



# Corporate Governance Statement 2019

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Glaston Corporation's administration and management are based on the Company's Articles of Association, the Finnish Companies Act and Securities Markets Act, and the rules and guidelines of NASDAQ Helsinki Ltd. In addition, Glaston complies with the Finnish Corporate Governance Code 2020, which is publicly available at the address [www.cgfinland.fi](http://www.cgfinland.fi).

This statement has been approved by the Company's Board of Directors. The Corporate Governance Statement is issued as a

separate report and is published together with the financial statements, the Report of the Board of Directors and a salaries and remuneration statement on the Company's website at the address <https://glaston.net/governance/>. The information is also included in the Annual Review 2019.

## Duties and Responsibilities of Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the President &

CEO, whose duties are determined mainly in accordance with the Finnish Companies Act, are responsible for the management of Glaston Group. The General Meeting of Shareholders elects the Board of Directors and the Auditors. The Board of Directors appoints the President & CEO, who is responsible for the Company's daily operational management. The President & CEO is supported by the Executive Management Group.

## General Meeting of Shareholders

The General Meeting of Shareholders is the Company's ultimate decision-making body. It decides on the duties for which it is responsible in accordance with the Finnish Companies Act and the Articles of Association, which include the adoption of the financial statements and the consolidated financial statements contained therein, the distribution of profits, and the discharge of the Members of the Board of Directors and the President & CEO from liability. In addition, the General Meeting of Shareholders elects the Board of Directors and the Auditors. The Annual General Meeting decides on the remuneration paid to the Members of the Board and the Auditors. The Annual General Meeting, furthermore, may decide on, for example, amendments to the Articles

of Association, issuances of shares, and the acquisition of the Company's own shares.

Glaston Corporation's General Meeting of Shareholders meets at least once per year. The Annual General Meeting must be held at the latest by the end of May. In accordance with the Articles of Association, the notice to attend a General Meeting of Shareholders must be published on the Company's website no earlier than two (2) months before the last day of registration and no later than three (3) weeks before the General Meeting, but at least nine (9) days before the record date of the General Meeting. The Board of Directors may also decide to publish the notice of the General Meeting in one or more Finnish- or Swedish-language national newspapers. In addition, Glaston publishes the notice to the General Meeting of Shareholders as a stock exchange release.

The agenda of the General Meeting, draft resolutions on the composition of the Board of Directors, the remuneration of the Members of the Board, and the Auditors as well as other meeting documents are published on the Company's website at least three (3) weeks before the General Meeting.

The minutes of the General Meeting, including the voting results and the appendices of the minutes that are part of the resolutions made by the meeting, are posted on

## Glaston Corporation Governance Model 1 April-31 December 2019 \*)



\*) A new group structure was came into effect on 1 January 2020.

the Company's website within two (2) weeks of the meeting.

The President & CEO, the Chairman of the Board and the Members of the Board shall attend the General Meeting of Shareholders. In addition, the Auditor shall be present at the Annual General Meeting.

### **Extraordinary General Meeting**

An Extraordinary General Meeting of Shareholders is convened when the Board of Directors considers there is good cause to do so, or if the Auditor or shareholders who control one tenth of all the shares so demand in writing for the consideration of a certain issue.

### **Shareholders' Rights**

In accordance with the Finnish Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so requests in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice to attend. Glaston shall publish on its website, at the latest by the end of the financial year preceding the Annual General Meeting, the date by which a shareholder must notify the Board of Directors of his/her request. In 2019, the said date was 6 February 2019. At a General Meeting, shareholders shall have the right to make proposals and ask questions on the matters on the agenda of the meeting.

A shareholder shall have the right to participate in a General Meeting if the shareholder is registered in the Company's register of shareholders eight (8) days before the General Meeting. Owners of nominee-registered shares may be temporarily registered in the Company's list of shareholders for participation in a General Meeting. A shareholder may attend a General Meeting personally or through an authorized representative. A shareholder may also have an assistant at a General Meeting.

### **General Meetings in 2019**

An Extraordinary General Meeting of Glaston Corporation was held on 26 February 2019 and the Annual General Meeting on 4 April 2019.

### **Extraordinary General Meeting**

Glaston's Extraordinary General Meeting was attended by 41 shareholders, representing a total of 65% of the Company's voting rights.

The Extraordinary General Meeting also resolved to merge the shares (reverse split) such that each five (5) shares in the Company be merged into one (1) share and to redeem the shares related to this, as proposed by the Board of Directors. Following the reverse split, the number of Glaston shares was 38,726,627. Trading with the merged shares commenced on 1 March 2019.

