



# Corporate Governance Statement 2016

**TECHNOPOLIS**

# Corporate Governance Statement 2016

This Corporate Governance Statement has been prepared in accordance with the Corporate Governance Code of Finnish Listed Companies published by the Securities Market Association. The statement includes descriptions of Technopolis' corporate governance and internal control procedures, as well as the main features of its 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 herein 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, 2016, were published on February 22, 2017, 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

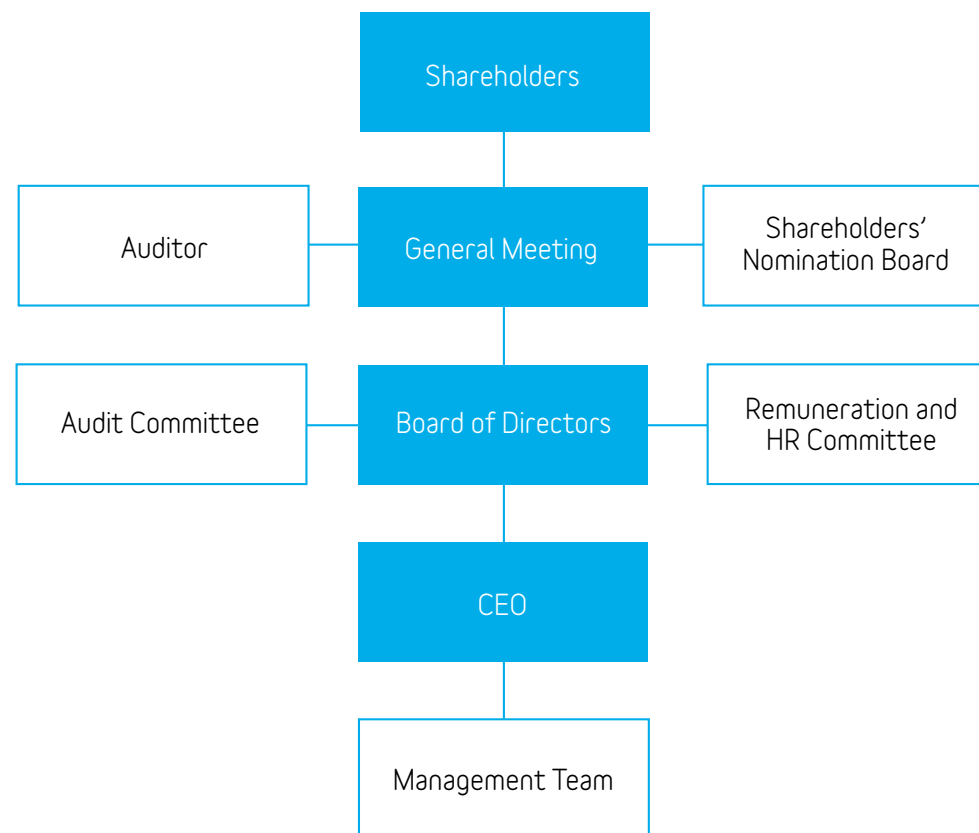
Governance and decision-making at Technopolis Plc is based on Finnish legislation

and, with regard to its subsidiaries, on the legislation of the domicile of each subsidiary, the Articles of Association of the Group's 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' Code of Ethics and internal policies and guidelines also guide the operations of the company.

Technopolis Plc shares are listed on the Nasdaq Helsinki Ltd (the 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 2015 issued by the Securities Market Association. The company has not deviated from the recommendations of the Corporate Governance Code. The Corporate Governance Code is publicly available on the [website of the Securities Market Association](#).

## 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, the Board of Directors, and the CEO. In its work, the Board of Directors is assisted by the Board Committees, and the Group Management Team assists the CEO in managing the company's operations.



In addition, the company has a Shareholders' Nomination Board established by the Annual General Meeting for an indefinite period.

## General Meeting of Shareholders

The General Meeting of shareholders is the highest decision-making body in Technopolis. Technopolis' Annual General Meeting 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, or if shareholders accounting for a minimum of 10% of shares in the company require it in writing to process 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 payouts, discharging the members of the company's Board of Directors and the CEO from liability, election of the Board members and auditors, and resolutions on their fees. The Annual General Meeting may, as proposed by the Board of Directors or a shareholder, also decide on other matters falling under the authority of shareholders' meetings in accordance with the Limited Liability Companies Act.

