

# Corporate Governance Statement

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# 2017



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Approved by the Board of Directors

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Responsibility: President and CEO

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# Corporate Governance Statement 2017

## Introduction

Detection Technology Plc (the company) is a public limited company registered in Finland, and its head office is located in Espoo, Finland. Detection Technology Group (Detection Technology) comprises the parent company Detection Technology Plc, Finland, and its two subsidiaries in PR China, one in Hong Kong and one in the US.

As the company's shares are listed on Nasdaq OMX First North, the company strives to follow the CG Code in its operations even though this is not mandatory. CG code is based on comply-or-explain, which allows companies to deviate from individual recommendations if they can explain and justify the deviation.

The company deviates from CG code recommendation that both genders are to be represented on the Board of Directors (Recommendation 9 – Number, composition and competence of the directors), as this has not been necessary considering the requirements of the operation and the development stage of the company.

Decision-making and governance at Detection Technology Plc comply with the company's Articles of Association, the Finnish Companies Act and other applicable legislation. In addition, the company strives to comply with the recommendations of NASDAQ OMX Helsinki Ltd, as well as NASDAQ OMX Helsinki Ltd's Guidelines for Insiders. The foreign subsidiaries comply with local legislation.

The General Meeting of shareholders, Board of Directors and the President and CEO are in charge of the management of Detection Technology Group and their tasks are determined as specified by the Finnish Companies Act. The President and CEO is in charge of group-level operative activity, assisted by the group's Management Group.

# Governing Bodies

## General Meetings

The General Meeting is the highest decision-making body of the company. The Annual General Meeting (AGM) is arranged once a year on a date determined by the Board of Directors within six months of the end of the financial period. Extraordinary general meetings can be arranged during the year, if necessary. In accordance with the Articles of Association, the General Meeting is held in the company's registered offices in either Espoo or Oulu.

According to the Finnish Companies Act, the Annual General Meeting's tasks include decisions regarding:

- Changes to the Articles of Association
- Adoption of the financial statement
- Profit distribution
- Number of the Board members, their election and fees
- Election of company auditor.

All resolutions and documents related to the Annual General Meeting are published as a company release and on the company's website.

## Board of Directors

The Board is responsible for arranging the company's management. The Board of Directors is responsible for duties specified in the Articles of Association and the Finnish Companies Act. The main duty of the Board of Directors is to approve the company's strategy, decide on financial arrangements and make decisions on the purchase and sale of significant assets. The Board of Directors follows the company's financial development through monthly reports and other information that company management provides to the Board.

The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies a working order that specifies the meeting procedure of the Board of Directors and its tasks.

The key tasks of the Board of Directors include:

- Approving consolidated financial statements and interim reports
- Proposals to the Annual General Meeting
- Appointing and dismissing the President and CEO
- Organization of financial control.

In addition, the Board decides on matters of principle, as well as items that carry financial and business significance, such as:

- Group and business unit strategies
- Group action, budget and investment plans
- Group risk management and reporting procedures
- Decisions concerning the structure and organization of the Group
- Significant individual investments, acquisitions, divestments and reorganizations
- Group insurance and financing policies
- Reward and incentive scheme for Group management
- Appointing Board committees
- Monitoring and evaluating the actions of the President and CEO.

Detection Technology's President and CEO is in charge of ensuring that the Board members have necessary and sufficient information on the company's operations.

In accordance with the Articles of Association, the Board of Directors consists of a minimum of three and a maximum of six regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting of shareholders following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members to the Board of Directors. The Board of Directors elects the Chairman from its members, and the Board of Directors is deemed to have a quorum present when at least half of its members are present. In addition to matters to be resolved, the Board of Directors is given real-time information on the operation, financial standing and risks of the Group at their meetings.

