



**TECHNOPOLIS**

CORPORATE  
GOVERNANCE  
STATEMENT 2013

# Corporate Governance Statement 2013

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 the 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, 2013, were published on February 14, 2014, 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' Code of Ethics and internal policies and guidelines also guide the operations of the company.

Technopolis Plc shares are listed on the NASDAQ OMX Helsinki (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 issued by the Securities Market Association which entered into force on October 1, 2010. The Code is publicly available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

With regard to the composition of the audit committee of the Board of Directors, the company deviated between January 1 and March 26, 2013, 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 was not independent of the company during the above-mentioned period, but the Board of Directors had considered it appropriate to utilize his long-term knowledge 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 managing the company's operations. In addition, the company has a Shareholders' Nomination Board established as a permanent body 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 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 Finnish 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* and *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 Plc held two shareholders' meetings in 2013. Technopolis' Annual General Meeting was held in Oulu on March 27, 2013. A total of 159 shareholders were present either in person or by proxy, representing approximately 59.3% 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 Management Team, 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. In addition, persons

proposed as Board members for the first time were present at the General Meeting. The resolutions of the Annual General Meeting were published as a stock exchange release on March 27, 2013.

An Extraordinary General Meeting to authorize the Board of Directors to decide on issuing new shares was held in Espoo on November 1, 2013. A total of 170 shareholders were present either in person or by proxy, representing approximately 48.1% of votes in the company. The Chairman and other members of the Board of Directors, President and CEO Keith Silverang, and members of the Management Team were present at the meeting. The resolutions of the Extraordinary General Meeting were published as a stock exchange release on November 1, 2013.

The minutes of the General Meetings are available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

Additional information on shareholders' meetings and shareholders' rights are available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

## Shareholders' Nomination Board

The Annual General Meeting of Technopolis Plc held on March 27, 2013, decided to establish a Shareholders' Nomination Board to prepare proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings. The Nomination Board is established for an indefinite period.

The Nomination Board consists of three members nominated by the shareholders of the company. 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 is vested with the three shareholders of the company having the largest share of the votes represented by all the shares in the company annually on September 1. However, if a shareholder who has distributed his/her 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 which determines the nomination right. Should a shareholder not wish to exercise his/her nomination right, the right 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 at [www.technopolis.fi](http://www.technopolis.fi).

#### **Nomination Boards 2013 and 2012**

Risto Murto, Executive Vice President of Varma Mutual Pension Insurance Company (President and CEO as of January 1 2014), Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company, and Jukka Weisell, Financial Director of the City of Oulu, were elected as members of the Nomination Board in accordance with the shareholding situation on September 1, 2013. 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.

On January 31, 2014, the Nomination Board submitted its proposal on Board members' fees, number of Board members and election of Board members to the Annual General Meeting to be held on March 26, 2014. The Nomination Board has proposed to the Annual General Meeting that the Chairman of the Board of Directors be paid EUR 50,000 as annual remuneration, the Vice Chairman of the Board of Directors EUR 30,000, and the other Board members EUR 25,000 each, and that a meeting fee of EUR 600 be paid to the Board members for each Board meeting and the Chairman of the Board EUR 1,200 per 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 their 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 January 1–March 31, 2014. If the shares cannot be acquired due to insider regulations in that time period, the shares shall be acquired outright once it is possible in accordance with the insider regulations in force at that time.

The Nomination Board has further proposed that the number of Board members remain at six and that the following individuals be re-elected members of the Board of Directors for a term of office terminating at the end of the Annual General Meeting 2015: Carl-Johan Granvik, Sari Aitokallio, Jorma Haapamäki, Pekka Korhonen and Timo Ritakallio. In addition, the Nomination Board proposes that Pekka Ojanpää be elected as a new member of the Board of Directors. Furthermore, the Nomination Board proposes that Carl-Johan Granvik be elected as the Chairman of the Board of Directors and Jorma Haapamäki as the Vice Chairman.

The proposals to the Annual General Meeting of 2013 concerning the members of the Board of Directors and their fees were made by the Shareholders' Nomination Board established on the basis of the resolution of Technopolis' Annual General Meeting of March 27, 2013. The members of the Nomination Board were, based on the shareholding situation of October 1, 2012: Risto Murto, Executive Vice President of Varma Mutual Pension Insurance Company (President and CEO as of January 1 2014); Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Timo Kenakkala, Deputy Mayor of the 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 Board.

The Nomination Board's proposals to the Annual General Meeting of 2013 were published on January 31, 2013, and to the Annual General Meeting of 2014 on January 31, 2014, as stock exchange releases, and they are available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

The Nomination Board convened five times in 2013. 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 next 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 significant 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 significant shareholders. The Board members are liable to provide the company's Board of Directors with sufficient information for assessing their competence and independence as well as to report any changes in them.

