

# Corporate governance statement 2018

Ponsse Plc

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## Introduction

Management of Ponsse Plc (hereinafter also “the Company”) is based on existing legislation, Ponsse’s articles of association and policies set by the company’s administrative bodies. The company complies with the rules of Nasdaq Helsinki Ltd (hereinafter “the stock exchange rules”), including the 2015 Corporate Governance Code for Finnish listed companies approved by the Securities Market Association (hereinafter “the Corporate Governance Code”). Ponsse’s corporate governance principles are guided by the Corporate Governance Code. The company also complies with the regulations and guidelines issued by the Financial Supervisory Authority. Ponsse’s Code of Conduct is available on the company’s website.

Legislation obligates listed companies to compile an annual report on their corporate governance system. This statement on the company’s corporate governance has been prepared to correspond to the Corporate Governance Code for Finnish listed companies, supplementing the statutory obligations approved by the Board of the Securities Market Association, with the exception of Recommendation 10 of the code. The main reason for deviating from the recommendation is Ponsse Plc’s history as a strongly family-owned company. The deviation is further explained below.

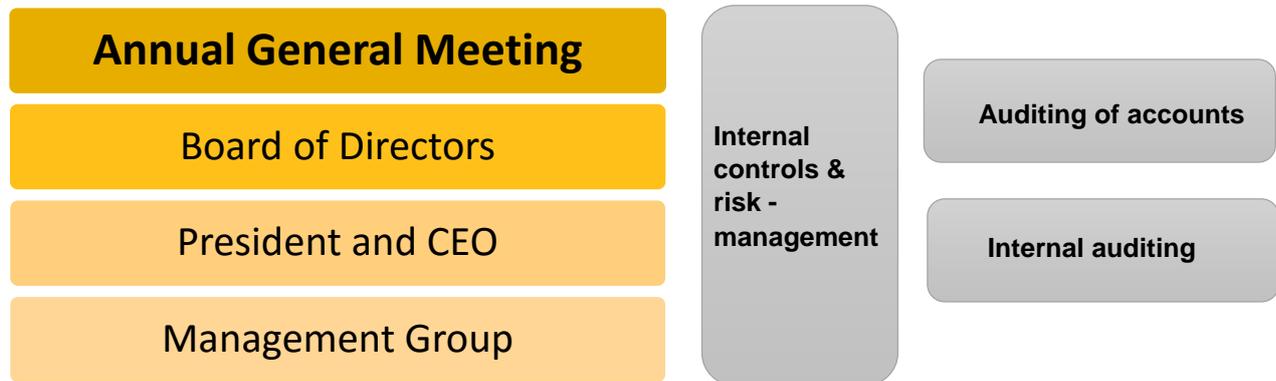
The statement has been prepared as a separate document from the annual report, and is available on the company’s website at <http://www.ponsse.com/investors>. The statement on the corporate governance system and the remuneration statement required for the statement will be made available on the company’s website when the financial statements and the report of the Board of Directors are published. The Corporate Governance Code, approved by the Board of Directors of the Securities Markets Association, on the basis of the recommendations of which the statement on the corporate governance system and the remuneration statement have been prepared, is available at [www.cgfinland.fi](http://www.cgfinland.fi). The company’s Board of Directors processed and approved this statement on the company’s corporate governance system at its meeting on 18 February 2019, and the company’s auditor has reviewed the statement.

The purpose of the management principles is to ensure that business principles and practices are ethical, and to ensure a high level of professionalism. This statement on the company’s corporate governance system increases the transparency of how the company is managed. Shareholders can assure themselves that Ponsse is managed professionally and efficiently, both in the interests of the company and in accordance with the law and secondary legislation. Good governance and clear management principles serve both the company’s management, and its shareholders and investors.

In addition to this report, the management of Ponsse Plc is reported on the company’s website.

# Leadership and administration of Ponsse Plc

Ponsse Plc's business operations are the responsibility of the Annual General Meeting, the Board of Directors and the Management Group, chaired by the President and CEO.



The company's highest decision-making body is the Annual General Meeting, where shareholders have the right to speak, ask questions of the company management and vote. The Annual General Meeting is held once a year before the end of June on a date decided by the company's Board of Directors. The AGM is held in Vieremä, Iisalmi or Kajaani. Ponsse Plc's 2018 Annual General Meeting was held on 9 April 2018 in Vieremä.

