

# Corporate Governance

Cinia Ltd

28 January 2022

This is an abridged version of the Cinia Group's more extensive internal guidelines.

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## 1.1. Ownership structure

Cinia Ltd is owned by the State of Finland as the main shareholder and institutional investors Ilmarinen Mutual Pension Insurance Company and Pohjola Insurance Ltd. The shareholders have signed shareholders' agreements to ensure the equal treatment of all shareholders. The company's main shareholder is the State of Finland, and the company complies with its principles of corporate governance. The company's goal is to develop shareholder value in the long term.

## 1.2. Business model and operating environment

Cinia is a Finnish data communications and IT conglomerate that offers network, software services and cyber security solutions. Cinia acts as a telecommunications operator and produces diverse IT expert and connection services, as well as development services for IT-intensive systems and software. Cinia operates its own communications networks or those owned by its customers. Cinia's customers include, inter alia, providers of services that are critical to society.

The Group has been divided into three operational business areas.

Network Solutions – Business line provides network solutions for companies and public administration in Finland and high-speed international connection services. Business Line also develops new regional fiber-optic network and provides construction, operation and supervision of them. In addition, the Business Line focuses on secure remote accesses and wireless networks in operational environments that have special demands.

Cyber Security Solutions – Business line is specialized in supervision and cyber security services.

Software Solutions – Business line's services consist of various software development services and digitization and analytics solutions.

Requirements set by the changing operating environment demand that decision-making structures and functions need to develop and change at all times. In addition, there are significant requirements for identifying any changes in the operating environment and making decisions.

## 2. The company's decision-making bodies and their tasks

### 2.1. Annual General Meeting

The Annual General Meeting exercises the highest decision-making power in the company. According to the Limited Liability Companies Act and the Articles of Association, its tasks include:

- deciding on any changes in the Articles of Association and share capital, as well as convertible and option loans or options;
- confirming the income statement and balance sheet, and deciding on the distribution of profit;
- discharging members of the Board of Directors and the CEO from liability;
- deciding on the number of members of the Board of Directors and auditors; and
- electing members and the chair of the Board of Directors, auditors and deputy auditors, and deciding on fees paid to members of the Board of Directors and auditors.

The AGM must be arranged so that shareholders can effectively exercise their rights.

Every shareholder has the right to take part in the AGM and exercise their power and vote on the basis of the shares they hold at the AGM. A single share produces a single vote.

The AGM normally convenes once a year. The AGM is held on a date set by the Board of Directors after the financial statements have been prepared, no later than by the end of June.

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It is recommended that the CEO and the chairman of the Board of Directors and if needed, a necessary number of members of the Board of Directors attend the AGM. The auditor may attend the AGM if the Board of Directors deems it necessary.

Otherwise, the wording of the Limited Liability Companies Act applies to the AGM and its arrangement.

## 2.2. Board of Directors

### 2.2.1. Tasks of the Board of Directors

The AGM elects members of the Board of Directors until the end of the next AGM. According to the Limited Liability Companies Act, the Board of Directors must see to the company's governance and the appropriate organisation of its operations. The company's Board of Directors is responsible for leading the company's operations thoroughly within the limits defined by the shareholders in the Articles of Association so that the company produces a profit, at least in the long term.

The Board of Directors must fulfil its loyalty obligation so that it acts in accordance with the principle of equality considering all shareholders. The Board of Directors must continuously monitor and assess the company's operations and financial standing, and supervise compliance with the decisions it has made, as well as the functionality, sufficiency and reliability of internal audit.

Accordingly, the Board of Directors:

- represents the company; approves the strategy and budgets; issues guidelines and regulations on the proper arrangement of governance and operations; sees to the proper arrangement of the supervision of accounting and asset management; appoints and discharges the CEO, and supervises their activities; decides on the scope of the company's operations and any irregular or far-reaching matters within the limits of the company's operations; represents the company and is authorised to sign for the company; provides, under the Articles of Association, the authorisation to sign for the company on the basis of a procurator; covers, is responsible for, on behalf of the company, and decides on any claims for compensation; is responsible for the company's operations, results and development; prepares matters to be discussed at the AGM; implements any decisions made at the AGM; decides on business and property transactions, business expansion and the withdrawal and granting of loans. The CEO tasks include to decide business related property transactions up to EUR 100 000; decides on the remuneration principles and rewarding of the top management and the remuneration principles of the personnel; maintains a list of shares and shareholders, and sees to the implementation of the redemption procedure in accordance with the Articles of Association; and carries out all the tasks that have not been assigned to other bodies in the Limited Liability Companies Act and the Articles of Association.

The chair and deputy chair of the Board of Directors must ensure and supervise that the Board of Directors carries out the tasks assigned to it in the legislation and the Articles of Association. If necessary, the chair, deputy chair and members of the Board of Directors must be available to the CEO and members of the top management.

The chair of the Board of Directors is responsible for ensuring that minutes of meetings of the Board of Directors are prepared, assisted by a secretary. A scrutineer must be selected to sign the minutes, and the minutes must be archived.

### 2.2.2. Members, composition and competence of the Board of Directors

The number of members of the Board of Directors and the composition of the Board of Directors must be defined so that the Board of Directors can effectively carry out the tasks assigned to it. According to the valid Articles of Association, the company has a Board of Directors, consisting of three to eight ordinary members, one of whom acts as the chair. With regard to the composition, the company's operations and different development stages must be taken into account. Each

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member of the Board of Directors must have the competence required and be able to allocate a sufficient amount of time to their tasks.

