

CORPORATE GOVERNANCE STATEMENT 2012

In 2012, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ OMX Helsinki Ltd. with one exception from recommendation 9 before 28th March 2012. This statement has been prepared separately from the Report of the Board of Directors and in accordance with the Finnish Corporate Governance Code 2010. The Finnish Corporate Code 2010 can be found at www.cgfinland.fi and this statement at 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 President and CEO from liability, appointing Board members and auditors and deciding on their fees.

Board of Directors

The tasks and responsibilities of Tecnotree's Board of Directors are defined in the Finnish Companies Act and in other applicable legislation, according to which the Board of Directors is responsible for the appropriate organisation of business operations and corporate administration. The Board also ensures that the company's accounting and financial administration is supervised appropriately. Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long-term ensures the best possible return on capital invested in the company.

Tecnotree's Board of Directors consists of a minimum of three and a maximum of eight members, as outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the first Annual General Meeting following election. The Board of Directors appoints the President and CEO of the company.

The members of Tecnotree's Board have no special duties related to being a member of the Board other than those designated by law. Some 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 investment plan and supervises their realization
- decide upon the central organization 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

- approve the principles and methods for ensuring the reliability, suitability and competence of the persons trusted with the direction of the company and its subsidiaries
- 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 annually the risk management strategy of the company and the significant principles of risk management
- decide upon the capital structure of the company and approve annually the fund-raising plan of the company
- approve the principles of internal control and internal audit and the audit plan
- approve annually the continuity plan for essential areas of operation and the information technology plan and
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation

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

The Annual General meeting of 28th March 2012 confirmed that the Board of Directors will consist of seven (7) members, and the Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election.

Tecnotree's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code's recommendations. Based on the assessment, all seven Board members are independent on the company and on significant shareholders.

Tecnotree's Board of Directors convened 18 times in 2012. The average attendance of members at Board meetings was about 94 per cent.

Composition of the Board

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Member of the Board, 2007-
Main duty: Founding Partner, Manager, Fondia Oy, 2006-

Pentti Heikkinen, b. 1960, MSc (Econ)
Stanford Graduate School of Business (Stanford Executive Program 2001)
Member of the Board, 2009-
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008-

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.
Chairman of the Board 2011 -
Member of the Board, 2008-
Main duty: Chief Operations Officer, Rovio Entertainment Ltd, 2010-

Ilkka Raiskinen, b. 1962, MSc (Tech)
Vice Chairman of the Board, 2011-
Member of the Board, 2010-
Main duty: Executive Management Consultant, Aletheia Oy, 2009-

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

Member of the Board, 28th March 2012-

Christer Sumelius, b. 1946, MSc. (Econ.)

Member of the Board, 2001-

Main duty: President, Investsum Ab, 1984-

Hannu Turunen, b. 1957, MSc (Tech), MBA

Member of the Board, 2008-

Main duty: Managing Partner, Magnolia Ventures Oy, 2001-

The following person was a member of the Board of Directors 2009 – 28th March 2012:

David White, b. 1950, B.Sc. (Eng.)

Board Committees

Audit Committee

The Audit Committee's task is to assist the company's Board of Directors in ensuring that the company has a sufficient internal control system encompassing all of its operations. In addition, the Committee assists the Board of Directors in ensuring that the monitoring of the company's accounting and asset management has been organised in an appropriate manner.

The responsibilities of the Audit Committee are defined in its charter.

To execute its duties, 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 charter of the Audit Committee can be found at www.tecnotree.com

The Audit Committee comprises four members of the Board: Harri Koponen (Chairman up to 30th Oct 2012), Ilkka Raiskinen (Chairman from 30th Oct 2012), Tuija Soanjärvi and Hannu Turunen. Tecnotree's President and CEO and CFO regularly participate in the Audit Committee's meetings.

The Audit Committee had 5 meetings in 2012, and the average attendance of members at meetings was about 80 per cent.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee helps the Board of Directors in the preparations relating to the election of members of the Board of Directors, and in handling matters within its scope of responsibility that relate to the conditions of employment and remuneration of senior management, and to management's

and personnel's remuneration and incentive schemes. The responsibilities of the Remuneration and Nomination Committee are defined in its charter.

The duties of the Remuneration and Nomination Committee are as follows:

- the preparation of the proposal for the appointment of directors to be presented to the general meeting
- the preparation of the proposal to the general meeting on matter pertaining to the remuneration of the directors
- looking for prospective successors for the directors
- the presentation of the proposal on the directors to the general meeting
- the preparation of matters pertaining to the appointment of the President and CEO and the other executives as well as the identification of their possible successors
- the preparation of matters pertaining to the remuneration and other financial benefits of the President and CEO and the other executives
- the preparation of matters pertaining to the remuneration schemes of the company
- the evaluation of the remuneration of the President and CEO and the other executives as well as seeing to it that the remuneration schemes are appropriate
- answering questions related to the remuneration statement at the general meeting.

The charter of the Remuneration and Nomination Committee can be found at www.tecnotree.com

The Remuneration and Nomination Committee comprises four members of Board: Johan Hammarén, Harri Koponen, Ilkka Raiskinen and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee had 5 meetings in 2012, and the average attendance of members at meetings was about 90 per cent.

