

# Corporate Governance Statement 2018

## INTRODUCTION

Biohit Oyj has prepared this Corporate Governance Statement on the basis of Section 54 of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association. Biohit Oyj has appended its remuneration statement for the 2018 financial period to this statement.

The Corporate Governance Statement has been issued separately from the Report of Biohit Oyj's Board of Directors. The Board of Directors reviewed the Statement at its meeting on 18 February 2019.

The Report of the Board of Directors, the Auditor's Report and the full Corporate Governance Statement are available at [www.biohit.fi/investors](http://www.biohit.fi/investors).

## RULES OBSERVED BY BIOHIT

Biohit Oyj is a Finnish public limited company whose series B shares are listed on Nasdaq Helsinki in the Small cap/Healthcare group. Biohit Group (hereinafter referred to as "Biohit") comprises the parent company, Biohit Oyj, and its foreign subsidiaries, which primarily focus on sales and

marketing for Biohit Oyj's products. Biohit is headquartered in Helsinki.

Biohit's governance complies with applicable legislation, standards and recommendations concerning public listed companies, the regulations of Nasdaq Helsinki Ltd, and Biohit Oyj's Articles of Association. Biohit Oyj has administered its affairs in compliance with the corporate governance code for Finnish listed companies 2015, and this Statement has been prepared in accordance with the code. The Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

One of the members of the five-person Board of Directors is independent of the company, so the company does not fulfil recommendation number 10 stating that the majority of the members of the Board of Directors must be independent of the company. The company strives to comply with high international standards of corporate governance and the key principles of corporate governance among Finnish listed companies.

## BIOHIT'S ADMINISTRATIVE BODIES IN 2018

The highest decision-making power at Biohit is exercised by the company's shareholders at the Annual General Meeting. The company's Board of Directors supervises the administration and organisation of the company and the Group's earnings trends. The President & CEO is responsible for operative management and he is assisted by the Management Team.

## Annual General Meeting

In 2018, Biohit Oyj held its Annual General Meeting on 25 April 2018 in Helsinki. 2,878,310 series A shares and 5,054,431 series B shares were represented at the meeting, corresponding to 53.28% of all of the shares in the company and 87.67% of the votes. The meeting was attended by three of the five members of the Board of Directors, the President & CEO and the principal auditor.

## Extraordinary General Meeting

In 2018, Biohit Oyj held also its Extraordinary General Meeting on 16 August 2018 in Helsinki. 2,108,000 series A shares and 4,840,686 series B shares were represented at the meeting, corresponding to 46.64% of all of the shares in the company and 65.80% of the votes. The meeting was attended by two of the five members of the Board of Directors, the President & CEO and the principal auditor. Additionally new Board candidate which was elected was present.

## Board of Directors

The Board of Directors, which comprises 5–7 members elected by the Annual General Meeting, is responsible for the administration and appropriate organisation of Biohit's business operations. Proposals concerning membership of the Board of Directors are prepared by the Board of Directors. Biohit has defined the principles applying to diversity within the Board of Directors in accordance with recommendation 9 of the corporate governance code. Biohit's objective is for both sexes to be represented on the company's Board of Directors. In line with this objective, the Board of Directors had members of both sexes until October 2018 resignation by Stina Syrjänen.

The Board of Directors elects a chairman from amongst its members.

Board members' terms of office run from the date of their election by the AGM until the end of the next AGM.

The Board's areas of responsibility are stated in the written rules of procedure approved by the Board. They are as follows:

- Increasing shareholder value
- Ensuring the appropriate organisation of accounting and financial management
- Approving Biohit Oyj's financial statements, consolidated financial statements and the Report of the Board of Directors for the most recent financial period
- Approving the half year financial report annually for the period ending at the end of June
- Deciding on Biohit's business plan, budget and investment plan
- Deciding on Biohit's financing and risk management policies
- Approving the remuneration and incentive schemes for senior managers
- Appointing the President & CEO
- Deciding on Biohit's strategy, organisational structure, investments and other wide-reaching and significant issues

The Board's decision-making is based on reports prepared by the company's operative management on the operational development of the Group and its business units.

The Chairman is responsible for convening Board meetings and arranging the work of the Board. The Board convenes 5–12 times per year, usually meeting once per month or once every two months, and the meeting schedule for the entire term is confirmed in advance. When necessary, Board meetings are held more frequently or by teleconference.