Among the most important matters to be decided by the Annual General Meeting are:

- Approving the financial statements
- Choosing the Board members and the auditor
- Deciding on fees for the Board members and the auditor
- Deciding on the discharge from liability of the members of the Board of Directors and the President and CEO
- Deciding on the distribution of the company's assets
- Amending the company's articles of association.

The Annual General Meeting is convened by the company's Board of Directors. A notice about the Annual General Meeting is published on the company's website, and also, at the discretion of the Board, in broad-circulation newspapers chosen by the Board, no earlier than three (3) months and no later than twenty-one (21) days before the Annual General Meeting. The agenda and other documents relating to the Annual General Meeting are made available on the company's website no later than twenty-one (21) days before the Annual General Meeting.

Ponsse's website contains information on the rights of shareholders to have a matter of concern to them dealt with at the Annual General Meeting, on the rights of shareholders to participate in the Annual General Meeting, and on other issues related to the Annual General Meeting.

## Board of Directors

In 2018, the administration of the company and the proper organisation of its operations were handled by a six-member board: **Juha Vidgrén** (chair), **Mammu Kaario** (vice chair), **Matti Kylävainio**, **Ossi Saksman** (1 January – 9 April 2018), **Juha Vanhainen** (9 April – 31 December 2018), **Janne Vidgrén** and **Jukka Vidgrén**.

The election of the Board of Directors and the decision on the number of board members are within the scope of authority of the Annual General Meeting. According to Ponsse's Articles of Association, the Board of Directors must have at least five and at most eight members. The members of the Board of Directors are elected for a term that ends at the end of the Annual General Meeting of the following year. The Board of Directors is elected annually to allow shareholders to regularly evaluate the activities of the Board of Directors and its members. The Board of Directors elects a chairperson from among its members.

## Tasks of the Board of Directors

The administration of the company and the proper organisation of its operations are handled by the Board of Directors. The Board of Directors is responsible for organising the management of the company's accounts and assets. In line with chapter 6, section 2, subsection 1 of the Limited Liability Companies Act (624/2006), the Board of Directors can be characterised as having general authority. In addition to internal administration, the Board of Directors is responsible for representing the company. The right to represent the company is set out in the company's Articles of Association. The Board of Directors is also responsible for the company's disclosure policy.

The most important tasks of the Board include:

- reinforcing the long-term strategy and Ponsse Group's risk management policy
- approving the budget
- business and real estate acquisitions, strategically significant business expansions, equity investments, investment development and significant individual investment decisions
- appointing, and if necessary dismissing, the President and CEO, and confirming the membership appointments of the other members of the Management Group
- deciding on salaries and remuneration for senior management
- annually assessing the activities and performance of the management

## Board operations

The Board of Directors convenes at the invitation of the Chairman, as often as is required for proper handling of the company's affairs. The Board is quorate when more than half of its members are present at the meeting. The President and CEO has the right, at the discretion of the Board of Directors, to be present at the board meeting and to speak there, even if he or she is not a member of the Board. The matters to be dealt with at each board meeting are presented at the start of the meeting by the Chair of the Board or by some other member of the company management who has been called upon by the Chair. Among the meetings held regularly by the Board of Directors are organisational meetings, budgetary meetings, interim meetings and meetings for the closing of accounts.

The Board convened nine times in 2018. Board members actively participated in the meetings, as the overall participation rate was 90.7 percent.

### Participation of Board members in meetings in 2018

Member of the Board	Participated a total of (times)	Participation percentage
<b>Juha Vidgrén</b>	9/9	100
<b>Mammu Kaario</b>	9/9	100
<b>Matti Kylävainio</b>	7/9	78
<b>Ossi Saksman</b>	1/1	100
<b>Juha Vanhainen</b>	8/8	100
<b>Jarmo Vidgrén</b>	7/9	78
<b>Jukka Vidgrén</b>	8/9	89

In addition to being governed by legislation and the company's own Articles of Association, the work and activities of the Board of Directors are also governed by the Board's rules of procedure, which describe, amongst other things, the duties and meeting practices of the Board of Directors. The internal work of the Board of Directors is guided by the meeting agenda. Among the key issues to be addressed at each meeting are market, financial and financial reviews. The matters to be dealt with will vary depending on the nature of the meeting.

