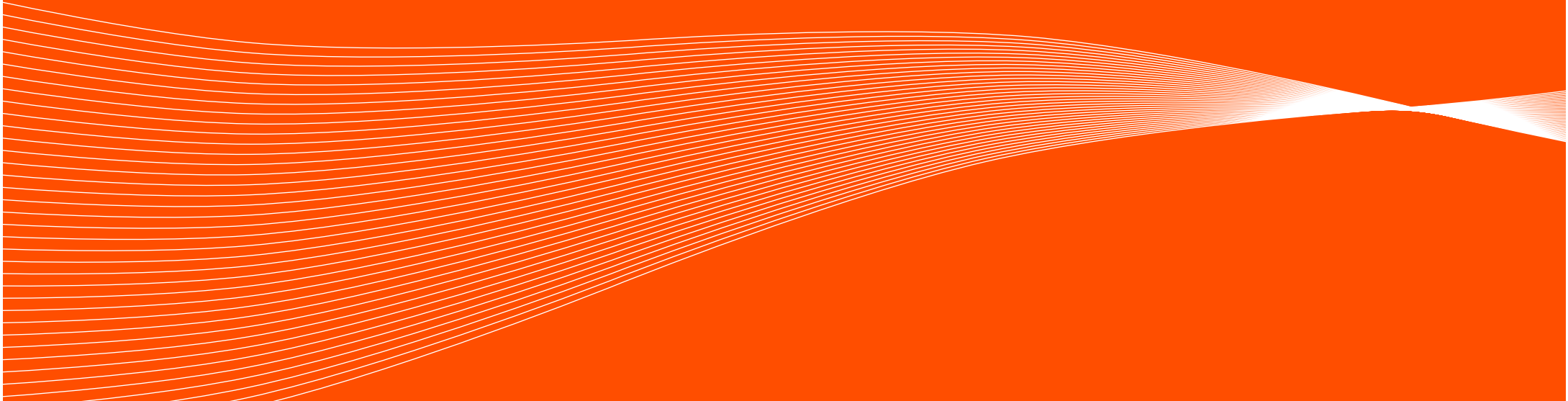


# VACON PLC GOVERNANCE AND MANAGEMENT

GOOD GOVERNANCE AND MANAGEMENT PROMOTE  
GROWTH, RENEWAL AND WELL-BEING



# CORPORATE GOVERNANCE STATEMENT 2014

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF FINNISH LISTED COMPANIES

Vacon Plc adheres to the Finnish Corporate Governance Code for listed companies (2010) ("Corporate Governance Code") in its entirety. This Corporate Governance Statement has been compiled in accordance with Section 7, Chapter 7 of the Securities Market Act (746/2012) and Recommendation 54 of the Corporate Governance Code. The company's Audit Committee has approved the Statement. The company's auditor PricewaterhouseCoopers Oy has verified that the Statement has been issued and that the description contained in it concerning the main principles of the internal audit and risk management systems related to the financial reporting process is consistent with the financial statements. The Corporate Governance Code in full is available on the Securities Market Association website at [www.cgfinland.fi](http://www.cgfinland.fi). The company's Corporate Governance Statement is available on the company's website at [www.vacon.com](http://www.vacon.com) > Investors > Corporate governance.

Vacon Plc's shares are listed on the NASDAQ OMX Helsinki. Oy Danfoss Ab, who owns more than 98% of the shares

in Vacon, has initiated compulsory redemption proceedings for the remaining Vacon shares under the Finnish Companies Act and intends to cause the shares of Vacon to be delisted from NASDAQ OMX Helsinki.

The Board of Directors' report for 2014 is included in the Annual Report, available on the company's website at [www.vacon.com](http://www.vacon.com) > Investors > Publications and releases > Annual reports.

## INTERNAL MONITORING AND RISK MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING

### Monitoring systems

Vacon Plc's Board of Directors is responsible for the appropriateness of management and operations of the Vacon Group. Vacon Plc's President and CEO ("CEO") is, with the support of the Vacon Executive Management Team, responsible for arranging mechanisms for internal monitoring, risk management, internal audit, accounting, and financial administration. The guidelines cover the entire Vacon Group. The monitoring systems aim to ensure the legality of operations, compliance with rules, and reliability of financial reporting in the company.

### Internal monitoring

The Vacon Group's annual strategy process determines the strategy and also the Group's targets, main actions, and budget for the next financial year. Vacon Plc's Board of Directors approves the strategy and the annual business plan.

The Vacon Executive Management Team meets monthly, and regularly monitors the Group's financial situation and the implementation of the business plan. Furthermore, each function monitors the achievement of its targets in its management team on a monthly basis. Vacon Plc's Board of Directors receives weekly reports on Group-level orders, and the monthly performance is reported and discussed in Board meetings. In the Board meetings, Vacon Plc's CEO presents in his monthly report the key financial figures and the most significant events and trends affecting the Group's business operations and their development.

The Vacon Group's financial performance is monitored monthly through a Group-wide consolidation and reporting system.

The reporting system covers the income statements, balance sheet figures, and key figures of the Group, parent company, and

subsidiaries, and, in addition, production indexes for the production sites. The orders received by the production sites and sales companies as well as invoicing are monitored in the Group on a daily basis. Comparison figures used in all monitoring are the budget, the actual figures from the previous year, and the current year's forecasts.

The company has launched a program to develop its information systems in support of its growth targets for the future.