## Board of Directors in 2018

Until the Annual General Meeting held on 25 April 2018, the following five people were on the Board of Directors: Osmo Suovaniemi (chairman), Eero Lehti, Stina Syrjänen, Franco Aiolfi and Matti Härkönen. At the Annual General Meeting on 25 April 2018, Osmo Suovaniemi (chairman), Eero Lehti, Stina Syrjänen, Franco Aiolfi and Matti Härkönen were re-elected to the Board of Directors until the end of the Annual General Meeting in 2019. The Board of Directors elected Osmo Suovaniemi as its chairman.

At the Extraordinary General Meeting on 16 August 2018 Liu Feng (Managing Director of Biohit Healthcare (Hefei) Co. Ltd) was elected as new member to serve until the end of the Annual General Meeting in 2019.

Stina Syrjänen resigned from the Board of Directors on 16 October 2018.

Biohit Oyj's Board of Directors convened 5 times in 2018 (6 times in 2017). The average attendance was 91 per cent (91 per cent).

## Biohit Oyj's Board of Directors on 31 December 2018

**Professor Osmo Suovaniemi** (b. 1943), MD, PhD

- Member of the Board since 1988 and Chairman since 2011
- Non-independent of major shareholders and of the company
- Founder of Biohit and its former President & CEO
- Attended 5 Board meetings in 2018
- Direct shareholding: series A shares: 2,018,310; series B shares: 0

**Franco Aiolfi** (b. 1947), Degree in Pharmacy awarded by the University of Urbino

- Member of the Board since 2013
- Independent of the major shareholders but non-independent of the company
- Attended 5 Board meetings in 2018
- Direct shareholding: no Biohit shares
- Indirect shareholding: Managing Director of Euroclone S.p.A. (formerly Polyfin S.p.A.) and a majority shareholder in Euroclone S.p.A. and in Biobrick through Arsfina Consult Srl. Euroclone is the leading distributor of biotechnology application instruments on the Italian market. Euroclone S.p.A. owns 92,807 series B shares.

**Matti Härkönen** (b. 1933), MD, PhD, Emeritus Professor

- Member of the Board since 2017
- Non-independent of major shareholders and of the company
- Doctor of Medicine and Surgery (MD, PhD) and Emeritus Professor of Clinical Chemistry at the University of Helsinki
- Responsible for Biohit Oyj's clinical laboratory research and related development work. Also serves as scientific advisor to Biohit Oyj.
- Attended 5 Board meetings in 2018
- Direct shareholding: series A shares: 57,200; series B shares: 267,965
- Indirect shareholding via Oy Tech Know Ltd, a company under his control: series A shares: 24,990; series B shares: 43,600

**Eero Lehti** (b. 1944), MSc (Soc. Sci.), holder of the Finnish honorary title of "kauppaneuvos", honorary doctor of economics

- Member of the Board since 2009
- Independent of the major shareholders and of the company
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended 3 Board meetings in 2018
- Direct shareholding: series B shares: 2,000

**Liu Feng** (b. 1972), General manager of Hefei Medicine Co., Ltd, Owner of Biohit Healthcare (Hefei) Co., Ltd.

- Member of the Board since 2018
- Independent of the major shareholders and non-independent of the company
- Special researcher at the Counselor's Office of Anhui Provincial People's Government
- The vice chairman of the Chinese National Early Gastrointestinal-Cancer Prevention & Treatment Center
- Alliance member of the council of the China Health Promotion Foundation
- Indirect shareholding via Biohit Healthcare (Hefei) Co., Ltd.: series A shares: 850 000, B shares: 4 095 415

## Board committees

The scope of Biohit's business operations does not require the appointment of an Audit Committee, and no other committees have been appointed to assist the Board.

## President & CEO

The President & CEO is responsible for the day-to-day management of the company in accordance with the instructions and regulations issued by the Board of Directors. The President & CEO of the parent company is elected by the Board and also acts as Group President. He also ensures the appropriate organisation and legality of the company's accounting and asset management. The terms of employment of the President & CEO are based on a written contract that is approved by the Board of Directors. The President & CEO cannot be elected Chairman of the Board. Semi Korpela, MSc (Econ.) was the President & CEO of Biohit during the financial period.

### **Semi Korpela** (b. 1970)

- MSc (Econ.)
- With Biohit Oyj since 2011
- Previously held the position of CFO at Biohit Oyj from 2003 to 2006. After that, Korpela was CFO of CPS Color Group.
- Direct shareholding: series B shares: 14,746

## Group Management Team

The composition and areas of responsibility of the Group's Management Team were as follows: Semi Korpela (President & CEO), Jukka Kainulainen (finance, ICT, HR), Minna Mäki (R&D and production), Ilari Patrakka (sales and marketing) and Daniela Söderström (quality and registration).

