

# Panostaja Oyj

## Report on the Management and Control System

### Compliance with the Finnish Corporate Governance Code during the Financial Period 2022

In its operations and the organization of its administration, Panostaja Oyj complies with the Finnish Corporate Governance Code (2020). The Code is available at the website maintained by the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

This report on the management and control system has been created separately from the annual report. The report has been processed and approved by the Board of Directors. The auditor of the company has verified that the description of the main features of the internal control and risk management related to the financial reporting process contained herein is consistent with the financial statement.

### Annual General Meeting

Panostaja Oyj's highest decision-making body is the Annual General Meeting. Every year, the Annual General Meeting confirms the company's financial statement, decides on the dividends to be paid and on the granting of discharge from liability of the Board members and the CEO, and on the election of the Board members and auditors and the fees to be paid to them. The Annual General Meeting is convened by the Board of Directors. In accordance with the Articles of Association, the Annual General Meeting must be held every year by the end of April. The invitation to the Annual General Meeting must be published on the company's website at the earliest two (2) months and no later than three (3) weeks prior to the Meeting, but at least nine days before the record date of the Annual General Meeting. The Board of Directors may also, at its discretion, announce the Annual General Meeting in one or more newspapers. The Annual General Meeting must be attended by the CEO, the Chairman of the Board, Board members and any person being nominated as a Board member for the first time, unless there are compelling reasons for their absence. Auditors must attend the Annual General Meeting.

### Board of Directors

The company is administered and its operations are appropriately organized by the Board of Directors, which must comprise at least three and no more than six members in accordance with Panostaja Oyj's Articles of Association. In the 2022 financial period, the Board comprised five members. The Board members are elected by the Annual General Meeting. In recent years, the practice has been that proposals to the Annual General Meeting regarding the Board members' salaries and the composition of the Board of Directors are submitted by shareholders of the company who represent more than 10% of the company's shares and votes. As part of the preparation process and when necessary, the Chairman of the Board will participate in discussions with the largest shareholders in order to take different views and the situation of the company into account in the composition of the Board of Directors. A Board member's term of office expires at the end of the next Annual General Meeting.

### EVALUATION OF INDEPENDENCE

In accordance with recommendation 10 of the Finnish Corporate Governance Code, the company's Board of Directors has carried out an evaluation of the Board members' independence of the company and significant shareholders. Of the five members

of the company's Board, five are independent of the company, according to the Board's assessment, and four are significant shareholders in the company.

## MEMBERS OF THE BOARD OF DIRECTOR

The Annual General Meeting on February 7, 2022 elected the following people to the Board:

### Jukka Ala-Mello, born 1963

Chairman of the Board since 2011, Board member since 2006

M.Sc. (Econ.) and Authorized Public Accountant, CEO of Security Trading Oy and Holding Manutas Oy

#### Previous work experience:

Director and Secretary to the Board of Directors of Kone Oyj 2006–2022, shareholder in PricewaterhouseCoopers Oy 1995–2006, Finnish Institute of Authorized Public Accountants approved auditor 1993–2006 and auditor 1987–1990, and Financial Manager at Panostaja Oyj 1990–1993

#### Other positions of trust:

Board member at Security Trading Oy and Holding Manutas Oy, and Chairman of the Board at Johtopanostus Oy and OWH-Yhtiöt Oy. Independent of the company and of major shareholders.

### Eero Eriksson, born 1963

Board member since 2011

Master of Social Sciences, Senior Advisor S-Pankki Oyj

#### Previous work experience:

CEO of Fennia Asset Management 2017–2021, CIO of Fennia Group 2002–2020, Senior Vice President of Fennia 2003–2017, Investment Director of Eläke-Fennia 1998–2001, Investment Director of Merita Henkivakuutus Oy, Bank Manager of Suomen Yhdyspankki

#### Other positions of trust:

Chairman of the Board of S-Pankkikiinteistöt Oy, member of the Board of S-Pankki Rahastoyhtiö Oy, member of the Board, Employment Committee and Investment Committee of the Diabetes Research Foundation, member of the Board and Investment Committee of Oulun Diakonissalaitoksen säätiö foundation, Chairman of the Board of the Kyllikki and Uolevi Lehtinen Foundation, and Chairman of the Investment Committee of the Finnish Standards Association SFS.

Independent of the company and of major shareholders.

### Mikko Koskenkorva, born 1982

Board member since 2011

Bachelor of Computer Science, IT Manager of Jyky Group Oy

#### Other positions of trust:

Board member of Johtopanostus Oy, Board member and CEO of Treindex Oy, Board member and CEO of Oy Koskenkorva Ab.

