



## Detection Technology Plc

Approved by the Board of Directors

Approval date: 17.02.2016

Responsibility: President and CEO

## CORPORATE GOVERNANCE STATEMENT

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

As the Company's shares are listed on Nasdaq First North, it is not mandatory to follow the Finnish Corporate Governance (CG) Code. However, the Company strives to follow the CG Code in its operations. CG code is based on Comply-or-Explain, which allows companies to deviate from individual recommendations, if they explain and argue the deviation.

The Finnish Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association, [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/). This corporate governance (CG) statement is issued as a separate report and disclosed, together with the financial statements, Board of Directors' report and the remuneration statement, on the company website [www.deetee.com](http://www.deetee.com). This CG statement has been prepared in accordance with recommendation 54 of the Finnish CG Code 15 June 2010.

DT 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 Helsinki Ltd, as well as Nasdaq Helsinki Ltd's Guidelines for Insiders. The Foreign subsidiaries comply with local legislations.

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

## GENERAL MEETINGS

The General Meeting is the highest decision-making body of the company. The Annual General Meeting is arranged once a year on the 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 either in Oulu or Espoo or in Helsinki.

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
- distribution of profits

- deciding on the number of Board members, their election and fees
- election of company auditor

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

## **BOARD OF DIRECTORS**

The Board is responsible for the Company's management and the appropriate arrangement of its operations. The Board of Directors is responsible of duties that are specified in the Articles of Association and the Finnish Companies Act. The main duties for the Board of Directors include approving of company's strategy, deciding on financial arrangements and making decisions related purchase and sale of significant assets. The Board of Directors follow company's financial development by monthly reports and other information that company's management provide 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 of Directors ratify annually 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:

- Approve Consolidated financial statements and interim reports
- Proposals to the Annual General Meeting
- Appointing and dismissing 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
- The Group's action, budget and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organization of the Group
- Significant individual investments, acquisitions, divestments and reorganizations
- The Group's insurance and financing policies
- Reward and incentive scheme for Group management
- Appointing Board committees
- Monitoring and evaluating the actions of the CEO.

Detection Technology's 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 for 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 in their meetings.

Detection Technology Board of Directors had five members in 2015:

Name	Year of birth	Education	Role	Independent of major shareholders	Independent of the Company
Tallberg Andreas	1963	M.Sc.(Econ.)	Chairman		x
Borsos Julianna	1971	D.Sc.(Econ.)	Member		x
Martola Hannu	1963	M.Sc. (Eng.), eMBA	Member	x	
Niemi Petri	1961	M.Sc. (Eng.)	Member	x	x
Saarenmaa Ari	1964	M.Sc. (Eng.)	Member		x

The Company's AGM of February 12, 2015, resolved on the new composition of the Board of Directors. The new composition of the Board of Directors was effective as of 16 March 2015 and was the following:

Name	Year of birth	Education	Role	Independent of major shareholders	Independent of the Company
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

The Board of Directors convenes at reasonable intervals during a year according to an agreed schedule, in addition to which the Board of Directors convenes when necessary. Minutes are kept for all meetings.

The Board met 16 times in 2015 and participation percentage was 99 %.

**Andreas Tallberg** has acted as the 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, in addition, 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), at management positions at MacAndrews & Forbes group companies (1991-1995), as the director of Business Development at Nokia Consumer Electronics (1990-1991), as well as at management positions at Amer Yhtymä Oyj (1986-1990). Andreas Tallberg has been the chairman of the board of directors of Glaston Corporation since 2007, Nissala Oy since 1999, TG Group Oy since 2013, Toolmasters Oy since 2013 and a member of board of directors since 2010. In addition, Andreas Tallberg has acted as a member of board of directors of Staffpoint Oy since 2008 and member of the board of Directors of Wulff Group Plc since 2012. Andreas Tallberg has previously acted as the chairman of the board of directors at Perlos Oyj and as its deputy chairman (2007-2008), and a chairman of board of directors of Wulff Group Plc (2012-2015), as the vice-chairman of the board of directors at Lite-On Mobile Oy (2008-2013), as a member of the board of directors at Myllykoski Corporation (2011-2012) and as member of the board of directors at Handelsbanken Finland Branch (2008-2015). Andreas Tallberg holds a Master of Science degree in Economics.

