

Efore Plc's Corporate Governance Statement for the fiscal year 2009

The obligations of Efore's decision-making bodies are defined in accordance with Finnish legislation and the principles established by the Board of Directors. Efore's corporate governance complies with the provisions of the Companies Act.

In addition, Efore complies with the Insider Guidelines issued by the NASDAX OMX Helsinki Oy and the Finnish Corporate Governance Code for Listed Companies issued by Securities Market Association in 2008 except a deviation from the Code's recommendation Nr. 22 concerning the election of members to the Nomination Committee.

The Corporate Governance Code is publicly available, e.g. on the website of the Securities Market Association, address www.cgfinland.fi.

The consolidated financial statements were authorized for issue by the Board of Directors of Efore Plc on December 10, 2009 and are available in Annual Report at the website of Efore, address www.efore.com.

Group structure

Efore Group consists of the parent company, Efore Plc, and its directly or indirectly wholly owned subsidiaries in Finland and abroad.

The governance and operations of the Group are the responsibility of the parent company's decision-making bodies and authorities, which are the Annual General Meeting, Board of Directors and the President and CEO. The President and CEO is assisted by the Executive Management Team. The operations of the subsidiaries are the responsibility of their respective Boards of Directors, which comprise the Group's President and CEO and other representatives of the Group's senior management. The Group's President and CEO is also chairman of the Board of Directors of each of the subsidiaries. Efore Plc provides the subsidiaries with joint Group services and is also responsible for its strategic planning and finances.

The Group's operative organization is based on global functional line organizations and three geographical sales areas, Europe, America, and Asia.

Shareholders' meeting

The functions of a shareholders' meeting as the company's supreme decision-making authority are defined in the Com-

panies Act and Efore's Articles of Association. At shareholders' meetings, shareholders are able to exercise their right to speak and vote.

Annual General Meeting convenes annually and matters decided upon by the AGM include e.g. adopting the financial statements, distribution of dividend, electing auditors and Board members and determining their remuneration and discharging the Board of Directors and the President and CEO from liability.

The Chairman of the Board, the President and CEO and the Auditor shall be present at the Annual General Meeting and also other Board Members, if possible and also such persons as have been proposed for Board membership for the first time unless there is a compelling reason.

In addition to the Annual General Meeting, extraordinary shareholders' meetings may be organized as necessary.

The Invitation to the Annual General Meeting and Extraordinary General Meeting shall be published at the Company's Internet pages at the earliest two (2) months and at the latest twenty-one (21) days before the meeting. The Board of Directors may also decide to inform about the general meetings in one or more newspapers.

2009 Members of the Board including the Chairman as well as the President and CEO and the Auditor were present at the Annual General Meeting held on January 29, 2009.

Board of Directors

Appointing Board members

The Nomination Committee of the Board of Directors prepares a proposal concerning Board members. The Annual General Meeting elects the members of the Board of Directors by simple majority vote for a term of office that ends with the close of the next Annual General Meeting following their election. The Board of Directors elects from among its members a Chairman and Deputy Chairman.

Composition of the Board of Directors

As set out in Efore's Articles of Association, the Board of Directors shall have no less than three and no more than ten ordinary members. The company's President and CEO is not a member of the Board of Directors.

The composition shall take into account the needs of the company operations and the development stage of the company. A person to be elected to the board shall have the qualifications required by the duties, sufficient knowledge of financial matters and business operations. A person to be elected to the Board shall have the possibility to devote a sufficient amount of time to the work.

The majority of the directors shall be independent of the company. In addition, at least two of the members representing this majority shall be independent of significant shareholders of the company.

2009 Composition of the Board of Directors during the fiscal year 2009:

Isto Hantila, Chairman of the Board, Independent of the company and the company's main shareholders

Marko Luoma, Independent of the company and the company's main shareholders

Ari Siponmaa, Independent of the company and the company's main shareholders

Timo Syrjälä, Independent of the company and the company's main shareholders

Matti Tammivuori, Independent of the company

Matti Viikkula, Deputy Chairman of the Board, Independent of the company and the company's main shareholders

Members of the Board are presented at the end of this statement.