It is important for the efficiency of the Board's activities, and especially for risk management, that the Board has access to up-to-date and accurate information on

the company's operations, operating environment and financial position. Provision of this information is the responsibility of the President and CEO. In accordance with chapter 6, section 17, subsection 1 of the Limited Liability Companies Act (624/2006), the President and CEO must supply the Board of Directors and the Members of the Board of Directors with the information necessary for carrying out their duties as Board members. However, notwithstanding the President and CEO's disclosure obligation, each member of the Board also independently monitors the company's operations and finances. New members of the Board of Directors are familiarised with their duties to an appropriate extent, taking into account the person's background and experience.

The Board of Directors aims to regularly evaluate its own activities and working methods. This assessment can be carried out either as an internal self-assessment or by an external evaluator. Attention is given in the evaluation to any problems that may have arisen in the work of the Board, relating to matters such as the composition of the Board, the effectiveness of the Board's activities, and the Board's activities as a group.

## **Selection criteria for board members, and diversity of board composition**

The general eligibility criteria for serving on the Board of Directors are in line with the relevant provisions of the Limited Liability Companies Act. No special eligibility criteria, such as upper age limit, have been set in the Articles of Association for Members of the Board of Directors. Board members are required to have the necessary qualifications for the task, and to be able to devote sufficient time to carrying out their duties. In choosing board members, emphasis is put on diversity of expertise and on the views of the shareholders. Evaluated as a whole, the Board of Directors is required to have sufficiently broad qualifications, skills and experience, as well as a willingness to commit themselves to Ponsse. Board members must be able to share the values of Ponsse.

In preparing the proposals for the next Board of Directors, attention is paid primarily to the requirements for and objectives of the company's operations. When preparing the composition of the next Board of Directors, the company's phase of development is taken into account. In selecting members, consideration is also given to international experience. In addition, attention is paid to the diversity of the composition of the Board of Directors. Insofar as possible, the Board will contain members of both sexes, and people from different backgrounds. It is in the best interests of the entire company to select people whose experience, background and views differ to some extent. For example, having board members from different educational backgrounds supports the company's business operations and development. For the purposes of evaluating the diversity of the next Board of Directors, each candidate for the Board provides the necessary information on their qualifications, and other information needed to assess the suitability of the person for the task.

For the financial year 2018, both sexes were represented on the Ponsse Board, as in previous years. The six-member board had one female member. The backgrounds and education of the board members differed considerably, and the board as a whole represented a wide range of experience. The members of Ponsse's Board of Directors are presented below further on in this report, and on the company's website.

## Independence of the board members

According to Recommendation 10 of the Corporate Governance Code, a majority of the members of the Board of Directors must be independent of the company, and at least two independent members of the Board of Directors must also be independent of the company's major shareholders. The criteria for assessing the independence of the members of boards of directors are outlined in Recommendation 10 of the Finnish Corporate Governance Code.

The company deviates from Recommendation 10 of the code. According to the estimate of the Board of Directors, the Board members that were independent of the company and of its major shareholders were Mammu Kaario, Matti Kylävainio and Juha Vanhainen. In other words, half of the six-member board were independent members, which means that the majority requirement of Recommendation 10 of the code was not met. The company justifies the deviation as follows: Throughout its history, Ponsse has been a family-owned and family-run company to a very large degree. The company has been successfully managed by its Board of Directors and the company owners. The dual role of certain persons as both significant shareholders and board members has had no negative impact on Ponsse's management. On the contrary, the composition of the Board of Directors represents the best way to continue this successful approach to management, taking into account the scope of the business and the company's current phase of development. The deviation from the aforementioned recommendation has not led to any conflicts of interest between the Board and the interests of the company and all its shareholders. For these reasons, Ponsse does not feel the need to change a practice that continues to work well and to be well suited to company's purposes.

The independence of the board members is assessed by the Board through the independence criteria listed in the recommendation, and the Board indicates which members are independent of the company and who are independent of major shareholders. To carry out the assessment, the members provide the Board with sufficient information to evaluate their independence, and they report any changes in the information and present their own estimates of their independence. If there is a change in the level of independence of a given board member during the year, this information will be updated on the company's website. Each nominee candidate for the Board, for their part, provides sufficient information and estimates of their independence for the major shareholders who are preparing the proposal for the composition of the next Board of Directors.