President and CEO

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

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
President and CEO, 2010-

Management Board

At the end of 2012, Tecnotree Group had a five-member Management Board that comprised the President and CEO, Chief Commercial Officer, Chief Technology Officer, Chief Delivery Officer and Chief Financial Officer (CFO). The Management Board is chaired by the President and CEO.

The Management Board assists the President and CEO, supervises and develops the company's operations in accordance with the strategies and objectives set, creates group-level procedures, provides support

to risk management processes, monitors the global human resources policy and remuneration systems as well as manages stakeholder relations. The Management Board convenes at least once a month.

Composition of the Management Board

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
Main duty: President and CEO, 2010-

Timo Ahomäki, b. 1966, engineer
Main duty: Chief Technology Officer, 1st Oct 2012-

Ilkka Aura, b.1962, M.Sc. (Econ.)
Main duty: Chief Commercial Officer, 1st Oct 2012-

Padma Ravichander, b. 1959
Main duty: Chief Delivery Officer, 2011-

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, 2006-

The following person was member of the Management Board:
Timo Laaksonen, b. 1961, M.Sc. (Econ.) 2010 – 30th Sep 2012

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

Objectives for internal control and risk management

The objective of the internal control and reporting methods is to ensure that the company's operations are efficient and that information is reliable and that official regulations and internal operating principles are followed. The Group's management is responsible for performing and guiding the internal control. The task of risk management is to identify, manage and track the major risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The Group's management board is responsible for risk management.

Control activities

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

The main control activities include preparing up-to-date forecasts, analysing deviations in actual data versus forecast and previous periods, performing transaction and process level controls and internal audits. The company does not have an own internal auditor. The Finance department in HQ is responsible for control activities. An external auditing office has been used as an internal auditor in India during 2012.

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

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

Forecasts for sales and revenues to be recognised are examined on a monthly basis, 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. 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.

Since the end of 2011 the company has produced a separate weekly short-term cash flow forecast. Collection of trade receivables was enhanced during 2012. Group management held numerous regular regional telephone conferences on collection. This was part of the project to make more efficient use of working capital launched half way through the year, which identified key areas in particular for reducing the amount of money tied up in receivables. Personnel from many different sectors in the company participated in the project. After the investigation phase, the project continued with specific plans of action and follow up reporting. The amount of receivables decreased significantly during the final quarter of the year. The project is continuing in 2013.

Risk management

The annual assessments of external risks define the biggest risks, the action to be taken and the persons responsible. 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 and reports the overall risk assessment to the Board of Directors and its Audit Committee.

The methods in financial reporting and control at the group decrease the risks pertaining to the financial reporting: 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 in India has managed its own sales to customers and has a separate financial system. During 2012 the parent company took over sales activities and on 1st April 2012 the Indian company introduced the Group's financial system, which makes it possible for India's financial data to be seen at headquarters as well. As a general rule, Tecnotree's subsidiaries have the role of providing services for the parent company, which is responsible for sales.

Most of the finance department for the company in India was located in Gurgaon near Delhi until July 2012. This office was closed down and its functions were transferred to Bangalore, where the company's other operations are located. There were problems with reporting at the Indian company and in monitoring the company during 2012 in consequence of the change in the finance system and changes in personnel. The situation has improved as the new personnel have got to know the company and its business. Controls have been started to develop and improve in financial reporting and especially project accounting. Findings and recommendations of an internal audit performed by an advisor have been utilised.

Guidelines and Policies

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. The Board of Directors approves Tecnotree's Group level policies. 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 determined its Code of Condaact in 2012.

Internal audit

Internal audits are performed by external consultants, external auditors or by Tecnotree employees having experience, authority and independence over the audit in question. An external audit company has been used in the company in India for the internal audit and to develop controls.

External audit

The main task of the statutory audit is to confirm that the financial statements give a true and fair view of the company's financial performance and position for the period ended. The auditor reports regularly to the Audit Committee and audits the correctness of external annual financial reports and, based on them, issues an auditor's statement to shareholders.

Tecnotree's auditor in the financial year 2012 was KPMG Oy Ab, and the principal auditor Toni Aaltonen. Sixten Nyman from 28th March 2012, Authorised Public Accountant, was the principal auditor up to 28th March 2012.

Insider management

Tecnotree complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd. The company has also introduced its own insider guidelines, which include instructions for both permanent and project-specific insiders. These guidelines have been distributed to all insiders, and they are available to all Tecnotree employees. The company keeps its insider register in the SIRE system maintained by the Euroclear Finland Ltd. The company has examined insider trading during 2012 using a questionnaire.

Information and Communication

All external communication is carried out in accordance with the Group Disclosure Policy, which can be found at www.tecnotree.com.

The deviation from the Corporate Governance recommendations

Tecnotree Corporation deviated from recommendation 9 of the Finnish Corporate Governance Code 2010 in so far as only one gender was represented in the Board of Directors before the Annual General Meeting in 28th March 2012. After the Annual General meeting elected board members of the both genders there has not been any deviation.