

CORPORATE GOVERNANCE STATEMENT 2011

In 2011, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ OMX Helsinki Ltd. with one exception from recommendation 9. This statement has been prepared separately from the Report of the Board of Directors and in accordance with the Finnish Corporate Governance Code 2010. The Finnish Corporate Code 2010 can be found at www.cgfinland.fi and this statement at www.tecnotree.com.

Description of the composition and operations of the meeting of shareholders, board and board committees and other controlling bodies

Meeting of Shareholders

Tecnotree's Annual General Meeting of Shareholders is the company's highest decision-making body. The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act and the Articles of Association of the company. The most important responsibilities include amending the Articles of Association, approving the financial statements, deciding on the dividend to be paid, discharging the Board members and the President and CEO from liability, appointing Board members and auditors and deciding on their fees.

Board of Directors

The tasks and responsibilities of Tecnotree's Board of Directors are defined in the Finnish Companies Act and in other applicable legislation, according to which the Board of Directors is responsible for the appropriate organisation of business operations and corporate administration. The Board also ensures that the company's accounting and financial administration is supervised appropriately. Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long-term ensures the best possible return on capital invested in the company.

Tecnotree's Board of Directors consists of a minimum of three and a maximum of eight members, as outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the first Annual General Meeting following election. The Board of Directors appoints the President and CEO of the company.

The members of Tecnotree's Board have no special duties related to being a member of the Board other than those designated by law. Some Board members are also members of Board Committees.

To support its work, Tecnotree's Board of Directors has confirmed charter that defines the Board's duties and work methods, as well as meeting and decision-making procedures.

In order to carry out its duties, the Board shall:

- decide upon the group strategy and approves the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and investment plan and supervises their realization
- decide upon the central organization structure and leadership system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and makes a proposal to the annual general meeting as to the amount of dividend paid
- appoint the managing director of the company and the deputy managing director, decide upon their remuneration and conditions of employment
- decide on the appointment of the members of the company's management group and their remuneration

- approve the principles and methods for ensuring the reliability, suitability and competence of the persons trusted with the direction of the company and its subsidiaries
- decide on the remuneration systems of the company's executives and the principles of the remuneration systems for other personnel
- decide on strategically or economically important investments and the purchase and sale of companies or similar arrangements
- approve annually the risk management strategy of the company and the significant principles of risk management
- decide upon the capital structure of the company and approve annually the fund-raising plan of the company
- approve the principles of internal control and internal audit and the audit plan
- approve annually the continuity plan for essential areas of operation and the information technology plan and
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation

The charter of the Board of Directors can be found at www.tecnotree.com

The Annual General meeting of 23 March 2011 confirmed that the Board of Directors will consist of eight (8) members, and the Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election. Atul Chopra resigned from the Board of Directors of Tecnotree Corporation on 21st October 2011.

Tecnotree's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code's recommendations. Based on the assessment, all seven Board members are independent on the company and on significant shareholders.

Tecnotree's Board of Directors convened 24 times in 2011. The average attendance of members at Board meetings was about 91 per cent.

Composition of the Board

Hannu Turunen, b. 1957, MSc (Tech), MBA
Chairman of the Board, 2009-23rd March 2011
Member of the Board, 2008-
Main duty: Managing Partner, Magnolia Ventures Oy, 2001-

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Vice Chairman of the Board, 2010-23rd March 2011
Member of the Board, 2007-
Main duty: Founding Partner, Manager, Fondia Oy, 2006-

Christer Sumelius, b. 1946, MSc. (Econ.)
Member of the Board, 2001-
Main duty: President, Investsum Ab, 1984-

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.
Chairman of the Board 23rd March 2011 -
Member of the Board, 2008-
Main duty: Managing Director and Chairman of the Board, Oy Osaka Ltd., 2010-

Pentti Heikkinen, b. 1960, MSc (Econ)
Stanford Graduate School of Business (Stanford Executive Program 2001)
Member of the Board, 2009-
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008-

David K. White, b. 1950, BSc (eng.)
Member of the Board, 2009-

Ilkka Raiskinen, b. 1962, MSc (Tech)
Vice Chairman of the Board, 23rd March 2011-
Member of the Board, 2010-
Main duty: Aletheia Oy, Executive Management Consultant, 2009-

The following person was a member of the Board of Directors up to 21 October 2011:
Atul Chopra, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.), Bachelor of Commerce (Hons.)

