# Corporate governance statement

SRV Group Plc's corporate governance is based on Finnish legislation, SRV Group Plc's Articles of Association and the 2008 Finnish Corporate Governance Code for listed companies, with the exceptions specified below. SRV Group Plc's shares are listed on NASDAQ OMX Helsinki and the company observes the rules and regulations concerning listed companies that have been issued by the stock exchange as well as the regulations of the Financial Supervisory Authority.

SRV Group Plc follows the 2008 Finnish Corporate Governance Code for listed companies, with the exceptions noted below. The company reports that it deviates from the 2008 Finnish Corporate Governance Code for listed companies in the following respects:

1. In 2010, the company does not follow Recommendation 9 of the Corporate Governance Code, which states that both genders shall be represented on the Board. The Nomination and Remuneration Committee has taken steps to find a suitable female member for the company's Board of Directors. However, the Nomination and Remuneration Committee has not as yet been able to put forward a candidate who would be well-versed in the company's main field of business and who would have agreed to take on the position.
2. The company does not follow Recommendation 18 of the Corporate Governance Code, according to which committees shall as a rule have at least three members, or Recommendation 25, according to which the Audit Committee shall comprise at least three members. According to the standing orders of the committees, they shall have 2-3 members who are elected by the Board from amongst its number. Two members can be appointed to a committee if the Board considers this appropriate in view of the structure of the Board and the number of directors.
3. The company does not follow Recommendation 26 of the Corporate Governance Code, according to which the members of the Audit Committee shall be independent of the company. The Board of Directors considers it appropriate that sufficient expertise in construction, property investment and project development is represented on the Audit Committee. There are thus good reasons for Timo Kokkila, SRV Group Plc's Manager, Project Development, to be a member of the Audit Committee.

The 2008 Finnish Corporate Governance Code for listed companies is available at the Internet site of the Securities Market Association, www.cgfinland.fi.

**Administrative bodies**

The administration, management and supervision of SRV Group Plc are divided between the General Meeting of Shareholders, the Board of Directors and the president. The company's senior management is responsible for the internal audit. The external audit is carried out by auditors. The president attends to line operations with the assistance of the Corporate Executive Team.

## General Meeting

The General Meeting of Shareholders is SRV Group Plc's highest decision-making body. Each SRV share confers its holder the right to one vote at a General Meeting.

General Meetings are convened by the Board of Directors. A notice of a general meeting is published on the company's Internet pages and in one national newspaper no earlier than three months and no later than three weeks before the meeting. However, said notice of general meeting must be published no less than nine days before the general meeting record date, as defined by the Limited Liability Companies Act. Shareholders who are registered in the company's shareholder list eight weekdays before the General Meeting shall have the right to participate. In order to participate in a General Meeting, a shareholder must notify the company of his or her intention to attend no later than the date mentioned in the notice, which may be no earlier than 10 days before the meeting. An Extraordinary General Meeting shall be held when the Board of Directors deems it necessary or when required by law.

Meetings shall deal with the matters specified in the Articles of Association as being the business of Annual General Meetings. These matters include taking decisions on matters such as the election of Board members, the chairman of the Board, the auditor and deputy auditor, their remuneration, the adoption of the financial statements and consolidated financial statements, release of the Board members and president from liability and the disposal of profits shown in the balance sheet. The General Meeting may also deal with other matters specified in the Companies Act as being the business of General Meetings, such as increases or decreases in the share capital, issuance of new shares, buyback of shares, and amendments to the Articles of Association. In addition, the GeneralMeeting will deal with matters included on the agenda by shareholders as set out in the Companies Act.

The president, the chairman of the Board and a sufficient number of Board members shall attend General Meetings in order to ensure that the shareholders and the administrative bodies of the company can interact and shareholders can exercise their right to ask questions. A person who is proposed as a Board member for the first time shall participate in the General Meeting deciding on his or her membership, unless there are weighty reasons for his or her absence.

