

# CORPORATE GOVERNANCE STATEMENT 2013

Scanfil plc is a publicly listed company, managed in accordance with the company's Articles of Association, the Finnish Companies Act, and other legislation relating to the company. In addition, the company follows the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010, excluding recommendations: 14 (Number of independent directors), 26 (Independence of the members of the audit committee) and 29 (Members of the nomination committee and appointment of members).

This statement has been reviewed by Scanfil plc's Board of Directors. Scanfil plc's auditing firm has verified that the summary description of the internal control and risk management associated with the financial reporting process is consistent with the financial statements.

This Corporate Governance Statement is available on the company Website [www.scanfil.com](http://www.scanfil.com) under Investors, and it complies with recommendation 51 of the Finnish Corporate Governance Code. The Finnish Corporate Governance Code is available to the public at [www.cgfinland.fi](http://www.cgfinland.fi).

## BOARD OF DIRECTORS

Under the Companies Act, the Board of Directors is responsible for the management of the company and proper organisation of operations. The members of the Board of Directors are elected by the Annual General Meeting. According to the Articles of Association, Scanfil plc's Board of Directors shall include a minimum of three and a maximum of seven regular members. The Board of Directors elects a Chairman from among its members. The Board of Directors is responsible for deciding on the business strategy, significant matters related to investments, organisation and finance, as well as supervising the company's management and operations. The Board of Directors shall also ensure that supervision of the company's accounts and asset management is properly organised.

### Board composition

Scanfil plc's General Meeting held on 18 April 2013 elected the following Board members:

#### Harri Takanen

Chairman of the Board of Directors Born 1968, M.Sc. (Engineering). Member of the Board of Directors of Scanfil plc since 18 April 2013. CEO of Sievi Capital plc. Not independent of the company and significant shareholders

#### Jorma J. Takanen

Member of the Board of Directors since 1 January 2012. Born 1946, B.Sc. (Chemistry). Chairman of the Board of Directors of Sievi Capital plc. Not independent of the company and significant shareholders.

#### Riitta Kotilainen

Member of the Board of Directors since 18 April 2013. Born 1958, B.Sc. (Electrical power technology). President and CEO of

E.Kotilainen Oy and Varikot Oy. Not independent of the company and major shareholders.

#### Tuomo Lähdesmäki

Member of the Board of Directors since 1 January 2012. Born 1957, M.Sc. (Eng), MBA (INSEAD). Senior Partner of Boardman Oy. Independent of the company and major shareholders.

#### Jarkko Takanen

Member of the Board of Directors since 1 January 2012. Born 1967, B.Sc. (Production Economics), holds a Commercial College Diploma in Management Accountancy. Managing Director, Jussi Capital Oy. Independent of the company.

The term of office of the Board members expires at the close of the first Annual General Meeting following the one at which they were elected.

### Independence of Board members

In the evaluation of independence carried out by the Board, one Board member (Tuomo Lähdesmäki) is independent of the company and major shareholders and one Board member (Jarkko Takanen) independent of the company. Of the Board Members who are not independent of the company Harri Takanen is the largest and Jorma J. Takanen the fourth largest shareholder of the company. Riitta Kotilainen is the Managing Director of Varikot Oy, which is the third largest shareholder of the company. In addition she has a part-time employment contract with Scanfil EMS Oy. For the sake of entrepreneurship and financial risk related to the ownership it is justifiable that the not independent members of the Board supervise the benefit of the owners as a members of the board and committees. In addition, Jorma J. Takanen, Jarkko Takanen and Harri Takanen have very broad experience of the contract manufacturing business, which can be used by the entire company and for the shareholders through working on the Board and committees.

### Activity of the Board

The Board of Directors had a total of 13 meetings in 2013, some of which were telephone meetings. The average attendance rate at Board meetings was 94%.

The matters regularly dealt with by the Board of Directors are specified in the Board's written charter. The charter is reviewed, ratified and, if necessary, updated on a yearly basis. In accordance with the charter, matters to be dealt with by the Board meetings include the company's business strategy, investing the Group's cash assets and allocation in the Group, internal audit and control systems, evaluation of risks, reward schemes, the Group's insurance policies and the auditor's audit report. The Board annually performs a self-evaluation of its work.

### Board committees

The Board of Directors has established two committees: a Nomination Committee and an Audit Committee.