The Group's financial administration and financial officers of the subsidiaries form a network which monitors the financial management of the Group. The Group's financial reporting process adheres to the guidelines drawn up by the Group in compliance with legislation, the International Financial Reporting Standards (IFRS) and other requirements set for listed companies.

### Internal audit

The purpose of Vacon's internal audit is to ensure that the company implements its strategy in accordance with the agreed operational principles and processes and that the internal audit system works. The internal audit works in cooperation with other monitoring functions. Furthermore, the operations of the internal audit have

been aligned with the auditing work of the external auditors.

The internal audit assists the operative management in particular, but also the Board of Directors and its Audit Committee in their duties relating to the monitoring and management of the company. The Audit Committee approved the annual internal audit plan and received regular reports on the internal audits completed. At least once a year the internal audit presents its report to the Board of Directors. If necessary, audits are also performed in units beyond the annual plan. The units to be audited are always selected for one year at a time, taking into account the extent of financial auditing carried out in the units in question, the diversity of the unit's operations, and the experience basis accumulated in the company. Vacon seeks to carry out an internal audit in its major subsidiaries once a year and in others at three-year intervals.

The person who is in charge of the internal audit reports in this capacity to the Group's CFO, and, if needed, she/he has a direct access to the CEO and the Board of Directors. The Group's own resources as well as resources of an independent third party are used in the internal audit. The internal audit offers corrective

process instructions to units when needed and implements the Group's existing and proven practices and processes in the subsidiaries.

#### **Risk management**

Vacon's risk management is governed by the risk management policy approved by the Board of Directors, defining the objectives, principles, roles and responsibilities of risk management. The company's risk management aims to ensure that business objectives are met and the continuity of business operations is secured. Risk management is part of the management of the Group's business operations; it is proactive and aims to take all fundamental risks into account.

Identifying and assessing risks are important parts of the risk management process. Risks are reviewed at two-year intervals at a more detailed level, and, with regard to the most important risks, created action plans are monitored quarterly.

The underlying principle is that risk management is spread throughout all levels of the organization. Every employee is encouraged to identify, assess and report risks. Employees are expected to report any risks either to their immediate superior or to the Group's CFO, who is in charge of

the maintenance and development of risk management methods, risk reporting, and insurance programs. The Vacon Executive Management Team assesses risks regularly, revises risk reporting, if necessary, and reports to the Board of Directors of the parent company on the company's key risks.

In 2014, a Business Impact Analysis (BIA) regarding Vacon's production sites in Vaasa and China as well as a thorough Group-level risk survey were completed in collaboration with a third-party expert.

In 2014, the Board of Directors confirmed the risk management policy of Vacon aiming at ensuring:

- the safety of the personnel of the Vacon Group, its customers and third parties
- the competence of the personnel of Vacon
- the safety and high quality of Vacon's products and operating methods
- compliance with local and international laws, decrees and recommendations
- the identification of risks and taking such risks into account in decision-making
- the continuity of business operations and sustainable growth, and
- the appropriate protection of Vacon's intellectual property rights, brand and reputation.

The risk management policy is reviewed annually to ensure that it is up to date. It is available for all employees and included in the orientation of new employees. More information about risk management is available to employees, for example, on the Group's intranet. Vacon Plc describes the significant near-term risks and uncertainties associated with the business operations in its interim reports and in the Board of Directors' report.

#### **Insider administration**

Vacon Plc follows the insider guidelines for the listed companies of NASDAQ OMX Helsinki and the company's own insider guidelines, which in certain aspects set stricter requirements for handling insider information than those of the NASDAQ OMX Helsinki.

Vacon Plc has in 2014 maintained its public and company-specific registers of insiders in the SIRE system of Euroclear Finland Oy. The company's public permanent insiders, based on their position as stated in the Securities Market Act, comprise the Board of Directors, the CEO and his deputy, and the auditor. In addition to these, according to a decision of the parent company's Board of Directors, other public permanent

insiders are the other members and the secretary of the Vacon Executive Management Team, the secretary to the parent company's Board of Directors, as well as the spouses or registered partners of all the above, minors, and other family members who have lived in the same household for at least one year. Vacon Plc's company-specific insiders include personnel in the Group's management, finance and communications departments and the executive assistants of senior management. The company also establishes and maintains project-specific insider registers if required by law or other regulations.

The duration of Vacon Plc's closed period is 21 days. The closed period ends upon the publication of an interim report or financial statements release including the date of publication. During the closed period, Vacon Plc's permanent insiders are not allowed to trade in the company's securities. The company does not comment on the market outlook and does not meet financial market or media representatives during the closed period. Also, Vacon Plc does not purchase its own shares during this period. Project-specific insiders may not trade in the company's securities before the termination of the project in question.

As in previous years, training events were organized also in 2014 for the company's company-specific insiders in order to review the insider regulations and guidelines.

#### Audit

In accordance with Vacon Plc's Articles of

Association, the company has a minimum of one (1) and a maximum of two (2) auditors and at a maximum the same number of deputy auditors. The auditors must be public accountants or accounting firms authorized by the Central Chamber of Commerce of Finland. The auditors re-elected by Vacon Plc's Annual General Meeting on 27 March, 2014 are the authorized public accountants PricewaterhouseCoopers Oy (PwC) and the principal auditor appointed by PwC for the financial year was Markku Katajisto, APA. PwC has acted as the company's auditor as from 2011 and Markku Katajisto as the principal auditor for the same period. In addition to the duties in accordance with current regulations, the auditor also reports on his observations in the audit to Vacon Plc's Board of Directors and the Audit Committee.