## Annual General Meeting

The company's AGM of 23 March 2017 decided on the composition of the Board of Directors as follows:

<b>Name</b>	<b>Year of birth</b>	<b>Education</b>	<b>Role</b>	<b>Independent of major shareholders</b>	<b>Independent of the company</b>
Tallberg Andreas	1963	M.Sc.(Econ.)	Chairman		x
Allonen Heikki	1954	M.Sc. (Eng.)	Member	x	x
Niemi Petri	1961	M.Sc. (Eng.)	Member	x	x
Roos Henrik	1958	M.Sc. (Eng.)	Member	x	x
Saarenmaa Ari	1964	M.Sc. (Eng.)	Member		x

**Andreas Tallberg** has acted as Chairman of the company's Board of Directors since 2007. Andreas Tallberg has been the CEO of Oy G.W. Sohlberg Ab since 2007 and also CEO and/or member of the Board of Directors of several GWS group companies. He has previously acted as a Senior Partner at EQT Partners (1997-2006), in management positions at Mac-Andrews & Forbes group companies (1991-1995), as Director of Business Development at Nokia Consumer Electronics (1990-1991), and in management positions at Amer Yhtymä Oyj (1986-1990). Andreas Tallberg has been Chairman of the Board of Directors of CapMan Plc since 2017, Glaston Corporation since 2007, Nissala Oy since 1999, and Wulff Group Plc since 2012, and a member of the Board of Rothschild Nordic AB since 2017. He has previously acted as Chairman of the Board of Directors at Perlos Oyj and as Deputy Chairman (2007-2008), as Vice Chairman of the Board of Directors at Lite-On Mobile Oy (2008-2013), as Chairman of the Board of Directors of TG Group Oy (2013-2017) and Toolmasters Oy (2013-2017). In addition, he has acted as a member of the Board of Directors at Staffpoint Oy (2008-2017), Nordic Regional Airlines Oy (2015-2017), Handelsbanken Finland Branch (2008-2016), Toolmasters Oy (2010-2013), Myllykoski Corporation (2011-2012). He holds a Master of Science degree in Economics.

**Heikki Allonen** has been a member of the Board of Directors of the company since 2015. He is presently President and CEO of Hemmings Oy Ab and has acted as President and CEO of Patria Plc (2008-2017). Prior to that, he acted as President and CEO of Fiskars Corporation (2004-2008) and SRV Plc (2001-2004). He is the Vice Chairman of VR Group and a board member of Nokian Tyres Plc and Savox Oy Ab and is up for nomination for the board of Robit Plc in 2018. He has had several earlier board positions and has among others acted as the Chairman of Millog Ltd in 2008-2017 and Nammo AS (2008-2017). He has also been a member of the supervisory board of Ilmarinen Mutual Pension Insurance Group (2013-2017) and was a member of Board of Management in Wärtsilä Corporation (1990-2000). He holds a Master of Science degree in engineering from Helsinki University of Technology.

**Petri Niemi** has acted as a member of the company's Board of Directors since 2012. Petri Niemi has been the CEO of G2 Invest Oy since 2010. He has previously acted as a partner (1999-2005) and as a Senior Partner and as the Head of Technology at CapMan Oyj (2005-2011), as Marketing Director at Oy Ericsson Ab (1996-1999) and as Regional Director at 3com Corporation (1993-1996). He has also worked in various positions at Sun Microsystems (1990-1993) and at Hewlett-Packard (1988-1990). He has been Chairman of the Board of Vincit Group Oyj since 2015, Bilot Consulting Oy since 2015, Leaddesk Oy since 2017, B10 Asset Management Ltd since 2014, WEGA Advisors since 2013 and Rosetta Ventures Oy since 2004 and a member of the Board of Directors of Insta Group Oy since 2011, GreenStream Network Plc since 2011 and Lounea Oy since 2017. In addition, he has acted as a member of the board of Fondia Oyj (2017), Oy Lunawood Ltd (2012), Siili Solutions Oyj (2015) and Eniram Oy (2014). He holds a Master of Science degree in Engineering.

