

## Corporate governance statement 2014

This corporate governance statement has been drawn up in accordance with recommendation 54 of the Finnish Corporate Governance Code 2010 for listed companies, rules of Nasdaq Helsinki and Chapter 7, 7§ of the Securities Market Act. The corporate governance statement is provided separate from the board of directors' report. The statement can also be found on the company website, [www.okmetic.com](http://www.okmetic.com). The board of directors of Okmetic Oyj (hereafter "Okmetic" and "the company") has dealt with this report. Okmetic's auditor PricewaterhouseCoopers has ensured that this report was issued and that the general description therein of the internal control and risk management systems pertaining to the financial reporting process corresponds to the financial statements.

The Finnish Corporate Governance Code is available on the website of the Finnish Securities Market Association, [www.cgfinland.fi](http://www.cgfinland.fi).

### Okmetic's operational environment

Okmetic Oyj, the parent company of Okmetic group (hereafter also "group"), is a Finnish public limited company, in which shareholders exercise their decision-making power in the general meeting in compliance with the Finnish Limited Liability Companies Act and articles of association. The company's registered office is in Vantaa, Finland.

The management of Okmetic Oyj is based on the Limited Liability Companies Act, the Accounting Act, regulations concerning publicly traded companies, the articles of association, the Finnish Corporate Governance Code published in 2010, and on generally accepted ethical principles.

Okmetic prepares the consolidated financial statements and the interim reports according to the EU-approved IFRS standards (International Financial Reporting Standards), the Securities Market Act, FIN-FSA regulations and guidelines, and Nasdaq Helsinki rules. The board of directors' report and financial statements of Okmetic Oyj are prepared according to the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

The auditor's report comprises the board of directors' report, the consolidated financial statements, and the financial statements of the parent company.

### Organisation

The administrative bodies of Okmetic Oyj – the general meeting, the board of directors, and the president – are in charge of the governance and operations of Okmetic group. The general meeting holds the ultimate power in the company, and the company's chief operating decision-maker is the board of directors. The president, supported by the executive management group, is responsible for the operative management of the company in accordance with the course of conduct of the board of directors.

## General meeting

The general meeting holds the ultimate power in the company. The tasks of the meeting are defined in the Finnish Limited Liability Companies Act and Okmetic's articles of association.

In accordance with the Finnish Limited Liability Companies Act, the general meeting decides on adopting of the financial statements, distribution of profit, discharging of the board of directors, the president and deputy to the president from liability, increasing or decreasing share capital, amending the articles of association, and the appointment and remuneration of the board of directors and the auditors.

The general meeting usually convenes once a year. The annual general meeting shall be held no later than on 30 June. The board of directors convenes the general meeting according to the articles of association and the Finnish Corporate Governance Code. If needed, the company can convene an extraordinary general meeting. The notice to the general meeting is published on the company website or in one or more newspapers with a wide circulation area and selected by the board of directors, or it will be delivered to the shareholder by registered mail or handed to the shareholder against receipt no earlier than three months and no later than three weeks in advance of the general meeting, however always at least nine days prior to the record date of the general meeting. In addition, Okmetic publishes the notice to the general meeting as a stock exchange release.

A shareholder has the right to raise a specific issue at the general meeting provided that a written request to that effect is lodged with the board of directors sufficiently early to allow it to be included in the agenda appended to the notice of the general meeting.

The right to participate in the general meeting applies to shareholders who on the record date of the general meeting are included in the shareholders' register maintained by Euroclear Finland Ltd. Okmetic Oyj has one class of shares. Each share entitles its holder to one vote at a general meeting. The company's shares are included in the Finnish book-entry securities system.

The president and a sufficient number of board members participate in the general meeting. A first-time candidate for the board of directors must participate in the general meeting where his/her appointment is decided unless there is a very weighty reason to justify his/her absence. The auditor is present at the annual general meeting. The company is not aware of any shareholders' agreements.

### **Annual general meeting 9 April 2014**

Okmetic's annual general meeting was held in Vantaa on 9 April 2014. A total of 55 shareholders representing 6,155,693 votes participated in the meeting either in person or by proxy, corresponding to approximately 35.6 percent of the company's share total. Documents of the annual general meeting are available on the company website [www.okmetic.com](http://www.okmetic.com)>Investors>General meeting>2014.