The combined fees of PwC related to auditing for the entire Group were approximately EUR 195,000 (EUR 178,000 in 2013). Other fees paid to PwC by the Group were approximately EUR 536,000 (EUR 288,000 in 2013).

#### GENERAL MEETING

The highest authority in Vacon Plc is exercised by the company's shareholders in the General Meeting, which is convened by the company's Board of Directors. The Annual General Meeting is held annually on a date determined by the Board of Directors, but no later than at the end of June. Extraordinary General Meetings are convened when necessary. The main matters falling within the jurisdiction of

the General Meeting include adopting the financial statements, distribution of dividends, discharging the members of the Board of Directors and the CEO from liability, deciding on the number of Board members and auditors and their election and remuneration, and possible amendments to the Articles of Association.

More information on convening and attending the General Meeting and on decision-making in the meeting is available on the company's website at [www.vacon.com](http://www.vacon.com) > Investors > Corporate Governance > Annual General Meetings. The company is not aware of any shareholder agreements concerning the use of voting rights in the company or of any agreements limiting the disposal of the company's shares other than those published in connection with or relating to the Tender Offer by Oy Danfoss Ab.

It is the company's aim that all Board members and the auditor attend the Annual General Meeting. Persons nominated for the first time as candidates for Board members shall attend the General Meeting that elects the Board members, unless they have very pressing grounds for being absent. The CEO of the company attends all General Meetings.

In 2014, Vacon Plc's Annual General Meeting was held on 27 March 2014 in Vaasa. 176 shareholders were represented at the meeting, holding a total of approximately 66% of the voting rights of the company. All members of the Board of Directors attended the meeting. In addition, the meeting was attended by the CEO

and the other members of the Vacon Executive Management Team, other persons from the company's management and the representatives of the company's auditing firm.

In addition to matters regularly handled by the Annual General Meeting, the Annual General Meeting 2014 approved the Board of Directors' proposal to establish for an indefinite period a Shareholders' Nomination Board to prepare proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the members of the Nomination Board. The Extraordinary General Meeting held on 12 January 2015 ("EGM 2015") in Vaasa resolved to cancel the decision by the Annual General Meeting 2014 prior to the establishment of the Shareholders Nomination Board and thus, the Shareholders' Nomination Board did not convene before said cancellation of the decision.

The Annual General Meeting 2014 also approved the Board of Directors' proposal to increase the number of shares in Vacon by issuing new shares to the shareholders without payment in proportion to their holdings so that one share was given for each existing share. Consequently, a total of 15,295,000 new shares were issued, and thus after the share issue there were a total of 30,590,000 shares.

Documents from the Annual General Meeting 2014 and EGM 2015 are available on the company's website at [www.vacon.com](http://www.vacon.com) > Investors > Corporate Governance > Annual General Meetings.

## COMPOSITION AND OPERATIONS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

### Composition and term of office of the Board of Directors

According to the Articles of Association, Vacon Plc's Board of Directors has at least five and at most seven members chosen by the General Meeting. The members of Vacon Plc's Board are elected by the Annual General Meeting for a term of one year at a time. The Articles of Association do not stipulate a maximum age limit for Board members nor do they limit the number of terms of office. The Board of Directors convenes for an organization meeting immediately after the Annual General Meeting and elects a Chairman and Vice Chairman from among its members for one term of office.

Vacon Plc's Annual General Meeting held on 27 March 2014 decided that the number of the members on the Board of Directors remains at seven. Pekka Ahlqvist, Jari Eklund, Jan Inborr, Juha Kytölä, Panu Routila and Riitta Viitala were re-elected as Board members. Mika Vehviläinen, the former Vice Chairman of the Board of Directors, had informed that he is no longer available for re-election at the Annual General Meeting 2014. As proposed by the Board of Directors, Jari Koskinen was elected as a new member of the Board of Directors for the term of office ending at the close of the Annual General Meeting 2015. Panu Routila was re-elected as Chairman and Jari Eklund was elected as Vice Chairman of the Board of Directors at the organization meeting of the Board.

The biographical details of the Board members in 2014 and their shareholdings in the company are set forth at the end of this statement.

The EGM 2015 resolved that the number of the members of the Board of Directors be five. Niels Bjørn Christiansen, Kim Fausing, Jesper V. Christensen, Kim Christensen and Anders Stahlschmidt were elected as members of the Board of Directors for the term of office ending at the close of the Annual General Meeting 2015.

### Duties of the Board of Directors

The tasks and duties of Vacon Plc's Board of Directors are defined on the basis of the Finnish Companies' Act, the company's Articles of Association, and the Board of Directors' rules of procedure. The Board of Directors is responsible for the company's administration and the arrangement of its operations. The Board is responsible for the proper supervision of accounting and control of financial matters.

The company's Board of Directors has approved written rules of procedure on the duties of the Board, matters to be discussed, as well as meeting practices and decision-making procedures. The Board revises its rules of procedure annually to ensure conformity with good corporate governance at all times.

According to the rules of procedure, Vacon Plc's Board of Directors confirms Vacon Plc's and the Vacon Group's long-term objectives and strategy, approves the Group's business plan, budget, and financial plan, and monitors their implementation,

decides on major and strategically important single investments and approves the investment programs of the Group companies, monitors the Group's financial performance and the achievement of goals, appoints Vacon Plc's CEO and his deputy as well as the members of the Vacon Executive Management Team. The Board of Directors decides on the composition of the subsidiaries' Boards of Directors, the principles of remuneration and incentive systems of the personnel, reviews and approves interim reports, the consolidated and the parent company's financial statements and Board of Directors' report, and confirms the values of the Vacon Group.