### Ponsse Plc Board of Directors 2018

Member	Year of birth	Education	Main function	Member of the Board since	Shareholding, 31 Dec 2018	Participation in board meetings
Juha Vidgrén, Chair of the Board	1970	Master of Educational Sciences	Ponsse Plc, Chair of the Board	2000	6,207,000 shares	9/9
Mammu Kaario Deputy Chair of the Board	1963	Master in Law with court training, MBA	Professional board member	2010	4,500 shares, independent of the Company and of major shareholders	9/9
Matti Kylävainio	1974	Master of Science in Economics and Business Administration	Keitele Group, director of sawmill operations	2016	Independent of the Company and of major shareholders	7/9
Ossi Saksman	1951	Kauppaneuvos (Finnish honorary title), administrative notary		2009	3,000 shares, independent of the Company and of major shareholders	1/1
Juha Vanhainen	1961	M.Sc. (Tech.)	CEO, Apetit Group	2018	Independent of the Company and of major shareholders	8/8
Janne Vidgrén	1968	Vocational Qualification in Business and Administration		2015	3,691,742 shares	7/9
Jukka Vidgrén	1983	Media diploma	Mutant Koala Pictures, Managing Director	2011	3,764,778 shares	8/9

## Committees

The tasks of the Board of Directors have not been specifically divided between the board members, and no committees have been set up for preparation of matters that are within the scope of the Board's responsibilities. The Board of Directors has not formed an audit committee from amongst its members, nor has it delegated duties of an audit committee to any other body. The Board of Directors is itself responsible for tasks of this type, such as:

- monitoring the auditing of accounts, preparing the proposal for choice of auditor, and monitoring and evaluating the independence of the auditor and the supply of additional services
- monitoring and evaluation of the financial reporting system
- monitoring and evaluating the effectiveness of internal control, internal audit and risk management systems
- management of the main features of internal control and risk management systems related to the financial reporting process included in the administrative and corporate governance system

Successive Boards of Directors of the company have repeatedly held that there was no need to set up committees, given the number of members of the Board of Directors and their effective performance. The Board has been able to properly carry out the duties that would otherwise be assigned to an audit committee. If the situation changes in the future and the Board of Directors considers it necessary to set up a committee, the Board may decide to set up an audit or remuneration committee, for example. In this case, the Board will elect at least three (3) of its members to the committee, and it will confirm the committee's key operating principles and tasks in the written rules of procedure.

## President and CEO

Ponsse Plc's President and CEO appoints the Board of Directors and has the power to dismiss the Board, if necessary. Since 1 June 2008, the President and CEO of the company has been Juho Nummela (born 1977).

The President and CEO is responsible for handling the company's day-to-day management in accordance with the instructions and regulations issued by the Board of Directors, and is also responsible for ensuring that the company's accounting is conducted lawfully and that financial management is reliably arranged. The President and CEO assists the Management Group. Amongst other tasks, the President and CEO:

- is responsible for the operational management of the company's business operations

- supplies the Board of Directors and the members of the Board with the information necessary for carrying out their duties
- acts as rapporteur at the board meetings
- is responsible for the implementation of decisions taken by the Board of Directors

The President and CEO acts under the authority of the Board of Directors. The President and CEO has the right, at the discretion of the Board of Directors, to be present at the board meeting and to speak there, even if he or she is not a member of the Board.

The agreement signed between the President and CEO and the company may be terminated by either party. The notice period for termination is six (6) months. If the company terminates the agreement, the company will pay remuneration of 12 months of salary in cash, in addition to the salary and other benefits that have been determined for the period of notice. The President and CEO is included in the performance bonus scheme, with a performance bonus based on the performance goals approved by the Board. The remuneration of the President and CEO and the Management Group is explained in Ponsse Plc's salary and remuneration report.

## The Management Group

The company's management organisation includes a Management Group, each member of which has their own clear area of responsibility based on key operating units. The Management Group includes Ponsse's President and CEO **Juho Nummela** as chair, and the other members, appointed by the Board of Directors, are sales and marketing director **Jarmo Vidgrén**, director of technology and R&D **Juha Inberg**, service director **Tapio Mertanen**, CFO **Petri Härkönen**, and supply chain director **Tommi Väänänen**.