To finance the acquisition of Bystronic glass, the Extraordinary General Meeting resolved, as proposed by the Board of Directors, to authorize the Board of Directors

to resolve on the issuance of shares for the implementation of a directed share issue and rights issue.

The shares issued in the directed share issue were directed to anchor shareholders in accordance with their respective subscription undertakings and the total number of shares could not exceed 7,600,000 shares.

Based on the authorization, a total of 7,407,405 new shares were issued on 1 April 2019 to AC Invest Eight B.V., Hymy Lahtinen Oy, Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company in derogation from the shareholders' pre-emptive subscription right. The subscription price was approximately EUR 2.025 per share and was based on the volume-weighted average closing price of the Glaston share on Nasdaq Helsinki Ltd in the five trading days immediately preceding the announcement of the acquisition on 25 January 2019, adjusted with the reverse share split registered on 1 March 2019.

The Extraordinary General Meeting authorized the Board of Directors, conditional upon the completion of the acquisition, to resolve on the issuance of new shares or treasury shares held by the company pursuant to the shareholders' pre-emptive subscription right in such a manner that the shareholders have a primary right to subscribe for new shares pro rata to their existing holding in the company. As a result of the offering implemented from 5 June to 19 June 2019, the total number of shares in the Company increased by 38,313,595 from

45,976,316 to 84,289,911. Glaston received proceeds amounting to approximately EUR 34 million from the offering, before taking into account any transaction costs related to the offering, which were used to finance part of the acquisition of Bystronic glass.

All documents relating to the Extraordinary General Meeting are available on the Company's website at the address [www.glaston.net](http://www.glaston.net)

### **Annual General Meeting**

Glaston's Annual General Meeting was attended by 43 shareholders, representing a total of 66% of the Company's voting rights. The Annual General Meeting adopted the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2018. In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that a return of capital of EUR 0.03 per share be paid for the financial year 2018. The return of capital was paid on 25 April 2019.

In accordance with the proposal of the Shareholders' Nomination Board, the Annual General Meeting resolved that the annual remuneration of the Members of the Board of Directors be increased, and therefore that the Chairman of the Board of Directors be paid an annual fee of EUR 60,000, the Deputy Chairman EUR 40,000 and the other Members of the Board EUR 30,000. In addition, in accordance with the proposal of the Shareholders' Nomination Board, the Annual

General Meeting resolved that the Members of the Audit and Remuneration Committees to be established be paid a meeting fee of EUR 500 for each meeting that the members have attended. In addition to the meeting fee, the Chairman of the Audit Committee will be paid an annual fee of EUR 10,000 and the Chairman of the Remuneration Committee will be paid an annual fee of EUR 7,500.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other rights granting entitlement to shares. The authorization covers a maximum of 20,000,000 shares. The authorization is valid until 30 June 2020.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that the share premium account, as stated on the parent company's balance sheet on 31 December 2018, that belongs to restricted equity, will be reduced by transferring all funds in the account, EUR 25,269,825, to the company's reserve for invested unrestricted equity.

All documents relating to the Annual General Meeting are available on the Company's website at the address [www.glaston.net](http://www.glaston.net).

## Board of Directors

The Board of Directors is responsible for the appropriate arrangement of the Company's administration and operations. The Board of Directors consists of minimum of five (5) and a maximum of nine (9) members elected by a General Meeting of Shareholders. The

term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election. According to the Articles of Association, a person who has reached 67 years of age cannot be elected a Member of the Board of Directors.

Under Recommendation 10 of the Finnish Corporate Governance Code, a majority of Members of the Board shall be independent of the Company, and at least two (2) Members who are independent of the Company shall also be independent of the Company's significant shareholders. The Nomination Board prepares proposals on the nomination and remuneration of Members of the Board of Directors to be dealt with by a General Meeting of Shareholders. In the selection of members, attention shall be paid to the diversity of the Board of Directors, which means, among other things, that the members' experience and competence in the Company's field of business and development stage are mutually complementary. In addition, education, age and gender shall be taken into account. Both genders must be represented on Glaston's Board of Directors.

The notice to attend an Annual General Meeting shall include a proposal on the composition of the Board of Directors. The personal information of the candidates shall be published on Glaston's website in connection with the notice to attend an Annual General Meeting.

The Board of Directors shall elect from among its members a Chairman and a

Deputy Chairman to serve for one year at a time. The Board of Directors has a quorum if more than half of its members are present at the meeting.

