

2020

# Corporate Governance Statement

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# Corporate Governance Statement 2020

This corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2020. The corporate governance statement has been prepared as a part of the annual report and it is also available separately on the Company's website [www.etteplan.com](http://www.etteplan.com). Etteplan's Board of Directors and its Audit Committee have reviewed this corporate governance statement. Etteplan Oyj's external auditor, KPMG Oy Ab, has checked that this statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with Etteplan Oyj's financial statements.

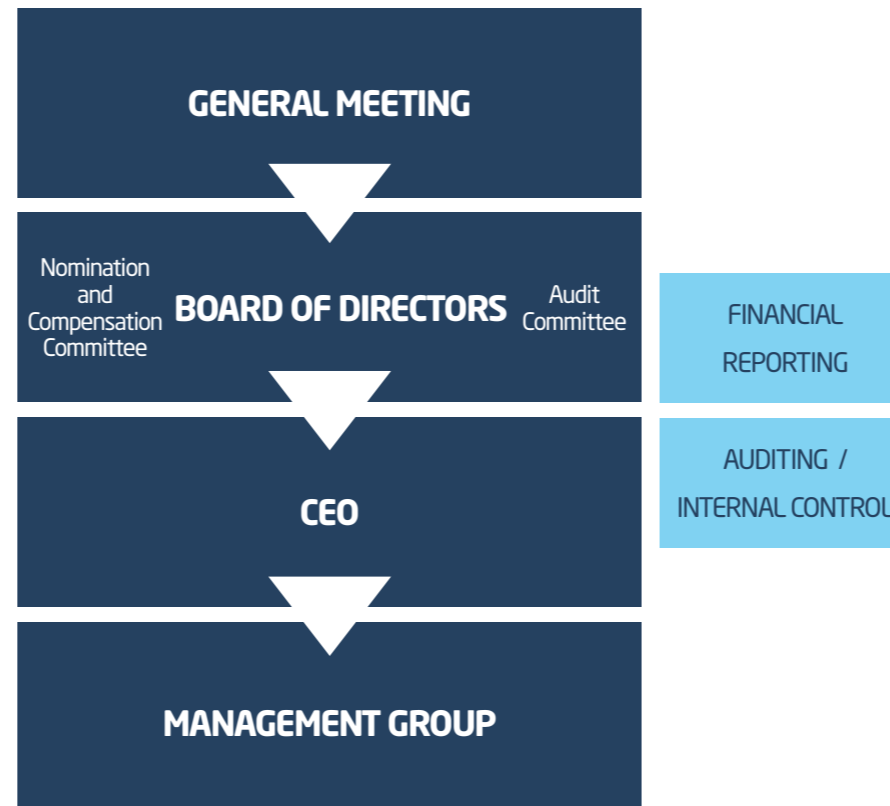
## General governance principles

Etteplan Oyj is a Finnish public limited company that in its decision-making and governance complies with the Finnish Companies Act, the Securities Market Act, other legislation concerning publicly listed companies, and the Articles of Association of Etteplan Oyj.

The Company is a publicly listed company that abides by the regulations of Nasdaq Helsinki Ltd. Etteplan complies with the Finnish Corporate Governance Code 2020 published by the Securities Market Association. Etteplan does not deviate from any single regulation of the Code. The Finnish Corporate Governance Code is available on the Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).

Supervision and management of the Company is divided among the General Meeting of Shareholders, the Board of Directors, and the CEO. The CEO is assisted by the Management Group in the operative management of the Company and in coordinating its operations. The Management Group members are not members of the Board of Directors.

## ADMINISTRATIVE BODIES OF ETTEPLAN OYJ



## GENERAL MEETING

The shareholders exercise their decision-making power at the General Meeting which is the highest decision-making body in the Company. Each Company share entitles the holder to one vote at a General Meeting. The Company must hold one Annual General Meeting for shareholders annually, by the end of June. An Extra Ordinary General Meeting will be held, if the Board of Directors deems it necessary or if it is requested in writing by a Company auditor or shareholders holding a minimum of 10 per cent of the Company's shares, for the purpose of discussing a specific issue. A shareholder may exercise his/her right to speak, ask questions and vote at the General Meeting. The matters to be considered at the Annual General Meeting (AGM) are specified in section 8 of Etteplan's Articles of Association and in Chapter 5, Section 3 of the Companies Act.

Decisions by the General Meeting are published without delay after the meeting by a stock exchange release and on the Company's website [www.etteplan.com](http://www.etteplan.com).

## Information on General Meetings to Shareholders

The Board of Directors shall convene the Annual General Meeting or an Extraordinary General Meeting with a summons to be published on the Company's website [www.etteplan.com](http://www.etteplan.com). The summons must list the agenda for the meeting. The Board may also decide to publish the invitation to the General Meeting in one Finnish national newspaper, determined by the Board. The summons to a meeting and the Board of Directors' proposals for the meeting are also published as a stock exchange release.

