

## CORPORATE GOVERNANCE STATEMENT 2015

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The administration of SATO Corporation is based on the Finnish Companies Act and SATO Corporation's articles of association. The company also complies with the Corporate Governance Code 2015, issued by the Finnish Securities Market Association. SATO Corporation shares are not publicly listed. The Corporate Governance Code is available publicly on the website [www.cgfinland.fi/en](http://www.cgfinland.fi/en).

SATO Corporation has issued corporate bonds, which are listed on the Finnish or Irish stock exchanges, and the company complies with their rules and regulations for listed bonds as well as the Securities Markets Act and the regulations of supervisory authorities. SATO Corporation's home exchange is Nasdaq OMX Helsinki Oy.

The company's Board of Directors approved insider guidelines for trading in SATO Corporation shares and other securities on 3 March 2015 and updated it on 17 December 2015.

SATO Corporation draws up its consolidated financial statements and interim reports in accordance with international, EU-approved IFRS reporting standards. The report of the company's Board of Directors and the parent company's financial statements have been drawn up in accordance with Finnish accounting legislation. Jones Lang LaSalle gives a statement about the values of SATO's housing portfolio and building land inventory and the appropriateness of the methods used to assess them.

Authority and governance of the company are divided among the General Meeting, the Board of Directors, and the President and CEO. SATO Corporation's current articles of association were registered on 15 March 2011.

### The General Meeting

The general meeting of shareholders is SATO Corporation's supreme decision-making body. The annual general meeting is to be held once a year within six months of the end of the financial year. An extraordinary general meeting is held when it is necessary according to the consideration of the Board of Directors or the Finnish Companies Act.

The annual general meeting decides on the matters due to it under the Companies Act and the articles of association, which include the following:

1. adopting the company's financial statements and consolidated financial statements
2. the application of the profit shown by the balance sheet
3. discharging the members of the Board of Directors and the President and CEO from personal liability

4. electing the members and Chair of the Board of Directors as well as an auditor
5. the remuneration of the Board members and the auditor.

A shareholder is entitled to propose an item permitted under the Companies Act for discussion by the general meeting with a written request submitted to the Board of Directors no later than four weeks before the meeting invitation is sent.

The notice of meeting will be sent to shareholders no more than three months and no less than three weeks prior to the meeting in a newspaper published in the capital city or demonstrably sent in writing as well as being displayed, together with appendices, on the company's website.

Entitlement to attend the general meeting is held by a shareholder who has been entered in the register of shareholders maintained by Euroclear Finland eight working days before the general meeting.

SATO Corporation has one series of shares. Each share confers entitlement to one vote at a general meeting.

### Shareholders' Nomination Committee

On 3 March 2015, the annual general meeting decided to establish a shareholders' Nomination Committee and approved its rules of procedure.

The Committee's task is to prepare proposals concerning the Board's composition and the remuneration of its members to the annual general meeting.

The shareholders' Nomination Committee includes representatives of SATO Corporation's four largest shareholders, which had been entered in the book-entry system on 1 October and which accept the position. The Chair of the company's Board of Directors serves as an expert member of the Committee. The Committee elects one of its members to serve as Chair.

The Committee's term of office begins in October each year, when the largest shareholders have named their representatives, and ends at the closing of the next annual general meeting.

A shareholder shall name as a member of the Committee a person independent of the company.

The composition of the first Committee was determined based on ownership on 1 October 2015 and included Erik Selin (BALDER), Reima Rytsölä (VARMA), Andrea Attisani (APG), Hanna Hiidenpalo (ELO) and the Chair of the Board of Directors, Esa Lager.

## Board of Directors

The general meeting elects no fewer than five and no more than nine members to the Board of Directors. The general meeting elects one member of the Board of Directors to serve as Chair of the Board. The Board of Directors elects one of its members to serve as Deputy Chair.

A majority of the members of the Board of Directors must be independent of the company, and at least two members of the said majority must also be independent of major shareholders. The term in office of the members of the Board of Directors lasts until the closing of the annual general meeting following the one at which they were elected.

The annual general meeting, which convened on 3 March 2015, elected to the Board of Directors Esa Lager (b. 1959, LL.M., M.Sc. (Econ.)) as Chair of the Board and, as ordinary members, Andrea Attisani (b. 1971, business economy degree, Snr Portfolio Manager), Jukka Hienonen (b. 1961, M.Sc. (Econ.)), Tarja Pääkkönen (b. 1962, D.Sc. (Tech.)), Niina Rajakoski (b. 1970, M.Sc. (Tech.), developer manager), Timo Stenius (b. 1956, M.Sc. (Tech.), vice president) and Ilkka Tomperi (b. 1975, D.Sc. (Econ.), investment director). The Board of Directors elected Jukka Hienonen as its Deputy Chair. The extraordinary general meeting, which convened on 22 October 2015, stated that Niina Rajakoski had resigned from her position as Board member and elected as a new Board member Erik Selin (b. 1967, B.Sc. (Econ.), CEO).

