

# QPR Software's Corporate Governance Statement 2019

## Corporate Governance Code

### Compliance with the Corporate Governance Code

QPR Software Plc complies with the Corporate Governance Code 2015, issued by the Finnish Securities Market Association, from the beginning of the financial year starting on January 1, 2016.

### Deviation from Recommendations

QPR Software complies with the Finnish Corporate Governance Code with the following exception: The Board of Directors has not established any committees. There are no separate committees, as the Board has not considered these necessary in view of the size of the Group, extent of the operations and existing monitoring systems. The Board as a whole is responsible for fulfilling the tasks of an audit committee and other committees. Further, in view of the size of the Group, extent of the operations and existing monitoring systems, the Board has not considered necessary to have a specific decision-making procedure for related party transactions.

### Availability of the Corporate Governance Code on the Internet

The Finnish Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association, at [www.cgfinland.fi](http://www.cgfinland.fi).

## Board of Directors

### Composition of the Board of Directors

Until the Annual General Meeting on April 4, 2019 the Board of Directors consisted of following members: Vesa-Pekka Leskinen, Juha Häkämies, Topi Piela and Taina Sipilä. In the Annual General Meeting on April 4, 2019 following members were re-elected to the Board of Directors: Vesa-Pekka Leskinen and Topi Piela. Salla Vainio and Jarmo Rajala were elected as new members of the Board.

**Vesa-Pekka Leskinen**

b. 1950

Chairman of the Board since January 2006.

Member of the Board since July 2003.

Independent of the Company.

Mr. Vesa-Pekka Leskinen is the Chairman of the Board of Kauppamainos Oy and he served as the CEO of Kauppamainos from 1979 to 2010. He is also the majority shareholder of Kauppamainos. Kauppamainos provides services in investor relations and communications, whereby Kauppamainos has designed and delivered close to a hundred annual reports for various companies, participated in the preparation of dozens of equity issues, and supported more than ten companies in their IPO processes. In this context, Mr. Leskinen has personally been involved in investor relations and communications of publicly listed companies.

Mr. Leskinen is also a founding partner of Quartal Oy and the company's majority shareholder until 1999. Quartal is specialized in developing computerized delivery solutions and communication services, especially for the stock market and the companies publicly traded on the stock exchange. In addition, Mr. Leskinen has been the Chairman of the Board of Directors at Vianaturale Oy since May 2014, and a Board member since October 2006.

Mr. Leskinen holds a degree in MAT (marketing communications).

Vesa-Pekka Leskinen held 851,400 shares of QPR Software Plc on December 31, 2019. Kauppamainos Oy, whose majority shareholder Mr. Leskinen is, held 475,170 shares of QPR Software Plc on December 31, 2019.

**Topi Piela**

b. 1962

Member of the Board since March 2012.

Independent of the Company.

Mr. Topi Piela is the CEO of Finnish Broadcasting Company Pension Fund and a member of the Finnish Association of Professional Board Members. Additionally, Mr. Piela is a member of the Board of Directors of EAB Group Oyj, JJPPPT Holding Oy, Asuntosalkku Suomi Oy, Porasto Oy and Piela Ventures Oy. He is also a member of the Alfred Kordelin Foundation's commerce committee, a Supervisory Board member at Finnish Air Force Support Foundation and a member of the investment committee of Helsingin Seurakuntayhtymä.

Until September 2019 Topi Piela served as CEO of Umo Invest Oy and Balance Capital Oy, as well as Deputy CEO of Umo Capital Oy. Earlier, Topi Piela served as the Managing Director of Fininvest Oyj and Amanda Capital Plc, after which he assumed a position in the Board of Directors of Amanda Capital and was appointed chairman. Other

previous positions include Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arctos Rahasto Oy, and Securities and Investment Director of Ålandsbanken Ab. He has also acted as a member of the State Pension Fund as well as the Finnish Broadcasting Company's Pension Fund investment committees, and a member of the Board of Directors as well as the audit Committee of Etera. Over the years, he has also served on the investment committees of several Finnish and European private equity funds. Mr. Piela has earlier been member of QPR Software Board of Directors between the years of 2006–2009.

Mr. Piela holds an M.Sc. in Economics, is a certified CEFA holder and has passed the Finnish Advanced Insurance Examination.

Topi Piela held 1,052 shares of QPR Software Plc on December 31, 2019.

### **Salla Vainio**

b. 1969

Member of the Board since April 2019.

Independent of the Company and its significant shareholders.