Independent of the company.

### Tarja Pääkkönen, born 1962

Board member since 2016

D.Sc. (Tech.) (business strategies), M.Sc. (Tech.) (building technology) and Partner at Boardman Oy

#### Previous work experience:

Head of Sales and Marketing unit and Management Group member of Itella Oyj group 2005–2010, Nokia Mobile Phones Management Group member of Nokia Oyj and several global Senior Vice President level positions in Europe, USA and Asia 1994–2004

#### Other positions of trust:

Board and Remuneration Committee member of SATO Oyj, Board and Remuneration Committee member of United Bankers Oyj.

Board member of GRK Infra Oy, Board and HR Committee member of YLVA, Board member of software company Cardu Global Oy and Chairman of Andiata Oy's Advisor Board.

Independent of the company and of major shareholders.

### Tommi Juusela, born 1973

Board member since 2021

Bachelor of Laws, LL.M. (Columbia University), independent advisor

#### Previous work experience:

Neste Oyj, Vice President, member of the management team of the Sales and Business unit 2016–2018, Director, Sales 2014–2016; Nokia Oyj, several managerial positions in sales, marketing and strategy 2006–2014, Shearman & Sterling LLP, Associate, 2002–2004 (London), International Associate 1999–2000 (New York)

#### Other positions of trust:

Vice Chairman of the John Nurminen Foundation, Chairman of the Board of Baltic Sea Services Oy, Board member of Algol Technics Oy, Board member of Elpac Oy, member of the Advisory Board of Konversai, Inc.

Independent of the company and its major shareholders.

The Board elects a Chairman and possible Deputy Chairman from amongst its members. The organizing meeting of the Board elected Jukka Ala-Mello as Chairman and Eero Eriksson as Vice Chairman.

The Board members' and their controlling interest entities' shareholding in Panostaja Oyj's shares on October 31, 2022 was as follows:

Jukka Ala-Mello	254,739
Eero Eriksson	90,999
Mikko Koskenkorva	1,506,055
Tarja Pääkkönen	78,921
Tommi Juusela	27,957
<b>Total shareholding</b>	<b>1,958,671</b>

*In addition to this, Jukka Ala-Mello and CEO Tapio Tømmila own a total of 36% of the shares of Johtopanos Oy. Johtopanos Oy owns 1,030,000 of Panostaja Oyj's shares.*

## DUTIES OF THE BOARD OF DIRECTORS

The Board has prepared written rules of procedure for its activities. The rules of procedure contain the planned Board meeting dates for the financial period, other attendees to be invited to the meetings and meeting practices. Furthermore, the rules of procedure separately define the Board's key duties and operational principles. The Board's general duty is to direct the company's activities so that they generate as much additional value to the invested capital as possible in the long term.

In addition to its legally prescribed duties, the Board of Directors processes matters that are essential and far-reaching to the company:

- long-term vision, strategic goals and financial goals
- budgets of companies belonging to the Group as part of the Group's budget
- the Group's material investments, material business expansions or contractions
- significant business and business activity transactions
- financing structure of the Group

When assessing the materiality and significance of the matters, factors such as the regulations of Nasdaq Helsinki and the Group's budget must be taken into account.

In order to carry out its duties, the Board of Directors also:

- confirms the company's values and operating practices and monitors their application
- defines the company's dividend policy
- monitors the financial statement reporting process and legally prescribed audits of the financial statement and the consolidated financial statement and supervises the financial reporting process

- processes and approves the annual report and the financial statement, as well as interim and business reports
- appoints and releases the CEO and decides on the CEO's terms of employment and incentive scheme
- submits a proposal to the Annual General Meeting regarding the remuneration systems for the management and the personnel, if necessary
- carries out Audit Committee duties in accordance with recommendation 16 of the Finnish Corporate Governance Code
- performs an annual examination of the central risks related to the company's activities and their management and, if necessary, provides related instructions to the CEO and confirms the main principles of the company's internal control and its risk management policy
- decides on any significant donations
- holds a joint meeting with the auditors and the Senior Management Team at least once a year
- hears the Managing Director of a company owned by the Group regarding an essential matter related to said company, if necessary
- evaluates its own activities and the CEO's activities once a year
- evaluates the independence of the auditor and the auditing entity as well as the ancillary services provided to audited companies
- prepares a decision proposal to the Annual General Meeting regarding the selection of auditors
- processes other matters that the Chairman of the Board or the CEO have proposed to be included in the meeting agenda. Other members of the Board will also have the right to have a matter of their choosing be processed by the Board of Directors by notifying the Chairman.