The Board of Directors' tasks and responsibilities are determined primarily by the Company's Articles of Association, the Finnish Companies Act and other legislation and regulations. It is the responsibility of the Board of Directors to further the interests of the Company and all of its shareholders.

The main duties and operating principles of the Board of Directors are defined in the board charter approved by the Board. It is the Board's duty to prepare the matters to be dealt with by a General Meeting and to ensure that the decisions made by a General Meeting are appropriately implemented. It is also the Board's task to ensure the appropriate arrangement of the control of the Company's accounts and finances. In addition, the Board directs and supervises the Company's executive management, appoints and dismisses the President & CEO and decides on the President & CEO's employment and other benefits. In addition, the Chairman of the Board approves the salary and other benefits of the Executive Management Group. The Board approves the Executive Management Group's charter.

The Board of Directors also decides on far-reaching and fundamentally important issues affecting the Group. Such issues are the Group's strategy, approving the Group's action plans and monitoring their implementation, monitoring the Group's financial

development, acquisitions and the Group's operating structure, significant capital expenditures, internal control systems and risk management, key organizational issues and incentive schemes.

The Board of Directors is also responsible for monitoring the reporting process of the financial statements, the financial reporting process and the efficiency of the Company's internal control, internal auditing, if applicable, and risk management systems pertaining to the financial reporting process, monitoring the statutory audit of the financial statements and consolidated financial statements, evaluating the independence of the statutory auditor or audit firm, particularly with respect to the provision of services unrelated to the audit, and preparing a proposal for resolution on the election of the auditor. The Board of Directors also regularly evaluates its own actions and working practices.

Meetings of the Board of Directors are held as a rule in the Company's head office in Helsinki. The Board of Directors also endeavors each year to visit the Group's other operating locations and hold meetings there. The Board of Directors may also, if necessary, hold telephone conferences. The Board of Directors meets according to a timetable agreed in advance, generally 7–10 times per year and additionally, if necessary. The Company's President & CEO and Chief Financial Officer generally attend the meetings of the Board. The Company's General Counsel acts as Secretary to the Board. If necessary, such

as in connection with the handling of strategy or the annual plan, other Members of the Executive Management Group may also attend meetings of the Board. The Auditor attends at least two meetings per year.

### **Board of Directors in 2019**

At the Annual General Meeting, held on 4 April 2019, the Members of the Board of Directors Teuvo Salminen, Kai Mäenpää, Sarlotta Narjus, Antti Kaunonen, Sebastian Bondestam and Tero Telaaranta were re-elected for a term of office ending at the closing of the next Annual General Meeting.

The Board membership of Anu Hämäläinen ended on 4 April 2019. She served on Glaston's Board of Directors from 27 March 2012 to 4 April 2019.

Teuvo Salminen has served as Chairman of the Board, and Sebastian Bondestam as Deputy Chairman, since 10 April 2018.

In 2019, the Board evaluated its performance through a self-evaluation questionnaire. The evaluation process consisted of a numerical evaluation of different areas of Board work. The results of the evaluation were discussed and analyzed by the Board and improvement proposals were agreed based on these discussions.

In 2019, among the most important

issues dealt with by the Board of Directors were those related to the acquisition of the company Bystronic glass, for example the financing of the transaction and integration. Following the acquisition, the company announced in May its revised strategy and updated financial targets for 2018–2021. In addition, the foundations for the Company's growth were further strengthened and growth opportunities were reviewed for, among other things, potential industry cooperation projects and emerging technologies. Projects related to the digitalization of operations continued to be an area of focus. The Board also monitored the Company's development in improving operational activities and profitability.

### **Independence of Members of the Board**

According to an independence assessment performed by the Company's Board of Directors, all of the Members of the Board are independent of the Company. Member of the Board Tero Telaaranta is dependent on a significant shareholder of the Company, AC Invest Eight B.V., whose ownership was 26.39% at 31 December 2019.

The Members of the Board have no conflicts of interest between the duties they have in the Company and their private interests.

