

# Corporate Governance Statement 2018

## GOVERNING PRINCIPLES

Aspo's decision-making and administration comply with the Finnish Companies Act, securities market legislation, other regulations concerning public companies, Aspo Plc's Articles of Association, and the rules and regulations of Nasdaq Helsinki Ltd.

Aspo follows the Finnish Corporate Governance Code which is available on the Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).

In addition to the Corporate Governance Statement Aspo has published a separate Annual report 2017 in the Aspo's Year 2018 release.

## GROUP STRUCTURE

The Aspo Group's parent company, Aspo Plc, is a Finnish public company domiciled in Helsinki. The main responsibility for Aspo Group's administration and operations lies with Aspo Plc's governing bodies, which are the Shareholders' Meeting, the Board of Directors and the CEO. The highest decision-making power is exercised by the shareholders at the Shareholders' Meeting.

Aspo Group is an industrial conglomerate which develops its businesses in the long term without any predefined schedule. Aspo Plc's task is to own, lead and develop the operations of its subsidiaries and other Group companies, centrally administer the Group companies, take care of issues related to financing and strategic planning, and plan and implement financially expedient investments.

The Group's operational business is carried out in the Group companies, ESL Shipping Ltd, Leipurin Plc, Telko Ltd and Kauko Ltd, and in their subsidiaries in Finland and abroad.

## SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting is arranged every year on a date set by the Board of Directors and it deals the issues that are the Annual Shareholders' Meeting's responsibility as outlined in the Articles of Association, the proposals of the Shareholders' Nomination Board and the Board of Directors and possible other proposals to the Shareholders' Meeting. The Annual Shareholders' Meeting, for instance, confirms the financial statements, elects the Board members and the auditor, and decides on profit distribution and the remuneration of the Board members and the auditor.

Shareholders are, according to the Companies Act, entitled to bring issues falling within the domain of the Shareholders' Meeting to be dealt with at the Shareholders' Meeting if they demand this in writing from the Board of Directors well in advance so that the issue can be included in the notice of the meeting.

The Board of Aspo Plc convenes the Shareholders' Meetings. The notice of the meeting is published in a stock exchange release and on the company's website not earlier than two months and not later than twenty-one (21) days prior to the meeting, however at least nine (9) days prior to the record date for the shareholders' meeting. In addition, the Board of Directors may at their discretion decide to announce about the shareholders' meeting in one or several newspapers. In addition, the following information is published on the company's website 21 days before the Shareholders' Meeting at the latest:

- total number of shares and votes by share class on the date of the notice of the meeting
- documents to be presented to the Shareholders' Meeting
- decision proposal of the Board of Directors or some other competent body
- any issue that is included in the agenda of the Shareholders' Meeting but for which no decision is proposed

The decisions of the Shareholders' Meeting are published after the meeting in a stock exchange release. The minutes of the Shareholders' Meeting with the voting results and appendices related to the decisions are published on the company's website within two weeks of the Shareholders' Meeting.

## **SHAREHOLDERS' NOMINATION BOARD**

Aspo has a permanent Shareholders' Nomination Board that prepares proposals to the Annual Shareholders' Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the Board committees. The Shareholders' Nomination Board consists of the representatives of the four largest shareholders and in addition, the Chairman of the company's Board as an expert member of the Nomination Board.

The following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders' Meeting 2019: Roberto Lencioni, Chairman (Vehmas family); Veronica Timgren (Nyberg family, including Oy Havsudden Ab); Annika Ekman (Ilmarinen Mutual Pension Insurance Company); and Reima Rytsölä, (Varma Mutual Pension Insurance Company). In addition, Gustav Nyberg, Chairman of Aspo Board of Directors, has acted as an expert member of the Nomination Board.

## **BOARD OF DIRECTORS**

According to the Articles of Association, Aspo Plc's Board of Directors comprises no fewer than five and no more than eight members. The number of members of the Board is determined at the Shareholders' Meeting, where its members are also elected. The members of the Board of Directors elect a chairman and a vice chairman from amongst themselves. In the 2018 Annual Shareholders' Meeting, six Board members were elected. The term of the members ends at the conclusion of the Annual Shareholders' Meeting following the election.