The notice of the General Meeting includes a proposal for the agenda of the meeting. The notice of the General Meeting, documents to be submitted to the General Meeting and draft resolutions to the General Meeting will be available on the Company's website [www.etteplan.com](http://www.etteplan.com) at the earliest two months and at the latest three weeks before the General Meeting.

The Company will disclose on its website the date by which a shareholder shall notify the Board of Directors of the Company of an issue that he or she demands to be included in the agenda of the Annual General Meeting.

The minutes of the General Meeting shall be posted on the Company's website within two weeks of the General Meeting. The documents related to the General Meeting shall be available on the Company's website at least for five years after the General Meeting.

### **Organization of the General Meeting**

According to the Company's Articles of Association the General Meeting shall be held in the Company's domicile or in Lahti, Vantaa or Helsinki as decided by the Board of Directors of the Company.

To be able to participate in the General Meeting, a shareholder must be registered on the record date in Etteplan Oyj's shareholder register, maintained by Euroclear Finland Ltd. A nominee registered shareholder who intends to take part in the General Meeting is advised to request the necessary instructions regarding entry in the Company's shareholder register and the issuing of proxy documents from their account holder. A notification by a holder of nominee registered shares for temporary inclusion in the Company's shareholders' register is perceived as prior notice of participation in the General Meeting.

Shareholders must register for a General Meeting in advance, within the time prescribed in the summons. A shareholder may participate in a General Meeting personally or through a duly authorized proxy. The proxy must present a power of attorney form for such authorization. Upon registration for a General Meeting, the shareholder must report to the Company any powers of attorney issued. The shareholder and proxy may have an assistant present at the meeting.

### **Attendance of the Board of Directors, Managing Director and Auditor at the General Meeting**

The Chairman of the Board of Directors and the members of the Board and its Committees as well as the CEO shall attend the General Meeting. In addition, the Auditor shall be present at the Annual General Meeting.

### **Attendance of a prospective Director at a General Meeting**

A person proposed for the first time as Director shall participate in the General Meeting that decides on his or her election, unless there are well-founded reasons for absence.

## **BOARD**

The Board of Directors is responsible for the Company's management and for the due organization of the Company's operations in accordance with the relevant legislation and the Company's Articles of Association. The Board of Directors controls and monitors the Company's operational management, appoints and dismisses the CEO, and approves the major decisions affecting the Company's strategy, capital expenditures, organization, remuneration and bonus systems covering the management, and finances. The Board of Directors also approves the principles of risk management and ensures the proper operation of supervision of the management system.

### **Charter of the Board**

As part of the Company's corporate governance, the Etteplan Oyj Board of Directors has approved a written charter to control Board work. The Board's charter complements the stipulations of the Finnish Companies Act and the Articles of Association of the Company. The charter of the Board is presented on the Company's website [www.etteplan.com](http://www.etteplan.com).

### **Meetings of the Board**

The Board of Directors meets as often as appropriate fulfilment of its obligations requires. In the financial year 2020, the Board held a total of 12 meetings two of which were e-mail meetings. Some Board meetings were held as Teams meetings due to the prevailing COVID-19 situation. The Board members participated in the meetings as follows: Matti Huttunen, Robert Ingman, Leena Saarinen and Mikko Tepponen in

12 meetings, Päivi Lindqvist in nine meetings. Cristina Andersson participated in three meetings. In addition to the members of the Board, the Company's CEO attended Board meetings as the Secretary to the Board of Directors.

### **Performance evaluation of the Board**

On an annual basis, the Board of Directors assesses its own activities and work practices. The Board specifies the criteria to be used in the assessment, which is carried out as internal self-evaluation. The results of these activities are handled by the Board.

### **Composition of the Board**

The Annual General Meeting elects the members of the Board of Directors. The Nomination and Remuneration Committee of the Board of Directors of Etteplan Oyj prepares a list of proposed members of the Board of Directors for consideration by the Annual General Meeting. The Board proposed candidates are reported upon in the summons to the meeting and on the Company's website.

According to the Articles of Association, the Board of Directors shall have a minimum of three and a maximum of seven members. The Board of Directors shall be elected for a term of one year at a time.

The Board of Directors of Etteplan Oyj elected on April 2, 2020 in its organization meeting subsequent to the AGM Robert Ingman as Chairman of the Board.

Further information on the Board members is available on the Company's website [www.etteplan.com](http://www.etteplan.com).