Every year, the Board evaluates its activities and working methods. In connection with the evaluation, the Board also surveys how well its own activity plan has been implemented and whether the rules of procedure are up to date. The results of the evaluation will be taken into account when deciding on the composition of the Board and creating the next activity plan.

The Board does not have separate committees, and so is responsible for the functions of the Audit Committee as defined in the Finnish Corporate Governance Code.

## BOARD MEETINGS

In the 2022 financial period, the Board convened 12 times. Members of the Board of Directors attended the meetings as follows:

	Attendance
Jukka Ala-Mello	12 / 12
Eero Eriksson	12 / 12
Mikko Koskenkorva	12 / 12
Tarja Pääkkönen	12 / 12
Tommi Juusela	11 / 12

## THE BOARD'S PRINCIPLES CONCERNING DIVERSITY

When preparing the composition of Panostaja's Board of Directors, attention must be paid to the needs of the company's activities and the premise of taking diversity into account arising from said needs. Diversity must be examined through a variety of factors. Such factors include the Board members' age and gender distribution, their educational and professional background, their professional experience relevant to their duties and their personal attributes. The purpose of the principles concerning diversity is to contribute to ensuring that the Board's know-how and experience as a whole, as well as the diversity of its composition, adequately meet the needs of Panostaja's business model and owner structure. The members of the Board must also have an opportunity to dedicate enough time for administrative work while taking Panostaja's current and planned needs into account.

The company and its major shareholders have fulfilled the needs of diversity in the composition of the Board. Of the five members elected in the Annual General Meeting in February 2022, four were men and one was a woman. Furthermore, the other aforementioned factors and attributes important to diversity were represented in the Board in the financial period of 2022.

## CEO

November 1, 2021–October 31, 2022 the CEO was Tapio Tommila (born 1978, M.Sc. (Econ.), eMBA; previous work experience: Executive Vice President and CFO at Panostaja Oyj, Deloitte Corporate Finance Oy and PricewaterhouseCoopers Oy).

The Board appoints the CEO. The CEO controls the day-to-day running of the company in accordance with the Board's instructions

and regulations. The CEO acts as the Head of the members of the Senior Management Team of the parent company. The CEO prepares and presents to the Board for decision long-term strategic objectives, the budgets of the companies owned by the Group as part of the Group's budget, the Group's essential investments, essential expansions or contractions of business operations as well as major corporate and business acquisitions. The CEO is not a Board member.

## Organization of Business Activities

### SENIOR MANAGEMENT TEAM

In the financial period of 2022, the Senior Management Team comprised CEO Tapio Tommila, CIO Niko Skyttä (born 1982, M.Sc. (Tech.)), Development Director Minna Telanne (born 1964, Lic.Sc. (Admin.)), CFO Antti Kauppila (born 1982, M.Sc. (Econ.)) as of November 10, 2022. The Senior Management Team is chaired by the CEO and meets regularly. In addition to his statutory responsibilities, the CEO is accountable for the organization of Panostaja Oyj's activities, the management system and development thereof of the entire Group, as well as preparation and presentation of matters to the company's Board of Directors. The CFO is responsible for the Group's funding, financial reporting process and the risk management process as well as their development. The Investment Director is responsible for the corporate acquisition process and the related analysis and valuation process. The Development Director is responsible for the Group's management system, its development and the Group's development projects, as well as supports segments in their own development projects.

The Senior Management Team has no implementing powers based on legislation or the articles of association. The Senior Management Team operates under the auspices of the CEO and is responsible for the development of Panostaja Oyj's processes and business operations. The Senior Management Team prepares measures related to the development of the shareholder value of the segments as well as Group-wide development projects and the Group's strategy. Electing members to the Senior Management Team is decided on by the CEO.

The Board members' and their controlling interest entities' shareholding in Panostaja Oyj's shares on October 31, 2022 was as follows:

Tapio Tommila / Comito Oy	420,169
Minna Telanne	285,591
Niko Skyttä	19,217
Antti Kauppila	0
<b>Total shareholding</b>	<b>724,977</b>

*In addition to this, Jukka Ala-Mello and CEO Tapio Tommila own a total of 36% of the shares of Johtopanosustus Oy. Johtopanosustus Oy owns 1,030,000 of Panostaja Oyj's shares.*

### BUSINESS SEGMENTS

Panostaja Group's operative business activities are carried out in business segments. Each business segment's Board of Directors consists of one or two members of Panostaja Oyj's Senior Management Team, and at least one external expert. The Chairman of the Board of a business segment serves as the superior of the segment's Managing Director. Operational decisions concerning the business segment are made in each segment.

