



# CORPORATE GOVERNANCE STATEMENT 2012

**TECHNOPOLIS**

# CORPORATE GOVERNANCE STATEMENT 2012

This Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code published by the Securities Market Association. The statement includes a description of the activities and duties of the company's administrative organs and 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 it has been prepared separately from the report of the Board of Directors 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, 2012, were published on March 4, 2013, and they are also available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

## REGULATIONS AND CORPORATE GOVERNANCE CODE FOLLOWED BY TECHNOPOLIS

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 Code is publicly available on the web page of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

With regard to the composition of the audit committee, the company deviates from Recommendation 26 “Independence of the members of the audit committee” of the Finnish Corporate Governance Code 2010, according to which the members of the audit committee must be independent of the company. Of the audit committee members, Pertti Huuskonen is not independent of the company, but the Board of Directors has considered it appropriate to utilize his long-term expertise of the company and extensive experience in the company’s industry in the work of the audit committee.

## DECISION-MAKING BODIES

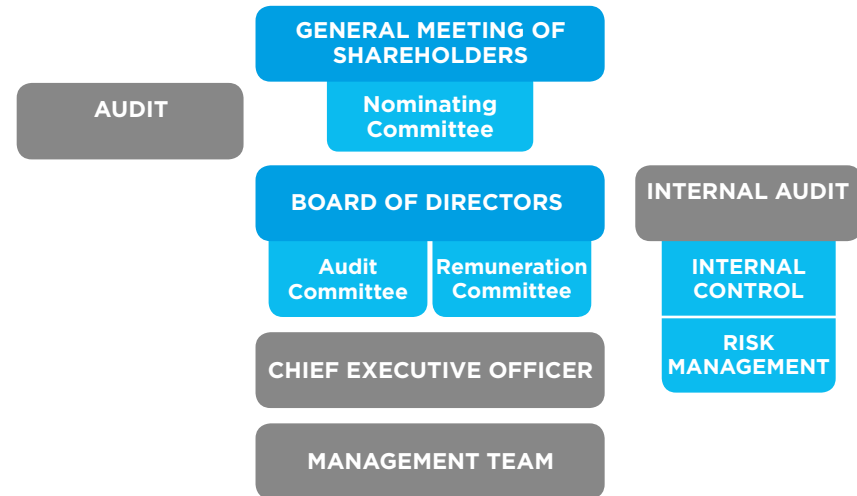
The company’s administrative structure is based on the bodies pursuant to the Limited Liability Companies Act: the General Meeting of shareholders, Board of Directors, and CEO. In its work, the Board of Directors is assisted by the Board Committees, and the Management Team assists the CEO in the management 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 of if shareholders accounting for a minimum of 10% of shares in the company require it in writing for the processing of a specific matter. The Board of Directors decides on convening shareholders’ meetings. 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

## ORGANIZATION



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 more than three months and no less than three weeks before the meeting on the company’s website or in the Helsingin Sanomat or Kaleva newspapers. In addition, the notice of a shareholders’ meeting is published as a stock exchange release after the Board of Directors has decided to convene a meeting.

Technopolis’ Annual General Meeting was held in Espoo on March 27, 2012. A total of 127 shareholders were present either in person or by proxy, representing approximately 50.5% of votes in the company. All of the members of the company’s Board of Directors, President and CEO Keith Silverang and members of the Management Team, chairman of the Shareholders’ Nominating Committee Risto Murto, and auditor-in-charge appointed by the audit firm



elected by the Annual General Meeting were present in the meeting. The resolutions of the Annual General Meeting were published as a stock exchange release on March 27, 2012, and the minutes of the Annual General Meeting are available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

## Shareholders' Nominating Committee

The task of the Shareholders' Nominating Committee established by the resolution of the Annual General Meeting is to prepare proposals for the next Annual General Meeting on the composition and remuneration of the Board of Directors.

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 without the right to nominate otherwise. The term of office of the Nominating Committee shall continue until a new Nominating Committee is appointed, unless the general meeting resolves otherwise.

### **Nominating Committee 2011 - The Nominating Committee that prepared the matters dealt with at the Annual General Meeting 2012**

The Annual General Meeting of Technopolis on March 30, 2011, established the Nominating Committee comprised 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.

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%.