### Evaluation of independence

At the beginning of 2014, Vacon Plc's Board of Directors evaluated the independence of the then current Board members as well as of Jari Koskinen, a candidate for a Board member, in accordance with Recommendation 15 of the Corporate Governance Code.

Based on this evaluation, the Board declared that with the exception of Jari Koskinen, all above mentioned persons were considered independent of the Company and, with the exception of Panu Routila, also of the significant shareholders of the Company. Jari Koskinen was not considered as independent of the Company as he is employed by the Company. Upon his request, Jari Koskinen will be on a research leave and released by the Company from his duty to work at the Company as from 27 March 2014. Panu Routila is the CEO of Ahlström Capital Oy, whose subsidiary AC Invest Three

B.V. was a significant shareholder of Vacon Plc until 11 September, 2014.

The Board members elected in the EGM 2015 declared in their evaluation of independence in February 2015 that they are not considered independent of the company or its significant shareholders as all of them are representatives of Danfoss A/S, a parent company of the Danfoss Group including (among others) Oy Danfoss Ab, Vacon Plc's largest shareholder.

### Decision-making

Vacon Plc's Board of Directors shall act in the interests of the company and in such a way that its operations will not result in an unjustified advantage for any shareholder or other party at the expense of the company or another shareholder. A Board member is disqualified from being present when the Board considers matters involving the Board member in question and the company. The chairman of the Board of Directors is responsible for convening Board meetings and for meeting practices. When votes are taken, the majority opinion is the Board's decision and, in the case of a tie, the Chairman has a casting vote. In an election of persons, a tie is decided by drawing lots.

### Meeting practice and self-assessment

Vacon Plc's Board of Directors has generally convened approximately 10 times per year but convened more often in 2014 mainly due to the voluntary public tender offer by Oy Danfoss Ab.

In addition to the Board members, the company's CEO and CFO, as a rule, attend

Board meetings. Other members of the Vacon Executive Management Team attend the meetings upon invitation by the Board. The General Counsel of Vacon Plc acts normally as the secretary to the Board of Directors. The Board of Directors has not allocated special areas of focus for its members to monitor business operations. Matters are presented at meetings by the CEO or, at his request, by another member of the Executive Management Team. According to the Board of Directors' rules of procedure, the CEO ensures that the Board obtains sufficient information to assess the operations and financial situation of the Group. In addition, the parent company's CEO also supervises the implementation of the Board's decisions and reports to the Board on any deficiencies or problems in implementation.

The Board evaluates its work and procedures annually.

#### Attendance of the members of the Board of Directors in meetings and per capsulam decisions:

| Member of the Board of Directors        | Number of meetings attended | %   |
|---|-----------------------------|-----|
| Panu Routila, Chairman                  | 25                          | 100 |
| Jari Eklund, Vice Chairman              | 25                          | 100 |
| Pekka Ahlqvist                          | 25                          | 100 |
| Jan Inborr                              | 25                          | 100 |
| Jari Koskinen (as from 27 March, 2014)  | 18                          | 100 |
| Juha Kytölä                             | 25                          | 100 |
| Riitta Viitala                          | 24                          | 96  |
| Mika Vehviläinen (until 27 March, 2014) | 5                           | 71  |

In 2014, the Board held 23 meetings and made decisions twice without a meeting (per capsulam). The average attendance percentage of the Board members was 98%.

#### Statement of the Board of Directors regarding Danfoss' voluntary public tender offer for the shares in Vacon Plc

On 18 September 2014, the Board of Directors decided to issue a statement concerning the voluntary public tender offer ("Tender Offer") made by Danfoss A/S ("Danfoss") through its subsidiary Oy Danfoss Ab. In said statement the Board of Directors unanimously recommended that the shareholders of Vacon accept the Tender Offer. All members of the Board of Directors participated in the decision making concerning the statement. The Chairman of the Board of Directors, Mr. Panu Routila, had not participated in the decision making of Ahlström Capital Oy or AC Invest concerning their shares in Vacon.

The statement in its entirety is available on the company's website at [www.vacon.com](http://www.vacon.com).

#### The total fees of each board member:

| Fees (EUR 1,000)           | 2014 | 2013 | 2012 |
|----------------------------|------|------|------|
| <b>Board member</b>        |      |      |      |
| Panu Routila, Chairman     | 88   | 43   | 25   |
| Jari Eklund, Vice Chairman | 46   | 30   | 25   |
| Pekka Ahlqvist             | 44   | 26   | 21   |
| Jan Inborr                 | 46   | 42   | 44   |
| Jari Koskinen              | 31   | 0    | 0    |
| Juha Kytölä                | 46   | 30   | 25   |
| Riitta Viitala             | 46   | 29   | 23   |
| Mika Vehviläinen           | 13   | 29   | 23   |

#### Fees and other benefits of the members of the Board of Directors

Vacon Plc's Annual General Meeting decides each year on the fees and principles for reimbursing expenses to the members of the Board of Directors. Fees to the Board members are paid as monetary compensation.

The fees payable to the members of Vacon Plc's Board of Directors in accordance with the 2014 Annual General Meeting were as follows:

- monthly fee for the Chairman EUR 3,000
- monthly fee for each Board member EUR 1,500
- a bonus depending on the Group's revenue and operating profit, which may be a maximum of EUR 3,000 a month for a Board member and a maximum of EUR 6,000 a month for the Chairman
- a fee of EUR 500 per meeting for the members of the Board's permanent committees for their attendance in the committee meetings.