**Etteplan Oyj Board of Directors appointed by the Annual General Meeting held on April 2, 2020 according to the proposal of the Nomination and Remuneration Committee**

	BORN	EDUCATION	OCCUPATION	MEMBER SINCE	SHAREHOLDING (31 DEC 2020)
<b>Robert Ingman</b> , chairman	1961	M.Sc. (Eng.), M.Sc. (Economics)	Managing director Ingman Group Oy Ab member of the Nomination ja Remuneration Committee independent of the company	2009	16,550,000 shares
<b>Matti Huttunen</b>	1967	B. Sc. (Eng.)	CEO, Nordic Resque Group Oy chairman of the Nomination ja Remuneration Committee independent of the company and of significant shareholders	2015	no ownership
<b>Päivi Lindqvist</b>	1970	M. Sc. (Economics), MBA	CFO, Glaston Oyj member of the Audit Committee independent of the company and of significant shareholders	2020	1,000 shares
<b>Leena Saarinen</b>	1960	M.Sc. (Food Technology)	Professional board member chairman of the Audit Committee member of the Nomination ja Remuneration Committee independent of the company and of significant shareholders	2013	1,138 shares
<b>Mikko Tepponen</b>	1979	M.Sc. (Technology)	Chief Digital Officer, FLSmidth A/S member of the Audit Committee independent of the company and of significant shareholders	2017	no ownership

*The ownerships are listed as per December 31, 2020 and include shares possibly owned by controlled entities.*



**Robert Ingman**



**Matti Huttunen**



**Päivi Lindqvist**



**Leena Saarinen**



**Mikko Tepponen**

## Independence of the Board

The majority of the members of the Board shall be independent of the Company. In addition, at least two of the members of the Board representing this majority shall also be independent of significant shareholders of the Company.

The Board shall evaluate annually the independence of its members and report which of them are independent of the Company and which are independent of significant shareholders.

Robert Ingman, Matti Huttunen, Päivi Lindqvist, Leena Saarinen and Mikko Tepponen are independent of the Company.

Matti Huttunen, Päivi Lindqvist, Leena Saarinen and Mikko Tepponen are independent of significant shareholders. Robert Ingman is not independent of the Company's significant shareholders due to his holdings in related parties.

## Diversity of the Board

The Board of Directors of Etteplan has defined the principles on the diversity of the Board in compliance with the Corporate Governance Code 2020. Accordingly, the requirements on the size, market position and business industry of the Company should be duly reflected when composing the Board of Directors.

When composing the Board of Directors the objective is that the members have versatile and different know-how on various industries so that the professional profiles of the members complete each other. A member of the Board must possess the competence and educational background required by the task and the possibility to allocate sufficient time for the task. The composition of the Board aims to ensure that it has extensive know-how on the essential strategic focus areas of the Company. In addition, the aim is to ensure that the Board will consist of both genders.

The diversity principles defined by the Board of Directors were well fulfilled in the financial year 2020. The Company will continue to execute the principles in the financial year 2021.

## Remuneration of the Board

Further information on the remuneration of the Board of Directors in the financial period 2020 is available in the separate Remuneration Report for Governing Bodies 2020 published by the Company and on the Company's website [www.etteplan.com](http://www.etteplan.com). The Remuneration Report of Governing Bodies will be presented annually to the Annual General Meeting.

## BOARD COMMITTEES

The Board of Directors will decide, when needed, on the establishment of committees to assist the Board in preparing and handling matters falling within its competence. The committees are not decision-making or executive bodies, but assist the Board in the decision-making falling under the scope of each committee.

The Board of Directors of Etteplan Oyj has an Audit Committee and a Nomination and Remuneration Committee.

### Audit Committee

The Board of Directors of Etteplan Oyj has appointed an Audit Committee among the Directors. The Board has confirmed the central duties and operating principles of the Committee in a written charter. The charter of the Committee is presented on the Company's website [www.etteplan.com](http://www.etteplan.com). The Audit Committee reports regularly on its work to the Board.

The purpose of the Audit Committee is to assist the Board of Directors in ensuring that the Company's financial reporting and accounting principles as well as the financial statements and other financial information given by the Company comply with laws and regulations and are transparent, explicit and clear. The duties of the Audit Committee are monitoring the Group's financial and financing situation, the Company's financial statements reporting process, the efficiency of the Company's internal control, internal audit and risk management systems as well as the statutory audit of the Company's financial statements and consolidated financial statements. The Committee further supervises the Company's financial reporting process and assesses the independence of the auditor and the non-audit services provided by the auditor and that the Company complies with laws and regulations. The Audit Committee reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process included in the Corporate Governance Statement of the Company and prepares the resolution proposal relating to the election of the auditor. The Board of Directors may also allocate other duties to the Committee.

The Committee consists of three members of the Board of Directors. It convenes on a regular basis at least four times a year before the Company's interim or half year financial reports and financial statements are published. The Committee Chairman provides the Board with the proposals made by the Committee.

Since the Annual General Meeting of 2020, Leena Saarinen has acted as the Chairman of the Audit Committee and Päivi Lindqvist and Mikko Tepponen as members of the Committee. All members of the Committee are independent of the Company.

The Audit Committee met four times during 2020, all meetings were Teams meetings due to the prevailing COVID-19 situation. The Committee members participated in the meetings as follows: Leena Saarinen, Päivi Lindqvist and Mikko Tepponen in four meetings.

