At the close of the financial year 2018 the Board members and their interest parties, the President and CEO and the Management Team own a total of 40,604 shares. The company has no share-based remuneration programs and members of the Board of Directors and the Management Team have no stock options.

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.

MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO FINANCIAL REPORTING PROCESS

The objective of Incap Corporation's internal control and risk management is to ensure that the company operates efficiently and profitably, that the information is reliable and that the regulations and operating principles are observed. The objective is further to identify, evaluate and follow-up the risks related to the company's business.

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

The objective of internal control is to ensure that

- 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.

Internal control relating to the financial reporting process is a part of the Group's internal control system. The consolidated financial statement of Incap is prepared in accordance with the international financial reporting standards approved by the European Union. The financial statement includes also the additional information required by the Finnish Accounting Standards and Companies Act. The financial statement of the parent company is prepared in accordance with the Finnish Accounting Standards.

Financial reporting process at Incap

The Group's subsidiaries report to the Group's shared reporting system on monthly basis. Reported figures are reviewed by finance departments both in the Group and in the subsidiaries. Part of the tasks of the Group's finance department has been outsourced to a partner, who is taking care of the book-keeping and reporting of the Finnish parent company, among others. External and internal accounting and reporting of the subsidiaries is taken care by the local finance departments. The Group's finance department is preparing reports on Actual and Estimated to be included in the monthly meeting material for the Board of Directors. The Group's finance and administration



March 2019

monitors the observance of reporting and control processes. All finance functions also monitor the validity of external and internal financial reporting.

The Group's finance department prepares the consolidated financial statement and is responsible for the interpretation and application of financial statement standards. Common accounting principles for the Group have been determined based on the standards. The Group's finance and administration gives instructions to the organisation on the main principles of monthly reporting and is in charge of special instructions for reporting relating to budgeting and estimates. The Group's finance and administration further shares internal information on processes and practices connected with the financial reporting and organises targeted training to other organisation on them when necessary.

Roles and responsibilities

The Board of Directors has the final responsibility for the appropriate organisation of internal control relating to the financial reporting. The Board of Directors reviews and approves the financial statements, interim reports and other regulated financial reports. President and CEO, and the directors of subsidiaries are responsible for implementation of internal control relating to financial statement reports. In this task they are supported by the Group's finance and administration.

The Group's President and CEO is responsible for maintaining an efficient control environment. He/she is arranging internal control and risk management in practice. President and CEO is responsible for the legality of book-keeping practices and that the company's finance and administration is run reliably and with competence. The Group's directors and personnel promote the efficient internal control of the financial reporting process with their own actions.

Control

The control environment of the Group is based on the corporate principles and values. In operative units the Group-level instructions are observed, including among others guidelines for book-keeping and reporting as well as principles for risk management and internal control relating to financial reporting. President and CEO and the directors of different functions are responsible for arranging adequate control actions, as well as training related to the observance of instructions in their units. Moreover, they shall be responsible for ensuring that book-keeping 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. The related control actions are operational instructions and practices, which ensure the implementation of the management's orders. These actions include, for instance, approvals, authorisations, inspections, balancing, performance monitoring, protection of property and division of tasks.

Own operations in the company are monitored continuously also by means of separate evaluations, such as internal audits and audits of the accounts, supplier audits made by customers, as well as external and internal quality audits.



March 2019

Control of financial reporting is performed by the Board of Directors, the auditors, President and CEO, Group's management team and the Group's finance departments. The monitoring is done continuously, as a part of daily duties or on specific assignment.

The Group aims at integrating control in all daily operations. Efficient internal control presupposes that the duties at job are divided in an appropriate manner and that eventual risky combinations of duties are eliminated. Tools for control are among others the Group-level instructions, checkpoints of financial reporting, instructions for book-keeping and reporting as well as the Group's regular business reviews.

The Group has no specific organisation for internal auditing due to the scope of its business. The internal audit is organised so that the needed audit service is acquired from an external auditing service provider selected by the Group's Board of Directors. The service provider, usually an authorised public accountant, shall be independent, competent and fitted with adequate resources.

Evaluation of risks and control actions

Evaluation of risks related to the financial reporting is part of the Group's comprehensive system for internal control and risk management. For identifying the risks related to the financial reporting Incap has determined targets for financial reporting. The purpose of the risk evaluation process is to identify and analyse the risks in the financial reporting process as well as to determine the means for managing the risks.

To manage the risks, control actions are set to all levels of the organisation. Especially the personnel in finance and administration have a remarkable role, as the control actions in their responsibility are focusing in a multi-dimensional way to business units and functions of the Group.

RELATED PARTY TRANSACTIONS

Incap evaluates and monitors transactions concluded between the company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The company will keep a list of parties that are related to the company. The company ensures that it determines and identifies the related parties and respective transactions.

The decision-making procedure applied in connection with related-party transactions is described annually in the Corporate Governance Statement. The related-party transactions are reported in the Report of the Board of Directors and in the annexes to the financial statements. Certain related-party transactions are disclosed in accordance with the rules of the Stock Exchange.

Incap Corporation does not have related-party transactions that are material to the company or deviate from the company's normal business operations or are not made on market equivalent terms.



March 2019

INSIDERS

The Incap Group's Guidelines for Insiders comply with the Nasdaq Helsinki Ltd's Guidelines for Insiders, which came into effect on 3 January 2018, and they have been posted on the company's website. The Guidelines for Insiders have been distributed to all insiders and compliance with the Guidelines is supervised by, for example, inspecting the information on and trading by insiders once a year.

Trading by Incap's insiders is forbidden 30 days before the release of an interim report, a half-year report, a financial statement bulletin or any other periodically disclosed financial report. An appropriate time for trading is within 28 days of the publication of an interim report, a half-year report, a financial statement bulletin or any other periodically disclosed financial report, provided that the insider does not at that time possess any other inside information, such as on a project that is under preparation. If an insider wishes to trade outside of this appropriate trading period, he/she must negotiate with the person responsible for insider issues at Incap before placing orders.

The restriction on trading ends when the interim report, the half-year report, the financial statement bulletin or any other periodical financial report is published. Members of the Board of Directors and the Management Team as well as the secretary of the Board of Directors must always turn to the person responsible for insider issues to verify whether it would be appropriate for them to trade in shares before placing orders.

Persons who become insiders due to their involvement in a project are not permitted to trade in Incap shares or warrants while they are project-specific insiders.

Managers at Incap Corporation shall notify all transactions with the share of Incap on their own behalf to the company and to the Financial Supervisory Authority during 3 working days after the transaction. The related party to the manager shall accordingly notify the company and the Financial Supervisory Authority during 3 working days after the transaction on their own behalf. The company shall disclose a release on the transactions of the managers and related parties without delay, however during 3 working days after the transaction at the latest.

Incap maintains an insider register of persons subject to disclosure obligation (members of the Board of Directors and the Management Team) as well as of persons who regularly have access to inside information due to their positions or tasks (secretary to the Board, finance team managers) as well as of other persons who work with the company on the basis of some other agreement and have regular access to the inside information.

Incap further maintains a project-specific insider register on persons to whom the company discloses project-specific inside information.

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.



March 2019

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 2018 Annual General Meeting re-elected as the company's Auditor the independent firm of accountants Ernst & Young Oy. The Auditor was paid in 2018 a total of EUR 42,000 in audit fees and EUR 2,000 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. Up-to-date information on the issues addressed in the Corporate Governance Code is provided on the company's website (www.incapcorp.com), 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 Helsinki Ltd. 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 27 June 2016. 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.