The Board members are entitled to per diem allowances and reimbursement of travel expenses in accordance with Vacon Plc's Travel Policy.

The total amount of fees paid to the members of the Board of Directors was approximately EUR 360,000 in 2014 (EUR 229,000 in 2013). A bonus accumulated on the basis of the 2013 revenues and operating profit was paid to the members of the Board in 2014. The total fees of each member are displayed in the table above.

As one member of the Board of Directors earlier belonged to the Group Executive Management, he has a pension insurance similar to the pension insurance of the other members of the Vacon Executive Management Team (as described below) with the exception of the retirement age. As regards said Board member, his retirement age is 58 years. The principles of the remuneration of the Board members are described in more detail in the Remuneration

Statement available on the company's website at [www.vacon.com](http://www.vacon.com) > Investors > Corporate Governance > Remuneration Statement.

## COMMITTEES

### Nomination and Remuneration Committee

The combined Nomination and Remuneration Committee of the Board of Directors operated until 27 March 2014 when the Board of Directors decided to replace it by the Human Resources Committee described below. The Nomination and Remuneration Committee comprised three members of the Board. The committee prepared matters and made recommendations for the General Meeting and the Board to decide on.

The Board of Directors had confirmed the main duties and working procedures of the Nomination and Remuneration Committee in a written charter. The duties of the Nomination and Remuneration Committee included, among other things, assisting the Board in the preparation and handling of matters pertaining to the nomination and remuneration of the Board members and the executives of Vacon. The committee also handled the principles of proposed incentive plans for the personnel as well as pay-outs under said plans prior to their handling at the Board meeting.

Jan Inborr acted as the Chairman of the committee and Mika Vehviläinen and Riitta Viitala as members of the committee. All of them were independent of the company and its significant shareholders.

**The Nomination and Remuneration Committee had three meetings in 2014. The committee members attended the meetings as follows:**

| Member               | Number of meetings attended | %   |
|----------------------|-----------------------------|-----|
| Jan Inborr, Chairman | 3                           | 100 |
| Mika Vehviläinen     | 2                           | 67  |
| Riitta Viitala       | 3                           | 100 |

In 2014, the average attendance percentage of the Committee members was thus 89%.

### Human Resources Committee

At its organization meeting on 27 March 2014, the Board of Directors resolved to establish a Human Resources Committee. The Human Resources Committee replaced the former Nomination and Remuneration Committee after the Annual General Meeting had resolved to establish the Shareholders' Nomination Board.

The Board of Directors confirmed the main duties and working procedures of the Human Resources Committee in a written charter. The Human Resources Committee assisted the Board e.g. in the preparation of matters pertaining to remuneration and incentive plans, in the planning of key personnel succession and in the monitoring of job satisfaction. The purpose of the Committee was to ensure that the Group's human resources strategy supports the long-term strategic goals of the business operations.

After the EGM 2015, the Board of Directors resolved not to establish the Human Resources Committee or the Audit Committee and thus, the Board of Directors will handle the matters that were previously handled by the Board committees. The Board of Directors' resolution not to establish any Board committees relates to the fact that the compulsory redemption process in accordance with Chapter 18 of the Finnish Companies' Act for the remaining shares in Vacon Plc has been initiated by Oy Danfoss Ab, a holder of approximately 98 percent of all shares in the Company. In connection with said process, the delisting of the shares of Vacon Plc from the NASDAQ OMX Helsinki shall be applied for.

In the Annual General Meeting 2014, Jan Inborr (Chairman), Pekka Ahlqvist and Riitta Viitala were elected as the members of the Human Resources Committee. All of them were independent of the company and its significant shareholders.

**The Human Resources Committee had four meetings in 2014. The committee members attended the meetings as follows:**

| Member               | Number of meetings attended | %   |
|----------------------|-----------------------------|-----|
| Jan Inborr, Chairman | 4                           | 100 |
| Pekka Ahlqvist       | 4                           | 100 |
| Riitta Viitala       | 4                           | 100 |

In 2014, the average attendance percentage of the Committee members was thus 100%.

### Audit Committee

At its organization meeting on 27 March 2014, Vacon Plc's Board of Directors established an Audit Committee comprising three Board members.

The Board of Directors confirmed the main duties and working procedures of the Audit Committee in a written charter. The objective of the committee was to assist the Board in its supervisory responsibilities and ensure that the Board was aware of matters which may significantly impact Vacon's financial condition or businesses. Accordingly, the Committee prepared matters relating primarily e.g. to financial reporting, internal control, auditing and compliance with laws and regulations before the handling of such matters by the Board. In addition, the committee made decisions in certain matters as specified in its charter, for example, approved the annual plan of the internal audit. After the EGM 2015, the Board of Directors resolved not to establish the Audit Committee due to reasons described above.

On 27 March 2014, the Board re-elected Panu Routila as the Chairman of the committee and Jari Eklund and Juha Kytölä as members of the committee. All of them were independent of the company and its significant shareholders, with the exception of Panu Routila who is the CEO of Ahlström Capital Oy, the parent company of AC Three Invest B.V. who was a significant shareholder of Vacon Plc until 11 September 2014. All members had expertise in accounting, bookkeeping or auditing.

