

Corporate Governance Statement 2018



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Corporate Governance Statement 2018

INTRODUCTION

This Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2015. The Corporate Governance Statement is issued separately from the report of the Board of Directors of Pöyry PLC for the financial period 1 January – 31 December 2018. The report of the Board of Directors is available at www.poyry.com.

Corporate governance at Pöyry is based on the laws and regulations of Finland and the European Union, the Articles of Association (“Articles”) of the parent company Pöyry PLC (“Company” or “Pöyry”), the Finnish Corporate Governance Code, and the rules and regulations of the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd, where the Company is listed.

The Company complies with the Finnish Corporate Governance Code with one exception. For information about this departure from the Code relating to the minimum number of members of the committees of the Board of Directors see page 8. The Corporate Governance Code is publicly available on the website of the Securities Market Association www.cgfinland.fi.

The Company prepares consolidated financial statements and half year financial reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the applicable laws, regulations and rules.

PUBLIC TENDER OFFER

ÅF AB (publ) (“ÅF”) and Pöyry have on 10 December 2018 announced that ÅF makes a voluntary public cash tender offer to purchase all issued and outstanding shares in Pöyry. Information on the public tender offer can be found on the website for the transaction www.drivinggrowthtogether.com.

Governance structure



General description of governance

INTRODUCTION

The responsibility for the control and management of the Company is divided between the shareholders represented at the General Meeting of Shareholders, the Board of Directors ("Board") (supported by its two Committees) and the President and CEO assisted by the Group Executive Committee.

GENERAL MEETING OF SHAREHOLDERS

The shareholders of Pöyry exercise their decision-making power at the Company's General Meeting of Shareholders. The rights of the shareholders and the duties of the General Meeting are defined in the Companies Act and in the Articles of the Company.

The Annual General Meeting ("AGM") is held every year before the end of June, usually in March. The matters to be dealt with in the AGM are defined in the Companies Act and in the Articles of the Company. The AGM 2018 was held on 8 March 2018 in Vantaa, Finland.

An Extraordinary General Meeting ("EGM") may be convened by the Board when they consider it necessary or when required by law. Furthermore, the Auditor or shareholder(s) together holding a minimum of one tenth of all shares of the Company have the right to request in writing that an EGM shall be convened to discuss a specific matter. No EGMs were held in 2018.

BOARD OF DIRECTORS

Composition of the Board. According to the Articles, the Board consists of a minimum of four (4) and a maximum of ten (10) members. The majority of the Board members shall be independent of the Company and at least two (2) of the members representing this majority shall also be independent of significant shareholders.

The AGM decides on the number of members and elects the members for a term of one (1) year lasting until the close of the following AGM. The Board appoints from among its members a Chairman and a Vice Chairman.

BOARD MEMBERS

The AGM on 8 March 2018 resolved that the Board consists of four (4) ordinary members. The AGM elected the following members to the Board:

- Ms. Helene Biström
- Mr. Henrik Ehrnrooth
- Mr. Michael Rosenlew and
- Mr. Teuvo Salminen.

Henrik Ehrnrooth acts as the Chairman of the Board and Teuvo Salminen as Vice Chairman.

For detailed information about the Board members, their independence and share ownership see page 6.

Operations of the Board. The duties of the Board are those specified in the Companies Act, according to which the Board is responsible for overseeing that the management and operations, and the supervision of accounting and financial matters of the Company are appropriately organised. The Articles of the Company do not define other duties for the Board. The Board has authority to act in all matters not reserved by law or the Articles to another governing body.

The Board meets as often as necessary to properly fulfil its duties. The Board decides well in advance on its annual meeting schedule and additional meetings are arranged when necessary. The Board evaluates its performance and working methods annually.

Board Charter. The Board has adopted for itself a Charter. According to the Charter, apart from the statutory duties the main tasks of Board are:

- Approval of the strategic goals and direction
- Approval of strategically important or major acquisitions and divestments
- Business control including, among others, approvals of control policies, and business matters in accordance with the Company's Authorities Policy & Approval Matrix
- Approval of the business organisation structure
- Appointment of the President and CEO
- Approval of the appointments of the Group Executive Committee and other top management
- Financial control including, among others, approval of half year reports and annual accounts and group level budgets
- Approval of principles of risk management and internal control

- Appointment of the Chief Audit Executive and approval of the Internal Audit Charter
- Appointments to the Board Committees and review of the reports of the Board Committees.

