

TECNOTREE

Powering the digital marketplace

Corporate Governance Statement 2014



CORPORATE GOVERNANCE STATEMENT 2014

Tecnotree Corporation is a Finnish Public Limited Company. The responsibilities and obligations of the Corporate management are based on the Finnish legislation. Tecnotree Group comprises Tecnotree Corporation and its subsidiaries. The company is registered and domiciled in Espoo Finland.

In 2014, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ OMX Helsinki Ltd.. 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 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 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. 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 supervises the realisation
- decide upon the central organisation 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
- 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 the significant principles of risk management
- decide upon the capital structure of the company
- approve the principles of internal control
- annually assess its activities and working methods
- 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 26 March 2014 confirmed that the Board of Directors will consist of five (5) 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 five Board members are independent of the company and of significant shareholders.

Tecnotree's Board of Directors convened 18 times in 2014. The average attendance of members at Board meetings was about 95 per cent.

Composition of the Board

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Member of the Board, 2007-5.3.2015
Main duty: Founding Partner, JAM Advisors, 2013-



Pentti Heikkinen, b. 1960, MSc (Econ)
Stanford Graduate School of Business (Stanford Executive Program 2001)
Vice Chairman of the Board, 2013-
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: CEO, SSH Communications Security, 1 October 2014

Tuija Soanjärvi, b. 1955, M.Sc. (Econ.)
Member of the Board, 2012-

Christer Sumelius, b. 1946, MSc. (Econ.)
Member of the Board, 2001-
Main duty: President, Investsum Ab, 1984-

The following person was a member of the Board of Directors 2010 – 26 March 2014:
Ilkka Raiskinen, b. 1962, MSc. (Tech)
Main duty: CEO, Tecnotree Corp.

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 three members of the Board: Harri Koponen, Tuija Soanjärvi (Chairman) and Pentti Heikkinen. Tecnotree's CEO and CFO regularly participate in the Audit Committee's meetings.

The Audit Committee had 6 meetings in 2014, and the average attendance of members at meetings was about 89 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 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 CEO and the other executives
- the preparation of matters pertaining to the remuneration schemes of the company
- the evaluation of the remuneration of the 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 three members of Board: Johan Hammarén (till 5 March 2015), Harri Koponen and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee had 4 meetings in 2014, and the average attendance of members at meetings was about 83 per cent.



CEO

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

Ilkka Raiskinen, b. 1962, MSc. (Eng)
CEO 28 May 2013-

Management Board

At the end of 2014, Tecnotree Group had a six-member (6) Management Board that comprised the Chief Executive Officer, two Executive Vice Presidents for the geographic areas, Chief Technology Officer, Chief Financial Officer and Vice President Human Resources. The Management Board is chaired by the CEO.

The Management Board assists the 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

Ilkka Raiskinen, b. 1962
Main duty: Chief Executive Officer, 2013-
Member of the Board, 2010-26 March 2014

Timo Ahomäki, b. 1966, BSc.Eng.
Main duty: Chief Technology Officer, 2012-

Ilkka Aura, b.1962, M.Sc. (Econ.)
Main duty: Executive Vice President, Europe and Americas, 2012- (in the current position from 1 October 2014)

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School, Stanford University
Main duty: Executive Vice President , MEA and APAC, 2011- (in the current position from 1 October 2014)

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

Reija Virrankoski, b. 1965, MSc. (International Communication)
Main duty: Vice President, Human Resources, 1st April 2014-



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

Company's general 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. A development plan of internal control will be compiled for 2014. The Audit Committee concluded in its meeting in October that the actions are progressing according to the plan. The Finance department in HQ is responsible for control activities. An external auditing office has been used as an internal auditor in India since 2012. The observations have been reported to the Group's financial management which has presented evaluations also to the Audit Committee.

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, revenues to be recognised and cash flow are examined on a monthly basis or more often, if needed, 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.

The company has specified its policies in 2014. Among other things, a separate policy for recognising revenue has been created for Tecnotree. Matters presented in the financial statements and in the interim reports have been thoroughly gone through and the matters to be disclosed have been specified and added.

Risk management

Tecnotree's general annual assessments of external risks assessed by the Management Board define the biggest risks. These assessments are made by evaluating the probability and the impact of the different risks, and based on this a risk map is comprised. Actions and a person in charge are defined for each significant risk. The most significant risks have been described in the Board of Directors' Report. The Board approves the significant principles of risk management.

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.

In 2013 Tecnotree has taken uniform principles and practices in bid reviews. A big part of the risks in Tecnotree are related to sales. These risks can be mitigated through systematic processing of offers.

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 defined its Code of Conduct.

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. The CEO reports these to the Board of Directors and its Audit Committee.

The risks pertaining to the financial reporting are mitigated by the methods in financial reporting and control of the group. 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.