## Board of Directors

SRV Group Plc's Board of Directors comprises five to eight members who are elected by the General Meeting. The General Meeting elects one of the Board members as its chairman. The Board of Directors elects the vice chairman from amongst its number. The term of office of a Board member begins at the General Meeting at which he or she was elected and ends at the close of the next Annual General Meeting. The Board of Directors evaluates the independence of its members and announces which of its members have been deemed to be independent of the company and of its major shareholders.

The General Meeting of 16 March 2010 elected six members to the Board of Directors. The following persons were elected:

- Ilpo Kokkila
  Chairman of the Board of Directors

- Lasse Kurkilahti
  Vice Chairman of the Board of Directors
- Arto Hiltunen
- Timo Kokkila
- Matti Mustaniemi
- Ilkka Saloniemi

Of the members, Lasse Kurkilahti, Arto Hiltunen, Matti Mustaniemi and Ilkka Salonen are independent of both the company and its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company. Timo Kokkila is not independent of the company and is not independent of a major shareholder.

The Board of Directors convened 11 times in 2009. On average, 94.3% of the Board members attended the meetings of the Board.

The Board of Directors is responsible for the administration of the company and the due organisation of operations. In addition to the tasks set forth in the Companies Act, the Board of Directors approves the company's vision, mission and values as well as ratifies the strategies, budgets and business plans set to achieve them. Furthermore, the Board of Directors appoints the president and both directs and oversees his work. The Board of Directors ensures the functionality of the company's management system and approves its principles for risk management and internal control. The Board of Directors also decides on matters that have a significant bearing on operations, such as key investments and commitments, acquisitions of companies and business functions as well as the compensation and incentive schemes for line management and personnel.

The Board of Directors has prepared written standing orders for itself, specifying the key tasks and operating principles of the Board and its chairman. The chairman of the Board ensures and supervises that the Board discharges the tasks set for it in legislation and the Articles of Association.

The Board of Directors meets regularly as set in the meeting schedule, which is confirmed in advance, and also when necessary. The Board of Directors has a quorum when more than half of the members are present and one of them is the chairman or the vice chairman. The CEO and the chief legal counsel, who serves as the secretary of the Board, participate in Board meetings. Other members of the Corporate Executive Team participate in Board meetings on the invitation of the Board.

The Board of Directors shall conduct an annual assessment of its activities and working procedures.

**Board committees**

The Board of Directors has decided to establish two committees: an Audit Committee and a Nomination and Remuneration Committee. The committees function in accordance with the standing orders confirmed by the Board of Directors and they report to the Board. The committees do not have independent power of decision. Their task is to prepare matters for decision by the Board of Directors and the General Meeting.

**Audit Committee**
The Audit Committee deals with matters concerning the company's financial reporting and monitoring. It assists the company's Board of Directors by monitoring and overseeing the company's financial situation and reporting as well as by ensuring that the monitoring of the company's accounting and handling of funds, internal control, risk management, audit and the company's operations have been arranged in compliance with the legislation and regulations in force and the decisions of the company's Board of Directors. In addition, the Audit Committee prepares the election of the auditor for presentation to the General Meeting.

The Audit Committee is comprised of 2-3 members whom the Board of Directors elects from amongst its number. The chairman of the Audit Committee is Matti Mustaniemi. Lasse Kurkilahti and Timo Kokkila serve as members of the Audit Committee since the Annual General meeting which was held 16 March 2010. Of the members, Lasse Kurkilahti and Matti Mustaniemi are independent of both the company and its major shareholders. Timo Kokkila is not independent of the company and is not independent of a major shareholder.

The Audit Committee met five times during 2009. Attendance at meetings was 90%.

**Nomination and Remuneration Committee**
The Nomination and Remuneration Committee prepares matters concerning the election and remuneration of members of the Board of Directors and its chairman for presentation to the General Meeting. In addition, the committee considers matters relating to the nomination and compensation of management as well as the remuneration and incentives of personnel.

