

CORPORATE GOVERNANCE STATEMENT 2017

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 2017, 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 2015. The Finnish Corporate Code 2015, is available at www.cgfinland.fi and this statement at Tecnotree's web site 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 CEO from liability, appointing Board members and auditors and deciding on their fees.

The Annual General Meeting was held on 29 May 2017. The Annual General Meeting confirmed the financial statements and the consolidated financial statements for the financial year 2016 and discharged the Board of Directors and the CEO from liability for the year 2016. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2016, and that the parent company's gain for the financial year, EUR 1,816,403.05, be remained in retained earnings.

The Extraordinary General Meeting of Tecnotree Corporation was held on 14 September 2017 in Espoo. The Extraordinary General Meeting authorized the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or convey a maximum of 900,000,000 new shares and/or the company's own shares either against payment or for free.

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 in addition to the CEO 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.

Majority of Board Members have to be independent of the company. In addition to that at least two members of mentioned majority have to be independent of the company and significant shareholders.

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 Board evaluates its operations and working methods once a year through self-assessment. The charter of the Board of Directors is available at www.tecnotree.com.

The principles of Board diversity:

In proposing and deciding the number of the members and the composition of the Board, the diversity of the board, the requirements of the company's operations and the development phase of the company shall be taken into account, with the aim of ensuring an efficient management of the Board tasks. The persons elected as members of the Board shall have the competencies required in this duty and the possibility to devote sufficient time to attend to their duties. When preparing its proposal concerning the composition of the Board, the Board shall consider the age, gender, education and experience of the members to ensure the diversity of the Board.



The objective of the company is that expertise from various industries and markets, varied professional and educational backgrounds, a diverse age distribution as well as both sexes are all diversely represented in the Board.

Since June 2017 there is no woman member in the Board. Age of Board members is between 56 and 72 years. In the current situation of the company, continuity is deemed important, but the Board will strive to improve diversity further.

Composition of the Board

The Annual General Meeting of 29 May 2017 confirmed that the Board of Directors will consist of five (5) 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.

The Annual General Meeting elected as Board Members Pentti Heikkinen, Matti Jaakola, Harri Koponen, Pirjo Pakkanen and Christer Sumelius

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

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–,
Tecnotree shares 31 Dec 2017: 658,352
Independent of Tecnotree and its significant shareholders.

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 Chairman, Solidabis Oy, 2016–
Tecnotree shares 31 Dec 2017: 398,019
Independent of Tecnotree and its significant shareholders.

Matti Jaakola, b. 1955, M.Sc. (Econ.)
Member of the Board, 14 April 2015
Main duty: CEO, CapWell Oy, 2006–
Tecnotree shares 31 Dec 2017: -, holding of interest parties 36,000
Independent of Tecnotree and its significant shareholders.

Christer Sumelius, b. 1946, M.Sc. (Econ.)
Member of the Board, 2001–
Main duty: President and CEO, Investsum Oy, 1984–
Tecnotree shares 31 Dec 2017: 2,147,937, holding of interest parties 1,632,796
Independent of Tecnotree and its significant shareholders.



Pirjo Pakkanen, b. 1954, BBA (Econ.), eMBA
Member of the Board, 9 May 2016 - 3 June 2017
Independent of Tecnotree and its significant shareholders.

Tecnotree's Board of Directors convened twenty eight times in 2017. The average attendance was approximately 95 per cent.

The Annual General Meeting 2017 decided the following existing Board member remuneration; Chairman of the Board EUR 50,000, Vice-chairman of the board EUR 30,000 and members of the Board EUR 23,000 in a year. The Chairman shall receive an attendance fee of EUR 800 and the members EUR 500 per meeting, respectively

- the members of committees shall receive an attendance fee of EUR 500 per meeting.

In accordance with the decision of the Annual General Meeting, reasonable travel expenses shall also be reimbursed to Board members.

Remuneration paid to the Chairman and members of the Board of Directors from 1 January to 31 December totaled EUR 186 138. Board members do not have share-based incentive schemes.