Board diversity. For the versatile support and development of the Company's business, the Board composition should be sufficiently diverse. In designing the Board's composition, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience in varying stages of business development and internationally, personal characteristics, skills, and knowledge as well as length of service. Both genders shall be represented on the Board.

Currently, Pöyry's Board consists of four (4) members. All Board members have international professional experience in various types of positions and they are or have been executives and members of the Board of Directors in both listed and unlisted companies. All members have a university degree and their areas of study are either economics or technical. The Board members represent two (2) different nationalities. Women count for twenty five (25) per cent (one out of four) of the Board. The members' length of service is varying; the Chairman of the Board has served in Pöyry's Board since 1997 and the other members less than five (5) years.

Participation in the Board meetings and the evaluation of independence. In 2018, the Board convened seventeen (17) times. Each member's participation in the meetings and evaluation of independence is the following:

Member	Number of meetings participated	Participation (%)	Independence
Henrik Ehrnrooth (Chairman)	16/17	94 %	Not independent of the Company and significant shareholders
Teuvo Salminen (Vice Chairman)	16/17	94 %	Independent member
Helene Biström	17/17	100 %	Independent member
Michael Rosenlew	17/17	100 %	Independent member

BOARD MEMBERS

Board of Directors as at 31 December 2018:

Name	Born	Nationality	Education	Main occupation	Member since
Henrik Ehrnrooth (Chairman)	1954	Finnish	M.Sc. (Forest Econ.), B.Sc. (Econ.)	Professional Board member	1997
Teuvo Salminen (Vice Chairman)	1954	Finnish	M.Sc. (Econ.)	Professional Board member	2015
Helene Biström	1962	Swedish	M.Sc. (Mechanical engineering)	Managing Director, Infranord AB	2016
Michael Rosenlew	1959	Finnish	M.Sc. (Econ.)	Professional Board member	2016

More detailed background information regarding the Board members is presented on the Company's website www.poyry.com/Investors/Governance.

The Pöyry PLC shares owned by the Board members and the entities in which they exercise control on 31 December 2018 and 31 December 2017:

Name	Pöyry PLC shares	
	31.12.2018	31.12.2017
Henrik Ehrnrooth	0 ⁽¹⁾	0 ⁽¹⁾
Teuvo Salminen	40,000	40,000
Helene Biström	0	0
Michael Rosenlew	21,740	21,740

⁽¹⁾ Henrik Ehrnrooth, together with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly holds a controlling interest in Corbis S.A., a significant shareholder of the Company.

BOARD COMMITTEES

The Board has two (2) permanent committees: the Audit Committee and the Nomination and Compensation Committee. The committees assist the Board in its duties by preparing and reviewing in more detail matters falling within the competence of the Board. The committees prepare minutes of their meetings and report to the Board.

The committee members and a Chairman for each committee are appointed by the Board in the first Board meeting held after the AGM for a term of one (1) year. The Board has approved charters for both committees.

Departure from the recommendation of the Corporate Governance Code

Pöyry departs from recommendation 15 of the Corporate Governance Code as regard the minimum number of members of the committees of the Board of Directors. Pursuant to the recommendation 15, the committees must have at least three members. Pöyry's Board of Directors has two permanent committees: the Audit Committee and the Nomination and Compensation Committee. Both committees have two members elected from among the members of the Board of Directors.

In consideration of the small size of the Board of Directors (four members), it has been decided by the Board of Directors that the preparation of matters is most effectively handled if each of the committees have only two members. This allows the members of the Board of Directors to concentrate on the work of one committee and promotes efficient working methods and swift decision making processes. It has been carefully considered that the committee members have the competences and experience required for the duties of the committees.

