

## REPORT ON CORPORATE GOVERNANCE

In its operations, Incap Corporation complies with the Finnish legislation, its own Articles of Association and the regulations and instructions concerning public listed companies. Further, the company follows the regulations and rules of NASDAQ OMX Helsinki Ltd. and complies among others with the Guidelines for Insiders published by the Helsinki Exchange and recommendations of Central Chamber of Commerce Helsinki Takeover Code. In addition to these the company follows the rules and regulations of Financial Supervisory Authority.

Incap Corporation complies with the Finnish Corporate Governance Code for listed companies that was issued on 1 January 2009 by The Securities Market Association. The Finnish Corporate Governance Code is publicly available e.g. in the Securities Market Association's website on [www.cgfinland.fi](http://www.cgfinland.fi).

## ANNUAL GENERAL MEETING

Incap Corporation's highest decision-making body is the general meeting of shareholders, which at the invitation of the Board, convenes once a year in an Annual General Meeting. The General Meeting is held within six months of the end of the financial period, generally in April. An extraordinary General Meeting is arranged if shareholders who represent a total of at least 10% of the company's shares, request it in written form for a specified issue to be decided in the General Meeting.

The tasks falling within the competence of the Annual General Meeting are defined in the Companies Act and the Articles of Association. The most important matters to be decided at the General Meeting include approving the financial statements, adopting the profit and loss account and balance sheet, deciding on the payment of dividends, confirming the number of members on the Board of Directors and electing the members of the Board and the Auditors.

The company announces the agenda for the General Meeting in a Notice of Meeting that is published as a stock exchange release and on the company's website at least 21 days prior to the General Meeting.

At the same time, the company publishes the documents that will be presented to the General Meeting, the proposals of the Board or of another authorised body, the total number of shareholders and votes on the date of the notice, as well as eventual items that have been included in the agenda without any proposal for a decision to be made. The information is available on the company's website ([www.incap.fi](http://www.incap.fi)) at least until the end of the General Meeting.

The names of the prospective Director candidates announced to the Board of Directors are published in the Notice of Meeting, provided that the candidates are supported by shareholders



holding at least 10% of the votes conferred by the shares in the company and provided that the candidates have given their consent to being elected and that the company has received the information in good time so that it can be included in the Notice of Meeting. Candidates that are proposed in corresponding order after the publication of the Notice of Meeting are disclosed separately. The personal information on the candidates is published on the company's website.

The General Meeting is organised in the way that promotes, with the available reasonable means, the shareholders to participate in the meeting and to exercise their ownership rights effectively.

Present at the General Meeting are the President and CEO, the Chairman of the Board of Directors and, if possible, all the members of the Board of Directors. Persons proposed to the Board for the first time participate in the General Meeting that decides on their election, unless there are well-founded reasons for the absence. Also the Auditor is present at the Annual General Meeting.

The minutes of the General Meeting with results of the voting as well as the appendices to the minutes relating to the decisions of the General Meeting shall be published on the company's website within two weeks after the General Meeting.

Incap Corporation's Articles of Association do not contain redemption clauses and the company is not aware of shareholder agreements or agreements restricting the transfer of the company's shares.

*In 2009, the Annual General Meeting was held on 3 April in Helsinki. A total of 20 shareholders participated, representing a total of 63.6 per cent of the company's shares and voting rights.*

## **BOARD OF DIRECTORS**

The administration of Incap Corporation and the due arrangement of its operations are attended to by the Board of Directors. The Annual General Meeting determines the number of members on the Board of Directors and elects the Directors. Under the Articles of Association, the Board of Directors shall have from four to seven ordinary members. The term of office for members of the Board of Directors is one year and it commences from the date of the Annual General Meeting at which they are elected and ends at the close of the next Annual General Meeting. Directors can be re-elected.

The Annual General Meeting elects the members of the Board. When the number of Directors and the composition of the Board are decided, the needs of the company's operations and the present development stage of the company shall be taken into consideration with the target to ensure an efficient management of the Board's tasks. Persons to be elected to the Board shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to the work. Both genders are represented on the Board.