The Nominating Committee submitted its proposal on Board members' fees, number of Board members and election of Board members to the Annual General Meeting of March 27, 2012, on February 1, 2012. The Nominating Committee's proposals to the Annual General

Meeting were published as a stock exchange release and are available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

### **Nominating Committee 2012 - The Nominating Committee preparing matters to be dealt with by the Annual General Meeting 2013**

The Annual General Meeting of Technopolis on March 27, 2012, established a Shareholders' Nominating Committee comprised of the three members representing the three largest shareholders who may not be members of the Board of Directors of the Company and the Chairman of the Board of Director as an expert member and committee secretary. The member appointed by the largest shareholder acts as Chairman of the Committee.

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 City of Oulu, as well as Carl-Johan Granvik, Chairman of Technopolis Plc's Board of Directors, as an expert member and secretary of the Committee, were elected members of the Nominating Committee in accordance with the shareholding situation on October 1, 2012. Risto Murto acts as chairman of the Nominating Committee. The Nominating Committee convened three times during 2012, and the attendance rate was 100%.

The Nominating Committee submitted its proposal on Board members' fees, number of Board members and election of Board members to the Annual General Meeting of March 27, 2013, on January 31, 2013. The Nominating Committee has proposed to the General Meeting that the Chairman of the Board of Directors be paid annual remuneration of EUR 50,000, the Vice Chairman of the Board EUR 30,000, and the other members EUR 25,000 each, plus a meeting fee of EUR 600 and the Chairman EUR 1,200 for each Board meeting and the chairmen of the committees a fee of EUR 800 and each member of the committees a fee of EUR 600 for each meeting of the committees. The annual remuneration is paid on the condition that the Board member commits to using 50% of his or her annual remuneration to acquire Technopolis Plc shares on the market at the price determined in public trading. The shares are to be acquired within three weeks of the publication of the Interim Report for the period 1 January - 31 March, 2013. If the shares cannot be acquired due to insider regulations during the before mentioned time period, the shares shall be acquired outright once it is possible in accordance with the insider regulations in force at that time.

The Nominating Committee has also proposed that the number of members of the Board of Directors shall be six (6), and that Carl-Johan Granvik, Pekka Korhonen, Matti Pennanen, and Timo Ritakallio be re-elected members of the Board for a term of office expiring at the end of the Annual General Meeting 2014. Furthermore, it is proposed that Sari Aitokallio and Jorma

Haapamäki be elected new members of the Board. It is proposed that Carl-Johan Granvik shall be elected as the Chairman of the Board and Matti Pennanen as the Vice Chairman.

The Nominating Committee's proposals to the Annual General Meeting were published as a stock exchange release and are available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

## **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 of Technopolis, 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.

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 27, 2012, decided that the Board of Directors shall comprise six (6) members, and re-elected Teija Andersen, Carl-Johan Granvik, Pertti Huuskonen, Pekka Korhonen, Matti Pennanen, and Timo Ritakallio as members of the Board of Directors. The Annual General Meeting elected Carl-Johan Granvik as Chairman of the Board of Directors and Matti Pennanen 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 are independent of major shareholders apart from Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company, following the announcement of Ilmarinen that its holding in Technopolis Plc had exceeded the 10% threshold on February 2, 2012.

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](http://www.technopolis.fi).

## TECHNOPOLIS BOARD OF DIRECTORS DECEMBER 31, 2012

Board member	Board member since	Independence	Full-time occupation
Carl-Johan Granvik M.Sc. (Econ.), born 1949	2011 Chairman of the Board as of March 27, 2012	Independent of the company and major shareholders	Professional board member
Matti Pennanen M.Sc. (Civil Engineering), born 1951	2005 Vice Chairman until March 30, 2011 and again as of March 27, 2012	Independent of the company and major shareholders	Mayor of Oulu
Teija Andersen M.Sc. (Agriculture and Forestry), eMBA, born 1957	2009	Independent of the company and major shareholders	CEO of Adviso TMA Oy
Pertti Huuskonen M.Sc. (Eng.), MKT, eMBA, born 1956	2008 Chairman of the Board until March 27, 2012	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
Pekka Korhonen LL.M, M.Sc. (Theol.), born 1952	2010, also in 2007-2008	Independent of the company and major shareholders	CEO of NV Kiinteistösi joitus Oy and VVT Kiinteistösi joitus Oy
Timo Ritakallio LL.M, MBA, born 1962	2008	Independent of the company	Deputy CEO of Ilmarinen Mutual Pension Insurance Company

### 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 shall promote 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 divestments 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 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 2012, the Board convened 14 times. The average attendance rate was 95.3%. The member-specific attendance rates at Board meetings are presented in the table below.