The Nomination and Remuneration Committee is comprised of 2-3 members elected by the Board of Directors from amongst its number. The committee's chairman is Ilpo Kokkila and the other members since the Annual General meeting which was held 16 March 2010 are Arto Hiltunen and Ilkka Salonen. Of the members, Arto Hiltunen and Ilkka Salonen are independent of both the company and its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company.

The Nomination and Remuneration Committee met three times during 2009. Attendance at meetings was 100%.

**President and CEO**
The president is in charge of the company's line operations and day-to-day administration. He is accountable to the Board of Directors for the achievement of the goals, plans, policies and objectives set by the Board of Directors. The president ensures that the company's bookkeeping complies with the applicable law and that management of funds is handled in a reliable manner. He prepares matters to be dealt with and decided by the Board of Directors and carries out the decisions of the Board. The president also serves as the chairman of the Corporate Executive Team. The Board of Directors appoints and dismisses the president and the deputy to the president.

Hannu Linnoinen, LL.M., M.Sc. (Econ) serves as the president of SRV Group Plc until 31 July 2010 and after Jukka Hienonen M.Sc. (Econ). Timo Nieminen, M.Sc. (Eng.), is the senior executive vice president and the deputy to the president.

**Corporate Executive Team**

The Corporate Executive Team and its working committee assist the president and CEO in planning operations and in line management as well as prepare matters to be dealt with by the parent company's Board of Directors. The Corporate Executive Team deals with matters concerning business operations as well as operations control and development.

The members of the Corporate Executive Team are:

| | |
|---|---|
| Hannu Linnoinen | President and CEO, Chairman |
| Timo Nieminen | Deputy CEO, Vice Chairman |
| Juha Pekka Ojala | President, Business Premises |
| Veli-Matti Kullas | President, Russia |
| Juha-Veikko Nikulainen | Executive Vice President, Housing |
| Katri Innanen | Chief Legal Counsel |
| Valtteri Palin | Senior Vice President, Financial Administration |
| Pirjo Ahanen | Senior Vice President, HR |
| Jussi Ollila | Senior Vice President, Communications and Marketing |

The working committee of the Corporate Executive Team includes Hannu Linnoinen, Timo Nieminen, Juha Pekka Ojala, Veli-Matti Kullas, Juha-Veikko Nikulainen and Jussi Ollila. The vice president in charge of Development Affairs acts as the secretary of the Corporate Executive Team and its working committee. In 2009, the Corporate Executive Team convened 12 times and the working committee 32 times.

**Remuneration, salaries and bonuses**

The General Meeting decides on the remuneration paid to the members of the Board of Directors and the committees. The company's Board of Directors decides on the terms of employment of the president and members of the Corporate Executive Team and their other compensation.

**Board of Directors' remuneration**

The Annual General Meeting held on 16 March 2010 confirmed the following monthly fees: EUR 5,000 for the chairman of the Board, EUR 4,000 for the vice chairman and EUR 3,000 for other Board members. In addition, it was decided that members would be paid EUR 500 for meetings of the Board of Directors and the committees.

Total remuneration of the Board members for 2009 amounted to:

| | |
|---|---|
| Ilpo Kokkila, Chairman of the Board | 70,000 |
| Lasse Kurkilahti, Vice Chairman of the Board | 58,500 |
| Jukka Hienonen | 46,000 |
| Hannu Leinonen | 21,000 (24.3.-30.9.2009) |
| Matti Mustaniemi | 45,000 |
| Markku Sarkamies | 14,000 (1.1.-24.3.2009) |
| | Total 254,500 |

**Terms of the president's contract and his shareholding**
As the president is serving on a temporary basis, SRV Group Plc and Hannu Linnoinen have not made a separate CEO agreement. According to his contract, his period of notice is six months. If SRV Group Plc dismisses Hannu Linnoinen, he is entitled to receive termination compensation amounting to six months' full pay over and above his salary for the period of notice. The president's retirement age and pension are set in accordance with the legislation in force.