Duties and responsibilities of the Board

The Board of Directors has general decision-making authority in all company matters that are not stipulated (by law or under the Articles of Association) for the decision or action of another party. The Board is responsible for the governance of the company and for duly organizing its operations. It also approves the corporate strategy, the risk management principles, the Group's corporate values, the operating plan and related annual budget, and decides on major investments.

The main duties and operating principles of the Board of Directors are given in a separate working order. This refers to the declaration of a quorum at Board meetings, the writing and approval of minutes, and the preparations needed on matters for decision. The Board of Directors reviews its own working procedures through an annual self-evaluation process.

2009 The Board of Directors met 15 times during the fiscal year 2009 and the participation rate of the Board members was 97%.

Board committees

The Board of Directors has two committees that assist in its work; the Audit committee and the Nomination Committee. The Board of Directors elects among its members committee members and Chairman of the committees. External members can be also members of the Nomination Committee.

The committees' working orders set out the duties and operating principles for each committee. The committees report their work to the Board of Directors on a regular basis.

The main duties of the Audit Committee are to examine the company's finances; oversee compliance with the law and the relevant standards; monitor the reporting process of financial

statements, supervise the financial reporting process, monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems; review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; monitor the statutory audit of the financial statements and consolidated financial statements, evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited and prepare the proposal for resolution on the election of the auditor.

The main duties of the Nomination Committee are to prepare proposals to the general meeting on the composition of the Board of Directors and fees and other financial benefits paid to the Board members.

Deviation from the Code's recommendation Nr. 22: Efore Plc deviates from the Code's recommendation Nr. 22 concerning the election of members to the Nomination Committee, which can include also other persons than members of the Board. The company considers the exception justified in order to enable as wide a view as possible when preparing for the election of the Board members.

2009 The members of the Audit Committee during the fiscal year 2009 were Timo Syrjälä (Chairman), Isto Hantila and Matti Tammivuori. The Audit Committee met 4 times during the fiscal year 2009 and the participation rate of the members was 92%.

The members of the Nomination Committee during the fiscal year were Matti Tammivuori (Chairman), Timo Syrjälä, Rauno Puolimatka and Isto Hantila. The Nomination Committee met twice during the fiscal year 2009 and the participation rate of the members was 88%.

President and CEO

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing the President and CEO's appointment are detailed in written contract approved by the Board of Directors. The President and CEO manages and supervises Group business operations within the guidelines and directives issued by the Board of Directors, and ensures that the company's accounting accords with the law and that the financial management system is reliable.

2009 Reijo Mäihäniemi has been the President and CEO of the company since 2006.

Executive Management Team

The President and CEO is assisted by the Executive Management Team. The Executive Management Team comprises the President and CEO and the Executive Vice Presidents responsible for the main functions of the company.

The Executive Management Team's main responsibilities include drafting the broad outline of the Group's strategy and monitoring and securing a good financial performance. The Team convenes 1–2 times per month.

Composition and the areas of responsibility of The Management Team are presented at the end of this statement.

Remuneration

The Annual General Meeting decides annually on the Board of Directors' fees and on the criteria for reimbursement of Board expenses.

2009 Board of Directors' fees 2009: In accordance with the decision of the Annual General Meeting of 29 January 2009 the fees paid to the members of the Board of Directors remained unchanged. The Chairman of the Board of Directors received a fee of EUR 3,500 per month for his Board work and an attendance fee of EUR 1,000 per Board meeting, the Vice Chairman and Board members received EUR 1,750 per month and EUR 500 per meeting. In addition, Board members are reimbursed for travel expenses in accordance with the Finnish Tax Administration's approved maximum limits for travel compensation in each case.

An attendance fee of EUR 500 per meeting was paid to committee chairmen and members for their work on the committees.

