

Corporate Governance

Statement 2011

Corporate Governance Statement 2011

Governance and decision-making at Technopolis Plc is based on Finnish legislation and, with regard to its subsidiaries, on the legislation of the domicile of each subsidiary, the Articles of Association of the Group parent company, Technopolis Plc, and its subsidiaries, and the Rules of Procedure of the Decision-Making Bodies composed by the company for the purpose of complementing these regulations.

Technopolis Plc shares are listed on NASDAQ OMX Helsinki Ltd (Helsinki Stock Exchange), and the company complies with the guidelines and provisions for listed companies published by the Helsinki Stock Exchange and the Financial Supervisory Authority, as well as the Finnish Corporate Governance Code which entered into force on October 1, 2010, issued by the Securities Market Association. The company complies with the code without any exceptions. The Code is publicly available on the web page of the Securities Market Association at www.cgfinland.fi.

This Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Code, separately from the report of the Board of Directors. The statement includes a description of the activities and duties of the company's decision-making bodies as well as the main features of the company's internal control and risk management systems.

The Audit Committee and Board of Directors of Technopolis have reviewed this statement, and Technopolis' auditor, KPMG Oy Ab, has ensured that the statement has been issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process contained therein are consistent with the financial statements. The Corporate Governance Statement and the company's financial statements and report by the Board of Directors for the financial period January 1–December 31, 2011 were published on March 1, 2012, and they are also available on the company's website at www.technopolis.fi/for_investors.

Decision-making bodies

The company's administrative structure is based on the bodies pursuant to the Limited Liability Companies Act: the General Meeting of shareholders, Board of Directors, and CEO. In its work, the Board of Directors is assisted by the Board Committees, and the Management Team assists the CEO in the management of the company's operations. In addition, the company has a Shareholders' Nominating Committee established by the Annual General Meeting.

General Meeting of Shareholders

The General Meeting of shareholders is the highest decision-making body in Technopolis. The Annual General Meeting of Technopolis is held every year by the end of May, and Extraordinary General meetings are held as convened by

the Board of Directors as deemed necessary for decision-making purposes. In accordance with the Articles of Association, Technopolis' shareholders' meetings are held in Oulu, Helsinki, Espoo or Vantaa.

The matters to be dealt with at the Annual General Meeting are laid down in the Limited Liability Companies Act and the Company's Articles of Association. They include adopting the financial statements, resolutions on the use of profit for the financial period and dividend payout, discharging the members of the company's Board of Directors and the CEO from liability, election of the Board members and auditors and resolutions on their fees. The Annual General Meeting may, as proposed by the Board of Directors or a shareholder, also decide on other matters falling under the authority of shareholders' meetings in accordance with the Limited Liability Companies Act.

Convening and arranging the shareholders' meeting complies with the provisions of the Limited Liability Companies Act and the recommendations of the Finnish Corporate Governance Code. Technopolis publishes the notice of a shareholders' meeting no less than three weeks before the meeting as a stock exchange release and on the company's website and, depending on the place of the meeting, also in the Helsingin Sanomat or Kaleva newspapers.

Technopolis' Annual General Meeting was held on March 30, 2011 in Oulu. The resolutions of the Annual General Meeting were published as a stock exchange release on March 30, 2011 and the minutes of the Annual General Meeting are available on the company's website at www.technopolis.fi/for_investors/general_meeting_2011.

Shareholders' Nominating Committee

The Annual General Meeting on March 30, 2011 established the Nominating Committee to prepare proposals on the composition and remuneration of the Board of Directors for the next Annual General Meeting.

The Nominating Committee is composed of the Chairman of the Board of Directors and three members representing the three largest shareholders who may not be members of the Board of Directors of the Company. The member appointed by the largest shareholder acts as Chairman of the Committee. The right to nominate Committee members that represent shareholders lies with those three shareholders whose share of all the votes in the company is the largest on October 1 preceding the next annual general meeting. Should a shareholder not wish to use its nomination right, the right to nominate is transferred to the next largest shareholder. The term of office of the Nominating Committee shall continue until a new Nominating Committee is appointed, unless the general meeting resolves otherwise.

Risto Murto, Executive Vice President of Varma Mutual Pension Insurance Company, Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company and Timo Kenakkala, Deputy Mayor of the City of Oulu, as well as Pertti Huuskonen, chairman of Technopolis Plc's Board of Directors, were elected members of the Nominating Committee in accordance with the shareholding situation on October 1, 2011. Risto Murto acts as chairman of the Nominating Committee. The Nominating Committee convened once during 2011, and the attendance rate was 100%.

