



# CORPORATE GOVERNANCE STATEMENT

2015



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## Corporate Governance Statement

DNA Ltd (“DNA” or “company”) is a Finnish telecommunications Group providing high-quality voice, data, and TV services to private customers and corporations. The company conducts its business directly or through its subsidiaries. Parent company DNA Ltd and its subsidiaries form the DNA Group. The company is domiciled in Helsinki, Finland.

DNA operates in accordance to its Articles of Association and the Finnish Limited Liability Companies Act as well as the applicable rules and regulations of the Securities Market Act and other legislation in force in Finland. DNA also complies with the recommendations of the Finnish Corporate Governance Code 2010 issued by the Securities Market Association, except for Recommendation 1 (Information on general meetings to shareholders) and Recommendation 51 (The company’s insider administration). DNA departs from Recommendation 1 by not making the information mentioned in the recommendation available on the company website. DNA departs from Recommendation 51 by not maintaining a public insider register. Both departures are due to the fact that the company does not have any listed instruments.

DNA’s Audit Committee has audited this corporate governance statement.

The Finnish Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi). DNA will issue its Corporate Governance Statement for the financial year starting on 1 January 2016 according to the recommendations of the new Finnish Corporate Governance Code that came into force on 1 January 2016 (in 2017).

### Governing bodies

DNA Ltd aims at open, transparent and responsible governance and management.

The obligations and responsibilities of DNA’s governing bodies are determined by Finnish legislation. In decision-making, DNA adheres to the Finnish Limited Liability Companies Act and the Articles of Association.

DNA’s governing bodies comprise the General Meeting, the Board of Directors and the CEO. The Executive Team assists the CEO in the management of the Group.

> [CORPORATE GOVERNANCE STATEMENT \(PDF\) >>](#)



## General Meeting

The General Meeting is the highest decision-making body of DNA, held at least once a year.

General Meetings are convened by the Board of Directors. The Annual General Meeting (AGM) is held within six months of the end of the financial year. According to the Articles of Association, the meeting discusses matters that fall within the scope of its responsibility, and any proposals to the AGM.

Extraordinary General Meetings can be organised by the Board of Directors as required. The Board must call an Extraordinary General Meeting if an auditor or shareholders with a total of 10 per cent of all DNA shares so demand.

### Notice and agenda of the General Meeting

Unless otherwise stipulated in the Finnish Limited Liability Companies Act, the notice of the Annual General Meeting is sent to shareholders no earlier than two (2) months and no later than nine (9) days before the record date of the General Meeting. Notices are posted to the addresses listed in the shareholder list, or published as an announcement in at least one nationwide newspaper designated by the Board of Directors. Notices are posted to shareholders who are registered in the book-entry system maintained by Euroclear Finland Ltd on the General Meeting record date. The record date of the meeting is eight (8) business days before the meeting. The notice includes the agenda for the meeting.

DNA shares are linked to the book-entry system maintained by Euroclear Finland Ltd.

### Duties of the General Meeting

According to the company Articles of Association, the responsibilities of the General Meeting include

- Adopting the company's income statement;
- Deciding on the distribution the profit shown on the balance sheet;
- Discharging the members of the Board of Directors and the CEO from liability for the financial period;
- Confirming the number of members in the Board of Directors, electing them and deciding on their remuneration; and
- When necessary, electing the auditor and deciding the auditor's remuneration.

The General Meeting may also make decisions on other matters falling within its competence according to the Limited Liability Companies Act, such as amendments to the Articles of Association, issue of new shares as well as repurchase of company's own shares.

According to the Limited Liability Companies Act, a shareholder may have a matter falling within the competence of the General Meeting dealt with by the next General Meeting. The shareholder must send this request to the company, along with the related grounds and proposal, well in advance of the meeting so that it can be included in the notice of the AGM.

### Registration

Registration for the General Meeting takes place no later than on the due date specified in the notice of the General Meeting. Each shareholder may attend the General Meeting in person, or by means of a representative. A shareholder or representative may have an assistant present at the General Meeting.

### Presence of the Board of Directors, committee members and the CEO

The Chairman of the Board of Directors, sufficient number of members of the Board and its committees as well as the CEO shall attend the General Meeting. The auditor must attend the Annual General Meeting. A person standing for election as a member of the Board of Directors for the first time shall be present at the General Meeting deciding on the nomination, unless there are weighty reasons for said person's absence.

## Voting

The company has one share series. A share entitles to one vote at General Meetings. As stipulated in the Finnish Limited Liability Companies Act, a proposal supported by more than half of the votes shall constitute a decision of the Annual General Meeting. However, the Limited Liability Companies Act stipulates that several matters, including the amendment of the Articles of Association and a directed share issue, require a decision by a qualified majority, i.e. at least two thirds of the votes cast and the shares represented at the meeting.

The company [Articles of Association](#) include a redemption provision and acceptance clause. The right to vote at General Meetings and the redemption of company shares are restricted by shareholder agreements.

## Annual General Meeting 2015

DNA Ltd's Annual General Meeting was held on 26 March 2015. According to the proposal by the Board of Directors, the AGM agreed to pay a dividend of EUR 3.54 per share for the financial year 2014. No dividend will be paid for treasury shares held by the company itself. The AGM adopted the financial statements and discharged the Board of Directors and the CEOs from liability for the period 1 January to 31 December 2014.

## Board members, committees and remuneration

DNA Ltd's Board of Directors had the following members 1 January to 26 March 2015: Jarmo Leino (Chairman), Kirsi Sormunen, Anu Nissinen, Jukka Ottela, Tero Ojanperä and Anssi Soila.

Number of Board members was confirmed to be six by the AGM of 26 March 2015. For the period until the next AGM, re-elected members of the Board include Jarmo Leino (Chairman), Kirsi Sormunen, Anu Nissinen, Jukka Ottela and Tero Ojanperä while Margus Schults was elected as a new member.

