



# **Consti Group Plc's Corporate Governance Statement 2017**

## **REVIEW OF CONSTI GROUP PLC'S CORPORATE GOVERNANCE 2017**

Consti Group Plc (Consti) is registered in Finland and it is a publically listed company at Nasdaq Helsinki Ltd Stock Exchange. Consti's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the company's Articles of Association and the rules and guidelines of NASDAQ Helsinki Ltd. Consti complies with the Finnish Corporate Governance Code ([www.cgfinland.fi](http://www.cgfinland.fi)) with the exception that its Board has not set up a separate Audit Committee.

The company's Board of Directors has not set up an Audit Committee, and the responsibilities of such a committee have been included in the Board's rules of procedure. The Board collectively takes care of the duties of an Audit Committee. The Board has stipulated that the Group's scope of operations does not necessitate the creation of a separate Audit Committee.

This Corporate Governance review has been given as a separate entity alongside of the Financial Statements, Report of the Board of Directors and Remuneration Statement. The review is available online on the Group's website [www.consti.fi](http://www.consti.fi) > Investors > Corporate Governance.

Consti Group Plc's Board has assessed the review in its meeting 14th February 2018, and the company's auditor has confirmed that the reviews general description on internal control and risk management is in line with the financial statement.

### **1 BOARD OF DIRECTORS**

#### **The Board's responsibilities**

The Board of Directors confirms Consti's strategy and monitors its implementation. In accordance to the Companies Act and Consti's Articles of Association the Board of Directors attends to Consti's administration and organization of its operations and represents the company. Consti's Board of Directors has established written Rules of Procedure, in which its central responsibilities and principles of operation are defined.

Consti's Board of Directors has three to nine members. The Board elects a Chairman and a Deputy Chairman from among its members.

#### **The Board of Directors**

- defines the Company's dividend policy
- decides on donations within the framework of the Finnish Companies Act
- defines the operating principles for the risk management system and internal control
- considers and approves interim reports, the report of the Board of Directors and the annual financial statements
- confirms its own Rules of Procedure
- confirms the Company's operating principles and monitors how they are carried out
- approves the Company's strategy and monitors how it is carried out
- approves annually a business plan and budget based on the strategy and monitors how they are carried out
- sets personal goals for the CEO annually and assesses how they are achieved as well as approves the targets for the members of the Management Team and assesses how those are achieved
- confirms the Group's organizational structure
- appoints and discharges from their duties the CEO and the members of the Management Team and decides on their terms of employment and incentive schemes
- prepares draft resolutions as necessary for the General Meeting of Shareholders concerning remuneration schemes for management and personnel
- monitors succession issues of the management
- considers other matters that the Chairman of the Board or CEO has submitted on the agenda. Members of the Board are also entitled to bring matters before the Board by informing the Chairman of this.

In addition to its central responsibilities, in 2017 the Board of Directors concentrated on strategy renewal and choosing a new CEO. The Board also approved the diversity principles drawn up by the Nomination and Compensation committee.

## Composition of the Board

Consti Group Plc's Board of Directors is chosen by the Annual General Meeting (AGM) for a set time period lasting until the next AGM. The Nomination and Compensation Committee makes a proposal of the composition of the Board of Directors to the GM. The Nomination and Compensation committee also deals with the company's diversity principles.

Requirements set by operations as well as the company's development stage are taken into consideration when electing the Board of Directors. As stated in the Corporate Governance Code, Board members must have required competence for the position and sufficient time to take care of Board responsibilities. The number of Board Members and the Board's composition must enable efficiently taking care of the Board's responsibilities. As stated in the Code, the Board must have both genders represented.

The diversity of the Board is based on Consti's business strategy and future needs. Diversity criteria include the Members' experience in the company's strategic business areas, the cultures that the company operates in, as well as education, age and gender.

