



6

Board Members



19

Board Meetings



100%

Average
Attendance



26th
March
General Meeting

Corporate Governance Statement 2014

TECHNOPOLIS
more than squares

Corporate Governance Statement 2014

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, 2014, were published on February 10, 2015, and they are also available on the company's website at 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 company has not deviated from the recommendations of the Corporate Governance Code. The Code is publicly available on the website of the Securities Market Association at www.cgfinland.fi.

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 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.

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* 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 26, 2014. A total of 181 shareholders were present either in person or by proxy, representing approximately 56.8% 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 in a stock exchange release on March 26, 2014.

The minutes of the General Meeting are available on the company's website at www.technopolis.fi.

Additional information on shareholders' meetings and shareholders' rights are available on the company's website at www.technopolis.fi.

Shareholders' Nomination Board

The 2013 Annual General Meeting of Technopolis Plc resolved 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 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 which 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 at www.technopolis.fi.

Nomination Boards 2014 and 2013

Risto Murto, President and CEO of Varma Mutual Pension Insurance Company; Harri Sailas, 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, 2014. 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 27, 2015, on January 30, 2015. 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 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, 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 chairmen of the committees a fee of EUR 600 for each meeting of the committees they attend. The Nomination Board further proposed that each

member of the Board of Directors whose place of residence is outside of Finland 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 chairmen of the committee a fee of EUR 1,200 for each committee meeting they attend, provided the member of the Board of Directors is physically present at the meeting venue. 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, 2015. If the shares cannot be acquired due to insider regulations in that time period, the shares shall be acquired outright once it becomes possible in accordance with the insider regulations in force at that time.

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 2016: Carl-Johan Granvik, Jorma Haapamäki, Pekka Korhonen, and Pekka Ojanpää. In addition, the Nomination Board proposes that Mr. Reima Rytsölä and Ms. Annica Änäs be elected as new members of the Board of Directors. The Nomination Board proposed that Mr. Carl-Johan Granvik 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 2014 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, 2013: Risto Murto, President and CEO of Varma Mutual Pension Insurance Company; Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Jukka Weisell, Financial Director 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 2014 were published on January 31, 2014, and to the Annual General

Meeting of 2015 on January 30, 2015, as stock exchange releases, and they are available on the company's website at www.technopolis.fi.

The Nomination Board convened five times in 2014. 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 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 26, 2014, decided that the Board of Directors shall comprise six members and re-elected Sari Aitokallio, Carl-Johan Granvik, Jorma Haapamäki, Pekka Korhonen, and Timo Ritakallio as members of the Board of Directors. Pekka Ojanpää 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.

Technopolis Board of Directors December 31, 2014

Board member	Board member since	Independence	Full-time occupation
Carl-Johan Granvik M.Sc. (Econ.), born 1949	2011 Chairman of the Board as of March 27, 2012	Independent of the company and major shareholders	Professional board member
Sari Aitokallio LL.M. (trained on the bench), born 1960	2013	Independent of the company and major shareholders	Metso Plc SVP Finance
Jorma Haapamäki M.Sc. (Eng.), born 1948	2013	Independent of the company and major shareholders	Professional board member
Pekka Korhonen LL.M., M.Sc. (Theol.), born 1952	2010, also in 2007-2008	Independent of the company and major shareholders	NV Kiinteistösi joitus Oy and VVT Kiinteistösi joitus Oy CEO
Pekka Ojanpää M.Sc. (Econ.) born 1966	2014	Independent of the company and major shareholders	Lassila & Tikanoja Oyj President & CEO
Timo Ritakallio LL.M, MBA, born 1962	2008	Independent of the company	President and CEO of Ilmarinen Mutual Pension Insurance Company

All Board members are independent of the company. All of the Board members are independent of major 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 table above. The Board members' shareholdings, key employment history and positions of trust are presented on the company's website at 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 a Charter specifying in more detail the key duties of the Board of Directors, its Chairman, Board Committees, the CEO, and the

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 and investments in real property assets and other exceptional and far-reaching items considering the extent and nature of the activities of the company;

Member-specific Board meeting attendance 2014

Board member	Board meetings		Audit Committee meetings		Remuneration and HR Committee meetings	
		%		%		%
Carl-Johan Granvik	11/11	100	4/4	100	-	-
Sari Aitokallio	11/11	100	4/4	100	-	-
Jorma Haapamäki	11/11	100			4/5	80
Pekka Korhonen	11/11	100	3/4	75	-	-
Pekka Ojanpää ¹⁾	8/8	100			4/4	100
Timo Ritakallio	11/11	100	-	-	5/5	100

Board members whose terms of office have expired

Matti Pennanen ²⁾	3/3	100	-	-	1/1	100
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¹⁾ Member of the Board of Directors and the Remuneration and HR Committee as of March 26, 2014, after which the Board of Directors convened eight times and the Remuneration and HR Committee convened four times.