The Annual General Meeting of Technopolis Plc held on March 27, 2013, decided that the Board of Directors shall comprise six members and re-elected Carl-Johan Granvik, Pekka

<b>Technopolis Board of Directors December 31, 2013</b>			
<b>Board member</b>	<b>Board member since</b>	<b>Independence</b>	<b>Full-time occupation</b>
Carl-Johan Granvik M.Sc. (Econ.), born 1949	2011 Chairman of the Board as of March 27, 2012	Independent of the company and significant 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 significant shareholders	Mayor of Oulu
Sari Aitokallio LL.M (trained on the bench), born 1960	2013	Independent of the company and significant shareholders	Metso Plc, Chief Financial Officer and Administrator of the automation segment
Jorma Haapamäki M.Sc. (Civil Engineering), born 1948	2013	Independent of the company and significant shareholders	Professional board member
Pekka Korhonen LL.M, Th.M., born 1952	2010, also in 2007–2008	Independent of the company and significant shareholders	CEO of NV Kiinteistösjoitus Oy and VVT Kiinteistösjoitus Oy
Timo Ritakallio LL.M, MBA, born 1962	2008	Independent of the company	Deputy CEO of Ilmarinen Mutual Pension Insurance Company

Korhonen, Matti Pennanen, and Timo Ritakallio as members of the Board of Directors. Sari Aitokallio and Jorma Haapamäki were elected as new Board members. 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. All of the Board members are independent of significant shareholders apart from Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company, as Ilmarinen's holding in Technopolis Plc exceeds 10%.

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).

#### **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 its 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;
- 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 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, composition of the Board of Directors, preparation of matters to be dealt with by the meetings and 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 Management Team members attend the meetings as necessary or as summoned by the Board of Directors.

During the financial period 2013, the Board convened 19 times. The average attendance rate was 96.5%. The member-specific attendance rates at Board meetings and Board committee meetings are presented in the table below.

#### Member-specific Board meeting attendance 2013

Board member	Board meetings	Audit Committee meetings		Remuneration Committee meetings		
		%	%	%	%	
Carl-Johan Granvik	19/19	100	7/7	100	-	-
Matti Pennanen	17/19	89,5	-	-	6/6	100
Sari Aitokallio <sup>1)</sup>	13/13	100	4/4	100	-	-
Jorma Haapamäki <sup>2)</sup>	13/13	100			2/2	100
Pekka Korhonen	19/19	100	7/7	100	-	-
Timo Ritakallio	18/19	94.7	-	-	6/6	100

#### Board members whose terms of office have expired

Teija Andersen <sup>3)</sup>	5/6	83,3	-	-	2/4	50
Pertti Huuskonen <sup>4)</sup>	6/6	100	3/3	100	-	-

1) Member of the Board of Directors and the Audit Committee as of March 27, 2013, after which the Board of Directors convened 13 times and the Audit Committee convened four times.

2) Member of the Board of Directors and the Remuneration committee as of March 27, 2013, after which the Board of Directors convened 13 times and the Remuneration Committee convened two times.

3) Member of the Board of Directors and the Remuneration Committee January 1, 2013 – March 26, 2013, during which time the Board of Directors convened six times and the Remuneration Committee convened four times.

4) Member of the Board of Directors and the Audit Committee January 1, 2013 – March 26, 2013, during which time the Board of Directors convened six times and the Audit Committee convened three times.

In 2013, key themes in the Board of Directors' work included investments related to implementing the company's growth strategy in Finland and the company's new countries of operation Lithuania and Norway, as well as measures associated with funding the growth projects, such as issuing a hybrid bond and arranging a rights issue. The Board of Directors specified the company's strategic financial objectives and dividend policy further and updated the company's environmental strategy by adding sustainability objectives to it. The Board of Directors also decided on a new long-term share-based incentive scheme for key employees.

**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 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 in 2013 is presented in the table below.

Committee members March 27 – December 31, 2013	
Audit Committee	Remuneration Committee
Carl-Johan Granvik (chairman)	Timo Ritakallio (chairman)
Sari Aitokallio	Jorma Haapamäki
Pekka Korhonen	Matti Pennanen

Committee members January 1 – March 26, 2013	
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;
- 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 significant shareholders. The company has announced that it deviated 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 between January 1 and March 26 2013. 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. The company's responsible auditor attends the Audit Committee's meetings in connection with the preparation of the annual financial statements and reporting on control during the financial period as well as at other times as necessary.

During the financial period 2013, the Audit Committee convened seven times. The attendance rate was 100%.

In 2013, the Audit Committee reviewed the company's financial statements and interim reports and the annual Corporate Governance Statement. The Committee arranged a tender process for the company's auditing before the Annual General Meeting of March 2013 and submitted its recommendation concerning the election of the auditor to the Board of Directors. During its term of office, the Audit Committee also reviewed the implementation of risk management and internal control and related development plans, as well as reviewing the company's policy on related parties.

**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 systems.

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;
- 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 2013, the Remuneration Committee convened six times. The average attendance rate was 88.9%.

In 2013, the Remuneration Committee prepared the new long-term share-based incentive scheme aimed at the Group's key employees in cooperation with an external advisor selected on the basis of a tendering process arranged by the Committee for ratification by the company's Board of Directors. The Remuneration Committee also prepared changes to the company's annual performance bonus system and took part in 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 company since 2004 as, among other things, Vice President in charge of the Helsinki Metropolitan Area. Reijo Tauriainen, Chief Financial Officer, serves as the Deputy CEO.