In addition to the corporate governance code, the Nomination and Compensation Committee must take into consideration the company's diversity criteria when identifying and suggesting new members to the Board. The diversity criteria are set to ensure that the Board's competence, background and personal abilities in general meet the company's current and future operational needs.

## Board Members 31.12.2017

Consti Group Plc's Board of Directors on 31 December 2017 comprised of Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Niina Rajakoski, Petri Rignell and Pekka Salokangas. All Board members were elected in the Annual General Meeting on 4 April 2017. Until the AGM, also Janne Näränen was a Board Member.

Board of Directors 31 December 2017:

### Tapio Hakakari

Chairman since 2015

Master of Laws, born 1953

Finnish citizen

Independent of the company and of significant shareholders

#### *Central work experience*

Webstor Ltd, CEO

Cargotec PLC, interim President and CEO 2012–2013

Kone PLC, Director and Secretary to the Board 1998–2006

KCI Konecranes, 1994–1998

Kone PLC, 1983–1994

#### *Key positions of trust*

Rakennuttajatoimisto HTJ Ltd, Chairman of the Board since 2016

Svenska Handelsbanken AB (publ) Finland, Board Member since 2016

Cargotec PLC, Board Member since 2005 and Deputy Chairman of the Board since 2009

Consti Group Plc's shares 55,400 (31 December 2017)

**Erkki Norvio**

Board Member

Member of the Nomination and Compensation Committee

MSc. (tech.), M.Sc. (econ.), born 1945

Board Member since 2008 (Chairman 2008–2011)

Finnish citizen

Independent of the company and of significant shareholders

*Central work experience*

Ramirent Ltd, Deputy CEO 1984–1985 and CEO 1986–2005

Partek Ltd, 1972–1984

*Key positions of trust*

Renta Group Ltd, Board Member since 2015

Normek Group Ltd, Board Member since 2006 (Chairman of the Board 2008–2016)

Norvier Ltd, Chairman of the Board since 2007

RGE Holding Ltd, Board Member since 2014

Intera Equity Partners Ltd, Board Member since 2007

Consti Group Plc's shares through his holding company 106,463 (31 December 2017)

**Antti Korkeela**

Board Member

Vocational Qualification in Business and Administration, born 1969

Board Member since 2012

Finnish citizen

Independent of the company and of significant shareholders

*Central work experience*

Consti Group Ltd, CEO 2009–2011

Jollaksen Rakennushuolto Ltd, CEO 1995–2009

*Key positions of trust*

CTK Tekniikka Ltd, Chairman of the Board 2012–2017

Atolli Ltd, Chairman of the Board 2012–2017

Random Development Ltd, Chairman of the Board since 2012

Fluorotech Ltd, Board Member 2012–2017

Teollisuus ja Kiinteistöt Sundberg Ltd, Board Member since 2011

Consti Group Plc's shares 276,894 (31 December 2017)

**Petri Rignell**

Board Member

Member of the Nomination and Compensation Committee

MSc. (tech.), born 1962

Board Member since 2008

Finnish citizen

Independent of the company and of significant shareholders

*Central work experience*

Kreate Ltd, interim CEO 2016–2017

IVG Polar Ltd, CEO 2010–2013  
 CapMan Real Estate, Industrial Advisor 2007–2010  
 Projektikonsultit Ltd, CEO 1994–2007  
 Polar Yhtiöt, Foreman 1989–1994  
 Lemminkäinen Ltd, Project Engineer 1985–1989

*Key positions of trust*

Kreate Ltd, Chairman of the Board since 2017  
 ProRock Ltd, Chairman of the Board since 2007  
 Minerva Kehitys ja Palvelu Ltd, Board Member since 2012  
 Tilakarhut Ltd, Board Member since 2008

Consti Group Plc's shares through his holding company 25,100 (31 December 2017)

**Niina Rajakoski**

Board Member

MSc. (tech.) Master builder, born 1970  
 Board Member since 2015  
 Finnish citizen  
 Independent of the company and of significant shareholders