At the constitutive meeting of the Board of Directors held subsequent to the AGM:

- Jarmo Leino was re-elected Chairman of the Board;
- Kirsi Sormunen was re-elected as the chair and Anu Nissinen and Jukka Ottela as members of the Audit Committee;
- Jarmo Leino was re-elected as chair and Kirsi Sormunen, Anu Nissinen and Jukka Ottela as members of the Remuneration Committee.

The AGM decided on the following annual remuneration: EUR 144,000 for the Chairman of the Board and EUR 48,000 for the members of the Board. Each member of the Board of Directors can choose to receive 40 per cent of their annual remuneration in DNA shares. The AGM also decided on the following payments per meeting: for each member of the Board and Committee Chairmen, EUR 1,050 per person and for each committee member, EUR 525 per person.

## Establishment of a permanent Nomination Committee

The AGM of 26 March 2015 decided to establish a Nomination Committee comprising of shareholders or their representatives tasked with the preparation of proposals for the Annual General Meeting regarding Board members' election and their remuneration. The AGM approved the written charter of the Nomination Committee. The Nomination Committee was established until further notice by the AGM.

The committee consists of three members appointed by the shareholders for a one-year term. The three shareholders entered in the company's shareholders' register maintained by Euroclear Finland Ltd whose portion of the votes produced by all the shares in the company according to the shareholders' register are the greatest on 1 September shall have the right to appoint members representing shareholders.

In 2015, the members of the committee were Esa Haavisto (appointed by Finda Oy), Seppo Vikström (appointed by PHP Holding Oy) and Esko Torstila (appointed by Ilmarinen Mutual Pension Insurance Company).

## Board of Directors

The Board of Directors is responsible for properly organising DNA's administration and operations. According to the company Articles of Association, the DNA Board of Directors comprises five to seven ordinary members elected by the General Meeting. A person who has reached the age of 68 cannot be elected to the Board of Directors. When electing members to the Board of Directors, the requirements laid down by the company's operations and development phase shall be considered. Both genders shall be represented on the Board.

The term of office of a member of the Board of Directors begins immediately at the end of the Annual General Meeting and expires at the end of the Annual General Meeting following the election. If a membership becomes available in the middle of the term of office, a new member is elected for the remainder of the term.

The Board of Directors meets regularly approximately once per month, and as and when deemed necessary. A memo is written for each meeting.

A quorum is constituted by the presence of more than half of the members of the Board of Directors. In the event of a tie, the vote shall be decided by the casting vote of the Chairman of the Board. If there is a tie in an election of a person, the election shall be decided by drawing lots. As stipulated by law, a member of the Board of Directors shall be disqualified from the consideration of a matter that involves a conflict of interest.

The Board of Directors elects the committee Chairs and members from among its members at its annual constitutive meeting. The Board of Directors has confirmed a written charter on the duties of the committees. The committees regularly report to the Board of Directors on the matters discussed and actions required at the next Board meeting following the committee meeting.

### Independence of directors

According to Recommendation 14 of the Finnish Corporate Governance Code, the majority of the directors shall be independent of the company. In addition, at least two of the directors representing this majority shall be independent of significant shareholders of the company.

The Board of Directors evaluates the independence of its members annually. All six members of the Board were deemed to be independent of the company. Chairman of the Board Jarmo Leino was deemed to be not independent of major shareholders. He has been appointed to the Board by Finda Oy, which is a significant shareholder. Jukka Ottela is also not independent of major shareholders. He has been appointed to the Board by PHP Holding Oy. The other four members of the Board were deemed independent of major shareholders.

### Duties of the Board

The Board of Directors is responsible for properly organising the company's administration, operations, accounting and asset management. The Board of Directors has confirmed a written charter on the duties of the Board of Directors, matters on the agenda, meeting practices and the decision-making process. According to the charter, the Board of Directors handles and decides on matters that are significant to the Group's finances, business or principles.

**According to its charter and the Limited Liability Companies Act, the Board has the following duties:**

- Seeing to the administration of the company and the appropriate organisation of its operations (general competence);
- Arranging the control of the company accounts and asset management in an appropriate manner;
- Electing the chairman from among the members for each term of office;
- Appointing and dismissing the Group CEO;
- Appointing the deputy CEO and Members of the Group Executive Team based on the CEO's proposal;
- Deciding on the salaries and remunerations of the above-mentioned persons and their incentive scheme;
- Deciding on the strategy of the Group and its business units;
- Controlling the implementation of the strategic objectives and business plans of the Group and its business units;
- Deciding on strategically or financially significant investments as part of the annual company budget, business acquisitions and divestments, business transactions and contingent liabilities; any significant investments outside the annual budget are to be confirmed separately;
- Confirming the Group values and other general Group principles by means of operating instructions; and
- Confirming the Group's personnel strategy and annual personnel and training plans and deciding on the personnel incentive and reward scheme.

The Board of Directors conducts a regular internal self-evaluation of its operations and working methods.

## The Board of Directors in 2015

The Board convened 10 times in 2015. The participation rate of the Board of Directors in the meetings was 98 per cent. In addition to its regular duties, the Board focused on strengthening DNA's corporate business, cost-efficiency of investments, cooperation related to the shared mobile communication network constructed by Suomen Yhteisverkko Oy, fast changes in the operating environment of entertainment business as well as the efficiency of DNA's ICT infrastructure.

## Members of the Board of Directors





## Jarmo Leino

Chairman of the Board

b. 1951

Master of Laws, Master of Laws with court training  
Finda Oy, CEO since 2010

### **Main previous experience**

Advocate, Asianajotoimisto Jarmo Leino Oy 1980–  
2010

### **Main positions of trust**

Omnitele Ltd, Chairman of the Board since 2011

Member of DNA's Board of Directors since 2006,  
Chairman since 2010. Chairman of the  
Remuneration Committee (RC) since 2011.

Independent of the company, not independent of  
major shareholders. Nominated to the Board by  
Finda Oy, which is DNA's largest shareholder.