### Extraordinary general meeting 12 January 2015

Okmetic's extraordinary general meeting was held in Vantaa on 12 January 2015. A total of 32 shareholders representing 4,647,817 votes participated in the meeting either in person or by proxy, corresponding to approximately 26.9 percent of the company's share total. Documents of the extraordinary general meeting are available on the company website [www.okmetic.com](http://www.okmetic.com)>Investors>General meeting.

### Board of directors

The general meeting appoints the members of the board of directors. The board of directors comprises at least three and no more than eight members. In addition, a maximum of eight vice members may be appointed to the board. The board appoints a chairman and a vice chairman from among its members. The board's term of office terminates at the end of the next annual general meeting after its appointment.

At the annual general meeting of 2014, five members were appointed to the board of directors. President of Okmetic is not a member of the board of directors.

The board of directors is comprised of:

- Chairman of the board Henri Österlund, 1971, M.Sc. (Econ.), Founding partner of Accendo Capital Fund
- Vice chairman of the board Jan Lång, 1957, M.Sc. (Econ.) (from 9 April 2014)
- Hannu Martola, 1963, M.Sc. (Tech.), eMBA, President and CEO of Detection Technology Oy
- Mervi Paulasto-Kröckel, 1966, D.Sc. (Tech.), Associate Professor (tenured), Aalto University School of Electrical Engineering
- Mikko Puolakka, 1969, M.Sc. (Econ.), Chief Financial Officer of Outotec Oyj

Tapani Järvinen, 1946, Lic. (Tech.) was vice chairman of the board until 9 April 2014.

Of the board members during 2014, Tapani Järvinen, Jan Lång, Mervi Paulasto-Kröckel and Mikko Puolakka are independent of the company and of largest shareholders. Hannu Martola is the President and CEO of Okmetic's customer Detection Technology Oy. The customer's order volumes have increased since 2010, and Hannu Martola is thus dependent on the company. Henri Österlund is a Founding Partner of Accendo Capital SICAV SIF Fund is a major shareholder of Okmetic, and thus Henri Österlund is dependent on a large shareholder.

### Duties

The board of directors of Okmetic Oyj, which is the chief operating decision-maker of the company, manages the company in compliance with the Limited Liability Companies Act and the articles of association. The board of directors is responsible for managing the group together with the president. The board of directors has general authority in all matters that have not been specifically assigned to another body.

Central tasks of the board of directors include:

- Taking care of the group's administration and the appropriate arranging of operations, accounting, and financial management
- Deciding on the group's strategy and overseeing its implementation
- Approving the group's annual plans and revisions to them
- Deciding on investments and sales of assets that have strategic significance or that are extensive in scope
- Deciding on significant financial arrangements and risk management
- Preparing the agenda for the general meeting and ensuring that the decisions of the general meeting are implemented
- Defining the dividend policy
- Defining long-term objectives for growth, solidity, and profitability
- Deciding on appointing and dismissing the company's president and possible deputy to the president and establishing the conditions of their terms of office
- Deciding on incentive schemes for the group
- Ensuring that the company's values are upheld
- Overseeing the process of preparing the financial statements
- Overseeing the financial reporting process
- Overseeing the efficiency of internal control and risk management systems
- Discussing the description, which is given out in Okmetic's corporate governance statement, and which deals with the main features of the internal control and risk management systems pertaining to the financial reporting process

## Meetings

The board of directors convenes principally monthly and actively monitors the operation of the management. The board of directors has quorum when at least half of its members are present. In 2014, a total of 17 meetings were held. The participation rate of the board members in board meetings was 95 percent.

Meeting participation rate of the board members during year 2014:

Järvinen Tapani (1 Jan to 9 Apr 2014)	100%
Lång Jan (from 9 April 2014)	100%
Martola Hannu	94%
Paulasto-Kröckel Mervi	88%
Puolakka Mikko	94%
Österlund Henri	100%

In its meetings, the board of directors sets guidelines for the company's targets and yearly action plans. Meetings are convened according to the yearly agreed timetable. The main matters agreed on along with the timetable and also other current issues are discussed in the meetings.

