

## FERRATUM CORPORATION – CORPORATE GOVERNANCE STATEMENT 2019

This corporate governance statement has been prepared in accordance with the recommendations of the Finnish Corporate Governance Code (2020). 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 2020 published by the Securities Market Association with a deviation from the recommendation regarding the composition of the committees of the board of directors (recommendation 15). Two out of four 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 the Annual General Meeting of Shareholders by the end of June each year. If necessary, an Extraordinary General 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](http://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 the 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 Oy. 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 Oy. 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 Oy 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 unless there are well-founded reasons for absence. 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.

### **Shareholders' agreements**

A shareholders' agreement is an agreement among the shareholders of a company on the company's governance and management. A shareholders' agreement can be made when a company is established or during the time of its operation. A shareholders' agreement is binding between the parties thereto. A shareholders' agreement does not bind the company itself unless the company is included

in the agreement. In general, the Board of Directors approves a shareholders' agreement on behalf of the Company.

Ferratum is not a party to a shareholders' 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 Meeting. A member of the Board of Directors may be removed from office at any time by a resolution passed by the General 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, the Board of Directors comprises no fewer than three (3) and no more than nine (9) members. The term of office of each member of the Board of Directors ends at the adjournment of the first Annual General Meeting following the General Meeting at which the Board of Directors was elected. Therefore, the entire Board of Directors is elected at each Annual General Meeting.

Pursuant to the Articles of Association of the Company, the Board of Directors elects the chairman and the deputy chairman of the Board of Directors from amongst its members.

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 the end of the year 2019 eight (8) members, this quorum was five (5). 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 2019. The members of the Board of Directors attended the meetings as follows:

Name	Meeting attendance
Erik Ferm (member until 17 April 2019)	2/2
Pieter van Groos (member until 15 May 2019)	3/3
Juhani Vanhala	9/9
Jorma Jokela	8/9
Lea Liigus	9/9
Christopher Wang	7/9
Kati Hagros (member from 17 April 2019)	6/7
Michael A. Cusumano (member from 17 April 2019)	7/7
Goutam N. Challagalla (member from 17 April 2019)	6/7
Frederik Strange (member from 17 April 2019)	7/7

## 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 meeting notice and on the Company's website.

In accordance with the proposal of the Board of Directors, the Annual General Meeting held on 17 April 2019 re-elected Pieter van Groos, Jorma Jokela, Lea Liigus, Juhani Vanhala, and Christopher Wang as ordinary members and elected Kati Hagros, Michael A. Cusumano, Goutam Challagalla and Frederik Strange as new ordinary members. The Board of directors elected Juhani Vanhala as the chairman and Jorma Jokela as the vice chairman of the Board of Directors. Pieter van Groos resigned from the Board of Directors on 15 May 2019, and in the end of the year 2019, the Board of Directors consisted of the following persons:

**Juhani Vanhala**, chairman, 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. Currently, he works as a part time senior advisor for several companies and holds board memberships at Fira Group Oy (chairman), Vahanen International Oy, there corporation oy, Workspace Oy (chairman) and Asiantuntijakeskus GordionPro Oy.

**Jorma Jokela**, vice chairman, 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 and holds also an MBA from IMD in Switzerland. 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 Ferratum Group and has been its CEO since then. Jorma Jokela is currently a member of the board of Tinozza Oy, JT Capital Limited and European Recruitment Company OÜ. In addition, he acts as chairman of the board of Jokela Capital 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. Before she joined Ferratum in 2006, she worked as a lecturer for Commercial Law and EU law at the Estonian Business School in Tallinn and as an attorney-at-law specialized in commercial, financial law and EU law at Sorainen Law Offices in Estonia. 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 Managing Partner at J&W Partners Co. Ltd., a private equity firm based in Seoul, South Korea that he co-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.

**Kati Hagros**, born in 1970, has been a member of the Board of Directors since April 2019. She holds a M.Sc. in Technology from the Helsinki University of Technology and a M.Sc. in Social Sciences from the University of Helsinki. She has extensive experience in the international high technology business with management positions in logistics, e-business, strategy, quality and IT in Finland, Sweden, France, Germany, UK and Singapore. She served in various leadership positions at Nokia Corporation, including VP CIO Office and VP Quality from 1997 to 2010. Thereafter, she was the SVP Development and CIO at Kone Corporation from 2010 to 2016. She is a recognized thought leader in digitalization, ICT, cyber security, process development and quality and has been recognized for her work in various influencer listings. Currently, she is the Chief Digital Officer at Aalto University and a member of the board of Tokmanni Oyj, Siili Solutions Oyj, Nixu Oyj and Eezy Oyj.