## Main Features of the Internal Control and Risk Management Linked to the Financial Reporting Process

### INTERNAL CONTROL

Panostaja Oyj's Board of Directors confirms the principles of operation concerning Panostaja Group's internal control and evaluates the state of internal control at least once a year. The 'financial reporting process' means functions which produce financial information for use in company management, as well as financial information to be published in accordance with laws, standards and other regulations applicable to the company. The internal control that is linked to the financial reporting process aims to ensure that Panostaja Group's operations are successful, that decision-making is based on reliable information and adequate business risk identification, and that the financial reports published by the company provide essentially correct information about the company's financial situation. At the time of closing the books, the four segments in majority ownership have their own financial management body, and the parent company also has a separate financial administration organization operating under the auspices of the Group CFO. The business segments use several different accounting and financial reporting information systems. The Group's financial reporting is handled by one centrally administered information system. The business segments are responsible for producing information for the Group's reporting system.

Business segments under Panostaja's majority ownership prepare their own budgets, which are approved by each company's Board of Directors. The parent company's budget combined with the business segments' budgets forms Panostaja Oyj's group budget, which is approved by Panostaja's Board of Directors. Throughout the financial year, the segments report monthly to the parent company according to a reporting timetable that is agreed upon beforehand. Monthly reporting and the related analyses and comparisons are an essential part of the guidance and supervision carried out with the help of financial reporting. After each quarter, the segments update their end-of-year forecast as necessary.

## **INTERNAL AUDIT**

Panostaja Oyj does not have a separate internal audit organization. The parent company's financial management organization regularly monitors and controls reporting by the business segments as well as deficiencies observed in the reporting and, where necessary, will either carry out its own internal audit or have a separate one carried out by external experts. The parent company's financial management organization is responsible for the definition of uniform accounting and reporting principles and guidelines, the constant development of the reporting system as well as the training of the segments' financial management organization. Development and training take into account the internal control needs.

## **RISK MANAGEMENT**

Panostaja Oyj's risk management objective is to ensure business continuity and support Panostaja and the business segments owned by it to achieve the defined objectives and strategies.

Risk is classified as factors that may endanger or impede Panostaja or the business segments owned by it from achieving strategic objectives, improvement in profit and financial position or business continuity, or that may otherwise cause significant consequences for Panostaja, its owners, business segments, personnel or other stakeholder groups. The more significant risks and factors of uncertainty that have come to the attention of the company's Board have been described in the Annual Report.

Risk management is an integral part of the general authority and good governance of the Board and the CEO, in accordance with the Limited Liability Companies Act, as well as the planning and management of Panostaja's business operations.

At Panostaja, risk management is based on risk identification, assessment and reporting. Risk identification, assessment and reporting at the Group level are the responsibility of the parent company's CEO, and the responsibility for the business segments rests on the Managing Director of the segment in question. All material risks are reported to the Board of Directors of the Group's parent company.

Panostaja uses a uniform model to identify Group and business segment risks. Risk identification, assessment and reporting for each segment enable the creation and maintenance of effective risk management measures.

Risks are identified and assessed based on their likelihood, significance and potential influence. In actions, monitoring of development trends and risk management measures are emphasized.

Risk analyses and assessments are carried out as self-assessments and a summary of them is processed and approved by the Board of each business segment. Risks are also charted and processed together with the risk management services of an accident insurance company. Based on these analyses and assessments, decisions are made on risk management development projects, which can be implemented on a Group-wide scale or for an individual segment.

**Panostaja's Board** is responsible for the company's risk management and monitors its implementation. The Board approves the company's risk-management policies.

**Panostaja's CEO and the Senior Management Team** are responsible for determining the principles of risk management and their adoption and for ensuring that risk management is properly organized. They are also responsible for ensuring that risks are taken into account in the company's planning processes and that they are reported to the Board in an adequate and proper manner. They are also responsible for the development of risk management and the constant evaluation of the abilities of segment management in the risk management area, through their work with the Boards.

**The managing directors of the business segments and the Board** are responsible for risk identification, assessment and management, and for implementing and reporting measures for the development of risk management in their respective areas of responsibility, in accordance with Panostaja guidelines.

**Panostaja's CFO** is responsible for the operating models and reporting of risk management at the Group level, and for the practical execution and control in the business segments based on the Group business model and risk management policy. Financial risks are reported regularly to Panostaja's Board.

**Each employee** is responsible for the identification of risks either related to their own work or that they otherwise observe, as well as for reporting these to a superior.

