

Corporate Governance Statement

2019



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Approved by the Board of Directors

Approval date: 23 March 2020

Responsibility: President and CEO

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Corporate Governance Statement 2019

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 six subsidiaries: three in PR China, one in France, one in Hong Kong, and one in the US. The company established its third site in China to Wuxi, Greater Shanghai area, during FY2019. The Company's second factory will be located in this site.

As the Company's shares are listed on Nasdaq First North Growth Market Finland (GM), the Company strives to follow the Finnish Corporate Governance (CG) Code adopted by the Securities Market Association and effective as at the time the Company was listed on the market in March 2015 (the "CG Code") in its operations, even though this is not mandatory. The CG code is based on the comply-or-explain principle, which allows companies to deviate from individual recommendations if they can explain and justify the deviation. The Finnish Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association, www.cgfinland.fi/en/.

This corporate governance statement is issued as a separate report and disclosed together with the financial statements, the Board of Directors' report and the remuneration statement, on the Company's website www.deetee.com. This CG statement has been prepared in accordance with recommendation 54 of the CG Code.

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, the 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 operational activities, 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 Meetings of the Company may be held in Helsinki or Oulu in addition to Espoo, which is the domicile of the Company.

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

- adoption of the financial statements, which in a parent company also means the adoption of the consolidated financial statements;
- the use of the profit shown on the balance sheet;
- the discharge of the Members of the Board of Directors, the Members of the Supervisory Board and the Managing Director from liability;
- the appointment of the Members of the Board of Directors and the Members of the Supervisory Board, unless it is otherwise provided in the Finnish Companies Act or in the Articles of Association on their term or appointment; and
- the other matters that according to the Articles of Association are to be decided by the Ordinary General Meeting.

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

Shareholders' Nomination Board

Following the proposal by the Board of Directors, the 2019 AGM decided to establish a permanent Shareholders' Nomination Board. The Nomination Board is responsible for preparing and presenting proposals on the remuneration and number of members of the Board of Directors, as well as a proposal on the members of the Board of Directors, to the Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors for existing Board members.

The Nomination Board shall consist of three (3) members, which shall be appointed by

the Company's three (3) largest shareholders, who shall be entitled to nominate one (1) member each. The Chairman of the Board of Directors shall act as an expert member of the Nomination Board.

The Company's largest shareholders shall be determined on the basis of the holdings in the shareholders' register of the Company held by Euroclear Finland Ltd as of the first working day in September preceding the next Annual General Meeting. The Chairman of the Board of Directors shall request each of the three largest shareholders, as defined above, to appoint one member to the Nomination Board.

The Chairman of the Board of Directors convenes the first meeting of the Nomination Board. The Nomination Board shall elect a Chairman from among its members, and the Nomination Board convenes thereafter at the notice of the Chairman of the Nomination Board. Once the Nomination Board has been appointed, the Company will publish the composition through a stock exchange release. The members shall be nominated annually, and their term of office shall end when new members are nominated.

The Nomination Board shall submit its proposals to the Board of Directors at the latest on the last working day of January preceding the next Annual General Meeting. The proposals of the Nomination Board will be published through a stock exchange release and included in the notice to the Annual General Meeting.

The process for electing the members of the Shareholders' Nomination Board, as well as the composition and the duties of the Nomination Board have been specified, in more detail, in the Charter adopted for the Nomination Board. The Charter is available on the Company's website at <https://www.deetee.com/wp-content/uploads/2019/03/Detection-Technology-Plc-Nomination-Board-Charter.pdf>

As of 2 September 2019, the Nomination Board has consisted of the Chairman of the Nomination Board CEO of Ahlström Capital Lasse Heinonen as the representative of AC Invest Seven B.V.; and Board Member of OP Fund Management Company Kalle Saariaho, representing OP-Finland Mutual Fund, and Senior Vice President Pekka Pajamo of Varma Mutual Pension Insurance Company as Members. The Chairman of Detection Technology's Board of Directors Hannu Syrjälä serves as an expert of the Nomination Board.

The Nomination Board's proposals to the Annual General Meeting were published on 31 January 2020 and can be found on the Company's website.

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 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 the 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 investments, acquisitions, divestments and reorganizations
- Group insurance and financing policies
- Reward and incentive schemes 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 four and a maximum of seven 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.

The Company's AGM of 28 March 2019 decided on the composition of the Board of Directors as follows:

Name	Year of birth	Education	Role	Independent of major shareholders	Independent of the company
Syrjälä Hannu	1966	M.Sc.(Econ.)	Chairman	x	x
Allonen Heikki	1954	M.Sc. (Eng.)	Member	x	x
Andersson, Carina	1964	M.Sc. (Eng.)	Member	x	x
Backström Vera	1976	M.Sc. (Gen.), eMBA	Member		x
Koota Pasi	1970	M.Sc. (Econ.)	Member		x
Niemi Petri	1961	M.Sc. (Eng.)	Member	x	x
Roos Henrik	1958	M.Sc. (Eng.)	Member	x	x

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 10 times in 2019, and the participation rate was 94%.

