

## **FERRATUM CORPORATION - CORPORATE GOVERNANCE STATEMENT 2018**

This corporate governance statement has been prepared in accordance with the recommendations of the Finnish Corporate Governance Code (2015). The corporate governance statement has been prepared separately from the report of the Board of Directors of Ferratum Corporation (“Ferratum” or “Company”), and it is available on Ferratum’s website [www.ferratumgroup.com](http://www.ferratumgroup.com).

Ferratum’s Board of Directors has approved this corporate governance statement. Ferratum’s external auditor, PricewaterhouseCoopers Oy, has verified that this statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with Ferratum’s financial statements.

### **General governance principles**

Ferratum is a Finnish public limited company that in its decision-making and governance complies with the Finnish Companies Act and other relevant legislation concerning companies listed on a regulated market and the Articles of Association of Ferratum.

Ferratum is listed in the Prime Standard Segment of the Frankfurt Stock Exchange. The Company complies with the rules and regulations of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Ferratum complies with the Finnish Corporate Governance Code 2015 published by the Securities Market with deviations from the independence recommendations of the Corporate Governance Code regarding the composition of the board of directors and its committees (recommendations 10, 15, 16 and 17). Four out of six members of the Board of Directors and two out of three members of the audit committee are dependent on the Company. All members of the remuneration committee are dependent on the Company. Two out of three members of the risk committee are not members of the Board of Directors. The Finnish Corporate Governance code is available on the Securities Market Association’s website at <https://cgfinland.fi/> and English version at <https://cgfinland.fi/en/>.

Supervision and management of the Company is divided among the General Meeting of Shareholders, the Board of Directors and the CEO.

### **GENERAL MEETING**

The shareholders exercise their power of decision at the General Meeting. The Company must hold one Annual General Meeting for shareholders by the end of June each year. If necessary, an Extraordinary Meeting of Shareholders shall be held. Shareholders may exercise their right to speak, ask questions and vote at the General Meeting. The matters to be considered at the Annual General Meeting (AGM) are specified in Ferratum’s Articles of Association and in Chapter 5, Section 3 of the Finnish Companies Act.

Decisions by the General Meeting are published without delay after the meeting by a stock exchange release and on the Company’s website [www.ferratumgroup.com](http://www.ferratumgroup.com).

### **Information on General Meetings to Shareholders**

The Board of Directors shall convene the Annual General Meeting or an Extraordinary General Meeting with a notice to be published on the Company’s website

www.ferratumgroup.com. The notice must list the agenda for the meeting. The notice to a meeting and the Board of Directors' proposals for the meeting are also published as a stock exchange release.

The notice to the General Meeting, documents to be submitted to the General Meeting and draft resolutions to the General Meeting will be available on the Company's website at least three weeks before the General Meeting.

The Company will disclose on its website the date by which a shareholder shall notify the Board of Directors of the Company of an issue that he or she demands to be included in the agenda of the Annual General Meeting.

The minutes of the General Meeting shall be posted on the Company's website within two weeks of the General Meeting. The documents related to the General Meeting shall be available on the Company's website at least for three months after the General Meeting.

### **Organization of the General Meeting**

According to Company's Articles of Association, the General Meeting shall be held in the Company's domicile in Helsinki, Finland or in Frankfurt am Main, State of Hessen, Germany, as decided by the Board of Directors of the Company.

To be able to participate in the General Meeting, a shareholder must be registered on the record date in Ferratum's shareholder register maintained by Euroclear Finland Ltd. Shareholders must register for a General Meeting in advance within the time prescribed in the notice. A shareholder may participate in a General Meeting personally or through a duly authorized proxy. The proxy must present a power-of-attorney form for such authorization. Upon registration for a General Meeting, the shareholder must report to the Company any powers of attorney issued. The shareholder and proxy may have an assistant present at the meeting.

A holder of nominee-registered shares has the right to participate in the General Meeting by virtue of shares, which he/she holds on the record date of the General Meeting and would be entitled to have registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The right to participate in the General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest by the date and time prescribed in the invitation to the General Meeting. A notification by a holder of nominee-registered shares for inclusion in the Company's temporary shareholders' register is perceived as prior notice of participation in the General Meeting.

### **Attendance of the Board of Directors, Managing Director and Auditor at the General Meeting**

The Chairman of the Board of Directors and a sufficient number of members of the Board and its Committees as well as the CEO shall attend the General Meeting. In addition, the Auditor shall be present at the Annual General Meeting.

### **Attendance of a prospective Director at a General Meeting**

A person proposed for the first time as Director shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence.

### **Shareholder agreements**

A shareholder agreement is an agreement among the shareholders of a company on the company's governance and management. A shareholder agreement can be

made when a company is established or during the time of its operation. A shareholder agreement is binding between the shareholders. A shareholder agreement does not bind the company itself unless the company is included in the agreement. In general the Board of Directors approves a shareholder agreement on behalf of the Company.

Ferratum is not a party to a shareholder agreement regarding Ferratum. Ferratum is not aware of any shareholders agreements between Ferratum's shareholders.

## **BOARD**

The Board of Directors principally administers the Company and decides on the organization of its operations. The Board of Directors is responsible for the appropriate organization of the control of the Company's accounts and finances and acts in accordance with the Company's best interest. The Board of Directors is elected by the General Shareholders' Meeting. A member of the Board of Directors may be removed from office at any time by a resolution passed by the General Shareholder's Meeting.

