

9.3.2012

LEMMINKÄINEN CORPORATION**CORPORATE GOVERNANCE STATEMENT 2011**

This Corporate Governance Statement of Lemminkäinen Corporation has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code. The statement has been prepared as a separate statement from the Board of Directors' Report and is published on the Company's website at www.lemminkainen.com/Investors > Management and Corporate Governance. Lemminkäinen's auditor, PricewaterhouseCoopers Oy, has verified that this statement has been issued and that the description of the main features of the internal control and risk management systems associated with its financial reporting process is consistent with the year-end financial statements.

Current legislation such as the Finnish Companies Act, the Accounting Act and the Securities Market Act as well as the Company's Articles of Association are observed in the corporate governance of Lemminkäinen Corporation.

We also observe the rules and regulations of NASDAQ OMX Helsinki Ltd and the Financial Supervisory Authority and the Finnish Corporate Governance Code concerning Finnish listed companies (Corporate Governance).

The Finnish Corporate Governance Code observed by Lemminkäinen Corporation is available on the internet at the Finnish Securities Market Association's website: www.cgfinland.fi.

Board of Directors

Lemminkäinen Corporation's Annual General Meeting elects at least four and at most eight members each year, to serve on the Company's Board of Directors, which elects the Chairman and Vice Chairman from among its members. The Board members' term of office ends upon the conclusion of the first Annual General Meeting held after their election.

The Board of Directors handles matters in accordance with its order of business and decides on important matters of principle and issues with far-reaching consequences for the Group.

Order of business

In accordance with its order of business, the Board of Directors confirms Lemminkäinen Corporation's values, strategy and business policies, and monitors their implementation and topicality. The Board of Directors makes decisions in accordance with its mandate in the Articles of Association, on expansion into new business areas and the discontinuation of old businesses.

The Board of Directors approves the budgets of Group companies as constituent parts of the Group's budget, and makes investment and financing decisions that are important for the Group. In addition, the Board of Directors ensures that the principles of the Group's risk management are defined and annually sees to it that key business risks are identified and systematically monitored. The Board of Directors also ensures that the Company has a functional system of internal controls.

The Board of Directors appoints and dismisses the President & CEO as well as his/her immediate subordinates. Moreover, it decides on the pay, rewards and other benefits received by the President & CEO and his/her immediate subordinates, on the basis of a proposal made by the Remuneration Committee. The Board of Directors also decides on the principles of the Group's incentive pay schemes.

At Board of Directors' meetings, the President & CEO presents his review of the Group's different business sectors as well as financial reports on the Group.

Lemminkäinen Corporation's Board of Directors generally convenes once a month. In the 2011 accounting period, there were 11 board meetings and the attendance rate of members of the Board of Directors totalled 92 per cent.

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Members of the Board of Directors

The following are members of Lemminkäinen's Board of Directors:

Mr Berndt Brunow

b. 1950

- M.Sc. (Econ.)
- Chairman of the Board of Directors
- Independent of the Company and its major shareholders

Mr Juhani Mäkinen

b. 1956

- Counsellor of Law
- Vice Chairman of the Board of Directors
- Independent of the Company and its major shareholders

Mr Mikael Mäkinen

b. 1956

- M.Sc. (Eng.)
- Cargotec Corporation, President & CEO
- Independent of the Company and its major shareholders.

Ms Kristina Pentti-von Walzel

b. 1978

- M.Sc. (Econ.), B.Sc. (Pol.Sc.)
- Hanken School of Economics, Fundraising Campaign Director
- Independent of the Company and non-independent of its major shareholders

Mr Heikki Rätty

b. 1953

- M.Sc. (Econ.)
- Helectron Oy Ab, Managing Director
- Independent of the Company and its major shareholders

Mr Teppo Taberman

b. 1944

- M.Sc. (Econ.)
- Professional board member and economic advisor
- Independent of the Company and its major shareholders

Committees

From among its members, the Board of Directors has chosen a Nomination Committee, an Audit Committee, and a Remuneration Committee. The committees assist the Board of Directors by preparing pertinent matters for the Board's consideration. All members of the Board of Directors may take part in meetings of the Remuneration Committee and the Audit Committee.