Hannu Syrjälä has been Chairman of the Board since 2018 and a member of the Board of Directors 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 (2003–2008), and President of Datex-Ohmeda Inc. (2003–2008). 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 Mobidiag Oy since 2017. He holds a Master of Science degree in Economics and Administration from Helsinki School of Economics.

Heikki Allonen has been a member of the Board of Directors 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 Communications Oy. During his industrial career, he has held several board positions and has been, among others, both a member of the Board of Management and the Board of Directors in Wärtsilä Corporation. He holds a Master of Science degree in Engineering from Helsinki University of Technology.

Carina Andersson has been a member of the Board of Directors since 2019. Presently, she is also a member of the Board of Beijer Alma AB, Gränges AB, Systemair AB and BE Group AB. She has been a board member of Mälardalens University (2010–2013) and

InterCast AB (2014–2018). She has acted as General Manager of Powder Technology at Sandvik Materials Technology (2008–2011), Managing Director of Ramnäs Bruk AB (2004–2008), and of Scana Ramnäs AB (2002–2004). Prior to that, she has acted in a number of managerial positions in the mining and metal industries. She holds a Master of Science degree in Engineering (Material Science) from KTH Royal Institute of Technology located in Stockholm.

Vera Backström has been a member of the Board of Directors since 2018. Currently, she works with Sales, Leadership Solutions at Fingertip Oy. Prior to that, she was Business Excellence and Operations Lead at Microsoft Finland Oy, Enterprise Services (2015–2018). She acted as Business Unit Director, Healthcare Finland (2013–2015), Business Manager, Healthcare (2013) and as manager at Software Point Oy (2007–2013). She acted as Chairman of the Board of Big Data Solutions Oy 2018–2019. She has been a member of the Board of Directors of Antti Ahlström Perilliset Oy since 2017 and a member of the Board of Finnish Family Firms Association (2013–2015) and of Erimover Oy (2015–2016). She holds a Master of Science degree in Genetics and an Executive MBA.

Pasi Koota has been a member of the Board of Directors 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 held various finance management positions at KONE Corporation in China and Thailand (2003–2010). He has been Chairman of the board of A. Ahlström Kiinteistöt Oy since 2018 and a member of the Board of Directors of Destia since 2017 and Paneliankosken Voima Oy since 2018. He holds a Master of Science degree in Economics.

Petri Niemi has acted as a member of the Board of Directors since 2012. Petri Niemi has been the CEO of G2 Invest Oy since 2010. He has previously acted as a Senior Partner and Head of Technology at CapMan Oyj (2005–2011) and as Partner (1999–2005) and as Marketing Director at Oy Ericsson Ab (1996–1999). He has also worked in various positions at 3com Corporation, Sun Microsystems and Hewlett-Packard. He has been Chairman of the Board of Vincit Group Oyj since 2015, Bilot Consulting Oy since 2015, Leaddesk Oy since 2017, Autori Oy since 2017, Clausion Oy since 2018, Liana Technologies Oy since 2019, B10 Group Ltd since 2014 and WEGA Group since 2015 and a member of the Board of Directors of Insta Group Oy since 2011 and Lounea Oy since 2017. In addition, he has acted as a member of the board of Fondia Oyj, Oy Lunawood Ltd, Siili Solutions Oyj and Eniram Oy. He holds a Master of Science degree in Engineering.

Henrik Roos has been a member of the Board of Directors since 2015. Henrik Roos has been Chairman of the Board of Merivaara Corporation (2013–2015) and Northstar Sitetel Sweden AB (2012–2015), and as a member of the Board at them 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) and as Head of the Dental Division at Orion Corporation (1989–1993) and as various managerial positions at Bronto Skylift Oy Ab and at Oy Management Services Scandinavia Ab. Henrik Roos holds a Master of Science degree in Engineering.

Board Committees

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

Remuneration Committee

The Remuneration Committee consists of four members: Hannu Syrjälä, Vera Backstöm, Henrik Roos and Petri Niemi. Hannu Syrjälä is the committee's Chairman. The Remuneration Committee met 4 times during 2019 and the participation rate was 100%.

Audit Committee

The Audit Committee consisted of two members, Heikki Allonen and Pasi Koota. Pasi Koota is the Chairman of the committee. The Audit Committee met 7 times in 2019, 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 2019.

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 a

salary for the period of notice should the Company give notice, in addition to which President and CEO 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 the 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), Sari Näkki (VP, Human Resources), 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 directly held 431,690 shares in Detection Technology Plc on 31 December 2019 and through a corporation controlled by him, Expedir Oy, 35,000 shares in the Company. Other members of the Management Group directly held a total of 300,694 shares.