Under Finnish law, it is not necessary for a public limited company or for a company of a certain size to include employee representatives on the Board of Directors and there are currently no employee representatives on the Board of Directors.

Pursuant to the Articles of Association of the Company in force at the end of the year 2018, the Board of Directors comprises no fewer than three (3) and no more than seven (7) members. The term of office of each member of the Board of Directors ends at the adjournment of the first annual General Shareholders' Meeting following the General Shareholder's Meeting at which the Board of Directors was elected. Therefore, the entire Board of Directors is elected at each annual General Shareholders' Meeting. Pursuant to the Articles of Association of the Company in force at the end of the year 2018, the General Shareholders' Meeting also elects the chairman of the Board of Directors and a deputy chairman.

The Board of Directors has a quorum to adopt resolutions if more than half of its members are present. As the Board of Directors had in 2018 six (6) members, this quorum was four (4). A resolution is adopted if it is supported by more than one-half of the members present at a meeting. In the event of a tie, the chairman can cast the deciding vote.

The Board of Directors is responsible for the Company's management and for the due organization of the Company's operations in accordance with the relevant legislation and the Company's Articles of Association. The Board of Directors controls and monitors the Company's operational management, appoints and dismisses the CEO and approves the major decisions affecting the Company's strategy, capital expenditures, organization, remuneration and bonus systems covering the management and finances.

## **Charter of the Board**

As part of the Company's corporate governance, Ferratum's Board of Directors has approved charter defining the Board's status, duties and the meeting procedures. The Board's rules of procedure complement the stipulations of the Finnish Companies Act and the Articles of Association of the Company.

The Board represents all of the shareholders of Ferratum and strives to advance their interests and those of the Company. The Board is responsible for the administration of the Company and for arranging the operations of the Company in an adequate manner. The Board shall ensure that the controls regarding the

company's accounting and managing of funds and other assets, and other risk management are adequately arranged.

The Board's duties and tasks include:

1. to ensure that the Company is managed according to sound business principles and that the reporting, controls and risk management are adequate;
2. to attend to such administrative matters that have not been entrusted to the CEO;
3. to appoint and dismiss the CEO and the deputy CEO, if any, and to determine their compensations and other material terms of their contracts;
4. after consultation with the CEO to appoint and dismiss the executive officers of the Company and to determine their compensations;
5. to establish the organizational structure at the group's executive level;
6. to approve the Company's strategy and to oversee its implementation;
7. to approve the group's annual business plan and budget and to oversee the performance of the same;
8. to establish and regularly evaluate the principles in respect of the group's personnel policies including those related to compensation, and in particular approve structures and target settings for the Company's short and long-term incentive structures;
9. to approve the group's investment guidelines;
10. to decide upon establishing subsidiary companies and upon material changes affecting the same, and upon disposal of property or other material fixed assets, to the corresponding extent that investments in such fixed assets would be decided upon by the Board, as well as upon mortgaging of property as security for payment of loan, and to decide upon granting of security for the fulfilment of obligations of third parties or those of the subsidiary companies;
11. to propose to the general meeting the matters that shall be decided upon by the Shareholders;
12. to decide upon proposing to the general meeting making of a decision, or granting the Board the authorization to make a decision, on buy-back and disposal of the Company's own shares, emission of new shares, convertible bonds, share options and other similar instruments;
13. to decide upon charitable donations that are not insignificant and other matters of non-operational nature;
14. to ensure that the Company's and the group's financial statements and the annual report are prepared in accordance with law, and to make a proposal to the general meeting on the use of distributable profits of the Company;
15. to approve the charter of the Board and to establish the committees of the Board and their compositions and charters;
16. to monitor and evaluate the financial reporting process, audit, the effectiveness of internal control and audit and risk management systems, as well as the independence of the auditors and in particular the provision of non-audit services; and
17. to assume to attend any matter that does not according to law belong to the general meeting.

The Board performs an annual self-evaluation.

## Meetings of the Board

The Board meets as often as appropriate fulfilment of its obligations requires. Ferratum's Board of Directors had 9 meetings in 2018. The following members of the Board attended all the meetings during 2018: Pieter van Groos, Jorma Jokela, Erik Ferm, Juhani Vanhala. Member of the Board Lea Liigus attended 8 meetings in 2018 and member of the Board Jouni Hakanen attended 2 meetings in 2018.

## Performance evaluation of the Board

On an annual basis, the Board of Directors assesses its activities and work practices. The Board specifies the criteria to be used in the assessment, which is carried out as internal self-evaluation.

## Composition of the Directors

The General Meeting elects the members of the Board of Directors. The Board of Directors of Ferratum prepares a list of proposed members of the Board of Directors for consideration by the General Meeting. The candidates proposed by the Board of Directors are reported upon in the summons to the meeting and on the Company's website.

In accordance with the proposal of the Board of Directors, the Annual General Meeting held on 19 April 2018 elected Pieter van Groos as chairman, Jorma Jokela as deputy chairman and Erik Ferm, Lea Liigus, Juhani Vanhala, and Christopher Wang as ordinary members.

