

QPR Software Plc Corporate Governance Statement 2015

Corporate Governance Code

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

QPR Software Plc complies with the Corporate Governance Code 2015, issued by the Finnish Securities Market Association, from the beginning of the financial year starting on January 1, 2016.

For the financial year 2015 the Company complies with the Corporate Governance Code 2010, which is the one preceding the new 2015 Code.

DEVIATION FROM RECOMMENDATIONS

QPR Software complies with the Finnish Corporate Governance Code with the following exception: the Board of Directors has not established any committees.

There are no separate committees, as the Board has not considered these necessary in view of the size of the Group, extent of the operations and existing monitoring systems. The Board as a whole is responsible for fulfilling the tasks of an audit committee and other committees.

AVAILABILITY OF THE CORPORATE GOVERNANCE CODE ON THE INTERNET

The Finnish Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association, at www.cgfinland.fi.

Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

Vesa-Pekka Leskinen

b. 1950

Member of the Board since July 2003.

Chairman of the Board since January 2006.

Independent of the Company.

Mr. Vesa-Pekka Leskinen is the Chairman of the Board of Kauppamainos Oy and was the CEO of Kauppamainos from 1979 to September 2010. He is the majority owner of Kauppamainos Oy. The main area of business of Kauppamainos has been investor relations and communications, in relation to which Kauppamainos has designed and delivered nearly a hundred annual reports of various companies, participated in the preparation of tens of equity issues, and have been supporting the IPO process of more than ten companies. Mr. Leskinen has personally been involved in carrying out the investor relations and communication of public listed companies.

Vesa-Pekka Leskinen is also a founding partner of Quartal Oy and was the majority owner of the company until 1999. Quartal Oy is focusing on developing and delivering computerized delivery solutions and communication services, especially for the stock market and the companies having business there-in. In addition, Vesa-Pekka Leskinen is the Chairman of the Board of Directors of Vianaturale Oy (as of May 2014, earlier member as of October 2006). By education Mr. Leskinen is an undergraduate and has an MAT degree.

Mr. Leskinen held 851,400 shares of QPR Software Plc at December 31, 2015. Kauppamainos Oy, whose majority owner Mr. Leskinen is, held 475,170 shares of QPR Software Plc at December 31, 2015.

Kirsi Eräkangas

b. 1965

Member of the Board since March 2012.

Independent of the Company and its significant shareholders.

Ms. Kirsi Eräkangas is the Chairman of the Board in TLD Registry Limited and member of Board of Directors in Benemen Finance Oy and Nuuka Solutions Oy. She is owner of Nomadi Oy, an investment and development company co-operating with several IT start-ups.

Kirsi Eräkangas is one of the co-founders of the publicly listed software company Basware Corporation. Basware is the global leader in providing purchase to pay and e-invoicing solutions. Eräkangas had a central role in developing Basware's business, and she held several executive positions 1988 – 2005. Her latest operative responsibility covered Basware's professional services globally. She was Basware's board member 1993 – 2008, latest as the Vice Chairman.

Earlier she has been a member of Board of Directors of Biocomputing Platforms Ltd (2007 – 2010 and 2014), Finpro ry (2007 – 2013), Oy Free Drop Innovations Ltd (2013 – 2015), Softability Oy (2006 – 2008) and Vahanen International Oy (2014 – 2015) as well as a member of the Board of Directors (2007 – 2012) and Chairman of the Board (2008 – 2010) of Nervogrid Oy. She was a member of the Board of Directors of Nobultec Ltd in 2008, and the Chairman of the Nobultec Board during 2009 – 2011, a company acquired by QPR Software in 2011. Mrs. Eräkangas is also a member of the Finnish Association of Professional Board Members. Kirsi Eräkangas holds a M.Sc. degree in Economics and EMBA degree.

Ms. Eräkangas held 7,000 shares of QPR Software Plc at December 31, 2015.