## Jukka Ottela

b. 1953

M.Sc. (Econ), Master of Laws

Esan Kirjapaino Oy, CEO since 1994

### Main previous experience

Onninen Oy, Director Wholesale Division 1990–1994

### Main positions of trust

PHP Holding Oy, Chairman of the Board since 2009

Mutual Pension Insurance Company Ilmarinen,

member of the Supervisory Board since 2013

Sanomalehtien liitto, Member of the Board since 2010

PHP Liiketoiminta Oyj, Chairman of the Board since 2009

Member of DNA's Board of Directors since 2010.

Member of DNA's Audit Committee since 2011.

Member of DNA's Remuneration Committee since

2014. Independent of the company, not

independent of major shareholders. Nominated to

the Board by PHP Holding Oy, which is DNA's

second largest shareholder.



## Margus Schults

b. 1966

PhD, Electrical Engineering

TallinkSilja Oy, CEO since 2009

### Main previous experience

Tallink Silja Oy, CEO since 2009

Tallink Group AS, Head of Organisational

Development and Investor Relations 2008–2009

SEB, business development, strategy and human resource management positions in Tallinn, Riga and Stockholm 1994-2008

### Main positions of trust

Directors' Institute of Finland, member since 2013

Finnish Shipowners' Association, Board member since 2012

Finnish Estonian Trade Association, Deputy Chairman since 2012

Helsinki Region Chamber of Commerce, Council member since 2012

Member of DNA's Board of Directors since 2015. Independent of the company and major shareholders.



## Kirsi Sormunen

b. 1957  
M.Sc. (Econ)

### **Main previous experience**

Nokia Oyj, various management positions in financial administration and corporate responsibility in Finland and abroad 1993–2013  
Nokia Oyj, various specialist and managerial roles in corporate treasury since 1982

### **Main positions of trust**

Neste Oil Oyj, Member of the Board and Member of the Audit Committee since 2013  
Sitra, Member of the Board since 2013

Member of DNA's Board of Directors since 2014.  
Chair of DNA's Audit Committee and Member of DNA's Remuneration Committee since 2014.  
Independent of the company and major shareholders.



## Tero Ojanperä

b. 1966

PhD, Electrical Engineering

Visionplus Oyj, Managing Partner and Co-Founder

### **Main previous experience**

Nokia Oyj, Chief Strategy Officer, Head of Nokia Research Center, CTO and other management positions in 1990–2011, member of the Group Executive Board 1990–2011

### **Main positions of trust**

Tampere University of Technology, Chairman of the Board of Directors since 2012

Veikkaus Oy, Member of the Board since 2013

Kiosked Oy, Chairman of the Board since 2014

Tailorframe Oy, Chairman of the Board of Directors since 2013

Smilestream Oy, Chairman of the Board of Directors since 2015

Member of DNA's Board of Directors since 2014. Independent of the company and major shareholders.



## Anu Nissinen

b. 1963

M.Sc. (Econ)

Era Content Oy, Partner, Chairman of the Board since 2016

### Main previous experience

Sanoma Media Finland, CEO 2011–2013

Sanoma Entertainment Finland, President 2008–2011

Helsinki Television/Welho, Managing Director 2004–2008

### Main positions of trust

F-Secure Oyj, Member of the Board since 2010

Silli Solutions Oyj, Member of the Board since 2014

Kesko Oyj, Member of the Board since 2015

Viestilehdet Oy, Member of the Board since 2015

Member of DNA's Board of Directors 2010–2011 and again from 2014. Member of DNA's Audit Committee and Remuneration Committee since 2014. Independent of the company and major shareholders.

## Board committees

The Board of Directors elects the Audit and Remuneration Committee and, whenever necessary, other committees at its annual constitutive meeting that takes place after the AGM. The Board appoints the members and Chairs of the committees and also has the power to discharge them. The committees prepare suggestions for items that will be decided in the Board of Directors' meetings. The committees have no independent power of decision.

## Audit Committee (AC)

The AC comprises a chairman and at least one member elected annually by the Board of Directors from among Board members. The members of the committee must be sufficiently competent and experienced. They must be independent of the company, and at least one of them has to be independent of major shareholders. The committee meets at least four times a year.

### Duties

The Board specifies the duties of the AC in the AC charter. According to its charter, DNA's Audit Committee assists the Board of Directors in carrying out its financial reporting and control, risk management, and internal and external audit responsibilities. The committee reports regularly to the Board of Directors.

#### The duties of the AC include the following:

- Monitoring the reporting process of financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the company's internal control and risk management systems;
- Performing a quarterly review to confirm the accuracy of the company's financial result with financial managers and auditors;
- Monitoring and discussing significant financial risks and managerial actions to monitor, control and report on said risks;
- Reviewing significant findings by the auditors and the related management responses;
- Evaluating significant trials and other litigation matters with the Senior Vice President, Legal Affairs, as required;
- Monitoring business transactions by company management and the related parties, and possible related conflicts of interest;
- Reviewing the Corporate Governance Statement;
- Evaluating the independence of the statutory auditor or auditor firm, particularly the provision of related services to the company; and
- Preparing a proposal on the election of the auditor to the AGM.

The Audit Committee may have additional tasks, as deemed appropriate to the fulfilment of its responsibilities.

### Audit Committee (AC) in 2015

From 1 January to 31 December 2015, the Audit Committee members included Kirsi Sormunen (Chair), Anu Nissinen and Jukka Ottela. The AC convened six times in 2015, with a participation rate of 100 per cent.

In 2015, the AC reviewed reports on the Group's financial position, including the Group's Financial Statements Release and interim reports, and made recommendations on them to the Board of Directors. The committee also reviewed reports issued by external and internal audit and financing and risk management as well as issues related to data security and information security at the company.

## Remuneration Committee (RC)

The RC comprises a chairman and at least two members elected annually by the Board of Directors from among Board members. The majority of the members must be independent of the company. The CEO or any other member of the company management cannot be a member of the RC. The committee meets at least twice a year.

### Duties

The Board specifies the duties of the RC in the RC charter. According to its charter, DNA's Remuneration Committee assists the Board of Directors in the preparation of issues related to the remuneration of DNA's management, key employees and personnel. The committee reports regularly to the Board of Directors.