The Board constitutes a quorum when more than half of the members, including either the Chairman or Vice Chairman, are Present.

The duties and responsibilities of the Board of Directors are set out in the Articles of Association, the Finnish Companies Act and other applicable legislation. Aspo Plc's Board of Directors has confirmed written standing orders which state that the matters to be handled by the Board include, but are not limited to:

- Aspo Group's strategic policies and divisional strategies
- Group structure
- matters to be presented to Shareholders' Meetings
- interim reports and consolidated financial statements
- Group business plans, budgets and investments
- expanding and scaling back operations, acquisitions/divestments of companies or operations
- Group risk management, insurance and treasury policies
- Group environmental policy
- management remuneration and incentive plans
- appointment of the CEO
- monitoring the financial and financing situation of Aspo Group

The Board carries out an annual self-evaluation of its operations and working methods.

In 2018, the Board of Directors arranged 13 meetings. The participation rate was 99.

### **Board members on December 31, 2018**

#### **Gustav Nyberg**

Chairman of the Board since 2009, member of the Board since 2008

B.Sc. (Econ.), eMBA, born 1956

Dependent on the company and its major shareholders

Shareholdings in Aspo on December 31, 2018: 731,667 or 2.33% of the total number of shares, Oy Havsudden Ab: 3,142,941 shares or 10.00% of the total number of shares.

Aspo's hybrid bond 2016: Oy Havsudden Ab: EUR 1.9 million

Participation in the board meetings: 100%

#### **Mammu Kaario**

Member of the Board since 2012, member of the Audit Committee since 2012, Chairman of the Audit Committee since 2017

LL.M, MBA, born 1963

Independent of the company and its major shareholders

Shareholdings in Aspo on December 31, 2018: 10,000 or 0.03% of the total number of shares.

Aspo's hybrid bond 2016: EUR 0.1 million

Participation in the board meetings: 100%

#### **Mikael Laine**

Member of the Board since 2016, member of the Audit Committee since 2016

M.Sc. (Econ.), born 1964

SVP, Strategy, Cargotec Corporation, 2014–

Independent of the company and its major shareholders

Shareholdings in Aspo on December 31, 2018: 10,000 or 0.03% of the total number of shares.

Participation in the board meetings: 100%

#### **Salla Pöyry**

Member of the Board since 2016, member of the Audit Committee since 2016

D.Sc. (Econ.), CEFA, born 1984

Chairman of the Board (Managing Director), Procurator-Holding Oy 2015–

Independent of the company and its major shareholders

Shareholdings in Aspo on December 31, 2018: 1,000 or 0.003% of the total number of shares,

Procurator-Holding Oy: 470,969 or 1.50% of the total number of shares.

Participation in the board meetings: 100%

#### **Risto Salo**

Member of the Board since 2008, member of the Audit Committee 2017-2018

M.Sc. (Tech.), born 1951

Chairman of the Board, Hollming Ltd, 2005–

Independent of the company and its major shareholders

Shareholdings in Aspo on December 31, 2018: 165,160 or 0.53% of the total number of shares, Ratus Ltd 572 or 0.002% of the total number of shares.

Participation in the board meetings: 92%

### **Tatu Vehmas**

Member of the Board since 2018, member of the Audit Committee since 2018

Bachelor of Science, born 1994

Independent of the company, dependent on its major shareholders

Shareholdings in Aspo on December 31, 2018: 2,306,676 or 7,34% of the total number of shares.

Participation in the board meetings: 100%

### **Board committees**

The Board has established an Audit Committee with the objective of preparing issues related to the company's financial reporting and control. The Audit Committee does not have independent decision-making authority, but the Board makes the decisions on the basis of preparations by the committee. The Audit Committee consists of the chairperson and at least two members, who the Board appoints from among the Board members for one year at a time. The Board of Directors has appointed Mammu Kaario as Chairman of the Audit Committee and Mikael Laine, Salla Pöyry and Tatu Vehmas as committee members.

