

## Corporate Governance Statement

This Corporate Governance Statement has been composed in accordance with Recommendation 51 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the company's annual report.

### General principles

Solteq Corporation is a public limited company registered in Finland and its head office is located in Tampere, Finland. Solteq Group (Solteq) is comprised of the parent company Solteq Corporation, its three Finnish subsidiaries and one Russian subsidiary.

Decision-making and governance at Solteq comply with the company's Articles of Association, the Finnish Companies Act and other applicable legislation. In addition, the company complies with the recommendations of NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK on corporate governance with the exceptions mentioned in these principles as well as NASDAQ OMX Helsinki Ltd's Guidelines for Insiders. The Russian subsidiary complies with local legislation.

Solteq complies with the Finnish Corporate Governance Code published by the Securities Market Association with the exception that Solteq's Board of Directors does not have separate committees as the extent of the company's operations and the size of the Board of Directors do not require matters to be prepared by a body smaller than the entire Board of Directors.

### Tasks and responsibilities of bodies

The General Meeting of Shareholders, Board of Directors and CEO are in charge of the management of Solteq Group and their tasks are determined as specified by the Finnish Companies Act. The CEO is in charge of Group-level operative activity, assisted by the group's Executive Team.

#### General Meeting

The General Meeting is the highest decision-making body of the company. The Annual General Meeting is arranged once a year on the date determined by the Board of Directors within six months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary. In accordance with the Articles of Association, the General Meeting is held in the company's registered office Tampere. A Summons to a General Meeting of Shareholders and the matters to be discussed in the meeting are issued in a newspaper announcement placed in at least one Finnish-language national daily newspaper and published as a stock exchange release and on the company's web site.

The Annual General Meeting each year resolves the following matters:

- approval of the income statement and balance sheet
- measures occasioned by the profit or loss shown in the approved balance sheet
- discharging members of the Board of Directors and the CEO from liability
- number of Board members and their appointment
- election of the auditor
- remuneration of the Board of Directors and auditors
- other matters mentioned in the summons to the meeting

### **Board of Directors**

The Board of Directors of Solteq Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board of Directors is responsible of duties that are specified in the Articles of Association and the Finnish Companies Act. The main duty for the Board of Directors is to confirm company's strategy and budget, make decisions of financial agreements and make decisions of purchase and sale of significant assets. The Board of Directors follow company's financial development by monthly reports and other information that company's management provide to the Board.

The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies a working order that specifies the meeting procedure of the Board of Directors and its tasks.

In accordance with the working order, the tasks of the Board of Directors are to:

- give instructions and orders for proper organization of management and functions
- appoint CEO and supervise CEO's actions,
- within the limits of the company's business, make decisions on all abnormal or significant issues in respect to the company's extent and quality of present operations,
- represent the company,
- give procuration by the Articles of Association
- act as an plaintiff or defendant on behalf of the company and make decisions of any compensation claims to be made,
- assume responsibility for company's operations, result and development,
- prepare subjects to the General Meeting,
- execute decisions made in the General Meeting,
- reinforce long term strategy,
- approve budget,
- decide on development of investment and significant single investments,
- decide on company and real estate purchases, decide on significant expansion of the business and decide on equity based investments,

- strengthen the Group's policy of controlling the financial risks,
- approve the principles for salaries and other benefits paid to personnel,
- take care of all the duties defined in the Finnish Companies Act, Articles of Association or any other specification that involves the company and are not instructed to other bodies.

In accordance with the Articles of Association, the Solteq Board of Directors has a minimum of five and a maximum of seven regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting of Shareholders following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chair from its members and the Board of Directors is deemed to have a quorum present when half of its members are present. In addition to matters to be resolved, the Board of Directors is given real-time information on the operation, financial standing and risks of the group in the meeting. The Board of Directors convenes 14 to 16 times a year according to an agreed schedule, in addition to which the Board of Directors convenes when necessary. Minutes are kept for all meetings.

In year 2010 Solteq Board of Directors had six members: Ali Saadetdin (Chair), Seppo Aalto, Veli-Pekka Jokiniva, Sirpa Sara-aho, Jukka Sonninen and Markku Pietilä.

From the Board of Directors independent members are Sara-aho, Jokiniva, Pietilä and Sonninen. In addition Sara-aho, Jokiniva and Sonninen are independent from significant stock owners.

The Board of Directors convened 15 times and participation percentage was 90 %. All the absence from the meetings was because of health reasons.

### **CEO**

The Board of Directors appoints the CEO. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. The CEO is assisted in the management of the group by the Executive Team.

Hannu Ahola acted as the CEO of the company until 8 April 2010 and Repe Harmanen starting 20 September 2010.

### **Executive Team**

The Executive Team is appointed by Solteq's Board of Directors. The Executive Team assists the CEO in the operative management of the Company, prepares matters handled by the Board and

the CEO as well as plans and monitors the operations of the business units. The Executive Team convenes when necessary. The CEO acts as a chairman of the Executive Team.