The president, possible deputy to the president, and senior vice president, finance, IT and communications who acts as secretary to the board, take part in the board meetings. Other members of the group's executive management group take part in the meetings on board's request when needed.

### **Permanent committees and committees**

The board of directors has not founded any permanent committees to deal with its duties. However, the board of directors can decide to form committees of its members to prepare matters. The committees convene when necessary. Board members who do not belong to the committee also have the right to take part in committee meetings, if they so desire. The matters prepared by the committee are then addressed and decided on in the board of directors' meetings. Previously, the board of directors has formed committees for appointing the president, formulating new strategy, and making arrangements for the group financing, for example. The board of directors is responsible for duties of the audit committee as defined in the Corporate Governance Code.

### **Assessment of operations**

The board of directors assesses its operation and working methods on a yearly basis in order to improve its operation. Self-evaluation examines work-efficiency, the size and composition of the board, and the preparation of matters discussed in meetings. As for decision making, the transparency and scope of discussion are evaluated as well as member's possibility to independent decision making.

### **President and deputy to the president**

The board of directors appoints the president and the possible deputy to the president and decides on the conditions of their terms of office.

The president is responsible for ensuring that the operations and day-to-day administration of the group are run in adherence to existing laws and regulations and in accordance with the instructions and decisions of the board of directors. The president also prepares the matters for the board meetings together with the chairman and secretary of the board. Kai Seikku, M.Sc. (Econ.) is president of the company since 25 January 2010.

The deputy to the president takes over the responsibilities of the president in case the president is prevented to attend to his duties. Executive Vice President, Customers and Markets of that time Mikko Montonen acted as the deputy to the president until 6 April 2014. Thereafter there has been no designated deputy to the president in the company.

The board of directors evaluates the performance of the president on a yearly basis. This evaluation assesses the company's result and whether the other targets set for the president by the board of directors have been met.

The executive management group supports the president in managing the group.

### **Executive management group**

In addition to the president, Okmetic's executive management group consists of the possible deputy to the president and specific senior vice presidents appointed by and reporting to the president. The executive management group comprises currently six members. The senior vice

president, human resources, quality, and environment acts as secretary of the executive management group.

The executive management group is comprised of:

- Kai Seikku, 1965, M.Sc. (Econ.), President and CEO
- Atte Haapalinna, 1969, D. Sc. (Tech.), Senior Vice President, Products
- Juha Jaatinen, 1965, M.Sc. (Econ.), Senior Vice President, Finance, IT and Communications
- Jaakko Montonen, 1969, M.Sc. (Tech.), Senior Vice President, Supply Chain
- Markus Virtanen, 1962, M.Sc. (Tech.), Senior Vice President, Human Resources, Quality and Environment
- Anna-Riikka Vuorikari-Antikainen, 1965, M.Sc. (Tech.), Senior Vice President, Customers and Markets

From 1 January to 6 April 2014, Atte Haapalinna acted as Senior Vice President, Customer Support, and Anna-Riikka Vuorikari-Antikainen as Senior Vice President, Products.

Mikko Montonen, Executive Vice President, Customers and Markets and Deputy to the President of that time, was a member of the executive management group until 6 April 2014. Petri Antola, Senior Vice President, Technology Projects and Solar materials of that time, was a member of the executive management group until 18 December 2014.

### **Duties**

The executive management group assists the president in managing the group. The company's executive management group plans, implements, and monitors the group's operative business and related decisions based on the guidelines and objectives set by the board of directors.

Main duties of the executive management group include setting operative targets, drawing up the yearly action plan and budget, deciding on investments in accordance with the investment plan approved by the board of directors, monitoring business, operating environment and the implementation of operative decisions. The executive management group addresses strategic matters, short-term and long-term plans, revisions of such plans, and other issues that have significance in terms of managing the group. Furthermore, the executive management group prepares matters to be addressed by the board of directors.

Headed by the president, the executive management group convenes regularly once a month. In addition to regular meetings, the executive management group meets specifically to discuss strategy, operations planning, results, management reviews, and other topics if needed.