**Pieter van Groos**, born in 1961, is the chairman of the Board of Directors. He has been a member of the Board of Directors since 2015. He was born in 1961 in the UK and studied Business Economics and Law at the Erasmus University, Rotterdam, the Netherlands. Pieter has worked in various managerial positions in industry, management consulting and financial services with Exxon-Mobil (1986-1994), McKinsey & Company (1994-1998), General Electric (1998-2008), private equity and ventures. In banking, he served as Chairman and CEO of GE Money Bank Czech Republic, CEO of GE Money Bank Austria and has held a variety of board positions of financial institutions in Switzerland and Eastern Europe. Currently, Pieter is the co-owner of DynamicMarkets GmbH, Munich which, under the Techpilot brand, operates Europe's largest and most innovative B-2-B online market place for custom-made industrial parts. He is Managing Director of AGERE GmbH and KPK Start-up ventures GmbH.

**Erik Ferm**, born in 1966, has been a member of the Board of Directors since 2012. He studied business administration at the Stockholm School of Economics in Sweden from 1986 to 1990. Erik Ferm has been working as a director and a board member of GP Chambers Ltd since 2012 and he has founded Jigsaw Adoption. In addition, he is currently a member of the board of Parke Road Services Ltd and director of GP Chambers Ltd, also first director of EMFasis Services Malta Limited.

**Juhani Vanhala**, born in 1953, has been a member of the Board of Directors since 2005. He studied engineering in Finland between 1974 and 1981. His management experience includes serving as the head of the reliability unit at Teollisuuden Voima Oy from 1984 to 1986, as director of risk management from 1986 to 1990 at Tapiola Insurance Company, as director of Ekono Engineering Oy from 1990 to 1993, as president and partner of RAMSE Consulting Oy between 1993 and 2001, as president of Savcor One Oy from 2001 to 2003, as CEO of VIA Group Oy and as CEO of Respace Oy between 2003 and 2006 and as Chief Development Officer at Empower Group Oy from 2006 to 2012. He holds board memberships in several companies: Fira Group Oy (CoB), Glotask Oy, Vahanen

International Oy, PSI International Oy, There Corporation Oy, Workspace Oy and GordionPro Oy, besides holding a deputy membership of the board of directors in TPI Holding Oy.

**Jorma Jokela**, born in 1979, is the CEO and the founder of the Company and has been a member of the Board of Directors since 2005. He studied accounting at the Commercial College of Kuopio and the Helsinki Business College. In 2005, he founded the Ferratum Group and has been its CEO since then. Jorma Jokela is currently a member of the board of JT Capital Limited, Jokela Capital Oy, European Recruitment Company OÜ and deputy member of the board of directors of Botnia Capital Oy. In addition, he acts as chairman of the board of Tinozza Oy and Minuntalli Oy.

**Lea Liigus**, born 1972, is the Head of Legal and Compliance of the Group. She has been a member of the Board of Directors since 2006. She studied law at the University of Tartu in Estonia and completed Master of Laws (LL.M) Programme in Contract and Commercial Law at the University of Helsinki in Finland. Lea Liigus is currently a member of the board of LL Capital Investments OÜ and LL Rent OÜ.

**Christopher Wang**, born in 1975, joined the Board of Directors of Ferratum Group in May 2017. He holds a Doctor of Law from the University of Chicago Law School and is a licenced attorney under the State Bar of California. Christopher also earned a Bachelor of Arts from Stanford University. Christopher is a co-founder of J&W Partners Co. Ltd., a private equity firm based in Seoul, South Korea founded in 2014. He has more than 17 years' experience as a transactional lawyer and investor operating in the Asian market, gained in roles at leading firms including Shearman & Sterling, DLA Piper, and Jones Day. Prior to setting up J&W Partners, Christopher co- founded various private equity and advisory firms and was Head of Execution for the Asia Pacific Region (excluding Japan) for Merrill Lynch's global proprietary investment desk and \$2.65 billion sponsored Asian real estate fund where he oversaw the structuring, formation, and governance of the fund as well as the execution of its investments. At the moment he does not hold any additional board memberships.

## **Principles concerning the diversity of the Board of Directors**

The composition of the Board of Directors should reflect the Company's operations and the markets in which it operates. Sufficient diversity at the Board of Directors level is relevant in ensuring the efficient and optimal work and performance of the Board of Directors.

The Company's Board of Directors has reviewed and confirmed the principles for Board diversity.

Important diversity factors for Ferratum are the mutually complementary expertise of the members, their education and experience in different professional areas, leadership experience, and personal capabilities, as well as experience in an international operating environment, different cultures, and age and gender breakdown.

The Company's Board of Directors shall take account of proposing both genders as of the members of Board of Directors.

In 2018, the composition of the Company's Board of Directors was balanced with regard to the diversity principles.

## Independence of Directors

According to 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 shall evaluate the independence of the Directors and report which of them are independent of the Company and which are independent of significant shareholders.

<b>Name</b>	<b>Independent of the Company</b>	<b>Independent of the significant shareholders</b>	<b>Shares and share-based rights of each Director and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.</b>
Jorma Jokela	No	No	11,958,470
Pieter van Groos	No	Yes	36,300
Erik Ferm	Yes	Yes	29,355
Lea Liigus	No	Yes	170,037
Juhani Vanhala	No	Yes	86,708
Christopher Wang	Yes	Yes	0

The composition of Ferratum's Board of Directors deviates from the independence recommendation of the Corporate Governance Code, according to which the majority of the Board members shall be independent of the company and at least two of the persons representing this majority shall be independent of significant shareholders of the company. Four out of six members of the Board Jorma Jokela, Pieter van Groos, Lea Liigus and Juhani Vanhala are dependent on the company, which is why the composition of the Board does not meet recommendation 10 of the Corporate Governance Code 2015 in this respect. The Board members independent of the Company and of significant shareholders are Erik Ferm and Christopher Wang.