*Central work experience*

Ilmarinen Mutual Pension Insurance Company, Construction Manager since 2010 and Property manager 1999–2010  
 YIT Service Ltd, Key Account Manager 1999  
 YIT Rakennus Ltd, Sales Manager 1998  
 Haka Ltd, Estimating Engineer 1993–1994

*Key positions of trust*

Central Chamber of Commerce's Goods Inspection Board, Member 2015–2017  
 The Finnish Association of Building Owners and Construction Clients RAKLI ry, Construction and Procurement Council Member since 2012  
 Real Estate Manager certification group (KJs, Kiinteistöjohdon sertifiointiryhmä) Chairman since 2012  
 Helsingin Yliopistokiinteistöt Oy, Board Members since 2017  
 Helsinki University Properties Committee, Deputy Chairman since 2017

Does not own Consti Group Plc shares (31 December 2017)

**Pekka Salokangas**

Board Member

Member of the Nomination and Compensation Committee

M.Sc. (econ.) born 1961  
 Finnish citizen  
 Independent of the company and of significant shareholders

*Central work experience*

Relacom Ltd, CEO 2009–2017  
 Wiltrain Consulting Ltd and PlanStone Ltd, Management Consultant 2008–2009  
 ISS Palvelut Ltd, Business Unit Director 1998–2008  
 Talotek Ltd, CEO 1996–1998  
 Onninen Oy Wholesale International, Marketing Director 1993–1996  
 Huber Ltd, Development Director 1989–1993

#### *Key positions of trust*

Orbion Consulting Ltd, Chairman of the Board since 2013

Service industries employers' association (Palta), Board Member 2011–2013 and 2015–2017

Ficom, Board Member 2009–2017

Consti Group Plc's shares 22,000 (31 December 2017)

The Board of Directors held 19 meetings during 2017, the average attending rate of Board Members was 98.2. The attendance rate per Member was: Tapio Hakakari 100%, Antti Korkeela 100%, Erkki Norvio 100%, Niina Rajakoski 89.5%, Petri Rignell 100% and Pekka Salokangas 100%.

#### **Board of Director's Committees**

The Board has a Nomination and Compensation Committee. The Board annually nominates at least three Committee Members and appoints one of them as Chairman of the Committee, and confirms the Committee's written charters. The Committee meets when necessary, however at a minimum three times a year.

The Committee has no independent decision-making power; it prepares matters to be presented to and decided by the Board. The Committee directly presents the proposal for composition and compensation for the Board of Directors to the Annual General Meeting; prepares a proposal for the CEO and the terms of his/her employment and when necessary also prepares proposals on the appointment and remuneration of other executives prior to the Board of Directors' meeting. The Committee prepares the Group's remuneration principles, short and long-term compensation schemes and monitors their efficiency and realisation. The Committee also prepares the company's diversity policy.

In 2017, the Committee consisted of Petri Rignell (Chairman), Pekka Salokangas and Erkki Norvio and it had three meetings. All Members attended the meetings.

The Board has stipulated that the Group's scope of operations does not necessitate the creation of a separate Audit Committee, and the Board will take care of its responsibilities. In this capacity, the Board meets the external auditor at least once a year without the members of the management employed by the Company. In the capacity of the Audit Committee, the Board's responsibilities include reviewing the Company's financial statements, half-year financial report and interim reports, monitoring the internal control system, and seeing to internal and external audits.

#### **2 CEO**

The Board appoints Consti's CEO and determines the related terms of employment. The employment terms of the CEO are defined in a written employment contract. The CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within the Company. According to the Finnish Companies Act, the CEO ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner. The Board assesses the CEO's work and monitors the CEO's development in achieving set targets.