Remuneration

Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors. On 28 March 2019, the Annual General Meeting decided to compensate the members of the Board as follows:

- Chairman EUR 55,000 per annum
- Members EUR 33,000 per annum

Members of the Board of Directors will be paid a meeting-specific fee as follows: EUR 1,000 per meeting to the Chairman of the Board of Directors and EUR 500 to the members of the Board of Directors. If a member of the Board of Directors resides permanently outside of Finland, the aforementioned meeting-specific fees will be increased by EUR 500, so that EUR 1,500 per meeting will be paid to the Chairman of the Board of Directors and EUR 1,000 per meeting will be paid to the members of the Board of Directors.

Remuneration and meeting fees of the Board of Directors paid in 2019 and in 2018

EUR	2019			2018		
Hannu Syrjälä, Chairman	53,791	7,500	61,291	42,927	0	42,927
Heikki Allonen, Member	32,275	4,500	36,775	27,766	0	27,766
Vera Backström, Member	32,275	4,250	36,525	22,742	0	22,742
Petri Niemi, Member	32,275	4,250	36,525	27,766	0	27,766
Henrik Roos, Member	32,275	6,500	38,775	27,766	0	27,766
Pasi Koota, Member	32,275	4,500	36,775	27,766	0	27,766
Carina Andersson, Member	23,375	4,000	27,375	0	0	0
Andreas Tallberg, Chairman *	0	0	0	10,048	0	10,048
Total	238,541	35,500	274,041	186,781	0	186,781

*Mr Tallberg acted as member and chairman of the board until 27 March 2018.

President and CEO

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

Remuneration of the President and CEO paid in 2019 and 2018

2019

EUR	Base salary and benefits	Short-term incentives	Long-term incentives	Total
President and CEO	289,380	129,667	0	419,047
Share of remuneration element	69%	31%	0%	100%

2018

EUR	Base salary and benefits	Short-term incentives	Long-term incentives	Total
President and CEO	283,475	120,121	3,941,585	4,237,181
Share of remuneration element	7%	0%	93%	100%

Remuneration of the President and CEO not yet paid but due based on the year 2019.

Remuneration due based on the year 2019

Short-term incentives

Remuneration due based on the achievement of STI performance measures in 2019	38,082
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Long-term incentives

Amount of LTI due for the year 2019	-
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Long-term incentive plan	Earning opportunity, pcs	Share subscription price , €	Other information
Stock options 2018 (2018B1)			
Company's share price at 31.12.2019 was EUR 25.60	40,000	20.66	The share subscription price is the trade volume weighted average price of the Company's share in public trading during 2-27 September 2019.
Stock options 2018 (2018A1)			
Company's share price at 31.12.2019 was EUR 25.60	40,000	22.66	The share subscription price is the trade volume weighted average price of the Company's share in public trading during 29 August 2018 – 26 September 2018.

In 2019, the President and CEO was granted 2018B1 stock options according the long-term incentive plan described in detail above. The exercise period for the stock option 2018B1 is from 2 May 2022 until 31 May 2023. The stock option program terms and conditions are available at the Company website (www.deetee.com/investors/share-andshareholders/stock-options).

Management Group

The Management Group's remunerations consist of a salary, fringe benefits, a possible annual bonus based on performance and a long-term incentive and 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 four months' salary.

Remuneration of the Management Group members (excluding the CEO)	2019	2018
Salaries and benefits	774,955	601,081
Performance-based incentives paid in cash	159,815	181,303
Long term incentives	0	3,798,226
Total	934,770	4,580,609

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 by using an external auditor. The Audit Committee oversees the activities within internal control. In practice, internal control is managed 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 approved the risk management principles and policies for Detection Technology. The Company's risk management supports the achievement of strategic goals and ensures the continuity of business operations. It defines the objectives, principles, operating procedures, organization and responsibilities of risk management and the reporting and follow-up procedures. Based on the Policy, more detailed Risk Management Instructions have been issued for the day-to-day business, where needed.

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.

The Audit Committee monitors the efficiency of the Group's risk management systems. In addition, the Audit Committee regularly reviews in its meetings the major risks of the Group as well as periodically the ERM reports, and reports on these to the Board.

The Board oversees risk management and reviews the risk management processes of the Group with the assistance of the Audit Committee, and approves the risk management principles of the Company. The most relevant Group level risks are regularly reported to the Board.

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

The General Meeting shall elect one (1) auditor to audit the administration and accounts of the Company. The auditor shall be an audit firm approved by the Auditor Oversight with an authorized public accountant in charge. The term of the auditor shall expire at the closing of the Annual General Meeting following the election.

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 2019, 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) 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, was published in early 2020 in connection with the annual report. The statement 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