Board Committees

Audit Committee

The Audit Committee's task is to assist the company's Board of Directors in ensuring that the company has a sufficient internal control system encompassing all of its operations. In addition, the Committee assists the Board of Directors in ensuring that the monitoring of the company's accounting and asset management has been organised in an appropriate manner.

It is also the Audit Committee's task to monitor that the operations and internal control of the company have been arranged in a manner required by legislation, valid regulations and a good management and administration system, and to monitor the activities of internal auditing. The responsibilities of the Audit Committee are defined in its charter.

To execute its duties, the Audit Committee shall:

- monitor the reporting process of financial statements
- supervise the financial reporting process
- monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems
- review the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- monitor the statutory audit of the financial statements and consolidated financial statements
- evaluate the independence of the statutory auditing or audit firm, particularly the provision of related services to the company
- prepare the proposal for resolution on the election of the auditor
- monitor the financial position of the company and
- contact with the auditor and revision of the reports that the auditor prepares for the Audit Committee.

The charter of the Audit Committee can be found at www.tecnotree.com

The Audit Committee comprises four members of the Board: Harri Koponen (Chairman), Johan Hammarén, Hannu Turunen and David White. Tecnotree's President and CEO and CFO regularly participate in the Audit Committee's meetings.

The Audit Committee had 4 meetings in 2011, and the average attendance of members at meetings was about 94 per cent.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee helps the Board of Directors in the preparations relating to the election of members of the Board of Directors, and in handling matters within its scope of responsibility that relate to the conditions of employment and remuneration of senior management, and to management's and personnel's remuneration and incentive schemes. The responsibilities of the Remuneration and Nomination Committee are defined in its charter.

The duties of the Remuneration and Nomination Committee are as follows:

- the preparation of the proposal for the appointment of directors to be presented to the general meeting
- the preparation of the proposal to the general meeting on matter pertaining to the remuneration of the directors
- looking for prospective successors for the directors
- the presentation of the proposal on the directors to the general meeting
- the preparation of matters pertaining to the appointment of the President and CEO and the other executives as well as the identification of their possible successors
- the preparation of matters pertaining to the remuneration and other financial benefits of the President and CEO and the other executives
- the preparation of matters pertaining to the remuneration schemes of the company
- the evaluation of the remuneration of the President and CEO and the other executives as well as seeing to it that the remuneration schemes are appropriate
- answering questions related to the remuneration statement at the general meeting.

The charter of the Remuneration and Nomination Committee can be found at www.tecnotree.com

The Remuneration and Nomination Committee comprises four members of Board: Christer Sumelius (Chairman), Johan Hammarén, Harri Koponen and Ilkka Raiskinen.

The Remuneration and Nomination Committee had 11 meetings in 2011, and the average attendance of members at meetings was about 86 per cent.

President and CEO

The President and Chief Executive Officer is responsible for managing and developing the company's operations as defined in the Finnish Companies Act and in the guidelines and instructions issued by the Board of Directors. The President and CEO may undertake actions that are unusual or far-reaching in view of the scope and quality of the company's operations only if authorised by the Board of Directors.

The President and CEO ensures that the company's accounting complies with legislation and that its assets are managed reliably. The President and CEO is also responsible for investor relations, corporate communication, long-term strategic and financial planning, as well as major operative decisions and the supervision of their implementation. The President and CEO prepares matters to be handled at Board meetings and reports to the Board.

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
President and CEO, 1 November 2010-

Management Board

At the end of 2011, Tecnotree Group had a four-member Management Board that comprised the President and CEO, Chief Commercial Officer, Chief Delivery Officer and Chief Financial Officer (CFO), The Management Board is chaired by the President and CEO.

The Management Board assists the President and CEO, supervises and develops the company's operations in accordance with the strategies and objectives set, creates group-level procedures, provides support to risk management processes, monitors the global human resources policy and remuneration systems as well as manages stakeholder relations. The Management Board convenes at least once a month.

Composition of the Management Board

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
Main duty: President and CEO, 1 November 2010-

Timo Laaksonen, b. 1961, M.Sc. (Econ.)
Main duty: Chief Commercial Officer, 24 November 2010-

Padma Ravichander, b. 1959
from 11th October 2011
Main duty: Chief Delivery Officer, Managing Director of Tecnotree Convergence Ltd.

