

## Corporate Governance Statement 2013

Biohit Oyj has prepared this Corporate Governance Statement on the basis of Section 54 of the Corporate Governance Code for listed companies issued by the Securities Market Association.

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 in its meeting on 10 March 2014.

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

### Rules observed by Biohit

Biohit Oyj is a Finnish public limited company whose Series B share is quoted on NASDAQ OMX Helsinki in the Small cap/Healthcare group. The 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 administration complies with current legislation, standards and recommendations concerning public listed companies, the regulations of NASDAQ OMX Helsinki Oy, and Biohit Oyj's Articles of Association. Biohit Oyj follows the Finnish Corporate Governance Code ("corporate governance code") for listed companies that was approved by the Securities Market Association in June 2010 and came into force on 1 October 2010. The Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

All members elected at the Annual General Meeting on 8 April 2013 were male. In this respect, Biohit deviates from recommendation n:o 9 of the Corporate Governance Code, which states a Board of Directors should consist of male and female members. Biohit has been looking for an appropriate female candidate for the Board in order to comply with the recommendation regarding gender distribution. These efforts will continue, and it is the company's long-term objective to meet this recommendation of the Corporate Governance Code.

One of the Board members is independent of the company. Therefore, the company differs from the recommendation of the Corporate Governance Code No. 14 and 15, whereby more than half of its members should be independent of the company. More attention has been paid to the added value that the Board members bring to the Company's international business, as well as research and development, than to the independence of the Company.

## **BIOHIT'S ADMINISTRATIVE BODIES IN 2013**

The highest decision-making power at Biohit is exercised by its 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 trend. The President & CEO is responsible for operative management, and is assisted by a Management Team.

### **Annual General Meeting**

Biohit's Annual General Meeting was held on 8 April 2013 in Helsinki. 2,793,500 Series A shares and 4,857,577 Series B shares were represented at the meeting, corresponding to 56.19349% of all the company's shares and 86.56806% of the votes. Three of the seven Board members, one new candidate proposed for Board membership, and the chief auditor were in attendance.

### **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. 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 of Directors is responsible for Biohit's administration and the appropriate organisation of its business operations. The Board's areas of responsibility are laid down in the written rules of procedure approved by the Board. They are as follows:

- To develop shareholder value.
- To ensure the appropriate organisation of accounting and financial management.
- To adopt the parent company and consolidated financial statements and the Report of the Board of Directors for the financial year ended.
- To confirm the interim reports for each quarter at the end of March, June and September.
- To decide on Biohit's business plan, budget and investment plan.
- To decide on Biohit's financing and risk management policies.
- To approve management remuneration and incentive schemes.
- To appoint the President & CEO.

- To decide on Biohit's strategy, organisational structure, investments and other wide-reaching and significant issues.

The Board's decision-making is based on reports drawn up by operative management on the operational development of the Group and its business areas.

The Chairman is responsible for calling Board meetings and arranging Board activities. In general, the Board convenes once a month, that is, 10–12 times per year. The meeting schedule for the entire term is confirmed in advance. When necessary, Board meetings are held more frequently or by teleconference. The Board of Directors of Biohit Oyj convened 9 times in 2013 (12 times in 2012). The average participation rate was 92% (87%).

## Members of the Board of Directors

The following were elected by the 2013 Annual General Meeting to serve as members of Biohit's Board of Directors in 2012:

Osmo Suovaniemi, born in 1943, MD, PhD, Professor

- A 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 Board meetings 9 times in 2013
- Direct shareholding: Series A shares 2,265,350, Series B shares 965,217. A majority shareholder in Interlab Oy, which owns 2,164,497 Series B shares.

Franco Aiolfi, born in 1947, Degree in Pharmacy awarded by Urbino University

- Member of the Board since 2013
- Independent of major shareholders but non-independent of the company
- Managing Director of Euroclone S.p.A. (previously Polyfin S.p.A.) and a majority shareholder through Arsfina Consult Srl. Euroclone SpA is the leading distributor of

biotechnology application instruments in the Italian markets. Euroclone SpA owns 180,000 Series B shares.

- Attended Board meetings 5 times in 2013
- Direct shareholding: no Biohit shares

Eero Lehti, born in 1944, MSc (Soc.Sc.)

- Member of the Board since 2009
- Independent of major shareholders and of the company
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended Board meetings 8 times in 2013
- Direct shareholding: Series B shares 2,000

Mikko Salaspuro, born in 1939, MD, Professor

- Member of the Board since 2008
- Independent of major shareholders but non-independent of the company
- Specialist in internal medicine, gastroenterologist, and Professor of Alcohol Diseases at the University of Helsinki
- Attended Board meetings 9 times in 2013
- Direct shareholding: Series B shares 10,000

Seppo Luode, born in 1952, MSc  
(Industrial Management), MBA (Stanford University)

- Member of the Board since 2011
- Independent of major shareholders but non-independent of the company

- Attended Board meetings 9 times in 2013
- Direct shareholding: no Biohit shares

Osmo Suovaniemi was Chairman of Biohit's Board of Directors during the reporting year.

## 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 given by the Board of Directors. The President & CEO of the parent company is elected by the Board and also acts as Group President. The President also ensures the appropriate organisation and legality of the company's accounting and financial management.

The terms of the President's employment are laid down in a written contract that is approved by the Board of Directors. The President cannot be elected Chairman of the Board. Semi Korpela, MSc (Econ.) was the President and CEO of Biohit during the financial year.

Semi Korpela, born in 1970, MSc (Econ.)