Convening and arranging the shareholders' meeting complies with the provisions of the Limited Liability Companies Act and the recommendations of the Corporate Governance Code. Technopolis publishes 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, 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 30, 2016. A total of 189 shareholders were present either in person or by proxy, representing approximately 52.1% of votes in the company. The Chairman and other members of the company's Board of Directors, President and CEO Keith Silverang, members of the Group Management Team, the chairman of the Shareholders' Nomination Board Risto Murto, and the auditor-in-charge appointed by the audit firm elected by the Annual General Meeting were present at the meeting. The resolutions of the Annual General Meeting were published in a stock exchange release on March 30, 2016.

The minutes of the General Meeting are available on the [company's website](#).

An Extraordinary General Meeting was held in Espoo on August 31, 2016. The meeting was convened in order to authorize the Board of Directors to decide on the issuance of new shares against payment. The authorization entitles the Board of Directors to issue an aggregate maximum of 75,000,000 shares by virtue of one or several decisions. The maximum amount of the authorization corresponded to approximately 70.4% of all the shares in the company on August 31, 2016.

A total of 202 shareholders were present either in person or by proxy, representing approximately 56.7% of votes in the company. The Chairman and other members of the company's Board of Directors, President and CEO Keith Silverang, and members of the Group Management Team were present at the

meeting. The resolutions of the Extraordinary General Meeting were published in a stock exchange release on August 31, 2016.

The minutes of the Extraordinary Meeting are available on the [company's website](#).

Additional information on shareholders' meetings and shareholders' rights are available on the [company's website](#).

## Shareholders' Nomination Board

The Shareholders' Nomination Board Technopolis is a body established by the company's shareholders and it is responsible for preparing the proposals to the General Meeting concerning the election and remuneration of the members of the Board of Directors. The Nomination Board has been established for an indefinite period.

The Nomination Board is composed of three members appointed by the three largest shareholders. In addition, the Chairman of the Board of Directors of the company participates in the work of the Nomination Board as an expert.

The right to nominate members that represent shareholders lies with those three shareholders whose overall share of company votes is largest on September 1. However, if a shareholder who has distributed their holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in his/her share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on August 31, such shareholder's holdings in several funds or registers will be combined when calculating the share of votes that determines the nomination right. Should a shareholder not wish to exercise

that right, the right to nominate is transferred to the next largest shareholder who otherwise would not be entitled to nominate a member. The Nomination Board elects a Chairman from among its members. The term of office of the members of the Nomination Board expires annually when the new Nomination Board has been appointed.

The charter of the Shareholders' Nomination Board is available on the [company's website](#).

### Nomination Boards 2016 and 2015

Risto Murto, President and CEO of Varma Mutual Pension Insurance Company; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Matti Pennanen, Mayor of the City of Oulu, were elected as members of the Nomination Board in accordance with the shareholding situation on September 1, 2016. Carl-Johan Granvik, Chairman of the Board of Directors of Technopolis Plc, participates in the work of the Nomination Board as an expert. Risto Murto acts as chairman of the Nomination Board.

The Nomination Board submitted its proposal for Board members' fees, number of Board members and election of Board members to the Annual General Meeting of March 23, 2017, on January 17, 2017. The Nomination Board proposed to the Annual General Meeting that the Chairman of the Board of Directors be paid EUR 55,000 as annual remuneration, the Vice Chairman of the Board of Directors and the Chairman of the Audit Committee (unless the member is the Chairman or Vice Chairman of the Board at the same time) EUR 31,500, and the other Board members EUR 26,250 each, and that a meeting fee of EUR 600 be paid to the Board members for each Board meeting, and EUR 1,200 be paid to the Chairman of the Board per Board meeting. The members of the committees are to be paid a fee of EUR 600 and the chairs of the committees a fee of EUR 800