All Board members are independent of the company, and Jukka Hienonen, Esa Lager and Tarja Pääkkönen are also independent of the major shareholders.

Information about the Chair and members of the company's Board of Directors, as well as their holdings, can be found on the company's website, [www.sato.fi/governance](http://www.sato.fi/governance).

The company's Board of Directors is responsible for the proper organisation of the company's governance and its operations. It is the duty of the Board of Directors to promote the interests of the company and all its shareholders. In 2015, the Board of Directors convened on 12 occasions. Members of the Board of Directors participated in the meetings as follows: Esa Lager 12/12, Andrea Attisani 11/12, Jukka Hienonen 10/10, Tarja Pääkkönen 12/12, Niina Rajakoski 7/9, Erik Selin 3/3, Timo Stenius 8/10 and Ilkka Tomperi 11/12.

SATO Corporation's Board of Directors has confirmed the rules of procedure applied to the duties, meeting procedures and decision-making practices of the Board of Directors. The rules of procedure can be found on the company's website, [www.sato.fi/governance](http://www.sato.fi/governance). In addition to matters for decision, the Board of Directors receives up-to-date information on the company's operations, economy and risks at its meetings.

In addition to the duties specified by the Companies Act, the Board of Directors decides on matters which, taking into account the extent and size of the Group's operations, have considerable importance to the Group's business. The duties of the Board of Directors include the following:

1. confirmation of the Group's business strategy and monitoring its implementation
2. confirming and monitoring the annual budget and the action plan
3. dealing with financial statements, annual report and interim reports
4. confirming the company's dividend policy
5. supervision of risk management and internal control as well as supervising the effectiveness of the internal audit.

The Board of Directors also appoints the company's President and CEO and their deputy, and the members of the Corporate Management Group, and determines the terms of their employment.

The Board of Directors performs an annual, internal self-evaluation of its activities and its working methods. The purpose of the self-evaluation is to verify how the Board's activities have been performed during the year and to serve as a basis for assessing the Board's method of operating.

Principles concerning the Board's diversity will be defined during the financial year 2016.

## The Committees of the Board of Directors

At the organisational meeting held annually after the annual general meeting, the Board of Directors appoints an Audit Committee and a Nomination and Remuneration Committee. The Audit Committee and the Nomination and Remuneration Committee are comprised of between three and five members, chosen by the Board of Directors, one of whom serves as Chair.

The Board of Directors has confirmed rules of procedure for the Committees. The Committees have no independent decision-making authority. Their task is to prepare matters for decision by the Board of Directors and the annual general meeting and they continuously report their actions to the Board of Directors. Their rules of procedure can be found on the company's website, [www.sato.fi/governance](http://www.sato.fi/governance).

Serving on the Audit Committee in 2015 were Chair Ilkka Tomperi and members Tarja Pääkkönen, Niina Rajakoski (until 22 October 2015) and Timo Stenius. All the members are independent of the company, and Tarja Pääkkönen is also independent of the major shareholders.

Serving on the Nomination and Remuneration Committee in 2015 were Chair Esa Lager and members Andrea Attisani and Jukka Hienonen. All the members are independent of the company and Esa Lager and Jukka Hienonen are also independent of the major shareholders.

The Audit Committee convened three times and the Nomination and Remuneration Committee convened three times during the financial year 2015. The members of both Committees participated in all Committee meetings.

## President & CEO

The Board of Directors appoints the company's President and CEO and their deputy. The duties of the President and

CEO are defined by law, the articles of association, and guidelines supplied by the Board of Directors. The President and CEO attends to the ongoing management of the company in accordance with the rules and regulations supplied by the Board of Directors. The President and CEO is responsible for the Group's business operations, their planning, and the attainment of the set goals. The President and CEO serves as Chair of the Corporate Management Group.

The President and CEO is M.Sc. (Tech.) Saku Sipola (b. 1968), who started in his post on 16 November 2015. B.Sc. (Eng.) Erkkä Valkila (b. 1953), who had previously held the post, resigned due to retirement. Tuula Entelä (b. 1955), LL.M., B.Sc. (Econ.), is deputy to the President and CEO. Information about the President and CEO and their deputy, as well as their holdings, can be found on the company's website, [www.sato.fi/governance](http://www.sato.fi/governance).