The maximum amount of the performance bonus paid to the president is equivalent to three months' salary. The maximum amount of the share bonus corresponds to nine months' salary.

President Hannu Linnoinen owns 615,566 SRV Group Plc shares, representing 1.67% of SRV Group Plc's shares and votes. As at 31 December 2009, 326,000 of the shares owned by Hannu Linnoinen are subject to lockup terms such that he is entitled to sell 81,500 shares as from 1 January 2010, 81,500 as from 1 January 2011, 81,500 as from 1 January 2012 and 81,500 as from 1 January 2013. The other shares owned by Hannu Linnoinen are freely transferable.

On 15 December 2009, SRV Group Plc and Jukka Hienonen signed a president's contract under which he will assume the position of president no later than 1 August 2010. The president is entitled to retire at 60 years of age. SRV Group Plc pays pension contributions amounting to 20% of the president's salary, exclusive of performance bonuses. SRV is not responsible for the amount of the pension payable later. The contractual period of notice is six months. If SRV Group Plc dismisses the president, he shall be paid termination compensation amounting to 12 months' pay. If the president terminates the contract before serving for more than two years, he will be paid termination compensation amounting to six months' pay. If the president terminates the contract after serving for more than two years, he will be paid termination compensation amounting to 12 months' pay.

**Bonus schemes**
The company's management is covered by the Group's bonus scheme, which is decided on annually. The amount of the performance bonuses paid depends on the Group's result, the result of the business area and personal performance. The Board of Directors approves the principles of the performance bonus scheme and the bonuses to be paid for one year at a time. The bonus that is paid may not exceed three months' salary.

In the contract between SRV Group Plc and Jukka Hienonen, it is agreed that the performance bonus to be paid to him is based on the profits of SRV Group and that it shall amount to a maximum of 40% of the president's annual salary.

SRV Group Plc's Board of Directors has also ratified the principles of the sharebased incentive scheme for key employees in 2008–2010. The Board of Directors approves the criteria and targets of the scheme annually. The key criteria are based on the performance of the Group and business areas. Equity bonuses may not exceed nine months' salary. Shares received under the scheme are subject to a lockup agreement that is in effect until the end of the calendar year in which two years have elapsed since the shares were earned.

SRV Group Plc has made share incentive agreements with Jukka Hienonen and two executives. Under the agreement made with Jukka Hienonen, he will be granted 1,500,000 rights entitling him to either subscribe for or purchase 1,500,000 SRV Group Plc shares at a price of EUR 4.80 per share (weighted average price for the six months preceding the agreement) or receive an amount of cash equivalent to the benefits from the exercise of the rights, as decided by the company. These rights can be exercised during five periods, the first of which will begin on 1 August 2010 and the last of which will end on 31 July 2016. According to the terms of the scheme, half of the post-tax value of the rewards must be tied to SRV Group Plc shares and the shares are subject to a two-year lockup agreement. A similar incentive agreement has been made with one of the executives, with 500,000 rights granted.

In addition, one of the business area executive vice presidents has an agreement concerning a share incentive scheme in accordance with which he has the right to an equity bonus based on the trend in the value of the company's share during 2006–2013. The maximum total bonus for 2010–2013 is 100,000 shares per year, of which 25,000 shares per year, at the most. The company's Board of Directors decides whether the equity bonus will be paid in shares or as an equivalent cash payment.