AUDIT COMMITTEE

The Audit Committee comprises at least two (2) members. According to the Charter of the Audit Committee, the majority of the Audit Committee members must be independent of the Company and at least one (1) member shall be independent of the Company's significant shareholders.

Teuvo Salminen (Chairman) and Helene Biström were elected to the Audit Committee on 8 March 2018. The Audit Committee convened five (5) times in 2018.

Charter. The Board has approved a Charter for the Committee. According to its Charter, the Audit Committee shall assist the Board in its responsibilities concerning

- monitoring and supervising the financial reporting process
- monitoring the efficiency of the Company's internal control, internal audit and risk management systems
- reviewing the Company's corporate governance statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- reviewing the internal audit charter before submission to the Board for approval and reviewing internal audit plans and reports
- evaluating the independence and performance of the statutory auditor or audit firm, particularly the provision of related services to the Company which the Audit Committee monitors and approves
- contacts with the auditor and review of the reports that the auditor prepares for the Audit Committee
- preparing the proposal for the AGM for the resolution on the election of the auditor.

Participation in the committee meetings in 2018 and the evaluation of independence:

Member	Number of meetings participated	Participation (%)	Independence
Teuvo Salminen (Chairman)	5/5	100 %	Independent member
Helene Biström	5/5	100 %	Independent member

NOMINATION AND COMPENSATION COMMITTEE

The Nomination and Compensation Committee comprises at least two (2) members. According to the Charter of the Nomination and Compensation Committee, the majority of the members of the Committee shall be independent of the Company.

Michael Rosenlew (Chairman) and Henrik Ehrnrooth were elected to the Nomination and Compensation Committee on 8 March 2018.

The Nomination and Compensation Committee convened six (6) times in 2018.

Charter. The Board has approved a Charter for the committee. According to its Charter, the Nomination and Compensation Committee's duties are to review on an annual basis the composition and the performance of the Board, and to identify and review nominees for Board members in accordance with the Company's Guiding Principles for Nomination of Members of the Board of Directors. The Committee makes the proposal for the election of the Board members and their compensation to the Annual General Meeting of shareholders.

In addition, the Committee evaluates and makes recommendations to the Board in regard to

- matters relating to the appointment, compensation and other terms of the agreement of the President and CEO of the Company and identification of successors
- basic principles about the compensation of the Company's Group Executive Committee members
- group level variable pay schemes, both short term and long term performance based incentive schemes
- the executive talent pool based on reviews of successor candidates for key executive positions and reviews of other relevant factors for the executive talent pool.

Participation in the committee meetings in 2018 and the evaluation of independence:

Member	Number of meetings participated	Participation (%)	Independence
Michael Rosenlew (Chairman)	6/6	100 %	Independent member
Henrik Ehrnrooth	6/6	100 %	Not independent of the Company and significant shareholders

PRESIDENT AND CEO

The President and CEO is appointed by the Board.

In accordance with the Companies Act, the President and CEO is in charge of the day-to-day management of the Group in accordance with the guidelines and instructions of the Board. The statutory duties of the President and CEO include ensuring that the Company's accounting methods comply with law and other regulations, and that the financial matters are handled in a reliable manner. The President and CEO is also in charge of the preparation of matters to be presented to the Board and carries out the decisions of the Board.

Martin à Porta (born 1970, Swiss citizen, M.Sc. (Engineering), Swiss Federal Institute of Technology, 1996) has been the President and CEO of the Company since 1 January 2016.

Group Executive Committee (GEC)

The President and CEO is assisted by the Group Executive Committee ("GEC") in the operative management of the Group.

On 31 December 2018 the GEC consisted of five (5) members (including the President and CEO). The members of the GEC are appointed by the President and CEO and the appointments approved by the Board. The GEC members report to the President and CEO and have roles and responsibilities assigned by the President and CEO.

The GEC holds regular meetings chaired by the President and CEO. The President and CEO is responsible for the decisions made by the GEC. For information about the GEC members and their share ownership see page 11.