²⁾ Member of the Board of Directors and the Remuneration and HR Committee January 1 - March 25, 2014, during which time the Board of Directors convened three times and the Remuneration Committee convened once.

- 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 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, 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 and the auditor members attend the meetings as necessary or as summoned by the Board of Directors.

During the financial period 2014, the Board convened 11 times. The attendance rate was 100%. The member-specific attendance rates at Board meetings and Board committee meetings are presented in the table above.

In 2014, key themes in the Board of Directors' work included organic expansion projects related to implementing the company's growth strategy, updating the company's strategic financial objectives, and expanding the company's environmental strategy into a responsibility strategy. The Board of Directors also decided on a share repurchase and continuing the share-based incentive scheme for key employees in 2015–2017.

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 in 2014 is presented in the table below.

Committee members March 26 - December 31, 2014

Audit Committee	Remuneration and HR Committee
Carl-Johan Granvik (chairman)	Timo Ritakallio (chairman)
Sari Aitokallio	Jorma Haapamäki
Pekka Korhonen	Pekka Ojanpää

Committee members January 1 - March 25, 2014

Audit Committee	Remuneration and HR Committee
Carl-Johan Granvik (chairman)	Timo Ritakallio (chairman)
Sari Aitokallio	Jorma Haapamäki
Pekka Korhonen	Matti Pennanen

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 and financing situation;
- 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 areas for internal audit, reviewing the internal audit plans and reports, and monitoring the warranted measures;
- maintaining contact with the external auditor, reviewing the auditor's reports and monitoring the 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;
- reviewing the company's annual Corporate Social Responsibility Report or other corresponding annual report;
- preparing the proposal for resolution on the election of the auditor to the shareholders' meeting.

The members of the Committee must be independent of the company and at least one member must be independent of major shareholders. The committee members must have the expertise and experience required for the duties of the committee, and at least one member must have expertise in the field of accounting, bookkeeping or auditing. The committees convene as necessary and 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 2014, the Audit Committee convened four times. The average attendance rate was 91.7%.

In 2014, 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 risk management and currency hedging.

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 objectives essential 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 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.

During the financial period 2014, the Remuneration and HR Committee convened five times. The average attendance rate was 93.3%.

In 2014, 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 continuation of the share-based incentive scheme aimed at the Group's key employees in 2015–2017.

Chief Executive Officer

According to the Articles of Association, Technopolis has a CEO appointed by the Board of Directors. The Board also decides on the CEO's salary and other benefits and annually sets operational and financial targets for the CEO. The CEO's terms of employment are specified in a written CEO contract.

The CEO is responsible for the supervision and control of the company's routine operations in accordance with the Limited Liability Companies Act and authorizations and guidelines issued by the Board. The central duties of the CEO also include supervising compliance with the strategic plans ratified by the Board and seeing to the implementation of the decisions made by the Board within the limits of the investment policy. The CEO ensures that the Board members continuously receive the information required for monitoring the company's financial position, financial standing and development, as well as significant events, decisions and future projects related to the company's business. The CEO is also responsible for the appropriate preparation of the meeting materials reviewed by Board meetings, and he attends Board meetings, presenting the matters to be dealt with.

Keith Silverang, BA, MBA, born in 1961, has served as the Chief Executive Officer of Technopolis Plc since 2008. He has been with the group since 2004 as, among other things, Vice President in charge of the 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 at the 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 2014. 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.

Technopolis Management Team 12/31/2014

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	VP 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 and Services	2010
Outi Raekivi LL.M., born 1968	Director, Legal Affairs Group HR, Environmental & Sustainability	2013

Chief Investment Officer Sami Juutinen left the company on December 31, 2014.

More detailed information on the Management Team members are presented 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.

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 2014 elected KPMG Oy Ab, Authorized Public Accountants, as the company's auditor. In accordance with the Auditing Act, the maximum number of consecutive terms of office as the auditor, or auditor-in-charge if the auditor is an audit firm, of a publicly listed company is seven years. The company's responsible auditor has been Ari Eskelinen, Authorized Public Accountant, since March 27, 2012. The Annual General Meeting decided that the remuneration to the auditor and the auditor's expenses 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 tasks 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. 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. 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.

Day-to-day control comprises of work instructions, system and manual controls, as well as specification and differentiation of responsibilities and authorizations, job descriptions, approval authorities, deputy arrangements, and financial and other reporting. Technopolis employees have 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 2014, the focus areas of internal control included critical assessment of the company's profitability, operational efficiency, and risk management. All of the company's business areas and cost centers were comprehensively analyzed by an external expert. The results of the survey were reviewed by the Group Management Team, and several measures improving operations both financially and operationally were identified as a result. The implementation of the agreed measures is monitored by way of regular reporting.

