



# Corporate Governance Statement

## **CORPORATE GOVERNANCE STATEMENT 2021**

<b>1 PREFACE</b>	<b>3</b>
<b>2 DESCRIPTIONS OF CORPORATE GOVERNANCE</b>	<b>3</b>
<b>2.1 Composition and activities of the Board of Directors</b>	<b>3</b>
2.1.1 Election of Board members	3
2.1.2 Plannind the composition of the Board of Directors	3
2.1.3 Description of the Board's activities	3
2.1.4 Details of Board members	4
2.1.5 Board of Directors' diversity principles	5
<b>2.2 Board Committees</b>	<b>5</b>
2.2.1 Appointments Committee	5
2.2.2 Working Committee	5
<b>2.3 President and CEO</b>	<b>5</b>
2.3.1 Deputy to the President and CEO	5
<b>2.4 Other Executive Board members</b>	<b>5</b>
<b>3 DESCRIPTIONS OF THE MAIN PRINCIPLES OF THE INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS</b>	<b>6</b>
<b>3.1 General description of risk management and internal control</b>	<b>6</b>
<b>3.2 Internal control and risk management related to the financial reporting process</b>	<b>7</b>
3.2.1 Key control procedures	7
3.2.2 Control activities	7
<b>4 KEY PROCEDURES FOR INSIDER MANAGEMENT</b>	<b>7</b>
<b>4.1 Insider management</b>	<b>7</b>
<b>4.2 Procedures governing the publication of information</b>	<b>8</b>
<b>5 RELATED-PARTY TRANSACTIONS</b>	<b>8</b>
<b>6 AUDITING</b>	<b>8</b>

## 1 PREFACE

**This is Raute Corporation's Corporate Governance Statement, which has been drafted in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act and with the Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association on September 19, 2019, and which is referred to in Raute Corporation's 2021 Report of the Board of Directors.**

The operations of Raute Corporation and its subsidiaries (Raute Group, Raute) are based on compliance with the legislation in effect, the regulations covered by the legislation, and ethically acceptable operating methods.

In 2021, Raute Corporation complied with the Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association on September 19, 2019.

Raute Corporation's administrative principles are based on the Finnish Companies Act, the Securities Markets Act and Raute Corporation's Articles of Association. Raute Corporation has in place a Board-approved Code of Conduct, which explains to personnel, partners and other stakeholders what Raute's demands and expectations are in terms of responsible and ethical operations. The Board of Directors has also issued instructions on the decision-making bodies' charters, and instructions on the division of responsibilities between the Board of Directors, the President and CEO and the Executive Board, as well as guidelines for organizing internal control and risk management.

Raute Corporation's Articles of Association and Code of Conduct and other information related to the company's governance and investor relations are available on Raute's website ([www.raute.com](http://www.raute.com)). Information concerning the company's administration and risk management is also included in the Annual Report and Financial Statements published on the company's website.

The Finnish Corporate Governance Code is also available to the public, for example on the Finnish Securities Market Association's website ([www.cgfinland.fi](http://www.cgfinland.fi)).

## 2 DESCRIPTIONS OF CORPORATE GOVERNANCE

### 2.1 Composition and activities of the Board of Directors

#### 2.1.1 Election of Board members

Board members are elected annually at the Annual General Meeting. According to the Articles of Association, the company's Board of Directors must have at least five and no more than seven members. The Annual General Meeting elects the Chair of the Board of Directors, the Vice-Chair and the members of the Board for the next term of office, which begins when the Board members are elected at the Annual General Meeting and ends at the following Annual General Meeting. The Board members do not have a special order of appointment.

#### 2.1.2 Planning the composition of the Board of Directors

The Appointments Committee prepares and presents for the Annual General Meeting a proposal on the number of Board members and the Board's composition.