Juho Malmberg

b. 1962

Member of Board since March 2015.

Independent of the Company and its significant shareholders.

Mr. Juho Malmberg is the CIO of Finland's largest financial services group, the OP Financial Group. He is also a member of Board of Directors in F-Secure Corporation and Kemppe Oy. Earlier he has been a member of Board of Directors also in Kuntien Tiera Oy 2011 – 2013. From 2012 to 2014 Malmberg was the CEO of ZenRobotics Ltd, a company focusing on robotic system based recycling.

Prior to this Juho Malmberg worked in Kone Corporation as a Member of the Kone Executive Board. In 2006 – 2010, as Executive Vice President, Development he was responsible, among others, for Kone's global business change program KONE Way and customer process and was the head of IS/IT. In this role he was nominated as the CIO of the Year 2010 in Finland. From 2010 to 2012 Malmberg was as Executive Vice President, Customer Experience responsible for Kone's customer experience, developing globally sales and customer care, as well for market and competitor intelligence and analysis.

From 1987 to 2006 Juho Malmberg worked in Accenture in various positions, starting as a consultant in Accenture United Kingdom in 1987. He moved to Accenture Finland in 1989 and advanced as the Managing Director, Accenture Finland and later as the Accenture Nordic Outsourcing Business Lead. Juho Malmberg holds a Master of Science, Electrical Engineering (Information Technology) degree.

Mr. Malmberg held 10,000 shares of QPR Software Plc at December 31, 2015.

Topi Piela

b. 1962

Member of the Board since March 2012.

Independent of the Company.

Mr. Topi Piela is the CEO of Balance Capital Oy, deputy to CEO of Ulkomarkkinat Oy and a member of the Finnish Association of Professional Board Members. Mr. Piela is a member of the Board of Directors of Etera Mutual Pension Insurance Company, JJPPPT Holding Oy and Asuntosalkku Suomi Oy. He is also a member of the State Pension Fund and YLE (the Finnish Broadcasting Company) Pension Fund investment committees, and the audit Committee of Etera.

Earlier, Topi Piela served as the Managing Director of Finvest Oyj and Amanda Capital Plc, after which he assumed a position in the Board of Directors of Amanda and worked also as a chairman. Piela's previous positions include Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arcetos Rahasto Oy, and Securities and Investment Director of Ålandsbanken Ab. He has also served on the investment committees of several Finnish and European private equity funds. Topi Piela has earlier been member of QPR Software Board of Directors during 2006 – 2009. Mr. Piela has a M.Sc. degree in Economics and has CEFA and Advanced Insurance Examination diplomas.

Mr. Piela held 1,052 shares of QPR Software Plc at December 31, 2015. Ulkomarkkinat Oy, whose Deputy to CEO Mr. Piela is, held 1,657,986 shares of QPR Software Plc at December 31, 2015.

CHARTER OF THE BOARD (SUMMARY)

Board meetings:

- Convenes regularly at least 8 times a year according to pre-agreed schedule.
- At least one of the meetings focus on strategy in the spring and one is a budget meeting in the autumn.
- When necessary, the Chairman of the Board and CEO may call for an additional Board meeting.
- The agenda and materials shall be delivered to Board members no less than three working days before the meeting, if not otherwise agreed with the Chairman.

Material:

- The monthly report shall contain the Group's actual results, result forecast, budget comparison, and commentary on the results including reasons for any significant budgetary deviations. A summary of all other important matters within Group is also included.
- All significant matters shall be informed to the Board immediately.
- Risk management report is reviewed by the Board in connection of the quarterly financial reporting.