#### MEMBER-SPECIFIC BOARD MEETING ATTENDANCE 2012

Board member	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
		%		%		%
Carl-Johan Granvik	14/14	100	7/7	100	-	-
Matti Pennanen	13/14	92,9	-	-	9/10	90
Teija Andersen	13/14	92,9	-	-	9/10	90
Pertti Huuskonen <sup>1)</sup>	13/14	92,9	4/4	100	3/3	100
Pekka Korhonen	13/14	92,9	7/7	100	-	-
Timo Ritakallio <sup>2)</sup>	14/14	100	3/3	100	7/7	100

- 1) Member of the Remuneration Committee January 1, 2012 - March 26, 2012, during which time the Remuneration Committee convened 3 times and member of the Audit Committee as of March 27, 2012, after which the Audit Committee convened 4 times.
- 2) Member of the Audit Committee January 1, 2012 - March 26, 2012, during which time the Audit Committee convened 3 times and member of the Remuneration Committee as of March 27, 2012, after which the Remuneration Committee convened 7 times.

In 2012, key themes in the Board of Directors' work included investments related to implementing the company's growth strategy in Finland, Russia, and Estonia, as well as measures associated with funding the growth projects, such as arranging a rights issue.

#### 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 held annually after the Annual General 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 company's Director of Legal Affairs serves as the committees' secretary. The Board of Directors has ratified rules of procedure for the committees, specifying their key tasks and operating principles.

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 committees do not have independent decision-making authority.

The composition of the committees in 2012 is presented in the table below.

#### COMMITTEE MEMBERS JANUARY 1 - MARCH 26, 2012

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

#### COMMITTEE MEMBERS MARCH 27 - DECEMBER 31, 2012

Audit Committee	Remuneration Committee
Carl-Johan Granvik (chairman)	Timo Ritakallio (chairman)
Pertti Huuskonen	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. The company has announced that it deviates from Recommendation 26 "Independence of the members of the audit committee" of the Finnish Corporate Governance Code 2010 with regard to the composition of the Audit Committee as specified above. 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 2012, the Audit Committee convened 7 times. The average attendance rate was 100%. In 2012, the Audit Committee reviewed the company's financial statements and interim reports and, in particular, reviewed matters related to the valuation of investment properties. The Committee also discussed the guidelines relating to the management of financial and interest rate risks and risks associated with the Russian business, and started a tender process for the company's auditing in fall 2012.

### ***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 2012, the Remuneration Committee convened ten times. The average attendance rate was 95%. In 2012, the Remuneration Committee particularly reviewed the company's new long-term incentive scheme with an external advisor selected on the basis of tendering arranged by the Committee. The Remuneration Committee also took part in developing short-term remuneration in the company and preparing guidelines on the annual performance bonus targets of the 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. Reijo Tauriainen, Chief Financial Officer, 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](http://www.technopolis.fi).

#### TECHNOPOLIS MANAGEMENT TEAM DECEMBER 31, 2012

Management Team member	Position and area of responsibility in the company	Management Team member since
Keith Silverang BA, MBA, born 1961	Chief Executive Officer, chairman of the Management Team	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, Tampere Operations	2007
Sami Juutinen LL.M, 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

In November 2012 Technopolis announced changes to take place in the composition of the Management Team at the beginning of 2013. As of 1 January 2013 the members of the Management Team are CEO Keith Silverang, CFO and Deputy CEO Reijo Tauriainen, Director of Finnish Operations, Sales and Marketing Juha Juntunen, Director of International

Operations Sami Juutinen, Director of Real Estate Operations Kari Kokkonen and Director of Legal Affairs and Human Resources Outi Raekivi.

## CONTROL AND RISK MANAGEMENT

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

### Audit

In accordance with the Articles of Association, Technopolis has one auditor. If the auditor is not an audit firm, a deputy auditor must also be appointed. Both the auditor and the possible deputy auditor must be auditors or audit firms authorized by the Central Chamber of Commerce of Finland. The terms of office of the auditor and the deputy auditor expire at the end of the Annual General Meeting that first follows their election. The Audit Committee prepares a resolution proposal for the election of the company's auditor to the Annual General Meeting. The Audit Committee also annually reviews the work and services of the auditors. The auditor's term of office is the same as the company's financial period, and the auditor's term of office expires at the end of the first Annual General Meeting following the election of the auditor. An audit firm belonging to the same group of companies with the audit firm represented by the auditor elected by Technopolis' Annual General Meeting primarily also audits the group's subsidiaries.

The auditor submits an auditor's report required by law to the shareholders of Technopolis in connection with the financial statements of the company and regularly reports on his or her observations to the Audit Committee.