Members of the Executive Team starting December 1, 2010 are Mira Sohlman (ERP), Matti Saastamoinen (EAM), Jouko Kiiveri (DATA), Markus Mäkelä (STORE), Riina Tervaoja (Projects), Kai Hinno (Development), Mari Kuha (HR), Mika Sipilä (Sales) ja Antti Kärkkäinen (Finance).

#### **Internal audit**

The Group does not have any separate organization for the internal audit. The financial department is responsible for the internal audit in practice together with external auditors. The goal is to make sure that the whole group has similar administration and accountancy.

#### **External audit**

Solteq Corporation has one auditor and if the auditor is not a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants), the company has additionally one deputy auditor. The auditors are elected until further notice. The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Solteq Corporation's result and financial position for the financial period. In addition the Auditors report to the Board of Directors on the ongoing auditing of administration and operations.

In 2010 Solteq's auditor was KPMG Oy Ab, Authorized Public Accountants, with Frans Kärki, APA as the auditor in charge.

## **Compensation**

#### **Management of compensation**

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Board decides on the service terms and conditions of the CEO, specified in writing. The compensation principles of the top management are decided by the Board. The Board annually approves the personnel incentive scheme.

#### **Board of Directors**

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Annual General Meeting resolved on March 26, 2010 to compensate the members of the Board according to the following:

- Members EUR 12,000 per year
- Chairman EUR 48,000 per year.

According to share register maintained by Euroclear Finland Ltd, member of Board Seppo Aalto held 1 662 206 shares, Veli-Pekka Jokiniva held 30 000 shares and Jukka Sonninen held 5 000 shares of Solteq Corporation at December 31, 2010.

#### **Chairman of the Board of Directors**

The salary of the Chairman of the Board was EUR 46.242 in 2010. The Chairman of Board is not included in the bonus program of the company.

According to share register maintained by Euroclear Finland Ltd, Chairman of the Board held 3 481 383 shares of Solteq Corporation at December 31, 2010.

#### **CEO**

The Board decides on the service terms and conditions of the CEO, specified in writing. Currently the CEO has:

- 3 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 9 months' fixed salary.

The CEO's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of share-based incentive scheme.

In the financial year 2010 the CEO Hannu Ahola's total salary, including benefits, totaled EUR 143.702,10 until April 8, 2010 and The CEO Repe Harmanen's total salary, including benefits, totaled EUR 48.750,00 starting September 20, 2010.

#### **Executive Team**

The Executive Team's remunerations consists of salary in money, fringe benefits, a possible annual bonus based on performance and share-based incentive scheme. The compensation principles of the Executive Team members are decided by the Board.

The Board of Directors decided on February 26, 2008 to introduce share-based incentive scheme to be a part of Solteq Group's incentive and engagement program. Share-based incentive scheme provides the target group with a possibility to earn a bonus as Company's shares for three one-year-long earnings periods if the set goals are achieved. Earnings periods are calendar years 2008, 2009 and 2010.

The Board of Directors decides the key persons who belong to the target group and their maximum bonus. Maximum bonus will be informed as a number of shares. Achieving the set goals for the earnings period will determine how big proportion of the maximum bonus will be paid to key persons.

Bonus paid based on the share-based incentive scheme will be paid in the end of the earning period as a combination of shares and money. Shares paid as bonus must be owned for two years after the end of the earnings period.

In the target group belong all the Solteq Group's key persons that have been decided by the Board of Directors. All the persons that belong to the target group need to have an employment contract that is valid until further notice in one of Solteq Group companies. Other terms of employment contracts are not effected by the share-based incentive scheme.

In the share-based incentive scheme has three one calendar year earnings period that begin every year January 1 and end every year December 31 at years 2008, 2009 and 2010. Bonus to be paid will be determined after the earnings period based on achieving the set goals by the end of April.

Based on the share-based incentive scheme the maximum amount of shares is 360,000 Solteq Corporation's own shares that can be given to key persons during three-year period.

No bonuses have been paid based on the share-based incentive scheme during the year 2010. No bonuses will be paid from period 1.1.-31.12.2010 either. So after all, no bonuses are to be paid based on the share-based incentive scheme at all.

#### **Shares in Executive Team**

According to the share register maintained by Euroclear Finland Ltd, CEO Repe Harmanen did not hold shares in Solteq Corporation on December 31, 2010. Other members of the Executive Team held 21.500 shares altogether.

### **Internal control and risk management systems associated with financial reporting**

The ultimate responsibility for accounting and financial administration lies with Solteq Corporation's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system. The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

#### **Risk management system**

The Group's risk management is guided by legal requirements, business requirements set by the owners of the company as well as the expectations of the other important stakeholders. The goal of risk management is to identify and acknowledge the risks involved in the company's operations as well as to make sure that the risks are appropriately managed when making

business decisions. The company's risk management supports the attainment of strategic goals and ensures the continuity of business operations.