**Salaries and compensation paid by SRV to the president, his deputy and the Corporate Executive Team**

| EUR | Regular salary including fringe benefits 2009 | Bonuses paid 2009 | Total 2009 |
|---|---|---|---|
| President and CEO Eero Heliövaara (1.1.–11.8.2009) | 169,176 | — | 169,176 |
| President and CEO Hannu Linnoinen (12.8.–31.12.2009) | 104,316 | — | 104,316 |
| Deputy CEO | 145,409 | 14,600 | 160,009 |
| Other Corporate Executive Team members | 794,363 | 59,303 | 853,666 |

**Employee shareholding scheme 2005**

In autumn 2005, SRV Henkilöstö Oy, a personnel fund, directed a share issue at the personnel and members of the Board of Directors of SRV Group with the purpose of building the personnel's commitment to the company's long-term objectives. In connection with the listing of SRV Group Plc in 2007, SRV Henkilöstö Oy merged into SRV Group Plc and its shareholders received new SRV Group Plc shares as merger consideration. The merger consideration was determined on the basis of the listing price such that for each SRV Henkilöstö Oy share owned, the shareholder received about 16.33 SRV Group Plc shares.

According to the merger plan, ownership of SRV Group Plc shares received as merger consideration has been tied to the continuation of the employment relationship, and transfer of the shares has been limited such that the shareholder has the right to sell 20% of his or her shares as from 1 January 2008, 20% as from 1 January 2010, 20% as from 1 January 2011, 20% as from 1 January 2012 and 20% as from 1 January 2013. Insofar as a person's employment relationship ceases otherwise than as a result of death or retirement, the person is obligated to hand over, upon the severance date, the shares that are subject to lockup terms to the company or to a party designated by it.

### Insiders

The insiders of SRV Group Plc consist of the insiders with a duty to declare in accordance with the Finnish Securities Markets Act, permanent company-specific insiders as well as project-specific insiders. The insiders with a duty to declare are, on the basis of their position, the members of the Board of Directors, the president and CEO, the executive vice presidents, the members of the Boards of Directors of the major subsidiaries and their presidents, the members of the Group's Corporate Executive Team, the auditor and the deputy auditor. The permanent company-specific insiders are the persons separately defined in the Insider Guidelines. SRV Group Plc complies with the Insider Guidelines issued by the Helsinki Stock Exchange, in accordance with which the Board of Directors of SRV Group Plc has confirmed the company's Insider Guidelines. In accordance with these guidelines, it is recommended that a permanent insider time his or her trading in the company's shares to coincide with times when the markets have the fullest possible information on matters affecting the value of the share. Accordingly, persons entered in SRV Group Plc's Permanent Insider Register must not trade in securities issued by the company 14 days prior to the publication of a financial statement bulletin and interim report.

SRV Group Plc's insider registers are maintained by the Group's Legal Affairs unit, which updates information concerning insiders with a duty to declare. This information is to be entered in the public register of insiders in the NetSire service maintained by Finnish Central Securities Depository Ltd, and it can be viewed on the Internet.

### Audit

The auditor is elected at the Annual General Meeting to a term of office that ends at the close of the next Annual General Meeting following the auditor's election.

The Annual General Meeting held on 16 March 2010 elected Ernst & Young Oy, Authorised Public Accountants, as the regular auditor, with Mikko Rytilahti, Authorised Public Accountant, as the chief auditor.

In 2009, the auditor was paid auditing fees of EUR 236,000. In addition, the auditor was paid EUR 18,000 for other services (including all the companies belonging to the same group or chain).

## Major characteristics of the internal control and risk management systems related to SRV's financial reporting

SRV continuously monitors its functions to ensure that the result of its operations is reliable. The objective of internal control is to ensure that the company's operations are efficient and

productive, reporting is reliable and that laws and regulations are complied with. However, the internal control system cannot provide full certainty that risks can be prevented.

SRV's business operations are guided by consistent Group-wide business principles, decision-making authorizations and values. Internal control is founded on a healthy corporate and management culture and specified reporting and the grounds thereof. In particular, internal control is based on financial reports, management reports, risk reports and internal audit reports. The company's main operations are controlled by means of written internal operating policies and procedures. SRV's business operations are based on the implementation of construction projects. SRV's revenue is generated by construction projects, and the company's result depends on the profitability of individual projects as well as their progress.