### 2.2.3. Activities of the Board of Directors

The Board of Directors convenes 6–14 times a year and whenever necessary. Unless otherwise agreed upon by all members of the Board of Directors, the invitation to meetings of the Board of Directors and the material required at each meeting is usually sent to the members five days before each meeting.

The Board of Directors can also hold meetings by telephone or e-mail. Minutes of telephone or e-mail meetings must be prepared, and they must be signed by all members of the Board of Directors who attended the meeting.

The tasks and responsibilities of the members of the Board of Directors or its chair and deputy chair have not been specifically assigned, but any separate responsibilities, roles and/or tasks can be decided on, if necessary, in order to secure the efficiency of the Board of Directors.

### 2.2.4. Judicial disqualification of a member of the Board of Directors

No member of the Board of Directors can take part in handling a matter that concerns an agreement between that member and the company. Furthermore, no member of the Board of Directors can take part in handling a matter that concerns an agreement between the company and a third person if the matter is expected to provide that member with specific interests that may be in conflict with the company's interests. In addition, no member can exercise their rights or otherwise exercise their right to speak on behalf of the company in the aforementioned situations.

Correspondingly, judicial disqualification also applies to members of the top management.

## 2.3. Recording meetings of the Board of Directors within the Group

All decisions significant considering the Group's business activities must be presented to the parent company's Board of Directors for approval.

According to the principles of the Limited Liability Companies Act, every limited liability company is an independent legal unit in which members of the Board of Directors are responsible for the organisation, monitoring and supervision of the company's business activities. As a result, decisions made in each company regarding matters belonging to that specific company must be recorded separately. In practice, this has been arranged slightly differently in each company regarding the arrangement of the operations of each company, organisation and corporate governance.

It should be noted that, in situations involving a possible conflict of interest between the parent company and its subsidiaries, each company must comply with the principle of good governance and examine the legal nature of the specific case from the specific subsidiary's point of view.

## 2.4. CEO

The Board of Directors elects the company's CEO. Key terms and conditions of the CEO's employment relationship must always be defined in writing in the CEO agreement.

This section applies to the CEO of the Group and the parent company, Cinia Ltd, not to the CEO of any individual subsidiaries.

On the basis of the Limited Liability Companies Act, the CEO is responsible for the routine administration of the company in accordance with the guidelines and regulations issued by the AGM and the Board of Directors. The CEO's tasks include:

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- leading and supervising business activities; leading and supervising the company's personnel; executing decisions made by the highest decision-making bodies; representing the company, for example, in courts of law and among authorities within the scope of the CEO's tasks; being responsible for the reliability of accounting and asset management; deciding on and being responsible for the remuneration of the personnel in accordance with the remuneration principles approved by the Board of Directors; being responsible for operational development, results and cash flow; and being responsible for giving information to the Board of Directors.

The CEO is not responsible for activities that, considering the scope and nature of the company's operations, are irregular or far-reaching. When the CEO assesses the decision-making method applied to each case, they must consider, for example, the following in order to decide whether or not to present the case to the Board of Directors for a decision:

- The scope of the case
- The duration of the project or agreement
- Minor opportunities to change or withdraw a decision made or to make a similar decision later
- A high number of unknown factors
- Difficulties to assess the consequences of making or not making a decision
- The nature of the decision as a precedent (e.g. decisions that are not individually significant but, in practice, lead to a situation where a similar procedure will be applied in similar cases in the future)
- The otherwise high significance of the case for the company (e.g. public image)

Regardless of the aforementioned, the CEO must always present the following matters to the Board of Directors:

- Agreements that have more than EUR 3.5 million financial lifecycle impact on the company
- Granting or withdrawal of loans
- Transfer of the company's fixed or financial assets
- Transfer of the company's intellectual property rights
- Property transactions that exceed EUR 100.000 and others without EUR limit.

Within the Cinia Group, all significant and major decisions must always be made in the parent company Cinia Ltd.

## 2.5. Other management of the company

The company's organisation has been divided into the following functions: Network Solutions, Cyber Security Solutions and Software Solutions.

The responsible manager of each function, together with the CEO, is responsible for the operations and operational arrangement of the organisation's functions. The CEO prepares the appointment and employment terms and conditions of the leader of each function (other management) and the Board of Directors decides on them (including consulting-based agreements). The Board of Directors or the chair of the Board of Directors decides on members to be appointed to the Executive Team following the one-over-one principle.

The CEO elects the company's other personnel and decides on their employment terms and conditions in accordance with general principles approved by the Board of Directors.

## Approval of the guidelines and other CG documents

Corporate Governance guidelines are revised at least once a year.

The Board of Directors has approved these guidelines on [21 April 2015].

The guidelines were revised on [20 October 2016, 13 April 2017, 15 March 2018 and 24 September 2019].

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The company's Board of Directors has approved the revised guidelines on [21 March 2018].  
The company's Board of Directors has approved the revised guidelines on [30 September 2019].  
The company's Board of Directors has approved the revised guidelines on [17 December 2020].  
The company's Board of Directors has approved the revised guidelines on [28 January 2022].