Up until 26 September 2017, Consti's CEO was Marko Holopainen. Esa Korkeela was appointed acting CEO on 26 September 2017 and CEO 21 December 2017. Esa Korkeela was born in 1972 and he is a Master of Science (Business), and also holds an MBA degree. He has worked for the company since 2009 as the Group's CFO. At the end of the fiscal period, according to the register maintained by Euroclear Oy, the CEO owned 399,600 Consti Group Plc shares, which amounts to 5.09 percent of the company's shares and votes. In addition, the company announced the CEO's purchase of 12 000 shares on 22 December 2017, which is not yet visible in the register information from the end of 2017.

### 3 MANAGEMENT TEAM

Supporting the CEO in his/her duties, the Management Team is responsible for business development and the Company's operational activities in accordance with targets set by the Board of Directors and the CEO. The Management Team also defines operative principles and procedures in accordance with guidelines set by the Board. The Management Team convenes every month and whenever necessary and concentrates on the strategic issues of the Group and the business areas. On the agenda there are regular reports and questions concerning the development of the financials, governance, corporate responsibility and development projects. The CEO acts as Chairman of the Management Team.

Management Team Members 31 December 2017:

#### **Esa Korkeela**

CEO (CFO until 28 March 2018)  
M.Sc. (econ.), MBA, born 1972

Central work experience  
Consti Group Plc, acting CEO 9-12/2017  
Consti Group Plc, CFO since 2009  
JRH Rakennushuolto Oy, CFO 1995-2009

Key positions of trust  
Sponren Oy, Member of the Board,

Consti Group Plc's shares 399,600 (31 December 2017)

#### **Risto Kivi**

Consti Julkisivut Ltd's CEO  
Master Builder, born 1971

Central work experience  
Consti Building Facades, CEO since 2011  
Raitayhtiöt Oy, CEO 2009-2011  
Raitamiespalvelu Oy, CEO 2008-2009  
Raitarakennus Oy, CEO 2007-2009  
Raitasauma Oy, CEO 1998-2007  
Rkm Kivi ja Kalevo Oy, entrepreneur 1993-1998

Key positions of trust  
Midpointed Oy, Member of the Board since 2012

Consti Group Plc's shares 375,300 (31 December 2017)

#### **Jukka Mäkinen**

Consti Korjausurakointi Ltd's CEO  
M.Sc. (tech.), born 1960

Central work experience  
Consti Korjausurakointi Oy, CEO since 2013  
Devecon Projektinjohtopalvelu Oy, CEO 2013  
Hartela Oy, 2007-2013  
ISS Proko Oy, Regional Manager 1999-2007  
Projektikonsultit Oy, Project Manager 1997-1999  
YIT-Yhtymä Oy, Chief of the Technical office 1995-1997 and worksite/project engineer 1989-1995  
Helsinki University of Technology, Lecturer 1998-2014

Key positions of trust  
Talonrakennusteollisuus Ry, Board Member since 2015

Talonrakennusteollisuus Uudenmaan piiri Ry, Board Member since 2015

Consti Group Plc's shares 10,812 (31 December 2017)

**Pekka Pöykkö**

Consti Talotekniikka Oy, CEO

Engineer, born 1967

Central work experience

Consti Talotekniikka Oy, CEO from February 2016

Saipu Oy, CEO 2014 – 2015

Caverion Suomi Oy, Business area Group Leader 2010 – 2014

YIT Kiinteistötekniikka Oy, Business area Group Leader 2004 – 2010

YIT Rapido Kiinteistöpalvelut Oy, CEO 1999 - 2004

YIT Service Oy, Regional Manager 1994 – 1999

Norstep Oy, Development Engineer 1993 – 1994

Key positions of trust

LVI-Tekniset Urakoitsijat LVI-TU ry, Board and Management Team Member

Consti Group Plc's shares 600 (31 December 2017)