# Information on Members of the Board of Directors

Member of the Board	Member since	Independence	Year of birth	Share ownership on 31 December 2019	Education	Main occupation
Teuvo Salminen	Member since 2010, Chairman since 2018	Independent of the company and significant shareholders	1954	206,165	M.Sc.(Econ.), APA	Professional Board Member
Sebastian Bondestam	2018, Deputy Chairman since 2018	Independent of the company and significant shareholders	1962	21,344	M.Sc.(Eng.)	Uponor Infra Oy, President; Uponor Corporation, Deputy to the CEO
Antti Kaunonen	2018	Independent of the company and significant shareholders	1959	3,665	D.Sc.(Tech), MBA	Cargotec Corporation, President of Kalmar Business Area
Kai Mäenpää	2017	Independent of the company and of significant shareholders	1960	15,000	M.Sc.(Eng.)	Valmet Technologies Oy, Vice President, Energy Sales and Services Operations, EMEA
Sarlotta Narjus	2016	Independent of the company and of significant shareholders	1966	no shares	M.Sc. Architecture SAFA	SARC Architects Ltd, CEO
Tero Telaaranta	2017	Independent of the company, dependent on a significant shareholder.	1971	376	M.Sc.(Eng.), M.Sc.(Econ.)	Ahlström Capital, Director, Industrial Investments
Anu Härmäläinen *)	2012	Independent of the company and of significant shareholders	1965	52,407	M.Sc.(Econ.)	Wärtsilä Corporation, Vice President, Group Control

More detailed information about the members of the Board of Directors is available on Glaston's website [www.glaston.net/Governance](http://www.glaston.net/Governance).

\*) Until 4 April 2019



## Attendance of Members of the Board at meetings 2019

	Meetings of the Board	Compensation Committee meetings	Audit Committee meetings	Attendance, %
Teuvo Salminen, Chairman	16		6	100
Sebastian Bondestam, Deputy Chairman	16	4		100
Anu Hämäläinen*)	7			100
Antti Kaunonen	16	4		100
Kai Mäenpää	16			100
Sarlotta Narjus	16	4		100
Tero Telaranta	16		6	100

\*) member until 4 April

### Attendance of Members of the Board at meetings of the Board 2019

In 2019 Glaston's Board of Directors held 16 meetings. The attendance of Members of the Board at the meetings was 100%.

### Committees of the Board of Directors

Glaston's Board of Directors has two committees: an Audit Committee and a Compensation Committee. The Board of Directors appoints the members and chairman of the committees, taking into account the expertise and experience required for the duties of the committees. The members of the committees are appointed for the term of office of the Board of Directors. The committees are preparatory bodies of the Board of Directors and do not have their own decision-making power.

### Audit Committee

The Audit Committee assists the Board of Directors by preparing matters within the competence of the Board of Directors. The Committee reports to the Board of Directors on matters discussed and measures taken at least four times a year and makes proposals to the Board for decision-making, as necessary.

The Board of Directors specifies the duties of the Audit Committee in a charter confirmed by the Board of Directors. The Audit Committee monitors the financial reporting process, oversees the financial reporting process and monitors the effectiveness of internal control, internal audit and risk management systems. In addition, the Committee reviews the description of the main features of the internal control and risk management systems associated with

the financial reporting process, monitors the statutory audit of the financial statements and the consolidated financial statements, evaluates the independence of the statutory audit firm and prepares a proposal for the election and remuneration of the auditor. Other duties include evaluating compliance with laws, regulations and corporate practices, overseeing significant litigation concerning Group companies, and performing any other duties assigned to the Committee by the Board of Directors.

The Audit Committee regularly carries out self-evaluation of its work, and the Chairman of the Committee reports the results to the Board of Directors.

### Audit Committee in 2019

Teuvo Salminen served as Chairman, and Tero Telaranta as a member, of the Audit Committee. The members of the Audit Committee are independent of the Company. Tero Telaranta is dependent on a significant shareholder of the Company. The Audit Committee convened six (6) times in the period 4 April–31 December 2019. The average attendance rate of members was 100%.

### Compensation Committee

The Compensation Committee assists the Board of Directors by preparing matters within the competence of the Board of Directors. The Committee is not autonomous in decision-making; the Board of Directors makes decisions collectively within

its competence. The Board of Directors is responsible for the duties it assigns to the Committee.

The Board of Directors specifies the duties of the Compensation Committee in a charter confirmed by the Board of Directors. Key duties of the Compensation Committee include preparing the remuneration and other benefits of Glaston's President & CEO and other members of the Executive Management Group, preparing the appointment of the President & CEO and other members of the Executive Management Group and their successors, and preparing proposals for Glaston's short- and long-term incentive schemes. In addition, the Committee's duties include carrying out all other duties assigned to the Committee by the Board of Directors.

The Compensation Committee convenes at the invitation of the Chairman, as necessary and at least twice a year. The Members of the Board of Directors and the President & CEO have the right to attend the meetings of the Committee.