GEC MEMBERS

The GEC as at 31 December 2018:

Name	Position	Born	Nationality	Education	Member of the GEC since
Martin à Porta	President and CEO, President Management Consulting Business Group (acting)	1970	Swiss	M.Sc. (Engineering)	2016
Nicholas Oksanen	President, Industry Business Group	1967	Finnish	M.Sc. (Paper Technology and Economics)	2014
Richard Pinnock	President, Energy Business Group	1962	South African	B.Comm. (Hons), B.Sc. (Mechanical Engineering)	2003
Juuso Pajunen	CFO	1981	Finnish	M.Sc. (Econ.)	2016
Dorien Terpstra	Head of Strategy and Transformation	1979	Dutch	M.Sc. (Strategy & Organisation)	2018

More detailed background information regarding the GEC members is presented on the Company's website www.poyry.com/Investors/Governance.

The shares owned by the GEC members and the entities in which they exercise control on 31 December 2018 and 31 December 2017:

Name	Pöyry PLC shares	
	31.12.2018	31.12.2017
Martin à Porta	404,524	303,695
Nicholas Oksanen	100,598	86,820
Richard Pinnock	146,308	138,146
Juuso Pajunen	52,734	45,386
Dorien Terpstra	17,708	0

Internal control and risk management

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

According to Pöyry's definition its objectives for internal control are to provide reasonable assurance in achieving the following goals:

- Effectiveness, efficiency and transparency of operations
- Reliability of financial and other reporting
- Effective and comprehensive risk management
- Compliance with applicable laws and regulations and the Pöyry's Guiding Directives
- Ethical business conduct.

The internal control framework covers all the policies and guidelines, processes, procedures and organisational structures that assist the President and CEO and ultimately the Board of Directors in ensuring that Pöyry achieves the above mentioned objectives.

Pöyry's internal control framework is based on the Pöyry's Guiding Directives, which consist of the key policies and instructions, which must be followed throughout the group. Pöyry's Guiding Directives provide internal policies and guidelines in areas such as ethical business conduct, internal control, authorities, risk management and financial reporting.

Risk management is an integral part of Pöyry's business management and internal controls framework. The aim of risk management is to enable the achievement of the Company's strategic and financial objectives and targets in a controlled manner.

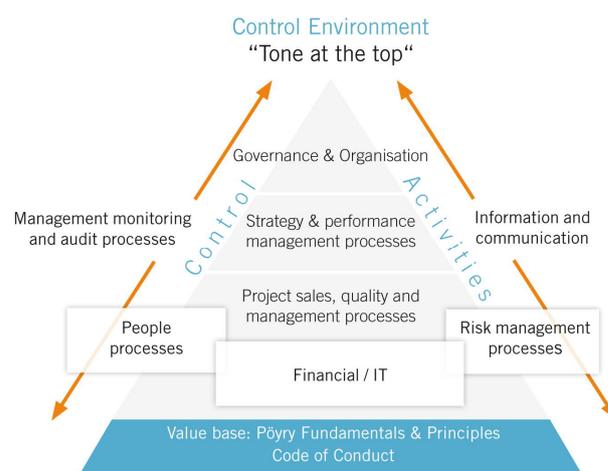
Pöyry's main group wide risk management processes are:

1. Enterprise Risk Management (ERM) process tailored to identify, assess, manage and follow up risks that may threaten the achievement of Pöyry's objectives.
2. Project risk management processes tailored to identify, assess, manage and follow up project risks.

Risk control activities include Authorities Policy & Approval Matrix and Risk Management Policy issued by the Board. These group wide mandatory instructions set limits and authority levels for risk taking.

Risk reporting is a part of business reporting. Major risks with status updates are reported to and reviewed regularly by the Audit Committee and the Board.

Pöyry's system of internal control



CONTROL ENVIRONMENT

The financial reporting processes are an integral part of Pöyry's internal control system.

It is the duty of the President and CEO to ensure that the Company's accounting methods comply with legal requirements and regulations, and that the financial matters are handled reliably. The President and CEO has delegated this responsibility to the Chief Financial Officer ("CFO"), whose duties are to organise and manage the Finance function.

The Audit Committee of the Board monitors the financial reporting process and the effectiveness of the controls therein. Furthermore, the Board regularly assesses the adequacy and effectiveness of Pöyry's internal controls and risk management.