The Audit Committee had six meetings in 2014 and its members attended the committee meetings as follows:

| Member                 | Number of meetings attended | %   |
|------------------------|-----------------------------|-----|
| Panu Routila, Chairman | 6                           | 100 |
| Jari Eklund            | 6                           | 100 |
| Juha Kytölä            | 6                           | 100 |

In 2014, the average attendance percentage of the Committee members was thus 100%.

## CEO AND OTHER MANAGEMENT

### CEO

Vacon Plc's Board of Directors appoints the parent company's CEO and defines the terms and conditions for his service in writing. The CEO is in charge of the company's administration and day-to-day management. He is accountable to the Board for the achievement of the goals, strategy, plans, policies and objectives set by the Board. The CEO prepares matters to be decided at the meetings of Vacon Plc's Board of Directors and is responsible for executing the Board's decisions. The Vacon Executive Management Team is chaired by the CEO.

Since 2002, Vesa Laisi has been the company's CEO. Heikki Hiltunen, a member of the Management Team and responsible for the Market Operations, is the deputy to the CEO. The biographical details of the CEO and his deputy as well as their shareholdings in the company are set forth at the end of this statement.

If Vacon Plc terminates the CEO's service contract, the company will pay the CEO a severance compensation equivalent to 18 months' salary in addition to the salary for the six-month period of notice. The retirement age for the CEO is 60 years. The company has taken out pension insurance for the CEO, on the basis of which the pension to be paid is 60% of the salary that the pension is based on. The pension ends when the CEO turns 65. The salary that the pension is determined on is based on the average monthly salary calculated from the TyEL employee pension earnings basis from the last four years. The pension insurance includes also expanded coverage for permanent disability. In accordance with the service contract of the CEO, the company has taken a life insurance for the CEO.

### Vacon Executive Management Team

The Board of Directors has appointed the Vacon Executive Management Team which supports the CEO in the preparation of strategic issues, the handling of significant or fundamental operative matters as well as ensuring internal communications.

The Vacon Executive Management Team prepares and guides the development of the Group's processes and business operations and the Group's common functions. The Management Team handles, in particular, the company's strategy, budget, major procurements and projects, the Group structure and organization as well as major policies of administration and the HR policy issues. The Vacon Executive Management Team consists of the parent company's CEO and senior

management in charge of the functions at the Group level. The Vacon Executive Management Team is not an administrative body as stipulated by the Finnish Companies' Act. The subsidiaries report to regional sales directors. The regional sales directors and production site directors report directly to the designated members of the Executive Management Team.

In 2014, the Vacon Executive Management Team consisted of:

- Vesa Laisi, President and CEO
- Heikki Hiltunen, Deputy to the CEO, Executive Vice President, Market Operations
- Tuula Hautamäki, Senior Vice President, Human Resources
- Jukka Kasi, Executive Vice President, Product Operations
- Pia Aaltonen-Forsell, Senior Vice President, CFO (on maternity leave as from February to September 2014)
- Ann-Louise Brännback, CFO during the maternity leave of Pia Aaltonen-Forsell

The Executive Management Team convened 10 times in 2014. Sebastian Linko, Director, Corporate Communications and Investor Relations, acted as the Secretary to the Vacon Executive Management Team.

According to the decision by the Board of Directors, new members of the Executive Management Team will not be covered by the additional pension insurance. Thus Pia Aaltonen-Forsell who joined the Vacon Executive Management Team in 2013 is not a participant in the additional pension

insurance but otherwise the members of the Vacon Executive Management Team have an equivalent retirement age, additional pension insurance as well as life insurance as the CEO.

## SALARIES AND OTHER BENEFITS PAID TO THE CEO AND SENIOR MANAGEMENT

The principles of the remuneration of the CEO and other members of the Management Team are described in more detail in the Remuneration Statement available on the company's website at [www.vacon.com](http://www.vacon.com) > Investors > Corporate Governance > Remuneration Statement.

The share bonuses paid in 2014 were based on the fulfillment of the criteria of the 2013 share bonus scheme.

In accordance with the Combination Agreement executed between Vacon and Danfoss A/S on 11 September 2014, and pursuant to an authorization by the Board of Directors of Vacon Plc, the Human Resources Committee approved Vacon Plc's new incentive plan. The target group of the new incentive plan consists of the participants in Vacon Group's Performance Share Plan 2014-2016 totalling to 81 persons and said plan is alternative to the Performance Share Plan 2014-2016.

The new incentive plan was established to form part of the incentive and commitment program within Vacon Plc and its subsidiaries. The aim was to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the company, to



In 2013 and 2014, the total remuneration of the CEO and the other members of the Executive Management Team was as follows:

| 2013, 1 000 EUR             | Regular cash salary | Performance bonus from previous year | Fringe benefits | Share bonus  | Total        | Number of shares assigned |
|-----------------------------|---------------------|--------------------------------------|-----------------|--------------|--------------|---------------------------|
| President and CEO           | 400                 | 103                                  | 0.5             | 361          | 864          | 3,378                     |
| Deputy to the CEO           | 274                 | 71                                   | 0.5             | 271          | 616          | 2,354                     |
| Other members of Management | 535                 | 144                                  | 1.1             | 421          | 1,101        | 3,249                     |
| <b>Total</b>                | <b>1,209</b>        | <b>318</b>                           | <b>2.1</b>      | <b>1,053</b> | <b>2,581</b> | <b>9,161</b>              |

| 2014, 1 000 EUR             | Regular cash salary | Performance bonus from previous year | Fringe benefits | Share bonus  | Total        | Number of shares assigned |
|-----------------------------|---------------------|--------------------------------------|-----------------|--------------|--------------|---------------------------|
| President and CEO           | 491                 | 60                                   | 0.5             | 270          | 822          | 2,782                     |
| Deputy to the CEO           | 290                 | 41                                   | 0.5             | 212          | 544          | 1,793                     |
| Other members of Management | 640                 | 89                                   | 6.5             | 531          | 1,267        | 4,483                     |
| <b>Total</b>                | <b>1,420</b>        | <b>190</b>                           | <b>7.4</b>      | <b>1,014</b> | <b>2,632</b> | <b>9,058</b>              |

commit such persons to the Company, and to offer them a competitive reward plan.