The Compensation Committee regularly carries out self-evaluation of its work, and the Chairman of the Committee reports the results to the Board of Directors.

### Compensation Committee in 2019

Sebastian Bondestam served as Chairman, and Sarlotta Narjus and Antti Kaunonen as members, of the Compensation Committee.

The Compensation Committee convened

four (4) times in the period 4 April–31 December 2019. The average attendance rate of members was 100%.

### **Shareholders' Nomination Board**

The Nomination Board's task is to prepare and present annually for the Annual General Meeting and, if necessary, for an Extraordinary General Meeting, a proposal concerning the number of Members of the Board of Directors, a proposal on the identities of the Members of the Board, and a proposal on the remuneration of the Members of the Board. An additional task of the Nomination Board is to seek candidates as potential Members of the Board of Directors.

In its activities, the Nomination Board complies with current legislation, stock exchange rules applicable to the Company, and the Finnish Corporate Governance Code.

The Nomination Board consists of four (4) members, all of whom are appointed by the Company's four largest shareholders, who appoint one member each. The Chairman of the Company's Board of Directors serves as an advisory member of the Nomination Board.

The Company's largest shareholders entitled to appoint members to the Nomination Board is determined annually on the basis of the registered holdings in the company's shareholder register held by Euroclear Finland Ltd on the first working day in September of the year in question. The Nomination Board elects a Chairman from among its members.

The Nomination Board is established to serve until a General Meeting of Shareholders decides otherwise. The members of the Nomination Board are appointed annually and the term of office of the members expires when new members are appointed to the Board.

The members of the Nomination Board shall be independent of the company, and no person belonging to the Company's executive management shall be a member of the Nomination Board.

The Nomination Board shall submit its proposals to the Company's Board of Directors annually by the end of the January preceding the Annual General Meeting. Proposals for an Extraordinary General Meeting shall be submitted to the Company's Board of Directors so that they can be included in the notice to attend the meeting.

A decision of the Nomination Board shall be the opinion of a majority of the members of Nomination Board. If the votes are tied, then the Chairman's vote shall be decisive. If the votes are tied in the election of the Chairman, the member candidate for Chairman nominated by the shareholder who had the largest number of shares when the Nomination Board was established shall be elected as Chairman.

A report on the activities of the Nomination Board shall be presented at the Annual General Meeting and published on the Company's website.

### **Shareholders' Nomination Board 2019**

Until 31 August 2019, the Shareholders' Nomination Board comprised Lasse Heinonen (Chairman), as the representative nominated by AC Invest Eight B.V., Jaakko Kurikka, as the representative nominated by Hymy Lahtinen Oy, Sami Jormalainen, as the representative nominated by OP-Finland Small Firms Fund, and Esko Torsti, as the representative nominated by Imarinen Mutual Pension Insurance Company.

Based on ownership on 2 September 2019, the Shareholders' Nomination Board comprised Lasse Heinonen (Chairman), as the representative nominated by AC Invest Eight B.V., Jaakko Kurikka, as the representative nominated by Hymy Lahtinen Oy, Pekka Pajamo, as the representative nominated by Varma Mutual Pension Insurance Company, and Esko Torsti, as the representative nominated by Imarinen Mutual Pension Insurance Company. Teuvo Salminen, Chairman of the Glaston Corporation's Board of Directors, served as an advisory member of the Nomination Board.

In its organizing meeting held on 10 September 2019, the Nomination Board elected Lasse Heinonen from among its members to be Chairman. The Board met three (3) times during 2019 and the average attendance of members was 100%. No fees were paid to the members of the Nomination Board. In accordance with its charter, the Nomination Board focused in its activities on preparing a proposal on the composition of the Board of Directors and on remuneration issues

pertaining to the Members of the Board of Directors.

### **President & CEO**

The President & CEO handles the operational management of the Company in accordance with instructions issued by the Board of Directors. He is responsible to the Board of Directors for fulfilling the targets, plans and goals that the Board sets. The President & CEO is responsible for ensuring that the Company's accounting is in compliance with the law and that financial management has been arranged in a reliable manner. The President & CEO is supported by the Executive Management Group.

Arto Metsänen has served as President & CEO since 1 September 2009.

### **Deputy to the CEO**

Sasu Koivumäki, COO and Head of Integration, has served as Deputy to the CEO since 1 January 2015. The Deputy to the CEO carries out the duties of the CEO after the termination of his/her service or when he/she is temporarily prevented from performing his/her duties.

