

## **Corporate Governance Statement of Robit Group for 2018**

In financial year 2018, Robit Group (hereinafter "Robit") complied with the Finnish Corporate Governance Code 2015 (hereinafter "Code") issued by the Securities Market Association. The Corporate Governance Statement (hereinafter "Statement"), required by the Code; Chapter 7, Section 7 of the Securities Markets Act; and Section 7 of the 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 by the Board of Directors. The Statement has been published simultaneously with the Financial Statements and Report by the Board of Directors as a Stock Exchange Release and it is available also on Robit's website, [www.robittgroup.com](http://www.robittgroup.com).

The Board of Directors of Robit Group have 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 Securities Market Association, [www.cgfinland.fi](http://www.cgfinland.fi).

### **Descriptions Concerning Corporate Governance of Robit Group**

Responsibility for Robit Group's business operations is held by the constitutional bodies required by the Limited Liability Companies Act: 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 and financing, product development and management of intellectual property, human resources, ICT, as well as communications and investor relations.

While Robit has two strategic business units, Top Hammer and Down the Hole, the company has only one operating segment.

### **Board of Directors and Composition in 2018**

Until the Annual General Meeting of 2018, held on 28 March 2018, Mr. Harri Sjöholm (Chair), Mr. Tapio Hintikka, Mr. Matti Kotola, Mr. Kalle Reponen and Mrs. Mammu Kaario formed the Board of Directors of Robit.

The Annual General Meeting held on 28 March 2018 re-elected Mr. Harri Sjöholm, Mr. Tapio Hintikka, Mrs. Mammu Kaario, Mr. Kalle Reponen as members of the Board of Directors and Mr. Heikki Allonen and Mr. Kai Seikku were elected new members of the board. The term of office of the members of the Board of Directors ends at the close of the Annual General Meeting 2018. Heikki Allonen was elected chairman of the Board of Directors.

Harri Sjöholm resigned as the member of Board of Directors of Robit Plc as of 18 September 2018.  
The extraordinary General Meeting

**Biographical Details of the Directors:**

<b>Name</b>	<b>Date of birth</b>	<b>Education</b>	<b>In the board since</b>
Heikki Allonen (Chair 28.3.-4.12.2018)	1954	M.Sc. Eng	2018
Tapio Hintikka (>4.12.2018)	1942	M.Sc. Eng	2008
Mammu Kaario	1963	B.Sc. Law, MBA	2017
Mikko Kuitunen (<4.12.2018)	1980	M.Sc. Eng	2018
Kai Seikku (28.3.2018)	1965	M.Sc. Econ	2018
Kalle Reponen	1965	M.Sc. Econ	2012
Harri Sjöholm	1954	M.Sc. Eng	1998

**Independence of the Directors**

The Board of Directors has evaluated 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 Harri Sjöholm, who is a major shareholder in Five Alliance Oy, which owns 21 percent of the Robit 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 Chairman of the Board & CEO
- deciding on the salaries, bonuses, and other benefits paid to the Chairman of the Board & CEO and his/her immediate subordinates
- deciding on the company's salary and incentive scheme
- considering 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
- approving the company's operating policies (financing policy, insurance and risk management policy, and principles for corporate governance)
- deciding on the acquisition and disposal of fixed assets in the budget process
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on financial borrowings and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirming the company's financial targets.

The Board of Directors is elected by the 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 principal, the matters are presented by the Chairman of the Board & CEO.

In 2018, the Board of Directors convened 22 times, of which 6 times as a conference call. The participation rate at meetings was 99 percent. The participation of each individual member is presented in the table below

	Meetings	Attendance
Harri Sjöholm	19	19
Tapio Hintikka	20	20
Kai Seikku	14	13
Kalle Reponen	22	22
Mammu Kaario	22	22
Heikki Allonen	12	12

### Shareholding of management as at 31.12.2018

	Shares	Percentages of shares
Members of the Board of directors	4 500 063	21,34 %
Harri Sjöholm	4 467 092	21,19%*
Mammu Kaario	11 041	0,05 %
Kai Seikku	6 522	0,03 %
Kalle Reponen	12 263	0,06 %
Mikko Kuitunen	3 145	0,01 %
Interim CEO	4 000	0,02 %
Other members of the management team	15 000	0,07 %
<b>Total</b>	<b>4 519 063</b>	

\*21,13% owned by Harri Sjöholm through Five Alliance Oy

### 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 and to focus its attention to the most relevant matters.

Exceptionally, the Board of Directors did not review its operations and procedures in the financial year 2018 through an internal self-assessment.