Under the new incentive plan, those participants who accepted the terms and conditions of the new incentive plan will be entitled to receive a defined cash payout for 2014 and they simultaneously forfeited their rewards under Vacon Group's Performance Share Plan 2014-2016. The payment of the cash reward under the new incentive plan will be made on 31 August 2015. The payment of the cash reward is also conditional on certain terms and conditions relating to the employment or service relationship of the participant remaining in force.

The rewards to be paid on the basis of the new incentive plan correspond to the value of a maximum total of 123,280 Vacon Plc shares. The value of the shares and the corresponding reward to be paid on 31 August 2015 shall be determined on the basis of the share price offered in the Tender Offer.

#### Bonus scheme for personnel

Vacon Plc's Board of Directors annually approves the principles of the bonus scheme for all personnel in the parent company and the production companies as well as the bonus scheme applied to the Managing Directors of the subsidiaries.



**Panu Routila**  
chairman  
born 1964,  
M.Sc. (Econ.)  
CEO of Ahlström  
Capital Oy  
Board member  
since 2010

**Previous positions:** Managing Director of Alteams Oy, a Kuusakoski Group company, 2002–2007; Director of Outokumpu Copper's Drawn Products division 1995–2002; and management positions of financial administration abroad for a total of seven years. Management positions at Partek 1986–1995.

**Board member at:** Enics AG (chair), ÅR Packaging AB, AC Cleantech Management Oy (chair), Ripasso Energy AB



**Juha Kytölä**  
member  
born 1964, M.Sc. (Eng.)  
Wärtsilä Ship Power,  
Vice President,  
Environmental  
Solutions business line  
Board member  
since 2010

**Previous positions:** CEO, Wärtsilä Finland Oy, 2006–2012; management and expert positions at Wärtsilä Group since 1989, e.g. Research and Development Manager for four-stroke engines and development, and management positions in production and environmental business operations.



**Jari Eklund**  
member  
born 1963,  
M.Sc. (Econ.)  
LähiTapiola,  
Group director, investing,  
asset liability management  
and group services  
Board member  
since 2001

**Previous positions:** Various positions in the LähiTapiola Group since 1993. Research Manager at Kansallis-Osake-Pankki 1988–1993, Assistant at University of Vaasa 1987–1988.

**Board member at:** Seligson & Co Oy, Ilkka-Yhtymä Oy (member of the Supervisory Board)



**Riitta Viitala**  
member  
born 1959, Ph.D. (Econ.)  
Professor,  
Head of Department  
of Management,  
University of Vaasa  
Board member  
since 2008

**Previous positions:** Positions at the University of Vaasa since 1999; Training Manager, Chydenius Institute of the University of Jyväskylä 1997–1998; education and development positions at the Central Ostrobothnia and Helia Universities of Applied Science 1989–1996; Personnel Development Manager at the Finnish Postal Service 1983–1989, Administration Manager, Tapio Laakso Oy 1982–1983.

**Board member at:** Ilkka-Yhtymä Oy, I-Mediat Oy, Board member at the Vaasa division of the Ostrobothnia Chamber of Commerce



**Pekka Ahlqvist**  
member  
born 1946,  
M.Sc. (Eng.), MBA  
Board member  
since 2004

**Previous positions:** Vice President, Automation, Wärtsilä Corporation 2006–2007; Vice President, Power Plants, Wärtsilä Corporation 2001–2006; and President of Wärtsilä NSD Finland Oy 1999–2001. Various management positions at ABB Group in Finland, China, and Thailand 1987–1999. Management positions in Oy Kymi-Strömberg Ab, Instrumentarium Oy, Oy Strömberg Ab and Teollisuussäästö Oy in 1972–1986.

**Board member at:** Pemamek Oy



**Mika Vehviläinen**  
Vice Chairman  
(until 27.3.2014)  
born 1961,  
M.Sc. (Econ.)  
CEO, Cargotec Oy  
Board member  
since 2009

**Previous positions:** CEO of Finnair Oy, 2010–2013; several management positions with Nokia since 1991 in sales, marketing, strategy, and business development in Asia, North America, and Europe. Chief Operating Officer of Nokia Siemens Networks until the end of 2009.

**Board member at:** Confederation of Finnish Industries, Elisa Oy, East Office of Finnish Industries Oy



**Jan Inbarr**  
member  
born 1948,  
B.Sc. (Econ.),  
Soldino Oy, CEO  
Board member  
since 2002

**Previous positions:** Worked in various positions at Ahlström companies from 1972 to 2008.

**Board member at:** Antti Ahlström Perilliset Oy (chair), BaseN Oy, Enics AG, Mervento Oy, Webforum Europe Ab



**Jaana Klinga**  
secretary  
born 1968,  
Master of Laws (LL.M.)  
Vacon Plc's  
General Counsel  
Secretary of the Board  
since 2013

**Previous positions:** Ahlström Oy, various positions in the legal department 1996–2004 and 2007–2011. Lawyer at Hammarström Puhakka Partners Oy 2005–2006 and an Associate Lawyer at Scandinavian Law Partners and Scandinavian Law Offices firms 1991–1996.