**Henrik Roos** has been a member of the Board of Directors of the company since 2015. Henrik Roos has been Chairman of the Board of Merivaara Corporation (2013-2015) and

Northstar Sitetel Sweden AB (2012-2015), and has acted as a member of the Board at both companies since then. He has been a member of the Board of Orchid Orthopedic Solutions since 2012. Henrik Roos has acted as a Group Executive at Danaher Corporation (2009-2013) (KaVo Group, Gendex), as CEO and a Board Member at PaloDex Group (2006-2009), as Senior Vice President at Dentsply International, Inc (1993-2006), as Head of the Dental Division at Orion Corporation (1989-1993), as Director of Sales at Bronto Skylift Oy Ab (1987-1989) and as a Consultant at Oy Management Services Scandinavia Ab (1983-1987). Henrik Roos holds a Master of Science degree in Engineering.

**Ari Saarenmaa** has acted as a member of the company's Board of Directors since 2006. He has been a member of the Board of StaffPoint Holding Oy since 2017. He has been the CFO of Oy G.W. Sohlberg Ab since 2005 and, in addition, CEO and/or a member of the Board of Directors of several GWS group companies. Prior to this, he acted as Business Controller at Oy G.W. Sohlberg Ab (1997-2005) and as a controller at IVO Tuotantopalvelut Oy (1993-1997). Ari Saarenmaa has acted as a member of a Board of Directors of Pikval Oy (2006-2011). He holds a Master of Science degree in Engineering.

## Extraordinary General Meeting

The company's Extraordinary General Meeting (EGM) of 20 September 2017 decided on the composition of the Board of Directors as follows:

- Board shall consist of six (6) members.
- EGM elected as new members to the Board of Directors Mr Hannu Syrjälä and Mr Pasi Koota.

Name	Year of birth	Education	Role	Independent of major shareholders	Independent of the company
Koota Pasi	1970	M.Sc.(Econ.)	Member		x
Syrjälä Hannu	1966	M.Sc. (Eng.)	Member	x	x

**Hannu Syrjälä** has been a member of the Board of Directors of the company since 2017. He is CEO and Partner of Berggren Group. Previously he has acted in several senior executive positions such as President and CEO of Tieto Corporation (2008-2011), Vice President and General Manager of GE Healthcare, Life Support Solutions Business (2003-2007), and President of Datex-Ohmeda Inc. (2003-2007). He has been the Chairman of the Board of Medtentia International Ltd Oy since 2016. In addition, he has been a member of the Board of Teknikum Oy since 2014 and Mobidiag Oy since 2017. He holds a Master of Science degree in economics from Helsinki School of Economics and Business Administration.

**Pasi Koota** has been a member of the Board of Directors of the company since 2017. He is presently CFO of Ahlström Capital Oy. Prior to that, he acted as Senior Vice President, Head of Recycling Business Line (2015-2017) and Senior Vice President, Finance of Minerals Service

Business Line (2010–2015) at Metso Oyj. He has also held various management positions at KONE Corporation, such as Area Controller, KONE Asia Pacific Supply Chain (2009–2010), Head of Business Control and Planning, KONE China (2008–2009), Executive Director, KONE Thailand (2005–2008) and Regional Finance Director, KONE South Asia (2003–2005). He has been a member of the Board Directors of Destia Oy since 2017. He holds a Master of Science degree in economics.

The former board members Andreas Tallberg, Heikki Allonen, Petri Niemi and Henrik Roos have continued as members of the board until the end of their original term. Ari Saarenmaa resigned from his membership on 20 September 2017.

The Board of Directors convenes at reasonable intervals during the year according to an agreed schedule, in addition to which it convenes when necessary. Minutes are kept for all meetings. The Board met 15 times in 2017, and the participation rate was 96%.

## Board Committees

The Board has established the following committees and appointed the following members to the committees:

### **Remuneration Committee**

The Remuneration Committee consists of three members: Andreas Tallberg, Henrik Roos and Petri Niemi. Andreas Tallberg is the committee's Chairman. The Remuneration Committee met once during 2017, and the participation rate was 100%.

### **Audit Committee**

The Audit Committee consisted of two members, Heikki Allonen and Ari Saarenmaa. Mr Ari Saarenmaa resigned from his position on 20 September 2017 and was replaced by Mr Pasi Koota. Heikki Allonen is the Chairman of the committee. The Audit Committee met eight times in 2017, and the participation rate was 100%.