Following list contains matters to be handled at the Board meetings:

- Matters specified by the Finnish Companies Act;
- Approving the strategy and annual budget, and their follow-up;
- Appointing and dismissing the CEO, and deciding on the terms of his/her employment;
- Approving the hiring of personnel reporting directly to the CEO, and the key terms of employment for these people;
- Determining the compensation principles for senior management;
- Approving the incentive systems for the CEO and the personnel;
- Preparing a proposal on the personnel option schemes for the Annual General Meeting and deciding on its allocation to personnel;
- Reviewing and approving interim reports and financial statements;
- Approving major business deals and investments as well as other decisions of key significance;

- Approving the dividend distribution policy and preparing a proposal for the Annual General Meeting concerning the distribution of dividend;
- Approving the investment policy;
- Monitoring the implementation of internal control, internal audit and risk management;
- Reviewing other matters that the Chairman of the Board and the CEO have agreed to be taken on the Board's agenda or that otherwise fall within the Board's decision-making powers under the provisions of the Companies Act, other laws, Articles of Association or other regulations.

OPERATIONS IN 2015

The Board of Directors assembled 13 times during 2015. The average participation percentage was 96. The Board of Directors made a self-assessment of its operation. The Board has not established any committees.

COMMITTEES

There are no separate committees, as the Board has not considered these necessary in view of the size of the Group, extent of the operations and existing monitoring systems. The Board as a whole is responsible for fulfilling the tasks of an audit committee and other committees.

Supervisory board

QPR Software Plc does not have a supervisory board.

CHIEF EXECUTIVE OFFICER

Mr. Jari Jaakkola (born 1961) has been the Chief Executive Officer of QPR Software Plc since January 2008. He has been employed by the Company and been a Member of Executive Management Team since August 2006.

Jari Jaakkola's previous experience covers leadership positions in Sonera Corporation and Metsä Board Corporation. His past roles include lead responsibilities in large international equity and finance operations, investor relations, strategic marketing and brand management as well as in corporate communications and corporate affairs. Mr. Jaakkola holds a B.A. degree in journalism from Tampere University and an MBA from Henley Business School (United Kingdom).

Mr. Jaakkola held 239,000 shares of QPR Software Plc at December 31, 2015. His 100% owned company Value FM Ltd held 9,000 shares of QPR Software Plc at December 31, 2015.

DUTIES OF THE CHIEF EXECUTIVE OFFICER

QPR's Board of Directors appoints the CEO and decides the terms of his/her service contract. The CEO's terms of service have been agreed on in writing. The CEO is not appointed for a certain term, but is appointed indefinitely until further notice is given.

The CEO's duty is to manage the company's activities in accordance with the Finnish Companies Act and the Board of Directors' instructions and rules and to inform the Board of Directors about the development of the company's business and financial situation. The CEO is also responsible for arranging the company's day-to-day administration and ensuring that the financial administration of the company has been arranged reliably. The CEO primarily presents matters in Board meetings and is responsible for preparing proposals for Board's decisions.

Internal control and risk management

INTERNAL CONTROL

Internal control and risk management in QPR Software Group aims to ensure that the Group operates efficiently and effectively, distributes reliable information, complies with regulations and operational principles, reaches its strategic goals, reacts to changes in the market and operational environment, and ensures continuity of its business.

It is the duty of the Board of Directors to monitor the appropriateness, effectiveness and efficiency of risk management and internal control in QPR Software Group. Risk management report covering the risks presented in the Risk Management section is presented to the Board in connection with quarterly financial reporting.

The threat caused by the risks to shareholders is used as a criterion when the Board of Directors evaluates these risks. The Board of Directors also monitors that the Company has defined operational principles for internal control and that the Company monitors the effectiveness of internal control.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ASSOCIATED WITH FINANCIAL REPORTING

The ultimate responsibility for accounting and financial administration lies with QPR Software Plc's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system.

The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

RISK MANAGEMENT

Coordination of the Group's risk management and internal control and the related reporting is the responsibility of the Chief Financial Officer. Risk management in the Group is guided by the requirements of legislation, shareholders' expectations regarding business objectives and expectations among important stakeholders, such as customers and personnel.

