

## **RULES OF PROCEDURE OF THE BOARD OF DIRECTORS**

### **Competence of the Board of Directors**

The Board of Directors of SATO Corporation acts in accordance with the Articles of Association of SATO Corporation and valid legislation. The actions of the Board of Directors are governed by the Limited Liability Companies Act in particular. In the work of the Board of Directors are also regarded EU and Finnish regulation regarding issuers of financial instruments as well as the Finnish Corporate Governance Code 2015 issued by the Securities Market Association.

### **Members of the Board of Directors and their independence**

The Board of Directors of SATO Corporation consists of the between five and nine members elected by the general meeting. The general meeting appoints a member of the Board of Directors to serve as its Chairman. The Board of Directors elects one of its members to serve as deputy Chair.

A candidate for a seat on the Board must attend the general meeting at which his or her election is decided.

A person 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.

The term of office of members of the Board of Directors starts at the meeting where they are elected and ends at the end of the annual general meeting first following their election.

A majority of Board members shall be independent of the company. Additionally, at least two of the Board members in the said majority shall also be independent of the company's major shareholders. Independence of the company or of major shareholders is assessed in the manner laid down in the Finnish Corporate Governance Code.

The Board of Directors evaluates the independence of its members annually and announces which the Board members are deemed to be independent. Board members shall provide the Board with sufficient information that will allow the Board to evaluate their independence, and also notify the Board of any changes in such information.

The remuneration of Board and Committee members is decided by the general meeting.

## Duties of the Board of Directors

The duties of the Board of Directors are determined in accordance with company policy and the provisions of the Limited Liability Companies Act in force. The Board of Directors is responsible for the proper organisation of the administration and operations of the company. The Board of Directors is responsible for the proper organisation of the supervision of the company's accounts and finances. The Board deals with the operation of the Group's far-reaching and important matters of principle.

The duty of the Board of Directors is to promote the best interest of the company and all its shareholders. The members of the Board of Directors do not represent the interests of the parties which put them forward for election.

The company shall provide the members of the Board of Directors with sufficient information about the operations of the company.

The Board of Directors handles i.a. the following tasks

- to adopt and monitor the Group's business strategy,
- to adopt and monitor the Group's financing strategy,
- to adopt and monitor the Group's annual budget and action plan,
- to handle and adopt the proposal for the financial statements to the Annual General Meeting and interim reports,
- to approve the company's dividend policy,
- to convene the general meetings
- to decide on the release of stock exchange releases on the Group's financial standing and other stock exchange releases,
- to monitor the business area and competitors,
- to organise and supervise risk management,
- to organise internal control and internal audit and monitor their efficiency,
- to approve remarkable organisational changes to the Group on the motion of the President and CEO,
- to nominate and dismissal of the President and CEO (and, if considered necessary, the Deputy CEO) and decide the terms of his/her duty,
- to nominate and dismissal of the members of the Management Group and decide their wages on the motion of the President and CEO,
- to decide remuneration system for senior management and remuneration principles for other staff
- to decide on the matters specified in the Authorisation for decision-making in the SATO Group.

Matters will be addressed by the Board of Directors of the parent company of the SATO Group, SATO Corporation, regardless of which Group company the matter concerns.

In individual cases, the Board of Directors may decide on matters falling within the general competence of the President and CEO. The Board of Directors may also submit matters within the general competence of the Board or the President and CEO to the general meeting for decision.

## Board work and decision-making

The Board works and makes its decision at meetings of the Board. The Board convenes for 6–12 meetings each year. When necessary, the Board may also hold extraordinary meetings.

Board meetings shall be held in Helsinki or at another location determined by the Board. Board meetings may also take place in the form of conference calls or other communication tools.

A Board meeting schedule is adopted for each year. The materials for each meeting shall be submitted to Board members no later than three days prior to the meeting.

It is the duty of the Chairman of the Board of Directors to convene Board meetings. The Board shall also be convened at the request of any Board member or the President and CEO.

Board members unable to attend a meeting shall give advance notice to that effect to the Chairman of the Board or to the President and CEO.

The Board of Directors is quorate when more than half of its members are present. Only elected Board members are taken into account in this calculation. In this calculation, disqualified Board members are also deemed to be absent. Decisions may only be taken when all Board members, inasmuch as possible, have been afforded an opportunity to take part in the consideration of the matter.

The Board takes decisions by majority vote. In the event of a tie, the deciding vote is cast by the Chairman of the Board.

Board members may not take part:

- in the consideration of matters concerning agreements between them and the company;
- in the consideration of matters concerning agreements between the company and a third party from which the Board member may expect material benefit that may be in conflict with the best interest of the company; and
- in the consideration of matters concerning the relationship between the company and the Board member's employer or other interested party.

Members of the Board must give the Board immediate notice of any circumstances which may compromise the member's impartiality in the matter at hand or otherwise.

Board members are not assigned special duties or special areas of responsibility. The Board shall have collective liability for decisions taken at Board meetings unless the proposal supported by each member and the result of the vote is recorded in the minutes of the meeting or a Board member asks that his or her dissenting opinion on a matter decided by the Board be recorded in the minutes of the Board meeting.

The company's President and CEO may attend and address meetings of the Board of Directors. Board meetings will furthermore be attended by the secretary appointed by the Board. In addition the members of the Corporate Management Group of SATO, and the persons presenting the matters before the meeting as well as external advisors invited by the board may attend the meetings. Upon consideration of the financial statements, the auditor in charge designated by the audit firm responsible for auditing shall also be in attendance. He/she may also attend the meetings upon consideration of interim reports.

The meetings of the Board of Directors shall be minuted and the minutes shall be signed by the Chairman, the scrutiniser of the minutes elected from among Board members, and the secretary.

Members of the Board of Directors are subject to a duty of non-disclosure applying to all information about the company or other matters to which they have become privy on the basis of their membership. The duty of non-disclosure remains in effect until the information is made public. The members of the Board of Directors shall also observe SATO's Insider Guidelines.

### **Company representation**

The company is represented by its Board of Directors. Under Article 9 of the Articles of Association of SATO Corporation, the company is also represented by any member of the Board of Directors and the President and CEO each two together.

### **Committees**

The Board of Directors appoints from among its number a Nomination and Remuneration Committee and an Audit Committee, for which the Board of Directors has adopted rules of procedure. Each Committee shall consist of between three and five members appointed by the Board from among its number. The Board of Directors shall appoint the committee chairmen.

### **Attendance at general meetings**

In order to guarantee interaction between the shareholders and the management bodies of the company as well as the shareholders' right to ask questions, general meetings shall be attended by the Chairman of the Board of Directors and the Board members.

### **Orientation of Board members**

New members of the Board of Directors shall be oriented in the operations of the company. In the orientation process following his/her election, Board members shall meet the SATO's management, who will introduce him/her SATO's business operations, strategy and financial position as well as administrative functions.

### **Evaluation of Board performance**

The Board conducts an annual evaluation of its performance and working methods. The evaluation either takes place as internal self-evaluation or is carried out by an external evaluator.

The aim of evaluating Board performance is to gauge the Board's performance over the course of the year and to provide a basis for evaluating the Board's practices, composition and election of any new members.