Remuneration of the members of the Board of Directors for the fiscal year 2009:

Isto Hantila: EUR 55,000

Timo Syrjälä: EUR 27,000

Matti Tammivuori: EUR 27,000

Matti Vikkula: EUR 20,000

Ari Siponmaa: EUR 20,000

Marko Luoma: EUR 26,000

President and CEO's service contract

The salary, benefits and other terms of service of the President and CEO are defined in a written service contract. Under the contract, the President and CEO is entitled to an annual performance-related bonus payment max. 30%, as defined by the Board of Directors. The Board of Directors decides each fiscal year on the targets used as the basis for the remuneration. The Board of Directors decides on the granting of stock options to the President and CEO.

The President and CEO does not have a voluntary pension insurance policy. His contract does not contain provisions on any specific age limit for early old-age pension or for resignation. The period of notice for the President and CEO is six months and, under the contract, he will not receive any separate discharge fee.

Remuneration system for the President and CEO and the company's other executive management

Efore Plc's Board of Directors approves the performance-related pay system for the executive management of the company. The maximum performance-related compensation approved by the Board is set at 10–30% of the yearly earnings, depending on the employee's position. The criteria used for assessing the performance are the Group's performance requirements and those applying to the person's own sphere of responsibility, and other

measures of operational activity. The management performance related pay system covers approximately 70 employees.

2009 During the fiscal year ended 31 October 2009 President and CEO Reijo Mäihäniemi received a total of EUR 210,146.74 in salary and fringe benefits out of which bonuses EUR 30,000 and the regular monetary salary accounted for EUR 179,906.74 and the fringe benefits for EUR 240. During the fiscal year the Board of Directors did not grant any stock options to Mr. Mäihäniemi under the 2005 Stock option Plan. The President and CEO holds 220,000 stock options.

Efore does not operate an incentive system under which fees are paid to the President and CEO in the form of the company's own shares.

Audit

2009 The Annual General Meeting held on January 29, 2009 appointed KPMG Oy Ab as Efore's auditors, with Authorized Public Accountant Lasse Holopainen as the principal auditor.

The fees for auditing the financial statements of Efore Plc totalled EUR 51,400. The auditing companies charged EUR 43,200 for other services during the fiscal year 2009.

The main features of the internal control and risk management systems

Systems of internal control

The Board of Directors is responsible that the internal control and risk management are adequately and effectively arranged. In addition, it is the responsibility of the Board to ensure that the internal control of the accounting and financial management is arranged in an appropriate manner. The Audit Committee is responsible for the control of the financial reporting process. The financial management shall inform its findings to the relevant members of the management.

The group has financial reporting systems for the control of the business, financial management and risks. The Board of Directors of the company has approved the management organization and principles, decision-making authorities and approval procedures, operational policies of the organizational sectors, financial planning and reporting as well as remuneration principles. The group does not have a separate internal audit function but the internal audit is part of the group financial administration. Local auditors shall audit the procedures of internal control in accordance with the audit plan. The representatives of the financial administration shall perform certain controls when they visit the subsidiaries. The financial management shall report the findings to the President and CEO and the Audit Committee, which in turn report to the Board.

Two profit reports are prepared monthly in the group according to the reporting guidelines. The other report contains operational figures and the other figures for the preparation of the profit and loss account of the group. The financial management of the largest subsidiaries is responsible for the correctness and feeding of figures of the subsidiaries monthly in

the reporting system. Based on these the financial management of the group follows the profit and cost development and assesses monthly the gross margin for each customer group as well as the correctness of obsolescence, credit loss and warranty provisions. The restricted equity is also followed monthly. In addition, R&D capitalizations are assessed quarterly in relation to the income expectations of the projects. The monthly report based on the operational profit reports is delivered to the Board of Directors.

The group financial management oversees the centralized interpretation and application of the accounting standards (IFRS).

The group's financing and hedging against currency risks are centralized in the head office in Finland.