### Nomination and Remuneration Committee

The Board of Directors of Etteplan Oyj has appointed a Nomination and Remuneration Committee among the Directors. The Board has confirmed the central duties and operating principles of the Committee in a written charter. The charter of the Committee is presented on the Company's website [www.etteplan.com](http://www.etteplan.com). The Nomination and Remuneration Committee reports regularly on its work to the Board.

The task of the Nomination and Remuneration Committee is to assist the Board of Directors in matters related to the appointment and compensation of the Company's CEO and Management Group. In addition, the Committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The Committee also recommends, prepares and proposes to the Board the CEO's and the deputy CEO's nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management and employees rewards and compensation systems. In addition, the Nomination and Remuneration Committee prepares the remuneration policy and remuneration report for the Company's governing bodies.

The Committee consists of three members of the Board of Directors. It convenes on a regular basis at least once a year. The Committee Chairman provides the Board with the proposals made by the Committee.

Since the Annual General Meeting of 2020, Matti Huttunen has acted as the Chairman of the Nomination and Remuneration Committee and Robert Ingman and Leena Saarinen as members of the Committee. All members of the Committee are independent of the Company.

The Nomination and Remuneration Committee met four times during 2020, all meetings were Teams meetings due to the prevailing COVID-19 situation. The Committee members participated in the meetings as follows: Matti Huttunen, Robert Ingman and Leena Saarinen in four meetings.

## CEO

M. Sc. (Eng) Juha Näkki has been the Company's President and CEO from the beginning of 2012. The CEO is responsible for managing the Group's day-to-day operations in accordance with the rules and instructions issued by the Board of Directors. The CEO may take measures that are unusual and far-reaching with regard to the scope and nature of the Company's operations, but only with authorization from the Board of Directors. The CEO is responsible for ensuring that the Company's accounting complies with the applicable legislation and that its asset management is arranged in a reliable manner. The CEO attends the Board meetings as the Secretary to the Board, but he is not a member of the Board of Directors. The parent Company's CEO, furthermore, acts as the Group's Chief Executive Officer.

A written CEO agreement, which has been approved by the Board, has been drawn up for the CEO. The Board of Directors appoints the CEO and terminates this employment, as well as monitors the CEO's activities.

Further information on CEO Juha Näkki is available on the Company's website [www.etteplan.com](http://www.etteplan.com).

Further information on the remuneration of the CEO in the financial period 2020 is available in the separate Remuneration Report for Governing Bodies 2020 published by the Company and on the Company's website [www.etteplan.com](http://www.etteplan.com). The Remuneration Report for Governing Bodies will be presented annually to the Annual General Meeting.

## MANAGEMENT GROUP

The CEO appoints members to the Management Group who are appropriate from the standpoint of line operations. The Management Group assists the CEO and also develops and monitors all matters entrusted to the Company's management, including those connected with the Group and business unit strategies, acquisitions, and major capital expenditures, divestments, the Company's image, monthly reporting, interim reports, investor relations, and the main principles of the human resource policy. The Board of Directors approves the appointment of the Management Group members. The members of the Management Group report to the President and CEO.

Further information on the Management Group members is available on the Company's website [www.etteplan.com](http://www.etteplan.com).

Further information on the remuneration of the Management Group in the financial period 2020 is available on the Company's website [www.etteplan.com](http://www.etteplan.com).

## Etteplan Oyj's Management Group in the financial year 2020

	POSITION AND RESPONSIBILITY AREA	BORN	EDUCATION	MEMBER SINCE	SHAREHOLDING (31 DEC 2020)
<b>Juha Näkki</b>	President and CEO, Chairman of the Management Group	1973	M.Sc. (Eng.)	2008	125,848 shares
<b>Per-Anders Gådin</b>	Chief Financial Officer	1965	M.Sc. (EP), BBA	2009	8,633 shares
<b>Petri Ikonen</b>	Senior Vice President, Solutions & Technologies	1964	B.Sc. (Eng.)	2015	3,748 shares
<b>Jukka Lahtinen</b>	Senior Vice President, Global Sales	1963	B.Sc. (Eng.)	2019	3,140 shares
<b>Veikko Lamminen</b>	Senior Vice President, Operational Excellence	1960	B.Sc. (Eng.)	2012	8,975 shares
<b>Kari Liuska</b>	Senior Vice President, Software and Embedded Solutions (until 30 April 2020)	1963	M.Sc. (telecomm.), B.Sc. (IT)	2016	no ownership
<b>Tom Leskinen</b>	Senior Vice President, Software and Embedded Solutions (as of 17 August 2020)	1966	Lic.Sc. (Telecommunications) and M.Sc. (Technology)	2020	517 shares
<b>Riku Riikonen</b>	Senior Vice President, Engineering Solutions	1977	M.Sc. (Eng.)	2015	11,567 shares
<b>Outi Torniaainen</b>	Senior Vice President, Marketing and Communications	1965	B.Sc. (Communications)	2016	5,225 shares
<b>Minna Tornikoski</b>	Senior Vice President, HR	1970	M.Sc. (Industrial Engineering & Management)	2019	no ownership
<b>Mikael Vatn</b>	Senior Vice President, Technical Documentation Solutions	1967	B.Sc. (Eng.), MBA	2012	7,574 shares

The ownerships are listed as per December 31, 2020 and include shares possibly owned by controlled entities.