### Members of the Management Group and their respective shareholdings on 31 December 2018

Management group member	Task	Education	Management group member since	Employed by the company since	Shareholding, 31 December 2018
<b>Juho Nummela</b> Born 1977	Company President and CEO, Chairman of the Management Group	D.Sc. (Computer science)	2 January 2005	2002	58,995 shares
<b>Jarmo Vidgrén</b> Born 1975	Sales and Marketing Director, deputy to the President and CEO	Marketing diploma	22 October 2001	1997	3,684,263 shares

<b>Petri Härkönen Born 1969</b>	CFO	MSc (Eng.)	1 October 2009	2009	7,670 shares
<b>Juha Inberg Born 1973</b>	Technology and R&D Director	D. Sc. (Tech.)	1 January 2009	2003	12,796 shares
<b>Tapio Mertanen Born 1965</b>	Maintenance service director	Technician, maintenance technology development	3 May 2010	1994	1,200 shares
<b>Paula Oksman Born 1959</b>	Human resources manager, Director of Ponsse Academy	MA	1 August 2005	2005	6,436 shares
<b>Tommi Väänänen Born 1973</b>	Director, supply chain	BA (Eng.)	1 October 2013	2013	6,416 shares

## Management Group tasks

The primary task of the Management Group is to assist the President and CEO. The Management Group meets on average once a month, but on additional occasions if necessary, for example to separately consider the next year's action plan and the company's longer-term strategy. The Management Group's activities are operational in nature. The group monitors and reviews from time to time the company's internal policies and procedures, including reporting, financial management, investments, risk management, insurance policies, information systems, general procurement, industrial property rights, contractual risk management, human resources management, environmental matters, work safety, insider guidelines, and communications. The Management Group has a significant position in the company's management organisation.

## Remuneration of the Board of Directors and management

The remuneration statement has been drawn up separately from this report on the company's corporate governance system, and has been drawn up in accordance with the Corporate Governance Code, outlining salaries and remuneration paid to the company's Board of Directors and management. In addition to the Corporate Governance Statement, Ponsse Plc's remuneration statements for various years are available on the company's website at <http://www.ponsse.com/investors/corporate->

info . The company's remuneration for the Board and management is also reported on the website.

## Control system

This corporate governance statement describes the framework and main principles for internal control and risk management. The company established an internal audit function during the latter half of 2018.

### Internal control

Internal control involves the strategic and realistic planning of operations and financial matters, monitoring and continuous evaluation of operations, and responding to deviations. Internal control encompasses all of the company's policies and practices that are aimed at ensuring the effectiveness of operations and economic efficiency and profitability. Internal control is ultimately a matter of risk prevention and quality management.

Internal control is not an end in itself. The key concern is that the internal control system and the risk management functions it includes function well, and that the overall purpose of internal control is fulfilled – namely, the achievement of the objectives and goals that have been set for the company's operations. The Board of Directors of Ponsse Plc has approved this operating principle of internal control.

Other purposes of internal control are to ensure that:

- Decision-making by the company's management is based on the correct, sufficient and reliable information
- the company's operations are in line with the company's corporate principles and its Code of Conduct
- the company's operations are in accordance with the law, with official regulations, and with the decisions of the company's bodies
- resources are used efficiently, while safeguarding assets.

Internal control is not its own separate operational entity but part of the daily management of the company, and an integral part of the overall business operations. Internal control covers Ponsse Group as a whole and all its levels, and so is part of almost all of the company's processes. Although financial control is at the core of internal control, internal control is, at its simplest, a question of suitable and balanced distribution of tasks. Each employee contributes through their own diligent work to the achievement of the company's goals, and hence to meeting the ultimate objective of internal control.

The company invested in the further development of internal control during 2018, and the Board of Directors appointed an internal auditor for the company during the latter half of 2018. The internal auditor, together with the Board of Directors, defines the annual focus areas of auditing activities.

## **Distribution of responsibilities**

The control environment creates the basis for internal control. The control environment includes operating instructions that guide Ponsse Group's operations, such as governance principles, ethical guidelines and the company's disclosure policy. Simply put, internal control in Ponsse Group means ensuring that each person and body carries out their duties professionally, carefully and in a timely manner. Finally, internal control is also, and essentially, a matter of comprehensive risk management. The fact that employees of Ponsse Group may not be aware of the control environment is a risk in itself, and therefore the primary responsibility for keeping personnel informed lies with the leadership of the company.