## **Diversity Principles of the Board of Directors of Robit Group**

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

The Nomination Committee of Robit's shareholders evaluates the number of the members of the Board, its composition and the competence requirements of the Board in the 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 members representing both genders and various ages. It is Robit's objective to have both men and women in its Board.

It is fundamental 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 have the possibility to devote a sufficient amount of time for the Board work. The essentials of the diversity principles are described in this Statement. They can be reviewed in their entirety at [www.robitegroup.com](http://www.robitegroup.com).

## **Fulfillment of the Diversity Principles**

The Annual General Meeting of Robit held on 28 March 2018 elected five members to the Board of Directors of the company. One of the five members is a woman. All members of the Board of Directors of Robit hold an academic degree either from business economics or technical sciences. Considering their experience, they represent international business in all its broadness and therefore bring diverse expertise and versatile perspectives to the board work.

The youngest member of the Board of Directors was 53 and the oldest 75 years during 2017. The diversity principles and their fulfillment will be reported annually as a part of the Corporate Governance Statement of Robit.

## **Board Committees**

### **Nomination Committee**

The Nomination Committee prepares a proposal to the Annual General Meeting of the Board of Directors for the composition and remuneration of the Board of Directors. The Nomination Committee also prepares the independence estimates 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. Heikki Allonen (28 March - 4 December 2013), Harri Sjöholm (until September 18, 2018) and Kai Seikku (28 March 2018) have been members of the Nomination Committee. The members of the committee have been Harri Sjöholm, Kai Seikku and Kalle Reponen since December 4, 2018. The Nomination Committee did not meet once in the 2018 financial year. After the Extraordinary General Meeting, the committee met the major shareholders in January.

**Remuneration Committee**

The Remuneration Committee prepares remuneration and appointment matters for the Chairman of the Board and CEO and other management of the Company and 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. Heikki Allonen (28 March - 4 December 2013), Mammu Kaario (28 March 2018) and Kai Seikku (28 March 2018) have been members of the Remuneration Committee. Harri Sjöholm has been a member of the Remuneration Committee since December 4, 2018. The committee met three times.

**Working Committee**

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

The committee consists of 3-4 members in accordance with the Government's decision and will meet as necessary. Heikki Allonen, Tapio Hintikka and Kalle Reponen have been members of the Working Committee 28 March – 4 December 2018. The members of the working committee have been Harri Sjöholm, Mikko Kuitunen and Kalle Reponen since December 4, 2018. The committee met once during the financial year 2018.

**Audit Committee**

The Audit Committee was established on 19 January 2018 and Mammu Kaario and Kalle Reponen acted as members since that and Kai Seikku since March 28, 2018.

The company's internal audit is carried out by an external internal audit specialized company. The person in charge of the audit has extensive experience in internal audit of international companies. Internal audit reports to the Audit Committee.

The Nomination Committee met 11 times.

**Chairman of the Board & CEO**

The Chairman of the Board & CEO of Robit Group is appointed by the Board of Directors. The CEO is responsible for day-to-day operations in accordance with the Companies Act and 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. CEO acts as the Chair of the Global Management Team as the immediate supervisor of the Teams' members.

**Mr. Mika Virtanen**, b. 1974, M.Sc. (Eng.), acts as the CEO of Robit Group until 7 December 2018. Chief Financial Officer Ilkka Miettinen (M.Sc. (Eng.), Born 1963) is the CEO until the new CEO has been elected and assumes the position. Ilkka Miettinen held 4,000 Robit shares on December 31, 2018.

**Other executives**

The CEO is supported by the Global Management Team (GMT). In 2018 the Global Management Team, in addition to the CEO, who acts as its Chair, the following executives:

**Tommi Lehtonen** VP Down the Hole SBU. b. 1970, M.Sc (Engineering)  
Shareholding\*: 9.000 Robit shares

**Jukka Pihamaa** VP Supply Chain, s. 1962, M.Sc.(Engineering) and M.Sc. (Economics)  
Shareholding\*: 3000 Robit shares

**Jaana Rinne** HR Director b. 1962, M.Sc (Economics)  
Shareholding\*: 3000 Robit shares

Until March 14, 2018, the Management Team consisted also of Brian Bowler (Australasia), Kari Alenius (EMEA), Jorma Juntunen (East) and Mikko Vuojolainen (Americas).

**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. Controlling is executed in connection with the steering of business processes, supported by comprehensive reporting.

Robit's control environment is based on instructions, the business culture and on the way of working adopted by the company's managers and employees. The Group has established its values or guiding principles which encourage everyone at Robit to adopt an active and ethical way of working both with various stakeholders and within the Group. In cascading the principles in the organization, honesty, transparency and working in teams are integral elements of establishing high ethical standards throughout the company.