**Juha Näkki**



**Per-Anders Gådin**



**Petri Ikonen**



**Jukka Lahtinen**



**Veikko Lamminen**



**Tom Leskinen**



**Riku Riikonen**



**Outi Torniaainen**



**Minna Tornikoski**



**Mikael Vatn**

## INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The objective of Etteplan Oyj's internal control and risk management is to ensure that the Company's operations are efficient and profitable, its information is reliable, and it complies with appropriate regulations and operating principles. The objectives also include identification, assessment, and monitoring of risks related to business operations. Internal audit helps to improve the efficient fulfilment of the Board of Directors' supervision obligation.

### Operating principles of internal control

Etteplan's internal control process is controlled by the Finnish Companies Act, the Securities Markets Act and other laws and regulations applicable to the operations of the Company, the rules and recommendations of Nasdaq Helsinki Ltd. as well as the Corporate Governance Code for Finnish listed companies. External control is implemented by the Company's auditors and the authorities.

Internal control in Etteplan covers financial reporting and other monitoring. The function of internal control is to ensure that the Company achieves the goals and objectives set for it, as well as uses its resources economically and appropriately. Internal control also aims to ensure, among other things, correct and reliable financial and other information, compliance with external regulations and internal guidelines and policies as well as sufficient security of operations and information. Furthermore, internal control aims to ensure the organisation of adequate and appropriate IT and manual systems to support the operations of the Company.

In Etteplan, internal control is executed by the Board of Directors, management and the Company's entire personnel. Internal control is divided into 1) proactive control, 2) day-to-day control and 3) subsequent control. Proactive control consists of specification of corporate values and general operational principles. Day-to-day control includes operational steering and monitoring and thereto related operational systems and work instructions. Subsequent control comprises management evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and the agreed operational principles are followed.

### Organization of risk management

Risk management is an integral part of Etteplan's business management and internal control framework. The function of risk management is to anticipate future risks, to ensure that targets are reached and to secure operations in changing conditions. The objective is to ensure that the Company's operations are efficient and profitable, that the information produced is reliable and that the Company complies with the appropriate regulations and operating principles.

The key measures of Etteplan risk management are comprehensive risk identification, proactive measures, securing operations, limiting adverse impacts and utilizing opportunities. Etteplan risk management consists of coordinated measures aiming to identify, evaluate, manage and control all major risk areas of the Group in a systematic and proactive manner.

Etteplan's risk management process is led by the Group President and CEO together with the Management Group member responsible for risk management. The Management Group monitors the significant risks of the business units and supervises the development of the Group's risk management system and practices.

The business managers have the primary responsibility for risk management. Managers are responsible for risk management in their business areas in compliance with the Group's risk management guidelines.

Managers report on the major risks of their business area to the Management Group as part of the monthly business reporting. The Group's financial administration monitors and assesses operational and financial risks and takes measures to hedge against them in cooperation with the Board of Directors, the Management Group and operative management.

The Board of Directors supervises risk management and approves the risk management guidelines of the Group. Risk management actions and the most relevant Group level risks are reported regularly to the Board of Directors and its Audit Committee.

Risks and risk management are presented on the Company's website [www.etteplan.com](http://www.etteplan.com) and as part of this report. Reviews concerning financing risks are presented in the notes to the consolidated financial statements as a part of the Financial Report 2020.

### ETTEPLAN'S RISK MANAGEMENT





## Internal audit

Etteplan Group does not have separate internal audit function. The Board can engage external advisors to perform evaluations relating to control environment or other activities.

## Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Etteplan prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by EU, the Securities Markets Acts as well as the appropriate Financial Supervision Authority Standards and Nasdaq Helsinki Ltd's rules. The Report of the Board of Directors of Etteplan and parent company financial statements are prepared in accordance with Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

Etteplan Group observes Group level accounting principles and instructions, which are applied in all Group companies and according to which the Group's financial reporting is prepared. Together with reporting calendar and schedules, accounting principles and instructions form the framework for timely and correct Group reporting. Etteplan's business operations are in all material respects located in Finland, Sweden, China, the Netherlands, Poland, Germany and the USA, and all countries have local accounting and financial reporting organizations, systems and reporting to the Group. Internal control and risk management systems and practices as described in the following section are designed to ensure that the financial reports as disclosed by the Company give essentially correct information about the Company finances.

Etteplan has a common Group consolidation system. Accounting data is transferred to the system from the Group's accounting system automatically, and the correctness of the data is controlled by the Group's accounting team. Common chart of accounts forms the basis of Group reporting. The Group accounting, consolidation and published financial reports are prepared by the centralised team.