Board attendance to meetings and remuneration 2017:

Board Member	Attendance	Remuneration (euro)
Harri Koponen	26/28	63 200
Pentti Heikkinen	27/28	38 500
Matti Jaakola	26/28	31 000
Christer Sumelius	27/28	31 000
Pirjo Pakkanen	11/11	22 438

Board Committees

Audit Committee

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 Audit Committee comprised four members of the Board: Pirjo Pakkanen (Chairman), Harri Koponen, Matti Jaakola and Pentti Heikkinen. Tecnotree's CEO and CFO regularly participated in the Audit Committee's meetings.

The Audit Committee convened three times in 2017. The average attendance was 75 per cent.

Board has confirmed an official written procedure to Audit Committee.

Audit Committee attendance to meetings 2017:

Pirjo Pakkanen	3/3
Harri Koponen	2/3
Matti Jaakola	1/3
Pentti Heikkinen	3/3

The Board has been responsible for the duties of the Audit Committee since 29 May 2017.

Remuneration and Nomination Committee

Duties of the Remuneration and Nomination Committee include:

- preparing a proposal of the Board members for the Annual General Meeting
- preparing a proposal of the remuneration of the Board members for the Annual General Meeting
- finding successor candidates for the members of the Board
- presenting the proposal of the Board members to the Annual General Meeting
- preparing the nomination of the CEO and other executives and identifying potential successors
- preparing the remuneration and other financial benefits of the CEO and other executives
- preparing matters related to the remuneration systems in the Company
- evaluating the remuneration of the CEO and other executives and ensuring the appropriateness of remuneration systems
- answering questions related to the Salary and Remuneration Report in the Annual General Meeting.

The Remuneration and Nomination Committee comprised three members of Board: Harri Koponen, Matti Jaakola and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee convened two times. The average attendance was 83 per cent.

Board has confirmed an official written procedure to Remuneration and Nomination Committee.

Remuneration and Nomination Committee attendance to meetings 2017:

Christer Sumelius	2/2
Harri Koponen	2/2
Matti Jaakola	1/2



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.

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Executive CEO 18.4 – 8.5.2016
Chief Executive Officer, CEO, 9 May 2016 –

Management Board

Management Boards main duty is to assist CEO, monitor and develop business activities according to strategy and targets, create group level policies, support risk management procedures, follow solid human resources policy and remuneration as well as manage stakeholder relations. Management Board convened at least once a month.

At the end of 2017 Tecnotree Group Management Board had eight (8) members, which were CEO, two Sales Directors, VP Product Engineering, SVP Product Creation and Consulting, VP Quality, Chief Financial Officer, and VP Human Resources. CEO acted as Chairman of the Management Board.

Management Board

Composition of the Management Board

Management team members, responsibilities and period of membership:

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Chief Executive Officer, 2011 -
Tecnotree shares 31 Dec 2017: 197,303

Kirsti Parvi, b. 1958, Executive Master of Business Administration, eMBA
Main duty: Chief Financial Officer, CFO, 1 Oct 2016 –
Tecnotree shares 31 Dec 2017: -

Reija Virrankoski, b. 1965, M.Sc. (International Communication)
Main duty: Vice President, Human Resources, 2014-
Tecnotree shares 31 Dec 2017: -; Holding of interest parties: 10,000

Indrajit Chaudhuri, b. 1970, Master of Computer Science and Eng.
Main duty: Senior Vice President, Product Creation and Consulting, 1 June 2016 –

Tecnotree shares 31 Dec 2017: -

Sanjay Ketkar, b. 1956, Master of Engineering (Automation), Indian Institute of Science

Main duty: Vice President, Product Engineering, India, 1 June 2016-

Tecnotree shares 31 Dec 2017: -

Mike Keegan, b. 1965, B.Eng.

Main duty: Vice President, Sales, Latin America, 1 June 2016-

Tecnotree shares 31 Dec 2017: -

Udayan Kelkar, b. 1963, Bachelor degree in Engineering from India's premier Indian Institute of Technology

Main duty: Senior Director, Sales, Europe, MEA and APAC, 1 June 2016 –

Tecnotree shares 31 Dec 2017: -

Sheela Singh b. 1960, Bachelor of Engineering (Electronics)

Main duty: Vice President – Quality & India Center, March 2017

Tecnotree shares 31 Dec 2017:

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 audit function. 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 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 Espoo District Court confirmed 15 November 2016 the amended restructuring programme and along with the confirmation of the payment programme the restructuring programme ended. The reimbursements of payment plan will end 20 June 2025.