When electing Board members, it is taken into consideration that the majority of the Directors must be independent of the company. In addition, at least two of the Directors representing this majority must be independent of significant shareholders in the company. The Board is evaluating the independence of the members and informs who are independent of the company and who are independent of significant shareholders. For the evaluation of a member's qualifications and independence, a member shall give to the Board adequate information and inform also on the eventual changes in the information.

New members of the Board of Directors are introduced to the company's affairs. The President and CEO is responsible for ensuring that Directors are provided at all times with sufficient information on the company's operations.

Incap Corporation's Board of Directors steers and supervises the company's operational management. The most important tasks of the Board of Directors are to:

- decide on the Group's strategic objectives
- decide on the Group structure and organisation
- review and approve interim reports, the consolidated financial statements and the Report of the Board of Directors
- approve the Group's operating plan, budget and investment plan
- decide on mergers and acquisitions, divestments and other corporate restructuring
- decide on individual investments of strategic and financial importance and contingent liabilities according to the approval guidelines of the company
- approve the Group's financing agreements and contractual risks that are above average
- approve the Group's risk management and reporting procedures
- approve the Group's financing policy
- approve the framework of the Management Team's terms of employment and pay
- decide on the Group's performance bonus system
- appoint the President and CEO and decide on his or her compensation
- ensure that the company's management system is functional.

The Board of Directors ensures that the company has specified guidelines for internal control and that the company is monitoring the proper functioning of the control. Further, the Board of Directors ensures that the company has specified the values and ethical principles that the company shall comply with in its operations.

The Board of Directors has drawn up written rules of procedure for its work, describing the major tasks, operating principles and decision-making procedures of the Board of Directors. The Board of Directors meets as required and it has a quorum when more than half of the members are present. The decisions are made by the statutory majority and in case the votes are even, the Chairman of the Board has the decisive vote. The Board will elect the Chairman among its members.



The Board of Directors draws up an action plan and annual calendar for the period between General Meetings. The plan includes among others the meeting schedule and the regular topics of the agenda. The number of the meetings during financial year as well as the average attendance of Directors at the meetings is recorded in the Report of the Board of Directors.

The Board conducts an annual evaluation of its performance and working methods using an internal self-assessment method that is described in the Board's rules of procedure. In addition to this the Board analyses in the beginning of their operational period, how the action plan for the previous year has succeeded and what kind of expectations the company's interest groups have in relation to operations of the Board.

The biographical details and holdings of the Directors and information on the remuneration paid to Directors and their other financial benefits for the financial year are published in the Annual Report and on the company's website.

The Incap Group does not have a Supervisory Board and the Board of Directors has not appointed committees.

The Board of Directors shall take care of the duties of an audit committee in accordance with the written rules of procedure for its work. In this role, the Board of Directors among others

- monitors the efficiency of internal controlling, internal auditing and risk management
- monitors and controls the reporting process of financial statements and other financial information
- monitors the statutory audit of the financial statements
- evaluates the independence of the Auditor
- prepares the proposal for the election of the Auditor to the Annual General Meeting.

*The Annual General Meeting in 2009 resolved to elect five members to the Board of Directors. Jukka Harju, Kari Häyrynen, Kalevi Laurila, Lassi Noponen and Susanna Miekk-oja were elected to seats on the Board of Directors. At its organisation meeting, the Board of Directors elected from amongst its number Kalevi Laurila as Chairman and Susanna Miekk-oja as Vice Chairman of the Board.*

*Kalevi Laurila, born 1947  
B.Sc. (Eng.), Executive MBA,  
Non-executive director*

*Susanna Miekk-oja, born 1950  
M.Sc.  
Director at Sampo Bank Plc.  
A non-executive director, who is independent of the company and its major shareholders*



*Jukka Harju, born 1956  
M.Sc. (Eng.), M.Sc. (Econ.)  
CEO of Elektrobit Corporation  
A non-executive director, who is independent of the company and its major shareholders*

*Kari Häyrynen, born 1959  
M. Sc. (Eng.), MBA  
President and CEO at Finpro ry  
A non-executive director, who is independent of the company and its major shareholders*

*Lassi Noponen, born 1963  
LL.M., MBA  
A non-executive director, who is independent of the company and its major shareholders*

