

ROBIT PLC CORPORATE GOVERNANCE STATEMENT 2017

In the financial year 2017, Robit Group (hereinafter “Robit”) complied with the Finnish Corporate Governance Code 2015 (hereinafter the “Code”) issued by the Finnish Securities Market Association. The Corporate Governance Statement (hereinafter “Statement”), which is required by the Code; Chapter 7 Section 7 of the Finnish Securities Markets Act; and Section 7 of the Finnish Ministry of Finance’s Decree on the Regular Duty of Disclosure of an Issuer of a Security, is published as a separate statement in connection with the Report drawn up by the Board of Directors. The Statement has been published simultaneously with the Financial Statements and the Report by the Board of Directors as a Stock Exchange Release, and it is available also on Robit’s website at www.robitgroup.com.

The Robit Group’s Board of Directors has reviewed the Statement. The Statement will not be updated during the financial year, but up-to-date information on its various topics is available on Robit's website.

The Finnish Corporate Governance Code 2015 is available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Description of the Robit Group’s Corporate Governance

The constitutional bodies required by the Finnish Limited Liability Companies Act are liable for the Robit Group's business operations. These bodies comprise the General Meeting of Shareholders, which elects the members and the Chair of the Board of Directors, and the CEO, who is appointed by the Board of Directors.

The Group's supreme decision-making body is the General Meeting of Shareholders where shareholders exercise their decision-making power. The Board of Directors is responsible for the company's management and its appropriate organization. As the Group's parent company, Robit Plc is responsible for the Group's management, accounting, financing and product development as well as for the management of intellectual property and for human resources, ICT and communications and investor relations.

While Robit has three strategic business units – Top Hammer, Down-the-Hole and Digital Services – the company has only one operating segment.

Composition of the Board of Directors in 2017

Until the Annual General Meeting held on 28 March 2017, Mr. Harri Sjöholm (Chair), Mr. Tapio Hintikka, Mr. Matti Kotola, Mr. Kalle Reponen and Ms. Anni Ronkainen formed Robit’s Board of Directors.

The Annual General Meeting held on 28 March 2017 re-elected Mr. Harri Sjöholm, Mr. Tapio Hintikka, Mr. Matti Kotola and Mr. Kalle Reponen to serve on the Board of Directors and elected Mrs. Mammu Kaario as a new board member. The members of the Board of Directors will serve in their positions until the close of the Annual General Meeting held in 2018.

Biographical Details of the Directors

Name	Date of birth	Education	On the board since
Harri Sjöholm (Chair)	1954	M.Sc. Eng	1998
Tapio Hintikka	1942	M.Sc. Eng	2008
Mammu Kaario	1963	Master of Laws, MBA	2017
Matti Kotola	1950	M.Sc. Eng	2015

Independence of the Directors

The Board of Directors has assessed the independence of its members. All members are independent of the company. All members are also independent of its significant shareholders, with the exception of Mr. Harri Sjöholm, who exercises control in Five Alliance Oy, which owns 21% of Robit's shares.

Tasks and Responsibilities

The Board of Directors is responsible for the administration and appropriate organization of Robit's operations. The Board is responsible for making decisions on matters that are likely to have a major impact on the company's operations. The Board convenes according to an annual meeting plan. The main duties of the Board include:

- deciding on the company's corporate structure and organization
- nominating and dismissing the CEO
- deciding on the salaries, bonuses, and other benefits paid to the CEO and his/her immediate subordinates
- deciding on the company's salary and incentive scheme
- reviewing and approving annual accounts, reports by the Board of Directors, financial statement releases, and interim reports
- monitoring and supervising the Group's performance and ensuring the effectiveness of its management
- adopting the company's operating policies (financing policy, insurance and risk management policy, and corporate governance principles)
- deciding on the acquisition and disposal of fixed assets during the budget drafting process
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on financial borrowings and pledging securities. The Board of Directors may also delegate these tasks
- reviewing and adopting strategies and action plans
- establishing a dividend policy and confirming the company's financial targets.