**Management Team**

The Company has a Management Team that assists the CEO. The 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 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 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.

The Management Team convened 19 times in 2013. The focus areas of the 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.

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, 2013		
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
Juha Juntunen Eng., born 1973	Director, Finnish Operations Director, Sales and Marketing	2013
Sami Juutinen LL.M, born 1972	Director, International Operations	2011
Kari Kokkonen M.Sc. (Eng.), born 1963	Director, Real Estate Operations	2010
Outi Raekivi LL.M., born 1968	Director, Legal Affairs Group HR, Environmental & Sustainability	2013

Technopolis announced in August 2013 that it will adjust the responsibilities of the Management Team as of the beginning of 2014 so that Sami Juutinen, Director of International Operations, will assume responsibility for all activities related to mergers, acquisitions and divestitures throughout the Group as Chief Investment Officer (CIO). At the same time, Juha Juntunen, Director of Finnish Operations, Sales and Marketing, will assume responsibility as Chief Operating Officer for all business units, in addition to his previous duties.

## 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.

### 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 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 primarily 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 2013 elected KPMG Oy Ab, Authorized Public Accountants, as the company's auditor. In accordance with the Auditing Act, the maximum number of consecutive appointments of an auditor of an entity subject to public trading, or if an audit firm has been appointed as an auditor, the appointment of an auditor with principal responsibility for the engagement, 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 should be compensated for against an invoice approved by the company.

## 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, 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.

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 companies and functions. Technopolis does not have a dedicated internal control organization; 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 and their follow-up. As part of the audit, the external auditor also assesses and tests Technopolis' internal controls.

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. The core business processes include, for example, leasing operations and maintenance of the properties, management processes include strategy and reporting processes and support processes include payment approvals and processes related to personnel's target setting and remuneration. Targets for the development of operations are identified and collated in connection with reviewing the core business and support processes and reported to the CEO.

Day-to-day control comprises work instructions, systems and manual controls, as well as specifying and differentiating 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.

In 2013, the focus areas of internal control were identifying the company's key processes and, with regard to missing or insufficient processes, creating or updating, documenting and integrating them as part of continuous operational activity. Particular attention was paid to developing and monitoring the investment, divestment, and new office site takeover processes.

Efforts were also made to enhance the practical functionality of the processes through system development, regular training and active communication. All of the company's employees have access to the intranet site with descriptions of all key business processes.

## Internal Audit

Considering the nature and extent of its operations, Technopolis has not deemed it appropriate to establish a dedicated internal audit organization; the competence and work input of the Group's experts are extensively utilized in tasks falling under the scope of internal audit, in cooperation with the Group risk management function, among others. In addition, outsourced services are obtained as necessary for performing audit duties that require additional resources or special expertise.

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. 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.

## 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 will report on corporate responsibility in 2013 in accordance with the 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 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 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. 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 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 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 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 concerning its most significant properties from third-party assessors to support its own calculations.

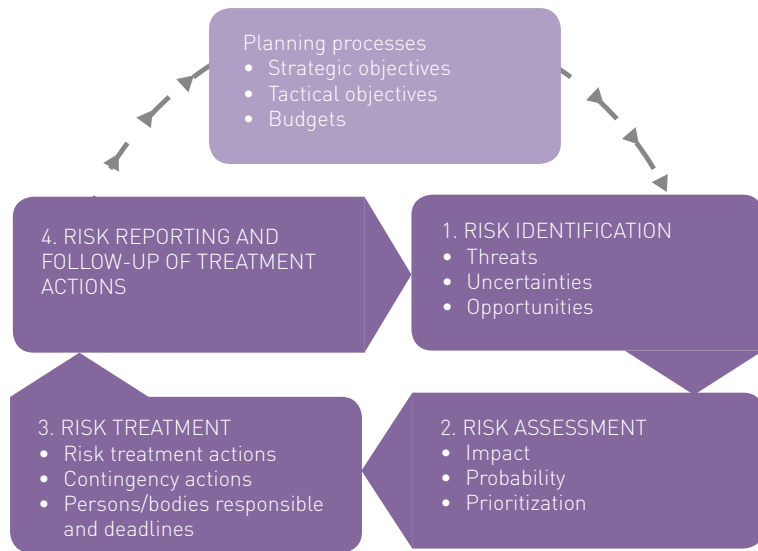
A more detailed description of the fair value calculation model is described in the accounting principles for the financial statements.

## 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 monitoring 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 risk-taking ability and willingness, 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 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 the 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 company's management team surveys



and assesses the identified risks with regard to the impact and probability of each risk at least once a year. 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. 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 operational activity, enterprise resource planning system, and strategy process. 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. Many of the Group's employees have risk management targets tied to remuneration.

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 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 operations and report on the results as part of other reporting. The internal audit function is responsible for assessing 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 within the organization and monitoring by the company's management, the Board's Audit Committee and the Board of Directors:

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 their potential negative impact. 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 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 2013, available on the company's website at [www.technopolis.fi](http://www.technopolis.fi).

# More Than Squares

**TECHNOPOLIS**

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