## Financial control

The internal control system applied to business operations is the responsibility of the executive teams of the business areas and the controller function in accordance with SRV's Group principles and instructions. In ensuring the effectiveness and efficiency of operations, a key control process is the monthly financial reporting process with analyses of deviations between actual results, budgets and continuously updated forecasts of business performance and construction projects.

The Board of Directors of SRV Group Plc and the Auditing Committee, the Corporate Executive Team and the working committee of the Corporate Executive Team, the management teams of the business areas and the financial administration are responsible for the Group's internal control system. In ensuring the accuracy of the Group's financial reporting, a key control process is the monthly management financial reporting process with analyses of deviations between actual results, budgets and continuously updated forecasts.

Financial management and the control of operations are supported and co-ordinated by the Group's financial administration and the controller organisation of SRV's business functions. SRV has drafted Grouplevel reporting models for standardising the financial reporting of the business functions. The reports of the business functions seek to ensure that control covers all the major aspects of business operations. This ensures that any deviations from financial objectives are identified, communicated and reacted to efficiently, in a harmonized and timely manner.

Financial control measures also include the ongoing business control procedures of the management. Financial reports define the key control indicators that aim to measure and support business efficiency and consistency and to monitor the achievement of the set objectives.

The Board of Directors has approved the internal approval limits drafted by the Corporate Executive Team.

## Reliability of financial reporting

Monitoring of the reliability of financial reporting is based on the principles and guidelines SRV has set for the financial reporting process.

The interpretation and application of financial statement standards are centralized in the Group's financial administration, which maintains the SRV IFRS Accounting Manual under the supervision of the company's Audit Committee. The Group's financial administration oversees compliance with these standards and instructions.

The supervision of budgeting and reporting processes is based on SRV's budgeting instructions. The Group's financial administration is responsible for drafting and maintaining these instructions on a centralised basis. The principles are applied consistently throughout the Group.

## Internal audit

The internal audit operates under the Board of Directors of SRV Group Plc. The Board of Directors may use an external service provider to attend to the internal audit. The internal audit reports to the Board's Audit Committee, the president and the senior vice president, financial administration.

The audits are based on the Audit Plan, which is approved annually by the Audit Committee. Reports on the audits carried out are submitted to the Audit Committee and annually to the company's Board of Directors.

## Shareholdings, 31 Jan 2010

Members of Board

| | |
|---|---|
| Ilpo Kokkila | 13,552,000 shares |
| Ownership of companies under his control | 5,178,129 shares |
| In addition, SRV Group Plc and SRV Kalusto Oy, which are under Ilpo Kokkila's control, owns SRV Group Plc's shares | 1,000,000 shares |
| Arto Hiltunen | none |
| Ownership of companies under his control | none |
| Timo Kokkila | 5,000 shares |
| Ownership of companies under his control | none |
| Lasse Kurkilahti | 2,200 shares |
| Ownership of companies under his control | none |
| Matti Mustaniemi | 65,322 shares |
| Ownership of companies under his control | none |
| Ilkka Salonen | none |
| Ownership of companies under his control | none |

President and his deputy

| | |
|---|---|
| Hannu Linnoinen | 615,566 shares |
| Ownership of companies under his control | none |
| Timo Nieminen | 418,266 shares |
| Ownership of companies under his control | none |

Other members of the Corporate Executive Team

| | |
|---|---|
| Pirjo Ahanen | 1,700 shares |
| Katri Innanen | none |
| Veli-Matti Kullas | 103,984 shares |
| Juha-Veikko Nikulainen | 2,000 shares |
| Jussi Ollila | 1,000 shares |
| Juha Pekka Ojala | 99,984 shares |
| Valtteri Palin | 19,597 shares |