When planning the Board's composition, the Appointments Committee of Raute's Board of Directors takes into account:

- the company's development stage and needs
- the areas of competence required by the tasks of the Board of Directors and its committees
- long-term needs and successor planning and the company's ownership structure

Key factors, in addition to the Board members' personal characteristics, are:

- the members' mutually complementary educational backgrounds and competence
- experience of an international operating environment and Raute's key sectors, project business, management and different business cultures

A person nominated as a member of Raute's Board of Directors must have the required competence for the tasks, must match the Board's competence profile and have sufficient time at their disposal for Board work. The independence of the Board members is assessed based on the independence criteria specified in the Finnish Corporate Governance Code for listed companies. Raute's goal is to take the diversity perspective into

account in the Board's nomination and evaluation process also in terms of nationality and age and gender distribution.

#### 2.1.3 Description of the Board's activities

The Board of Directors of Raute Corporation administers the company's operations in accordance with the regulations laid down in the law and the Articles of Association. The Board of Directors also acts as the Board for Raute Group, which handles and decides on all important issues that affect the entire Group or the operations of its units, regardless of whether the issue legally requires a decision from the Board of Directors. The Board of Directors may handle issues that concern any of the Group companies if the Board or President and CEO of the parent company deems it appropriate to do so.

The Board of Directors annually approves the charter, which contains the schedule of meetings and the most important themes of each meeting. The Chair of the Board of Directors and the Group's President and CEO prepare an agenda of items to be discussed at the meeting.

In 2021, in addition to statutory tasks and those defined in the Articles of Association, the Board discussed the company's strategy for the 2021–2023 period and the annual plan for 2022. On the basis of regular reporting by the company management, the Board has followed the development of the market and sales situation, the Group's profitability and the development of the balance sheet situation, and has reviewed profit and financial forecasts, approved the financial statements of 2020 and the interim reports of 2021, and discussed issues linked to remuneration. In addition, the Board of Directors has decided on key investments and met with the rest of the company's management. The Board has taken on the tasks of the Audit Committee. In this capacity, the Board has met with the external auditor three times. In the capacity of the Audit Committee, the Board's responsibilities include reviewing the company's financial statements and interim reports, verifying the independence of the auditors, estimating additional auditing services, and monitoring the internal control system, as well as the plans for internal and external audits. In 2021, the Board had an external In 2021, the Board used an external evaluator when reviewing the efficiency of the Board work and the Board's ways of working.

The Board held 12 meetings in 2021, with 100 per cent of the Board members present. The attendance of individual members was as follows: Laura Raitio 12/12, Mika Mustakallio 12/12, Joni Bask 12/12, Ari Harmaala 12/12, Pekka Suominen 12/12, and Patrick von Essen 12/12. Ten of the meetings took place remotely due to the Covid-19 restrictions.

#### 2.1.4 Details of Board members

On March 31, 2021 Raute Corporation's Annual General Meeting elected the Chair, Vice-Chair and four Board members to the Board of Directors.  
Puheenjohtaja:

##### Chair of the Board:

###### Laura Raitio

- b. 1962, Licentiate in Technology
- member of the Board since 2017, Chair of the Board of Directors as of 2019
- independent of the company and of major shareholders
- CEO, Diacor terveyspalvelut Oy 2014–2017, executive positions at Ahlstrom Oyj 1990–2014
- main positions of trust: member of the board, Suominen Oyj 2015–, Solidium Oy 2019–, Alko Oy 2021–; Chair of the Board of Directors, Helsinki Deaconess Institute Foundation sr 2017–, Boardman Oy 2019–
- Raute shares December 31, 2021: 1,000 Raute series A shares.



##### Vice-Chair of the Board:

###### Mika Mustakallio

- b. 1964, M.Sc. (Econ.)
- member of the Board since 2004
- dependent on the company and major shareholders
- chair of the Board 2021–, President 2006–2021, MORS Software Oy
- no simultaneous positions of trust
- Raute shares December 31, 2021: 62,100 Raute series K shares and 21,170 Raute series A shares.