*Senior Lawyer, Jari Pirinen has acted as the Secretary of the Board.*

*The Board of Directors convened 17 times in 2009 and the average attendance was 98 per cent.*

*The 2009 Annual General Meeting confirmed that the annual remuneration paid to the Chairman of the Board of Directors shall be EUR 48,000, the annual remuneration paid to the Vice-Chairman of the Board of Directors shall be 36,000 and the annual remuneration paid to Directors shall be EUR 24,000. A fee of EUR 200 is paid for each meeting. No fees will be paid for telephone conferences. The salaries and remuneration paid to Directors in 2009 totalled EUR 162,600. No consultation fee was paid to the Board members.*

*None of the Directors is part of the share-based compensation system.*

## **PRESIDENT AND CEO**

The company's line operations are managed by the President and CEO, who carries out his or her duties in accordance with the Companies Act, other applicable laws and instructions and regulations laid down by the Board. The President and CEO informs the Board of Directors of the development of the company's business operations and financial situation as well as oversees the legality of the company's operations and accounting and the reliable organisation of treasury management.

The President and CEO is elected by the Board of Directors, which decides on the President and CEO's salary and other benefits. The terms and conditions of the President and CEO's employment are specified in writing in his or her written employment contract that is approved by the Board of Directors. The Chairman of the Board of Directors is the President and CEO's supervisor. The



President and CEO participates in Board meetings as a presenting officer, but is not a Board member.

The biographical details and the holdings of the President and CEO are disclosed in the Annual Report and on the company's website in the same extent than the respective information of Board members. In addition, the company publishes the President and CEO's salary and other financial benefits included in his or her contract, shares and stock options received as remuneration, retirement age and the criteria for determining his or her pension, period of notice and the terms and conditions of salary for the period of notice and eventual other compensation payable on the basis of termination.

*Sami Mykkänen, B.Sc. (Eng.), served as the President and CEO of the Incap Group in 2009. The salary and remuneration paid to him for 2009 amounted to a total of EUR 168,125. At the close of the financial year, Sami Mykkänen holds 19,400 Incap shares and 100,000 stock options 2009A. The retirement age of the President and CEO is determined in accordance with the Employees' Pensions Act. The chief executive's period of notice is six months, and if his executive contract is terminated by the company, he will be paid the salary during the period of notice.*

## **OTHER MANAGEMENT**

The Incap Group's Management Team assists the President and CEO in the management of line operations and participates in the preparation of matters that are to be dealt with by the Board of Directors. In addition to the President and CEO, the Management Team includes the executives in charge of the company's different functions. The members of the Management Team are appointed by the President and CEO, who also decides on the terms and conditions of the employment and salaries of the Management Team's members following the one-over-one principle. The Management Team meets regularly under the direction of the President and CEO, following the general guidelines of the Board of Directors.

The composition of the Management team with the members' biographical details and areas of responsibility as well as the members' holdings are disclosed in the Annual Report and on the company's website.

## **SALARY AND INCENTIVES**

Information on the remuneration and other financial benefits of the Board of Directors as well as the total number of shares and stock options held by the President and CEO and the Management Team are published in the Annual Report and on the company's website.

The main criteria concerning the compensation system covering the President and CEO and other



executives are decided upon by the Board of Directors and they are disclosed in the Annual Report and on the company's website.

*At the close of the financial year 2009 the Board members and entities under their control, the President and CEO and the Management Team own a total of 2,160,396 shares and 130,800 stock options.*

*Of the salary and remuneration paid to the President and CEO and the Management Team during the financial year 2009, 100% fell for the fixed salary.*

*There were 100,000 stock options distributed to the President and CEO in the issue of share-based reward system launched in 2009. At the close of the financial year, one member of the Management Team was included in the share-based reward system launched in 2004.*

## **INTERNAL CONTROL AND AUDIT, RISK MANAGEMENT**

Incap Group's internal audit reviews and evaluates the systems of the internal control, the legality and appropriateness of the risk management activities, the efficient and economical use of resources as well as the reliability of the information used in management and decision-making.

Internal audit covers all units and functions in Incap Group. The audit is primarily focused on activities that are central to the reliability of the company's operations.