The Board of Directors is elected by the Annual General Meeting of Shareholders. It consists of at least three and at most seven members.

Meeting Practice

The Board of Directors convenes under the direction of the Chair or, if the Chair is unable to attend, the Deputy Chair. In principle, the Chair presents the matters discussed by the Board of Directors.

In 2017, the Board of Directors convened 25 times. Ten meetings were held as a conference call. Attendance at the meetings was 100%. The attendance of each individual member is presented in the table below.

Member of the Board	Meetings	Attendance
Harri Sjöholm	25	25

Tapio Hintikka	25	25
Matti Kotola	25	23
Kalle Reponen	25	24.5
Kai Öistämö (advisor)	25	14
Anni Ronkainen	8	3
Jari Gadd (secretary)	25	22
Mammu Kaario	22	21

Self-evaluation

The Chair of the Board of Directors interviews each member of the Board individually once a year in order to further develop the operations of the Board.

In addition, the Board of Directors reviewed its operations and procedures in the financial year 2017 by conducting an internal self-assessment. The results of the assessment were also submitted confidentially to the use of the Nomination Board.

Diversity Principles of the Robit Group's Board of Directors

At Robit, diversity has been recognized as an essential factor in achieving long-term success. Diversity is assessed through a number of viewpoints when considering the Board's composition. Diversity in the Board's competencies, experience and opinions promotes openness for new ideas and helps the Board to support and challenge the company's management. Furthermore, diversity promotes open discussion, the integrity of decision-making, good corporate governance, and the effective supervision of both the Board and the management in addition to supporting succession planning.

The Nomination Committee of Robit's Board of Directors prepares a proposal concerning the number of board members as well as the composition and the competence requirements of the Board in light of the present and future needs of the company. When assessing the composition of the Board, the Nomination Committee considers, among other things, whether the Board possesses a broad range of business knowledge and comprises members representing both genders and various ages. Robit strives to ensure that it has both men and women on its Board.

It is of fundamental importance that the final proposal of the Nomination Committee to the Annual General Meeting is based on the qualifications and competencies of each candidate. In addition, candidates must also be capable of devoting a sufficient amount of time for board work. The essentials of Robit's diversity principles are described in this Statement. They can be reviewed in their entirety at www.robitgroup.com.

Fulfillment of the Diversity Principles

Robit's Annual General Meeting, which was held on 28 March 2017, elected five members to the company's Board of Directors. One of the five members is a woman. All members of Robit's Board of Directors hold an academic degree from either business economics or technical sciences. Based on their experience, they represent international business in all its broadness and therefore bring diverse expertise and versatile perspectives to board work.

The youngest member of the Board of Directors turned 53 and the oldest 75 years old during 2017. The diversity principles and whether they have been fulfilled will be reported annually as a part of Robit's Corporate Governance Statement.

Board Committees

Nomination Committee

The Nomination Committee prepares a proposal to the Annual General Meeting for the composition and remuneration of the Board of Directors. The Nomination Committee also prepares the independence assessments made during the presentation of the proposal for the members of the Board of Directors and annually at the organizing meeting.

The Nomination Committee comprises at least three Board members. The Committee meets as necessary, but at least three times a year. Mr. Harri Sjöholm, Mr. Tapio Hintikka and Mrs. Mammu Kaario have served as the Nomination Committee members since 28 March 2017.

Remuneration Committee

The Remuneration Committee prepares remuneration and appointment matters concerning the CEO and the other management of the company as well as matters concerning other compensation schemes for other personnel.

The Compensation Committee comprises at least three Board members. The committee meets as necessary, but at least three times a year (Mr. Harri Sjöholm, Mr. Tapio Hintikka and Mr. Kai Öistämö).