for each meeting of the committees they attend. The Nomination Board further proposed that for meetings held outside the home state of a member and provided that the Board Member is physically present at the meeting venue shall, however, be paid a fee of EUR 900 and the Chairman of the Board of Directors a fee of EUR 1,800 for each Board meeting. In addition, each member of a committee shall be paid a fee of EUR 900 and the chairs of the committees a fee of EUR 1,200 for each committee meeting they attend. According to a proposal from the Shareholders' Nomination Board, 40% of the annual remuneration will be paid in Technopolis Plc shares acquired on the market at a price determined in public trading. The shares will be acquired based on an acquisition program prepared by the company. If the remuneration cannot be paid in shares due to insider regulations, termination of the Board member's term of office, or other reasons relating to the company or the member of the Board, the annual remuneration shall be paid fully in cash.

The Nomination Board has further proposed that the Board of Directors shall comprise six (6) members and that the following individuals be re-elected members of the Board of Directors for a term of office ending at the end of the Annual General Meeting 2018: Jorma Haapamäki, Juha Laaksonen, Pekka Ojanpää and Reima Rytsölä. In addition, the Nomination Board proposes that Helena Liljedahl and Christine Rankin be elected as new members of the Board of Directors. The Nomination Board proposed that Juha Laaksonen be elected as the Chairman of the Board of Directors and Mr. Jorma Haapamäki as the Vice Chairman.

The proposals to the Annual General Meeting of 2016 concerning the members of the Board of Directors and their fees were made by the Shareholders' Nomination Board whose members were based on the

shareholding situation of September 1, 2015. The members of the Nomination Board were Risto Murto, President and CEO of Varma Mutual Pension Insurance Company; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Matti Pennanen, Mayor of the City of Oulu. Carl-Johan Granvik, Chairman of the Board of Directors of Technopolis Plc, participated in the work of the Nomination Board as an expert. Risto Murto acted as chairman of the Nomination Board. The Nomination Board's proposals to the Annual General Meeting of 2016 were published on January 29, 2016, and to the Annual General Meeting of 2017 on January 17, 2017, as stock exchange releases, and they are available on the [company's website](#).

The Nomination Board convened four times in 2016. The attendance rate was 100%. Technopolis Plc does not pay the members of the Nomination Board for their participation in the Board's work.

## 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' Nomination Board. The term of Board members expires at the end of the Annual General Meeting following the election. According to Technopolis' Articles of Association, the company's Board of Directors comprises at least four and at most seven members. In accordance with the Articles of Association, the shareholders' meeting also elects the Chairman and the Vice Chairman of the Board.

A majority of the Board members must be independent of the company. Furthermore, at least two of the members of 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 Board members are liable to provide the company's Board of Directors with sufficient information to assess their competence and independence, as well as to report any changes in them.

The Annual General Meeting of Technopolis Plc held on March 30, 2016, decided that the Board of Directors shall comprise six members and re-elected Carl-Johan Granvik, Jorma Haapamäki, Pekka Ojanpää, Reima Rytsölä and Annica Änäs as members of the Board of Directors. Juha Laaksonen was elected as a new Board member. The Annual General Meeting elected Carl-Johan Granvik as Chairman of the Board of Directors and Jorma Haapamäki as Vice Chairman.

According to the evaluation of independence by the Board of Directors, all Board members are independent of the company, and apart from Reima Rytsölä, all of the Board members are independent of major shareholders. Reima Rytsölä serves Varma Mutual Pension Insurance Company, whose holding in Technopolis Plc exceeds 20%, as the Executive Vice-President responsible for Investments.

More detailed information on the Board members is presented in the table on page 5. The Board members' key employment histories and positions of trust are presented on the [company's website](#).

### Diversity Principles of the Board of Directors

Technopolis sees diversity as an essential element of its values, sustainable business and attainment of strategic objectives.

Also in preparing the Board's composition, diversity is considered from a number of aspects so that the Board's composition, competence and experience as a whole support the achievement of the company's strategic objectives and business operations, taking into account the scale and development of Technopolis' business operations. Diversity also promotes corporate governance and efficient management control, as well as the successor planning of the company.