Board of Directors

Election and composition of the Board of Directors

The General Meeting of shareholders elects the Board members as proposed by the shareholders' Nominating Committee. The term of the Board member expires at the end of the next Annual General Meeting following the election. According to the Articles of Association, the company's Board of Directors comprises at least four and at most seven members. In accordance with the Articles of Association, the shareholders' meeting also elects the Chairman and the Vice Chairman of the Board.

Technopolis Board of Directors December 31, 2011

| Board member | Board member since | Independence | Full-time occupation |
|---|--|--|--|
| Pertti Huuskonen, M.Sc. (Eng.), MKT, eMBA, born 1956, Chairman of the Board | 2008 | Independent of major shareholders | CEO of the investment and consulting company Lunacon Oy and an advisor and a lecturer at the University of Oulu, Oulu Business School. |
| Carl-Johan Granvik, M.Sc. (Econ.), born 1949, Vice Chairman of the Board | Board member and Vice Chairman from March 30, 2011 | Independent of the company and major shareholders | Professional board member |
| Teija Andersen, M.Sc. (Agriculture and Forestry), eMBA, born 1957 | 2009 | Independent of the company and major shareholders | CEO of Adviso TMA Oy |
| Pekka Korhonen, LL.M, M.Sc. (Theol.), born 1952 | 2010, also in 2007–2008 | Independent of the company and major shareholders | CEO of NV Kiinteistösisjoitus Oy and NV Property Fund I Ky. |
| Matti Pennanen, M.Sc. (Civil Engineering), born 1951 | 2005, Vice Chairman until March 30, 2011. | Independent of the company and major shareholders | Mayor of Oulu |
| Timo Ritakallio, LL.M, MBA, born 1962 | 2008 | Independent of the company and major shareholders *) | Deputy CEO of Ilmarinen Mutual Pension Insurance Company |

*) In accordance with the Board's evaluation carried out on March 1, 2012, Timo Ritakallio is independent of the company but not of major shareholders after Ilmarinen Mutual Pension Insurance Company announced that its shareholding in Technopolis Plc had exceeded the 10% threshold.

A majority of the Board members must be independent of the company. Furthermore, at least two of the members in the above-mentioned majority must be independent of the major shareholders of the company. The Board of Directors annually evaluates the independence of its members and declares who of them are independent of the company and who are independent of major shareholders.

The Annual General Meeting of Technopolis Plc held on March 30, 2011, decided that the Board of Directors shall comprise six (6) members. Teija Andersen, Pertti Huuskonen, Pekka Korhonen, Matti Pennanen, and Timo Ritakallio were re-elected as members of the Board of Directors, and Carl-Johan Granvik was elected as a new Board member to replace Erkki Veikkolainen. The Annual

General Meeting elected Pertti Huuskonen as Chairman of the Board of Directors and Carl-Johan Granvik as Vice Chairman.

All Board members are independent of the company apart from Pertti Huuskonen, who acted as the CEO of Technopolis Plc until 2008 and was subsequently employed by the company as the full-time Chairman of the Board of Directors until March 30, 2011. All of the Board members for 2011 were independent of major shareholders.

More detailed information on Board members is presented in the enclosed table. The Board members' shareholdings, key employment history and positions of trust are presented on the company's website at www.technopolis.fi/for_investors/board_of_directors.

Duties of the Board of Directors

The Board is responsible for the administration of the company and appropriate organization of operations. In addition to its statutory duties, the Board of Directors of Technopolis has ratified Rules of Procedure on the division of work between the Board of Directors, its Chairman, the Board Committees, the CEO and the Management Team. The Board promotes the interests of the company and all of its shareholders in all of its activities.

In addition to the statutory duties, the tasks of the Board of Directors of Technopolis include:

- deciding on the company's strategy, business structure and significant organizational solutions;
- ratifying the budget and guidelines according to which risk management and internal control at Technopolis will be arranged;
- supervising the sufficiency, appropriateness and effectiveness of the company's administrative processes and ratifying the authorizations and guidelines concerning the company's reporting system and investment of assets;
- deciding on acquisitions and divestment of real estate investment assets and investments as well as other matters that are unusual and far-reaching considering the extent and quality of the company's field of activities;
- appointing the CEO and members of the Management Team and deciding on their areas of responsibility and remuneration;
- ratifying the principles applied to the remuneration of the personnel and incentive schemes, deciding on the company's short-term and long-term reward schemes and key employees' succession plan, as well as
- defining the company's dividend policy and making the profit distribution proposal to the Annual General Meeting.