Working Committee

The Working Committee prepares and presents proposals for the company's Board of Directors concerning corporate governance and administration, specific financial matters, and risk management issues as well as remuneration and employment relationships. In addition, the Committee prepares guidelines for the Board regarding strategic plans and financial targets in addition to preparing and submitting presentations on major strategic projects and investments. An individual member of the Working Committee may assist a particular team or person in the company if necessary.

The Committee comprises 3–4 members pursuant to the Board's decision and will meet as necessary. Mr. Harri Sjöholm, Mr. Matti Kotola and Mr. Kalle Reponen have served as Working Committee members since 28 March 2017.

The Board of Directors carries out the duties of the Audit Committee under Mr. Kalle Reponen's direction.

The company does not have a separate internal audit organization. This is taken into account when planning quality audits.

CEO

The Robit Group's CEO is appointed by the Board of Directors. The CEO is responsible for the day-to-day operations of the company in accordance with the Limited Liability Companies Act and the guidelines and

instructions provided by the Board of Directors. The CEO is responsible for ensuring that the company's accounting practices comply with the law and that its assets are reliably managed. The CEO acts as the Chair of the Global Management Team and as the immediate supervisor of the Team's members.

Mr. Mika Virtanen, b. 1974, M.Sc. (Eng.), acts as the Robit Group's CEO. Mika Virtanen held 4,000 Robit shares on 31 December 2017.

Other Executives

The CEO is supported by the Global Management Team (GMT). In 2017, the Global Management Team comprised the following executives in addition to the CEO:

Mr. Tuomo Niskanen, VP Top Hammer SBU, b. 1957, M.Sc. (Engineering)
Shareholding*: 1,000 Robit shares

Mr. Tommi Lehtonen, VP Down-the-Hole SBU, b. 1970, M.Sc. (Engineering)
Shareholding*: 3,000 Robit shares

Mr. Kari Alenius, VP EMEA, b. 1965, M.Sc. (Engineering)
Shareholding*: x,000 Robit shares

Mr. Mikko Vuojolainen, VP Americas, b. 1965, M.Sc. (Engineering)
Shareholding*: 0 Robit shares

Mr. Brian Bowler, VP Australasia, b. 1960, M.Sc. (Engineering)
Shareholding*: 0 Robit shares

Mr. Jorma Juntunen, VP Region East, b. 1956, M.Sc. (Engineering)
Shareholding*: 1,000 Robit shares

Ms. Jaana Rinne, HR Director, b. 1962, M.Sc. (Economics)
Shareholding*: 0 Robit shares

Mr. Ilkka Miettinen, Group CFO, b. 1963, M.Sc. (Economics)
Shareholding*: 2,000 Robit shares

Descriptions of Internal Control Procedures and the Main Features of Risk Management Systems

Internal Control Environment

Control operations are embedded in the activities of Robit's organization. Control is exercised in connection with the steering of business processes, supported by comprehensive reporting.

Robit's control environment is based on instructions and business culture as well as on the way of working adopted by the company's managers and employees. The Group has established its values and guiding principles, which encourage everyone at Robit to adopt an active and ethical way of working both with various stakeholders and within the Group.

The internal control process guiding the Group's activities is founded upon the Group's procedures and other directives and instructions. The Group's responsibility structure is based on the authority inherent in the relevant positions and work descriptions as well as in the segregation of duties and in the "four-eyes" and "one-over" decision-making principles. Effective internal control requires for duties to be properly allocated to employees and for potential conflicts of interest to be identified and eliminated. A satisfactory control environment is ensured through internal analyses and evaluations of key processes.

The Group Finance function supports the business units in analyzing their performance and profitability and in the decision-making concerning various business choices. The Group CFO, local finance heads, and outsourced accounting service providers are responsible for ensuring that control procedures are in place and implemented in the units. It is the ICT function's task to ensure that the security checks of ICT systems throughout the Group companies are functioning and conducted at a sufficient level.