The Audit Committee of the Board evaluates the financial statements and quarterly the interim statements as well as separately certain special subjects important for the result such as provisions and R&D and warranty costs. The Audit Committee reports its findings to the Board, which monitors that the necessary measures are taken.

The principal auditor of Efore Plc is responsible for the audit and the directions and coordination of the audit in the group. The principal auditor and the management of the company prepare together annually an audit plan, which contains separately agreed focus areas and which the Audit Committee approves. The audit report required by law is issued by the auditor to the company's shareholders in connection with the annual financial statements of the company. Furthermore, the auditor reports its findings to the Audit Committee.

Risk management

The aim of the risk management system of Efore is to recognize the strategic, operational and financing risks of the group as well as any conventional risk of loss. The risks that the group takes in its operations are risks that are encountered in pursuit of the strategy and goals. Risk management seeks to control these risks in a proactive and comprehensive manner. The measures taken can include risk avoidance, risk reduction or risk transfer by insurance or agreement.

Risk management forms part of the group's business processes in all operational units. In this way the risk management process is tied to internal controls. The group and its operational units assess the risks of their operations, prepare risk management plans and report risks in accordance with the organizational structure. The Audit Committee and Board of Directors address risks in connection with the addressing of other business operations.

Risk management is taken into consideration in the group's quality systems, which include also survival plans. There is a more detailed statement of the group's different risks and their management which can be found in the Investor Relations section of the Internet pages of the company.

Governance of insider activity

Efore Plc's public insiders are the members of the Board of Directors, the President and CEO, the company's auditor and the members of the Executive Management Team. In addition the company has a company-specific insider register. The insider

registers are maintained under the supervision of the President and CEO.

Efore Plc complies with the insider trading instructions approved by the Nasdaq OMX Helsinki Oy, on the basis of which the company's Board of Directors has approved a set of internal guidelines on insider trading. According to these guidelines, investments made by insiders must be long-term investments and trading must always take place at a time when the market's information on factors affecting the share value is as complete as possible as well as the investments must be made during the time when the insider has no inside information.

The period closed to trading by insiders is always a minimum of 14 days before publication of interim reports, and 21 days before publication of the financial statements bulletin. Trading can also be prohibited for special reasons outside the closed period, in which case all insiders entered in the register will be informed accordingly.

Board of Directors

Isto Hantila, M.Sc. (Eng), b. 1958

Chairman since 2007

Vice Chairman 2006

Board member since 2004

Main duty: –

Primary working experience:

Aspocomp Oy, President and CEO 2007–2009

Perlos Oyj, President and CEO 2004–2006

Ascom Group, Switzerland, CEO Co-operation Division, 2001–2004

Ascom Energy Systems Division, Switzerland, CEO, 1994–2001

Current positions of trust:

Ecocat Oy, Member of the Board

Holds 110,000 Efore shares, no option rights

Marko Luoma, Tech.Lic., b. 1971

Board member since 2007

Main duty: Special researcher at the Helsinki University of Technology

Primary working experience: Research, managerial and teaching positions at the Helsinki University of Technology since 1994

Current positions of trust:

Creanord Oy, Member of the Board

No shareholding in Efore, no option rights

Ari Siponmaa, M.Sc. (Eng.), b. 1959

Board member since 2009

Main duty: Aura Capital Oy, Managing Partner

Primary working experience:

AT Kearney, Helsinki, Principal 1998–2000

Gemini Consulting, Helsinki, Principal 1997–1998

SIAR-Bossard, Helsinki, Consultant – Senior Project Manager 1991–1997

Current positions of trust:

AW-Energy Oy, Member of the Board

Bluegiga Technologies Oy, Chairman of the Board

Continuent INC, Member of the Board

Confidex Oy, Member of the Board

Ionphase Oy, Chairman of the Board

IP Europe Ltd, Chairman of the Board

No shareholding in Efore, no option rights

Timo Syrjälä, M.Sc. (Econ.), b. 1958

Board member since 2001

Vice Chairman 2007

Chairman 2004–2006

Main duty: Syrjälä & Co Oy, Managing Director

Primary working experience:

Head Asset management Oy, Partner

Aros Securities Oy, Financial Analyst

ABB Treasury Center Oy, Management Consultant

Kouri Capital Oy, Director

Current positions of trust:

Orbis, Member of the Board

Stonesoft Oyj, Member of the Board

Holds 2,134,890 Efore shares, no option rights

Matti Tammivuori, BA Marketing, b. 1957

Board member since 1999

Main duty: Agriculture and forestry entrepreneur

Primary working experience:

Tamcor Ky, Managing Director since 1985

Metenco Ag, project sales 1979–1985

Current positions of trust:

PerlaSoft Oy, Member of the Board

Virtaankosken Voima Oy, Member of the Board

Pienvesivoimayhdistys, Chairman of the Board

Holds 1,571,274 shares, no option rights

Matti Vikkula, M.Sc. (Econ.), b. 1960

Board member since 2009

Vice Chairman since 2009

Main duty: Fenestra Oyj, CEO

Primary working experience:

ResCus Partners Oy, Managing Partner since 2009

Ruukki Group Oyj, CEO 2007–2008

Elisa Oyj, SEVP, Consumer and small enterprise BU 2006–2007

Saunalahti Group Oyj, CEO 2001–2007

PricewaterhouseCoopers, Partner/Strategic change 1998–2001

Mecrator Oy & Mecrator Coopers & Lybrand Oy,

Management Consultant 1994–1998

Current positions of trust:

Fenestra Group Oy, Member of the Board

Trainers' House Oyj, Member of the Board

Kristina Cruises Oy, Chairman of the Board

ITaito Oy, Chairman of the Board

No shareholding in Efore, no option rights

Executive Management Team

Reijo Mähäniemi, M.Sc. (Eng.), b. 1947

President and CEO since 2006

Chairman of Executive Management Team

Key working experience: Before joining Efore worked as Managing Director of Olivetti Finland (1994–1995) and Fiskars Power Systems (1985–1990), and held managerial positions in such companies as Tellabs Oy (1997–2005), Teleste Oy (1995–1997) and Nokia Telecommunications (1973–1985).

Current positions of trust: Member of the Board in several growth companies

Holds 125,000 Efore shares and 220,000 option rights

Panu Kaila, B.Sc (Eng.), b. 1955

Executive Vice President, Operations

Employed by Efore since 2004

Key working experience: Before joining Efore held managerial positions in Elcoteq Networks Oyj (1999–2002) and Nokia MobilePhones Oy (1985–1999) and worked as Project Manager at the Helsinki University of Technology (1999).

Holds 84,400 Efore shares and 79,000 option rights

Markku Kukkonen, Tech.Lic., b. 1959

Executive Vice President, Product Development

Employed by Efore since 2006

Key working experience: Before joining Efore held managerial positions in Salcomp Oy's product development (1999–2006) and in Helvar Oy (1986–1999).

Holds 1,000 Efore shares and 58,000 option rights

Olli Nermes, M.Sc. (Econ.), b. 1956

Executive Vice President, CFO

Employed by Efore since 2007

Key working experience: Before joining Efore worked as Director of Finance and IT at Evox Rifa Group Oyj (2003–2007), as Vice President (2001–2003) in Intermarketing Oy and as Director of Finance in Helvar (1997–2001).

Holds 2,000 Efore shares and 35,000 option rights

Ilkka Starck, M.Sc. (Eng.), b. 1968

Executive Vice President, Sales and Marketing

Employed by Efore since 2009

Key working experience: Prior to Efore Starck held several executive sales and marketing positions in the companies such as IBM, Solid Information Technology Oy (2004–2008), F-Secure Oy (2000–2004) and Ericsson (1995–1999).

Holds 140,000 shares and 30,000 option rights