**Hannu Kimiläinen**

Consti Service Business Director

B.Eng., born 1963

Central work experience

Consti Service, Business Director since 2014

Meju Oy, CEO since 1999

ISS Palvelut Oy, Head of CRM 2006–2014

Palosammutinhuolto PSH Oy, CEO 1989–2006

Consti Group Plc's shares 1,000 (31 December 2017)

**Markku Kalevo**

Consti Julkisivut Ltd's Bid and Sales Director

Construction technician, born 1971

Central work experience

Consti Julkisivut Oy, Bid and Sales Director since 2011

Raitayhtiöt Oy, Deputy CEO 2009–2010

Raitasaneeraus Oy, CEO 1998–2009

Rkm Kivi ja Kalevo Oy, entrepreneur 1993–1998

Key positions of trust

L&K Pooki Oy, Chairman of the Board since 2010

Consti Group Plc's shares 297,900 (31 December 2017)

**Pirkka Lähteinen**

Consti Korjausurakointi Ltd's Regional Director

B.Eng., born 1977

Central work experience

Consti Korjausurakointi Oy, Regional Director 2011

Jollaksen Rakennushuolto Oy, CEO 2009–2011 and Project Manager 2000–2009

Key positions of trust



Kaskiniemen Sora Oy, Board Member since 1992

Consti Group Plc's shares 11,750 (31 December 2017)

#### **Juha Salminen**

CDO

Ph.D. (tech.), born 1963

Central work experience

Consti Yhtiöt Oyj, CDO since 2012

NCC Rakennus Oy, Development Manager 1999–2012

Psyko Business Learning Consulting Oy, Business Consultant 1998–2000

Helsinki University of Technology, Researcher and Project Manager 1996–2000

Salmicon Oy, CEO 1990–2011

Polar-Rakennus Oy, Supervisor 1990–1991

Key positions of trust

Salmicon Oy, Chairman of the Board since 2012

Consti Group Plc's shares 15,200 (31 December 2017)

## **4 EXTERNAL AUDIT**

The statutory external audit for the financial period includes auditing of accounting records, financial statements and administration. The Annual General Meeting on April 4th 2017 chose Ernst & Young as auditor with APA Mikko Ryttilähti as principal auditor. In 2017, audit costs amounted to EUR 172 thousand.

Ernst & Young Oy has acted as Consti's auditor since 2008 and also APA Mikko Ryttilähti has acted as principal auditor since 2008.

## **5 INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS**

Consti compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of NASDAQ Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process, have been designed to ensure that the financial reports disclosed by Consti are reliable and meet the requirements of the law, regulations and company principles.

Instructions regarding the publication of financial information and external communications are included in Consti's disclosure policy approved by the Board of Directors. Its main principles are available on the company website at ([www.consti.fi](http://www.consti.fi) > Investors > Corporate Governance). Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

### **Risk management**

The central principle of Consti's risk management is continuous, systematic and pre-emptive action to identify risks, define the level of risk the company accepts, evaluate and handle risks and, in the event of risk realisation, see to their effective management and administration so that the company will meet its strategic and financial goals. Risk management is a part of the company's management, monitoring and reporting systems. Risk management includes risk identification, evaluation and risk contingency planning.

Consti's strategic and operative goals are used as a basis for identifying risks. Risk analysis and evaluations are conducted as self-assessments. The probability of a risk materialising and the impact this would have is evaluated on a scale of 1-3 as defined in the company's risk principles.

Consti's Board of Directors duty is to confirm the company's risk management principles and evaluate the adequacy and appropriateness of risk management. The CEO is responsible for the company's risk management and its organisation, allocating resources for the work and reviewing the risk management principles. The Group's Management Team is responsible for the actualisation of risk management, operative risk monitoring and risk related actions.

Financial and operational risks, as well as actions taken, are regularly reported to the Management Team. Strategic risks are handled annually together with the strategy. Risk reports are assessed by the Board, the Management Team and in the business areas' own management teams.

Central risks and risk management actions are reported yearly in the annual report and in interim reports.