Control Activities

The internal control activities are in place, for example, to verify that the company's financial reports provide true and fair information about the financial position of the Group. It is the duty of the Board of Directors and the CEO to organize the internal control activities. Each member of the Board of Directors receives a monthly report on the financial position of the Group.

In practice, control activities are conducted at the meetings held by the Board of Directors and the management groups where the results of these activities are reviewed. The Group Finance function and the company's finance network support and coordinate the financial management and control of the Group's activities.

The Robit's internal control has been decentralized across Group functions that monitor compliance with the operating guidelines approved by the Board concerning their areas of responsibility. In addition to Group-level guidance, controlling measures are implemented also at a business unit and plant level. Controlling measures include both general and more detailed control procedures aiming to prevent, reveal and correct errors and deviations.

Several control activities are conducted in connection with the ongoing business operations to prevent potential errors and deviations in financial reporting. Moreover, control activities are in place to help reveal and correct any identified errors. Robit categorizes its control activities into three categories. Documented instructions help the organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on the performance of Group functions and entities ensures that instructions and defined processes are followed. With regard to critical processes, the workflow requires authorizations, and the sufficient decentralization of critical tasks should be ensured in order to ensure control.

The need for separate evaluations, as well as their scope and frequency, will be defined by assessing the risks and effectiveness of ongoing monitoring procedures. Data security and related control activities play a key role when defining and applying the features of the relevant ICT systems.

Information and Communication

The management updates and communicates the Group's accounting manual, policies and other directives and instructions relating to financial reporting to all affected employees on a regular basis. In addition, the units use a standard reporting package. Both Group management and business unit management conduct

monthly reviews that include an analysis of performance metrics and indicators assisting management to better understand the underlying business performance.

Follow-up

Ongoing responsibility for follow-up rests with the business units' management and finance functions.

Regular observations made and inspections carried out by the supply chain, employees responsible for the quality systems and customer audit personnel also serve the needs of the internal controls of supply chain processes.

The Group Finance function monitors the operations and processes of the Group units as well as the accuracy of external and internal financial reporting.

Risk Management

Risk management constitutes an integral part of running Robit's business, and the identification and assessment of risks is an essential element of internal control. The aim is to focus on material risks that are significant from a business perspective. Risks are categorized into business risks caused by changes in the business environment and into operational risks caused by deficiencies in Robit's processes.

Operational risks are considered to potentially have a material impact in transactions with external parties. However, Group instructions, process reviews, the allocation of tasks and standards set up by developed operating systems help to establish an environment in which exposure to material risks can be mitigated.

The Board of Directors evaluate and monitor risks relating to financial reporting, striving to ensure that the financial reporting of the Group is reliable, supports decision-making and serves the needs of external stakeholders. The valuation of assets, liabilities and contingent liabilities based on various evaluation assumptions and criteria may constitute a risk.

Future estimates and assumptions made on the reporting date that involve a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously evaluated. Complex and evolving factors that have an impact on business circumstances may add uncertainty to the assessment of the carrying amounts of assets. Regular reviews are made to avoid errors in stating the fair values of assets or liabilities e.g. by comparing material flows, values, and quantity and quality data with the information available in accounting. Efforts are made to reduce the risk of errors due to irregularities and discontinuities in information by using established and automated system-based audit trails and analyses in order to detect risks.

Other Information

Internal Audits

Robit does not have a separate internal auditing organization.

The auditing plan drafted by the management includes, among other things, the extended auditing of internal controls. Internal audit findings are reported to the CEO and to the relevant management.

Related Party Transactions

As the Robit Group considers its potential related party transactions not to deviate from the company's normal business operations, the company does not report the decision-making procedure applied in connection with related party transactions. Related party transactions concluded in the financial year 2017 are reported in the consolidated financial statements.

Insider Management

Robit complies with Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, the Board of Directors of the company has confirmed specific insider guidelines for the company to complement Nasdaq Helsinki Ltd's guidelines for insiders. The company's insider guidelines were fully revised due to the Market Abuse Regulation ((EU) No 596/2014 "MAR"), effective as of 3 July 2017.

