

**SPONDA PLC
CORPORATE GOVERNANCE STATEMENT**

This Corporate Governance Statement has been reviewed by the Audit Committee of Sponda Plc's Board of Directors at its meeting on 30 January 2012

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SPONDA PLC CORPORATE GOVERNANCE STATEMENT

1. Regulations and Corporate Governance Code adhered to by Sponda

Sponda Plc is a public limited company registered in Finland and listed on the NASDAQ OMX Helsinki Ltd. In its decision making and administration Sponda applies the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association. Sponda also adheres to the insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code 2010, which entered into force on 1 October 2010 ("Corporate Governance Code"). The Corporate Governance Code was issued by the Securities Market Association on 15 June 2010 and is available online at www.cgfinland.fi.

As required by the Finnish Companies Act and Sponda's articles of association, control and administration of the company is divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted by an Executive Board.

The description of Sponda's administration and this statement, which has been prepared in accordance with Corporate Governance Code Recommendation 54, are available for the public on the Sponda website at www.sponda.fi.

This statement is published separately from the report of the Board of Directors.

2. Nomination Board

The Annual General Meeting's Nomination Board, rather than a Board-appointed nomination committee, assists the Annual General Meeting in the nomination of members to the Board of Directors and in preparing Board members' remuneration.

A shareholder representing more than 10% of votes linked to all Sponda Plc shares has proposed that the Annual General Meeting appoint a Nomination Board, since this increases the transparency and consistency of the preparation process of Board member selection and Board remuneration.

The Nomination Board appointed by the Annual General Meeting annually prepares proposals for Board candidates and their remuneration for the following Annual General Meeting. Representatives of the three (3) principal shareholders were elected to the Nomination Board along with the Chairman of the Board as an expert member. The right to appoint members to represent shareholders on the Nomination Board was given to those shareholders who held the most votes linked to company shares on 1 October of the year preceding the Annual General Meeting. The Nomination Board is convened by the Chairman of the Board of Directors and the Nomination Board elects a chairman from among its number. The Nomination Board is required to present its proposal to the company's Board of Directors no later than the 1st of February preceding the Annual General Meeting.

The shareholders entitled to a representative on the Nomination Board (holdings on 1 October 2011) based on the decision by the Annual General Meeting held on 16 March 2011, and their representatives, were:

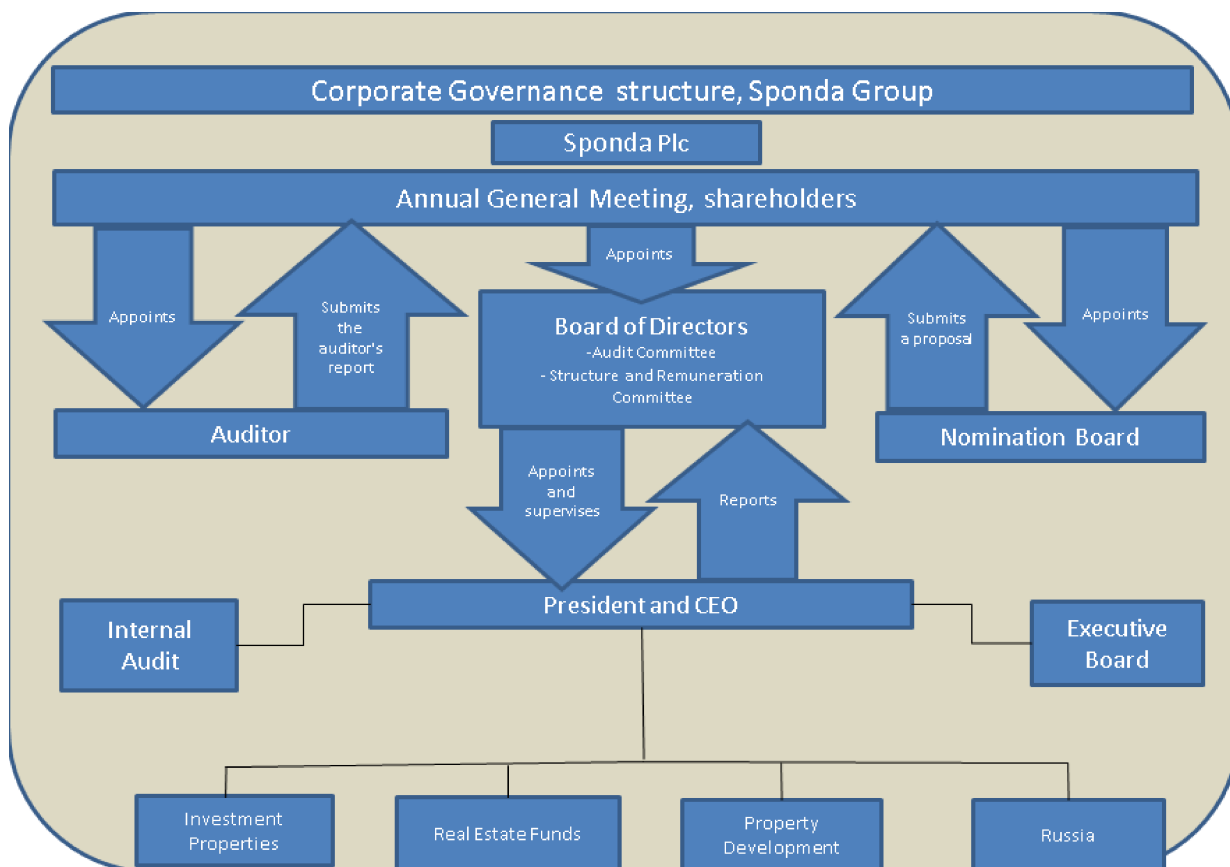
- Solidium Oy, 14.89% of the shares and votes, represented by Kari Järvinen, (b. 1962), M.Sc. (Eng), MBA, Managing Director, Solidium Oy;
- Varma Mutual Pension Insurance Company, 9.56% of the shares and votes, represented by Risto Murto, (b. 1963), Ph.D. (Economics), Chief Investment Officer, Deputy CEO, Varma Mutual Pension Insurance Company;
- Ilmarinen Mutual Pension Insurance Company, 9.56% of the shares and votes, represented by Timo Ritakallio, (b. 1962), LL.M., MBA, Chief Investment Officer, Deputy CEO, Ilmarinen Mutual Pension Insurance Company.

All members of the Nomination Board are independent of the Company.

The Nomination Board submitted its proposal to the Board of Directors by the due date, 25 January 2012.

3. Sponda Group's Corporate Governance

The highest authority in Sponda Plc is exercised by its shareholders in the Annual General Meeting (AGM). Sponda Group is managed by the Board of Directors appointed by the AGM and the President and CEO.



The AGM is held once a year on a date determined by the Board of Directors and within six (6) months of the end of the previous financial year. The AGM considers the matters stipulated in the Companies' Act and Sponda's articles of association. These include confirmation of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the Board of Directors and deciding on their remuneration, and appointing the company's auditors and deciding on their remuneration.

Sponda publishes the notice of the AGM in at least one daily national newspaper determined by the Board of Directors and also on the company website. The Board of Directors decided on 3 February 2012 that the notice will be published in Helsingin Sanomat. Shareholders wishing to attend the AGM are required to be registered in the company's shareholder register and to inform the company of their intention to attend the meeting in the manner stipulated in the meeting notification. Extraordinary general meetings are convened when deemed necessary by the Board of Directors or when required by law.

4. Board of Directors

4.1 Board composition

Under Sponda Plc's articles of association, the Board of Directors has four to seven (4-7) members. The AGM appoints the members of the Board of Directors based on the proposal of the shareholders' Nomination Board and they are appointed for office until the conclusion of the next AGM. The Board of Directors elects a Chairman and Deputy Chairman from among its members.