**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 the marketing director at Oy Ericsson Ab (1996–1999) and as Regional Director at 3com Corporation (1993–1996) as well as worked in various positions at Sun Microsystems (1990–1993) and at Hewlett-Packard (1988-1990). Petri Niemi has been the chairman of the board of Fondia Ltd since 2011, Eniram Oy since 2014, Hakonen Solutions Oy since 2013, B10

Asset Management Ltd since 2014 and Rosetta Ventures Oy since 2004 and member of the board of directors of Insta Group Oy since 2011, GreenStream Network Plc since 2011, HR4 Group Oy since 2012 and WEGA Advisors since 2013. In addition, he has acted as a the chairman of the board of Siili Solutions Oyj (2011-2015), member of the board of Oy Lunawood Ltd (2012), Mawell Ltd (2012) and Mirasys Ltd (2011). Petri Niemi holds a Master of Science degree in Engineering.

**Ari Saarenmaa** has acted as a member of the Company's board of directors since 2006. Ari Saarenmaa has been the CFO of Oy G.W. Sohlberg Ab since 2005 and, in addition, CEO and/or member of the board of directors of several GWS group companies. Prior to this, Ari Saarenmaa has acted as a 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). Ari Saarenmaa holds a Master of Science degree in Engineering.

**Heikki Allonen** has been elected as a member of the board of directors of the Company by the annual general meeting of shareholders held on 12 February 2015. Heikki Allonen has been the CEO of Patria Plc since 2008. He has previously acted as the CEO at Fiskars Corporation (2004–2008) as well as at SRV Oyj (2001–2004). Heikki Allonen has been the chairman of the board of directors of Millog Ltd and Nammo AS since 2008, member of the board of directors of Teknologiateollisuus ry since 2013, member of the supervisory board of Ilmarinen Mutual Pension Insurance Company since 2013, chairman of Teknologiateollisuuden Puolustus- ja Ilmailuteollisuusyhdistys since 2008 and ja chairman of European Land Defence Industry Group since 2014. He has also acted as a member of the board of directors of Wärtsilä Corporation (2004-2007 and as member of the board of management at Wärtsilä Corporation (1990–2000). Heikki Allonen holds Master of Science degree in Engineering.

**Henrik Roos** has been elected as a member of the board of directors of the Company by the annual general meeting of shareholders held on 12 February 2015. Henrik Roos has been member of the board of directors of Merivaara Corporation since 2013, Northstar Sitetel Sweden AB since 2012 as well as member of the board of directors of Orchid Orthopedic Solutions since 2012. Henrik Roos has acted as chairman of the board of Directors of Merivaara Corporation (2013-2015) and Northstar Sitetel Sweden AB (2012-2015), additionally he has held managerial positions at Danaher Corporation (2009-2013) (KaVo Group, Gendex), as director at PaloDex Group (2006–2009), as director at Dentsply International, Inc (1993-2006), as the head of division at Orion Corporation (1989-1993), as director of sales at Bronto Skylift Oy Ab (1987-1989) as well as a consultant at Oy Management Services Scandinavia Ab (1983-1987). Henrik Roos holds Master of Science degree in Engineering.

### **Board Committees**

The Board has established following committees in the meeting held on July, 29th, 2016 and appointed the members to the Committees.

#### **Remuneration Committee**

The Remuneration committee consists of three members, Mr Andreas Tallberg, Mr Henrik Roos and Mr Petri Niemi. Mr Tallberg is the Committee Chairman.