Efforts were made to further enhance the practical functionality of the processes by developing the systems, arranging regular training and through active communication. Examples of such efforts include the implementation of a document management system covering the entire group and automation of payments related to purchasing. 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 previously deemed it appropriate to establish a dedicated internal audit organization. However, as a result of the company's growth and internationalization, the company launched measures to establish internal audit at the beginning of 2015. The competence and work input of the Group's experts has previously been 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 have been 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. 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 publishes an annual report on corporate responsibility in accordance with the GRI (Global Reporting Initiative) standards.

Responsibility for financial reporting in accordance with external accounting requirements and for generating internal financial reporting for business operations rests with the Group's financial management under the supervision of the Chief Financial Officer. The management of each business unit, together with the controller organization under the supervision of the Chief Financial Officer, is responsible for producing financial forecasts.

Business planning is based on a long-term strategy prepared jointly by the Board of Directors and the management and approved by the Board, annual action plans, and monthly updated figures on actual performance, and annual forecasts. Quality and quantity objectives are set for different business areas in accordance with the strategy in the annual budget. Financial development and forecasts at both Group level and in the geographical business segments and their regional business units are monitored on a monthly basis through harmonized reporting. The controller organization analyzes actual performance compared with the forecasts and reports on deviations to the company management. Internal financial reports are, as a rule, reviewed monthly by

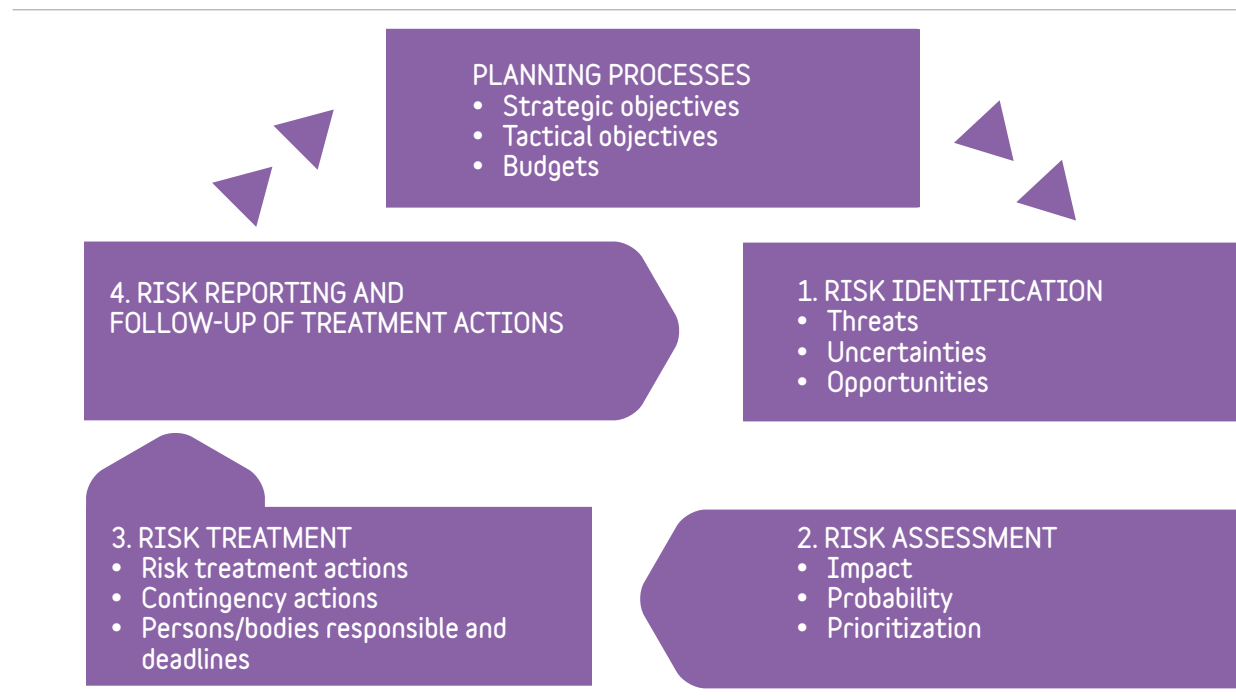
the Group Management Team and the Board of Directors. The consistency and reliability of reporting is also assessed as part of internal control through diverse system controls and balancing.

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

Technopolis has divided risks into several sub-areas, which makes it easier to implement their management within the organization and monitor them in the work of 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 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 even prevent the realization of the risk completely.

In particular, the geographical risk concentrations in certain cities and in Finland, exchange rate risks particularly with regard to the Russian ruble, and challenges related to growing the service

business emerged with regard to risk management in 2014. 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 2014 fiscal period, available on the company's website at www.technopolis.fi.





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