Until the AGM of 16 March 2011, the members of the Board of Directors were Klaus Cawén, Tuula Entelä, Timo Korvenpää (Deputy Chairman), Lauri Ratia (Chairman), Arja Talma and Erkki Virtanen.

The AGM of 16 March 2011 confirmed the number of Board members as six and re-elected Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma and Erkki Virtanen as members and Raimo Valo as a new member of Sponda's Board of Directors.

Members of the Board of Directors in 2011:

- Klaus Cawén (b. 1957) LL.M., member of the Executive Board, KONE Corporation, member of Sponda's Board of Directors since 2008, Deputy Chairman from 16 March 2011 onwards;
- Tuula Entelä (b. 1955) B.Sc. (Econ.) LL.M., Vice President, Deputy to President and CEO, SATO Corporation, member of Sponda's Board of Directors since 2005;
- Timo Korvenpää (b. 1952) B.Sc. (Econ.), MBA, member of Sponda's Board of Directors since 2006 (term as Board member ended on 16 March 2011);
- Lauri Ratia (b. 1946) MSc. (Eng.), Chairman and member of Sponda's Board of Directors since 2007;
- Arja Talma (b. 1962) MSc. (Econ.), eMBA, President, Rautakesko Ltd, member of Sponda's Board of Directors since 2007;

- Raimo Valo (b. 1955) LL.M., Partner, Septem Partners Oy, member of Sponda's Board of Directors since 16 March 2011; and
- Erkki Virtanen (b. 1950) M.Soc.Sc. (Econ.), Permanent Secretary, Ministry of Employment and the Economy, member of Sponda's Board of Directors since 2008.

Sponda's Board members represent broad experience of the real estate, industry and finance sectors. More detailed information on the Board members is provided on the "Corporate Governance/CV's of the Board members" section of Sponda Plc's online Annual Report. The Board has assessed that its members Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Raimo Valo and Arja Talma are independent of the company and its major shareholders and Erkki Virtanen is independent of the company. Erkki Virtanen was considered not to be independent of a major shareholder due to his primary occupation at the Ministry, since the fully state-owned Solidium Oy is a major shareholder in Sponda.

In its constitutive meeting after the Annual General Meeting of 16 March 2011, the Board of Directors elected Lauri Ratia as Chairman and Klaus Cawén as Deputy Chairman.

4.2 Board operations

The Board of Directors is responsible for the company's administration and the appropriate organisation of its operations. The Board guides and supervises the company's executive management, appoints and discharges the President and CEO, approves the company's strategic objectives and the principles underlying its risk management function, and ensures the effective functioning of its management systems. The Board also ensures that the company reinforces in its operations the values it should observe. The Board convenes the Annual General Meeting and prepares draft resolutions for the Annual General Meeting in keeping with the Companies Act and the company's articles of association.

The Board has approved its own written rules of procedure according to which it

- confirms its own rules of Procedure
- confirms the company's operating principles and monitors how they are carried out
- defines the company's dividend policy
- approves the company's strategy and monitors how it is carried out
- approves annually a business plan and budget based on the strategy and monitors how they are carried out
- approves an annual investment budget and decides on investments, acquisitions and divestments that are significant and of strategic importance
- decides on donations within the framework of the Finnish Companies Act
- sets personal goals annually for the President and CEO and assesses how those are achieved, and approves the targets for the members of the Executive Board and assesses how those are achieved
- confirms the Group's organisational structure
- appoints and discharges from their duties the President and CEO and the members of the Executive Board and decides on their terms of employment and on incentive schemes for them

- prepares draft resolutions as necessary for the General Meeting of Shareholders as required concerning remuneration schemes for management and personnel
- monitors succession issues of the management
- defines the operating principles for the risk management system and internal control
- considers and approves interim reports, the report of the Board of Directors and the annual financial statements
- considers other matters that the Chairman of the Board or President and CEO have submitted on the agenda. Members of the Board are also entitled to bring matters before the Board by informing the Chairman of this.