**The main duties of the RC include the preparation of the following matters for consideration by the Board of Directors:**

- Deciding on salaries, pensions terms and other benefits, other key terms of agreement and any exceptional agreement terms of the CEO and Executive Team;
- Establishing short- and long-term incentive schemes for company management and personnel;
- Planning possible successors to the CEO and Executive Team members.

**The committee may have additional duties deemed appropriate to its task of assisting the Board of Directors in areas such as the following:**

- Matters pertaining to the appointment of the CEO and Executive Team members;
- Principles according to which the management participates in the work of subsidiary and third-party Boards;
- Principles and practices related to personnel incentives;
- Essential organisational changes;
- Review of the remuneration and salary statement included in the annual Corporate Governance Statement.

### Remuneration Committee (RC) in 2015

From 1 January to 31 December 2015, the Remuneration Committee comprised Jarmo Leino (Chair), Kirsi Sormunen, Anu Nissinen and Jukka Ottela. The RC convened two times, with a participation rate of 100 per cent.

In 2015, the RC monitored the implementation, results and follow-up of the GPTW (Great Place to Work) survey and prepared the incentive and performance-based payment scheme and its numeric objectives for 2016 for the Board of Directors.

## Shareholders' Nomination Committee

The AGM of 26 March 2015 decided to establish a permanent Nomination Committee comprising of shareholders or their representatives tasked with the preparation of proposals for the Annual General Meeting regarding Board members' election and their remuneration. The Nomination Committee was established until further notice by the AGM.

The committee consists of three members appointed by the shareholders. A majority of the committee members must be independent of the company. The CEO or any other member of the company management cannot be a member of the Nomination Committee. The three shareholders entered in the company's shareholders' register maintained by Euroclear Finland Ltd whose portion of the votes produced by all the shares in the company according to the shareholders' register are the greatest on 1 September shall have the right to appoint members representing shareholders.

In 2015, the members of the committee were Esa Haavisto (appointed by Finda Oy), Seppo Vikström (appointed by PHP Holding Oy) and Esko Torstila (appointed by Ilmarinen Mutual Pension Insurance Company).

# The CEO and the Executive Team

## The CEO

The CEO is nominated by the Board of Directors. The terms of the CEO's employment are specified in a written CEO agreement.

The duties of DNA's CEO are as specified in the Limited Liabilities Company Act. The CEO independently attends to the executive management of the company according to the strategic guidelines, operational plans and general principles approved and confirmed by the Board of Directors.

### The CEO has the following duties:

- Ensuring that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner;
- Managing the daily operations of the company according to strategic principles and objectives confirmed by the Board of Directors;
- Preparing proposals for resolutions and matters for Board meetings and presenting them to the Board and its Committees;
- Preparing the proposal for Executive Team members to the Board;
- Using the owner's right to speak and vote in subsidiaries (including the election of subsidiary Board members and managing directors) or nominating a person authorised to do so;
- Chairing the DNA Executive Team and extended Executive Team.

[Jukka Leinonen](#) has been DNA's CEO since 2013.

## Group Executive Team

The Group Executive Team comprises the CEO, Senior Vice Presidents of the Group's business segments, the CFO, Senior Vice President, Technology, Senior Vice President, Legal Affairs, Senior Vice President, Human Resources, Senior Vice President, Strategy and the CIO. The CEO is the Chairman of the Group Executive Team. Members of the Executive Team are nominated by the Board of Directors. The team convenes regularly at least twice a month. Additional meetings are organised when necessary.

DNA Executive Team helps the CEO in the management of the Group.

### Its duties include the following:

- Implementing the Group's long-term strategic objectives;
- Coordinating Group management;
- Preparing the Group business plans, budget and investment plan and monitoring the Group's financial development;
- Preparing significant investments as part of budget preparation, making separate decisions on proposals for possible additional investments;
- Managing and developing the Group brands;
- Preparing matters and reports for Board of Directors' meetings;
- Managing activities that drive organic growth;
- Preparing matters pertaining to business and company acquisitions, managing related acquisition processes and making decision proposals for the Board of Directors;
- Preparing matters and decision-making pertaining to internationalisation;
- Deciding on Group-level development initiatives and main supplier selections;
- Approving Group-level principles, procedures and guidelines;
- Specifying risk management strategies, processes and emphasis;
- Internal control according to the principles approved by the Board of Directors.

## Extended Executive Team

Personnel representatives attend meetings of the Extended Executive Team, which meets at least once per quarter. The Extended Executive Team decides on important matters pertaining to DNA's business, finances and financial reporting and personnel and reviews business reviews and personnel representatives' reviews.

### Extended Executive Team in 2015

In 2015, the personnel were represented by Tarja Koivisto (administrative personnel), Pertti Määttä (managerial personnel) and Jorma Airaksinen (service and production personnel) at the Extended Executive Team meetings. The Extended Group Executive Team convened six times in 2015.

## Members of the Executive Team





## Jukka Leinonen

With DNA since 2010

b. 1962

M.Sc. (Tech)

CEO

### Main previous experience

DNA Ltd, CEO since 2013

DNA Ltd, Senior Vice President, Corporate Business 2010–2013

TeliaSonera Ltd, various management positions in corporate business marketing and product management 2002–2009

Sonera Solutions Oy (Yritysverkot Oy), President and CEO, 1996–1999

### Main positions of trust

Finnish Federation for Communications and Teleinformatics (FiCom ry), Member of the Board since 2013

Service Sector Employers PALTA, Member of the Board since 2014



## **Pekka Väisänen**

with DNA from 2003–2006 and again 2007–  
b. 1966

M.Sc. (Econ)