**Michael A. Cusumano**, born in 1954, has been a member of the Board of Directors since April 2019. He is the SMR Distinguished Professor of Management at the MIT Sloan School at the Massachusetts Institute of Technology. During

2016–17, he was Vice President and Dean at Tokyo University of Science and Founding Director of the Tokyo Entrepreneurship & Innovation Center, established with support from the MIT Regional Entrepreneurship & Innovation Program (MIT REAP). He specializes in strategy, product development, and entrepreneurship in computer software and internet services as well as automobiles and consumer electronics. He was educated at Princeton University and Harvard University (PhD and postdoctoral fellowship in Production & Operations Management). He has published 14 books and more than 120 articles and has consulted for approximately 100 companies around the world. He also has served and continues to serve as a director and advisor of several public and private companies.

**Goutam N. Challagalla**, born in 1964, joined the Board of Directors in April 2019. He has studied Economics and Mathematics at Osmania University, Hyderabad, India. He is a Professor of Strategy and Marketing at IMD, Lausanne, Switzerland. Prior to IMD, he spent 20 years as a professor at Georgia Tech in Atlanta, USA. He also worked as Principal at The Monitor Group, a strategy consulting company in Boston. At IMD, he is Faculty Director of the Digital Marketing Strategy program and several custom programs for B2B and B2C clients. His teaching, consulting, and research focuses on strategy with an emphasis on digital transformation, business-to-business commercial management, value-based pricing, sales management, distribution channels, and customer and service excellence. His research has been published in top marketing and management journals such as *Journal of Marketing*, *Journal of Marketing Research*, *Management Science*, *Strategic Management Journal*, and the *Journal of Applied Psychology*. He is a recipient of the Maynard Award, which is given to the best paper in the *Journal of Marketing* (2015). His PhD is from the University of Texas, Austin, USA.

**Frederik Strange**, born in 1985, joined the Board of Directors in April 2019. He has studied an MSc. in International Business & Economics at Copenhagen Business School, and furthermore holds a CEMS Masters in International Management and an MBA from IMD in Switzerland. He has leadership experience from four years in the Danish Army including deployment to Iraq, he has worked in shipping (A.P. Moller Maersk, Fortune Global 500) and has held various positions in the financial services industry including management consulting (PA Consulting Group). During the course of his career he has worked and studied in seven countries. Currently, he is the Advisor to the Group CEO in PFA, Europe's 7th largest pension fund.

## **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 2019, 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. The reasoning for determining that a Director is not independent must also be reported.

Name	Independent of the Company	Independent of significant shareholders	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 2019
Jorma Jokela	No	No	11,958,470
Lea Liigus	No	Yes	170,037
Juhani Vanhala	No	Yes	86,708
Christopher Wang	Yes	Yes	0
Kati Hagros	Yes	Yes	0
Michael A. Cusumano	Yes	Yes	0
Goutam Challengalla	Yes	Yes	0
Frederik Strange	Yes	Yes	0

Three out of eight members of the Board, i.e. Jorma Jokela, Lea Liigus and Juhani Vanhala, are dependent on the Company for reasons explained below. Jorma Jokela is also dependent of significant shareholders as he holds, directly and indirectly through corporations over which he exercises control, 55.05 percent of the Company's shares. The remaining Board members, i.e. Christopher Wang, Michael A. Cusumano, Goutam Challengalla, Kati Hagros and Frederik Strange, are independent of the Company and of significant shareholders of the Company.

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. Each of



Jorma Jokela, Lea Liigus and Juhani Vanhala has also served as a Director for more than ten consecutive years.

### **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 2020. 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, the 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.

In the end of the year 2019 the risk committee consisted of Juhani Vanhala (chairman), Christopher Wang and Frederik Strange. All members of the audit committee are independent of significant shareholders and Christopher Wang and Frederik Strange are 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. Frederik Strange has the required expertise in accounting and auditing.

The audit committee had four meetings during 2019. Juhani Vanhala and Frederik Strange attended all meetings, and Christopher Wang attended all meetings but one.

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.

In the end of the year 2019 the remuneration committee consisted of Kati Hagros (chairman), Juhani Vanhala and Goutam Challagalla. All members of the remuneration committee are independent of the significant shareholders and Kati Hagros and Goutam Challagalla are independent of the Company.

The remuneration committee held three meetings during 2019. Kati Hagros and Goutam Challagalla attended all meetings and Juhani Vanhala attended all meetings but one.

The remuneration 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 policy and 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.