For Technopolis, the focal diversity attributes for the Board Members are mutually complementary skills, education and experience from different professional backgrounds relevant for the position, management of businesses in different business sectors and growth phases, as well as the personal characters of the members. Experience in international business environments and different cultures in addition to consideration of age and gender will support the diversity of the Board. It is the objective of Technopolis that both genders are represented in the Board of Directors. The Nomination Board sees to that in the election process of new members of the Board of Directors both genders are represented, and that the diversity principles of the Board of Directors as a whole are taken into account in the selection process of the new members of the Board of Directors.

It is the duty of the Shareholders' Nomination Board to ensure, from the perspective of the company's current and evolving needs, that the Board of Directors of the company as a collective have sufficient competence and knowledge of the company's field of business and industry, the management of a publicly listed company of corresponding size, Financial Statements and financial reporting, internal control and risk management, mergers and acquisitions, and corporate governance.

## Technopolis Board of Directors December 31, 2016

Board member	Nationality	Board member since	Independence	Full-time occupation	Attendance rate, meetings of the Board of Directors	Technopolis Plc shares December 31, 2016*
Carl-Johan Granvik M.Sc. (Econ.) born 1949	Finnish	2011 Chairman of the Board as of 2012	Independent of the company and major shareholders	Professional board member	18/18 100%	90,018
Jorma Haapamäki M.Sc. (Eng.) born 1948	Finnish	2013	Independent of the company and major shareholders	Professional board member	18/18 100%	50,721
Juha Laaksonen B.Sc. (Econ.) born 1952	Finnish	2016	Independent of the company and major shareholders	Professional board member	14/15 93%	4,087
Pekka Ojanpää M.Sc. (Econ.) born 1966	Finnish	2014	Independent of the company and major shareholders	Lassila & Tikanoja Oyj, President & CEO	18/18 100%	13,230
Reima Rytstölä M.Soc.Sc., CEFA, AMP born 1969	Finnish	2015	Independent of the company	Executive Vice-President at Varma Mutual Pension Insurance Company	18/18 100%	9,126
Annica Ånäs LL.M., MBA born 1971	Swedish	2015	Independent of the company and major shareholders	CEO at Atrium Ljungberg Ltd	17/18 94%	9,126

### Board members whose terms of office have expired

Pekka Korhonen	3/3 100%
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\* The entities over which the Board members exercise control do not own Technopolis shares.

The Annual General Meeting held on March 30, 2016 elected six Board members: five men and one woman. All the Board members have a university degree. The degrees are in four different areas of study, with a majority of the degrees in economics. All members have professional experience in various types of positions, and they are,

or have been, executives or members of the boards of directors of companies in different field of business. They are from two countries: Finland and Sweden. The members represent different ages between 45 and 68 years of age, and their length of service on the Technopolis Board is 1–5 years.

### 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 a Charter specifying in more detail the key duties of the Board of Directors, its Chairman, Board Committees, the CEO, and

the Group Management Team. The Board shall always promote the interests of the company and all of its shareholders.

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

- deciding on the company's strategy, business structure, and major organizational solutions;
- approving the budget and guidelines governing the company's risk management and internal control;
- 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, investments in real property assets, and other exceptional and far-reaching items considering the extent and nature of the activities of the company;
- appointing the CEO and members of the Group Management Team, and deciding on their areas of responsibility and remuneration;
- ratifying the principles applied to the remuneration of the personnel and incentive schemes, and deciding on the company's short-term and long-term reward schemes and the key employee succession plan;
- defining the company's dividend policy and making a proposal for the distribution of profits to the General Meeting of shareholders.

The Board annually evaluates its operations and performance. The Board of Directors' self-evaluation is comprised of a written survey, whose results are reviewed by a Board meeting under the supervision of the Chairman. Among other things, the survey evaluates the Board's strategy work, the composition of the

## Board Committees, December 31, 2016

Board member	Membership, Audit Committee	Membership, Remuneration and HR Committee	Attendance rate, Audit Committee meetings 2016		Attendance rate, Remuneration and HR Committee meetings 2016	
			No.	%	No.	%
Carl-Johan Granvik	-	Chairman	-	-	4/4	100
Jorma Haapamäki	-	Member	-	-	3/4	75
Juha Laaksonen <sup>1)</sup>	Chairman	-	4/4	100	-	-
Pekka Ojanpää	Member	-	6/6	100	-	-
Reima Rytsölä <sup>2)</sup>	-	Member	2/2	100	3/3	100
Annica Ånäs	Member	-	5/6	83	-	-

## Board members whose terms of office have expired

Pekka Korhonen <sup>3)</sup>	-	Member	-	-	1/1	100
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<sup>1)</sup> Member of the Audit Committee as of March 30, 2016, after which time the Committee convened four times.