Senior Vice President, Consumer Business

### **Main previous experience**

DNA Ltd, Senior Vice President, Consumer  
Business since 2009

DNA Services Ltd, Sales and Marketing Director  
2007–2009

Oulun Puhelin Oyj, Business Development Director  
2006–2007

Finnet Oy and DNA Finland Ltd, Sales and  
Marketing Director 2003–2006

Oulun Puhelin Plc, various roles 1996–2003

**No main positions of trust**



## Hannu Rokka

with DNA since 2011

b. 1965

Senior Vice President, Corporate Business

### Main previous experience

DNA Ltd, Senior Vice President, Corporate Business 2014–

Forte Netservices Oy, CEO 2012–2014

DNA Ltd, Director, Product Management in corporate business 2013–2014

Forte Netservices Oy, Co-founder and CTO 2000–2012

WM-data Faci Oy, Senior Consultant 1995–2000

Digital Equipment Corp., Customer Service

Engineer 1990–1995

**No main positions of trust**



## Timo Karppinen

with DNA since 2012

b. 1964

M. SSc.

CFO

### **Main previous experience**

DNA Ltd, CFO 2012–

Ponsse PLC, Director, Corporate Development and Strategy 2010–2012

Nokia North America, CFO 2008–2010

Nokia Asia-Pacific, CFO 2006–2008

Nokia China, CFO 2000–2006

### **Main positions of trust**

Gummerus Oy, Member of the Board since 2014



## Tommy Olenius

with DNA since 2003

b. 1962

Engineer

Senior Vice President, Technology

### **Main previous experience**

DNA Ltd, Senior Vice President, Technology since 2009

DNA Finland Ltd, Senior Vice President, Technology 2005–2009

Suomen 2G Oy / Finnet Verkot Oy (DNA Networks), CTO 2003–2005

Telia Mobile Finland Oy, Deputy Director, CTO 2001–2003

**No main positions of trust**



## **Asta Rantanen**

with DNA since 2003

b. 1962

Master of Laws

Senior Vice President, Legal Affairs

### **Main previous experience**

DNA Ltd, Senior Vice President, Legal Affairs since 2007

Finnet Ltd and DNA Finland Ltd, Vice President, Legal Affairs 2003–2007

Telia Finland Oy, Legal Counsel 1999–2003

Vakuutusyhtiö Sampo, Claims Manager, Product Development Manager 1994–1999

Vakuutusyhtiö Kansa, Legal Counsel 1985–1994

**No main positions of trust**



## Marko Rissanen

with DNA since 2003

b. 1974

Vocational Qualification in Business and Administration

Senior Vice President, Human Resources

### Main previous experience

DNA Ltd, Senior Vice President, Human Resources since 2007

DNA Finland Ltd, HR Manager 2005–2006

Finnet Networks Ltd, HR Manager 2004–2005

Telia Product Oy, HR Manager 2001–2003

### Main positions of trust

Service Sector Employers PALTA, member of the Labour Market committee 2011–2014 and again since 2016



## Christoffer von Schantz

With DNA since 2013

b. 1973

M.Sc. (Tech)

Senior Vice President, Strategy

### **Main previous experience**

DNA Ltd, Senior Vice President, Strategy since 2013

Nokia, Director, Strategy and Business Development 2006–2012

Omnitele, Vice President, Consulting, Member of the Executive Team 2000–2006

**No main positions of trust**



## Janne Aalto

with DNA since 2014

b. 1965

MBA, Business College Graduate, Information  
Technology  
CIO

### Main previous experience

DNA Ltd, CIO since 2014

Kiosked, Head of Demand Side Platform 2014

CEM4Mobile Solutions, CEO & Co-Founder 2004–  
2013

Sonera Zed, Vice President, Development 2000–  
2004

Fujitsu Finland, Director, Head of Professional  
Services 1997–2000

Fujitsu UK and Ireland, Senior Project Manager  
1994–1997

**No main positions of trust**

## Control of the financial reporting process

DNA Ltd's business segments are Consumer and Corporate Business. The Group's financial reporting is based on the financial information produced by each unit on the profitability of their respected business which is combined with segment and Group-level information.

Setting and monitoring of financial targets forms an essential part of the management and governance of the company. Near-term goals are specified during annual planning, and progress is monitored on a monthly basis. Group and Business segments issue monthly financial reports on actual results and forecasts.

Financial reporting process refers to functions that provide financial data used by the management of the company, as well as financial data that is published as stipulated by legislation, standards and other binding regulations. DNA has launched significant development initiatives for its information systems to improve the efficiency of processes such as the financial reporting process.

Internal control of financial reporting aims to ensure that the company management has current, adequate, essential and accurate data at its disposal to perform its duties and that the reports published by the company provide essential and accurate information on the financial position of the company.

Financial management is headed by the Group CFO who is responsible for the accuracy of the Group's financial reporting. Internal control reviews and monitors the operation of the reporting process and assesses the reliability of financial reporting. Management of financing and financial risks is part of the responsibilities of the Group's financial management. The entire Group applies the International Financial Reporting Standards (IFRS).

## Internal control and internal audit

### Principles of internal control

A process implemented by the company Board of Directors, management and personnel, internal control aims at establishing an adequate and fact-based certainty that the company objectives are fulfilled in the following areas: the effectiveness and efficiency of business operations, the reliability and consistency of financial and operational information and compliance with the relevant legislation, regulations and operating principles.

Internal control comprises the control environment, risk management, control measures, information and communication as well as monitoring (control).

The Board of Directors has confirmed the principles of internal control, which are based on widely recognised international principles.

Internal control forms an essential part of the management and governance of the company. The Board of Directors and CEO are responsible for organising internal control. The Board of Directors is responsible to shareholders and the CEO to the Board of Directors. The chain of responsibility applies to the entire organisation as follows: persons under the CEO's immediate supervision report to the CEO, whereas every company employee is responsible to his/her immediate supervisor for managing their respective area of responsibility.

### Internal audit

The Group's internal control supports the CEO, the Board of Directors and the operating management in their controlling duty. The functions and principles of the company's internal audit have been defined in the Internal Audit Charter confirmed by the Board of Directors.