## Internal control over financial reporting

Proper arrangement and monitoring of internal control is the responsibility of the local management in accordance with the Group framework. Etteplan Board of Directors has approved operating principles of internal control, which have been prepared in accordance with recommendation 24 of the Finnish Corporate Governance Code.

Operating principles include the main features of risk management process, summary of risks, control objectives and common control points for financial reporting as well as roles and responsibilities in executing and monitoring internal control in Etteplan.

Internal controls over financial reporting process at the country and Group level are reviewed and updated annually. Etteplan's finance organization has analysed process risks and defined control objectives for external financial reporting process. Existing control points in the process have been documented. These control points include for example reconciliations, authorizations, analysis, and segregation of key accounting duties. The work has been led by the Group CFO.

According to its annual clock, the Management Group has monthly meetings where also financial performance and financial reporting are analyzed. Prior to these meetings, financial reports have been analyzed in the business group level to detect any irregularities or errors. Group level financial reports are prepared to Etteplan Audit Committee and the Board of Directors on a monthly basis. Audit Committee reviews and the Board of Directors approves interim financial reports, annual results report and financial statements.

Etteplan does not have separate internal audit function. The Audit Committee and/or the Board of Directors can engage external advisors to perform evaluations relating to control environment or other activities.

## INSIDER ADMINISTRATION

The Etteplan Oyj Board of Directors has approved insider regulations for the Company. The regulations are based on the Finnish Securities Markets Act as well as from the beginning of July 2016 the Market Abuse Regulation (EU N:o 596/2104, MAR), and they comply with the standards of Financial Supervision and the Guidelines issued by the Nasdaq Helsinki Ltd.

In accordance with the Market Abuse regulation, Etteplan is no longer under the obligation to maintain a public insider list. However, Etteplan maintains a list of its managers and publishes stock exchange releases on the transactions the managers report to the stock exchange and the Company in compliance with the time limits and obligations defined by MAR. Due to the nature of their position, the members of the Board of Directors, the CEO, and the members of the Management Group are entered into said list of managers.

In addition, the Company maintains a permanent company specific insider list in accordance with the decision of the Board of Directors. The company specific insider list includes front-line managers for business operations, financial administration personnel, and those working for the Company on the basis of an employment or other contract who receive insider information.

A project-specific insider list is created by the decision of the Board of Directors, the CEO, or the Management Group.

The Company's insider guidelines direct insiders to restrict their trading in the Company's shares to times when the markets have as precise information as possible on the factors influencing the value of shares in the Company. Consequently, persons included in Etteplan Oyj's insider lists are always prohibited from trading with Company securities during 30 days before the publication of interim and half year financial reports and financial statement release, including the day of publication (the closed window). During other times, i.e. as of the day following the publication of interim and half year financial reports and financial statement release, there is an open window during which insiders are allowed to trade. Even then it is provided that they do not possess insider information.

The Chief Financial Officer is responsible for the maintenance of the aforementioned lists of Etteplan Oyj. The CFO is also responsible for compliance with insider regulations and fulfilment of duties to report. The aforementioned lists are maintained by the Company's Espoo office, which updates the information that, as required by law, is entered in the lists for Euroclear Finland Ltd pertaining to insiders with the duty to declare.

## RELATED PARTY TRANSACTIONS

The Company and its Board of Directors monitor and evaluate transactions between the Company and its related parties. The Company has defined principles and processes for identifying the Company's related parties and the transactions to be carried out with them as well as for evaluating and reporting the nature and terms of such transactions.

In order to identify its related party transactions, the Company keeps record of the persons that are its related parties. The record includes such persons that have control, joint control or significant influence over the Group. Also, the Group's key management personnel is included in the related party. Key management personnel refers to persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Spouses, wards and companies in control or joint control of the before mentioned persons are considered as other related parties. The ultimate controlling party, Ingman Group Oy Ab, and its group companies are also included in related parties.

The Audit Committee of the Board monitors the Company's related party transactions in accordance with the Company's reporting practices. Transactions between the Company and its related parties are typically part of the ordinary course of business of the Company and are priced according to Group's normal pricing basis and sales conditions, which are equivalent to those that prevail in arm's length transactions. Related party transactions that are not part of the ordinary course of business of the Company or are not priced according to Group's normal pricing basis and sales conditions and are not implemented under arms-length terms require a decision by the Board of Directors. Board members cannot participate in deciding a related party transaction concerning themselves or their related parties in accordance with applicable laws and regulations.

In 2020, Etteplan's service purchases and sales from and to other related party companies were related to administrative cooperation between the companies as well as business with companies considered to be related parties through key management personnel of the Company.

## AUDIT

The primary duty of statutory auditing is to verify that the financial statements give correct and sufficient information about the Group's profit and financial situation for the financial year. Etteplan Oyj's financial year is the calendar year. The auditor is responsible for auditing the Company's accounts and the correctness of its financial statements during the financial year, and for issuing an auditor's report to the Annual General Meeting.

A summary of the Group's audit report is compiled for the Board of Directors. Also, the auditors of all Group companies report separately to the management of each company within the Group. The auditor attends at least one meeting of the Board of Directors in the relevant financial year.