Ms. Salla Vainio has extensive experience in holding senior management positions in various companies, and her special expertise lies in leading expert organizations. Currently Salla serves as the CEO of Marketing Clinic, a strategy and marketing firm. Salla is a member of Directors' Institute Finland and has served on several executive boards, both as a member and as chairman.

Ms. Vainio holds a Master of Science in Economics.

Salla Vainio did not hold shares of QPR Software Plc on December 31, 2019.

### **Jarmo Rajala**

b. 1973

Member of the Board since April 2019.

Independent of the Company and its significant shareholders.

Mr. Jarmo Rajala is a digital technology expert and a leader with extensive experience in the software business, Artificial Intelligence (AI) and analytics. Currently Mr. Rajala works as Director of Data & AI at a Finnish consultancy and software company Cubiq Analytics Oy. He has also previously been employed by the search-based analytics company ThoughtSpot as Regional Director for Nordics and Baltics.

Mr. Jarmo Rajala holds an MBA from Henley Business School.

Jarmo Rajala did not hold shares of QPR Software Plc on December 31, 2019.

**Juha Häkämies**

b. 1970

Member of the board since March 28, 2017 until April 4, 2019.

Independent of the Company and its significant shareholders.

**Taina Sipilä**

b. 1978

Member of the board since March 28, 2017 until April 4, 2019.

Independent of the Company and its significant shareholders.

**Charter of the Board (Summary)**

Board meetings:

- Convenes regularly at least 8 times a year according to pre-agreed schedule.
- At least one of the meetings focuses on strategy in the spring and one is a budget meeting in the autumn.
- When necessary, the Chairman of the Board and CEO may call for an additional Board meeting.
- The agenda and materials shall be delivered to Board members no less than three working days before the meeting, if not otherwise agreed with the Chairman.

Material:

- The monthly report shall contain the Group's actual results, result forecast, budget comparison, and commentary on the results including reasons for any significant budgetary deviations. A summary of all other important matters within Group is also included.
- All significant matters shall be informed to the Board immediately.
- Risk management report is reviewed by the Board in connection of the quarterly financial reporting.

Following list contains matters to be handled at the Board meetings:

- Matters specified by the Finnish Companies Act;
- Approving the strategy and annual budget, and their follow-up;
- Appointing and dismissing the CEO, and deciding on the terms of his/her employment;
- Approving the hiring of personnel reporting directly to the CEO, and the key terms of employment for these people;
- Determining the compensation principles for senior management;
- Approving the incentive systems for the CEO and the personnel;
- Preparing a proposal on the personnel option schemes for the Annual General Meeting and deciding on its allocation to personnel;

- Reviewing and approving interim reports and financial statements;
- Approving major business deals and investments as well as other decisions of key significance;
- Approving the dividend distribution policy and preparing a proposal for the Annual General Meeting concerning the distribution of dividend;
- Approving the investment policy;
- Monitoring the implementation of internal control, internal audit and risk management;
- Reviewing other matters that the Chairman of the Board and the CEO have agreed to be taken on the Board's agenda or that otherwise fall within the Board's decision-making powers under the provisions of the Companies Act, other laws, Articles of Association or other regulations.

### **Operations in 2019**

QPR Board of Directors held 15 meetings in 2019. The average attendance at meetings was 98.3%. The Board of Directors made a self-assessment of its activities. The Board did not establish any committees.

### **Diversity Principles**

Members of the Board of Directors of QPR Software are elected based on the following criteria: the Group's business needs and the accomplishments of the individual members, bearing in mind the advantages of diversity. The criteria for board member nomination consists of professional expertise and experience together with personal qualities. In the assessment of professional expertise and experience, a special attention is paid to international experience in software business, experience in business development as well as in financing, business economics and entrepreneurship.

The Company aims at a Board structure where both genders are represented. In 2019, the Annual General Meeting of QPR Software Plc elected four members to the Board of Directors. Currently 25 % of the Board members are female.

The Board of Directors of QPR Software Plc has set these diversity principles. They are presented and reported in the Company's Corporate Governance Statement.

### **Committees**

There are no separate committees, as the Board has not considered these necessary in view of the size of the Group, extent of the operations and existing monitoring systems. The Board as a whole is responsible for fulfilling the tasks of an audit committee and other committees.

## **Supervisory Board**

QPR Software Plc does not have a supervisory board.