Internal control supports the Board of Directors in implementing its steering function. Notwithstanding the fact that responsibility for implementing internal controls lies primarily with the company's Board of Directors and management, all employees of the company are involved in internal control in accordance with the instructions provided and with the accepted practices.

The management of the company, or any specific separately determined responsible party, ensure open and timely communication so that the Board of Directors has correct, up-to-date and sufficient information for decision-making. For reliable financial reporting, it is important to ensure that, amongst other things, the personnel have the professional skills they need, and that their work duties are carried out carefully and in a timely manner. In particular, reliability of financial reporting is ensured by attending to the division of duties and responsibilities, and by ensuring that the responsible parties are aware of operating guidelines and that they follow them. Reliable financial reporting also involves auditing, the core task of which is to ensure the accuracy and completeness of financial information. The foregoing applies to the entire Ponsse Group, not only to the parent company's management.

The President and CEO, the members of the Management Group, and the directors of the subsidiaries are responsible for the legality of the accounting and administration of their respective areas of responsibility and compliance with the company's operating instructions.

Operator	The role of internal control
Board of Directors	<ul style="list-style-type: none"> <li>- Ensures that the company's accounts, asset management and risk management control are properly organised and lawful</li> <li>- Works with the President and CEO to ensure that the company operates in accordance with its values</li> <li>- Approves the risk management policy and the internal control and management code in accordance with the corporate governance system</li> </ul>
President and CEO	<ul style="list-style-type: none"> <li>- Is responsible for the day-to-day management of the company in accordance with the instructions of the Board of Directors</li> <li>- Creates the basis for internal control by guiding and instructing the senior management, and monitoring how they control their own operations</li> </ul>
Management Group	<ul style="list-style-type: none"> <li>- Is responsible for ensuring compliance with the company's internal control operating instructions and practices, in particular risk management and financial management operating instructions and practices</li> </ul>
Financial management	<ul style="list-style-type: none"> <li>- Helps with the creation of the appropriate risk management and financial control practices</li> <li>- Monitors the sufficiency and effectiveness of control measures at a practical level</li> </ul>
Internal auditing	<ul style="list-style-type: none"> <li>- Assesses and verifies the functioning of the control system</li> </ul>

## Risk management

Risk management means the systematic procedures that are built into the management system, the purpose of which are to identify and assess the risks associated with the group's operations and to prepare for them. Risk management is vital to ensuring and safeguarding the company's economic operating conditions and performance. Risk management is a part of internal control, and so implementation of internal controls also promotes the implementation of risk management. Risk management should not be separated from internal control, since awareness of internal control practices is ultimately essential to risk prevention.

The overall purpose of risk management processes is to support the achievement of the goals that are set out in the company's strategy, to safeguard continuity of the company's financial development and business operations, and to maintain and develop a comprehensive and pragmatic system for risk management and reporting. Risk management emphasises prevention: the purpose of risk management processes is to help identify risks pre-emptively, and to minimise the likelihood of their realisation. The risk management process also includes evaluation and follow-up to keep track of business risks that may have an impact on the company's strategic and financial goals or the continuity of business operations.

## The risk management process

A risk is any potential event or chain of events that manifests itself as uncertainty with regard to achieving the company's objectives, or that threatens the continuity of business operations. A deviation from the set goal, i.e. the realisation of the risk, may be negative, but could also be positive. In other words, risks can be both threats and opportunities. Risks are an inevitable part of business, and profitable business performance often requires thoughtful risk-taking. Although risks cannot be avoided entirely, it is possible to prepare for the potential realisation of harmful risks. Risk management is part of normal, day-to-day business operations. Ponsse Plc's risk management practices are based on the company's values, and its strategic and financial goals.

Decisions on the necessary measures for preventing and responding to identified risks are made on the basis of evaluations. Risk assessment in any given case is based on the potential impact and probability of the risk. The primary means of risk management are avoidance, reduction and transferral of risks. Risks can also be controlled, and their effects can be minimised.

The key factors for effective risk management are

- Realistic assessment
- Timely assessment
- Awareness: personnel must be aware of the principles of risk management so that they can act according to instructions;
- Comprehensiveness: risk management is part of every activity, but risk management processes are present to a particularly high degree in the vital processes of operation.