Internal audit follows the operating instructions and plan that have been approved by the Board of Directors. The audit is planned using a risk-based three-year action plan which includes the functions to be reviewed and the auditing resources on annual basis.

Internal audit has been organised by means of an external audit service provided by Tuokko Tilintarkastus Oy (PKF International), an external, independent, skilled and adequately resourced authorised public accounting firm. Internal audit function reports to the Board of Directors and the President and CEO. The Board of Directors is responsible for the appropriateness and independency of the internal audit.

Internal audit aims also to promote further development of the risk management in different functions of the company.

Risk management is part of the company's control system. The principles of the company's risk management are specified in writing. The supervision of business risks is part of the normal tasks of the Management Team and the Board of Directors. The company's risks are divided according to the objects to financial and financing risks, market risks, contractual risks, production risks, environmental risks and supplier risks, among others.

Essential features in the risk management are the coverage of control and actions, systematic



approach, essentiality, continuity, competence, traceability and documentation.

The significant short-term risks and uncertainties related to the business operations are described in interim reports and financial statement releases. The Board of Directors also evaluates the most important risks and uncertainties in the Report of the Board of Directors.

## **INSIDERS**

The Incap Group's Guidelines for Insiders comply with the NASDAQ OMX Helsinki's Guidelines for Insiders, which came into effect on 9 October 2009, and they have been posted on the company's website. The Guidelines for Insiders have been distributed to all insiders and the compliance with the Guidelines is supervised by, for example, reviewing the information on insiders and their trading once a year.

According to the company's Guidelines for Insiders, permanent insiders may not trade in the company's shares or equivalent securities in the 14-day period before the publication of an interim report or the financial statement bulletin. The appropriate time for such trading is within 28 days from the publication of an interim report and financial statement bulletin, nevertheless with the provision that a person who is a permanent insider does not have in his or her possession at that time any other insider information. The members of the Board of Directors and the Management Team as well as the secretary to the Board of Directors must always ascertain the appropriateness of their own trading by checking with the person in charge of insider issues prior to ordering the purchase or sale of shares. Persons who are temporary insiders must not engage in trading in the company's shares during the time when they are insiders participating in a particular project.

The Group's permanent insiders are recorded in a register kept by Euroclear Finland Ltd. The register is divided into a public and non-public register. The public register includes the members of the Board of Directors, the Auditor and the deputy Auditor, the President and CEO and the Management Team. The non-public register includes Incap employees who have regular access to insider information in the course of their duties and whom the President and CEO has specified as insiders. A register of project-specific insiders is kept by Corporate Administration.

## **AUDIT**

The primary purpose of the audit is to confirm that the financial statements give a true and fair view of the company's result of operations and financial position. In addition, the Auditor inspects the legality of the company's administration.

The Auditor is elected each year at the Annual General Meeting for a term that ends at the conclusion of the next Annual General Meeting. The proposal for Auditor made by the Board of



Directors or by the shareholders having at least 10% of the companies votes will be published in the Notice of Meeting provided that the candidate has given his or her consent to the election and that the company has received the information in good time so that it can be included in the Notice of Meeting. If the candidate for an Auditor is not known to the Board at that time, a proposal made in a similar manner will be announced separately.

The fees paid to the Auditor, as well as the fees paid for non-audit services, if any, are reported in the Annual Report and on the company's website.

*The 2009 Annual General Meeting re-elected as the company's Auditor the independent firm of accountants Ernst & Young Oy. The Auditor was paid a total of EUR 86,398 in audit fees and for other services a total of EUR 6,602.*

## COMMUNICATIONS

In connection with its financial statements and report of the Board of Directors, Incap will release a separate report on the corporate governance and steering principles for the financial year starting on 1 January 2009. Information on the issues addressed in the Corporate Governance Code is provided on the company's website ([www.incap.fi](http://www.incap.fi)), which is available in Finnish and English.

The purpose of Incap's investor communications is to support the right development of the share price by providing precise and up-to-date information on its business operations and financial development. It is ensured with open, timely and diverse communications that all stakeholders are provided with sufficient information on the company's operations simultaneously in order to assess the company as a prospective investment.

Helsinki, 23 February 2010

INCAP CORPORATION  
Board of Directors