## **Remuneration and other benefits of the members of the board of directors, the president, and the members of the executive management group**

### **The board of directors**

The annual general meeting held on 9 April 2014 decided that the following annual remuneration for the board of directors remains unchanged: chairman of the board 40,000 euro, vice chairman

30,000 euro, and members 20,000 euro each. It was decided that the annual remuneration shall be paid in the company's shares and in cash for the part of taxes. Payment of the annual remuneration was made as a one-time payment on 9 May 2014, and the number of remuneration shares was determined according to the closing price of the company's share on 8 May 2014. In addition, a meeting fee is paid to the board members, amount of which is 750 euro per meeting for the chairman and 500 euro per meeting for the other board members. The meeting fee does not apply to conference calls lasting less than one hour.

Remuneration of the board of directors in 2014 as shares and in cash:

Board members	Total remuneration, 1,000 euro*	Of which shares, pcs
Järvinen Tapani	1.5	0
Lång Jan	33.5	3,221
Martola Hannu	25.0	2,205
Paulasto-Kröckel Mervi	25.0	2,082
Puolakka Mikko	25.0	2,163
Österlund Henri	47.5	5,770
Total	157.5	15,441

\*Total remuneration includes the annual remuneration paid on 9 May 2014 and meeting fees for the period 1 January – 31 December 2014.

In year 2014, members of the board of directors were not paid pension-related benefits or fringe benefits.

### The president and the executive management group

Remuneration of the management follows local legislation and practice. The amount of remuneration is determined taking into account the job grading generally used in the industry as well as personal performance reviews. The company's board of directors decides on the president's and the possible deputy to the president's salary, remuneration, and terms of employment. According to the proposal of the president, the board of directors decides on salary, remuneration, and terms of employment of the other members of the executive management group.

In 2014, the compensation of the president and the executive management group was comprised of salaries and associated benefits. In addition, the president and his deputy had a separate incentive scheme (see the "Top management's incentive scheme" chapter), the key managers had an own-investment based share option plan (see the "Own-investment based share option plan for management" chapter), and the members of the executive management group excluding the president had a separate short-term incentive scheme.

The bonus pay of the short-term incentive scheme is based on the group's quarterly targets for operating profit, as approved annually by the board of directors, and on other key indicators of the company's financial performance. Bonuses on targets achieved are paid quarterly. Under the scheme, the maximum total annual bonus opportunity is 200,000 euro including social security

costs. In 2014, the amount of bonuses paid under the scheme to executive management group members excluding the president was 122,022 euro including social security costs.

Salaries and remuneration of the president and the deputy to the president for 2014 (1,000 euro):

	<b>Salaries*</b>
President	314.5
Deputy to the president (until 6 April 2014)	86.4

\*Salaries include fringe benefits.

The annual salaries and fringe benefits of the other members of the executive management group amounted to a total of around 790,000 euro in 2014.

The pension benefits of the president and the members of the executive management group are determined according to the Finnish Employee's Pensions Act. The president is entitled to retire after his 63th birthday. He is required to retire from Okmetic after his 65th birthday. The president has a period of notice of six months and it must be observed by both sides. If the company dismisses the president, he will be paid a sum equal to his total salary of 18 months.

The company has not provided guarantees or other such commitments on behalf of the members of the board of directors or the executive management group. Okmetic Management Oy, the company founded by the president and the deputy to the president of that time, was granted a loan of 800,000 euro by Okmetic in 2010. By decision of the board of directors, remaining loan balance was paid through Okmetic Oyj's acquisition of the entire share capital in Okmetic Management Oy. The arrangement of Okmetic Management Oy is described in the following chapter.

### **Top management's incentive scheme**

At the beginning of 2010, the board of directors decided on an incentive scheme for the top management. Okmetic Management Oy, a company founded by the president and deputy to the president of that time, was directed a share issue against payment of 400,000 shares at prevailing market price (3.00 euro). The acquisition was financed by capital investments of a total of 400,000 euro in the established company by President Kai Seikku and Deputy to the President of that time Mikko Montonen, together with a loan of 800,000 euro granted by Okmetic Oyj.