## The Corporate Management Group

The Corporate Management Group deals with all key issues for the management of the Group, such as matters related to the strategy, budgeting, investments, business planning, and financial reporting. The Corporate Management Group's duties include the implementation of the decisions of the Board of Directors under the leadership of the President and CEO. The Corporate Management Group has no authority under law or the articles of association; it serves as a body assisting the President and CEO.

In the financial year 2015, the Group's Corporate Management Group was comprised of SATO Corporation's President and CEO; Vice Presidents Tuula Entelä and Pasi Suutari; Director, Customer Relationships and Communications Monica Aro; and Chief Financial Officer Esa Neuvonen. Information about the members of the Corporate Management Group, their tasks and areas of responsibility, as well as their holdings, can be found on the company's website, [www.sato.fi/governance](http://www.sato.fi/governance).

The Corporate Management Group convenes once a week.

## Communications

SATO's website is used for publishing the main information on the company's administration. All of the company's disclosures and the main management presentation material on the company's economy may be seen immediately after publication on the company's website [www.sato.fi/press-releases](http://www.sato.fi/press-releases) and [www.sato.fi/for-investors](http://www.sato.fi/for-investors).

SATO makes disclosures with stock exchange bulletins and it makes sufficient information available to shareholders on its website [www.sato.fi/for-investors](http://www.sato.fi/for-investors) on the value of its issued bonds or on matters of significant bearing on SATO's liquidity.

SATO publishes an annual report each financial year and interim reports three times a year.

## Internal control

The aim of the internal control is to help to verify the effi-

ciency, productiveness and reliability of the Group's operations, and to confirm the compliance of operations with the law and other regulations. The Group's internal control systems are in place in order to verify that the financial reports issued by the company give essentially correct information on the financial standing of the Group. The Group has determined Group-wide principles for the key spheres of its operations, which form the basis for internal control.

Responsibility for the arrangement of the internal control is held by the Board of Directors and by the President and CEO. Each member of the Board of Directors is sent a monthly report on the Group's financial situation and operating environment. The Audit Committee of the Board of Directors oversees the effectiveness of internal control and the accuracy of financial reporting. Responsibility for the performance of internal control is held by the operational organisation of the entire Group, in such a way that each Group employee is responsible to his or her supervisor at all times for the supervision of his or her sphere of responsibility.

The content of the reporting process and compliance with regulations are the responsibility of the Group's financial administration. The Group's financial reporting process complies with the Group's operational guidelines and process descriptions as well as control measures for ensuring the quality of reporting. The controls on the reporting process have been specified on the basis of a control risk assessment matrix for the process. The types of controls include system controls, specifications, or audits or actions carried out by management or another party. Responsible parties have been allocated for controls and they are in charge of the implementation and effectiveness of the controls.

The interpretation and application of accounting standards has been consolidated in the hands of the Group's financial administration, which maintains operating guidelines on financial reporting, process descriptions, calculation manuals and control mechanism descriptions and attends to the associated in-house communications. The Group's financial administration also oversees compliance with these instructions and procedures. The monitoring of the budgeting and reporting processes is based on the Group's reporting principles, and the Group's financial administration is responsible for their definition and centralised maintenance. The principles are applied uniformly throughout the Group and a standardised Group reporting system is in use.



### Risk management

SATO's risk management is based on the systematic risk assessment embodied in the strategic and annual planning process. Risk assessment also covers the risks of the financial reporting process. Business risks are categorised as strategic and operative risks as well as financing and market risks. The controls on the financial reporting process are specified on the basis of a separate survey of reporting process risks.

Responsibility for the arrangement of risk management is held by the company's Board of Directors and the President and CEO. The internal audit and internal control support the Board of Directors in performing its duty of supervision. The mission of the Audit Committee elected by the Board of Directors from among its membership is to assess the adequacy and appropriateness of risk management processes and risk management. The Audit Committee reports to the Board of Directors, which supervises the risk management.

### Internal audit

Internal audit supports the Board of Directors in performing its duty of supervision.

The internal audit assesses, independently and systematically, the functionality, efficiency and appropriateness of the Group's management and governance systems, as well as the business processes and risk management. In its reports, the internal audit makes recommendations for the improvement of systems and processes.

The duties of the internal audit are handled by Ernst & Young Oy. A review of the internal audit is sent once or twice a year to the Audit Committee and management. The internal audit reports are sent not only to the executive management but also to the Chairs of the Board of Directors and Audit Committee. The Audit Committee deals with the annual plan for internal auditing and the Board of Directors approves them. The subjects for auditing are selected in accordance with the Group's strategic goals, estimated risks and priorities.