### **Executive Management Group**

The Chairman of the Company's Board of Directors appoints, on the proposal of the President & CEO, the Members of the Executive Management Group and confirms their remuneration and other contractual terms. The Company's President & CEO acts as the Chairman of the Executive Management



Group. The Executive Management Group handles the Group's and business areas' strategy issues, capital expenditure, financial development, product policy, Group structure and control systems, and supervises the Company's operations.

The Members of the Executive Management Group report to the President & CEO and assist him in implementing the Company's strategy, operational planning and management, and in reporting the development of business operations. The Executive Management Group meets under the direction of the President & CEO.

Until 31 March 2019, the Company's Executive Management Group comprised Arto Metsänen (President & CEO), Päivi Lindqvist (Chief Financial Officer), Sasu Koivumäki

(SVP Machines), Artturi Mäki (SVP Services), Frank Zhang (SVP Asia), Pekka Hytti (SVP EMEA), Juha Liettyä (SVP Emerging Technologies) and Taina Tirkkonen (General Counsel & SVP Human Resources).

Following the completion of the Bystronic glass acquisition, the composition of the Executive Management Group changed, and as of 1 April 2019, the Executive Management Group consisted of the President & CEO Arto Metsänen, Chief Financial Officer Päivi Lindqvist, the COO & Head of Integration Sasu Koivumäki, the SVP Bystronic glass Dietmar walz, and the SVP Glaston Technologies Juha Liettyä.

The Executive Management Group convened eight (8) times in 2019.

# Composition of the Executive Management Group 31.12.2019

	Area of responsibility	Member since	Year of birth	Education	Share ownership on 31.12.2019
Arto Metsänen	President & CEO	Employed by the Company and Chairman of the Executive Management Group since 2009	1956	M.Sc.(Eng.)	490,000 shares
<b>Other Members of the Executive Management Group</b>					
Sasu Koivumäki	Chief Operating Officer, Head of Integration. Deputy to the President & CEO since 2015	Employed by the Company since 2002 and member of the Executive Management Group since 2012	1974	M.Sc.(Econ.)	89,979 shares
Päivi Lindqvist	Chief Financial Officer	Employed by the company and member of the Executive Management Group since 2016	1970	M.Sc.(Econ), MBA	38,680 shares
Juha Liettyä	SVP Glaston Technologies business	Member of the Executive Management Group since 2007 and employed by the company since 1986	1958	B.Sc.(Eng.)	91,665 shares
Dietmar Walz	SVP Bystronic glass business	Member of the Executive Management Group since 27 May 2019. Employed by Bystronic Lenhardt GmbH from 2014 and by Glaston since 1 April 2019	1960	M.Sc.(B.Admin)	No shares
<b>Until 31.3.2019</b>					
Taina Tirkkonen	General Counsel and SVP Human Resources	Member of the Executive Management Group since 2013 and employed by the company since 2011	1975	LL.M, M.Sc.(Admin), MBA	27,500 shares
Artturi Mäki	Senior Vice President, Services	Employed by the company and Member of the Executive Management Group since 2016	1969	M.Sc.(Eng.)	4,731 shares
Pekka Hytti	Senior Vice President, EMEA	Member of the Executive Management Group since 2015 and employed by the company since 2010	1955	M.Sc.(Eng.)	36,665 shares
Frank Zhang	Senior Vice President, Asia	Member of the Executive Management Group since 2010 and employed by the company since 2008	1968	B.Sc. (Power Machinery Engineering)	No shares

Burghard Schneider, (b. 1966, Ph.D. (Mech. Eng.)) was a member of Glaston's Executive Management Group from 1 April 2019 to 27 May 2019. Schneider was employed by Bystronic Lenhardt GmbH from 2014 to 27 May 2014.

As of 1 April 2019, the Steering Management Group comprised, in addition to the above-mentioned members of the Executive Management Group, Artturi Mäki (Services), Robert Prange (Automotive), Miika Äppelqvist (Emerging Technologies), Pekka Hytti (SVP Sales, EMEA), Scott Knisely (SVP Sales, Americas), Frank Zhang (SVP Sales, APAC), Taina Tirkkonen (General Counsel and SVP, Human Resources), Jens Mayr (VP Business Control) and Joséphine Mickwitz (VP Investor Relations, Communications and Marketing). The Steering Management Group met once in 2019.

### **Main Features of Internal Control and Risk Management Pertaining to the Financial Reporting Process**

Internal control is an essential part of the Company's administration and management. Its aim is to ensure that the Group's operations are efficient, productive and reliable and that legislation and other regulations are complied with. The Group has specified for the main areas of its operations Group-wide principles that form the basis for internal control.