According to the charter, internal audit is performed independently of the companies, management and Board of Directors. Governance of internal audit is the responsibility of Senior Vice President, Legal Affairs, who is a member of the Executive Team. Internal audit has direct and unlimited access to the senior management and Board of Directors of the company and it issues regular reports to the company Audit Committee and, when necessary, to the Board. Internal auditing is carried out in accordance with the annual plan. When required, internal audit performs additional checks as proposed by the function itself, the CEO or the Board of Directors. Persons carrying out the internal audit and auditing of the accounts communicate with each other in order to further the coordination of auditing activities.

Internal audit reports on the results of the audit to the management of the audited operation, the CEO and the Audit Committee and issues an annual summary on the audits to the Audit Committee.

The Board of Directors confirms decisions on the appointment and dismissal of the person in charge of internal auditing.

The objective of auditing is to ensure that the company's targets are met in areas such as effectiveness and efficiency of operations, reliability of financial and operational reporting, legislative compliance and safeguarding of assets.

Internal audit is responsible for the Group's independent assessment and control function, which systematically reviews and confirms the effectiveness of risk management, monitoring and governance and management.

Internal audit supports the Group management and organisation in ensuring that the Group objectives and goals are met and the monitoring system is further developed.

To ensure adequate audit coverage, regular contacts and communication is maintained between security management and auditors. In addition, internal audit can, if deemed necessary, purchase external services to temporarily increase auditing resources or to perform auditing that requires special skills.

### **Internal audit in 2015**

In 2015, the main focus areas of internal audit included reviewing the main development initiatives of the company, as well as auditing the efficiency of the company's controls and processes in selected areas. Internal audit has been in regular communication with the auditors and they have exchanged reports. Internal audit has issued regular reports to the Audit Committee.

## Auditing of the Accounts

Under the Articles of Association, the company has one auditor, nominated by the Annual General Meeting. The auditor must be a public accountant authorised by the Central Chamber of Commerce. The auditor shall present the company's shareholders with an auditors' report, as part of the financial statements in compliance with the legislation in force. The auditor reports regularly to the Board of Directors and the Audit Committee.

Companies belonging to the same Group or chain as the audit company, as well as companies controlled by the auditor, are considered equal to the auditor. Fees paid by all companies belonging to the same Group as the company are reported as fees. In addition to requirements on general qualifications, the auditor must also meet certain legal requirements on independence to ensure a reliable and independent audit.

### Auditing of the Accounts in 2015

PricewaterhouseCoopers acts as DNA's auditor, with Authorised Public Accountant Johan Kronberg as the principal auditor. In 2015, the auditors' audit fees came to EUR 221,899 (EUR 254,183.37 in 2014) and other fees to EUR 278,961 (EUR 198,226 in 2014).

## Insider administration

The company's insider administration is based on the guideline for insiders adopted by the Board of Directors. DNA complies with the Guidelines for Insiders issued by the Helsinki Stock Exchange, except for maintaining a public insider register, because the company does not hold listed instruments.

DNA's permanent insiders include persons who, in relation to their duties, receive information on the company's financial statements and quarterly reviews before their publication.

DNA also maintains a project-specific insider register which lists those DNA employees, and possibly also representatives of the partners/consultants involved in the project, that work in a project affected by a confidentiality requirement. Insiders receive written notice about being in the insider register and guidelines on their responsibilities.

Separate confidentiality registers complement the basic confidentiality requirement of DNA's employees and also highlight the importance of confidentiality. Insider registers are maintained for all significant projects related to DNA's business involving an important business secret the confidentiality of which is of particular importance. The confidentiality register can be easily converted to a project-specific insider register, if it meets the criteria of an insider project.

DNA's insider register is maintained by DNA's legal affairs.

## Risks and risk management

At DNA, risk refers to events or circumstances which, if they materialise, could affect the company's ability to achieve its strategic targets or the operative targets derived from them. DNA's risk management is based on the risk management policy adopted by the Board of Directors, defining the objectives, process, main duties and responsibilities of risk management. The basic principle is to manage the Group's overall risk position, not just individual risks. The risk management process is part of DNA's management process.

The Audit Committee of the Board monitors the implementation of risk management. The CEO is responsible for the practical organisation of risk management and maintenance of the risk management policy.

The nature and probability of risks is regularly monitored and reported on. The risk management process provides reports on risks and their control methods to DNA's executive management and Board of Directors. Each DNA business unit provides a regular update of the main risks and uncertainties related to their operation, assessing their business impact and probability.

DNA's Executive Team specifies DNA's key risks and assigns persons responsible for them. These persons document appropriate risk management methods and development measures for their responsibility area and submit them to the CEO for approval. The responsibility for a risk is assigned to a person who, based on their role in the company, is best qualified to understand the risk and determine how its management should be developed. Several persons can share a responsibility for a risk.

Operational plans for the management of significant risks are drafted based on risk management reports, and the Executive Team monitors the implementation of these plans.

Systematic risk management is in place to ensure that:

- DNA reaches its operational and strategic goals;
- Risks are taken into account in operational decision-making;
- DNA takes the right risks in terms of its strategy;
- The company is aware of all significant risks related to its operations;
- All necessary measures are taken to prevent significant risks or to prepare for consequences thereof;
- The Executive Team and Board of Directors have sufficient information at their disposal on the risks related to DNA's operations and management thereof.

The company includes a description of significant risks and uncertainties, of which the Board of Directors is aware, in the Board of Directors' Report and interim reports.

## Significant risks

DNA classifies as risk such events or circumstances which, if they materialise, could affect the Group's ability to achieve its strategic and operational goals. The identification and management of risk factors takes into account the special characteristics of DNA's business and operational environment.

### Market and competitive situation

DNA operates in the Finnish telecommunications market, which is characterised by tough competition between established operators, and a high degree of penetration. The demand for fixed-network voice services is declining steadily. Due to the high number of penetration, DNA has limited opportunities for growth in areas such as the number of mobile communications subscriptions.

DNA's business environment is very sensitive to change, and the changes happen fast. Content and value added services, for example, are gaining in importance. These changes not only involve risks but also significant opportunities for an agile operator such as DNA.