## **Chief Executive Officer**

### **Chief Executive Officer of QPR Software Plc**

Mr. Jari Jaakkola (born 1961) has been the Chief Executive Officer of QPR Software Plc since January 2008. He has been employed by the Company and been a Member of Executive Management Team since August 2006.

Mr. Jari Jaakkola worked from August 2006 to January 2008 as Senior Vice President of Business Operations at QPR Software Plc, before being appointed Chief Executive Officer. Mr. Jaakkola's previous experience covers leadership positions at Sonera Corporation's Group Management Team and the Metsä Board Corporation. His past roles include lead responsibilities in large international equity and finance operations, investor relations, strategic marketing and brand management, as well as in corporate communications and corporate affairs. Mr. Jaakkola has also worked for communications agencies and accumulated broad experience in working in international advertising and media.

Mr. Jaakkola holds a B.A. degree in Journalism from the University of Tampere and an MBA from Henley Business School (United Kingdom).

Jari Jaakkola held 241,000 shares of QPR Software Plc on December 31, 2019. Value FM Ltd, a company fully owned by Mr. Jaakkola, held 7,000 shares of QPR Software Plc on December 31, 2019.

### **Duties of the Chief Executive Officer**

QPR's Board of Directors appoints the CEO and decides the terms of his/her service contract. The CEO's terms of service have been agreed on in writing. The CEO is not appointed for a certain term but is appointed indefinitely until further notice is given.

The CEO's duty is to manage the company's activities in accordance with the Finnish Companies Act and the Board of Directors' instructions and rules and to inform the Board of Directors about the development of the company's business and financial situation. The CEO is also responsible for arranging the company's day-to-day administration and ensuring that the financial administration of the company has been arranged reliably. The CEO primarily presents matters in Board meetings and is responsible for preparing proposals for Board's decisions.

## Internal Control and Risk Management

### Internal Control

Internal control and risk management in QPR Software Group aims to ensure that the Group operates efficiently and effectively, distributes reliable information, complies with regulations and operational principles, reaches its strategic goals, reacts to changes in the market and operational environment, and ensures continuity of its business.

It is the duty of the Board of Directors to monitor the appropriateness, effectiveness and efficiency of risk management and internal control in QPR Software Group. Risk management report covering the risks presented in the Risk Management section is presented to the Board in connection with quarterly financial reporting.

The threat caused by the risks to shareholders is used as a criterion when the Board of Directors evaluates these risks. The Board of Directors also monitors that the Company has defined operational principles for internal control and that the Company monitors the effectiveness of internal control.

### Internal Control and Risk Management Systems Associated with Financial Reporting

The ultimate responsibility for accounting and financial administration lies with QPR Software Plc's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system.

The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

### Risk Management

Coordination of the Group's risk management and internal control and the related reporting is the responsibility of the Chief Financial Officer. Risk management in the Group is guided by the requirements of legislation, shareholders' expectations regarding business objectives and expectations among important stakeholders, such as customers and personnel.

Risk management in the Group aims systematically and comprehensively to identify risks related to its operations and ensures that risks are managed and taken into account in decision making. The Group does not have a separate risk management organization, and risk management is part of routine responsibilities throughout the organization. Risk management is developed by constantly improving operative processes in the Group.

Risks are identified by their essentiality: if actualized, the risks selected for monitoring would have a material impact on the Group's business operations.

QPR Group has identified the following three groups of risks related to its operations:

- risks related to business operations,
- risks related to information and products and
- risks related to financing.

Property, operational and liability risks are covered by insurance.

QPR Software Plc's Management System has received ISO 9001:2015 quality certification covering the Company's all activities, which is audited annually by an external party.

### RISKS RELATED TO BUSINESS OPERATIONS

The following risks are related to QPR Software's business operations:

- **Country risk.** The instrument used for measuring risk is the potential loss of country-specific revenue. Risk is managed by constantly gathering market information and by conducting a business that is spread geographically and across different industries.
- **Customer risk.** The instruments used for measuring the risk is the software maintenance customer churn and the share of overdue accounts receivables of all receivables (%). Risk is managed by taking good care of every customer and reseller, as well as, by active follow-up and collection of accounts receivables.
- **Personnel risk.** The instrument used for measuring the risk is personnel churn. Risk is managed by professional recruitment, professional supervisory work and by securing possibilities for job rotation as well as for learning and growth.
- **Legal risk.** The instrument used for measuring the risk is cumulative euro-value of all open legal disputes compared to annual net sales (%). The risk is managed by in-depth knowhow of contractual law, standard terms used in agreements and by performing both ethically and according to the Company values.

