

## Corporate Governance Statement 2010

SRV Group Plc's corporate governance is based on Finnish legislation, SRV Group Plc's Articles of Association and the 2010 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 2010 Finnish Corporate Governance Code for listed companies, with the exceptions noted below. The company reports that it deviates from the 2010 Finnish Corporate Governance Code for listed companies in the following respects:

1. The company does not follow Recommendation 9 of the Corporate Governance Code, which states that both genders shall be represented on the Board. In connection with the preparations for the 2010 Annual General Meeting, 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 was not at the time 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 comply with Recommendation 22 of the Corporate Governance Code, according to which a committee shall have no less than 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, who has acted as SRV Group Plc's Manager, Project Development, to have been appointed member of the Audit Committee in the first Board of Directors' meeting since the General Meeting of 16 March 2010. Timo Kokkila's employment relationship with SRV Group has ended after the end of the financial year 2010.

The 2010 Finnish Corporate Governance Code for listed companies is available at the Internet site of the Securities Market Association, [www.cgfinland.fi](http://www.cgfinland.fi).

This statement is published separately from the Report of the Board of Directors.

### 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 and CEO. The company's senior management is responsible for the internal audit. The external audit is carried out by auditors. The President and CEO 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 in one nationwide newspaper no earlier than three months and no later than three weeks before the meeting. The notice, the documents to be presented to the General Meeting and the proposals to the General Meeting are also published on the company's Internet site. 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 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 the President and CEO 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 General Meeting will deal with matters included on the agenda by shareholders as set out in the Companies Act.

The President and CEO, 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.

Up until the General Annual Meeting held 16 March 2010, the members of the Board of Directors

were Ilpo Kokkila (Chairman of the Board), Lasse Kurkilahti (Vice Chairman of the Board), Jukka Hienonen and Matti Mustaniemi.

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, M.Sc. (Eng.), born 1947  
Pontos Oy, Chairman of the Board
- Lasse Kurkilahti, Vice Chairman of the Board, M.Sc. (Econ.), born 1948  
Senior Adviser
- Arto Hiltunen, M.Sc. (Econ.), born 1958
- Timo Kokkila, M.Sc. (Eng.), born 1979  
Manager, Project Development, SRV Group Plc (until 2/2011), Pontos Group,  
Investment Director (from 3/2011)
- Matti Mustaniemi, M.Sc. (Econ.), born 1952
- Ilkka Salonen, M.Soc.Sc., born 1955

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

The Board of Directors convened 11 times in 2010. On average, 98.7% of the Board members attended the meetings of the Board.

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 efficiently and purposefully discharges the tasks set for it in legislation, the Articles of Association and standing orders.

According to the standing orders, 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 and values as well as annually ratifies the strategies, budgets and business plans set to achieve them. The Board of Directors decides on the most significant business matters concerning the Group, such as substantial investments and commitments as well as acquisitions of both companies and business operations. The Board of Directors ensures the functionality of the company's management system and approves its principles for risk management and internal control. Furthermore, the Board of Directors appoints the President and CEO and the deputy CEO and both directs and oversees the work of the CEO. The Board of Directors appoints the Corporate Executive Team and decides on the compensation and incentive schemes for line management and personnel.

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 enhance the effectiveness of the Board of Directors by preparing matters for decision by the Board and the General Meeting.

### **Audit Committee**

The Audit Committee deals with matters concerning the company's financial reporting and monitoring. Its tasks include overseeing the Group's financial situation, monitoring the financial reporting process and the interim reports, financial statements and audit, evaluating the effectiveness of internal control, internal audit and risk management systems, preparing the financial policy, and overseeing collateral. 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. Two members can be appointed to the committee if the Board considers this appropriate in view of the structure of the Board and the number of directors.

The chairman of the Audit Committee is Matti Mustaniemi. Until the Annual General Meeting held on 16 March 2010, Lasse Kurkilahti served as member of the Audit Committee. After the General Meeting of 16 March 2010, Lasse Kurkilahti and Timo Kokkila served as members of the Audit Committee. Of the members, Matti Mustaniemi and Lasse Kurkilahti are independent of the company and its major shareholders. Timo Kokkila is a major shareholder and is not independent of the company.

The Audit Committee met four times during 2010. Attendance at meetings was 90.9%.

### **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 the CEO and other management as well as the remuneration and incentives of personnel. The committee evaluates the activities of senior management.

The Nomination and Remuneration Committee is comprised of 2-3 members elected by the Board of Directors from amongst its number. Two members can be appointed to the committee if the Board considers this appropriate in view of the structure of the Board and the number of directors.

The chairman of the Nomination and Remuneration Committee is Ilpo Kokkila. Until the Annual General Meeting held on 16 March 2010, Jukka Hienonen served as member of the Nomination and Remuneration Committee. After the General Meeting of 16 March 2010, the other members are Arto Hiltunen and Ilkka Salonen. Of the members, Arto Hiltunen and Ilkka Salonen are independent of the company and of its major shareholders. Ilpo Kokkila is a major shareholder and is not independent

of the company.