In the end of the year 2019 the risk committee consisted of Michael Cusumano (chairman), Frederik Strange, Clemens Krause and Lilita Gribonika. All members are independent of significant shareholders and Michael Cusumano and Frederik Strange are 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 the chairman of the committee. Clemens Krause and Lilita Gribonika are not members of the Board of Directors. Clemens Krause is Ferratum's Chief Risk 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 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 2019</b>
Michael Cusumano	Yes	Yes	0

Frederik Strange	Yes	Yes	0
Clemens Krause, born 1962, PhD, Chief Risk Officer of Ferratum Group	No	Yes	104,000
Lilita Gribonika, born 1975, M.Sc. (Finance and ac- counting), Head of Risk and Fraud Control	No	Yes	0

The risk committee had four meetings during 2019, and all members 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 his 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 and holds also an MBA from IMD in Switzerland. 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 2019.
Jorma Jokela	No	No	11,958,470

## MANAGEMENT TEAM

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.

The Leadership Team, in addition to CEO Jorma Jokela, consisted of the following members in the end of the year 2019: Lea Liigus, Head of Legal and Compliance, Bernd Egger, Chief Financial Officer (CFO), Saku Timonen, Chief Commercial Officer, Clemens Krause, Chief Risk Officer, Ari Tiukkanen, Chief Operations Officer (COO), Kristjan Kajakas, Business Unit Director, Revolving Loans, Adam Tønning, Head of Financial Planning and Analysis, Scott Donnelly, Business Unit Director, SME Lending, Emmi Kyykkä, Head of Group Communications and Investor Relations, Antti Kumpulainen, Deputy CEO, Ferratum Bank and Sami Kalliola, Head of Strategic Partnerships.

<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 2019</b>
Lea Liigus, born 1972, LL.M	Legal and compliance	170,037
Bernd Egger, born 1971, MBA, M.Sc (finance)	Financial controlling, taxation, treasury and risk management	8,000
Saku Timonen, born 1972, M.Sc (Econ)	Lending function and sales	147,301
Clemens Krause, born 1962, PhD	Risk and Collections	104,000
Ari Tiukkanen, born 1961, B.Sc (engineering)	Operations	70,000
Kristjan Kajakas, born 1981, BA (Econ)	Revolving Loans	16,473
Adam Tønning, born 1991, B.Sc (Econ, not completed)	Financial Planning and Analysis	18,765
Scott Donnelly, born 1975, M.Sc (Finance)	SME Lending	12,925
Emmi Kyykkä, born 1987, BA (business administration)	Communications and Investor Relations	10,310
Antti Kumpulainen, born 1980, B.Sc (econ)	Deputy CEO of Ferratum Bank	12,525
Sami Kalliola, born 1971, Business School	Strategic Partnerships	20,950

## 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 17 April 2019, it was resolved to authorize the Board of Directors to decide to issue a maximum of 3,258,594 shares. Based on the authorization, the Board of Directors may either issue new shares or convey own shares held by the Company.

The authorization 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 maximum amount of shares to be issued corresponds to approximately 15.0 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 2020.

## **Main principles of remuneration**

### Board of Directors

On 17 April 2019 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 payable to Board members are as follows: to the Chairman of the Board of Directors EUR 2,500 and to the other members of the Board of Directors EUR 2,000.

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 CHF 20,000 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.
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### 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 2019

Name	Total Annual Fee	Share reward portion of annual fee	Total
Pieter van Groos	7 700	0	7 700
Jorma Jokela	216 302 (CEO salary)	0	216 302
Erik Ferm	5 400	0	5 400
Lea Liigus	0	0	0
Juhani Vanhala	26 425	0	26 425
Christopher Wang	22 700	0	22 700
Kati Hagros	16 800	0	16 800
Michael A. Cusumano	16 800	0	16 800
Goutam Chalgalla	16 800	0	16 800
Frederik Strange	16 800	0	16 800
<b>Total</b>	345 727	0	345 727

#### CEO 2019

EUR	Annual salaries and other short-term benefits	Total

CEO	216 302	216 302
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Other Leadership Team members 2019

EUR	Annual salaries and bonuses	Total
Other Leadership Team Members	1 935 993	1 935 993

**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 behaviour 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 behaviour 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 2019.

Reviews concerning financial risks are presented in the notes to the consolidated financial statements in the Annual Report 2019 on pages 41–69.

## **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 maintains a list of its related parties and monitors and evaluates related party transactions between the Company and its related parties. Internal procedures have been put in place in order to ensure that any related party transactions are duly identified, reported and monitored. Such identification, reporting and monitoring are managed by the Company's internal control and compliance functions in accordance with their respective instructions. The Board of Directors decides on any related party transactions that are not considered part of the Company's ordinary course of business or are made in deviation from customary commercial terms.

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 2019, the Company had no related party transactions that are material to the Company and that are either not considered part of the Company's normal ordinary course of business or are made in deviation from customary commercial 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 a 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, the Company has one auditor, which must be an audit firm under the Auditing Act. In 2019, 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 2019 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 2019 totalled EUR 807,000 (in 2018: EUR 480,000). In addition, EUR 884,000 was paid to the firm for services not related to auditing (in 2018: EUR 407,000).

## **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.