## Auditing

The auditors elected by the AGM are responsible for the statutory auditing of the companies belonging to the Panostaja Group. In the financial period of 2022, Authorized Public Accountants Deloitte Oy operated as the auditor for the parent company and the Group, with Authorized Public Accountant Hannu Mattila acting as the leading auditor.

As required by law, the auditors issue an audit report for the company's shareholders together with the financial statement. In dealing with the financial statement, Panostaja Oyj's Board receives an explanation of the implementation of the audit and its findings from the responsible public accountant. If necessary, the auditors participate in Board meetings and otherwise report to the Board. In the financial period of 2022, auditing fees paid by the company amounted to EUR 150,000, and fees paid to the auditors for other non-auditing services amounted to EUR 6,000.

## Insider Management

### INSIDER GUIDELINES

Panostaja Group complies with currently valid insider regulations and the insider guidelines of Nasdaq Helsinki Oy. Furthermore, the Group has its own insider guidelines, which complement Nasdaq Helsinki Oy's insider guidelines and are updated on a regular basis. Panostaja's Insider Management is responsible for the following duties:

- internal communication regarding insider matters
- training concerning insider matters, trading restrictions and the obligation to report
- creating, maintaining and submitting insider lists to the Financial Supervisory Authority (as requested)
- acquiring approvals from persons on the insider list
- controlling insider matters
- internal communication regarding matters concerning the trading restriction and the obligation to report
- maintaining a list of managers subject to the obligation to report and their related parties
- submitting reports to managers
- guiding managers in submitting reports to their related parties, if necessary
- the obligation to publish the business activities of managers and their related parties
- monitoring the trading restriction and the obligation to report, and
- careful monitoring of changes to regulations concerning insider matters, the trading restriction and the obligation to report.

The CFO is responsible for Panostaja's insider matters.

### INSIDERS AND MANAGERS

The Market Abuse Regulation ((EU) N:o 596/2014, "MAR") entered into force on July 3, 2016. Due to the MAR, the company no longer has a public insider register. The public insider register was last updated on July 2, 2016. The company does not have a permanent insider register. A project-specific insider list regarding insider projects is maintained in accordance with the insider instructions of Nasdaq Helsinki.

Among Panostaja personnel, Board members, the CEO and the Senior Management Team are deemed subject to the obligation to report.

Panostaja's managers and their related parties are obligated to report to Panostaja and the Financial Supervisory Authority any business activities carried out with Panostaja's financial instruments, which Panostaja publishes in a separate stock market release. Panostaja managers' shareholding has also been published with the managers' permission on the company's website. The shareholdings are updated monthly.

## **CLOSED WINDOW**

Panostaja's managers must time their trade with financial instruments issued by the company so that the trade will not diminish trust in the securities market. Managers must not engage in trade with financial instruments issued by the company in the 45-day period preceding the publication of the company's interim report and financial report. The trade restriction has also been expanded to concern all persons involved in creating Panostaja's financial reports and the management and financial executives of the most significant business segments.

## **PROCEDURE REGARDING A SUSPECTED BREACH OF REGULATIONS AND PROVISIONS CONCERNING THE FINANCIAL MARKET**

In accordance with the Securities Markets Act, Panostaja follows a procedure through which persons employed by the company can use an independent channel inside Panostaja to report any suspected breaches of regulations and provisions concerning the financial market.

## **Related party transactions**

Related parties include the persons working as Panostaja's executives, their related parties and Panostaja's segments, all of which are obliged to notify the Financial Supervisory Authority and Panostaja of all business transactions conducted on their own account in relation to Panostaja shares, debt loan instruments, related derivatives or other financial instruments. Panostaja releases information about trades carried out by its executives and their related parties without delay and within three (3) working days of the trade, at the latest. The details are released through stock exchange bulletins, in ways corresponding to releases of insider information and using the bulletin category 'Management's transactions.' The stock exchange bulletins regarding information released on the management's transactions will be available on Panostaja's website for a minimum of five years from release. Panostaja assesses and monitors business transactions conducted with related parties and ensures that any possible conflicts of interest are appropriately considered in decision-making. Panostaja maintains a list of its related parties in Group administration. Correspondingly, each segment company monitors their own related parties.

As regards its normal business operations, Panostaja Oyj does not have any notable related party transactions that would deviate from normal business or market conditions. Panostaja provides information regarding related party transactions in the notes to the financial statements, in accordance with the Limited Liability Companies Act and regulations on financial statements.

This report is available on the company's website at [www.panostaja.fi](http://www.panostaja.fi).