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, 2006-

The following persons were members of the Management Board:

Atul Chopra, b. 1962, COO, 2009-up to 1st Feb 2011
Naim Kazi, b. 1956, Chief Technical Officer, 2009 - up to 31st Dec 2011

Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Objectives for internal control and risk management

The objective of the internal control and reporting methods is to ensure that the company's operations are efficient and that information is reliable and that official regulations and internal operating principles are followed. The Group's financial management is responsible for performing and guiding the internal control as instructed by Audit Committee.

The task of risk management is to identify, manage and track the major risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The Group's management board is responsible for risk management.

Control activities

The main control activities include preparing up-to-date forecasts, analysing deviations in actual data versus forecast and previous periods, performing transaction and process level controls and internal audits.

Based on the strategic plans yearly budgets and action plans containing financial and other targets are prepared. Action plans are broken down into more detailed levels. Development discussions are used for setting and following targets for employees. The consolidated budget is prepared and presented to the Board of Directors. An updated forecast is presented to the Board of Directors in each monthly meeting. Monthly reports contain actual and forecasted figures for past and future performance.

The Group's financial management together with the relevant levels of management prevents, discovers and corrects deviations and possible errors in the monthly reporting. Line organisation is responsible for budgets and forecasts. The role of Group's financial management is to collect these plans according to accepted timetables and to control their reliability. Substantial deviations and possible errors with corrective actions are reported to the Board of Directors.

The Group's financial department performs controls pertaining to the correctness of external and internal reporting. Due to the nature of business a lot of emphasis is put into controlling revenue recognition and receivables.

Risk management

Risk surveys are made yearly, defining the key risks, actions and responsible persons for preventing the realisation of risks. The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks.

The Management Board handles risks and risk management in its meetings on a regular basis and reports the overall risk assessment to the Board of Directors and its Audit Committee.

The methods in financial reporting and control at the group decrease the risks pertaining to the financial reporting: Majority of the sales transactions are at the parent company level, common chart of accounts and IFRS principles applied, common systems with comprehensive database, centralised treasury and financing, and an easy-to access archive for contracts and policies.

Guidelines and Policies

Corporate governance is implemented through documented policies. The main policies are policy for making sales agreements, credit policy, cash management policy, policy for hedging against currency risks, policy for making purchase agreements and approval policy. The Board of Directors approves Tecnotree's Group level policies. The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies.

Internal audit

The internal audit plan is presented to the Audit Committee in connection with the yearly external audit plan. Internal audits are performed by external consultants, external auditors or by Tecnotree employees having experience, authority and independence over the audit in question.

External audit

The main task of the statutory audit is to confirm that the financial statements give a true and fair view of the company's financial performance and position for the period ended. The auditor reports regularly to the Audit Committee and audits the correctness of external annual financial reports and, based on them, issues an auditor's statement to shareholders.

Tecnotree's auditor in the financial year 2011 was KPMG Oy Ab, and the principal auditor Sixten Nyman, Authorised Public Accountant.

Insider management

Tecnotree complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd. The company has also introduced its own insider guidelines, which include instructions for both permanent and project-specific insiders. These guidelines have been distributed to all insiders, and they are available to all Tecnotree employees. The company keeps its insider register in the SIRE system maintained by the Euroclear Finland Ltd.

Information and Communication

Non-financial and financial information is provided for the management in order to follow up the achievements of targets. An internal meeting about the same, to which all Tecnotree employees are invited, is kept at least each quarter. Employees are encouraged to give feedback and communicate suspected misconducts either during these internal meetings or in other, more discrete ways.

All external communication is carried out in accordance with the Group Disclosure Policy, which can be found at www.tecnotree.com.

The deviation from the Corporate Governance recommendations

Tecnotree Corporation deviates from recommendation 9 of the Finnish Corporate Governance Code 2010 in so far as only one gender is currently represented in the Board of Directors. The company considers it important that the members of the Board of Directors have strong knowledge of the industry. Unfortunately, it was not possible to find a female member with suitable experience for the Board elected in 2011. Board members representing both genders are intended to be proposed to the 2012 shareholders' meeting.