<sup>2)</sup> Member of the Audit Committee January 1 – March 29, 2016, during which time the Committee convened two times. Member of the Remuneration and HR Committee as of March 30, 2016, after which time the Committee convened three times.

<sup>3)</sup> Member of the Remuneration and HR Committee January 1 – March 29, 2016, during which time the Committee convened one time.

Board of Directors, the preparation of matters to be dealt with by the meetings, the openness of discussion, good corporate governance, and cooperation between the Board of Directors and the management.

The Board meetings are arranged on a regular basis according to a schedule confirmed in advance, and additionally as extraordinary meetings when necessary. The Chairman of the Board of Directors prepares the matters to be dealt with and decided on by the Board meetings in cooperation with the CEO. 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. Other Group Management Team members and the auditor attend the meetings as necessary or as summoned by the Board of Directors.

During the financial period 2016, the Board convened 18 times. The attendance rate was 97.8%. The member-specific attendance rates at Board meetings and Board committee meetings are presented in the tables above and on page 5.

In 2016, key themes in the Board of Directors' work included investments pertaining to execution of the Company's growth strategy in Finland and in the Company's new operating country Sweden, as well as a rights issue for financing the growth projects. The Board of

Directors also decided on a directed share issue without consideration based on the Performance Share Plan 2013–2017 and establishment of a Bonus Fund.

### 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 and HR Committee, which prepare matters that fall under the responsibility and decision-making authority of the Board. 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 for 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 the 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 and the attendance rate in 2016 is presented in the table on the left.

### Audit Committee

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

- monitoring and overseeing the company's financial reporting, particularly with regard to the quality and integrity of the Financial Statements and Interim Reports, and the statutory audit of the Financial Statements and consolidated Financial Statements;
- monitoring the Group's financial position, credit position and taxation;
- monitoring the efficiency of internal control and risk management systems, reviewing internal control and audit reports, as well as reports detailing the company's key risks and measures to manage them;
- giving the company's management recommendations concerning the focus of internal audits, reviewing the internal audit plans and reports, and monitoring the warranted measures;
- evaluating the processes aimed at ensuring compliance with laws and regulations, reviewing the Company's annual

sustainability report or other similar annual report, monitoring the processes and risk relating to IT security;

- maintaining contact with the external auditor, reviewing the reports issued by the auditor, and monitoring the warranted measures;
- evaluating the independence of the auditor and audit firm, and in particular the provision of related non-audit services to the company, as well as approving the provision of non-audit services, and;
- 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;
- preparing the recommendation for the resolution on the election of the auditor to Board of Directors of the Company, taking into account the EU regulation (No 537/2014) concerning statutory audit of public interest entities and other laws and regulations concerning auditor of a publicly traded entity.

The majority of the members of the Committee must be independent of the company, and at least one member must be independent of major shareholders. The committee members must have the expertise and experience required for the performance of the responsibilities of the committee, and at least one member must be an independent individual with special expertise in the field of accounting, bookkeeping or auditing. Member of the Audit Committee may not participate in the daily management of the Company or an entity consolidated in the Company's Financial Statements. The Audit Committee shall, as a whole, and taking into account the mutually complementary expertise, competence, and industry knowledge of its members, have sufficient expertise of matters forming part of the Audit

Committee's duties and of the Company's operating environment.

The committees convene as necessary a minimum of four times a year before financial disclosures.

The Audit Committee may use internal experts or external advisors at its discretion. The Audit Committee consults the company's auditor-in-charge at its meeting, or if the auditor-in-charge is unavailable, another representative of the audit firm, as necessary, especially in connection with the review of the Financial Statements and Interim Reports.