The Board of Directors annually evaluates its operations and performance.

The Board meetings are arranged on a regular basis according to a schedule confirmed in advance and additionally as extraordinary meetings when necessary. The Board forms a quorum when more than half of its members are present. In addition, the company's CEO, Chief Financial Officer, and Director of Legal Affairs, who serves as the Board's secretary, regularly attend Board meetings.

During the financial period 2011, the Board convened 10 times. The average attendance rate was 96.7%. The member-specific attendance rates at Board meetings are presented in the table below.

Member-specific Board meeting attendance

| Board member | Attendance meetings | % |
|--------------------|---------------------|-----|
| Pertti Huuskonen | 10/10 | 100 |
| Carl-Johan Granvik | 10/10 | 100 |
| Teija Andersen | 9/10 | 90 |
| Pekka Korhonen | 10/10 | 100 |
| Matti Pennanen | 9/10 | 90 |
| Timo Ritakallio | 10/10 | 100 |

In 2011, key themes in the Board of Directors' work included the development of the business strategy and defining the strategic objectives for the next five years. The Board also reviewed risk management and resource allocation questions related to international growth and business operations.

Board Committees

In order to make Board work more efficient, the Board has established two committees from among its number: the Audit Committee and the Remuneration Committee, which prepare matters that fall under the

scope of the Board's duties and decision-making authority. The Board of Directors elects the chairmen and members of the committees at its first organizational meeting. The committees have a minimum of three members. The committee members must have the expertise and experience required by the duties of the committee.

The chairman of the committee reports to the Board on each meeting, and minutes of the committee meetings are sent to all Board members.

The composition of the committees in 2011 is presented in the table below.

| Audit Committee | Remuneration Committee |
|----------------------------|-----------------------------|
| Timo Ritakallio (Chairman) | Pertti Huuskonen (Chairman) |
| Carl-Johan Granvik | Teija Andersen |
| Pekka Korhonen | Matti Pennanen |

Audit Committee

The Board of Directors has an Audit Committee that supports the Board in matters pertaining to financial reporting and control. The key duties of the Audit Committee include:

- monitoring the Company's financial reporting, particularly with regard to financial statements and interim reports, and the statutory audit of the financial statements and consolidated financial statements;
- monitoring the efficiency of internal control and risk management systems
- giving the company's management recommendations concerning the focus areas of internal audits and reviewing the internal audit plans and reports;
- maintaining contact with the external auditor, reviewing the auditor's reports and deciding on warranted measures;
- evaluating the independence of the auditor and audit firm, and in particular the provision of related services to the company;

- reviewing the annual Corporate Governance Statement, and in particular the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in it; and
- preparing the proposal for resolution on the election of the auditor to the shareholders' meeting.

The members of the Committee must be independent of the company and at least one member must be independent of major shareholders. At least one member of the Committee must have sufficient expertise and experience in accounting, bookkeeping or auditing. The Committee convenes a minimum of four times a year.

During the financial period 2011, the Audit Committee convened 8 times. The average attendance rate was 100%. In 2011, the Audit Committee reviewed the company's financial statements and interim reports and, in particular, reviewed matters related to the valuation of investment properties and management of financial and interest rate risks. The Committee also assisted the Board of Directors in strategy processes related to the company's business operations and growth financing.

Remuneration Committee

The Board of Directors has a Remuneration Committee which supports the Board in the review of matters pertaining to the appointment and remuneration of the company management and the preparation of the company's remuneration schemes. The key duties of the Remuneration Committee include:

- preparing matters pertaining to the appointment and remuneration of the CEO and other executives of the company;
- identifying the successors of the CEO and other executives of the company and assessing the successor planning process pertaining to company management and other key employees;

- preparing and developing the company's remuneration schemes and seeing to it that they are transparent and appropriate; and
- answering questions related to the remuneration statement at the general meeting of shareholders.

A majority of the Committee members must be independent of the company. The Remuneration Committee convenes at least once per year.