The Annual General Meeting elects one or two auditors to audit corporate governance and accounts. At least one of the auditors must be a firm of independent public accountants so authorized by the Central Chamber of Commerce. The Annual General Meeting held on April 2, 2020 elected KPMG Oy Ab, a firm of authorized public accountants, with Kim Järvi acting as Chief Auditor. The auditor's term ends at the conclusion of the first Annual General Meeting after the election.

### Audit fees and services not related to auditing

According to the resolution made by the Annual General Meeting 2020 the fees for the auditor are paid according to invoice approved by the Company.

The audit fees paid in 2020 totalled EUR 97,000 (in 2019: EUR 118,882). In addition, EUR 102,500 was paid to the firm for services not related to auditing (in 2019: EUR 212,000).

## COMMUNICATIONS

It is Etteplan Oyj's principle to be open, truthful and quick in all communications. The primary objective of the Company's investor information is to provide truthful, sufficient and current information on the Company's strategy, operations, markets and financial situation in order for the capital market to have essential information on Etteplan as an investment. The goal is to give all stakeholder groups correct and uniform information in a regular and balanced manner.

### Silent period

Etteplan Oyj follows a so-called silent period before publication of interim and half year financial reports and financial statement releases. The duration of the silent period is 30 days.

### Distribution of investor information

Etteplan publishes all of its investor information on the Company's website [www.etteplan.com](http://www.etteplan.com). Financial releases will be made available immediately after publication. They will be published in Finnish and English.

# Risks and risk management in 2020

Etteplan assesses business risks annually. Based on this systematic risk assessment, operations are adjusted as necessary. In our 2020 risk assessment, the general risk level and the total financial value of risks relative to revenue were slightly higher than in 2019.

A uniform group-wide risk management assessment that covers all risk categories has been conducted annually in connection with the strategy process since 2011. In the assessment focus is particularly on monitoring changes in previously identified risks, identifying new business risks and developing proactive risk management. Etteplan complies with international risk management criteria (CAS, Casualty Actuarial Society and COSO, Committee of Sponsoring Organizations of the Treadway Commission).

The key aspects of the risk assessment include:

- comprehensive risk identification
- proactive measures
- securing operations
- limiting adverse business impacts
- utilizing opportunities

## The most significant risks in 2020

As in the previous years, Etteplan's major risks in 2020 were related to personnel. For several years now, the assessment has identified the availability of competent professionals as Etteplan's most significant risk, as the Company's business and future growth are based on having competent personnel. The materialization of this risk is mitigated by systematic human resources management and by ensuring that Etteplan is perceived as an attractive employer among industry professionals.

Among strategic risks, Etteplan's position in growing and other global markets was again recognized as the most significant risk. The most significant operational

risk identified in the 2020 assessment was market uncertainty, particularly in Finland. Operational risks are reduced by Etteplan's long-term customer relationships, the geographic distribution of business operations and Etteplan's diverse expertise.

## Six risk categories

Risks related to Etteplan Group's business operations are divided into six categories, and the risks are monitored according to this classification. Etteplan's business risks include both internal and external risks.

Risk classification:

1. Strategic risks
2. Operational risks
3. Personnel risks
4. IT & security risks
5. Financial risks
6. Risks related to EU legislation

The typical risks of Etteplan's business operations at a general level are described in the following section. However, the Company's operations may also be subject to other risks. The most significant risks and uncertainties identified during the financial year are described in the Financial Statement Release, which is available on the Company's website [www.etteplan.com](http://www.etteplan.com).

RISK CATEGORY	EXAMPLES OF RISKS	EXAMPLES OF PREVENTIVE ACTIONS	RESPONSIBILITY
<b>Strategic risks</b>	Risks related to business development, strategy implementation, the lack of highly competent professionals, the business environment, markets, globalization as well as mergers and acquisitions	Strategy and business plans, diversified customer base, balanced personnel structure, compliance with M&A procedures, corporate governance, Code of Conduct and risk management policy	President and CEO, business management, finance, human resources and communications functions
<b>Operational risks</b>	Risks related to organization and management, sales, projects, assignments, customer relationship and financing	Compliance with management systems, core business processes and related policies and guidelines, the Group's insurance	Business management, the development organization, human resources and finance functions
<b>Personnel risks</b>	Competence management, management and organization, attrition, recruitment, the staffing of assignments, occupational health and well-being related risks.	Use of competence management system, employee surveys, internal training, HR management, induction process, compliance with Code of Conduct	Human resources function, business management, entire personnel
<b>IT &amp; security risks</b>	Information security, network and system downtime, computer viruses and customer IT connections-related risks	Taking information security into account and compliance with guidelines in IT policy and supplier agreements	IT organization, business management, entire personnel
<b>Financial risks</b>	Currency, interest, financing and liquidity, counterparty and credit risks related to the financing of business operations	Compliance with payment and credit policies and Group treasury policy, internal controls	CFO, finance function, business management
<b>Risks related to EU legislation</b>	Risks related to the EU General Data Protection Regulation (GDPR)	Training related to data protection, incorporating data protection into the Company's processes and IT policy	President and CEO, IT Director, HR Director, Data Protection Officer

### Strategic risks

In the 2020 assessment, Etteplan's most significant strategic risks were related to the Company's position in the market, the competitive situation, business development and the degree to which the Company's technology offering matches future market needs. The overall level of strategic risks remained the same level as in 2019 but the risk level relative to revenue decreased compared to the previous year.