### **Jukka Kainulainen** (b. 1982)

- MSc (Econ.)
- Finance, HR, ICT
- With Biohit Oyj since 2018
- Previously: Business Controller at Capgemini and Tieto, Head of Group FP&A at Affecto and Controller team lead at CGI.
- No direct shareholding

### **Ilari Patrakka** (b. 1980)

- MSc (Econ.)
- Sales and Marketing Director
- With Biohit Oyj since 2012
- Previously: retail sales channel manager at Marioff Corporation Oy, marketing and export manager at Gasmot Technologies Oy, sales manager at Gasmot Technologies (Asia) Ltd.
- Direct shareholding: series B shares: 4,116

### **Minna Mäki** (b. 1969)

- Ph.D. (Molecular microbiology)
- R&D and Production Director
- With Biohit Oyj since 2018
- Previously: Work Package Manager and at the R&D department at Orion Diagnostica Oyj, R&D director at Mobidiag Oy and researcher at the University of Helsinki.
- No direct shareholding

### **Daniela Söderström** (b. 1987)

- MSc (Tech.)
- Quality and Regulatory Affairs Director
- Daniela Söderström has been working for Biohit Oyj in the field of quality management since 2014.
- No direct shareholding

## Management of subsidiaries

The Managing Directors of the subsidiaries are responsible for the management of subsidiary operations and report to the President & CEO of the parent company. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The managers of subsidiaries operate under the management and supervision of Biohit's President & CEO. In 2018, the Managing Directors of Biohit's subsidiaries were: Graham Johnson (United Kingdom) and Franco Aiolfi (Italy).

The personal details and shareholdings of Biohit's Board of Directors and operative management are available at [www.biohit.fi/investors](http://www.biohit.fi/investors)

## **REMUNERATION STATEMENT**

### **Decision-making procedure concerning remuneration and main principles of remuneration**

#### **Remuneration of members of the Board of Directors**

The Annual General Meeting approves the fees of Biohit Oyj's Board of Directors. A decision was made at the Annual General Meeting on 25 April 2018 to pay a fee of EUR 1,500 per meeting to the chairman and the other members of the Board of Directors.

The remuneration paid to the other members of Biohit Oyj's Board of Directors is decided by the company's Board of Directors in accordance with the company's rules on related-party transactions, which are described on section "related-party transactions".

#### **President & CEO and other company management**

The Board approves the President & CEO's remuneration and terms of employment. The notice period of the President & CEO and the members of the Management Team and the remuneration for these parties during the notice period is determined in accordance with the Employment Contracts Act.

The President & CEO approves the remuneration and terms of employment of members of the Management Team. Biohit's Board of Directors approves the principles of the incentive schemes for Management Team members and the President & CEO. Bonuses are determined on the basis of the net sales and earnings trends in each person's area of responsibility. The maximum bonus that can be received depends on each person's monthly salary and can total no more than 40% of annual salary. No bonus was paid to the President & CEO and Management Team members in 2018.

The President & CEO approves the salaries and profit-based incentives of subsidiaries' Managing Directors in accordance with the instructions provided by Biohit's Board of Directors. Profit-based incentives are dependent on sales and profitability trends for each unit's product segments.

In 2013, Biohit introduced an incentive system offering stock options to company managers and employees. A total of 65,198 new series B shares in the company were subscribed under stock options in 2018. The share subscription price under the stock options in question was EUR 2.2766 per share. On 31 December 2018, there were 113,552 stock options in circulation. The deadline for exercising

stock options under the options programme is 31 May 2019. According to the terms and conditions of the stock option programme, stock options can be executed or sold on when they have been earned.

No new stock option programmes are in effect for 2019. CEO and the management team members are covered by an incentive scheme, which is based on the reaching of annually set targets. The targets are mainly linked to the net sales and results of the whole company. The target levels of management's bonuses are 20% of the total compensation. The Board of Directors will set and approve the financial targets for the CEO and the Management Team members

#### **Pension plans**

No other pension arrangements, beyond those mandated by law, have been made with the Managing Directors of Group companies.