In December 2012, the company's board of directors decided to extend the ownership arrangement, originally planned approximately for a three-year period, by a maximum of one year. The company was supposed to be dissolved by means of a merger or another method no later than in the beginning of 2014. The participants were required to render service until 31 March 2014.

On 15 January 2014, the board of directors decided to dissolve the ownership arrangement of Okmetic Management Oy, owned by Kai Seikku and Mikko Montonen, with an arrangement in which Okmetic Oyj acquired the entire share capital of Okmetic Management Oy. Also 400,000 shares of Okmetic Oyj were transferred to the group via Okmetic Management Oy, as well as a



loan receivable of Okmetic Oyj from Okmetic Management Oy, 498,800 euro. There were no shareholders of Okmetic Management Oy in the board of directors of Okmetic Oyj.

The value of the arrangement for the part of Okmetic Oyj's shares owned by Okmetic Management Oy was determined using the average trading price weighted by trading volume of the company's share in Nasdaq Helsinki on 16 January 2014, 4.9969 euro.

The decision to repurchase company's own shares as part of the arrangement was based on authorisation of the board of directors given by the annual general meeting on 10 April 2013.

Okmetic Management Oy was merged in the parent company Okmetic Oyj on 30 November 2014.

### **Own-investment based share option plan for management**

Based on the authorisation given by the annual general meeting on 10 April 2013, Okmetic's board of directors decided on 17 December 2013 to grant share options to the key managers of Okmetic. In addition to the executive management group, key managers include also other managers of Okmetic.

As a precondition for being eligible to receive the share options, the key managers were required to invest in Okmetic shares. According to the investment requirement, the key managers were required to hold in the aggregate 262,600 Okmetic shares to be eligible to receive all of the share options.

The share options were, in deviation from the shareholders' pre-emptive subscription right, offered to the key managers of Okmetic. The maximum total number of share options offered was 870,000, entitling participants to subscribe for a maximum number of 870,000 Okmetic shares (4.8% of the company's shares on a fully diluted basis). Each share option entitles its holder to subscribe for one share. The shares subscribed with the share options may either be new shares issued by the company or existing shares held by the company. Of the share options, 320,000 pcs were marked with the symbol 2013 A and 550,000 pcs with the symbol 2013 B. The share options were given free of charge.

The share subscription price with the share options 2013 A is 5.75 euro and with the share options 2013 B 6.00 euro. Future dividends and capital repayments from the invested unrestricted equity reserve distributed before the share subscription shall be deducted from the share subscription price.

The share subscription period for 25 percent of the share options 2013 A and 2013 B (A1 and B1) will commence on or about 1 February 2016 and for 75 percent of the share options 2013 A and 2013 B (A2 and B2) on or about 1 February 2017. The share subscription period for all the share options ends on 31 March 2018.

There is, for the company and in the interest of all the company's shareholders, a substantial financial ground to grant the share options in deviation from the shareholders' pre-emptive subscription right, since the share options are intended to align the interests of the shareholders and the key managers and to form a part of the incentive and commitment program of the key

managers. The purpose of the arrangement is to encourage the key managers to invest in the company's shares and to work on a long-term basis to increase the company's share value.

On 31 December 2014, the total number of share options issued to the key managers at Okmetic was 604,250. In keeping with the investment requirement, the key managers hold in the aggregate 192,900 Okmetic shares pursuant to this share option plan.

#### **Directed share issue for top management**

On 16 January 2014, Okmetic Oyj transferred in total 150,000 own shares held by the company to President Kai Seikku (140,000 shares) and Deputy to the President of that time Mikko Montonen (10,000 shares). Subscription price per share was determined using the average trading price of the company's share weighted by trading volume in Nasdaq Helsinki on 16 January 2014, which was 4.9969 euro. Total value of the deal was 749,535 euro. The decision to transfer company's own shares was based on authorisation of the board of directors given by the annual general meeting on 10 April 2013.

#### **Incentive scheme for the personnel**

All employee groups at Okmetic are eligible for an incentive scheme. The blue-collar employees' possible production bonuses are paid monthly according to the achievement of set targets. White-collar employees are subject to a profitsharing scheme, which is based on annual targets set by the board of directors relating to the group's profitability, financial situation, and operative performance. Bonuses for meeting the targets are calculated as percentage of the employees' annual income. The bonuses account for no more than 12–20 percent of the annual income depending on the personnel group. The cost effect of the incentive scheme on the group's result in 2014 was 289,467 euro for blue-collar employees and 133,151 euro for white-collar employees.