The Annual General Meeting 2012 elected KPMG Oy Ab, Authorized Public Accountants, as the company's auditor. In accordance with the Auditing Act, the maximum number of consecutive terms of office of a publicly listed company is seven years. The company's responsible auditor has been Ari Eskelinen, Authorized Public Accountant, since March 27, 2012. The Annual General Meeting decided that the remuneration to the auditor and the auditor's expenses compensated for against an invoice approved by the company.

## Principles of internal control

The tasks of Technopolis Group's internal control is to ensure

- performance and efficiency of operations
- continuity of operations
- reliability of financial and operational reporting
- compliance with laws and agreements, Technopolis values and internal guidelines as well as the Code of Conduct
- securing of assets and information.

Internal control is part of the Group's continuous management and governance. The Board of Directors and the CEO are responsible for arranging internal control. 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 Board of Directors and the CEO. The task of internal control 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.

Internal control refers to all preventive activities, daily and retrospective control aiming to ensure that the business objectives are reached. Technopolis' values, operating principles, strategy, and objectives lay the foundation for all internal control. 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. The management of each Group unit or company is responsible for the implementation of functional and effective control.

Day-to-day control comprises of work instructions, system and manual controls, as well as specification and differentiation of responsibilities and authorizations, job descriptions, approval authorities, deputy arrangements, and financial and other reporting.

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.



Technopolis' internal audit is responsible for the Group's independent assessment and verification function, systematically assessing and verifying the effectiveness of risk management, control, and management and governance. Internal audit works under the guidance of the CEO and the Audit Committee and reports its findings and recommendations to the Audit Committee, CEO, management of the audited entity, and the auditor. The function covers all of the Group companies and functions. Internal audit is based on risk analyses and discussions on risk management and control with the group and business area management. In addition, there are regular meetings with the auditor.

When necessary, internal audit obtains outsourced services for performing audit duties that require additional resources or special expertise. In addition, the competence and work input of the group's experts are extensively utilized in the audits. Internal audit cooperates with the group's risk management function and annually assesses the functioning of the risk management system. 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.

In 2012, the focus areas of internal audit were auditing the international operations - in particular, the Russian subsidiary - and audit of the information system. The audit of the foreign operations focused on implementing changes aiming to harmonize the business processes and ensuring the reliability of reporting. In the audit of the information system, particular attention was paid to on-going system projects, continuity, and data security. In addition, compliance with the accounting principles and reporting guidelines was verified and assessed in different audits.

## Management and control of the financial reporting process

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 Financial Supervisory Authority, and the regulations and guidelines issued by the Helsinki Stock Exchange.

In addition, the company reports on its operations in accordance with the guidelines issued by the EPRA (European Public Real Estate Association). EPRA is a European organization aiming to promote the comparability and openness of reporting by publicly listed real estate

companies. Furthermore, Technopolis will report on corporate responsibility in 2012 in accordance with the GRI (Global Reporting Initiative) standards.

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.

Business planning is based on a long-term strategy prepared jointly by the Board of Directors and the management and approved by the Board, annual action plans, and monthly updated figures on actual performance, and annual forecasts. Quality and quantity objectives are set for different business areas in accordance with the strategy in the annual budget. 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, as a rule, reviewed monthly by the Group Management Team and the Board of Directors. The consistency and reliability of reporting is also assessed as part of internal control through diverse system controls and balancing.

The planning and reporting system described above also enables long-term forecasting and planning and assists in budgeting. Each Technopolis employee is set personal annual objectives in connection with performance reviews held at least once a year, and part of the employee's remuneration is tied to the achievement of them.

The annual financial statements and quarterly interim reports are reviewed by the Audit Committee and the company's Board of Directors prior to their publication. In addition, Technopolis annually publishes a registration document valid for 12 months, approved by the company's Board of Directors, auditor, and the Finnish Financial Supervisory Authority. The Audit Committee regularly consults the auditors and external experts in real estate valuation in connection with the processing of financial reports, and reviews any observations made by the internal control function. Financial reports are assessed by the operational management before they are reviewed by the board of Directors and the Audit Committee. The CEO and CFO report all significant deviations from the Board-set 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 controlling 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 report.

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 using a discount rate derived from the net yield requirement and the expected inflation rate. The yield requirements are calculated by two independent appraisal agencies for the each individual region. The yields are calculated by taking the average of the upper and lower ranges reported by these valuers. In calculating cash flows, rental revenue is based on information on valid leases retrieved from the real estate management system, or if such information is missing, on the company's best estimate of future market information. Rental revenue is adjusted for occupancy rates and maintenance and modernization costs estimated by the management. The risk factors associated with the fair values of properties are included in the yield requirements used in the calculations.