In 2011 key issues addressed by the Board included updating Sponda's strategy, reacting to changes in the business environment and assessing financing options. The Board also focused on various growth projects and organisational development.

The general task of the Chairman of the Board is to manage the Board's activities so that its duties are handled as efficiently and adequately as possible.

The Board is quorate when more than half of its members are present. Decisions are made by a simple majority of votes. If votes are split, the Chairman's vote decides the matter. The President regularly attends Board meetings. The Chief Financial Officer acts as the secretary of the Board.

A Board member may not participate in the discussion or decision of a matter which has any bearing on a company or other organisation in which he or she works or serves as a member of an executive organ.

The Board meets according to a pre-arranged schedule, 7–11 times per year, and holds additional meetings as necessary. In 2011 the Board met a total of 17 times and the average attendance rate of Board members was 93.14 per cent.

Members of Sponda Plc's Board and its Committees and attendance in meetings in 2011				
		Attendance		
	Committee membership	Board	Audit Committee	Structure and Remuneration Committee
Ratia Lauri (Chair)	Structure and Remuneration Committee (Chair)	16/17	-	4/4
Korvenpää Timo (Member and Deputy Chair until 16 March 2011)	Audit Committee (Deputy Chair until 16 March 2011)	3/17	1/4	-
Cawén Klaus (Deputy Chair from 16 March 2011 onwards)	Structure and Remuneration Committee (Deputy Chair)	16/17	-	4/4
Entelä Tuula	Structure and Remuneration Committee	16/17	-	4/4
Talma Arja	Audit Committee (Chair)	13/17	3/4	-
Valo Raimo (Member from 16 March 2011 onwards)	Audit Committee (Deputy Chair from 16 March 2011 onwards)	14/17	3/4	-
Virtanen Erkki	Audit Committee	17/17	4/4	-

The Board assesses its own performance and working procedures once a year. The Board's self-assessment was based on a survey conducted in November 2011 and the Board discussed the survey results and considered further actions based on the results in a meeting in December 2011. The assessment covered, amongst other things, the composition of the Board, the effectiveness and focal points of its work, the scope and quality of materials provided to the Board as well as the quality and atmosphere of discussions. The results of the survey were used to improve the work of the Board of Directors.

5. Board committees

The Board has established two permanent committees to assist the Board in preparing matters for which the Board is responsible. These committees are the Audit Committee

and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board's consideration and decision-making.

5.1 Committee composition

The Board appoints the members and chairmen of the committees from among its number. The committee members' term of office is one (1) year, ending at the conclusion of the Annual General Meeting following their election. Each committee has at least three (3) members. A committee meeting has quorum when the chairman and at least one (1) other member are present.

The Audit Committee comprises at least three (3) Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practices. As of 16 March 2011 the Audit Committee comprises Arja Talma as chairman, Raimo Valo as deputy chairman and Erkki Virtanen as an ordinary member. The Chief Financial Officer acts as secretary of the Audit Committee.

The Structure and Remuneration Committee comprises at least three (3) Board members who are independent of the company. As of 16 March 2011 the Structure and Remuneration Committee comprises Lauri Ratia as chairman, Klaus Cawén as deputy chairman and Tuula Entelä as an ordinary member. Sponda's President and CEO attends the meetings of the Structure and Remuneration Committee. The Chief Financial Officer acts as the secretary for the Committee.

5.2 Structure and Remuneration Committee operations

The responsibility of the Structure and Remuneration Committee is to assist the Board by preparing matters that fall under the Board's responsibility. The Committee does not have any independent decision-making authority. The Committee is answerable to the Board for carrying out the tasks assigned to it. The Structure and Remuneration Committee reports regularly to the Board.