During the financial period 2016, the Audit Committee convened six times. The average attendance rate was 95.8%.

In 2016, the Audit Committee reviewed the company's Financial Statements and Interim Reports, annual Corporate Governance Statement, and Corporate Social Responsibility Report. During its term of office, the Audit Committee also reviewed questions related to internal audits and prepared for the changes in the work of the Committee required by the new EU Audit Regulation, and started a tender process regarding the statutory audit.

#### **Remuneration and HR Committee**

The Board of Directors has a Remuneration and HR Committee, which supports the Board in the review of matters pertaining to the appointment and remuneration of the company management, the development of the organization and personnel, as well as the preparation and development of the company's remuneration systems.

The key duties of the Remuneration and HR Committee include:

- preparing matters pertaining to the appointment, remuneration and other financial benefits of the CEO and other

executives of the company, and assessing the company's essential objectives in terms of their remuneration;

- 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 principles pertaining to the remuneration of the personnel and the company's remuneration schemes, as well as monitoring the transparency, expediency and competitiveness of the remuneration schemes;
- answering questions related to the remuneration statement at the General Meeting of shareholders;
- reviewing and preparing matters related to the organizational structure and development of management and personnel.

A majority of the Committee members must be independent of the company. The CEO or the other executives shall not be appointed to the Remuneration and HR Committee. Remuneration and HR Committee convenes at need, and at least once per year. The Remuneration and HR Committee may consult internal experts or external advisors at its discretion, ensuring at the same time that the advisor is not also advisor to the operative management in a manner that can result in a conflict of interest.

During the financial period 2016, the Remuneration and HR Committee convened four times. The average attendance rate was 91.7%.

In 2016, the Remuneration and HR Committee took part in preparing guidelines on the objectives of the long- and short-term incentive schemes for the company's management, and prepared the validation of granting the rewards based on the Performance Share Plan 2013–

2017. In addition, the Committee prepared the establishment of a personnel fund.

#### **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. Reijo Tauriainen, Chief Financial Officer, serves as the Deputy CEO.

More detailed information on the Group Management Team members is presented on page 8. The key employment history and any positions of trust of the Group Management Team members are presented on the [company's website](#).



## Technopolis Group Management Team December 31, 2016

Group Management Team member	Position and area of responsibility in the company	Group Management Team member since	Technopolis Plc shares December 31, 2016*
Keith Silverang BA, MBA, born 1961	Chief Executive Officer, Chairman of the Group Management Team	2004, CEO since 2008	106,485
Reijo Tauriainen M.A., born 1956	Chief Financial Officer Deputy CEO	2004	77,539
Juha Juntunen Eng., born 1973	Chief Operating Officer Director, Sales and Marketing	2013	29,658
Kari Kokkonen M.Sc. (Eng.), born 1963	Director, Real Estate Operations and Services	2010	27,352
Outi Raekivi LL.M., born 1968	Director, Legal Affairs Legal Affairs, Group HR, Sustainability	2013	18,488

\* The entities over which the Group Management Team members exercise control do not own Technopolis shares.

### Group Management Team

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

The Group Management Team convened 12 times in 2016. The focus areas of the Group Management Team's work included regular performance monitoring and budgeting, supporting the Board's strategy work, follow-up of on-going internal development projects, and matters pertaining to the organization.

## Control and Risk Management

A description of the main features of the company's external and internal control and risk management systems related to the financial reporting process, as well as the organization and key principles of internal audit.

### Principles of Internal Control

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. As a result, 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.

The task of Technopolis Group's internal control is to ensure:

- the performance and efficiency of operations;
- the continuity of operations;
- the reliability of financial and operational reporting;
- compliance with laws and agreements, Technopolis' values and internal guidelines as well as the Code of Conduct;
- the security 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. Internal control covers all of the Group's companies and functions; internal control is implemented by way of risk analyses, risk management and supervision discussions with Group and business unit management, and, above all, through standardized processes.