The Nomination and Remuneration Committee met four times during 2010. Attendance at meetings was 100%.

### **The President and CEO**

The President and CEO 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 and CEO 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 and CEO also serves as the chairman of the Corporate Executive Team. The Board of Directors appoints the CEO and his deputy and relieves them of their duties.

Hannu Linnoinen, LL.M., B.Sc. (Econ.), (born 1957), served as SRV Group Plc's President and CEO until 31 July 2010, after which the position was assumed by Jukka Hienonen, M.Sc. (Econ.), (born 1961). The deputy to the President and CEO of SRV Group Plc is Timo Nieminen, M.Sc. (Eng.), (born 1958).

### **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 and the working committee deal with matters concerning business operations as well as operations control and development.

The members of the Corporate Executive Team are:

Jukka Hienonen	The President and CEO
Timo Nieminen	Senior Executive Vice President, Project Development in Finland, Deputy CEO
Hannu Linnoinen	Senior Executive Vice President, CFO
Juha Pekka Ojala	Senior Executive Vice President, Business Operations in Finland
Veli-Matti Kullas	Director, Project Development in Russia
Jussi Kuutsa	Country Director, Russia
Juha-Veikko Nikulainen	Director, Housing in Finland
Pirjo Ahanen	Director, HR
Katri Innanen	Chief Legal Council
Jussi Ollila	Director, Communications and Marketing until 1 August 2010
Valtteri Palin	Director, Financial Administration

The working committee of the Corporate Executive Team includes Jukka Hienonen, Hannu Linnoinen, Timo Nieminen, Juha Pekka Ojala, Veli-Matti Kullas, Juha-Veikko Nikulainen and Jussi Ollila (until 1 August 2010). The Director in charge of Development Affairs acts as the secretary of the Corporate Executive Team and its working committee. In 2010, the Corporate Executive Team convened 12 times and the working committee 30 times.

### Remuneration

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 CEO, Deputy CEO and members of the Corporate Executive Team and their other compensation. For more detailed information on remuneration, see the salary and remuneration report published on SRV Group Plc's Internet site

([http://www.srv.fi/investors/corporate\\_governance/remuneration](http://www.srv.fi/investors/corporate_governance/remuneration)).

### 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. Travel expenses of the members of the Board of Directors are paid according to the Company's travel rules.

Total remuneration of the Board members for 2010 amounted to:

	EUR
Ilpo Kokkila, Chairman of the Board	68,500
Lasse Kurkilahti, Vice Chairman of the Board	56,000
Jukka Hienonen (1.1.–16.3.2010)	10,565
Arto Hiltunen (16.3.–31.12.2010)	33,548
Timo Kokkila (16.3.–31.12.2010)	34,548
Matti Mustaniemi	45,000
Ilkka Salonen (16.3.–31.12.2010)	34,048
Total	281,709

## Salaries and compensation paid by SRV to the President and CEO, his deputy and the Corporate Executive Team in 2010

EUR	Regular salary including fringe benefits	Bonuses paid	Share payments	Total
President and CEO Hannu Linnoinen (1 Jan–31 Jul 2010)	163,202	--	--	163,202
President and CEO Jukka Hienonen (1 Aug–31 Dec 2010)	221,609	--	--	221,609
Deputy CEO	152,992	8,926	--	161,918
Other members of the Corporate Executive Team	935,401	69,459	196,674	1,201,534

### 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 Ryttilahti, Authorised Public Accountant, as the chief auditor.

In 2010, the auditor was paid auditing fees of EUR 230,000. In addition, the auditor was paid EUR 55,000 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 authorisations 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 internal control system applied to business operations is the responsibility of SRV Group Plc's Board of Directors and Audit Committee, the Corporate Executive Team and its working committee, the executive teams of the business areas and the financial administration. 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 Group-level 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 harmonised 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 centralised 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 CEO 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.

## Shareholding 25 Jan 2011

### Members of the Board of Directors

Ilpo Kokkila	9,034,712 shares
Ownership of companies under his control	5,178,129 shares
In addition, SRV Group Plc, which is under Ilpo Kokkila's control, owns its own shares, totalling	957,916 shares
Arto Hiltunen	none
No controlled company ownership	
Timo Kokkila	4,522,288 shares
No controlled company ownership	
Lasse Kurkilahti	2,200 shares
No controlled company ownership	
Matti Mustaniemi	60,000 shares
No controlled company ownership	5,800 shares
Ilkka Salonen	2,200 shares
No controlled company ownership	

### The President and CEO and his deputy

Jukka Hienonen	20,000 shares
Ownership of companies under his control	none
Timo Nieminen	418,266 shares
No controlled company ownership	

**Corporate Executive Team**

Pirjo Ahanen	1,700 shares
Katri Innanen	none
Veli-Matti Kullas	103,984 shares
Jussi Kuutsa	none
Hannu Linnoinen	615,566 shares
Juha-Veikko Nikulainen	10,080 shares
Juha Pekka Ojala	106,744 shares
Valtteri Palin	19,597 shares