### **Internal control**

Internal control aims at protecting the company and its business areas' resources from wrongful use; it makes sure all business transaction are authorised in the necessary manner, supports IT system management and ensures the reliability of financial reporting. In Consti, internal control is foremost the responsibility of line management, which is supported by the Group's support functions. A third level of internal control is made up of internal and external audit, which confirm that the first two levels of control function efficiently.

### **Internal audit**

Consti does not have a separate corporate audit function, as internal control responsibilities have been divided inside the corporation between different functions and areas. The Board may use external experts for assessments regarding the control environment or separate operational evaluations. Consti's external auditor's audit plan takes into consideration that the company does not have a separate corporate audit function.

The CEO creates the foundation for internal control by leading and guiding top management and ensuring that the company's bookkeeping practice follow legislation and financial administration is managed reliably.

The Management Team is responsible for making sure that the organisation's different units have detailed internal control guidelines and procedures. The financial administration staff have an especially important role, as its control actions span all of the company's operational and other units.

The Group's financial administration helps units create appropriate control procedures. It also guides the company's risk management process and reports on its execution to management and monitors the internal control procedures' efficiency and effectiveness in practise.

The business areas' management sees that all of the units and employees that are their responsibility follow the appropriate laws, regulation and internal guidelines.

### **Financial reporting process**

Internal control efficiency regarding financial reporting is overseen by the Board of Directors, and also the CEO and Group and business area Management Teams. Internal control measures, such as reconciliations, logic analyses and comparative analyses are conducted on an organisational level. The purpose of these control measures is to detect, prevent and correct any errors and deviations in financial follow-up.

Consti's financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are handled first at the reporting unit level, then in the Management Teams of the business area and finally in the Group's Management Team. The Board of Directors also receives a monthly report on financial figures. Controllers report any deviations from the plans to the Management Teams, analyse the

reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and financial forecasts are up to date. Financial administration aims to harmonise the work practises of controllers and ensure guidelines are interpreted consistently throughout the organisation, and also further improve the guidelines.

## 6 INSIDER MANAGEMENT

Consti complies with EU Regulation on Market Abuse ((EU) 596/2014, “MAR”) and 2- and 3-tier regulation supplementing it, the Finnish Securities Markets Act, the insider guidelines of Nasdaq Helsinki Ltd as well as guidance issued by authorities. In addition, the company has internal Insider Guidelines approved by Consti’s Board of Directors, which set, to some extent, stricter requirements than the above-mentioned minimum level regulation.

Consti has defined the members of the Board of Directors, the CEO and members of the Group Management Team as persons discharging managerial responsibilities (“persons discharging managerial responsibilities”). Consti publishes the transactions persons discharging managerial responsibilities and their closely associated persons have conducted relating to financial instruments of Consti in accordance with the notifications the company has received and at latest within three business days after the transactions in question were conducted. After the publication, information will also be available on the company’s website.

Consti has additionally defined e.g. management team members of Consti’s subsidiaries as well as persons dealing with preparation of financial reporting as persons who act in the informative core of the company, i.e. persons who have access to such informative core of the company on the basis of the tasks they deal with (“persons who act in the informative core”). People employed by Consti and people who work for Consti under a contract, and who, due to their duties, have access to insider information associated with Consti, are entered in the company’s project-specific insider register, which is established when necessary.

Persons discharging managerial responsibilities or persons who act in the informative core of the company shall not trade or conduct other transactions, on their own account or for the account of a third party, directly or indirectly, relating to Consti’s financial instruments during the so called closed window. The closed window begins 30 days prior to the publication of Consti’s interim reports, half-year financial report or financial statement bulletins. The trading prohibition also applies to the day when results are published. Project-specific insiders are prohibited from trading in the company’s financial instruments until the project concerned has been cancelled or disclosed.

Consti’s CFO is responsible for adherence to insider regulations and for monitoring the duty to declare as well as the maintenance of insider registers.