The Group's internal control systems serve to provide reasonable assurance that the financial reports published by the Group

give reasonably correct information about the Group's financial position. The Board of Directors and the President & CEO are responsible for arranging internal control. A report covering the Group's financial situation is supplied monthly to each Member of the Board of Directors. The Group's internal control is decentralized to different Group functions, which supervise compliance with instructions approved by the Board of Directors within their areas of responsibility. The Group's financial management and operational control are supported and coordinated by the Group's financial management and controller network.

The Group's financial reporting process complies with the Group's operating guidelines and standards relating to financial reporting. The interpretation and application of financial reporting standards has been concentrated in the Group's Financial Management organization, which maintains operating guidelines and standards relating to financial reporting and is responsible for internal communication relating to them. The Group's Financial Management organization also supervises compliance with these guidelines and standards. The Company has no separate internal auditing organization. The Group's Financial Management organization regularly monitors the reporting of the Group's units and addresses deviations perceived in reporting and, if necessary, performs either its own separate internal auditing or commissions the internal auditing from external experts. Control of report-

ing and forecasting processes is based on the Group's reporting principles, which are determined and centrally maintained by the Group's Financial Management organization. The principles are applied consistently throughout the Group and a consistent Group reporting system is in place.

### **Risk Management**

Risk management is an essential part of Glaston's management and control system. The purpose of risk management is to ensure the identification, management and monitoring of risks relating to business targets and operations. Risk management principles and operating practices have been specified in a risk management policy approved by the Company's Board of Directors.

The principle guiding Glaston's risk management is the continuous, systematic and appropriate development and implementation of the risk management process, with the objective being the comprehensive recognition and appropriate management of risks. Glaston's risk management focuses on the management of risks relating to business opportunities and of risks that threaten the achievement of Group objectives in a changing operating environment. From the perspective of risk management, the Company has divided risks into four different groups: strategic risks, operational risks, financial risks and hazard risks. Risks relating to property, business interruption as well as liability arising from the Group's operations have been covered by appropriate

insurances. Management of financial risks is the responsibility of the Group Treasury in the Group's parent company.

Glaston's risk management policy includes guidelines relating to the Group's risk management. Risk management policy also specifies the risk management processes and responsibilities. Glaston's risk management consists of the following stages: risk recognition, risk assessment, risk treatment, risk reporting and communication, control of risk management activities and processes, business continuity planning and crisis management. As part of the risk management process, the most significant risks and their possible impacts are reported to the Company's management and the Board of Directors regularly, based on which management and the Board can make decisions on the level of risk that the Company's business functions are possibly ready to accept in each situation or at a certain time.

It is the duty of Glaston's Board of Directors to supervise the implementation of risk management and to assess the adequacy and appropriateness of the risk management process and of risk management activities. In practice, risk management consists of appropriately specified tasks, operating practices and tools, which have been adapted to Glaston's business functions and Group-level management systems. Risk management is the responsibility of the SVP of each segment and Group-level function. Risk recognition is in practice the responsibility of every Glaston employee.

The Group Legal function is responsible for guidelines, support, control and monitoring of risk management measures. In addition, the function consolidates segment and Group-level risks. The Group Legal function reports on risk management issues to the President & CEO and the Executive Management Group and assesses in collaboration with them any changes in the probabilities of the impacts of identified risks and in the level of their management. The Group Legal function also reports the results of risk management processes to the Board of Directors.

Segment and Group-level risk management is included in the regularly repeated Group-wide risk management process. The process can also always be initiated when required if substantial strategic changes requiring the initiation of the risk management process take place in a certain segment.

The management group of each segment and function identifies and assesses its operational risks and specifies risk management measures by which an acceptable level of risk can be achieved.

With the aid of the risk management process, risks are systematically identified and assessed in each segment and at Group level. In addition, at each level measures are specified which, when implemented, will achieve an acceptable level of risk. Risks are consolidated at Group level. Action plans are prepared at each level of operations to ensure risks remain at an acceptable level.

The Group's risks are covered in more de-

tail in the Report of the Board of Directors on page 27. The management and organization of the Group's financial risks are presented in more detail in Note 3 of the consolidated financial statements on page 54.

### **Information and Communications**

An effective internal control system requires sufficient, timely and reliable information to enable management to assess the achievement of the company's goals. There is a need for both financial and other information on the Company's internal and external events and activities. Employees have the opportunity to report, through a whistleblowing service, any questionable activity they observe. All external communications are handled in accordance with the Group's communication policy.