##### Members of the Board of Directors:

###### Joni Bask

- b. 1975, M.Sc. (Eng.)
- member of the Board since 2012
- independent of the company, dependent on major shareholders
- Sr. Manager, Varian Medical Systems Finland Oy 2020–
- no simultaneous positions of trust
- Raute shares December 31, 2021: 17,790 Raute series K shares and 4,450 Raute series A shares.



###### Ari Harmaala

- b. 1961, B.Sc. (Eng.)
- member of the Board since 2019
- independent of the company and of major shareholders
- Senior Vice President, Sales and Customership, Metsä Fibre Oy 2011–
- key positions of trust: member of the Board, European Pulp Industry Sector (EPIS) 2016–
- Raute shares December 31, 2021: no shares



##### Pekka Suominen

- b. 1976, M.Sc. (Econ.)
- member of the Board since 2010
- dependent on the company and major shareholders
- Business Manager, Talentum Events Oy 2007–2012
- key positions of trust: member of Perheyrytsvaltuuskunta 2015–, member of Perheyrytysten liitto's Verkotu working group 2018–, member of the Board, Perheyrytysten liitto 2021–
- Raute shares December 31, 2021: 48,000 Raute series K shares and 62,429 Raute series A shares.



##### Patrick von Essen

- b. 1963, M.Sc. (Eng.)
- member of the Board since 2016
- independent of the company and of major shareholders
- Managing Director, Neste Engineering Solutions 2018–, President and CEO, Dovre Group Oyj 2014–2018
- no simultaneous positions of trust
- Raute shares December 31, 2021: 100 Raute series A shares



Vice-Chair of the Board of Directors Mika Mustakallio and member of the Board of Directors Pekka Suominen are dependent on the company, as they have served on the Board for more than 10 years. The Chair of the Board of Directors and the other members are independent of the company. Chair of the Board Laura Raitio and two Board members, Mr. Ari Harmaala and Mr. Patrick von Essen, are independent of major shareholders.

More detailed information on the acting Board of Directors and up-to-date member shareholder information can be found on Raute's website.

### 2.1.5 Board of Directors' diversity principles

The Appointments Committee strives to achieve a diverse Board composition that supports the achievement of strategic targets and development of the business.

Diversity is examined through a variety of factors that include the Board's age and gender distribution, the educational and professional backgrounds of the members, experience that is significant in terms of the position and personal characteristics. The purpose of the principles concerning diversity is to contribute to ensuring that the competence and experience of the Board as a whole, as well as the diversity of its composition are sufficient to meet the needs of Raute's business model and ownership structure. In terms of the gender distribution, the goal is for at least one member of each gender to be represented.

The Board of Directors assesses the achievement of diversity in its self-evaluation.

## 2.2 Board Committees

The Board of Directors appoints an Appointments Committee and temporary Working Committees from amongst its members to support the Board's work. The Board approves the key contents of the committees' Charter, and the committees regularly report on their work at the Board meetings. The Audit Committee's tasks are handled by the Board of Directors. The Board of Directors can also establish other committees.

### 2.2.1 Appointments Committee

The Board of Directors appoints an Appointments Committee. In the period from January 1–April 28, 2021, the Appointments Committee consisted of Board Chair Laura Raitio (Chair), and Board Vice-Chair Mika Mustakallio and Board member Pekka Suominen.

On April 28, 2021, the Board of Directors appointed an Appointments Committee for a new term, consisting of the Chair and a member of the Board of Directors and one external member. Due to the company's ownership structure, it has been considered, in deviation from the recommendations, justified that a representative of a large shareholder group who is

not a member of the Board of Directors is on the Appointments Committee. The task of the Appointments Committee is to prepare a proposal concerning Board members for the Annual General Meeting.

On April 28, 2021, Board Chair Laura Raitio, Board member Pekka Suominen and Mr. Ari Piik were appointed to the Board's Appointments Committee. The Appointments Committee convened three times in 2021, with all committee members in attendance.