During the financial period 2011, the Remuneration Committee convened six times. The Committee acted as a joint Nomination and Remuneration Committee until the 2011 Annual General Meeting and prepared the proposals on the election of Board members and fees payable to them for the 2011 Annual General Meeting. The average attendance rate was 100%. In 2011, the Remuneration Committee particularly reviewed the results of the first earnings period of the company's long-term share-based incentive scheme and the application of the scheme, and developed the successor and deputy plan pertaining to the CEO and other executives.

Chief Executive Officer

According to the Articles of Association, Technopolis has a CEO appointed by the Board of Directors. The Board also decides on the CEO's salary and other benefits and annually sets operational and financial targets for the CEO. The CEO's terms of employment are specified in a written CEO contract.

The CEO is responsible for the supervision and control of the company's routine operations in accordance with the Limited Liability Companies Act and authorizations and guidelines issued by the Board. The central duties of the CEO also include supervising compliance with the strategic plans ratified by the Board and seeing to the implementation of the decisions made by the Board within the limits of the investment policy. The CEO ensures that the Board members continuously receive the information required for monitoring the company's financial position, financial standing and development, as well

as significant events, decisions and future projects related to the company's business. The CEO is also responsible for the appropriate preparation of the meeting materials reviewed by Board meetings, and he attends Board meetings, presenting the matters to be dealt with.

Keith Silverang, BA, MBA, born in 1961, has served as the Chief Executive Officer of Technopolis Plc since 2008. He has been with the group since 2004 as, among other things, Vice President in charge of the Greater Helsinki Area. Reijo Tauriainen, Chief Financial Officer, M.A. (born in 1956) serves as the Deputy CEO.

Management Team

The Company has a Management Team that assists the CEO. Members of the Management Team are appointed by the Board of Directors by proposal of the CEO. The Management Team prepares necessary draft resolutions for the Board on company strategy, development and investments and enforces the decisions. The Management Team prepares the company's budget and matters relating to the realization and profitability of the company and its business units, and other matters which are topical from the point of view of the company's business, to be presented to the Board. The Management Team also handles, among other things, matters relating to the company's personnel policy and internal communications, with the aim of promoting the flow of information and cooperation between the different parts of the organization.

More detailed information on the Management Team members are presented in the table below, and their shareholdings and option holdings, key employment history and positions of trust are presented on the company's website at www.technopolis.fi/for_investors/ceo_and_management_team.

| Management Team member | Position and area of responsibility in the company | Management Team member since |
|---|---|------------------------------|
| Keith Silverang, BA, MBA, born 1961 | Chief Executive Officer | 2004, CEO since 2008 |
| Reijo Tauriainen, M.A., born 1956 | Chief Financial Officer, Deputy CEO | 2004 |
| Marko Järvinen, M.Sc. (Eng.), born 1970 | Director, Finnish Operations, Director, Sales and Marketing | 2010 |
| Satu Eskelinen, M.Sc. (Eng.), born 1961 | Director, Technopolis Tampere | 2007 |
| Sami Juutinen, LL.M, ML, born 1972 | Director, International Operations | 2011 |
| Kari Kokkonen, M.Sc. (Eng.), born 1963 | Director, Real Estate Operations | 2010 |
| Jukka Rauhala, M.Sc. (Eng.), born 1959 | Director, Services | 2010 |

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

Principles of internal control

The Board of Directors of Technopolis is responsible for ensuring that the company is managed professionally and in accordance with healthy and prudent business principles. It is the task of the internal control system to ensure that the company's operations are efficient and effective and that the business activities are managed in compliance with law and regulations, the Code of Conduct, and other internal guidelines ratified by the company. Internal control also aims to ensure the reliability and accuracy of financial information and information related to the company's business activities, sufficient management of operational risks, and sufficient and appropriate information systems and work processes to support the company's operations.

Internal control comprises financial and other control, implemented at all organizational levels at Technopolis and all Group companies. It is the Board

of Directors' duty to ratify the operating principles of internal control and oversee the efficiency of internal control on a regular basis. The Board of Directors is responsible for providing guidance and ensuring that the CEO reports on the company's business operations, governance, and financial development to the Board of Directors in accordance with the guidelines provided. The CEO is responsible for the practical arrangements related to internal control and ensures that control is organized appropriately, in compliance with the company's operating principles and the decisions of the Board of Directors. Technopolis upholds a corporate culture that approves internal control as a normal and necessary part of day-to-day business, and thereby internal control is also implemented by the company management and personnel, each within their respective areas of responsibility.