The Board has laid out the rules of procedure for the Structure and Remuneration Committee in writing, dictating that the Committee prepares matters relating to the remuneration and financial benefits of company executives, executive remuneration and incentive schemes and appointment of the President and CEO and other executives adhering to the "grandfather principle". The Committee is also responsible for preparing matters relating to Group strategy and structure and mergers and acquisitions.

In 2011 the Structure and Remuneration Committee focused on strategy updating, business development, Group structure and the effectiveness and monitoring of remuneration systems. The Committee also approached external experts for consultation.

The Structure and Remuneration Committee met four times in 2011 and the average attendance rate was 100%.

5.3 Audit Committee operations

The Audit Committee's duty is to assist the Board of Directors by preparing matters for discussion. The Committee does not have any independent decision-making authority. The Committee is answerable to the Board for carrying out the tasks assigned to it. The Committee reports regularly to the Board on its work. The Audit Committee prepares matters relating to financial reporting, risk management, financial statements and interim reports, auditors, internal audit and compliance with laws and regulations.

The Board has laid out the rules of procedure for the Audit Committee, according to which the Committee shall have the following duties:

- to monitor the reporting process of financial statements
- to supervise the financial reporting process
- to monitor the efficiency of the company's internal control, internal audit and risk management systems
- to 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
- to monitor the statutory audit of the financial statements and consolidated financial statements
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company
- to prepare the proposal for resolution on the election of the auditors
- to monitor the company's financial position
- to approve the operating instructions for internal audit
- to revise the plans and reports of the internal audit function
- to evaluate compliance with laws and regulations
- to maintain contact with the auditor and revise the reports that the auditor prepares for the Audit Committee.

In 2011 the Audit Committee reviewed the financial statements releases and interim reports before their disclosure and recommended that the Board approve them. The Audit Committee also discussed, as scheduled in its annual plan, Group financing, insurance policies and taxation and annual planning.

The Audit Committee consulted Authorised Public Accountant Raija-Leena Hankonen from KPMG when reviewing financial statement releases and interim reports. The Committee also consulted Sponda's internal auditor and an external property surveyor.

In 2011 the Audit Committee met 4 times and the average attendance rate was 91.67%.

6. President and CEO and his duties

Sponda's President is appointed by the company's Board of Directors. The President manages the company's day-to-day operations in accordance with the instructions and stipulations of the Board of Directors. The President is responsible for ensuring that the

company's accounts comply with legal provisions and that the company has sufficient capital funds for its purposes. The President is assisted by the Group's Executive Board, of which he is the chairman. Kari Inkinen (b. 1957), M.Sc. (Eng.) has served as Sponda's President and CEO since 2005. The employment terms of the President are set out in a written contract approved by the Board.

7. Other executives

Sponda's Board of Directors selects the members of the Executive Board at the President's proposal. The Executive Board prepares the business strategy and budget and monitors the results of operations. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. As of 25 March 2009 the Executive Board has seven (7) members: the President and CEO, the Chief Financial Officer, the Senior Vice President, Corporate Communications and Investor Relations, and the directors of the business areas.

8. Auditors

The company has two (2) auditors: a firm of authorized public accountants and a supervising auditor who is an auditor approved by the Central Chamber of Commerce. The auditors are responsible for examining the financial statements, the accounts and administration of the parent company and the Group, and for submitting a report on their audit to the Annual General Meeting. The term of office for the auditors is one financial year and their duties end when the Annual General Meeting following their election ends.

Sponda Plc's Annual General Meeting of 16 March 2011 appointed as its auditors Raija-Leena Hankonen, APA and KPMG Oy Ab under the supervision of principal auditor Kai Salli, APA. The deputy auditor is Ari Eskelinen, APA. Raija-Leena Hankonen was Sponda Plc's auditor between 1998–2000 and has again assumed this role since 2005, Kai Salli since 2008 and Ari Eskelinen since 2011.