### **Auditing**

The Company has one Auditor, which must be an auditing firm authorized by the Finnish Patent and Registration Office. The Annual General Meeting elects the Auditor to audit the accounts for the financial year, and the Auditor's duties cease at the close of the subsequent Annual General Meeting. It is the Auditor's duty to audit the consolidated and parent company financial statements and accounting as well as the parent company's governance, and to give reasonable assurance that the financial statements as a whole are free from material misstatement. The Company's Auditor presents the audit report required by law to the Company's

shareholders in connection with the annual financial statements and reports regularly to the Board of Directors. The Auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

### **Audit 2019**

At the 2019 Annual General Meeting, the accounting firm Ernst & Young Oy was elected as the Company's Auditor.

The auditor with principal responsibility was Kristina Sandin APA. Auditing units representing Ernst & Young have served as the auditors of the Company's subsidiaries in most operating countries. In 2019 the Group's auditing costs totaled approximately EUR 430,000, of which Ernst & Young received approximately EUR 394,000. Ernst & Young Oy's auditing expenses for the audit for financial year 2019 totaled approximately EUR 130,000. In addition, auditing units belonging to Ernst & Young have provided other advice to Group companies to a total value of EUR 152,000.

### **Principles for Related Party Transactions**

Glaston complies with legislation concerning related party transactions and, in accordance with legislation and the Corporate Governance Code, ensures that requirements related to monitoring, assessing, decision-making and disclosure of related party transactions are complied with. Glaston's

Board of Directors monitors and assesses the transactions of the Company and its related parties.

Glaston has defined the parties that are related to the Company, and Glaston's Communications Department maintains a list of individuals and legal persons who are considered to be related parties. Glaston maintains up-to-date guidelines on related party regulation and the monitoring thereof. Requirements regarding related party transactions have also been taken into account in Glaston's Code of Conduct.

Glaston may enter into transactions with its related parties as long as the transactions are part of Glaston's ordinary business operations and made on ordinary commercial terms and conditions. In such situations, Glaston's internal guidelines and decision-making processes are complied with. Related party transactions that deviate from Glaston's normal business operations or are not made on ordinary commercial terms are decided on by Glaston's Board of Directors, respecting provisions on disqualification.

Related party transactions are regularly monitored in Glaston's business and support units and through surveys conducted on related parties. Management personnel belonging to the Glaston's related parties are obliged to notify Glaston's Related Party Administration without undue delay about related party transactions or planned related party transactions that they become aware of. Potential conflicts of interest are monitored through internal audits. Results of the

monitoring of related party transactions are reported regularly to the Audit Committee of the Board of Directors.

Glaston reports on related party transactions regularly in its financial statements. Related party transactions which are material to shareholders and which deviate from normal business or are not made according to ordinary commercial terms and conditions are published in accordance with the Securities Market Act and the rules of Nasdaq Helsinki Ltd stock exchange.

#### **Insider Administration**

In addition to the statutory insider regulations, Glaston complies with the insider guidelines of NASDAQ Helsinki Ltd as well as the internal guidelines adopted by Glaston at any given time.

In accordance with the EU's Market Abuse Regulation, Glaston prepares and maintains a list of persons discharging managerial responsibilities as well as persons and entities closely associated with them. In Glaston Corporation, the persons discharging managerial responsibilities are the Members of the Board of Directors, the President & CEO, the Deputy CEO, and the Chief Financial Officer. At least once a year, Glaston checks the information of persons discharging managerial responsibilities that have a duty to declare as well as persons and entities closely associated with them. Glaston re-

ports the securities transactions of persons discharging managerial responsibilities and their related parties in accordance with the Market Abuse Regulation.

Glaston does not maintain an insider list relating to permanent insiders. During the preparation of significant projects and events, the Company maintains project- and event-specific lists of insiders. Insiders are given a written statement of their inclusion in an insider register as well as guidelines on insider obligations.

The Company's persons discharging managerial responsibilities, persons serving in certain key positions and persons participating in the preparation of financial reports must not trade in the Company's financial instruments during the 30-day period before the publication of interim reports and financial statement releases. With respect to project-specific insiders, trading in the Company's financial instruments is prohibited until the cancellation or publication of the project.

The Company's insider administration, its implementation and supervision are the responsibility of Group Legal function and the Communications Department. Glaston's General Counsel is responsible for the Company's insider issues. The Company's Communications Department is responsible for maintaining the list of insiders and for overseeing the restriction on trading and duty to declare.

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