**Jari Koskinen**  
member  
born 1960,  
M.Sc. (Econ.), MBA,  
Doctor of Economic  
Sciences  
Eye Solutions,  
Chairman of the  
Board of Directors  
Board member  
since 2014

**Previous positions:** Vacon Group, Vice President, Global Production Operations and member of the Vacon Executive Management Team 2007–2011, Vacon Suzhou Drives Co. Ltd. Managing Director 2005–2007, Vice President, Production at Vacon 1994–2007, Business Controller at ABB Corporate Research Finland Oy 1993–1994, Business Controller at ABB's Small AC Drives profit center 1989–1993, and various positions at Tietobotnia Oy 1981–1989 (e.g. Project Manager, ADP Programmer and System Planner).

**Board member at:** iCon Holding Oy (Chair), iCon Kiinteistörahastot Oy (Chair)



**Vesa Laisi**

President and CEO  
born 1957,  
M.Sc. (Eng.),  
M.Sc. (Econ.)  
Employed by  
the company  
since 2002.

**Previous positions:** Director, Sales and Marketing of Vaisala Corporation 2000–2002; Vice President of ABB Industry Oy 1995–2000; Profit Center Manager at ABB Industry Oy 1993–1995; Director, Sales and Marketing at ABB Industry Oy 1988–1993; Product Engineer at Strömberg UK Ltd. 1986–1988; and Development Engineer at Strömberg Electronics plant 1982–1986.

**Board member at:** The Federation of Finnish Technology Industries, Economic Information Office TAT, VNT Management Oy



**Jukka Kasi**

Executive Vice  
President,  
Product Operations  
born 1966,  
M.Sc. (Eng.)  
Employed by  
the company  
since 1997

**Previous positions:** Previous positions: Vice President, Corporate Development, Vacon Plc 2009–2011, Vacon Suzhou Drives Co. Ltd. Managing Director 2007–2008, Vacon Plc Vice President, Component Customers 2003–2006, Vacon Plc Vice President, R&D 1999–2003, Vacon Plc Project Manager 1997–1998, Product Development Manager at ABB Transmit Oy 1996–1997, Project Manager at ABB Power 1994–1996, ABB Drives Inc. USA: AC drive designer 1992–1994, ABB Small AC drives: product design 1990–1992.



**Heikki Hiltunen**

Executive Vice President,  
Market Operations,  
Deputy to the CEO  
born 1962,  
B.Sc. (Eng.)  
Employed by  
the company  
since 2002.

**Previous positions:** Managing Director of Tellabs Oy and Vice President & General Manager for Europe, the Middle East, and Africa (EMEA) of Tellabs International 2000–2002; Sales, marketing and R&D director at Honeywell Industrial Automation in Finland, the USA, and Germany 1992–2000. Various positions in project, R&D and product marketing at Ahlstrom Automation Oy in Finland and Germany 1986–1992.

**Board member at:** Exel Composites Oyj, Hockey-Team Vaasan Sport Oy (chair)



**Sebastian Linko**

secretary of Executive  
Management Team  
Director, Corporate  
Communications  
and Investor Relations  
born 1974,  
M. Sc. (Political Science)  
Employed by  
the company since 2008

**Previous positions:** Director, Corporate Communications at Enfo 2002–2008, Communications Consultant at Communications Agency Sanakunta Ltd 2000–2002, Journalist at Newspaper Turun Sanomat 2001.



**Pia Aaltonen-Forsell**

CFO (as of  
February 6, 2013)  
born 1974,  
M. Sc.  
(Political Science)  
Employed by  
the company  
since 2013

**Previous positions:** Stora Enso Building and Living business area, Director in charge of finance, IT and acquisitions and member of the management team 2012–2013; other management and specialist positions in the Stora Enso Group since 2000: SVP Group Controller, 2009–2012; Chief Accounting Officer, 2008–2009; VP, Group Reporting, 2006–2008; Business Controller, 2004–2006 and Group/Division Accounting Manager, 2000–2004. Accountant and Chief Accountant, Corenso United Oy Ltd, 1997–2000; Trainee, Accounting and Projects, Corenso United Oy Ltd in Finland and in France, 1995–1996.

**Board member at:** Helapala Oy Ab



**Ann-Louise Brännback**

CFO  
(Maternity leave  
substitute during  
1 Feb–22 Sep 2014)  
s. 1964, M.Sc. (Econ.)  
Employed by  
the company  
since 2001

**Previous positions:** Various positions in finance and control in the Vacon Group including Group Controller, Director, Business Control Product Operations and CFO (replacement during maternity leave); various finance and control positions in Leinolot Oy 1998–2000, in KPMG 1990–98 and in Wärtsilä 1986–90.



**Tuula Hautamäki**

Vice President,  
Human Resources  
born 1964,  
M.Sc. (Eng.),  
M.Sc. (Econ.)  
Employed by  
the company  
since 2000

**Previous positions:** Vacon Plc's Vice President of Process Development 2000–2009, Process Development Manager at ABB Substation Automation Oy 1996–2000, Quality Manager at ABB Transmit Oy 1994–1996, Product Manager at ABB Power Oy 1991–1994, and Design Engineer at ABB Voimansiirto Oy 1989–1991.