9. Insider management

Sponda complies with the Insider Guidelines issued by the NASDAQ OMX Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so only at times when the market has the fullest possible information on matters that might materially affect the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period commencing 21 days before the company publishes its interim or annual results. The company's statutory public insiders are the members of its Board of Directors and the Executive Board and the auditors. Additionally, insider registers are maintained for individual companies and projects listing the names of the individuals who are in possession of insider information by virtue of their duties or roles. The holdings of the company's public insiders are available for inspection in the insider register maintained by Euroclear Finland Ltd. The register of public insiders is also posted on the company website at www.sponda.fi.

10. Internal control and risk management systems of the financial reporting process outlined

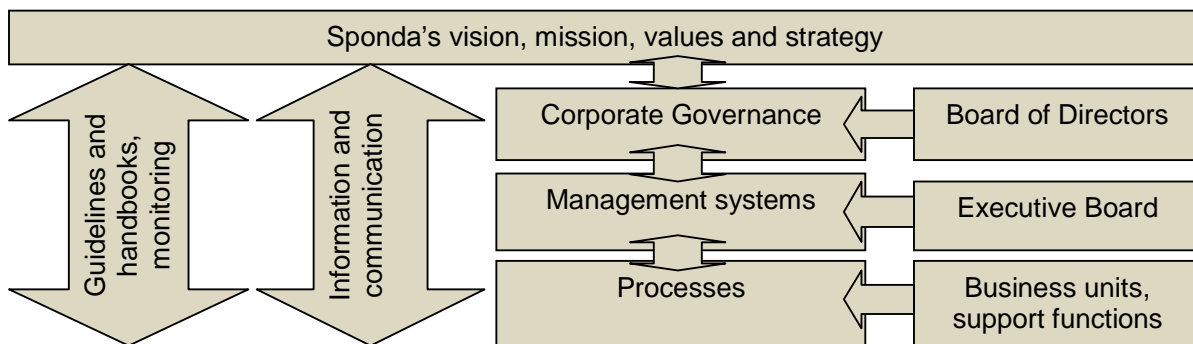
10.1 General description of risk management at Sponda

Sponda's risk management decisions are based on the Group's risk-bearing capacity and willingness, a good knowledge of the Group's key risks and the chosen risk management policy. Risk management is part of daily activities and operative management.

The objective of risk management is to identify the key uncertainties relating to achieving targets, to measure and assess previously identified uncertainties, and to determine how to respond to these uncertainties. Sponda's key risks are classified as strategic risks, operational risks, damage/asset risks and financing risks.

Risks are considered a normal part of business operations. They are assessed from two viewpoints, that of exploiting the opportunities they contain and that of reducing and eliminating the risks.

10.2 Main principles of risk management



Risk management is integrated into Sponda's strategy process, business control system and business processes. Responsibility for risk management is defined in accordance with business responsibility. However, each company employee is responsible for identifying risks that threaten to prevent the company from achieving its targets and for informing his or her manager of said risks.

Ultimate responsibility for risk management lies with Sponda's Board of Directors, which decides on risk management goals, defines the risk management policy and monitors key risks. The specific task of the Executive Board is to organise risk management. It is the specific task of the business units and corporate functions to arrange for risk management to be monitored and reported as part of the other reporting systems. The primary task of the internal audit is to verify that the risk management system functions effectively.

Sponda's annual planning process includes carrying out a risk survey, which identifies key risks and estimates their extent. Processing the strategy and the annual plan includes assessing the response to key risks and examining the need to change risk management targets and the risk management policy. Approving the annual plan involves deciding on

any revisions to risk management targets and the risk management policy. The Group's instructions and guidelines and the operations handbook are updated on the basis of the decisions concerning risk management.

The executive management reports Group-level risks to the Board of Directors twice a year. Risk reporting at Executive Board and business unit levels takes place as part of the enterprise resource planning system. Sponda's risk management procedures are described in more detail on "Sponda/Risks and Risk management" section of the Sponda Plc's online Annual Report.

