

TECNOTREE

Corporate Governance Statement 2015



CORPORATE GOVERNANCE STATEMENT 2015

Tecnotree Corporation is a Finnish Public Limited Company. The responsibilities and obligations of the Corporate management are based on the Finnish legislation. Tecnotree Group comprises Tecnotree Corporation and its subsidiaries. The company is registered and domiciled in Espoo Finland.

In 2015, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ 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 2010. The Finnish Corporate Code 2010 and a new Corporate Governance Code 2015, effect date 1 January 2016, can be found at www.cgfinland.fi and this statement at Tecnotree's web site www.tecnotree.com.

Tecnotree has abided by the Finnish Corporate Governance code for companies listed on the NASDAQ Helsinki Ltd in 2015 but the company deviates from recommendation 9 of the Finnish Corporate Governance Code in so far as only men are currently represented in the Board of Directors. The Remuneration and Nomination Committee didn't have enough time to find a female representative for the current Board before the AGM.

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 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 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. 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 supervises the realisation
- decide upon the central organisation 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
- 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 the significant principles of risk management
- decide upon the capital structure of the company
- approve the principles of internal control
- annually assess its activities and working methods
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation
- may establish an audit, a remuneration and/or nomination committee, or another committee.

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

The Annual General Meeting of 14 April 2015 confirmed that the Board of Directors will consist of four (4) 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.

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 four Board members are independent of the company and of significant shareholders.

Tecnotree's Board of Directors convened 25 times in 2015. The average attendance of members at Board meetings was about 96 per cent.



Composition of the Board

Pentti Heikkinen, b. 1960, M.Sc. (Econ.)

Stanford Graduate School of Business (Stanford Executive Program 2001)

Vice Chairman of the Board, 2013-

Member of the Board, 2009-

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

Matti Jaakola, b. 1955, M.Sc. (Econ.)

Member of the Board 14 April 2015 -

Main duty: CEO, CapWell Oy, 2006-

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.

Chairman of the Board, 2011 -

Member of the Board, 2008-

Main duty: CEO, Oy Osaka Ltd, 2010-

Christer Sumelius, b. 1946, M.Sc. (Econ.)

Member of the Board, 2001-

Main duty: President, Investsum Ab, 1984-

The following persons were members of the Board of Directors at the beginning of 2015:

Johan Hammarén, b. 1969, LL.M, M.Sc. (Econ.)

Member of the Board, 2007-5 March 2015

Main duty: Founding Partner, JAM Advisors, 2013-

Tuija Soanjärvi, b. 1955, M.Sc. (Econ.)

Member of the Board, 2012-14 April 2015

Board Committees

Audit Committee, acting till 14 April 2015

The Audit Committee comprised three members of the Board: Harri Koponen, Tuija Soanjärvi (Chairman) and Pentti Heikkinen. Tecnotree's CEO and CFO regularly participated in the Audit Committee's meetings.

The Audit Committee had 2 meetings by 14 April 2015, and the average attendance of members at meetings was about 83 per cent.

The Board has been responsible for the duties of the Audit Committee since 14 April 2015. The CFO has arranged separate meetings for the Board members before disclosing interim reports, presenting matters influencing the interim reports.

Remuneration and Nomination Committee, acting till 14 April 2015

The Remuneration and Nomination Committee comprised three members of Board: Johan Hammarén (till 5 March 2015), Harri Koponen and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee had one meeting by 14 April 2015, and the attendance of members at the meeting was 100 per cent.



CEO

The 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 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 CEO ensures that the company's accounting complies with legislation and that its assets are managed reliably. The 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 CEO prepares matters to be handled at Board meetings and reports to the Board.

Ilkka Raiskinen, b. 1962, M.Sc. (Tech.)

CEO 28 May 2013-

Member of the Board, 2010-2014

Management Board

At the end of 2015, Tecnotree Group had a six-member (6) Management Board that comprised the Chief Executive Officer, two Executive Vice Presidents for the geographic areas, Chief Technology Officer, Chief Financial Officer and Vice President Human Resources. The Management Board is chaired by the CEO.

The Management Board assists the 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

Ilkka Raiskinen, b. 1962, M.Sc. (Tech.)

Main duty: Chief Executive Officer, 2013-

Timo Ahomäki, b. 1966, B.Sc. (Eng.)

Main duty: Chief Technology Officer, 2012-

Ilkka Aura, b.1962, M.Sc. (Econ.)

Main duty: Executive Vice President, Europe and Americas, 2012- (in the current position from 1 October 2014)

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School, Stanford University

Main duty: Executive Vice President , MEA and APAC, 2011- (in the current position from 1 October 2014)

Tuomas Wegelius, b. 1955, M.Sc. (Econ.)

Main duty: Chief Financial Officer, 2006-

Reija Virrankoski, b. 1965, M.Sc. (International Communication)

Main duty: Vice President, Human Resources, 2014-



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

Company's general 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 management is responsible for performing and guiding the internal control.

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 company mainly uses a common finance system for its financial reporting, and the information in this system for the different companies can also be viewed at head office. Similarly, where necessary the parent company accounts can also be examined at the other offices. Group reporting is performed using a separate system on a monthly basis. Actual figures are compared to the budget, and at the highest level also to the previous forecast. Major deviations are looked into.

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. The company does not have an own internal auditor. The Finance department in HQ is responsible for control activities.

Annual budgets are prepared and detailed targets set based on the strategic plans in the October-December period. A preliminary budget proposal is presented to the Board of Directors in November and the final budget is drawn up based on the feedback received, and this is examined at the Board meeting in December. It also includes plans of action. These are then used as the basis for defining individual targets for each person.

The budget is revised in May and June and presented to the Board.

The operating result forecast is updated and presented at the monthly Board meeting. Monthly reporting shows the latest forecast for the period that has ended, the actual figure and the forecast for the following period.

Forecasts for sales, revenues to be recognised and cash flow are examined on a monthly basis or more often, if needed, region by region in telephone conferences. The forecasts are graded in different categories according to their probability, and this information is used by the management board to decide on the forecast to be presented to the Board.

The Group's financial management together with the relevant levels of management prevents, discovers and corrects deviations and possible errors in the monthly reporting. Tecnotree has a separate policy for revenue recognition. 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

Tecnotree's general annual assessments of external risks assessed by the Management Board define the biggest risks. These assessments are made by evaluating the probability and the impact of the different risks, and based on this a risk map is comprised. Actions and a person in charge are defined for each significant risk. The most significant risks have been described in the Board of Directors' Report. The Board approves the significant principles of risk management.

Sufficiency of funds has been one of the significant risks in the company. The district court of Espoo decided on 9 March 2015 to commence the corporate restructuring proceedings concerning Tecnotree Corporation in accordance with the Act on Restructuring of Enterprises. Consequently, the company has executed separate evaluations, control actions and plans.

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.

A big part of the risks is related to sales. These risks can be mitigated by reviewing offers systematically. Tecnotree has uniform principles and practices in bid reviews.

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. The company has defined its Code of Conduct.

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. The CEO reports these to the Board of Directors.

The risks pertaining to the financial reporting are mitigated by the methods in financial reporting and control of the group. 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.