Technopolis employees have a written job description, specifying the responsibility and reporting relationships, and which is reviewed and updated on a regular basis. The duties are differentiated appropriately, and an employee may not handle business transactions concerning himself or his related parties as a representative of Technopolis or take part in decision-making on such a transaction or any other matter involving conflicts of interest.

In Technopolis Group, members of the Group Management Team and persons responsible for the company's central operations or processes from the various business areas and different geographical units and Group support functions particularly take part in implementing internal control under the guidance of the operational management. The task of this internal control organization is to ensure that uniform operating principles ratified by the management are complied with in the core processes of Technopolis' business operations, as well as in its support and management processes. Targets for development of operations are identified and collected in connection with reviewing the core business and support processes and reported to the CEO.

Management of the financial reporting process and control processes related to reporting

The consolidated financial statements and interim reports prepared by Technopolis are based on the International Financial Reporting Standards (IFRS) and national legislation, standards issued by the Finnish Financial Supervisory Authority, and the regulations and guidelines issued by the Helsinki Stock Exchange.

Responsibility for financial reporting in accordance with external accounting requirements and for generating internal financial reporting for business operations rests with the Group's financial management under the supervision of the Chief Financial Officer. The management of each business unit, together with the controller organization under the supervision of the Chief Financial Officer, is responsible for producing financial forecasts. Quality and quantity objectives are set for different business areas in accordance with the business plan. Financial development and forecasts at both Group level and in the geographical business segments and their regional business units are monitored on a monthly basis through harmonized reporting. The controller organization analyzes actual performance compared with the forecasts and reports on deviations to the company management. Internal financial reports are reviewed and the development of occupancy rates,

which has a key impact on the company's financial situation, is monitored at least monthly by the Group Management Team. The planning and reporting system described above also enables long-term forecasting and planning and assists in budgeting.

The company's financial situation is monitored on a regular basis, and the financial statements and interim reports are reviewed by the Audit Committee and the company's Board of Directors prior to their publication. The CEO reports any significant deviations from the Boardset objectives or most recent financial forecasts to the Board of Directors.

Controlling matters requiring special financial expertise, such as calculating the fair value of investment properties and pending construction projects as well as reviewing foreign investments, is carried out in close collaboration with external specialists. At Technopolis, the fair value of investment properties is measured quarterly as part of the financial statements and interim reports.

The fair value accounting model for investment properties applied by the Group is based on cash flow analysis determined specifically for each property, in which the fair value of an investment property is determined by discounting the net cash flow of future income and expenses to the present day.

The net cash flows from estimated future income and expenses are discounted to the present day using a discount rate derived from the net yield requirement and the expected inflation rate. The yield requirements are calculated by two independent property valuers for individual region or property. The yields are calculated by taking the average of the upper and lower ranges reported by these valuers.

The valuation model and the parameters applied in it have been audited by an authorized third-party property valuer (AKA). Additionally, the Group may, at its discretion, request appraisals from third-party valuers to support its own calculations.

A more detailed description of the fair value calculation model is described in the accounting principles for the financial statements.

Risk management

Risk management is part of the company's internal control. The purpose of risk management is to ensure the achievement of the company's business objectives and identify, evaluate and measure significant risks and uncertainties, as well as monitoring them as part of the day-to-day management of business operations.

The Technopolis Board of Directors regularly monitors and evaluates risks related to the company's business operations and the business environment and reports on them in accordance with the legislation and other regulations applicable to the company.

Risk management is also part of the strategy and annual planning process of Technopolis. The company's risk chart and annual action plan are updated as part of the planning process to correspond with the objectives of the annual plan. The company's Management Team annually surveys and evaluates the identified risks in terms of the impact and probability of each risk. The resulting risk chart with prevention measures is reviewed by the Audit Committee and further as part of the Board's annual risk evaluation.

Technopolis' most significant business risks relate primarily to financial development associated with financing and customers, as well as international business risks. More detailed information on the risks and uncertainties associated with the operations of Technopolis is presented in the report by the Board of Directors for the financial period 2011, available on the company's website at www.technopolis.fi/for_investors.

As part of risk management, the efficiency of the company's internal control and risk management processes is evaluated by way of internal audits. In

addition to the statutory audit, the Audit Committee and the Board of Directors annually specify an audit plan concerning the various functions and processes of the company. The audit functions pursuant to this plan are organized to be carried out separately from the company's statutory audit so that the persons employed by the audit firm who conduct the internal audit may not be the same persons responsible for the company's actual audit. The audit is reported on to the CEO, the Audit Committee and the Board of Directors.