The tasks of the Audit Committee are:

- monitoring the financial statement reporting process
- control of the financial reporting process
- monitoring the effectiveness of internal control and risk management systems
- review of internal audit's plans and reports
- yhtiön compliance-toiminnon suunnitelmien ja raporttien käsittely
- review of the description of the main principles related to the internal control and risk management systems over financial reporting process included in the company's Corporate Governance Statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- assessing the independence of the audit firm
- assessing the auxiliary services offered by the audit firm
- preparing the decision on the election of the auditor

The Audit Committee will convene regularly at least twice a year. In 2018, the Audit Committee had five meetings. The participation rate was 100.

Aspo has no other committees besides the Audit Committee.

### **Chairman of the Board**

Gustav Nyberg, B.Sc. (Econ.), eMBA (62) has acted as the Chairman of the Aspo Plc's Board of Directors.

## **Diversity on the Board of Directors**

Aspo regards diversity on the Board of Directors as a significant part of sustainable operations, and a success factor that allows the company to reach its strategic goals. Diversity must be part of a functional Board of Directors which is able to work together and respond to the requirements set by the company's businesses and strategic goals, and to challenge the company's acting management in a proactive and constructive manner.

The Shareholders' Nomination Board prepares and presents the proposal for the composition of the Board of Directors to the Annual Shareholders' Meeting. When planning the composition of the Board of Directors, the Nomination Board of Aspo's shareholders takes account of the needs and development phases of the company's businesses, as well as the competence areas required by different board committees. When selecting board members, the objective is to ensure that the Board of Directors wholly supports the development of Aspo's current and future business operations.

The chairman of the Board of Directors proposes the competence and know-how required from board members to the Nomination Board so that each member can be assumed to have the required expertise and experience. The objective of the preparatory work of the Nomination Board is to ensure that the Board of Directors forms a functional whole.

Diversity on the Board of Directors is examined from different points of view. For the composition of Aspo's Board of Directors, key factors are competence, with each board member supplementing one another, education and experience in different business fields, management and operations in different development phases, as well as the personal characteristics of each member. In addition, diversity on the Board of Directors is supported by experience in an international operating environment and consideration of the age and gender distribution. The objective is that both genders are represented by at least two members. Aspo fulfills this objective.

Members of Aspo's Board of Directors must have the competence required for the position and the ability to allocate sufficient time to their tasks. When forming the Board of Directors, long-term needs and replacement planning are also taken into account. The composition of the Board of Directors and the number of members must enable the Board of Directors to work effectively.

Aspo owns and develops businesses belonging to the Group. The Boards of Directors of each subsidiary prepare and decide on the strategies of each business. The subsidiaries are independent of one another, and they have separate objectives, customer needs, capital structures and business cycles. Therefore, they need independent Boards of Directors that produce genuine added value for the development of the companies. Aspo's CEO acts as the chair of the Boards of Directors of all subsidiaries. The aim is to find active top experts in their fields who are still actively engaged in business life for the Boards of Directors of the subsidiaries. Another aim is to follow the same level of diversity on the Boards of Directors of the subsidiaries as on the Aspo Board of Directors. Through their work, the Boards of Directors of the subsidiaries support diversity on the Board of Directors of Aspo.

## **CHIEF EXECUTIVE OFFICER**

The Board of Directors appoints Aspo Plc's CEO. Aki Ojanen, eMBA (58), acts as the CEO of Aspo. The CEO leads and develops of the Group's business and is responsible for the operative management in accordance with the instructions of the Board of Directors. The CEO presents matters and reports to the Board of Directors. The CEO is responsible for the Group administration in accordance with the instructions of the Board of Directors, and for the company accounting complying with applicable legislation and the reliable arrangement of the company finances. He also serves as the Chairman of the subsidiary Boards and acts as the operational supervisor of the Managing Directors of the subsidiaries and Group administration. He is also responsible for internal audit and for Group risk management, which are coordinated by the CFO.

## GROUP EXECUTIVE COMMITTEE

The CEO is assisted by the Group Executive Committee, which is responsible for developing the strategic structure of Aspo Group and its earnings, as well as prepares the policies and common practices. The Group Executive Committee consists of the Group CEO, Group CFO, Group Treasurer, Group Legal Affairs, and the Managing Directors of the Group companies. The Group Executive Committee convenes at least six times a year.