Lemminkäinen's Board of Directors has approved its committees' orders of business, in which the key tasks and working principles of the committees are defined. The committees prepare proposals and recommendations on matters under their remit, for consideration by the Board of Directors, and committee chairmen present these to the Board.

Minutes of the meetings of the committees are kept and distributed to all the members of the Board of Directors. The Board of Directors may deal with matters belonging to the order of business of the Audit Committee and the Remuneration Committee, at the discretion of the Chairman of the Board.

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The Audit Committee

The role of the Board of Directors' Audit Committee is to monitor and supervise the annual and interim financial reporting processes, as well as the statutory auditing of the parent company and consolidated financial statements.

The committee monitors the adequacy and effectiveness of the Group's risk management, internal controls and internal auditing. It also deals with the description, included in the Corporate Governance Statement, of the main features of the internal control and risk management systems associated with the financial reporting process.

The Audit Committee deals with reports and plans prepared for the committee by the internal audit functions and the auditors. Furthermore, the Audit Committee assesses the independence of the statutory auditor or firm of authorised public accountants and, in particular, the provision of ancillary services to the audited firm. The Audit Committee carries out preparatory work on the election of the auditor for the Board of Directors' consideration. The Company's auditor and internal auditor, as well as management representatives, are summoned to attend the committee's meetings.

Minutes of meetings of the Audit Committee are kept and distributed to all members of the Board of Directors. The Chairman of the Audit Committee presents the proposals and matters handled by the committee to the Board of Directors.

Heikki Räty acts as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as committee members. All committee members are independent of the Company and two are independent of its major shareholders.

The Audit Committee convened four times in 2011, and members' rate of attendance of committee meetings totalled 100 per cent.

The Nomination Committee

The role of the Nomination Committee is to prepare a proposal, for the Annual General Meeting, on nominations for membership of the Board of Directors as well as the remuneration payable to members.

Berndt Brunow acts as the Chairman of the Nomination Committee, with Kristina Pentti-von Walzel and Teppo Taberman serving as committee members. All committee members are independent of the Company and two are independent of its major shareholders.

The Nomination Committee convened once in 2011. All committee members attended the meeting.

The Remuneration Committee

The Remuneration Committee deals with matters relating to pay, rewards and fringe benefits of senior management and other key terms and conditions of their service agreements. In addition, the Remuneration Committee deals with Group-level remuneration, incentive and retention bonus schemes.

The Remuneration Committee prepares proposals and recommendations on the matters it deals with, for consideration and decision by the Board of Directors. Minutes of the meetings of the Remuneration Committee are kept and distributed to all members of the Board of Directors.

Mikael Mäkinen acts as Chairman of the Remuneration Committee, with Berndt Brunow and Teppo Taberman serving as committee members. All committee members are independent of the Company and its major shareholders. The Remuneration Committee convened twice in 2011, and members' rate of attendance of committee meetings totalled 100 per cent.

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President and CEO

Timo Kohtamäki, Lic. Tech., (b. 1963) has served as President & CEO of Lemminkäinen Corporation since 2009.

The President & CEO of Lemminkäinen Corporation is responsible for the day-to-day management and practical planning of the Company's business. The President & CEO also takes care of actions that are strategically important at Group level, such as preparations for acquisitions and the execution of measures decided by the Board of Directors. In addition, the President & CEO ensures that the Company's management resources are sufficient and that the Company's governance is appropriate and in accordance with the law.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ASSOCIATED WITH THE FINANCIAL REPORTING PROCESS

Internal control of Lemminkäinen's financial reporting

The aims of internal controls and risk management are to ensure that the Company's business is efficient and profitable, that reporting is consistent and reliable, and that applicable laws, regulations and the Group's operating principles are observed. The aim of internal controls of financial reporting is to ensure that published interim financial reviews and year-end financial statements are prepared in accordance with the accounting and reporting principles adopted by Lemminkäinen, and that they are reliable and give an end-result in keeping with expectations. The internal control function also monitors financial reporting to ensure that it is handled in accordance with the timetables laid down for it.