Risks are divided into four categories: strategic, operational, financial and accident-related risks. Strategic risk refers to the nature of the business operations, the choice of strategy, and the risk associated with the implementation of the strategy. If realised, strategic risks can significantly weaken the company's operating conditions. Examples of strategic risks are risks relating to competition, or to the regulation of business

activities. Strategic risks can be realised, for example, in the context of significant investments and other business-related strategic decisions.

Operational risks relate to the company's internal processes, such as company management or personnel, or the company's business network and systems. If an operational risk materialises, it lowers the efficiency of the company's operations, and consequently harms the results and profitability of the company's operations.

Financial risks include risks relating to currencies, interest rates, credit, liquidity and capital management. The goal of financial risk management is to safeguard the Ponsse Group's financial performance, cash flow, equity and liquidity from unfavourable fluctuations in financial markets. Financing risk management is handled in a centralised manner by the Company Financing Unit. The Board of Directors confirms the company's financial risk management policy, and the company's CFO is responsible for its practical implementation together with the financial operations.

Accident-related risks are a more concrete threat to the company's operations than the aforementioned types of risk. The emphasis in accident-related risk management and avoidance is on identifying risks. Accident-related risk factors include risks to work health and safety, environmental risks and property damage. Another area of emphasis with regard to this type of risk is prevention. A comprehensive insurance programme has been prepared for accident-related risks, and efforts are made to preemptively prevent risks through a safety and policy and guidelines, and by ensuring the safety of working methods and tools. The company is very attentive to hazardous situations, and is quick to respond to them. Increased attention is now being given to personnel safety matters. All accidents and near-misses are recorded in the monitoring system, and the necessary measures are taken to prevent hazardous situations. The company's goal is an accident-free working environment. Accident-related risks are regularly assessed by internal audits for the entire personnel.

## **Risk management organisation and division of responsibilities**

The company's Board of Directors and management have the primary responsibility for defining the company's risk management policy and for organising risk management. The company's Board of Directors reinforces and defines the risk management principles and risk management policy for Ponsse Group as a whole, and also assesses the effectiveness of risk management. The Board of Directors also oversees the implementation of risk management policies and processes. However, the risks to business continuity are assessed regularly at all levels of Ponsse Group. Each employee of the group is required to contribute to anticipating risks and preventing them from materialising, for example by reporting risks to their supervisor.

The risk management process includes systematic risk mapping and risk assessment for each type of operation and unit, and making sure that they are reflected in the company's risk management plan. Risk management is systematically implemented and monitored as part of the daily business. The company promotes its risk management by increasing awareness of the significance of risk management and supporting shared risk management projects of the functions.

Body, responsible party	Task
Board of Directors	Decides on the objectives and principles of risk management, and reinforces the company's risk management policy. Supervises the implementation of risk management.
President and CEO	Is responsible for organising the implementation of risk management, and presents risk management-related to the Board of Directors.
Management Group	Participates in the control and assignment of responsibilities in the risk management process. Each member of the Management Group is responsible for identifying risks in their own area of business operations, and for implementing risk management.
Chief Financial Officer	Coordinates the risk management process, and is responsible for reporting on and presenting risk management matters to the Management Group.
Area directors	Each of the subsidiaries independently carry out risk management in accordance with Ponsse Group's risk management policy and guidelines.
Employees	Every employee is obliged to take action to prevent risks, to comply with the company's operating instructions, and to report any risks they detect to their supervisor.

## Auditing of accounts

The auditor's task is to verify the accounting, financial statements, report of activities, report of the Board of Directors, and administration. The auditor assesses whether the financial statements give a true and fair view of the company's results and its financial position at the end of the financial year. The company's financial year is the calendar year. The audit also involves examining the consolidated financial statements. The parent company's auditor must ensure that the auditors of each of the companies belonging to the Group have properly conducted their audits. The auditor presents the auditor's to the Annual General Meeting every year.

The Company has one auditor, which shall be a public accounting firm authorised by the Central Chamber of Commerce. The auditor must be independent of the company. The auditor is chosen by the Annual General Meeting. The Annual General Meeting on 9 April 2018 chose **PricewaterhouseCoopers Oy** (PWC) as the auditor of the

parent company, and authorised public accountant **Juha Toppinen** as the principal auditor. Auditing of accounts of foreign subsidiaries belonging to Ponsse Group has been arranged in accordance with the laws and other regulations of each country, but under the guidance of the company and PWC.