### Group Executive Committee members on December 31, 2018

#### **Aki Ojanen**

CEO, Aspo Plc, 2009–  
eMBA, born 1961

Shareholdings in Aspo on December 31, 2018: 45,441 or 0.14% of the total number of shares

#### **Kalle Kettunen**

Managing Director, Telko Ltd, 2009–  
M.Sc. (Tech.), MBA, born 1964

Shareholdings in Aspo on December 31, 2018: 35,654 or 0.11% of the total number of shares

#### **Matti-Mikael Koskinen**

Managing Director, ESL Shipping Ltd, 2013–  
M.Sc. (Econ.), born 1972

Shareholdings in Aspo on December 31, 2018: 32,154 or 0.10% of the total number of shares

#### **Mikko Laavainen**

Managing Director, Leipurin Plc, 2016–  
M.Sc. (Econ.), born 1973

Shareholdings in Aspo on December 31, 2018: 14,725 or 0.05% of the total number of shares

#### **Arto Meitsalo**

CFO, Aspo Plc, 2009–  
Managing Director, Aspo Services Ltd, 2013–  
Acting Managing Director, Kauko Ltd, 2018–  
M.Sc. (Econ.), born 1963

Shareholdings in Aspo on December 31, 2018: 36,893 or 0.12% of the total number of shares

#### **Toni Santalahti**

Director, Legal Affairs, Aspo Plc, 2017–  
LL.M, born 1971

Shareholdings in Aspo on December 31, 2018: 10,207 or 0.03% of the total number of shares

#### **Harri Seppälä**

Group Treasurer, Aspo Plc, 2008–  
eMBA, born 1964

Shareholdings in Aspo on December 31, 2018: 61,225 or 0.19% of the total number of shares

## REMUNERATION

The salaries, remuneration and other financial benefits of the management and the members of the Board of Directors are presented in a separate remuneration statement at [www.aspo.com](http://www.aspo.com).

## AUDIT

According to the Articles of Association, the Annual Shareholders' Meeting elects the auditor, which must be an audit firm approved by the Central Chamber of Commerce. The term of the auditor ends at the conclusion of the Annual Shareholders' Meeting following the election.

The auditor elected by the Shareholders' Meeting is responsible for instructing and coordinating the auditing work throughout the Group. The auditor provides the company's shareholders with the auditor's report in connection with the annual report, in accordance with legislation. The Board of Directors also receives other possible auditing reports.

The 2018 Annual Shareholders' Meeting elected the APA firm Ernst & Young Oy as the auditor, with APA Toni Halonen as the principal auditor. In 2018, companies belonging to the EY chain in Finland and abroad were paid about EUR 289,000 in compensation for performing audits for Aspo Group. In addition, other services were acquired for about EUR 116 316.

## INTERNAL CONTROL

Aspo's internal control includes the control that is built in to the business processes, the Group's management system and financial reporting covering the entire Group. Internal control is an integral part of the company's management, risk management and administration.

The aim of internal control is to create sufficient certainty of goals and objectives being reached in the following issues:

- operational profitability and efficiency and capital control
- reliability and integrity of financial and operational information
- compliance with laws, regulations and agreements, as well as ethical principles and social responsibility
- safeguarding and responsible management of assets and brands

The responsibility to arrange the control lies with the Board of Directors and the CEO both at Group level and in the different business areas. The Group's Board is responsible to the shareholders and the CEO to the Board. The chain of responsibility continues throughout the organization so that each Aspo employee is responsible to his/her superior for control. Group company controllers have control responsibility concerning compliance with legislation and Group instructions. As well as to the subsidiary management, they also report to the CFO. The CFO reports to the CEO and Board on possible findings. The internal audit function supports the Group management in their control task and the aim is to offer the Aspo board sufficient assurance that the control is working.

## FINANCIAL REPORTING

The control of financial reporting is based on monitoring of business processes. The information for financial reporting is created as business processes progress, and responsibility for correct information is shared by all participants in the process. The financial reporting process is decentralized and monitored by the Audit Committee.