### 2.2.2 Working Committee

For the preparation of matters of major importance, the Board of Directors can appoint a permanent Working Committee, which includes the Chair of the Board of Directors, the Vice-Chair and one Board member. The tasks of the Working Committee were handled by the Board of Directors in 2021.

## 2.3 President and CEO

Mr. Tapani Kiiski, born in 1962, Licentiate in Technology, has served as Raute Corporation's President and CEO since March 16, 2004. Kiiski is independent of major shareholders. At the end of 2021, Tapani Kiiski owned 25,626 series A shares.



Raute Corporation's President and CEO manages the tasks assigned to Presidents and CEOs in accordance with the Finnish Companies Act, and also serves as the President and CEO of the Group and as Chair of the Group's Executive Board. The President and CEO ensures that the accounting of the company is in compliance with the law and that its assets are managed reliably. The President and CEO represents the Group at the shareholders' meetings of subsidiaries and associates and acts as Chair of the subsidiaries' Boards of Directors, unless the Board decides otherwise in individual cases.

The President and CEO steers the Group's business operations via the Executive Board and the operative units. The directors

who oversee the operative units report to the President and CEO. The President and CEO implements the steering and monitoring of the operative units' tasks, with the assistance of the operations of the Executive Board and Group Administration.

### 2.3.1 Deputy to President and CEO

The deputy to Raute's President and CEO is CFO Tarja Järvinen, M.Sc. (Econ.), born in 1963. Järvinen is independent of major shareholders. At the end of 2021, Tarja Järvinen owned 1,000 series A shares.

## 2.4 Other Executive Board members

The task of the members of Raute Corporation's Executive Board is to manage, within their area of responsibility, the operative organization in accordance with the approved business strategy and set targets. The purpose of the Group's Executive Board is to support the President and CEO in business-related decision-making. The President and CEO functions as the Chair of the Executive Board.



The Group's Executive Board members' areas of responsibility were:

Name	Area of responsibility	Raute shares December 31, 2021
Tapani Kiiski, b. 1962, Licentiate in Technology President and CEO, Chairman	Tasks of the President and CEO, Chairman of the Group's Executive Board Sales and customer excellence functions	25,626 series A shares
Kurt Bossuyt, b. 1975, Engineer Executive Vice President, Basic Services	Services market	no shares
Marko Hjelt, b. 1969, M.Ed. Executive Vice President, CHRO	People excellence, safety	650 series A shares
Mika Hyysti, b. 1965, B.Sc. (Eng.) Executive Vice President, CTO	Innovations, products and services, R&D	4,176 series A shares
Tarja Järvinen, b. 1963, M.Sc. (Econ.) Executive Vice President, CFO	Finance, ICT and other business support, sustainability, Deputy CEO	1,000 series A shares
Timo Kangas, b. 1965, Engineer, MBA Executive Vice President, Power	Power market	1,910 series A shares
Jani Roivainen, b. 1974, B. Eng. Executive Vice President, Metrix	Metrix market	881 series A shares
Jukka Siiriäinen b. 1962, M.Sc. (Eng.) Executive Vice President, Grow	Grow market	no shares
Petri Strengell b. 1962, M.Sc. (Eng.) Executive Vice President, COO	Supply chain and quality	4,777 series A shares

### 3 DESCRIPTION OF THE MAIN PRINCIPLES OF THE INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS

#### 3.1 General description of risk management and internal control

Raute's risk management policy is approved by the Board of Directors. The Board of Directors has determined the Group's general attitude to risk and has approved the risk management policy on a general level. In addition, the Board has approved the financing policy for the company and handles the tasks of the Audit Committee. In that role, the Board is responsible for internal control and organizing risk management, and for monitoring their efficiency. The Board of Directors monitors the implementation of internal control. The Group's Executive Board has defined the Group's general risk management policy and operating policies, as well as the boundaries of the organization's powers.