- With Biohit Oyj since 2011
- Previously held the position of CFO at Biohit Oyj in 2003–2006. Since then, Korpela has been CFO of the CPS Color Group.
- Direct shareholding: Series B shares 2,500

## Group Management Team

The Group's Management Team's composition and areas of responsibility were as follows: Semi Korpela (President and CEO), Jaana Mattila (Finance, HR, ICT as of 26 August), Jussi Kolonen (Finance and HR until 20 August, ICT and Operations from 1 April to 20 August, Communications until 28 February), Lea Paloheimo (Business Development and Quality), Anu Mickels (Sales & Marketing, Corporate Communications as of 1 March), Panu Hendolin (Research and Development), Kari Syrjänen (Chief Medical Director as of 1 January 2013) and Tapani Tiusanen (Operations and ICT until 31 March 2013). The Management Team met 27 times in 2013.

## **Managing Directors of subsidiaries**

The Managing Directors of the subsidiaries are responsible for the management of subsidiary operations and report to the President and CEO of the parent company. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The Managing Directors of subsidiaries operate under the management and supervision of Biohit's President & CEO. In 2013, the Managing Directors of Biohit's subsidiaries were: Graham Johnson (UK), Franco Aiolfi (Italy) and Wilson (Wei Xiang) Feng (China).

Personal details and shareholdings of Biohit's Board of Directors and operative management are available on the Internet at: [www.biohithealthcare.com/investors](http://www.biohithealthcare.com/investors).

## **REMUNERATION IN 2013**

### 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 8 April 2013 to pay a monthly fee of EUR 1,600 to the Chairman of the Board and a monthly fee of EUR 1,500 to other Board members.

An employment contract was signed on 10 June 2010 with Professor Osmo Suovaniemi, a member of the Board, under which Suovaniemi is paid a monthly fee approved by the Board of Directors for his services as scientific advisor to the Board. In 2013, this fee was EUR 14,000 a month plus car and phone benefit.

### President & CEO and other company management

The Board approves the President & CEO's remuneration and terms of employment. The salary paid to the company's President & CEO Semi Korpela in 2013 was EUR 10,000 a month plus phone benefit. As of 1 April 2013, his salary was EUR 14,000 a month.

The President approves the remuneration and terms of employment of Management Team members. 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 two month's salary.

No bonus was approved for the President & CEO and Management Team members in 2013.

The President & CEO approves the salaries 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 management and employees. On the basis of this system, stock options were given to the Group's management and international sales management in 2013.

### **Pension plans**

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

### **Remuneration and other benefits 2013**

During the financial year ended on 31 December 2013, remuneration paid to members of the parent company's Board totalled EUR 117,000 (EUR 127,000 in 2012), out of which EUR 103,000 were for the board remuneration, and EUR 14,000 other compensations to Franco Aiolfi . Remuneration paid to President and CEO Semi Korpela amounted to EUR 161,000 (EUR 130,000 in 2012). Osmo Suovaniemi was paid EUR 204,000 for his services as a member of the scientific advisory board (EUR 174,000 in 2012). The salaries and fees of the Group's Managing Directors totalled EUR 116,000 (EUR 110,000 in 2012). Salaries paid to other Management Team members totalled EUR 478,000 (EUR 451,000 in 2012).

### **MAIN CHARACTERISTICS OF THE 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 Board of Directors' instructions. Internal control seeks to ensure that the Group operates with maximum efficiency and that the objectives set in the strategy ratified by the Board of Directors are achieved at different levels of the organisation. 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 now focus on its diagnostics business, in which the company conducts global operations in both manufacturing and 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 ratified 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' managements 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 subsidiaries' managements 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. Subsidiaries report on business and earnings trends and the most significant deviations to Group Management on a monthly and quarterly basis. The Group's Management Team reports to the BOD on the overall development of business; these two bodies, together with the President and CEO, decide on overall corporate strategies and procedures guiding the operations of the Group.

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. Subsidiary Board work is based on financial reports and the written monthly and annual reports drawn up by subsidiary management.

Biohit's steering and 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 financial 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 subsidiaries ensure that 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 ratified 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 the analyses of any deviations, which occurs at least once a 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's financial management holds primary responsibility for the practical implementation of the internal audit.

The Group has all the 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 that the parent company's approved instructions on, for example, authorisations are being adhered to.

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 year.

## **AUDIT 2013**

The auditor elected by the AGM is responsible for Biohit's statutory audit. According to the Articles of Association, the company needs to have one auditing body approved by the Central Chamber of Commerce. Biohit's auditor in 2013 was authorised public accountants Ernst&Young Oy, with Erkkä Talvinko, Authorised Public Accountant, as chief auditor.

### Auditors' fees

The Group's invoiced auditors' fees for the financial year 2013 totalled EUR 42,000 (EUR 46,000 in 2012). Authorised public accountants Ernst&Young Oy were also paid a total of EUR 33,000 (EUR 28,000 in 2012) for other services.

## **INSIDERS**

Biohit applies the Guidelines for Insiders approved by NASDAQ OMX Helsinki Oy, as well as any relevant amendments.

Biohit's CEO is responsible for insider control. The Director ensures that insiders are aware of insider regulations and adhere to trading restrictions. Insiders are not allowed to trade Biohit Oyj securities for 21 days before the publication of the company's financial statement bulletin and interim reports. Insiders participating in projects are not allowed to sell or buy 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.biohithealthcare.com/investors](http://www.biohithealthcare.com/investors).