## Remuneration and other benefits 2018

### Remuneration of members of the Board of Directors

Member of the Board of Directors	Position on the Board of Directors	Board of Directors' fees (€ 1,000)	Other remuneration (€ 1,000)	Total remuneration (€ 1,000)
Osmo Suovaniemi	Chairman	8	205	213
Matti Härkönen	Member	8	–	8
Eero Lehti	Member	5	–	5
Stina Syrjänen	Member	5	–	5
Franco Aiolfi	Member	8	27	35
Liu Feng	Member	5	–	5
Total		36	232	268

### Companies under the control of members of the Board of Directors

	2018	2017
Franco Aiolfi, Euroclone S.p.A	66	82
Matti Härkönen, Oy Tech Know Ltd.	55	53
Franco Aiolfi, Biobrick	25	25
Total	146	160

During the financial period that ended on 31 December 2018, the remuneration paid to members of the parent company's Board of Directors totalled EUR 36,000 (EUR 33,100 in 2017). Osmo Suovaniemi was paid EUR 213,000 (EUR 201,000 in 2017) for his services as a member of the scientific advisory board. Board member Franco Aiolfi is the Managing Director of Biohit Oyj's subsidiary, Biohit Healthcare S.r.l. and he received remuneration of EUR 35,000.

Biohit has a consultancy agreement with Oy Tech Know Ltd, a company controlled by Board member Matti Härkönen. On the basis of this agreement, Oy Tech Know Ltd was paid consultancy fees of EUR 55,400 based on the work done by Matti Härkönen. Biohit has agreements with Euroclone S.p.A and Biobrick, and the companies are controlled by Board member Franco Aiolfi. Companies deliver finance, IT, quality and premises services to Biohit Italy. On the basis of these agreements, Euroclone S.p.A and Biobrick were paid EUR 91,000 during the 2018 financial period.

## Remuneration for the President & CEO

Salary and benefits (€ 1,000)	2018	2017
Salary	202	202
Short-term incentives	-	-
Long-term incentives	86	291
Total	288	494

## Remuneration for members of the Management Team (excluding the President & CEO)

Salary and benefits (€ 1,000)	2018	2017
Salary	524	553
Short-term incentives	-	-
Long-term incentives	11	263
Total	535	816

## MAIN CHARACTERISTICS OF INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS AND RISK MANAGEMENT

Biohit's internal control is responsible for ensuring that the Group carries out its business operations within the framework of current regulations and legislation and in accordance with the instructions of the Board of Directors. Internal control seeks to ensure that the Group operates with maximum efficiency and that efforts are made at various levels of the organisation to achieve the objectives set in the strategy approved by the Board of Directors. Risk management is geared towards supporting the achievement of these objectives by anticipating and managing business-related risks.

### Control environment

Biohit's business operations and administration aim to realise the company's values, of which the most important is to promote health and wellbeing through innovation. Biohit will continue to focus on its diagnostics business and products that bind acetaldehyde – the areas where the company conducts global operations in manufacturing, sales and marketing.

Biohit's control environment is defined by the Board of Directors, which, as the highest administrative body, is responsible for organising internal control. The President & CEO is responsible

for maintaining the efficiency of the control environment and the functionality of internal control. Biohit's financial department is responsible for the functionality of financial reporting as well as the interpretation and application of financial statement standards in line with the separately approved instructions.

### Risk assessment

In the assessment of risks related to financial reporting, Biohit's objective is to identify the major risks associated with the Group's business operations and environment. The cost-effective management and monitoring of these risks will then ensure that the company's strategic and operational targets can be reached as intended.

The Board of Directors carries the main responsibility for risk assessment and monitoring the implementation of risk management. The President & CEO works with the parent company's operative management and subsidiaries' managers to ensure that the Group's risk management is duly arranged. The parent company's operative management is responsible for identifying and managing the risks involved within each business area, while the subsidiaries' Management Teams are responsible for those in their own market areas.

Risk management is one of the areas covered by Biohit's internal control processes, which regularly

monitor the risks associated with the company's business operations, identify any changes and, if necessary, take appropriate action to hedge against them. Risk management focuses on ensuring the continuity of business operations and preventing financial misconduct.

### **Control measures**

Internal control measures are integrated into the Group's general business management and reporting process. The subsidiaries report to Group Management on business and earnings trends and the most significant deviations on a monthly and quarterly basis. The Group's Management Team reports to the Board of Directors on the overall development of business; these two bodies, together with the President & CEO, decide on overall corporate strategies and procedures guiding the operations of the Group.

The subsidiaries' Boards follow business developments and ensure that the parent company's approved instructions and guidelines are followed. As a rule, the Boards of Directors of the subsidiaries meet monthly. Board work in the subsidiaries is based on financial reports and the written monthly and annual reports drawn up by subsidiary management.