The purpose of the Nomination Committee is to make preparations for the appointment and remuneration of the

# CORPORATE GOVERNANCE STATEMENT 2013

members of the Board of Directors and, when necessary, find suitable new members for it. The Committee consists of two members: Jorma J. Takanen, who acts as the Chairman, and Tuomo Lähdesmäki

The purpose of the Audit Committee is to supervise the financial reporting process and the reporting of the financial statements and interim reports and to monitor the functionality of the company's internal supervision and risk management. It also evaluates the appropriateness of auditing and prepares the proposal for the appointment of an auditor. The Committee consists of two members: Jarkko Takanen, who acts as the Chairman, and Jorma J. Takanen.

## CEO

The Board of Directors decides on the appointment and dismissal of the CEO and the terms and conditions of his employment. The CEO is covered by the performance and profit bonus systems decided on separately by the Board of Directors at any given time. Harri Takanen, M.Sc. (Eng), born 1968, was the company's CEO 1 January – 31 March 2013 and since 1 April 2013 M.Sc. (Eng) Petteri Jokitalo, born 1963.

The CEO's duties are determined in accordance with the Companies Act. The CEO is in charge of the company's operative management in accordance with guidelines and orders given by the Board of Directors. The CEO shall ensure that the company's accounting practices comply with legislation and that asset management is organised in a reliable manner. The CEO is the Chairman of the company's Management Team.

The CEO has a separate service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the CEO, an amount equivalent to the monetary salary of 12 months will be paid to the CEO as a severance package in accordance with the terms and conditions of his service contract. The CEO's retirement age is the statutory retirement age. The CEO has a voluntary pension insurance policy with a projected pension of some EUR 1,000 per month.

## OUTLINES OF THE INTERNAL CONTROL AND AUDIT RELATED TO THE FINANCIAL REPORTING PROCESS AND RISK MANAGEMENT

### Risk management

The Board of Directors of Scanfil plc is responsible for ensuring the appropriate organisation of the Group's risk management and internal control and audit.

Risk management is based on a risk management policy approved by the Board, aiming to manage risks in a comprehensive and proactive manner. The assessment of risks is part of the annual strategy and business planning process. There is no separate risk management organisation; risk management is incorporated into the business processes and the management system. Risk management aims to observe and analyse factors that might have a negative impact on the achievement of the company's goals and to take measures to mitigate or completely eliminate the risks. The operative units

## Description of internal control at Scanfil plc



# CORPORATE GOVERNANCE STATEMENT 2013

report on business risks in accordance with the management and reporting system.

## Internal control

Scanfil's internal control is a continuous process to ensure profitable and uninterrupted operation. Control aims to minimise risks by ensuring the reliability of reporting and compliance with laws and regulations.

Internal control is based on the Group's shared values, ethical guidelines and industry legislation from which the operating principles and guidelines followed are derived. The guidelines cover procedures for core operations. Group and unit management hold the responsibility for the company's internal control system. Internal control forms an active part of the company's management and administration. The Group's operational management holds the responsibility for developing the harmonised business processes included in the control system. The Group's financial administration supports and coordinates the financial management of the Group.

The controls contained in Scanfil's operating processes form the basis of the company's financial control. They enable the company to swiftly identify and react to any deviations from the norm. The management's monthly reporting is a fundamental part of financial control. It includes rolling forecasting, the result of business operations carried out, and an analysis of the differences between the forecast and actual result. The indicators monitored in monthly reporting have been set so as to support the achievement of shared Group-level and unit-specific targets and to identify issues that require control measures. An auditing firm supports the performance of financial control.

The interpretation and application of accounting standards is carried out centrally by the Group's financial administration. These standards form the basis for the Group's shared recognition principles and reporting and accounting standards. In order to ensure reliable financial reporting, core functions are conducted using a globally harmonised ERP system and shared reporting tools. The use of standardised tools enables continuous control and successful change management.

## Internal audit

Considering the Group's structure and extent, the company does not have a separate internal audit organisation. The company's controller function is responsible for the duties of internal audit, reporting regularly to the CEO and the Board of Directors.

## Development activities

The group has a development project, through which the company will replace its existing enterprise resource planning system with a new system. The aim is to develop a global, integrated system that covers all of the Group's business processes and strengthens Scanfil's competitiveness on the global contract manufacturing market. Process management will become more efficient when the necessary information is more precisely and quickly available for decision-making. The system was implemented in Finland and Hungary during 2013. The system will be in use throughout the Group in during year 2014.

## The group structure of Scanfil plc 2013