### Audit

The annual general meeting elects a single auditor for the company, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and their duties end at the closing of the annual general meeting following the one at which they were elected. The auditor for the financial year 1 January to 31 December 2015 was KPMG Oy Ab. The auditor in charge at the auditing firm was Lasse Holopainen, M.Sc. (Econ.), APA. The audit checks the accounts, financial statements and administration of the company and Group. Information concerning fees paid to the auditor can be found in the Report on salaries and remuneration.

### Related party business

A key employee included in the management of SATO Corporation is obligated to report in writing to the person in charge of related party issues any related party business that involves the key employee in question, their close family member or corporation in which said employee or their close family member hold authority or have prominent influence.

The report must be submitted for approval before completing the related party transaction. In the case of major transactions, the Board of Directors will make a decision on whether to accept the reported related party transaction. In the case of transactions that are part of SATO's regular business, or minor transactions valued less than EUR 10,000, the decision can be made by the Chair of the Board, the President and CEO or the CFO. Regulations concerning incompetence due to the likelihood of bias are observed in decision making.

The closeness of the related party relations and the size of the transaction are taken into account, as well as any exceptions from market conditions, whether the transaction is part of SATO Group's daily business, whether there are financial grounds for the transaction and whether it is acceptable from the viewpoint of SATO Group.

### Insider trading management

SATO Corporation's rules concerning insider trading are based on the Finnish Securities Markets Act and they comply with the standards of the Financial Supervisory Authority and the guidelines of the Finnish and Irish stock exchanges where these apply to a party issuing listed bonds.

SATO Corporation maintains insider guidelines and a company-specific (non-public) register on insiders. Insider information is information that concerns the ability of SATO Corporation and the SATO Group to fulfil their commitments in respect of bond issues. The Finnish Financial Supervisory Authority is entitled to receive information on the contents of the company-specific register on insiders. The insider guidelines include principles concerning trade in SATO securities.

A project-specific register on insiders may be started by a decision of the Board of Directors, the President and CEO or the Corporate Management Group.

## REPORT ON SALARIES AND REMUNERATION, 2015

### The Board of Directors and auditors

The remuneration to be paid to the members of the Board of Directors and auditors is decided by the annual general meeting. The annual general meeting, which convened on 3 March 2015, decided that the Chair of the Board of Directors was to be paid EUR 36,000, the Deputy Chair was to be paid EUR 22,000 and the members of the Board of Directors were to be paid EUR 18,000 for their term in office. It was also decided to pay the Chair of the Board of Directors and the members EUR 500 per meeting. It was decided to pay the Chairs of the Committees and the members EUR 500 per meeting. The proposal for remuneration is prepared by the shareholders' Nomination Committee.

The fees for the members of the Board of Directors in 2015 totalled EUR 194,150. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

It has been decided to pay the auditors' fee on invoice. Auditing fees paid by the SATO Group for auditing services during the financial year 2015 amounted to EUR 118,188 and fees for non-auditing services were EUR 152,868.

### The President and CEO and the Group's other management

The criteria and payment of the salaries and bonuses paid to the President and CEO and to the members of the Group's Corporate Management Group are decided by the company's Board of Directors on the basis of a proposal by the Nomination and Remuneration Committee. Persons employed by the Group are not paid separate remuneration when serving as a member of the Board of Directors or as a President of a Group company.

The salary and other perquisites of the Presidents and CEOs in 2015 amounted to EUR 480,437, of which EUR 357,007 was fixed salary and the variable component was EUR 123,430. The salary and other perquisites of the other members of the Corporate Management Group amounted

to EUR 854,461, of which EUR 671,738 was fixed salary and the variable component was EUR 182,723. The variable component includes bonuses based on long- and short-term incentive systems.

The Vice President serving as deputy to the President and CEO was covered by an additional pension insurance, which ended on 31 December 2015. Based on the additional pension, the Vice President's retirement age is 60 years. At that time, the Vice President is entitled to a pension of 60% of the pensionable salary.

The members of the Group's Corporate Management Group are covered by an annual incentive scheme based on the Group's profit, measured customer experience and income from business in St. Petersburg. The Board of Directors approves the criteria for and payment of bonuses.

The purposes of the long-term incentive scheme are to combine the goals of the management with those of the shareholders in order to increase company value, improve competitiveness, and promote long-term financial success. The Board of Directors has decided to start a new long-term incentive scheme from the beginning of 2013. The bonus is based on an increase in the Group's net assets. The scheme includes three three-year earnings periods and a bonus cap. The commitment effect for each earnings period will continue for about 18 months after the earnings period. In the review period, the scheme encompassed 16 key personnel in the Group.

The Board approves result-based bonuses