Jorma Jokela, CEO, and Lea Liigus, Head of Legal and Compliance, have service contracts with the Company and are therefore dependent on the Company. Juhani Vanhala had an employment relationship with the Company until 31 August 2017 and is therefore still considered dependent on the Company. Pieter van Groos receives remuneration from the Company for providing strategic analysis and consultancy services to the Company and is therefore dependent on the Company. Pieter van Groos possesses expertise and experience that is necessary for the efficient organization of the Company's business operations and difficult to replace. The Board of Directors have considered that despite the deviation

from independence, the composition of the Board of Directors and the skills and experience of its members correspond to the interests of the Company and its shareholders regarding the Company's current business and going forward.

### **Obligation of directors to provide information**

Each director shall provide the board with sufficient information that will allow the board to evaluate his or her qualifications and independence and notify the board of any changes in such information.

### **BOARD COMMITTEES**

The Board of Directors of Ferratum has established three permanent committees, an audit committee, a remuneration committee and a risk committee. The Board of Directors has confirmed rules of procedure for these committees in accordance with the Finnish Corporate Governance Code 2015. The minimum number of members is three in all the committees. The Board has confirmed written charters for the committees. The committees report on their work regularly to the Board but they do not have decision-making powers independent from the Board.

The Company does not have a nomination committee for the preparation of matters pertaining to the nomination of directors.

### **Audit Committee**

The audit committee is established to ensure the proper functioning of corporate governance, in particular to ensure the overseeing of the accounting and financial reporting, Company's internal control systems and work of external auditors.

In addition, the committee assists the Board of Directors in other duties related to the committee's work as specified by the Board. The purpose of the committee is to assist the Board by preparing the committee- dedicated matters for the Board.

The members of the committee must be sufficiently qualified to perform the responsibilities of the committee and at least one member shall have expertise specifically in accounting or auditing. The members of the committee shall not participate in the daily management of the Company or other companies or foundations consolidated in the consolidated financial statements. Further, the majority of the members of the committee shall be independent of the Company and at least one of the members shall be independent of significant shareholders.

The external auditors and Chief Financial Officer attend the committee meetings on a regular basis. Other senior executives attend the meetings as invited by the committee.

The audit committee consists of Pieter van Groos (chairman), Juhani Vanhala and Erik Ferm. All members of the audit committee are independent of significant shareholders and Erik Ferm is independent of the Company.

The members do not participate in the daily management of the Company or other companies or foundations consolidated in the consolidated financial statements. Pieter van Groos has the required expertise in accounting and auditing.

The composition of Ferratum's audit committee deviates from recommendation 16 of the Corporate Governance Code, according to which the majority of the members of the audit committee shall be independent of the company and at least one member shall be independent of the company's significant shareholders. As described in the section "Independence of Directors" above, two out of



three members of the audit committee (Pieter van Groos and Juhani Vanhala) are dependent on the Company. Pieter van Groos receives remuneration from the Company for providing strategic analysis and consultancy services to the Company and is therefore dependent on the Company. Juhani Vanhala had an employment relationship with the Company until 31 August 2017 and is therefore still considered dependent on the Company.

The audit committee had 2 meetings during 2018. All members attended one meeting of the audit committee during 2018 and Pieter van Groos and Juhani Vanhala attended the second meeting.

The committee shall:

1. monitor the financial status on the company;
2. monitor and assess the reporting process of financial statements and interim reports; and assess the draft financial statements and interim reports;
3. monitor and assess the efficiency of the company's internal controls, internal auditing and risk management system;
4. monitor the statutory audit and review all material reports from the auditor;
5. monitor and assess the independence of the auditors, in particular with regard to their ancillary services;
6. prepare for the Board the proposals to the annual general meeting regarding the election of the auditor(s) and their remunerations;
7. review the auditors' and internal auditors' plans and reports;
8. review the company's corporate governance statement;
9. prepare for the Board any decisions on significant changes in the accounting principles or in the valuations of the group's assets;
10. assess the group's compliance with laws and regulations; and
11. maintain contact with the auditors.

## **Remuneration Committee**

The Board of Directors of Ferratum has appointed a remuneration committee among the Directors. The Board of Directors has confirmed the central duties and operating principles of the Committee in a written charter, the essential contents of which are presented on the Company's website [www.ferratumgroup.com](http://www.ferratumgroup.com). The remuneration committee reports regularly on its work to the Board.

The task of the remuneration committee is to ensure the proper functioning of corporate governance, in particular, to ensure the efficient preparation of matters pertaining to the remuneration of the members of the Board, the CEO and other executives of the company as well as the remuneration schemes of the personnel. In addition, the committee assists the Board in other duties related to the committee's work as specified by the Board.

The purpose of the committee is to assist the Board by preparing the committee-dedicated matters for the Board. The members of the committee must be sufficiently qualified to perform the responsibilities of the Committee.

The remuneration committee consists of Juhani Vanhala (chairman), Pieter van Groos and Lea Liigus. All members of the remuneration committee are independent of the significant shareholders.