#### **Internal auditing**

The group does not have its own organisation for internal auditing. The audit programme, which is produced by the auditor and the management of the company on an annual basis, takes this fact into consideration.

#### **Auditing**

The auditor is appointed in the annual general meeting. The nominated auditor is disclosed in the notice to the annual general meeting or via a separate release, should the nominee not be known to the board of directors at the time of issuing the notice.

In accordance with the articles of association the company has one auditor. The auditor must be an individual auditor or an auditing firm approved by the Central Chamber of Commerce. The term of office of the auditor terminates at the end of the annual general meeting following the appointment of the auditor.

The accountancy firm PricewaterhouseCoopers Oy is responsible for auditing of the companies in the group worldwide. PricewaterhouseCoopers Oy is responsible for auditing the parent company Okmetic Oyj and the principal auditor is Authorised Public Accountant Mikko Nieminen. The principal auditor is responsible for giving instructions and coordination of the group's auditing work.

The auditors provide the shareholders of the company with the legally required auditor's report in connection with the annual report. In addition, the auditors report to the board of directors of the parent company on a regular basis.

The remuneration of the auditors amounted to 160,146 euro in 2014, of which 104,899 euro originated from auditing.

### **Internal control and risk management systems pertaining to financial reporting**

The steering and control of the group's business activities and administration is primarily carried out in accordance with the aforementioned corporate governance system.

Okmetic operates as juridical companies on three different continents. The companies share common guidelines and timetables for financial reporting. The group management, located in Vantaa, Finland, is responsible for the centralised management of the companies. Management by customer areas is run as a separate system.

For the purpose of financial reporting, the company has a reporting system which produces sufficient and timely data to the management system for operational planning and control.

The purpose of the control system is to support the implementation of the group's strategy and the reliability of financial reporting, and also ensure compliance with guidelines. The group's internal control system is based on the company's values and documented procedural guidelines. The company's values customer orientation, profitability, know-how, co-operation, and continuous improvement continuously direct the group's operations. The system is founded on the group structure, business operation and support processes, and control points that monitor them. The group's senior vice president, finance, IT and communications, the controller of the parent company, and persons involved in preparing the group accounts are responsible for the general control system of financial reporting.

Okmetic always takes risk management into consideration in its processes. Therefore, also financial reporting includes recognition and analysis of existing risks. Risk management also includes continuous monitoring of changes in operational environment and recognition and management of the risks that come with those changes. Control points are built into processes as well as into financial reporting. Continuous risk evaluation of control points is carried out as a result of internal control measures.

The guidelines for financial reporting give all companies coherent framework and standards to work with. All guidelines, related to processes and financial reporting, are available in electronic format to all who need them. Guidelines are continually updated. Anyone affected by changes in guidelines will also be directly notified of the changes. Everyone taking part in financial reporting is responsible for updating the guidelines in respect to his/her own area of responsibility.

Group accounting defines the common principles and extent of control points of financial reporting in the whole process. The section of the organisation, which is responsible for supervising the implementation of control points, is also responsible for their efficiency. Control points are focused on operations as well as on the continuous reporting of operations. Correctness of financial reporting is ensured by, e.g., approval authority, balancing, and differentiating of tasks and analysing. Risk management, processes, and methods are discussed regularly in meetings organised according to the management system of the companies and the group.

Financial reporting and risk management are monitored continuously and weekly in a regulated way on different levels. Extensive monitoring is conducted in connection with regular monthly reporting. The management system also includes several other regularly held meetings, in which operations are monitored and necessary actions are decided upon. Financial administration is responsible for drawing up guidelines for necessary change actions. The board of directors is responsible for the final evaluation of operational results and the possible changes required. Insider management of the company is the responsibility of senior vice president, finance, IT and communications.

The board of directors discusses and approves financial reports to be published, such as interim reports, financial statements release, financial statements, and annual report.