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. The company has analyzed the effect of the IFRS 15 Sales



Revenue from Customer Contracts as effective on January 1, 2018, and adopted the Standard for the financial period beginning January 1, 2018.

Related party transactions

Tecnotree monitors and assesses any transactions with its related parties and ensures that potential conflicts of interest are appropriately considered in the company's decision-making. The company maintains a list of its related parties. The company is responsible for determining and identifying the parties and transactions included in related party transactions.

Certain related party transactions shall be published as required by stock exchange rules.

In 2017, Tecnotree Corporation did not have material related party transactions that were not in line with its regular business operations or market conditions.

Insider issues

Tecnotree Group complies with the currently valid insider dealing regulations and the Nasdaq Helsinki Guidelines for Insiders. The Group also has its own Insider Guidelines complementing Nasdaq Helsinki Guidelines for Insiders. The Insider Guidelines are updated as necessary. The Insider Guidelines are available on the company's intranet site.

The person in charge of insider issues (insider issues officer) and insider register manager in Tecnotree is the CFO. The duties of the insider issues officer include internal communication and training and the monitoring of insider issues (including the whistleblowing system). The insider issue officer is also responsible for managing the closed periods and ensuring that executives and their related parties meet their obligations related to the notification and publication of related party transactions.

Tecnotree has opted to maintain a separate list of permanent insiders who, on the basis of their position or duties, have permanent access to all inside information concerning the company. Tecnotree has defined the following persons as permanent insiders:

- members of the Tecnotree Board of Directors, the CEO and the CFO, and
- the secretary of the Board of Directors.

A project-specific insider list is maintained of all insider projects in line with the stock exchange's Guidelines for Insiders.

In accordance with the applicable legislation, persons in managerial positions in Tecnotree Corporation (the Board of Directors, the CEO and the Management Board) and their related parties report any transactions conducted on their own account to the company and to the Finnish Financial Supervisory Authority within three days of the completion of such transactions. According to the company's Insider Guidelines, executives shall, however, notify the transactions on the following working day. The company publishes a stock exchange release of the transactions of the executives and their related parties in accordance with the applicable legislation.

Tecnotree executives shall schedule their transactions with Tecnotree's financial instruments to avoid the transactions undermining confidence in the securities market. Tecnotree executives shall not trade in Tecnotree's financial instruments during the period starting 30 days before the publication of each financial statements bulletin, half year financial report or three- or nine-month financial report and ending on the day following the publication of such data. The closed period also covers the persons participating in the preparation, drafting and publication of Tecnotree's financial reports.

Auditing of accounts

The principal purpose of auditing is to verify that the financial statements provide correct and sufficient information on the company's result and financial position. In addition, the auditor verifies the legality of the company's administration.

The auditor is appointed annually in the Annual General Meeting for a term ending at the end of the following Annual General Meeting. A proposal of the auditor made by the Board of Directors or any shareholder holding at least 10% of the voting rights shall be published in the invitation to the Annual General Meeting, provided that the candidate has given his or her consent to be appointed and that the company has been informed of the proposal sufficiently early for it to be included in the invitation. If the auditor candidate is not known by the Board of Directors at the time of submitting the invitation, the name of the candidate, who has been presented in this manner, shall be published separately.

The fees of the auditor and any remuneration for services not related to the audit for the financial period shall be published in the annual report and on the company's website. The Annual General Meeting 2017 appointed the auditing firm KPMG Oy to continue as the auditor. The principal auditor was Leenakaisa Winberg. In 2017, the auditor was paid EUR 234,663 for the audit and EUR 79,114 for other services.

Communication

In its disclosure policy the company complies with Finnish and European Union legislation and with the instructions and regulations of Nasdaq Helsinki Ltd, the Financial Supervisory Authority and the European Securities and Markets Authority (ESMA) and the provisions of the Finnish Corporate Governance for Finnish listed companies as well as other rules concerning listed companies.

The central principles Tecnotree follows in its communication are openness, integrity, consistency, and clarity. It is the company's objective to give all stakeholder groups correct and up-to-date information about the company's operations, in a balanced and timely manner

Tecnotree Corporation
The Board of Directors