The composition of Ferratum's remuneration committee deviates from recommendation 17 of the Corporate Governance Code, according to which the majority of the members of the remuneration committee shall be independent of the company. As described in the section "Independence of Directors" above, all members of the remuneration committee are dependent on the company. Juhani Vanhala had an employment relationship with the Company until 31 August 2017 and is therefore still considered dependent on the Company. Pieter van Groos receives remuneration from the Company for providing strategic analysis and consultancy services to the Company and is therefore dependent on the Company. Lea Liigus, Head of Legal and Compliance, has a service contract with the Company and is therefore dependent on the Company.

The remuneration committee held 2 meetings during 2018. Juhani Vanhala and Lea Liigus attended all the meetings, Pieter van Groos attended 1 meeting.

The Committee prepares the following matters for the Board, and where the matter calls for a decision, the Committee prepares decision proposals to the Board:

1. compensations, pensions, benefits and other material terms of the contract of the members of the Board, the CEO and the management team;
2. incentive and retention plans of the Board, the CEO and the management team;
3. the CEO's and the other executives' performance reviews;
4. assessment and development of the HR policy and leadership;
5. equity-based incentive plans;
6. the principles of the company's compensation policies;
7. the management's participation in the boards' of directors of the group companies and of external companies; and
8. major organizational changes.

In addition, the committee shall answer questions related to the remuneration statement at the general meeting.

The committee may also discuss other matters and duties appointed to it by the Board.

## **Risk Committee**

The risk committee is established to ensure that risks are identified, monitored and can be managed. In addition, the committee assists the Board in other duties related to the committee's work as specified by the Board.

The purpose of the committee is to assist the Board by preparing the committee-dedicated matters for the Board. The members of the committee must be sufficiently qualified to perform the responsibilities of the Committee.

The risk committee consists of Erik Ferm (chairman), Clemens Krause and Lilita Gribonika. Erik Ferm, Clemens Krause and Lilita Gribonika are independent of significant shareholders and Erik Ferm is independent of the Company.

The composition of Ferratum's risk committee deviates from recommendation 15 of the Corporate Governance Code, according to which the board of directors shall appoint among itself the members and Chairman of the committee. Clem-

ens Krause and Lilita Gribonika are not members of the board of directors. Clemens Krause is Ferratum's Chief Financial Officer. Lilita Gribonika is the Head of Risk and Fraud Control in Ferratum Group. Both Clemens Krause and Lilita Gribonika have excellent knowledge about the field of activity of the risk committee and can greatly contribute to the realization of the goals of the committee.

<b>Name, year of birth, education, and main occupation</b>	<b>Independent of the Company</b>	<b>Independent of the significant shareholders</b>	<b>Shares and share-based rights of each member and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.</b>
Erik Ferm, born 1966, M.Sc.(Econ), director and a board member of GP Chambers	Yes	Yes	29,355
Clemens Krause, born 1962, PhD, CFO of Ferratum Group	No	Yes	112,000
Lilita Gribonika, born 1975, M.Sc. (Finance and accounting), Head of Risk and Fraud Control	No	Yes	None

The risk committee met 3 times during 2018. All members of the risk committee attended all the meetings.

The Committee shall work with Ferratum team members to establish and maintain a framework to

1. identify new and existing material risks pertaining to Ferratum and its business;
2. regularly classify, monitor, calibrate probability and severity of risks: and
3. where needed, suggest actions to mitigate risks.

The committee may also discuss other matters and duties appointed to it by the Board.

## **CEO**

The Board of Directors appoints the CEO and terminates this employment as well as monitors the CEO's activities. The CEO of the parent Company furthermore

acts as the CEO of the Ferratum Group. The CEO is responsible for managing the Group's day-to-day operations in accordance with the rules and instructions issued by the Board of Directors. In addition, the duties of the CEO are as follows:

- be in charge of the day-to-day management and supervision of the Company in accordance with the provisions of the Finnish Limited Liability Companies Act, and the authorisations and guidelines received from the Board of Directors;
- bear responsibility for ensuring that the company's accounting is legally compliant and that its financial affairs are arranged in a reliable manner;
- attend to the everyday management of the company in accordance with the guidelines and instructions given by the Board of Directors
- prepare matters to be presented to the Board;
- attend the meetings of the Board of Directors and present matters to the Board insofar as this is not done by the chairman of the Board or the committee in question;
- oversee compliance with the guidelines, procedures and strategic plans established by the Board of Directors;
- ensure that Board members continuously receive all the information they need to monitor the
- company's financial position, liquidity, financing and development;
- inform the Board of Directors of any major events, decisions and plans related to the company's
- business; and
- serve as the Chairman of the company's Leadership Team.

Jorma Jokela, born 1979, is the CEO and founder of the Company. In addition, he is a member of the Board of Directors. He studied accounting at the Commercial College of Kuopio and the Helsinki Business College. He is the founder of Jokela Capital Oy in Helsinki where he headed the company as CEO from 1998 to 2000. He subsequently sold the Jokela Capital business in 2004. In 2005, he founded the Group and has been its CEO since then.