The Board appoints a Remuneration Committee to assist it in its work. The Board appoints at least three of its members to the Committee. The majority of the members of the Committee shall be independent of the company.

The Remuneration Committee prepares matters concerning the nomination of the CEO, and other Management Group members to be put forward to the Board of Directors.

The remuneration Committee also prepares proposals to the Board of Directors concerning the incentive schemes and remuneration that apply to the CEO, Management Group members and other management reporting to the CEO.

The Chairman of the Remuneration Committee convenes the Committee as required. He reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings. During 2015 the Remuneration Committee convened 1 time and all members participated to the meeting.

### **Audit committee**

The Audit Committee consists of two members, Mr Heikki Allonen and Mr Ari Saarenmaa. Mr Allonen is the Committee Chairman.

The Board of Directors appoints an Audit Committee to assist it in its work. The Board appoints from among its members at least two members to the Committee. These members shall have the qualifications necessary to perform the responsibilities of the Audit Committee and be independent of the company. At least one member shall have expertise specifically in accounting, bookkeeping or auditing. The expertise may be based on, e.g. experience in corporate management.

The task of the Audit Committee is to deal with matters relating to financial reporting and statements, auditing work, internal controls, ethics and compliance matters, the scope of internal and external audits, fees paid to auditors, the Group's tax position, the Group's financial policies and other procedures for managing Group risks and monitoring legal disputes and proceedings.

In addition, the Audit Committee prepares a recommendation concerning the election of an external auditor and auditing fees.

The Chairman of the Audit Committee convenes the Committee as required. He reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

During 2015, the Audit Committee convened 2 times and all members participated to all meetings.

### **Shares of Board of Directors**

According to the share register maintained by Euroclear Finland Ltd, members of the Board of Directors hold directly 30.348 shares in Detection Technology Plc. on December 31, 2015. Additionally, entities controlled by members of the Board of Directors hold 17.362 shares.

### **PRESIDENT AND CEO**

The Board of Directors appoints the CEO. The 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 CEO is assisted in the management of the group by the Management Group.

Hannu Martola, M.Sc. (Eng.), eMBA, born 1963, has acted as the CEO of the company in 2015.

The Board of Directors decides on the service terms and conditions of the CEO, specified in writing. CEO has 6 months' period of notice and right to salary for the period of notice should

the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary.

CEO has an additional personal pension insurance policy paid by the company, retirement age is agreed to be 62.

## MANAGEMENT GROUP

The Management Group is appointed by Detection Technology's Board of Directors. The Management Group assists the CEO in the operative management of the Company, prepares matters handled by the Board and the CEO as well as plans and monitors the operations of the business units. The Management Group convenes on monthly bases and when necessary. The CEO acts as a chairman of the Management Group.

Members of the Management Group are Hannu Martola (CEO), Petri Hiljanen (CFO), Jyrki Still (CTO), Kari Hyvärinen (VP, Sales – Security Business Unit), Chen Wu (VP, Sales – Medical Business Unit), Kai Utela (VP, Operations), Han Ming (HR Director) and Timo Lämsilähti (Sourcing Director).

## Shares in Management Group

According to the share register maintained by Euroclear Finland Ltd, CEO Hannu Martola holds directly 129.250 shares in Detection Technology Plc on December 31, 2015. Additionally, a company controlled by Mr Martola, Expedir Oy, owns 35.000 shares in Detection Technology Plc. Other members of the Management Group held directly 33.935 shares altogether.

## REMUNERATION

### Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors. The Annual General Meeting resolved on February 12th, 2015 to compensate the members of the Board according to the following: Chairman EUR 3,500 per month and Members EUR 1,750 per month.