QPR's market and customer risks are mitigated as follows: The Company conducts business in more than 50 countries, both in public and private sectors as well as in several different business verticals.

Reasonable credit risk concerning individual business partners is characteristic to any international business. QPR seeks to limit this credit risk by continuous monitoring of standard payment terms, receivables and credit limits.

### RISKS RELATED TO INFORMATION AND PRODUCTS

QPR Software has identified the following three risks related to information and products:

- **Risk related to own products.** The risk is managed by securing the competitiveness of the Company's offering at all times through content and the product strengths. The Company seeks to ensure the security of its products by automated malware prevention.
- **Intellectual Property Rights.** The Company's Intellectual Property Rights (IPR) are secured by the confidentiality of the source code and selected patent applications. In its new process mining business, the Company has adopted a more active IPR strategy than previously. As a result of this, QPR filed patent



applications in respect of five separate inventions in Finland and the USA in 2012. The inventions relate to automated business process discovery based on processing event data. In April 2015, QPR announced that the U.S. Patent and Trademark Office has granted a patent as a result of the applications. In May 2016 QPR informed that the U.S. Patent and Trademark Office granted an additional patent to its process mining technology. In addition, the Company aims to secure by up-to-date contract management and internal training that third-party IPRs are not used unauthorized in QPR products. The Company has a legal expenses insurance.

- **Information and security risks.** QPR Software regularly monitors and mitigates information security risks in operative level and through reports to the Board of Directors. As such, we are promoting both governance-related and technological efforts to improve the robustness of our systems. To mitigate information security risks, we have adopted data and vendor governance models, facilitate annual audits of our partners and provide appropriate user trainings to improve security awareness.

No significant changes have taken place in QPR's information and product related risks during 2019.

## RISKS RELATED TO FINANCING

QPR Software has identified the following two financing risks:

- **Currencies.** The instrument used for measuring foreign currency risk is the share of all non-euro receivables of all receivables, or the share of an individual non-euro currency of all receivables (%). The risk is managed by using euro as the primary invoicing currency and by currency hedging in accordance with the Company's hedging policy. The company constantly monitors the development of open positions of the most important invoicing currencies. At the end of the year, the Company had not hedged its foreign currency (non-euro) trade receivables.
- **Short-term cash flow.** The instrument used for measuring the risk is the forecasted cash flow. Risk is managed by active monitoring of the forecast and by effective collection of overdue receivables.

The risks related to financial position of the company are mitigated by relatively high share of recurring revenue in net sales.

## Other Information to be Provided in the Corporate Governance Statement

### Main Procedures Relating to Insider Administration

QPR Software Plc's Insider Guidelines include Nasdaq Helsinki Ltd's Guidelines for Insiders of Listed Companies (updated January 3, 2018) and the Market Abuse Regulation (MAR). Both documents are part of QPR's guidelines unchanged. The QPR Insider Guidelines set trade restrictions prohibiting Persons Discharging Managerial Responsibilities (PDMRs), permanent insiders and event-based insiders from making transactions with QPR's

securities during a closed period of 30 days before a financial report is made public. The closed period ends on the day after the publication of a financial report. According to QPR's Insider Guidelines, permanent insiders must notify the CEO and the Chairman of the Board about the intention to trade QPR's securities prior to executing a transaction.

The CEO, members of the Board of Directors and the executive management team are considered PDMRs – this is because they are regularly exposed to inside information and have the right to make decisions regarding the future of QPR. QPR's permanent insiders include employees or other outsourced persons that due to their position or the nature of their responsibilities have access to inside information.

In case QPR prepares an event that could significantly impact the company's value (e.g. a corporate acquisition), an event-based insider list must be created for the project. Event-based insiders are persons that contractually work for QPR either directly or indirectly and have access to inside information; as well as any organization that is provided inside information on the project.

QPR's CFO manages insider issues and supervises compliance with QPR's Insider Guidelines. The CFO also maintains QPR's insider register.

Due to the MAR regulation, the information on insider register available at NetSire system is based on the status of July 2, 2016 and it is not updated since then.

QPR Software Plc's managers and their closely associated persons referred to in the MAR regulation have been requested to notify their transactions as of July 3, 2016.

### **Audit**

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2019, Authorized Public Accountant Firm KPMG Oy Ab was elected as the company's auditor, and declared Kirsi Jantunen, Authorized Public Accountant, as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

In 2019, auditor was paid remuneration for audit services 32,044 euros and for non-audit services 5,290 euros.