Risk management in the Group aims systematically and comprehensively to identify risks related to its operations and ensures that risks are managed and taken into account in decision making. The Group does not have a separate risk management organization, and risk management is part of routine responsibilities throughout the organization. Risk management is developed by constantly improving operative processes in the Group.

Risks are identified by their essentiality: if actualized, the risks selected for monitoring would have a material impact on the Group's business operations.

QPR Group has identified the following three groups of risks related to its operations:

- risks related to business operations,
- risks related to information and products;
- risks related to financing.

Property, operational and liability risks are covered by insurance.

QPR Software Plc's Management System has received ISO 9001:2008 quality certification covering the Company's all activities, which is audited annually by an external party.

Risks related to business operations

The following risks are related to QPR Software's business operations:

- **Country risk.** The instrument used for measuring risk is the potential loss of country-specific revenue. Risk is managed by constantly gathering market information and by conducting a business that is spread geographically and across different industries.
- **Customer risk.** The instruments used for measuring the risk is the software maintenance customer churn and the share of overdue accounts receivables of all receivables (%). Risk is managed by taking good care of every customer and reseller, as well as, by active follow-up and collection of accounts receivables.
- **Personnel risk.** The instrument used for measuring the risk is personnel churn. Risk is managed by professional recruitment, professional supervisory work and by securing possibilities for job rotation as well as for learning and growth.
- **Legal risk.** The instrument used for measuring the risk is cumulative euro-value of all open legal disputes compared to annual net sales (%). The risk is managed by in-depth knowhow of contractual law, standard terms used in agreements and by performing both ethically and according to the Company values.

QPR's market and customer risks are mitigated as follows: the Company conducts business in more than 50 countries, both in public and private sectors as well as in several different business verticals.

Reasonable credit risk concerning individual business partners is characteristic to any international business. QPR seeks to limit this credit risk by continuous monitoring of standard payment terms, receivables and credit limits.

In 2015, the tightening global economy raised risk levels to some extent, especially in country risks and customer risks.

Risks related to information and products

QPR Software has identified the following three risks related to information and products:

- **Risk related to own products.** The risk is managed by securing the competitiveness of the Company's offering at all times through content and the product strengths. The company seeks to ensure the security of its products by automated malware prevention.
- **Intellectual Property Rights.** The Company's Intellectual Property Rights (IPR) are secured by the confidentiality of the source code and selected patent applications. In its new process mining business, the Company has adopted a more active IPR strategy than previously. As a result of this, QPR filed patent applications in respect of five separate inventions in Finland and the USA in 2012. The inventions relate to automated business process discovery based on processing event data. In April 2015, QPR announced that the U.S. Patent and Trademark Office has granted a patent as a result of the applications. In addition, the Company aims to secure by up-to-date contract management and internal training that third-party IPRs are not used unauthorized in QPR products. The Company has a legal expenses insurance.
- **Data security.** Data security risks are related to the confidentiality of corporate, insider and customer information. Risk is managed by ongoing internal training, keeping instructions up-to-date at all times, and by good technical protection of the Company's data network.

No significant changes have taken place in QPR's information and product related risks during 2015.

Risks related to financing

QPR Software has identified the following two financing risks:

- **Currencies.** The instrument used for measuring foreign currency risk is the share of all non-euro receivables of all receivables, or the share of an individual non-euro currency of all receivables (%). The risk is managed by using euro as the primary invoicing currency and by currency hedging in accordance with the Company's hedging policy. The company constantly monitors the development of open positions of the most important invoicing currencies. At the end of the year, the Company had not hedged its foreign currency (non-euro) trade receivables.
- **Short-term cash flow.** The instrument used for measuring the risk is the forecasted cash flow. Risk is managed by active monitoring of the forecast and by effective collection of overdue receivables.

In the beginning of 2016, the financial position of the Company is to some extent tighter than in the previous year, due to investments made in 2015 and lower cash flow from operating activities. The risks related to financial position of the company are mitigated by relatively high share of recurring revenue in net sales.