In 2018, the Group's auditing costs amounted to EUR 153,694. The auditing fee paid to the company's auditing firm for the year, PricewaterhouseCoopers Oy, was EUR 52,000. Companies belonging to the PwC chain were paid a fee of EUR 102,072 for services not directly related to auditing: certificates and statements (EUR 1,630), tax advice (EUR 10,894), and other fees (EUR 89,548). Other auditing companies were paid a total of EUR 81,094. This amount consisted of an auditing fee (EUR 34,929), certificates and statements (EUR 3,976), tax advice (EUR 13,169), and other fees (EUR 29,020).

## Insider management

Ponsse adheres to the insider guidelines of Nasdaq Helsinki Ltd. (insider guidelines for the stock exchange). The Board of Directors has also confirmed Ponsse Plc's insider guidelines, which supplement the stock exchange insider guidelines, and which apply to all employees of Ponsse Group, as well as to the members of the Management Group and the Board of Directors.

Insider information is information that is accurate and unpublished, and that directly or indirectly concerns Ponsse or Ponsse's financial instruments. Such information would, if disclosed, be likely to have a significant impact on the price of Ponsse's financial instruments, or on the price of associated derivative financial instruments. An example of insider information is previously unpublished information on Ponsse's result and changes in its financial position. Use and disclosure of insider information is prohibited. This prohibition applies to all persons who possess insider information, regardless of where or how that information was obtained. The question of whether any such information is obtained through job assignments or otherwise is irrelevant. It must be pointed out that the prohibition applies not only to the company's permanent insiders, but to others as well. Disclosure of insider information and postponement of any such disclosure are discussed in Ponsse Plc's information policy, which is approved by the Board of Directors. This policy is available on the company's website.

## Ponsse's insider lists

With the entry into force of the European Union market abuse regulation on 3 July 2016, the conditions for insider dealing have changed. As a result of these changes, Ponsse Plc no longer has public insiders, nor does it maintain a permanent company-specific insider register. For this reason, the information on the company's website concerning the insider register has not been updated since 2 July 2016.

Ponsse maintains an insider list of its permanent insiders who have ongoing access to all Ponsse insider information as a result of their position or work. Permanent insiders include the members of the Board of Directors, the President and CEO, the Deputy to the CEO, the CFO, the internal auditor, the secretary of the Board of Directors, and the assistant to the management. In addition, Ponsse maintains project-specific insider lists in connection with each project. The insider list is a key instrument for the regulation of insider administration.

## **Disclosure obligation for executives and related parties**

Ponsse's executives and their related parties are obligated to notify Ponsse and the Finnish Financial Supervisory Authority of transactions they have made with the company's financial instruments. The executives are the members of the Board of Directors, the President and CEO, and the members of the Management Group. The disclosure obligation also applies to the related parties of the executives. Transactions must be reported to the company and to the Financial Supervision Authority without delay, and no later than within three (3) business days of the transaction. The company will publish the disclosure as a stock exchange release immediately after having received it.

Transactions by members of an executive's related parties are discussed in the report of the Board of Directors and in the notes to the financial statements. In addition, disclosure of transactions by an executive's related parties and other matters pertaining to disclosure are described in the guidelines on disclosure policy set by the Board of Directors. These are available on the company's website. In 2018, Ponsse Plc had no related party transactions that were relevant or that deviated from ordinary business operations or from normal market conditions.

## **Trading restrictions**

No members of Ponsse's senior management are permitted to carry out transactions with Ponsse's financial instruments, either directly or indirectly, either on their own behalf or on the behalf of a third party, for a period commencing 30 days prior to the publication of each financial statements bulletin and interim report, and ending on the day after the disclosure of such information. The company will, however, separately inform people who are within the scope of the trading restrictions, unless the financial statements bulletin exceptionally contains all the relevant information on the company's financial condition. In such cases, the closed window will be extended to 30 days prior to the publication of the financial statements.

Trading with Ponsse's financial instruments is permitted at all other times, provided that the person making the transaction has not, at that time, been entered on a project-specific list of insiders, or provided that the person has no other insider information.

The market abuse regulation requires that there are provisions for reporting suspected infringements of the financial provisions and regulations. In addition, proper handling of notifications must be ensured. Accordingly, Ponsse has a feedback channel through which personnel can report suspicions of insider dealing and other matters, in confidence. It is also possible to give feedback anonymously. The company introduced the policy required by the regulation in 2017.