Sponda's Audit Committee has reviewed the principles of internal control and the internal audit guidelines. The Audit Committee approves the annual internal audit plan.

10.3 Key features of internal controls pertaining to financial reporting

The risk management of the financial reporting process at Sponda has been integrated into the Group's general risk management and internal controls. Sponda has laid out the structure of its internal controls using the international COSO model. The model has been used when outlining the control environment and risk assessment method and determining the applicable control measures. The internal control solutions of financial reporting at Sponda are also influenced by its operation in the real estate investment sector in Finland and Russia, the management of the Group as a single entity and the incorporated holding of properties. Sponda's business operations are divided into four business units and financial reporting is conducted centrally.

Internal controls within Sponda constitute a process which involves the Board of Directors, executive directors, other staff members and the internal audit. The purpose of internal control is to provide reasonable certainty, amongst other things, of the efficiency and adequacy of activities, reliability of financial information and reporting as well as of compliance with laws and regulations.

10.4 General description of internal control

Internal control is an essential part of the company management and administration. Sponda's internal control covers all company policies, processes, practices and organisational models which allow the company executives to ensure that Sponda's business operations are conducted in a sound and ethical manner and in full compliance with laws and regulations. The management also ensures that the company's property is responsibly managed and that its financial reporting is appropriate. Internal control is part of Sponda's way of working and it is conducted on all levels of the organisation.

The processes of generating financial information have been clearly defined and assessed. The processes are described in the operating manual, in other guidelines and in separate process descriptions. The key processes are related to financial statement information, planning, resource planning and investor relations. Internal control pays special attention to the production of external and internal financial information and its communication as well as information system controls. The risks and critical points of financial information production processes have been identified and related control measures have been defined. Internal controls include executive or managerial

assessments, performance indicators, control accounts, physical controls, the prevention of job combinations which may pose risks, ICT controls and anomaly reports.

10.5 Planning and reporting processes and assessing the fair value of properties

Business planning within Sponda is based on three-year Group strategy, annual action plans and monthly monitoring. The monitoring is complemented by monthly calendar year forecasts and quarterly rolling 12-month forecasts. The Board of Directors approves the strategy and action plans which set the targets for the company as well as for each business unit. At the annual personal performance review individual annual targets are set for each Sponda employee. The Board of Directors reviews the monitoring and forecasts on a monthly basis. The Business Control and Financial Control units are in charge verifying the accuracy of monitoring. Accuracy is also verified by other internal control methods. The business units produce monthly forecasts. The Business Control unit is in charge of verifying the justifiability of forecasts. The forecasts are based on historical data prepared by the Financial Control unit.

External financial reports are reviewed by the Board of Directors and Audit Committee prior to their publication. The Audit Committee regularly consults with the auditors and internal auditor as well as an external expert on property valuation when processing the financial reports. The Board of Directors also receives the auditors' report and internal audit report for evaluation. The executive directors analyse external financial reports prior to their review by the Board of Directors and Audit Committee. The business units evaluate the financial reports as far as their own unit is concerned. The Business Control and Financial Control units are in charge verifying the accuracy of the financial reports. Various ICT controls and account reconciliation are also used to verify the accuracy of financial reporting.

Sponda estimates the fair value of its investment property portfolio quarterly in-house using the discounted cash flow method (DCF) with at least 10 years' worth of estimates. An external specialist has audited Sponda's internal property valuation process as well as the calculation methods and reporting. In addition, at least twice a year Sponda has an external expert review all property valuation material to ensure that the parameters and values used are based on market observations. In cash flow calculations the rental revenue is based on the data on valid lease contracts retrieved from the property management system and, upon their expiration, on management's market information based on estimated market rents. Rental income is adjusted by management estimates of occupancy rates and by actual maintenance costs. Risk factors pertaining to fair value assessments are taken into account when determining yield requirements.