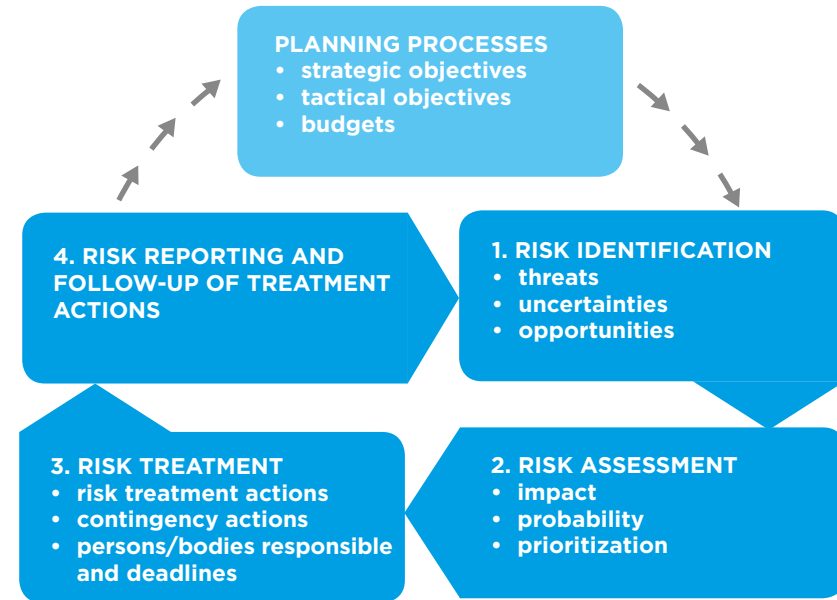
Technopolis has an external independent expert review all of the data used in the valuation of properties at least once a year in order to ensure that the parameters and values used are based on market observations.

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 assessors 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

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 has approved the Group's risk management policy that aims to specify the ability and willingness to take risks, identify the Group's central risks, and prepare for their realization. Compliance with the risk management policy is supervised by way of a risk management tool that measures the implementation of risk management with regard to all operations. The risk management policy has been prepared by the operational management, utilizing external experts, under the guidance of the Audit Committee.



Risk management is a dynamic and continuous process that plays a key role in the strategic and annual planning process of Technopolis. 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. Risks are considered to be uncertainties normally associated with business operations. Risks are assessed from the point of view of utilizing the inherent opportunities as well as mitigating or eliminating the risks. As part of the planning process, the company's risk map and annual action plan are updated to correspond with the objectives of the annual plan. The company's management team surveys and assesses the identified risks with regard to the impacts and probability of each risk at least once a year. After this, the ways in which the opportunities presented in the business operations could be effectively utilized and threats mitigated or eliminated are analyzed. The resulting risk map with action plans is reviewed by the Audit Committee and subsequently as part of the Board of Directors' annual risk assessment. The Audit Committee and the Board of Directors assess the attitude to key risks and the need for amending the objectives of risk management or

the risk management policy. The decisions on any changes related to risk management are updated in the Group's guidelines and processes.

The risk management process is integrated into Technopolis' continuous operations, ERP system, and strategy process. The responsibility for risk management is determined by business responsibility. However, each employee is responsible for identifying risks that endanger reaching the objectives and informing their supervisors of them. Several Group employees have risk management objectives tied to their remuneration.

The ultimate responsibility for risk management lies with the Technopolis Board of Directors, which decides on the objectives of risk management, specifies the risk management policy and supervises compliance with it based on the reports presented by the Group's management. The Management Team is responsible for organizing risk management in practice and supervising its implementation with regard to its own areas of responsibility. The business units and Group functions are responsible for implementing risk management in their own operations and report on the results as part of other reporting. The internal audit function is responsible for assessing that the effectiveness of risk management and its compliance with the risk management policy.

Technopolis has divided risks into several sub-areas, which makes it easier to implement their management and monitoring within the organization. Technopolis' most significant risks relate to the development of the economic business environment, reflected in financing and customer risks. Some of the risks related to the business environment are such that the Group cannot influence their realization, but it can adjust to them in order to minimize the possible negative effects. On the other hand, some of the risks are such that the Group can influence the probability of the risk through its own actions and, if it chooses to do so, even prevent the realization of the risk completely. 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 2012, available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).



---

**TECHNOPOLIS**

[www.technopolis.fi](http://www.technopolis.fi)