The overall economic situation remains challenging in Finland, which has a particular effect on the demand for value added services, such as pay-TV and entertainment services, as well as business services. General decline in purchasing power has a post-cyclical effect on the operator market.

DNA closely monitors changes in the operating environment and the resulting possible new business opportunities, which always involve higher risks than conventional and established business operations.

#### Intensifying competition in entertainment business

DNA faces competition from many providers of TV services: cable and terrestrial TV service providers similar to DNA as well as service providers that use other distribution channels, such as satellite and over-the-top or OTT services. The role of media companies' own distribution channels is also becoming more important.

The ongoing shift in media use will provide both new risks and opportunities while content rights are being negotiated.

DNA monitors the entertainment service market closely and continuously enhances its service offering to anticipate changes in the market.

#### New communication methods and continuous technological development

Technological development and new types of mobile devices can create new communications methods alongside traditional ones. Customer behaviour can change rapidly if new services are reliable and easy to use. DNA's ability to retain its customers depends on the company's ability to provide innovative products and services and develop them continuously, achieve customer loyalty and maintain a high level of customer satisfaction. The telecommunications industry is characterised by dynamic changes in products and network technologies.

As new communications methods gain widespread popularity, they have an impact on the traditional business of operators. Competition for end clients will also take place on a global scale and the best global services will gain a stronger foothold. Message and voice traffic is increasingly moving to the Internet, which creates new challenges for operators. New Internet services have become a natural part of everyday life. On the other hand, new communications methods can provide new opportunities for operators by increasing the use of mobile data, for example.

The number of mobile devices that have a constant network connection is increasing strongly among both business and private users. M2M subscriptions and the Industrial Internet will further expand the volume of data traffic, providing new kinds of growth opportunities for operators. The continuous growth in the use of smart devices and online services has boosted the use of mobile data significantly. The expansion of mobile data volumes has been the main trend in recent years, and mobile data usage per user is expected to keep growing. DNA is actively monitoring the development of data volumes and the consumers' user experience. Network capacity is being increased continuously to meet growth in demand. The role of good information security and data security gain in importance as the use of smart devices and Industrial Internet gain ground.

## Systems and networks

The nature of DNA's operations and increasing customer expectations place high demands on DNA's systems and network infrastructure.

To optimise the availability of communications services, DNA employs a range of methods. These include establishing back-up solutions for critical transfer connections by using at least two different routes. Other methods involve duplicating and decentralising the main data centre and communication service systems in the company's equipment facilities.

DNA's business is capital-intensive, and the company's success depends on the ability to continuously maintain and improve its network infrastructure. DNA makes continuous investments in its network infrastructure, for example, by expanding the 4G LTE networks. Expansion of DNA's network coverage depends on continuous maintenance of existing base stations and masts and construction of new ones.

## Regulatory risks

The Finnish telecommunications market is characterised by stringent regulation. Regulation, particularly the authorities' ability to influence the price level of DNA's products and services, cost structure and the criteria used in distributing frequencies, may also have an impact on DNA's business. DNA takes regulatory risks into account by monitoring the preparation of new legislation, providing statements on issues affecting DNA's business and participating in working groups.

Regulation on the European Digital Single Market entered into force at the end of 2015. Its main contents involve roaming charges and strong net neutrality rules. It left significant uncertainty about the roaming regulations and the implementation of net neutrality. Such regulatory changes may have an effect on the industry and DNA's business.

The European Commission presented its Digital Single Market strategy in the spring of 2015 and launched the review of the regulatory framework for electronic communications. Actions taken by the Commission may have a significant impact on DNA's operating environment. Legislative proposals on the reform of the regulatory framework for electronic communications are expected during 2016.

Political agreement on the EU Data Protection Directive reform was reached in December 2015, and final approval is expected in the spring of 2016. The Data Protection Directive and the related review of the Directive on privacy and electronic communications may have an impact on DNA's business.

## Financing risks

In order to manage the interest rate risk, the Group's borrowings have been spread between fixed- and variable-rate loans. In order to manage liquidity risk, the company uses credit limits in addition to liquid assets. To manage customer credit risk, the credit history of new customers is checked as part of the ordering process.

The Group's foreign interest risk is insignificant, since the majority of its cash flow is euro denominated. For more details on the management of financing risks, please refer to the note on [Financial risk management](#).

## Damage risk

In anticipation of possible unforeseen damage risks, DNA has continuous insurance policies covering aspects of its operations including personnel, property, business interruption, third-party liability and criminal action. Damager risks are prevented and minimised by means such as security guidelines and personnel training. Adequacy of insurance cover is continuously reviewed and maintained according to changing needs.

## Salary and remuneration report

Remuneration systems have been designed to support the strategic, financial and operative development of DNA, to motivate the personnel and to reward the personnel for good financial results. DNA adheres to the remuneration principles approved by the Board of Directors.

### Board of Directors' remuneration

DNA's Annual General Meeting decides on the remuneration of the Board of Directors. The Nomination Committee reviews the Board members' remuneration and remuneration methods annually and submits proposals to the AGM.

The AGM decides on the Board of Directors' remuneration for the period until the next Annual General Meeting. DNA's AGM of 26 March 2015 decided on the following payments to the members of the Board of Directors:

- Annual remuneration, Chairman of the Board (half-time role): EUR 144,000
- Annual remuneration, members of the Board of Directors: EUR 48,000
- Meeting fee, members of the Board of Directors: EUR 1,050/meeting/person
- Meeting fee, Board Committee Chairmen and Nomination Committee Chairman: EUR 1,050/meeting/person
- Meeting fee, members of Board Committees and the Nomination Committee: EUR 525/meeting/person

On the basis of the AGM decision, each member and the Chairman of the Board of Directors could choose to receive 40 per cent of their annual remuneration as DNA's shares. Such acquired shares were measured at fair value at acquisition date. Certain conditions applied to the transferability of shares.