An economic downturn can have a negative impact on investments and consequently on Etteplan's business and profitability. The Group aims to reduce its vulnerability to business cycles through a balanced customer base composed of customers operating in different industries, markets and geographical areas. The engineering business is characterized by intense global competition.

### Operational risks

The key operational risks identified in the assessment were related to market predictability, the carrying out of assignments, the digitalization of service solutions and potential changes in customers' operations. Acquisitions and thereto related integration processes also constitute an operational risk for Etteplan.

Etteplan's operational risk level remained at the previous year's level. The risk related to the predictability of customers' operations was reduced. Two new operational risks were identified in the 2020 risk assessment: risks associated with the delivery of

large projects and pandemic-related risks. The relative financial value of the operational risks remained unchanged.

Etteplan has carefully prepared procedures for acquisitions and integration, which reduces risk. In addition to acquisitions, organic growth is an important part of the growth targets for Etteplan's business. The most significant risk related to achieving this goal is the potential shortage of highly talented professionals.

In order to manage operational risks, Etteplan emphasizes compliance with management systems, codes of practice and acceptance procedures, training of personnel and compliance with instructions for managing quotes and contracts, particularly in the delimitation of contractual liabilities.

Fixed-price and ceiling-fee assignments involve the risk that estimates regarding the work of professionals are exceeded. This can be caused by inaccurate time and cost estimates, performance delays, disputes about compensation for additional or changed services, human error or other unexpected circumstances. Quality management systems and project review processes are in use throughout the Group to avoid and reduce such risks.

In risk management assignments at Etteplan, project managers play the key role, managing and controlling the entire project from tender preparation to final acceptance. To ensure the effectiveness of risk management, project managers are trained in all key areas of activity. The Group has monitoring mechanisms in place for both large and high-

risk assignments. Efforts are also made to limit typical liability risks through standardized contract terms and insurance policies.

The Company has a group-wide liability insurance program. However, the insurance does not cover all liability risks.

### Personnel risks

Personnel risks, when they occur, can slow down the growth of the Company. The availability of competent professionals helps to ensure the Company's business development, growth and profitability. Etteplan's personnel risks were again estimated to be at a high level in 2020, and the risk level relative to revenue increased compared to the previous year.

Based on the assessment, the most significant personnel risks are still related to the global competition for leading experts in the field of technology – i.e. the ability to attract the right competencies and foster the personnel's commitment – and the introductory training of new personnel. The appropriate staffing of assignments as well as occupational health and well-being issues were also highlighted in the risk assessment.

Etteplan prevents the realization of these risks through good human resources management, which includes, among other things, regular performance and development discussions, systematic monitoring of occupational health and well-being as well as internal procedures and guidelines. The Group develops the job satisfaction and well-being of its personnel by improving group-wide people processes and by investing in the development of employee competence as well as the quality of management and leadership. Human resources management and the focus areas in 2020 are described in more detail in the Essential impact Annual Review.

### Financial risks

The major risks were related to the possibility of external fraud and the use of different currencies in business operations. Etteplan's financial risks remained at a low level in 2020.

The realization of financial risks is prevented through internal procedures and guidelines as well as through internal control.

Financial risks are managed in accordance with the treasury policy approved by Etteplan's Board of Directors. The aim is to hedge against significant financial risks, balance cash flow and give the business time to adapt its operations to changing conditions. Reviews concerning financing risks are presented in the notes to the consolidated financial statements published as part of the Financial Review 2020 on the Company's website [www.etteplan.com](http://www.etteplan.com).

### **IT & security risks**

The major IT & security risks were related to external interference with IT systems. IT & security risks are closely monitored, as Etteplan's business operations are dependent on the uninterrupted functioning of information and communication systems. The level of these risks remained unchanged at a moderate level in 2020.

Etteplan prevents the realization of risks related to information security by internal procedures and guidelines as well as by internal control. Measures limiting the effects of external influences on the systems include firewalls, system monitoring, virus scanners, access rights management and backup copies.

### **Risks related to EU legislation**

Etteplan introduced risks related to EU legislation as a new risk category in 2017. The major risks are related to the EU General Data Protection Regulation and the processing of personal data. These risks remained at a low level in 2020.

Etteplan counters these risks through training related to data protection, by incorporating data protection into the Company's processes and by maintaining up-to-date IT policies. Regulatory developments are monitored in all areas of business and internal procedures are updated as necessary.