Solteq takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might endanger the continuity of operations or that are uncontrollable or that can significantly harm the company's operations. Risks are divided into risks related to business operations, personnel, finance, legal and financial risks. In the process of risk management, the goal is to identify and evaluate the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the risk, diminishing the risk by different means or transferring the risk by insurance or agreements. When necessary the Board of Directors will be reported all material changes and new significant risks that are identified in the process of risk management.

In 2010 to the Board of Directors has been reported material risks concerning Company's financial result in the uncertain general financial situation, risks in projects, credit and finance risks and valuation of immaterial assets in the balance sheet.

#### **Control environment**

The goal of Solteq's internal control is to support the implementation of the Group strategy and ensure compliance with regulations. The system is based on Group-level policies, guidelines and processes and controls of business operations and support processes. The operating culture is being built by the steering and control of the company's operations by the Board of Directors, the management methods of the company's management, the company's organizational structure and management system, effective utilization of global information system as well as the employees' competence.

The financial department operating under the CFO is responsible for the general controlling function in the financial reporting. The Group applies the International Financial Reporting Standards (IFRS).

#### **Risk assessment in financial reporting**

The aim of financial reporting is to ensure that assets and liabilities belong to the company; all rights and liabilities of the company are presented in the financial statements; items in the financial statements have been classified, disclosed and described correctly; assets, liabilities, income and expenditure are entered in the financial statements at the correct amounts; all the transactions during the reporting period are included in the accounts; transactions entered in the accounts are factual transactions; and that the assets have been secured. The risk management process includes an annual identification and analysis of risks related to financial reporting. In addition, the aim is to analyze and report all new risks immediately after they have been identified. Taking into account the quality and extent of the Group's business operations,

the most significant risks associated with the reliability of financial reporting are associated with revenue recognition, processing of bad debt reservation, capitalization of product development expenses, impairment testing of assets (including goodwill, capitalized product development expenses and unfinished projects) and deferred tax.

### **Control functions**

The correctness and reliability of financial reporting are ensured through compliance with the Group guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls.

Revenue recognition is based on the existence of obligatory sale documents. The capitalized amount of the Group's product development expenditure is monthly calculated centrally in the financial department. The calculation is based on project-specific monitoring documentation of R&D activities. Goodwill is tested for impairment during the last quarter of the year. In addition indications of impairment are continuously monitored. Information systems support compliance with the Group's acceptance authorizations. Personnel expenses account for a majority of Solteq's expenditure. Actual and forecasted personnel expenses are monitored and the forecasts are updated at a very detailed level regularly. The result of business operations and attainment of annual goals is assessed monthly by Executive Team and Board meetings. Monthly management and Board reporting includes both actual and forecast data compared to the goals and actual results of previous periods.

Solteq has complemented its organic growth with acquisitions in accordance with its strategy. In making acquisitions, the company aims to follow due diligence and utilize its internal and external competence in the planning phase (e.g. due diligence), takeover phase.

### **Communication and information**

The purpose of the management's reporting is to produce aptly timed and essential information for making decisions. The financial department provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with budgeting and forecasting. The Financial department internally distributes information on financial reporting-related processes and procedures on a regular basis and the personnel perform their internal control tasks according to such information. When necessary, financial department also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them. The investor relations maintain the guidelines on the disclosure of financial information in cooperation with financial department.

### **Monitoring**



Monitoring refers to the process to assess Solteq's internal control system and its performance. Solteq also continuously monitors its operations through various assessments, such as internal audits and external audits. Solteq's management monitors internal control as a part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The financial department also monitors the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Solteq's internal control and risk management. Solteq's internal control is also assessed by the company's Auditor. The external auditor verifies the correctness of external annual financial reporting. Performed as part of continuous auditing process, auditing targets on typical controls that ensure the correctness of financial reporting. The most significant observations and recommendations of the audit process according to the auditing plan are reported to the Board of Directors.

## Insider Administration

Solteq's insider guidelines comply with the NASDAQ OMX Helsinki Guidelines for Insiders effective as of January 1, 2006. The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights of the company for a period of two weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window).

By law, the Company's public insiders include members of the Board, CEO, Executive Team, auditors and the auditor in charge of the company of public accountants. In addition, the Company has a company-specific insider register that includes those who regularly receive insider information in their work. Persons who are involved in acquisitions or other projects that have an effect on the valuation of the company's shares, are considered project-specific insiders and are subject to a temporary trading suspension. The Company CFO is in charge of the guidance and supervision of insider issues and also maintains the project-specific insider registers if necessary and permanent insiders register. The insider register of Solteq Corporation is maintained by Euroclear Finland Ltd (previously the Finnish Central Securities Depository Ltd.). The up-to-date shareholdings of the insiders can be seen in Euroclear Finland Ltd's customer service point in Helsinki, Finland, address Urho Kekkosen katu 5 C. The company also maintains a list of insiders on its website.

Valid Corporate Governance statement can be found in the website:  
<http://www.solteq.com/investors>