<b>The remuneration of the members of the Board of Directors</b>	<b>1 January - 31 December 2015</b>
Tallberg Andreas	39 911
Borsos Julianna	3 302
Allonen Heikki	16 653
Martola Hannu	3 302
Niemi Petri	19 955
Roos Henrik	16 653
Saarenmaa Ari	19 955
<b>Total</b>	<b>119 758</b>

## President and CEO

The CEO's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of share-based incentive scheme. CEO remuneration includes an entitlement to an annual incentive of maximum of 6 month's salary.

<b>Remuneration of the CEO</b>	<b>1 January - 31 December 2015</b>
Salaries and benefits	232 430
Performance - based incentives paid in cash	
Share-based incentive scheme	
<b>Total</b>	<b>232 430</b>

## Management Group

The Management Group's remunerations consist of salary in money, fringe benefits, a possible annual bonus based on performance and share-based incentive scheme. The compensation principles of the Management Group members are decided by the Board of Directors. Management Group remuneration programme includes an entitlement to an incentive of max 3 months' salary.

<b>Remuneration of the Executive Team members (excluding the CEO)</b>	<b>1 January - 31 December 2015</b>
Salaries and benefits	805 093
Performance-based incentives paid in cash	
Share-based incentive scheme	
<b>Total</b>	<b>805 093</b>

## RISK MANAGEMENT AND INTERNAL CONTROLS

### Internal Controls

It is with the Boards responsibility to organize the internal controls in the company. The aims of the internal control are to ensure the effectiveness and profitability of the actions, the reliability of information and compliance of the 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 controls of business operations and support processes. The 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, effective utilization of global information system as well as the employees' competence.

The company does not have a nominated internal controlling committee. Instead, internal controlling and monitoring is organized and done in the financial department under the CFO. The goal is to make sure that the whole group has similar administration and accountancy policies.

### Risk management

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

Detection Technology takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might endanger the continuity of operations or that are uncontrollable or that can significantly harm the company's operations. In the process of risk management, the goal is to identify and evaluate the risks, after which a risk specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the

risk, diminishing the risk by different means or transferring the risk by insurance or agreements. When necessary the Board of Directors will be reported all material changes and new significant risks that are identified in the process of risk management.

### **Risk assessment of financial reporting**

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

### **AUDITORS**

Detection Technology Plc has one auditor that shall be a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants). The auditor is elected until next Annual General Meeting. The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Detection Technology Plc's result and financial position for the financial period. In addition the Auditors report to the Board of Directors on the ongoing auditing of administration and operations.

In 2015 Detection Technology's auditor was Ernst&Young Ltd, Authorized Public Accountants, with Juha Hilmola, APA as the auditor in charge.

### **INSIDER ADMINISTRATION**

Detection Technology's insider guidelines comply with the NASDAQ OMX Helsinki Guidelines for Insiders effective as of January 1, 2006. The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights of the company for a period of two weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window).

By law, the Company's public insiders include members of the Board, CEO, Management Team, auditors and the auditor in charge of the company of public accountants. In addition, the Company has a company-specific insider register that includes those who regularly receive insider information in their work.

Persons, who are involved in acquisitions or other projects that have an effect on the valuation of the company's shares, are considered project-specific insiders and are subject to a temporary trading suspension. The Company CFO is in charge of the guidance and supervision of insider issues and also maintains the project-specific insider registers if necessary and permanent insiders register. The law requires that the company keeps a non-public, company specific register of company-specific insiders. The public insider register of Detection Technology Plc. is maintained by Euroclear Finland Ltd. The up-to-date shareholdings of the insiders can be seen in Euroclear Finland Ltd's customer service point in Helsinki, Finland, address Urho Kekkosen katu 5 C. The company also maintains a list of insiders on its website.

### **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 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, and is found in Company releases or Releases.

The group's representatives will not comment the group's financial situation nor meet with any capital market representatives during a period of two weeks prior to the publication of financial statements and interim reports.

Investor calendar and silent periods are found at Investor Calendar.

Valid Corporate Governance statement can be found on the website:  
<http://www.deetee.com/investors>