



# **Consti Group Plc's Corporate Governance Statement 2018**

## **REVIEW OF CONSTI GROUP PLC'S CORPORATE GOVERNANCE 2018**

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 Oy. Consti complies with the Finnish Corporate Governance Code ([www.cgfinland.fi](http://www.cgfinland.fi)).

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 6 February 2019, 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 assesses the independence of its members. The Nomination and Compensation Committee, annually set by the Board of Directors, makes a proposal of the composition of the Board of Directors to the GM.

#### **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.

## 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 31.12.2018

Consti Group Plc's Board of Directors on 31 December 2018 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 2018.

Board of Directors 31 December 2018:

### **Tapio Hakakari**

Chairman since 2015

Member of the Nomination and Compensation Committee

Master of Laws, born 1953

Finnish citizen

Independent of the company and of significant shareholders

#### *Central work experience*

Webstor Oy, 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 Oy, Chairman of the Board since 2016

Svenska Handelsbanken AB (publ) Finland, Board Member since 2016 and Chairman of the Board since 2019

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

Consti Group Plc's shares 55,400 (31 December 2018)

### **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 Plc, Deputy CEO 1984–1985 and CEO 1986–2005  
Partek Oy, 1972–1984

*Key positions of trust*

Renta Group Oy, Board Member since 2015  
Norvier Oy, Chairman of the Board since 2007  
RGE Holding Oy, Board Member since 2014  
Intera Equity Partners Oy, Board Member since 2007

Consti Group Plc's shares through his holding company 106,463 (31 December 2018)

**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 Oy, CEO 2009–2011  
Jollaksen Rakennushuolto Oy, CEO 1995–2009

*Key positions of trust*

Random Development Oy, Chairman of the Board since 2012  
Teollisuus ja Kiinteistöt Sundberg Oy, Board Member since 2011

Consti Group Plc's shares 276,894 (31 December 2018)

**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 Oy, CEO 2016–2017  
IVG Polar Oy, CEO 2010–2013  
CapMan Real Estate, Industrial Advisor 2007–2010  
Projektikonsultit Oy, CEO 1994–2007  
Polar Yhtiöt, Foreman 1989–1994  
Lemminkäinen Oy, Project Engineer 1985–1989

*Key positions of trust*

Normek Group Oy, Chairman of the Board since 2018  
Kreate Oy, Chairman of the Board since 2017  
PriRock Oy, Chairman of the Board since 2007  
Minerva Kehitys ja Palvelu Oy, Board Member since 2012  
Tilakarhut Oy, Board Member since 2008

Consti Group Plc's shares through his holding company 25,100 (31 December 2018)

**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 Oy, Key Account Manager 1999  
YIT Rakennus Oy, Sales Manager 1998  
Haka Oy, Estimating Engineer 1993–1994

*Key positions of trust*

Real Estate Manager certification group (KJs, Kiinteistöjohdon sertifiointiryhmä) Chairman since 2012  
Helsingin Yliopistokiinteistöt Oy, Board Member since 2017  
Helsinki University Properties Committee, Deputy Chairman since 2017

Does not own Consti Group Plc shares (31 December 2018)

**Pekka Salokangas**

Board Member

Member of the Nomination and Compensation Committee

M.Sc. (econ.) born 1961  
Board Member since 2012  
Finnish citizen  
Independent of the company and of significant shareholders

*Central work experience*

Mantec International, Management Consultant since 2018  
Relacom Oy, CEO 2009–2017  
Wiltrain Consulting Oy and PlanStone Oy, Management Consultant 2008–2009  
ISS Palvelut Oy, Business Unit Director 1998–2008  
Talotek Oy, CEO 1996–1998  
Onninen Oy Wholesale International, Marketing Director 1993–1996  
Huber Oy, Development Director 1989–1993

Consti Group Plc's shares 22,000 (31 December 2018)

The Board of Directors held 13 meetings during 2018, the average attending rate of Board Members was 98.7. The attendance rate per Member was: Tapio Hakakari 100%, Antti Korkeela 100%, Erkki Norvio 100%, Niina Rajakoski 100.0%, Petri Rignell 100% and Pekka Salokangas 92.3%.