## Shareholdings of the Board of Directors

According to the share register maintained by Euroclear Finland Ltd, the members of the Board of Directors directly held 26,098 shares of Detection Technology Plc on 31 December 2017. In addition to this, Andreas Tallberg owns 17,362 shares through a corporation controlled by him, Oy Nissala Ab.



# Management

## **President and CEO**

The Board of Directors appoints the President and CEO. The President and CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. The President and CEO is assisted in the management of the Group by the Management Group.

Hannu Martola has acted as President and CEO of the company since 2007. The Board of Directors decides on the service terms and conditions of the President and CEO, specified in writing. The President and CEO is subject to six months' notice and is entitled to salary for the period of notice should the company give notice, in addition to which he is entitled to severance pay equivalent to 12 months' fixed salary. The President and CEO has an additional personal pension insurance policy paid by the company, and retirement age has been agreed at 62.

## **Management Group**

The President and CEO proposes and Detection Technology's Board of Directors approves the nomination and compensation of the Management Group members. The Management Group assists the President and CEO in the operative management of the company, prepares matters handled by the Board and the President and CEO, and plans and monitors the operations of the business units. The Management Group convenes on a monthly basis and when necessary. The President and CEO acts as Chairman of the Management Group.

Members of the Management Group have been Hannu Martola (President and CEO), Petri Hiljanen (CFO), Kari Hyvärinen (VP, Security and Industrial Business Unit), Han Ming (HR Director), Jyrki Still (CTO), Kai Utela (VP, Operations) and Chen Wu (VP, Medical Business Unit).

# Shareholdings of the Management Group

According to the share register maintained by Euroclear Finland Ltd, President and CEO Hannu Martola held directly 322,275 shares in Detection Technology Plc on 31 December 2017 and through a corporation controlled by him, Expedir Oy, 35,000 shares in the company. Other members of the Management Group directly held in total 220,906 shares.

# Remuneration

## Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors. On 23 March 2017, the Annual General Meeting decided to compensate the members of the Board as follows:

- Chairman EUR 3,500 per month
- Members EUR 1,750 per month

### The remuneration of the members of the Board of Directors

1 January - 31 December 2017

Tallberg Andreas	42,000
Allonen Heikki	21,000
Niemi Petri	21,000
Roos Henrik	21,000
Saarenmaa Ari	15,167
Koota Pasi	5,917
Syrjälä Hannu	5,917
<b>Total</b>	<b>132,001</b>

The company has arranged a pension insurance policy for the Board members that is in line with the conditions and terms of regular mandatory work pension insurance policy (TyEL) in Finland.

## President and CEO

The President and CEO's remuneration consists of salary, fringe benefits, a possible annual bonus based on performance and a share-based incentive scheme. The President and CEO remuneration includes an entitlement to an annual incentive of a maximum of six months' salary.

<b>Remuneration of the President and CEO</b>	<b>1 January - 31 December 2017</b>
Salaries and benefits	260,424
Performance-based incentives paid in cash	108,976
Share-based incentive scheme	4,594,485
<b>Total</b>	<b>4,963,885</b>

## Management Group

The Management Group's remunerations consist of salary, fringe benefits, a possible annual bonus based on performance and a share-based incentive scheme. The compensation principles of the Management Group members are decided by the Board of Directors. The Management Group's remuneration program includes an entitlement to an incentive of up to three months' salary.

<b>Remuneration of the members of the Management Group (excluding the CEO)</b>	<b>1 January - 31 December 2017 (EUR)</b>
Salaries and benefits	659,364
Performance-based incentives paid in cash	154,873
Share-based incentive scheme	3,634,225
<b>Total</b>	<b>4,448,461</b>

# Risk management and internal controls

## Internal control

The Board's responsibility is to organize the internal control in the company. The aim of the internal control is to ensure the effectiveness and profitability of the actions, the reliability of information and compliance with rules and regulations. Internal control is part of the daily management of the company.