Biohit's business control is carried out in accordance with the management system described above. The company provides the reporting systems necessary for business and financial management. The financial department of the parent company provides instructions for drawing up annual and interim financial statements and prepares the consolidated financial statements.

The parent company's finance department retains central control of funding and administrative matters within the framework of the instructions provided by the Board of Directors and the President & CEO, and is also responsible for the management of interest and exchange rate risks. The Managing Directors of the subsidiaries ensure that the subsidiaries' reporting is carried out in accordance with the instructions given by the Group's Management Team.

The parent company's administration department controls and provides instructions on Group-level personnel policies and any agreements made within the Group.

### **Disclosure policy**

Biohit aims to provide all of its stakeholders with information about the company's operations in a proactive, consistent and timely manner. The company seeks to take the special requirements

and interests of all its stakeholders into account in its communications in order to increase confidence in the company and thereby promote its business operations. Biohit's Board of Directors has approved an information release policy with a view to ensuring the accuracy and reliability of any information released. The policy also specifies who is responsible for communications in different situations.

Biohit's financial department regularly provides information on processes related to financial administration reporting. This ensures the real-time availability of data, which is a prerequisite for efficient internal control.

Financial administration guidelines and the company's information release policy aim to ensure the promptness and comprehensiveness of communications and the release of information required for internal control purposes.

### **Monitoring**

The efficiency of internal controls on financial reporting is overseen by the Board of Directors, the President & CEO, Management Team members, and the Managing Directors of subsidiaries. Control focuses on following weekly and monthly financial reports and forecasts, and analysing any deviations from business plans. Monitoring is performed at all Board and Management Team meetings where reports are reviewed. It is supported by regular

contact between Group Management and the company's auditor, and analysis of any deviations, which occurs at least once per quarter.

The audit frameworks for the Group's subsidiaries and key audit areas are jointly defined by the Group's financial management and the chief auditor. Biohit has not appointed a separately organised function for internal auditing purposes.

The Group has internal control reporting systems required for financial management and monitoring business development. The reporting systems produce monthly financial data, so that financial management can ensure compliance with the parent company's approved instructions on matters such as authorisation.

The Group's auditor and the auditors of each subsidiary evaluate the effectiveness of the internal control system both in connection with the external audit and through spot checks throughout the financial period.

## **AUDIT 2018**

The auditor elected by the AGM is responsible for Biohit's statutory audit. According to the Articles of Association, the company must have one auditing body approved by the Central Chamber of Commerce. The 2018 Annual General Meeting re-elected auditing firm PricewaterhouseCoopers Oy as the company's auditor for a one-year term, with Pasi Karppinen, Authorised Public Accountant, as chief auditor.

## **Auditor and auditor's fees**

The 2018 Annual General Meeting decided to pay auditor's fees in accordance with the auditor's invoice. The Group's invoiced auditors' fees for the 2018 financial period totalled EUR 110,000 (EUR 69,000 in 2017). In addition to this, PricewaterhouseCoopers Oy was paid a total of EUR 14,000 for other services (EUR 30,000 in 2017).

## **RELATED-PARTY TRANSACTIONS**

The company keeps a list of its related parties, and it regularly engages in transactions with some of these parties. These transactions are related to the company's ordinary business activities, they are appropriate in terms of the company's operations and they are executed on ordinary market terms. The company's financial management monitors and supervises related-party transactions as part of the company's normal reporting and supervision practices. Relevant transactions between the company and its related parties are reported annually in the notes to the company's consolidated financial statements. The company's Board of Directors makes all relevant decisions concerning related-party transactions. Decision-making is based on particularly thorough preparation and appropriate reports, statements and estimates. Preparation of related-party transactions, decision-making and approval have been arranged to take account of disqualification rules and appropriate decision-making entities.

## **INSIDERS**

Biohit applies the Guidelines for Insiders approved by Nasdaq Helsinki Ltd, as well as any relevant amendments.

Biohit's President & CEO is responsible for insider control. He ensures that people who handle insider information are aware of insider regulations and adhere to trading restrictions. Insiders are not allowed to trade Biohit Oyj securities for 30 days before the publication of the company's financial statement bulletin and interim reports. Insiders participating in projects are not allowed to trade shares in Biohit before an announcement has been made of the continuation or discontinuation of a project.

Information on the shareholdings of Biohit's insiders and their trading activity is available on Biohit's website at [www.biohit.fi/investors](http://www.biohit.fi/investors).