As a result of the MAR regulation, Robit has decided that it will not maintain a company specific register of permanent insiders after 3 July 2016. Persons involved in potential insider projects will be entered into project specific insider lists, which will be established as needed.

Directors Required to Submit Notifications

Based on the MAR Regulation, Robit is no longer obliged to maintain a public insider register. Instead, Robit maintains a list of the company's directors and their close associates. Persons added to this list are obliged to notify Robit and the Finnish Financial Supervisory Authority of all transactions they conclude with Robit's financial instruments or which are concluded with these financial instruments on their behalf. Robit will publish the notifications it has received as stock exchange releases as quickly as possible.

At the Robit Group, the members of the Board of Directors and the CEO as well as the members of the Global Management Team and some specific persons e.g. in the financial service provider's organization are subject to the requirement to disclose their transactions. Stock exchange releases regarding the transactions disclosed by the directors and their close associates can be viewed at <https://www.robitgroup.com/?investor=releases/managers-transactions>.

Closed Window Period

Since the MAR regulation came in to force on 3 July 2016, Robit's specified directors have had to comply with a so-called closed window period. The closed window period applies prior to the disclosure of financial reports. It lasts for a period of 30 calendar days, including the date of the disclosure of the relevant financial reports. During the closed window period, Robit's specified directors may not trade in the shares or other financial instruments of the company. In addition, core persons that contribute to preparing financial reports, among others, are subject to a similar 30-day closed window period. The dates of the closed window periods are disclosed through a stock exchange release.

During the closed window period, trading in Robit's financial instruments by the specified directors and core persons is possible only in certain very exceptional situations. An example of such an exceptional situation could be a transaction concluded by a director or core person in order to participate in a share saving scheme for Robit employees that is a prerequisite for the said director's or core person's position. Deviating from the 30-day closed window period requires for the company to give its approval for the transaction in question.

The relevant director or core person cannot deviate from the closed window period if they have inside information.

Trading by Directors and Core Persons

Directors and core persons, in addition to abiding by the closed window period and other trade restrictions, must time their trading so that their trading does not weaken general trust in the securities market. Robit recommends that directors and core persons make long-time investments in the company's shares and other financial instruments. Furthermore, it is also recommendable to time their trading to occur at a point in time when the market has access to information of the factors affecting the value of the relevant share or financial instrument that is as detailed as possible.

Monitoring and Control

Robit's Communication Manager acts as the company's Insider Officer. The Insider Officer is generally responsible for the administration of insider issues in the company.

Without limitation to the obligations arising from the MAR regulation, the Finnish Securities Marketing Act or the Nasdaq Insider Guidelines, the company's insider administration will assume responsibility for the following:

- internal communications concerning insider issues
- training in insider issues within the company
- preparing and maintaining lists of directors and their close associates
- receiving notifications concerning transactions concluded by the directors and their close associates, reviewing these notifications and forwarding them to the Finnish Financial Supervisory Authority (if the relevant director/their close associate has authorized the company to do so) and publishing the related stock exchange release
- preparing and maintaining project-specific insider lists
- preparing lists of personnel, who are defined as core persons
- monitoring of insider issues
- administering the information to be published on the internet, if necessary.

Auditing

The Annual General Meeting held on 28 March 2017 re-elected Ernst & Young Oy, an Authorized Public Accountant firm, as the auditor of the company with Mikko Järventausta, an Authorized Public Accountant, acting as the principal auditor.

Audit findings are reported to the Board of Directors, to the CEO and to the relevant management. In 2017, the fees paid to Ernst & Young for the statutory auditing of the Group companies totaled EUR 281,000. The fees paid to the auditing company and to companies belonging to the same group for non-audit services such as tax, IFRS and other services, totaled EUR 97,000.