The control system is based on group-level policies, guidelines and processes, and the control of business operations and support processes. An operating culture is being built by the steering and control of the company's operations by the Board of Directors, the management methods of the company's management, the company's organizational structure and management system, the effective utilization of the global information system and employee competence.

The company has arranged internal control using an external auditor. The Audit Committee oversees the activities within internal control. In practice, internal control is done by the Financial Department under the supervision of the CFO. The goal is to make sure that the whole Group has similar financial control, administration and accountancy policies.

## Risk management

The Board has confirmed the risk management principles for Detection Technology. The company's risk management supports the achievement of strategic goals and ensures the continuity of business operations.

The goal of risk management policies is to identify and evaluate risks and plan for risk mitigation. Such actions may include avoiding risks, mitigating risks by different means or transferring risk by insurance or agreements. When necessary, the Board of Directors is informed about all material changes and new significant risks that are identified.

## Risk assessment in financial reporting

The Financial Department operating under the CFO is responsible for the general control of financial reporting. The Group follows Finnish Accounting Standards (FAS). Financial reporting is based on the information gathered from business and administrative operations and data provided by information systems. The Financial Department determines the necessary control activities for financial reporting processes, which include various rules, process descriptions, reconciliations and analyses, which are done to ensure the validity of reported information.

## Auditors

Detection Technology Plc has one auditor that must be a company accredited by the Central Chamber of Commerce (Authorized Public Accountants). The auditor is elected until the next Annual General Meeting. The primary function of auditing is to verify that the financial statements give true and fair information about Detection Technology Plc's result and financial position for the financial period. In addition, the auditor reports to the Board of Directors on the ongoing auditing of administration and operations.

In 2017, Detection Technology's auditor was Ernst&Young Ltd, Authorized Public Accountants, with Juha Hilmola, APA as the auditor in charge.

## Insider administration

Detection Technology manages inside information and insiders in accordance with the requirements of the Market Abuse Regulation (MAR), the Insider Guidelines of Nasdaq Helsinki, and its internal insider guidelines.

The insider and trading guidelines approved by the Company include regulations on insiders, the publication and postponement of publication of insider information, the prohibited use of insider information, insider registers, duty of notification of transactions by managers and their closely associated persons, and the trading of personnel in specific financial instruments.

The managers of the company must comply with the EU Market Abuse Regulation's prohibition on dealing in company financial instruments (closed period). Managers at Detection Technology are members of the company's Board of Directors, the company's President and CEO, and the company's Management

Group members. In accordance with a decision by the company's Board of Directors, the company has also determined certain time periods during which persons taking part in the preparations of the company's financial reporting and other persons who have access to information pertaining to its financial status are prohibited from trading in the company's financial instruments. Trading in such financial instruments is completely prohibited for the aforementioned persons for a period of 30 days before the publication of the company's earnings information and on the release date. The trading restriction ends on the next business day after the publication.

Persons included in a project-specific insider register are prohibited from all trading and business transactions until the project has expired or has been publicly announced. If the project falls on another listed company or may affect the price of the financial instruments of another listed company, the project-specific insiders have no right to trade in such a company's financial instruments.

The company voluntarily maintains on its website a list of the financial instruments owned by its managers or their controlled corporations.

## Disclosure policy

Investor communication in Detection Technology aims to continuously provide correct, adequate and up-to-date information fairly to all market participants. The company's President and CEO and CFO are the main parties dealing with and answering questions from analysts and investors.

Releases and publications are available on the company website ([www.deetee.com](http://www.deetee.com)) immediately after their publication. The information is published in Finnish and English.

The Group's representatives do not comment on the Group's financial situation nor meet with any capital market representatives for a period of 30 days prior to the publication of financial statements and interim reports. Investor calendar and silent periods can be found on the company's website.

Detection Technology's CG Statement as required by Recommendation 54 of the Finnish CG Code (2010 version) is updated annually. The updated CG statements can be found on the company's website: <http://www.deetee.com/investors/corporate-governance/>

### **Detection Technology Plc**

Board of Directors



[www.deetee.com](http://www.deetee.com)