The financial statements of the Group are compiled according to the IFRS standards; those of the parent company and Finnish subsidiaries according to the Finnish Accounting standards. Each

separate company complies with the legislation of the country where it is located, but reports based on the Aspo's internal accounting instructions. Separate companies may have their own chart of accounts, but all information is consolidated on the basis of a common chart of accounts to the unit level, where their reliability is assessed before the information is transferred to Group level. Aspo Group's financial information is verified, and assessed on monthly basis. At each phase the unit responsible for the quality and generation of information will assess its reliability. The Group-level monitoring and reconciliation mechanisms are used on both monthly and quarterly bases.

The systems required for financial reporting are decentralized and used according to the principles of internal control. Achieving the set targets is monitored on a monthly basis with the Group's consolidation and reporting system. In addition to actual and comparative figures, the system provides up-to-date forecasts. The reports are provided to the Aspo Board of Directors monthly. The Board of Directors assesses the Group's position and future based on the provided information. The Board of Directors is responsible for the contents and publication of the financial statement.

Besides the Audit Committee, the reliability of reporting and processes are assessed by an independent, external audit firm.

## **INTERNAL AUDIT**

The purpose of internal audit is to support assessment and assurance of the Group to verify the efficiency of risk management, control, management and administration. Internal audit assists the management and the organization in ensuring the Group targets and in ensuring the effectiveness and development of the control system.

The Board of Directors approves the principles of internal audit as part of internal control. The Group CFO is responsible for coordination of internal audit, and reports the findings to the CEO, the Audit Committee and the Board of Directors. Internal audit is organized corresponding to the size of the Group. Additional resources and special skills will be purchased for demanding assessments if needed. The target is to perform several risk-based audits annually. The audits are based on risk assessment as defined in the risk analyses of individual business units. The objects of the audit assessment and assurance are profitability and efficiency of activities, reliability of financial and operational reporting, compliance issues and safeguarding of assets.

The Audit Committee monitors the operations and efficiency of the company's internal audit in its meetings. The committee also reviews the plans and reports of the internal audit.

## **RISK MANAGEMENT**

The target of risk management is to ensure the implementation of Group strategy, development of financial results, shareholder value, dividend payment ability and business continuity. The operational management of the business units is responsible for risk management. They are also responsible for determining sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of daily management of operations. Risk management is coordinated by the Group CFO, who reports to the Group CEO.

The Audit Committee monitors the efficiency of the risk management systems and deals with processes, plans and reports of the risk management.

Each business unit has a separate risk management program. Business risks and their management are dealt with in the business unit management teams. The functions common to the whole Group will ensure that sufficient risk assessment and reporting procedures are incorporated into the processes they are responsible for. In terms of certain risks, the risk



management principles and main content have been defined in Group-level policies and guidelines. The Group administration is responsible for Group-level insurance plans.

Risk management is essentially based on the aforementioned procedures of internal control, where the chain of responsibility extends throughout the Group. The most important factors in business risk management are a profound understanding of the business and command of the tools which are used for daily business operations and their management. Characteristic risks in each business area are identified in the business units, assessed in the business unit management teams, and reported to the subsidiary Boards and, if need be, also to the Aspo Board of Directors or the Audit Committee. Aspo's CEO acts as the Chairman of the Boards of the subsidiaries.

Risks are continuously assessed and their management is discussed in the business unit management teams. Risk assessments are updated according to Aspo's management policy and the most noteworthy findings are presented in the quarterly interim reports. Larger projects always include a separate risk analysis. The most significant risks for the Group are assessed once a year and the results are presented in the annual report.

Financial risks, their management principles and related organization are presented in the notes to the financial statements.

## **INSIDER MANAGEMENT**

Aspo Group follows Nasdaq Helsinki Ltd's insider instructions. The persons discharging managerial responsibilities include the members of the Board and the Group Executive Committee. In addition, a project-specific insider register is kept on persons participating in the preparation of insider projects.

Persons discharging managerial responsibilities are not allowed to trade in securities issued by the company for 30 days before the publication of interim reports or financial statements releases. Project-specific insiders are not allowed to trade in securities issued by the company until the termination of the project.

The Group's CFO is responsible for the control and monitoring of insider issues. Aspo Plc's insider register is maintained by Euroclear Finland Ltd.

ASPO PLC  
Board of Directors

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