On the basis of the authorisation of the Annual General Meeting of 26 March 2015, the Board of Directors decided on a directed rights issue for the members of the Board of Directors. There is a right to derogate from the pre-emptive right of the shareholders according to a weighty financial reason specified in Section 9(4) of the Limited Liability Companies Act, because the rights issue was based on the decision of the Annual General Meeting to pay the annual remuneration of each member of the Board of Directors partly in shares as specified by the AGM. In the directed rights issue of 24 April 2015, the members of the Board of Directors subscribed a total of 1,407 treasury shares.

The Board of Directors convened 10 times during the year.

### Board of Directors' remuneration in 2015

Name	Annual remuneration in 2015, EUR	Annual remuneration in 2014, EUR	Meeting fees 2015, EUR	Meeting fees 2014, EUR	Total, 2015, EUR	Total, 2014, EUR
Jarmo Leino	144,000	178,650	14,811	19,950	158,811	198,600
Jukka Ottela	48,000	59,025	14,722	19,950	62,722	78,975
Anssi Soila (member until 26 March 2015)	12,080	47,025	2,100	15,750	14,180	62,775
Kirsi Sormunen	48,240	36,000	18,900	16,800	67,140	52,800
Anu Nissinen	48,000	48,000	15,247	14,700	63,247	62,700
Tero Ojanperä	48,000	48,000	8,707	10,500	56,707	58,500
Margus Schults (member since 26 March 2015)	48,000	0	8,707	0	56,707	0

## Shares held by members of the Board in 2015

Name	Shares subscribed in 2015	Total number of shares held by members of the Board on 31 December 2015
Jarmo Leino	603	1,206
Jukka Ottela	201	402
Kirsi Sormunen	0	0
Anu Nissinen	201	402
Tero Ojanperä	201	402
Margus Schults	0	201

## Remuneration of the CEO and the Executive Team

The Board of Directors decides on the CEO's and Executive Team's salaries, remunerations and long-term incentive schemes based on the suggestions prepared by the Remuneration Committee. The remuneration of the CEO and the Executive Team is based on a fixed monthly salary, performance-based payment according to DNA's incentive and performance-based payment scheme and a share-based reward system.

### Principles for Executive Team's performance-based payments

The payments to the CEO and the Executive Team comprise of a total salary (including a fixed salary and usual taxable benefits, such as a phone and car benefit) and long- and short-term incentives. Short-term incentives comprise the annual target and performance-based payments that are based on the annual targets specified by the Board of Directors. Share-based reward systems serve as long-term incentives. The Annual General Meeting decides on such share authorisations and rights issues.

The management's performance-based payments are based on company-level targets. The incentive and performance-based payment system has been designed to support the strategic, financial and operative development of DNA, to motivate the management personnel and to reward them for good financial results. Company-level targets are related to the development of cash flow and service net sales as well as customer satisfaction. The system also sets targets at group-level as well as personal targets. DNA's Board of Directors decides on the payment of incentives.

### Remuneration and employment of the CEO and the Executive Team

The CEO's period of notice is six (6) months, for both the company and the CEO. If the contract is terminated by DNA, the CEO is entitled to severance pay that equals the CEO's salary for eight (8) months in addition to the salary paid during the notice period.

The CEO has the right to retire at the age of 60. Supplementary pension rights are assessed based on payments. The CEO's pension includes vested rights.

The members of the Executive Team receive a total salary, which includes a fixed monthly salary, taxable phone benefit and in some cases, a car benefit. Pensions of the members of the Executive Team are payment-based. The Executive Team members' pensions include vested rights.

The payments for the CEO and Executive Team members' supplementary pensions amounted to EUR 234,435.20. The premium of the CEO's supplementary pension amounted to EUR 68,901.96 in 2015.

### Long-term share-based reward system

The company has implemented a long-term share-based reward system for key employees, based on the development of company share value. In total, 35 people are participants in the system.

Receiving of the shares is tied, among other things, to the continuance of participant's employment or service in the Group or Group company upon payment of the reward. If a participant's employment or service ends before the payment of the reward, their right to subscribe shares is automatically cancelled. Another prerequisite for the subscription of shares is the signing of a separate shareholder agreement by the subscriber.

The CEO held 900 DNA Ltd shares at the end of 2015. Other members of the Executive Team held 2,175 DNA Ltd shares in total.

	Wages and salaries and benefit costs in 2015, EUR	Wages and salaries and benefit costs in 2014, EUR	Performance-based payment for the results in 2014, EUR (paid in 2015)	Performance-based payment for the results in 2013, EUR (paid in 2014)	Total paid in 2015, EUR	Total paid in 2014, EUR
<b>CEO, Jukka Leinonen</b>	381,240	407,040	162,108	152,382	543,348	559,422
<b>Other members of the Executive Team</b>	1,417,857	1,313,445	438,349	378,331	1,856,206	1,691,776

## Personnel incentive scheme

DNA's personnel are included in the company's incentive and performance-based payment scheme which is confirmed annually by the Board of Directors. These incentives are based on the performance targets set at the company level, as well as on group-level and individual targets derived from them for each employee. The incentive scheme has been designed to support the strategic, financial and operative development of DNA, to motivate the personnel and to reward the personnel for good financial results. Some responsibilities in the company have their own compensation systems whereby commissions or payments are paid.

The current scheme came into force as of the beginning of 2015. Its main objectives include better alignment of personal results and the Group's strategic goals, fair and consistent rewards between units, improved motivation by the scheme and greater emphasis on the company's result as a basis for rewards. Performance reviews are an essential part of the incentive and performance-based payment scheme. The reviews comprise the setting of main objectives and their weightings as well as a review of previously agreed performance goals.

The incentive and performance-based payment scheme is complemented by one-time rewards. Consistent principles apply to one-time rewards. These rewards are in place to reward individual top performance during the financial period. This can be due to excellent performance in an important project, or remarkable performance in one's daily duties. The one-time reward can, at most, equal the employee's one-month salary, and it cannot be paid for more than twice a year to the same person. In total, 266 employees received a one-time reward in 2015.