The Group's President and CEO controls the implementation of the risk management principles in the entire Group, while the Presidents of the Group companies are responsible for risk management in their respective companies. The members of the Group's Executive Board are responsible for their own areas of responsibility across company boundaries. The Chief Financial Officer is responsible for the coordination of risk management. The President and CEO and the CFO regularly report significant risks to the Board.

There is no separate internal auditing organization in the Raute Group. Raute's Controller function oversees internal control, develops internal control and risk management procedures together with the rest of the organization, and monitors compliance with risk management principles, operational policies and powers. The absence of a separate internal auditing organization is taken into account in the planning of the annual internal control plan, the contents of Group reporting, audits based on quality control systems and the monitoring of subsidiaries.

The key risks associated with the company's international business are discussed in more detail in the company's financial statements release published on its website.

### **3.2 Internal control and risk management related to the financial reporting process**

Internal control and procedures related to Raute's financial reporting process have been developed to ensure that the financial reports published by the company present an essentially accurate and sufficient description of the Group's finances.

Raute's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards, IFRS. The interim reports for 2021, including the financial statements release, were prepared according to the IAS 34 Interim Financial Reporting standard.

#### **3.2.1 Key control procedures**

The Board controls the preparation of the Financial Statements via regular reporting from the management. In addition to the annual budget, the Group makes use of forecasts, which are drawn up regularly for each month of the next quarter and for the entire year, against which exceptions are analyzed and reported to the Board. The Board also controls Raute's financial situation on a quarterly basis, using risk management reporting, cash flow forecasts, and finance and balance sheet stress tests.

The Group's financial administration prepares the consolidated financial statements, under the control and steering of the CFO, who ensures that set schedules are kept, and goes over separate reports concerning control points and analyses which indicate any discrepancies with the forecast.

The consolidated financial statements are prepared on the basis of the data in the financial statements provided by other Group companies. The individuals responsible for the accounting of the other Group companies prepare those companies' financial statements according to local accounting practices and convert them according to the joint account charts of the Group reporting, and then report the information

to Group Administration according to the schedule set for other Group companies. The discrepancies between the local procedures of the other Group companies and the Group's IFRS accounting principles are entered into the Group-level accounting system. A VP Finance and business controllers are named within Group Administration to oversee the reporting schedule, analyze the reported data, control the conversion of the reported data to the Group reporting, and ensure that the business accounting and the management's reporting are consistent with one another.

The Group uses Business Reviews, in which the management of various operative units and line organizations report to the President and CEO and the CFO on the factors affecting the financial result of their area of responsibility, changes in forecasts and the most significant risks. The information compiled in the Business Reviews is used by the Group Administration's financial administration when preparing forecasts for the Group. Senior management reviews and approves the management's values, the Group's profit reporting and forecasts and draws up reports for the Board of Directors.

A significant share of the Group's net sales is generated by the parent company's customer contracts based on percentage of completion over time. The principles of revenue recognition based on percentage of completion are defined at the Group level and their application is controlled by the Group Administration's specified controllers. The timing and accuracy of forecasts for customer contracts recognized over time is the responsibility of the project manager named to the project or another appointed person. The risk management procedures that are applied in projects are included in the parent company's quality system and are adapted, where applicable, to other Group companies. Internal control is carried out through the use of regular financial administration project reviews, which involve the controller as well as the head of project implementation. The head of project implementation reports the key contractual risks and changes in the project-specific forecasts and their causes at Executive Board meetings.

#### **3.2.2 Control activities**

Internal control and risk management procedures related to the financial reporting process are developed and managed together by the CFO and the controller organization. The controller function monitors the efficiency of internal control and risk management during the reporting process and reports on anomalies and insufficient control to the CFO. The CFO decides on whether corrective operative measures related to the anomalies will be taken, and also reports on the problems and development needs to the President and CEO and the Board of Directors, as well as to the manager who holds operative responsibility.

The management of the operative units ensures that the Group's internal control and risk management procedures are abided by in their area of responsibility and that the information produced by the financial reporting of their organization is timely, comprehensive and correct.