Lemminkäinen's financial reporting process consists of internal and external accounting. Internal accounting focuses on the monitoring and forecasting of the Group's profit performance, whereas external accounting and reporting are based on Lemminkäinen's application of the International Financial Reporting Standards endorsed by the European Union. The Board of Directors' Report and the financial statements of the Group's parent company are prepared in accordance with the Finnish Accounting Act and the instructions and statements issued by the Finnish Accounting Standards Board.

The group-level accounting function issues instructions on the external accounting group report prepared quarterly by the group companies. In addition to these instructions, the Group-level accounting function supports and coordinates the Financial Shared Services and the business controller functions of the business sectors as well as overseas finance units in financial reporting. The business controller functions of the business sectors issue supplementary business sector-specific accounting and reporting instructions to their own profit centres in Finland and overseas companies.

A standard chart of accounts, as well as a reporting and consolidation system, are used in group reporting. The group-level accounting function also issues instructions on the reporting timetable for internal reporting. The business controller functions of the business sectors ensure that the internal accounting reporting of the business sector's profit centres is in accordance with given instructions and principles. Internal and external accounting are reconciled every quarter to verify the reliability of the financial information.

In Finland, the financial administration of Lemminkäinen is organised into Financial Shared Services and sector-specific business controller functions. Overseas subsidiaries have separate financial administration organisations. Financial Shared Services use two different basic bookkeeping systems and overseas companies use local basic bookkeeping systems.

The procedures used in the internal control of financial reporting are part of day-to-day operations and financial management

Project-type operations in which the percentage-of-completion method of income recognition is applicable are characteristic of Lemminkäinen's business. Approval authorisations determined by the magnitude and risks of the undertaking are defined for projects.

The day-to-day financial control of construction projects is supervised by the project organisation. The project forecast and changes in it, project risks, the degree of project completion and income recognition are examined thoroughly in regular meetings at company level. Recognition of income from construction projects is based on judgements and estimates by the management.

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The recording of business transactions in Lemminkäinen is based on approved transactions. Approval instructions for investments are specified at group level. Approval instructions for transactions such as purchasing and bookkeeping transactions are specified at group company level. In addition to these, the main control procedures in group companies include the differentiation of tasks, reconciliations of ledgers and accounts, system controls and analytic controls.

The control procedures of Lemminkäinen's group-level accounting function include the elimination of intra-group transactions, group eliminations, assurance of the continuity of consolidated equity, regular impairment testing of goodwill, and assessment of the logicity of reported numbers versus the comparative period.

The President & CEO and the Chief Financial Officer of the parent company take part in the work of the boards of directors of group companies at business sector level. At monthly meetings, held in addition to board meetings, the managers of the business sectors present internal accounting reports as well as forecasts and deviations. These are dealt with and analysed at the meetings, in order to identify and rectify any discrepancies. In addition, an external accounting group report is approved quarterly.

The Group's management, the Audit Committee and the Board of Directors receive a monthly package of internal accounting group reports, which includes the income statement, profit forecast, key balance sheet items, investments, order book and operative key indicators by business sector. In addition to this, the material to be included in the interim report or year-end financial statements is reported quarterly. This material includes the text and tabulated section of the interim report or year-end financial statements as well as a detailed consolidated income statement, balance sheet and cash flow statement together with comparative figures. The Board of Directors discusses, analyses and approves the interim reports, financial statements bulletin and year-end financial statements.