### **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 2018, the Committee consisted of Petri Rignell (Chairman), Pekka Salokangas, Erkki Norvio and Tapio Hakakari 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.

In 2018, Consti's CEO was Esa Korkeela. Esa Korkeela was born in 1972 and has a Master of Science (Econ.) and MBA degrees. He has worked for the company since 2009 as the Group's CFO and as interim CEO during 9-12/2017. At the end of the fiscal period, according to the register maintained by Euroclear Oy, the CEO owned 411,600 Consti Group Plc shares, which amounts to 5.24 percent of the company's shares and votes.

## **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 2018:

**Esa Korkeela**

CEO

M.Sc. (econ.), MBA, born 1972

Central work experience

Consti Group Plc, CEO since 12/2017

Consti Group Plc, Interim CEO 9-12/2017

Consti Group Plc, CFO 2009-2017

JRH Rakennushuolto Oy, CFO 1995-2009

Key positions of trust

Sponren Oy, Member of the Board

Tiirinkallio Oy, Chairman of the Board

Consti Group Plc's shares 411,600 (31 December 2018)

**Joni Sorsanen**

CFO

M.Sc. (Econ.), born 1983

Key work experience

Consti Group Plc, CFO since 3/2018

Caverion Corporation, Head of Group Project Control 2017–2018

Consti Group Plc, Head of Investor Relations & Group Controller 2016–2017

Cramo Corporation, various group finance and development tasks, including Business Controller 2009–2016

Ernst & Young Oy, Consultant 2007–2008

Consti Group Plc's shares 2,000 (31 December 2018)

**Risto Kivi**

Consti Julkisivut Oy's CEO

Master Builder, born 1971

Central work experience

Consti Julkisivut Oy, 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 2018)

**Jukka Mäkinen**

Consti Korjausurakointi Oy'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 2018)

**Pekka Pöykkö**

Consti Talotekniikka Oy, CEO

Engineer, born 1967

Central work experience

Consti Talotekniikka Oy, CEO since 2016

Saipu Oy, CEO 2014 – 2015

Caverion Suomi Oy, Business Unit Director 2010 – 2014

YIT Kiinteistötekniikka Oy, Business Unit Director 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

Talotekniikkaliitto ry, Member of the Board

Consti Group Plc's shares 600 (31 December 2018)

**Markku Kalevo**

Consti Julkisivut Oy'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 2018)

**Pirkka Lähteinen**

Consti Korjausurakointi Oy'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

eGate Smart Building Innovation Oy, Board Member since 2018

Kaskiniemen Sora Oy, Board Member since 1992

Consti Group Plc's shares 11,750 (31 December 2018)



**Juha Salminen**

Chief Development Officer  
Ph.D. (tech.), born 1963

**Central work experience**

Consti Group Plc, 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 2018)

**Turo Turja**

HR Director  
M.Sc. (econ.), M.Sc. (tech.), born 1967

**Key work experience**

Consti Group Plc, HR Director since 8/2018  
SSAB Europe Oy, HR Director 2015–2017  
Rautaruukki Oyj, HR Director 2008–2015  
Maan Auto Oy, HR Manager 2006–2008  
Steveco Oy, HR Manager 2004–2006  
Tekniikan Akateemisten Liitto TEK ry, Adviser 1998 – 2004

Does not own Consti Group Plc shares (31 December 2018)

**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 4 April 2018 chose Ernst & Young as auditor with APA Mikko Ryttilähti as principal auditor. In 2018, audit costs amounted to EUR 215 thousand. In addition, the auditor received compensation for other services amounting to EUR 17 thousand. These other services were mainly related to preparations for adoption of new IFRS standards as well as to IFRS training.

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.