Project management and project accounting are among Pöyry's most important key processes, also from financial reporting point of view. Several controls are implemented to focus on these areas. Project managers are responsible for Pöyry's projects, including compliance with the Pöyry's Guiding Directives, in order to ensure accurate and reliable input into financial accounting and financial information. The Project Management Officer network supports project managers in project management processes, e.g. in project risk management and in monthly project review processes.

The controller function has a key role in Pöyry's internal control system in developing, maintaining and communicating mandatory policies and procedures and ensuring compliance with them. Transaction processing is centralised in dedicated internal shared Financial Service Centres, which strengthens the harmonisation of applied processes and procedures whilst also enhancing compliance. The centres have been established in countries where Pöyry has major operations.

Pöyry has a common global project, resource and financial management system, the implementation of which was finalised in the Pöyry Group in 2017. The system allows Pöyry to ensure the quality and cost efficiency of project and finance administration e.g. through harmonized master data, data consistency, enhanced system controls and reports. With a focus on project and information delivery, Pöyry has seen vast improvements in usability, creating an environment that places its staff in the best position to collaborate with precision and speed.

RISK ASSESSMENT

At Pöyry risks related to financial reporting are assessed and the necessary controls are defined and implemented when changes are made in organisation or processes.

All projects in Pöyry are categorised on risk basis. The project category determines the treatment of the project both in the sales and execution phase of the project. In addition to this, a more holistic project risk assessment is conducted for more risky projects both before submitting commercial proposals and signing contracts, and regularly during the execution of projects.

The risk assessment and risk review processes are performed using Pöyry's standardised risk assessment tools. The outcome of the project risk assessment may have an immediate impact on financial reporting. Project managers are supported by dedicated finance and other resources in order to ensure the accuracy and compliance of the input for financial reporting.

CONTROL ACTIVITIES

Pöyry's financial management and accounting processes include policies, procedures and controls that are necessary to ensure the reliability of financial reporting. Pöyry companies carry out financial reporting in a harmonised way across all Group companies, based on mandatory policies and procedures, using a common chart of accounts and harmonised set of project management and accounting systems.

All Pöyry's subsidiary companies in which Pöyry has control use Pöyry's common systems for project accounting, financial accounting and monthly reporting. All major interfaces are standardised and reasonably automated between different systems in the financial reporting process.

The international financial reporting standards (IFRS) are applied in Pöyry Group. The maintenance and interpretation of accounting standards is centralised to the Group Finance department. Monthly closing, data transfers, reconciliation and control procedures are defined in detail for the financial reporting process.

Pöyry's Authorities Policy & Approval Matrix ensures that decision making involving far-reaching effects and significant risks is made at the appropriate organisational levels.

INFORMATION AND COMMUNICATION

Applicable financial standards, policies, tools and systems as well as best practices are published on the Pöyry Group Intranet. The CFO ensures the availability of up-to-date information. The CFO also ensures the continuous improvement of finance related processes, procedures, systems and controls.

MONITORING

The CFO is responsible for maintaining and developing the company's controlling processes so that management at all levels receives reliable and adequate financial information in a timely manner.

The actual financial performance against business plans, budgets and performance indicators is followed up through the monthly reporting process. In connection with the monthly reporting, updated and analysed full year estimates are mandatory every quarter, but also more frequently if material changes are foreseen.

Monthly business and financial performance reviews are held shortly after the reporting deadline. In these reviews the Business Line President and responsible Business Controller comment to the President and CEO and CFO on essential items impacting actual figures or full year estimates as well as on all essential events, risks and opportunities. Standard minimum agendas are mandatory for monthly review meetings at all management levels covering topics relevant for financial and operational monitoring.

Internal and external audits are performed based on annually approved, risk based audit plans, and audit findings are reported both to management and to the Audit Committee.

The Board receives monthly financial information on the Pöyry Group and Business Line level and approves all externally communicated financial reports. The Audit Committee follows up regularly the operation of the Finance organisation.