Name	Independent of the Company	Independent of the significant shareholders	Shares and share-based rights of CEO and corporations over which he exercises control in the Company and its group companies at the end of year 2018.
Jorma Jokela	No	No	11,958,470

## OTHER EXECUTIVES

The CEO appoints members to the Leadership Team who are appropriate from the standpoint of line operations. The Leadership Team supports the CEO with

operational planning and execution of Ferratum's targets. The Leadership Team is responsible for the different business management areas and among other duties, decides and coordinates the Group's action plans and also supervises the realization of plans and reporting. The Leadership Team is respectively responsible for the implementation of the adopted decisions in their own areas of responsibility. In 2018 it was decided to include more areas of responsibilities to the Leadership Team and respectively now the Leadership Team, in addition to CEO Jorma Jokela, consists of the following members: Lea Liigus, Head of Legal and Compliance, Saku Timonen, Chief Commercial Officer, Clemens Krause, Chief Financial Officer (CFO) and Chief Risk Officer, Ari Tiukkanen, Chief Operation Officer (COO), Jussi Mekkonen, Chief Executive of Ferratum Bank p.l.c., Sami Kalliola, Head of Strategic Partnerships, Adam Tönning, Head of Financial Planning and Analysis, Outi Ellilä, Head of Marketing and Customer Experience, Kristjan Kajakas, Business Unit Director, Revolving Loans, Scott Donnelly, Business Unit Director, SME Lending, Marius Solescu, Head of Human Resources, Emmi Kyykkä, Head of Group Communications and Investor Relations, Antti Kumpulainen, Business Unit Director, Instalment Loans.

<b>Name, year of birth, and education</b>	<b>Areas of responsibility</b>	<b>Shares and share-based rights of members and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.</b>
Lea Liigus, born 1972, LL.M	Legal and compliance	170,037
Saku Timonen, born 1972, M.Sc (Econ)	Lending function and sales	147,301
Clemens Krause, born 1962, PhD	Financial controlling, taxation, treasury and risk management	112,000
Ari Tiukkanen, born 1961, B.Sc (engineering)	Operations	79,000
Jussi Mekkonen, born 1972, M.Sc (agriculture)	CEO of Ferratum Bank p.l.c.	0
Sami Kalliola, born 1971, Business School	Strategic Partnerships	20,950
Adam Tönning, born 1991, B.Sc (Econ, not completed)	Financial Planning and Analysis	18,765
Outi Ellilä, born 1981, M.Sc (Econ)	Marketing and Customer Experience	0
Kristjan Kajakas, born 1981, BA (Econ)	Revolving Loans	13,739

<b>Name, year of birth, and education</b>	<b>Areas of responsibility</b>	<b>Shares and share-based rights of members and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.</b>
Scott Donnelly, born 1975, M.Sc (Finance)	SME Lending	12,925
Marius Solescu, born 1975, M.Sc (Econ)	HR, born	10,675
Emmi Kyykkä, born 1987, BA (business administration)	Communications and Investor Relations	10,310
Antti Kumpulainen, born 1980, B.Sc (econ)	Instalment Loans	10,125

## **REMUNERATION STATEMENT**

### **Principles applied to remuneration schemes**

The goal of the Company's remuneration scheme is to promote competitiveness and long-term financial success of the Company and to contribute to the favourable development of shareholder value. Remuneration schemes are based on predetermined and measurable performance and result criteria.

The task of the Board of Directors' remuneration committee is to assist the Board of Directors in matters related to the remuneration of the Company's CEO and other executives and to prepare matters related to the reward schemes for employees.

### **Decision-making procedure concerning the remuneration**

#### **Board of Directors**

The Annual General Meeting decides on the remuneration to the members of the Board of Directors and its committees for one term of office at the time. The preparatory work relating to the remuneration of the Board of Directors is delegated to the Board of Directors' remuneration committee.

#### **CEO and other Leadership Team members**

The Board of Directors decides on the remuneration, benefits and other terms of employment of the CEO based on the preparatory work by the remuneration committee. In addition, the Board of Directors decides on the compensation and benefits of the other Leadership Team members based on CEO's proposal and general principles approved by the Board.

## Authorizations of the Board of Directors concerning the remuneration

In the Annual General Meeting on 19 April 2018, it was resolved to authorize the Board of Directors to decide to issue at maximum 2,029,196 new shares and to convey the Company's 146,200 own shares held by the Company.

The authorisation also includes the right to issue special rights, in the meaning of Chapter 10 Section 1 of the Companies Act, which entitle to the Company's new shares or the Company's own shares held by the Company against consideration.

The amount of shares to be issued shall not exceed 2,172,396 shares, which corresponds to approximately 10.0 per cent of the Company's total amount of shares. Shares potentially issued by virtue of the special rights entitling to shares are included in the aforesaid maximum number of shares.

The authorisation entitles the Board of Directors to decide on a directed share issue and issue of special rights in deviation from the pre-emptive rights of shareholders subject to the conditions mentioned in the Companies Act. The Board of Directors can use the authorisation in one or several tranches to all purposes decided by the Board of Directors.

The authorization shall stay in force until the next Annual General Meeting, however, no longer than until 30 June 2019.

## **Main principles of remuneration**

### Board of Directors

On 19 April 2018 the Annual General Meeting decided, based on the proposal of the Board of Directors prepared by the remuneration committee, on the remuneration to the members of the Board of Directors for the term of office until the next Annual General Meeting. According to the decision, the monthly fees paid to Board members remained unchanged; to the Chairman of the Board of Directors EUR 2,000 and to the other members of the Board of Directors EUR 1,500.