The Group has established an internal Compliance team responsible for supervising the compliance of the company's operations with obligating external regulations, and internal policies and guidelines. The Compliance team supports the company's internal control by identifying the focus areas of internal control in cooperation with the Group's risk management function, ensuring that the necessary internal guidelines are up to date and, with regard to external regulations and internal policies, communication and training. In addition, the Compliance team coordinates the internal audit carried out by an external service provider in accordance with the annually agreed audit plan and supervises the implementation of the follow-up measures agreed. The statutory audit carried out by the external auditor also includes assessing the measures of internal control.

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. Core business processes include the leasing of business space and maintenance of properties, management processes include



strategy and reporting processes, and support processes include the approval of invoices and processes related to the setting of targets and remuneration of personnel. Targets for development of operations are identified and collected in connection with reviewing the core business and support processes and reported to the CEO. Each employee of the company has access to the intranet pages describing all key business processes.

Day-to-day control comprises 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 written job descriptions specifying their responsibilities and reporting relationships, which are 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.

#### Management and Control of the Financial Reporting Process

The consolidated Financial Statements and Interim Reports prepared by Technopolis are based on 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 European Public Real Estate Association (EPRA). EPRA is a European organization aiming to promote the comparability and openness of reporting by publicly listed real estate companies.

Furthermore, Technopolis publishes an annual Sustainability Data Report 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, monthly updated figures on actual performance, and annual forecasts. Quality and quantity objectives are set in the annual budget for different business areas in accordance with the strategy. 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 achieving 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. 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 objectives set by the Board or the 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. 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 each individual property or region. The yields are calculated by taking the average of the upper and lower ranges reported by these agencies. 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 performed 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 evaluator (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 to identify, evaluate and measure significant risks and uncertainties, as well as to monitor them as part of the day-to-day management of business operations. The Technopolis Board of Directors has ratified the Group's risk management policy, which aims to specify the company's ability and willingness to take risks, identify key risks, and prepare for their realization. Compliance with the risk management policy is monitored with a risk management tool measuring the implementation of risk management with regard to all operations. The operational management has prepared the risk management policy under the control of the Audit Committee, utilizing external experts.

## Risk Management Process



Risk management is a dynamic and continuous process with a key role in Technopolis' strategic and annual planning process. 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 legislation and other regulations applicable to the company. Risks are considered uncertainties that are a normal part of business operations. The 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 Group Management Team surveys and assesses at least once a year the identified risks with regard to the impact and probability of each risk. After this, the means for efficiently utilizing business opportunities and mitigating or eliminating threats are

analyzed. The resulting updated risk map with action plans is reviewed by the Audit Committee and as part of the Board's annual risk assessment. The Audit Committee and the Board of Directors assess the attitude to key risks and the need to change the objectives of risk management or the risk management policy. The Group's guidelines and processes decisions on any changes related to risk management.

The risk management process is integrated into Technopolis' continuous operational activity, enterprise resource planning system, and internal control. Responsibility for risk management is determined on the basis of business responsibility. Each employee is, however, responsible for identifying risks threatening the achievement of objectives and informing their supervisors of them within the limits of day-to-day internal control. Many of the Group's employees have risk management targets tied to remuneration. Technopolis has divided risks into several sub-areas, which supports the implementation of their management within the organization, and monitors them in the work of the company's management, the Board's Audit Committee, and the Board of Directors.

The Technopolis Board of Directors has ultimate responsibility for risk management: it decides on the objectives of risk management, specifies the risk management policy, and oversees compliance with it based on reports presented by the Group's management. The Management Team is responsible for organizing practical risk management and overseeing its implementation with regard to its areas of responsibility. It is the task of the business units and group functions to implement risk management in their operations, and to report on the results as part of other operational reporting. The internal audit is responsible for assessing

the effectiveness of risk management and its compliance with the risk management policy.

Some of the risks related to the business environment are beyond the control of the company, but it can adapt to them in order to minimize the potential negative impacts. On the other hand, some of the risks are such that the Group can influence the probability of the risk through its own actions or prevent the realization of the risk completely.

In the 2016 risk review, the following risks were considered most significant in terms of probability and financial value:

- Investments and acquisitions
- Geopolitical and macroeconomic factors
- Financial items such as interest rate, funding or currency
- Business conditions and market situation

More detailed information concerning the risks and uncertainties associated with the operations of Technopolis is presented in the Report by the Board of Directors for the 2016 fiscal period, available on [Financial Statements](#).