Other information

INTERNAL AUDIT

The Internal Audit function is independent of business operations. The function is headed by the Chief Audit & Compliance Executive, who reports to the President and CEO and Audit Committee. The annual audit plan and the annual internal audit report are approved by the Audit Committee.

Internal Audit assesses the adequacy and effectiveness of Pöyry's internal control framework. Internal Audit follows the Standards for the Professional Practise of Internal Auditing of the Institute of Internal Auditors (IIA).

INSIDER ADMINISTRATION

The Company complies in insider matters with the Market Abuse Regulation ("MAR") and the Guidelines for Insiders of the Nasdaq Helsinki Ltd. Pöyry's Board of Directors has issued company specific Insider Policy. The Group General Counsel is the Company's Insider Responsible and is in charge of the insider administration.

The Company maintains an insider list which contains a deal-specific or event-based inside list section for each insider project, i.e. significant project which, when published, is likely to have a significant effect on the price of Pöyry's or other issuers' shares or other financial instruments. Insiders are given a written notification of their position as insiders as well as instructions on the obligations that apply to insiders, such as the trading restriction in force during the insider project.

Pöyry does not maintain a company specific insider list section.

Pursuant to MAR, managers and their closely associated persons shall notify the Company and the Finnish Financial Supervisory Authority on any transactions made in the Company's financial instruments no later than three (3) business days after the date of the transaction. The Company publishes the information as stock exchange release within the same three (3) day period. The Company maintains a list of managers and their closely associated persons in accordance with the MAR and has created processes and procedures to ensure compliance with the MAR.

Pöyry observes a closed period of thirty (30) days in accordance with the MAR. Members of the Board and GEC are not allowed to conduct any transactions in Pöyry's shares or other financial instruments during a closed period of thirty (30) calendar days before the publication of each half year or annual financial report. In addition, Pöyry has instructed that the persons participating in drafting of the financial reports to be published by the Company or receiving information of their content as a part of their work duties prior to publication are under a thirty (30) day trading restriction.

The Company's Insider Policy recommends that managers' investments in the Company's share should be made on a long term basis. Trading is recommended at a moment in time when the information concerning factors affecting the Company's share is as complete as possible, for example following the publication of financial reports.

EXTERNAL AUDITOR

The statutory task of independent external auditing is to verify that the financial statements and the report of the Board of Directors provide accurate and adequate information on the Company's results and financial position for the financial year. As part of the annual auditing, the auditor audits the accounting and administration of the Company. Pöyry PLC's auditor also audits the consolidated financial statements of Pöyry Group and other relationships between the group companies.

The auditor issues a statutory auditor's report to the Company's shareholders in connection with the Company's financial statements. The auditor reports to the Audit Committee on a regular basis and attends its meetings.

According to the Articles of Association, the Company has one (1) auditor, which shall be an auditing firm authorised by the Finland's Central Chamber of Commerce. The Audit Committee prepares proposals to the shareholders concerning the appointment and dissolution of an auditor. The AGM appoints the auditor until further notice and resolves on the auditor's fee. The auditing firm elected as the auditor appoints the auditor in charge.

The AGM on 8 March 2012 elected PricewaterhouseCoopers Oy as the auditor of Pöyry PLC until further notice. PricewaterhouseCoopers Oy has appointed Authorised Public Accountant Merja Lindh as the auditor in charge. In accordance with the decision of the AGM, the remuneration of the auditor will be paid according to invoice approved by the company and in compliance with the purchase policy approved by the Audit Committee.

AUDITING FEES IN 2018

Auditing fees paid to the auditor of Pöyry PLC for statutory auditing amounted to EUR 0.5 million in 2018 (EUR 0.6 million in 2017).

Fees paid to the auditor for tax advisory amounted to EUR 0.1 million in 2018 (EUR 0.03 million in 2017) and for other services amounted to EUR 0.01 million in 2018 (EUR 0.03 million in 2017).

RELATED PARTY TRANSACTIONS

Pursuant to the Code the Company shall report the decision-making procedure applied in connection with 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. No such related party transactions were conducted in 2018. More information on related party transactions is available in Notes to the consolidated financial statements 2018, note 28.