In addition, the Annual General Meeting decided, based on the proposal of the Board of Directors prepared by the remuneration committee that no remuneration will be paid to the members who are employees or managing director of the company or a subsidiary of the company.

### CEO and other Leadership Team members and key employees

The remuneration of the CEO comprises a monthly total salary (including monthly salary and customary fringe benefits, i.e. mobile phone, fax and internet connection). The remuneration of the Leadership Team members and key employees, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) as well as both short- and long-term incentives. Short-term incentives are quarterly or annual performance bonuses that the Board of Directors sets for the Leadership Team and key employees. As long-term incentives, Leadership Team members and key employees are included in share-based incentive plans that are decided and implemented by the Board of Directors and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting.

Special reward forms or bonuses, such as sign-on, can be utilized under special circumstances to facilitate onboarding and retention of key executives. These additional awards must always be structured to reflect the Company's remuneration principles in terms of their value, time horizon and performance requirements and be approved by the Board of Directors.

### Short term incentives

The Board of Directors annually confirms the terms and targets of the short term incentives on Ferratum company level. The amount paid out as short term incentives, if any, is based on achieving set financial performance targets of Ferratum and/or the business in question. In addition to these, also individual and/or team targets are used. The remuneration committee evaluates and the Board of Directors approves the achievement of the predefined targets of the Leadership Team members.

### Share-based incentive plans

The Board of Directors decides and implements Ferratum's share-based incentive plans, which are part of the remuneration program for management.

The purpose of the plans is to align the goals of shareholders and management to enhance the value of the Company. The plans also aim to ensure commitment of management and offer them a competitive, ownership- based reward scheme.

### **Employment terms and conditions of CEO Jorma Jokela**

Base salary and fringe benefits	Monthly salary EUR 17 340 and fringe benefits (mobile phone, fax and internet connection).
Bonuses	There are no bonus arrangements in the CEO agreement.
Pension	Retirement age is 65. Jorma Jokela has no contribution pension plan.
Termination of assignment	Notice period for both parties is 6 months. Severance pay (if the Company terminates the agreement) is 12 months' salary.

### **Retirement age and pension plan of the other Leadership Team members**

All other Leadership Team members belong to the pension systems of their country of residence and have a statutory retirement age.

### **Notice period and termination benefits of the other Leadership Team members**

The notice period for all other Leadership Team members varies from 2 to 6 months for both parties. There is no severance payment in case the Company terminates the agreement.

### **Remuneration report**

#### Board of Directors 2018

<b>Name</b>	<b>Total Annual Fee</b>	<b>Share reward portion of annual fee</b>	<b>Total</b>
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Pieter van Groos	24 000	97 460	121 460
Jorma Jokela	208 315	-	208 315
Erik Ferm	18 000	4 869	22 869
Lea Liigus	-	205 985	205 985
Juhani Vanhala	18 000	4 869	22 869
Christopher Wang	18 000	-	18 000
<b>Total</b>	<b>286 315</b>	<b>313 183</b>	<b>599 498</b>

#### CEO 2018

<b>EUR</b>	<b>Annual salaries and other short term benefits</b>	<b>Total</b>
CEO	208 315	208 315

#### Other Leadership Team members 2018

<b>EUR</b>	<b>Annual salaries and bonuses</b>	<b>Total</b>
Other Leadership Team Members	2 324 113	2 324 113

### **INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT**

The purpose of Ferratum's risk management is to minimize the probability of unexpected losses and threats against the reputation of the Group and, in addition, to enhance its profitability and shareholder value. The risks of Ferratum's operations can be divided into three main categories: credit risks (receivables from customers), market risks (including foreign exchange risks, interest rate risks and other price risks) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

#### **Operating principles of internal control**

The Board ensures that the Company has defined the operating principles of internal control and monitors the function of such control.

#### **Organization of risk management**

Credit risks are managed by developing risk management tools to assist the subsidiaries in evaluating the payment behavior of customers. These tools are used to ensure that only solvent customers are accepted, which enables the control of the level of credit losses. The scoring system and the credit policies of the Group's subsidiaries are managed by the central risk department. The risk department is

also responsible for the measurement of the payment behavior of the credit portfolio on a daily, weekly and monthly basis. Risk provisioning and the calculation of the impairments are independently managed by the central finance department.

Market risks are managed by the central finance team and its treasury function. The central treasury function is also responsible for Group cash flow planning and ensures the necessary liquidity level for all Group entities.

Operational risks, IT risks as well as legal and regulatory risks are of high relevance for Ferratum. Regulatory and legal risks are managed centrally by the Company's legal function in close cooperation with the authorities in the respective countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are analyzed on an ongoing basis and any necessary modifications to Ferratum Group's legal structure are implemented proactively.

The smooth and continuous operation of critical IT systems is effectively guaranteed by various information security solutions. Ferratum has developed its processes and systems in order to offer its customers, stakeholders and partners the most efficient and practical software designed to cater to the demands of the developing mobile consumer lending industry.

Ferratum takes into account moderate and calculated risks in conducting its business. The Board of Directors monitors operations regularly and is ultimately responsible for adequate risk management and ensuring that the company has access to the appropriate software, including instructions on controlling and monitoring risks. The CEO is responsible for the daily operations of the Company. Each member of the Leadership Team ultimately bears responsibility for identifying and controlling the risks related to their functions in line with instructions from the Board.