## **4 KEY PROCEDURES FOR INSIDER MANAGEMENT**

### **4.1 Insider management**

Raute Corporation follows the Guidelines for Insiders issued by Nasdaq Helsinki Ltd, the Central Chamber of Commerce, and the Confederation of Finnish Industries EK. In addition, the company applies separate insider instructions approved by the Board of Directors. The CFO is in charge of insider issues in the company.

The obligations concerning the reporting and publication of the management's business transactions (management under the notification obligation) apply to the company's Board of Directors, President and CEO and CFO.

Insider management maintains a Confidential Information Recipient (CIR) list of persons who have continuous access to insider information. The CIR group includes persons who are committed to abiding by the company's closed period. The CIR list is not public.

The insider trading prohibition of persons under the notification obligation and in the CIR group begins at the end of the reporting period, however at least 30 days before the

publication of an interim report or financial statements and ends two hours after the publication of a corresponding stock exchange release. The company avoids investor communication meetings during the closed period.

In addition to what is mentioned above, the company maintains a list of projects. A project means an identifiable set of measures or an arrangement that is to be confidentially prepared by Raute, which is, according to Raute, insider information and whose publication Raute has decided to delay.

The company has an internal reporting channel (whistle-blower) for reporting any detected misconduct. Either the company's management or Chair of the Board of Directors, depending on what the report pertains to, investigates and handles any such reports.

#### 4.2 Procedures governing the publication of information

Raute's Board of Directors has approved for the company an investor communications policy that defines the key policies and practices for Raute's investor communications. Raute's investor communications include financial reports, websites, and various meetings with investors in which the Group's senior management participate actively. When permitted by the Covid-19 situation, Raute has organized press conferences in Helsinki in connection with the publication of the Financial Statements Review and Interim Reports in which analysts and investors are given the opportunity to meet the President and CEO and the CFO in person. If required by the pandemic situation, the press conferences have been organized through a video connection and the items discussed at the events have been the same as in face-to-face meetings. The company avoids investor communication meetings during insider trading prohibitions.

More information on the management of insider issues is available on the company's website.

#### 5 RELATED PARTY TRANSACTIONS

Raute Corporation complies with legislation related to related party transactions and ensures, in accordance with legislation and the Finnish Corporate Governance Code, that the requirements set for the monitoring, assessment, decision-making and reporting of related party transactions are complied with. Raute's related party policy, which includes the principles for monitoring and assessing related party transactions, has been approved by Raute's Board, which monitors and assesses related party transactions.

Raute has defined the related parties and Raute's financial administration maintains a list of the persons and entities that are related parties. Raute maintains up-to-date instructions on related party regulations and compliance with them. Requirements concerning related party transactions are also included in Raute's Code of Conduct.

Raute can carry out transactions with its related parties which are part of the company's regular business and carried out under normal commercial terms in accordance with the decision-making procedure that complies with the company's internal guidelines. Raute's Board of Directors decides on related party transactions that are not in accordance with Raute's regular business or that are not carried out in accordance with normal commercial terms, taking into account provisions on disqualification.

Related party transactions are monitored regularly by Raute's financial administration. Management members belonging to Raute's related parties are also obligated to report any related party transactions they have planned or have become aware of to Raute's related party administration without delay once the transaction has been brought to their attention. Internal control monitors conflict of interest situations. The results of related party transaction monitoring are regularly reported to the Board of Directors.

#### 6 AUDITING

At Raute Corporation's Annual General Meeting on March 31, 2021, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor, with Authorized Public Accountant Markku Launis as the principal auditor.

The remuneration paid to the auditor in 2021 for auditing was EUR 131 thousand.

Lahti, February 18, 2022

Raute Corporation  
Board of Directors





Raute Corporation

Rautetie 2  
P.O. Box 69  
15551 Nastola, Finland  
Tel. +358 3 829 11

firstname.lastname@raute.com  
ir@raute.com