

## **CORPORATE GOVERNANCE STATEMENT 2009**

In 2009, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ OMX Helsinki Ltd. This statement has been prepared separately from the Report of the Board of Directors and in accordance with the Finnish Corporate Governance Code 2008. The Finnish Corporate Code 2008 can be found at [www.cgfinland.fi](http://www.cgfinland.fi) and this statement at [www.tecnotree.com](http://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 managing director 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 and one Board member has also an operative responsibility at Tecnotree.

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

The Annual General meeting of 19 March 2009 confirmed that the Board of Directors will consist of six (6) members, and, as a conditional resolution, should the acquisition of Lifetree Convergence Ltd happen, eight (8) members will be elected. The Acquisition of Lifetree Convergence Ltd took effect on 6 May 2009, and eight (8) members were elected. The Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election.

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, one Board member is dependent on the company: Atul Chopra has also an operative responsibility at Tecnotree Group i.e. COO and President of Operations and Managing Director for the Indian subsidiary, Tecnotree Convergence Ltd.

Tecnotree's Board of Directors convened 14 times in 2009. The average attendance of members at Board meetings was 97 per cent.

Composition of the board and biographical details

**Hannu Turunen**, b. 1957, MSc (Tech), MBA  
Chairman of the Board, 19 March 2009-  
Member of the Board, 2008-

Main duty:  
Magnolia Ventures Oy, Managing Partner, 2001-

**Carl-Johan Numelin**, b. 1937, MSc (Tech)  
Vice Chairman of the Board,  
Member of the Board, 2001-

**Johan Hammarén**, b. 1969, LL.M, MSc (Econ.)  
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.  
Member of the Board, 2008-

Main duty:  
President and CEO, Tele2 Ab, 2008-

**Pentti Heikkinen**, b. 1960, MSc (Econ)  
Member of the Board, 19 March 2009-

Main duty:  
Founder and CEO, Gateway Technolabs Finland Oy, 2008-

**Atul Chopra**, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.),  
Bachelor of Commerce (Hons.)  
Member of the Board, 6 May 2009-

Main duty:  
COO and President, Operations, 6 May 2009-

**David K. White**, b. 1950, BSc (eng.)  
Member of the Board, 6 May 2009-

The following persons were members of the Board of Directors up to 19 March 2009:

Lauri Ratia, b. 1946, M.Sc (Tech)  
Chairman of the Board, 2001-2009

Timo Toivila, b. 1950, M.Sc (Tech)  
Member of the Board, 2001-2009

#### 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 rules of procedure.

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

The Audit Committee had 4 meetings in 2009, and the attendance of members at meetings was 100 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 rules of procedure.

The Remuneration and Nomination Committee comprises three members of Board: Carl-Johan Numelin, Hannu Turunen and Christer Sumelius.

The Remuneration and Nomination Committee had 10 meetings, and the attendance of members at meetings was 100 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.

##### President and CEO

**Eero Mertano**, b. 1965, Business IT Graduate  
President and CEO, 2 October 2009 -

## Management Board

Tecnotree Group has a four-member Management Board that comprises the President and CEO, Chief Financial Officer (CFO), Chief Operations Officer (COO) and Chief Technical Officer (CTO). 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.

### **Eero Mertano**, b. 1965, Business IT Graduate

Main duty:

President and CEO, 2.10.2009-

### **Atul Chopra**, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.), Bachelor of Commerce (Hons.)

Main duty:

COO and President, Operations, 6.5.2009-

### **Tuomas Wegelius**, b. 1955, MSc (Econ)

Main duty:

Chief Financial Officer, 2006-

### **Naim A. Kazi**, b. 1956, MSc /IE)

Main duty:

Chief Technical Officer, 6.5.2009-

## **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 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 Audit Committee.

The methods in financial reporting and control at the group decrease the risks pertaining to the financial reporting: Majority of transactions 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 2009 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 Finnish Central Securities Depository 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](http://www.tecnotree.com).