## Other Information

### Internal Audit

Internal audits in the Group companies and support functions pursuant to the annual audit plan approved by the Audit Committee and the Board of Directors assist the Audit Committee in assessing and monitoring the sufficiency and effectiveness of internal control and risk management.

The focus areas of internal audit in 2016 included ensuring the functionality of and compliance of the company's key processes in select business and matrix function units. Internal audit observations and follow-up measures are reported to the Audit

Committee and the Board of Directors. In 2016, the internal audit services were purchased from Ernst & Young Oy.

#### Insider Management

As of July 3, 2016, Technopolis complies with the EU Regulation on Market Abuse (EU Regulation No 596/2014) and other related EU regulations that supplement it, as well as the Insider Guidelines provided by Nasdaq Helsinki Oy as the minimum level regulation in insider matters. In addition to this, the company has prepared its own insider guideline to complement EU Regulation on Market Abuse, other related EU regulations that supplement it, and the Insider Guidelines provided by Nasdaq Helsinki Ltd.

The company has defined the members of the Board of Directors, the CEO and other members of the Group Management Team as persons discharging managerial responsibilities ("managerial persons"). The managerial persons and their closely associated persons shall each notify the company and the Finnish Financial Supervisory Authority of any transactions conducted on their own account relating to equity or debt financial instruments of the company or derivative instruments linked thereto without delay and at the latest within three business days after the transaction in question was conducted. As of July 3, 2016, the company has published the transactions of the managerial persons and their closely associated persons as a stock exchange release within the same deadline of three business days, and thereafter, such information was also made available on the [company's website](#) (Stock Exchange Releases). In addition, the previous public Register on Insiders Subject to the Declaration Requirement and their closely associated persons has been updated up to July 2, 2016 and is available on the [company's website](#).

Furthermore, the company has defined certain other persons on the basis of their tasks in the company as core persons acting in the informative core of the company. Typically, such core persons include persons preparing Interim Reports and financial statement bulletins, persons who are responsible for finance, financial reporting or communication, and persons with access to such information.

The company maintains project- or event-specific insider registers on all persons who take part in the planning and preparation of an insider project or event, for example mergers and acquisitions, and who have access to inside information ("project-specific insiders"). A project-specific insider shall not trade or conduct other transactions relating to the company's financial instruments until the expiration or publication of that project. Project-based insiders include persons who work for a listed company based on an employment contract or otherwise conduct duties whereby they have access to inside information related to a specific project or event, or other persons or parties to whom the Company discloses inside information about the event.

Technopolis recommends that managerial persons and persons with access to core of information make only long-term investments in securities issued by the company. Trading should preferably take place at times when the market has as complete information on factors influencing the share price as possible. Managerial persons as well as persons with access to core information, may not trade in Technopolis shares or securities related to instruments entitling to shares during a period of 30 days preceding the publication of the company's Financial Statements bulletin or Interim Report, including the publication date. If the Financial Statements include non-disclosed information that may have a

material effect, this closed period also applies to the Financial Statements.

Regardless of the planned timing of trading, company managerial persons and the persons with access to core information may only trade in the company's shares or other securities related to instruments entitling to shares after discussing the matter with the person in charge of insider affairs at the company and requesting an assessment of the compliance of the planned transaction with the law and regulations. A similar procedure is also recommended for the company's other employees. The person in charge of insider affairs is the company's Director, Legal Affairs.

#### 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 any deputy auditor must be auditors or audit firms authorized by the Central Chamber of Commerce of Finland. The Audit Committee prepares a resolution proposal, or in case of audit tender process a recommendation 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 as the audit firm represented by the auditor elected by Technopolis' Annual General Meeting also audits the group's subsidiaries.

The auditor submits an Auditor's Report as 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 2016 elected KPMG Oy Ab, Authorized Public Accountants, as the company's auditor. 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 should be compensated for against an invoice approved by the company. In 2016, KPMG was paid a total of EUR 258,235 of statutory audit-related fees and a total of EUR 313,412 of fees for services not related to the statutory audit.



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