Ferratum proactively follows all legal changes and continuously monitors the legal environment that might change in the countries it operates in and adjusts its operations accordingly, while always considering customer and user experience.

Risks and risk management are presented on Company's website [www.ferratumgroup.com](http://www.ferratumgroup.com) and in Annual report 2018.

Reviews concerning financial risks are presented in the notes to the consolidated financial statements in the Annual Report 2018 on pages 76-95.

## **Internal audit**

Ferratum's internal audit function is the responsibility of Ferratum's audit committee, which is responsible for developing, implementing and overseeing internal audit policies and procedures. The audit committee reports on its findings to the board of directors.

Ferratum observes Group level accounting principles and instructions, which are applied in all Group companies and according to which the Group's financial reporting is prepared. Together with reporting calendar and schedules, accounting principles and instructions form the framework for timely and correct Group reporting.

## **Financial reporting**

The Board of Directors and the CEO have the overall responsibility for organizing the internal control and risk management systems pertaining to financial reporting. The CEO, the members of the Leadership Team and the heads of the business units are responsible for the accounting and administration of the areas within

their spheres of responsibility complying with legislation, the Company's operating principles and the guidelines and instructions issued by the Board of Directors.

Ferratum prepares consolidated financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

## **RELATED PARTY TRANSACTIONS**

Ferratum's related parties include the members of the Board of Directors and the Leadership team as well as their close family members, and the companies in which a member of the Board of Directors or the Leadership Team has significant influence.

In 2108, the Company had no related party transactions that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

## **INSIDER ADMINISTRATION**

Ferratum complies with the Market Abuse Regulation ((EU) N:o 596/2015, "MAR") and its implementing instruments, the Finnish Securities Markets Act (746/2012), the Finnish Penal Code, the German Securities Trading Act, as amended (Wertpapierhandelsgesetz – WpHG) as well as the regulations and guidelines of ESMA (European Securities and Markets Authority), the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the Finnish Financial Supervisory Authority (the "FIN-FSA"). In addition, Ferratum complies with the listing rules and regulations of the regulated market of the Frankfurt Stock Exchange and the additional requirements of the Prime Standard of the Frankfurt Stock Exchange.

### **Insiders at Ferratum**

Ferratum maintains non-public project-based insider lists of all persons who have access to deal-specific or event-based inside information and who are working for them under a contract of employment, or otherwise performing tasks through which they have access to inside information. In addition, Ferratum maintains a non-public insider list of the permanent insiders of Ferratum. Such insiders consist of members of the Board of Directors, the CEO and members of the Leadership Team of Ferratum ("Managers").

### **Closed period**

Ferratum applies a closed period of 30 calendar days before the announcement of interim financial reports or financial statements and ending upon the publication of such announcement. During the closed period, Ferratum's Managers are prohibited from trading in Ferratum's financial instruments. Ferratum has imposed a 30-days closed period preceding the announcement of interim financial reports and financial statements also on persons involved in the preparation of such reports or statements.

### **Managers' transactions**

Ferratum publishes Managers' and their closely associated persons' transactions relating to Ferratum's financial instruments through stock exchange releases within three business days from the date of transaction. Ferratum's Managers and their closely associated persons shall notify the FIN-FSA of the transaction within three business days from the date of transaction.

## **Administration of insider matters**

Ferratum has adopted internal guidelines for insiders where the main procedures related to insider administration are described. Ferratum ensures that persons with access to inside information, persons on insider lists, Managers as well as all employees subject to a trading restriction recognize their position and the effects thereof. Lea Liigus, Head of Legal and Compliance, is responsible for the coordination and supervision of insider issues.

## **AUDIT**

The primary duty of statutory auditing is to verify that the financial statements give correct and sufficient information about the Company's profit and financial situation for the financial year. Ferratum's financial year is the calendar year. The auditor is responsible for auditing the Company's accounts and the correctness of its financial statements during the financial year as well as for issuing an auditor's report to the Annual General Meeting.

A summary of the Company's audit report is compiled for the audit committee. The auditor attends at least one meeting of the audit committee in the relevant financial year.

Pursuant to the Articles of Association of the Company in force at the end of the year 2018, the Company has one auditor, which must be a firm of independent public accountants so authorized by the Central Chamber of Commerce. In 2018, the Annual General Meeting elected PricewaterhouseCoopers Oy, a firm of authorized public accountants, with APA Mikko Nieminen as the main responsible auditor. The auditor's term ends at the conclusion of the next Annual General Meeting after the election.

## **Audit fees and services not related to auditing**

According to the resolution made by the Annual General Meeting 2018 the the auditor be paid a reasonable fee in accordance with the auditor's invoice which shall be approved by the Company.

The audit fees paid in 2018 totalled EUR 480,000 (in 2017: EUR 564,000). In addition, EUR 407,000 was paid to the firm for services not related to auditing (in 2017: EUR 958,000).

## **COMMUNICATIONS**

Ferratum Group stands for transparency and openness in all its communications. The primary objective of the Company's investor information is to provide the best information for the public and all stakeholders regarding the Company's business.

## **Distribution of investor information**

Ferratum publishes all of its investor information on the Company's website [www.ferratumgroup.com](http://www.ferratumgroup.com). Financial releases will be made available immediately after publication. They will be published in English.