The foundation of the internal control process relating to activities is built up around the Group's procedures and other directives and instructions. The responsibility structure of the Group is based on authority inherent in the positions and work descriptions, segregation of duties and the "four-eyes" and "one-over" decision making principles. Effective internal control requires that duties are properly allocated to employees and potential conflicts of interests are identified and eliminated. A satisfactory control environment is ensured through internal analyses and evaluations of key processes as well as through revisions conducted by external auditors.

Group Finance function supports the business units in analyzing their performance and profitability and in the decision-making concerning various business choices. 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 are conducted at a sufficient level.

**Control Activities**

The internal control activities are in place, among others, 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 monthly a report on the financial position of the Group.

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

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

In the continuing business operations several controls activities are exercised to prevent potential errors and deviations in financial reporting. Moreover, the control activities are in place to help reveal and correct the identified errors. Robit categorizes 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. In critical processes, specific authorizations are needed in the work flow, either for security or for verification needs.

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

### **Information and Communication**

The Group accounting manual, policies and other directives and instructions relating to financial reporting are updated and communicated on a regular basis by management to all affected employees. In addition, a standard reporting package is used by the units. 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 inspections by quality auditors or customer audit personnel cover also the internal controls of supply chain processes.

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

### **Risk Management**

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

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

Risks relating to financial reporting are evaluated and monitored by the Board, aiming 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 on the reporting date involving a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously evaluated. Complex and evolving factors having an impact on business circumstances may add uncertainty to the assessment of the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular reviews are made, e.g. by comparing material flows, values, and quantity and quality data with the information in accounting. The risk of errors due to irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

### **Other information**

#### **Internal Audit**

Robit purchases internal audit services from an external internal audit specialized company.

The audit plan prepared by the company responsible for the audit is based on the company's risk assessment, on the basis of which the internal audit has carried out an audit plan. The issues raised during the internal audit are reported to the Audit Committee and communicated to the CEO and suitable members of the Management Team.

#### **Related Party Transactions**

As 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 made in financial year 2018 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. Company's insider guidelines were completely renewed due to Market Abuse Regulation ((EU) N:o 596/2014, "MAR"), effective as of 3 July 2016.

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

#### **Directors Required to Submit Notifications**

Based on MAR Regulation, Robit is no longer obliged to maintain a public insider register. Instead, Robit maintains a list of company's directors and persons closely associated with them. Persons entered into that list have an obligation to notify Robit and Finnish Financial Supervisory Authority all transactions made with Robit's financial instruments by them or on behalf of them. Robit will disclose the notifications it has received as stock exchange releases as soon as possible.



At Robit Group, the members of the Board of Directors and the CEO as well as the members of the Global Management Team and named persons for instance in financial services provider organization have been defined to be subject to the requirement to notify their transactions. Disclosed stock exchange releases on the transaction notifications of directors and persons closely associated with them can be viewed at <https://www.robitgroup.com/?investor=releases/managers-transactions>.

### **Closed Period**

Since the MAR regulation came in to force, as of 3 July 2016, Robit's defined directors are subject to comply with so called closed period. The closed period is applied prior to disclosure of financial reports. It lasts 30 calendar days, including the date of disclosure of a financial report. During the closed period, defined directors of Robit may not trade with the share or another financial instrument of the company. Also core persons preparing financial reports, among others, are subject to a similar 30-day closed period. The times of the closed periods are disclosed through a stock exchange release.

During a closed period, trading with Robit's financial instruments by defined directors and core persons is possible only in certain very exceptional situations. An example of such an exceptional situation could be transaction conducted by director or core person to participate a share saving scheme of Robit employees, which is a prerequisite for a director's or a core person's position. Making an exception to the 30-days-long closed period requires that the company gives approval for the transaction in question. The exception cannot be applied if a director or a core person has inside information.

### **Trading by Directors and Core Persons**

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

### **Monitoring and Control**

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

Without limiting to the obligations coming from MAR, Securities Marketing Actor 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 closely associated persons
- receiving notifications, which concern the transactions of the directors' and their closely associated persons, going-through the notifications and forwarding those to the Financial Supervisory Authority (if a directors/closely associated person has authorized the company to do so) and publishing the relating stock exchange release
- preparing and maintaining project-specific insider lists
- preparing lists of personnel, who are defined as core persons
- monitoring of the insider issues
- administering the information to be published on the Internet, if needed.

## **Auditing**

The Annual General Meeting held on 28 March 2018 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as auditor of the company, with Mikko Järventausta, Authorized Public Accountant, as the principal auditor.

In 2018, the fees paid to Ernst & Young for the statutory auditing of the Group companies totaled 173 thousand. The auditing company and companies belonging to the same group were not paid for non-audit services (such as tax, IFRS and other services).