

CORPORATE GOVERNANCE

Lassila & Tikanoja plc is a public limited liability company that is registered in Finland and listed on NASDAQ OMX Helsinki Oy. In its decision-making and administration, Lassila & Tikanoja complies with the Finnish Companies Act, other regulations governing listed companies and the Articles of Association of Lassila & Tikanoja plc.

In addition, Lassila & Tikanoja complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Oy and the Corporate Governance recommendations for Finnish listed companies.

CORPORATE GOVERNANCE STATEMENT 2013

Lassila & Tikanoja plc (L&T) complies with the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010. L&T has not deviated from the recommendations of the Code. The Code is available on the website of the Securities Market Association at www.cgfinland.fi.

This statement was prepared in accordance with recommendation 54 of the Corporate Governance Code and is issued separately from the Report of the Board of Directors. L&T's Audit Committee has reviewed this statement. In addition to the Code, L&T's corporate governance complies with the laws and regulations of Finland, its Articles of Association, and the Guidelines for Insiders issued by NASDAQ OMX Helsinki.

The consolidated financial statements and interim reports have been prepared in accordance with the IFRS reporting standards approved for use in the EU, the Securities Market Act, the standards imposed by the Financial Supervisory Authority, and the rules of NASDAQ OMX Helsinki. The Report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Accounting Act and the instructions and statements issued by the Accounting Board.

The Annual General Meeting, the Board of Directors and its two committees, and the President and CEO, assisted by the Group Executive Board, are responsible for company administration and operations.

GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting is the supreme decision-making body of Lassila & Tikanoja plc. The Annual General Meeting decides on the matters stipulated in the Companies Act, such as the acceptance of the financial statements and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the auditors, and the compensation paid to them.

The Annual General Meeting is held by the end of April. When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting. General Meetings are convened by the Board of Directors.

Each share of Lassila & Tikanoja plc entitles to one vote. According to the Articles of Association, at a General Meeting no shareholder may cast more than one fifth of the total number of votes represented at the meeting.

Shareholders are convened to a General Meeting by a notice published on the company's website. The Board of Directors' proposals and the notice to the meeting are also disclosed in a stock exchange release. In addition, if the Board of Directors so decides, the company may also announce the date and venue of the General Meeting and the address of the company's website in a newspaper during the same timeframe. The prospective director candidates and the proposed auditor are disclosed in the notice or in a separate stock exchange release before the General Meeting.

The notice of the General Meeting and the related documents will be available on the company's website http://www.lassila-tikanoja.fi/en/company/investors/Annual_General_Meeting/ no later than 21 days before the General Meeting.

The members of the Board of Directors, President and CEO, principal auditor and prospective directors attend a General Meeting, unless there are well-founded reasons for their absence.

The minutes of the General Meeting will be available on the company's website within two weeks of the General Meeting.

General Meetings in 2013

The Annual General Meeting was held in Helsinki on 12 March 2013. The meeting was attended by shareholders representing 41.2 per cent of the votes. All Board members, the President and CEO, and the principal auditor attended the meeting.

An Extraordinary General Meeting was held in Helsinki on 18 November 2013. The meeting was attended by shareholders representing 25.2 per cent of the votes. The President and CEO and all members of the Board of Directors, with the exception of Hille Korhonen, attended the meeting.

BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board of Directors of Lassila & Tikanoja plc comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of a member of the Board of Directors expires at the end of the next Annual General Meeting following his/her election. A person who has attained the age of 70 cannot be elected to the Board of Directors. The Board elects a Chairman and a Vice Chairman from among its members.

The biographical details of the member candidates will be available on the company's website before the General Meeting.

The President and CEO is present at Board meetings to present issues to the Board, and the General Counsel serves as secretary to the Board.

The evaluation of the performance and working methods of the Board is conducted annually as an internal self-evaluation.

The Board of Directors has evaluated the independence of its members in accordance with recommendation 15 of the Corporate Governance Code. All of the directors are independent of both the company and its major shareholders.

Duties of the Board of Directors

The Board of Directors is responsible for the management of the company, the proper arrangement of the company's operations, and the proper arrangement and supervision of the company's accounting and financial management. The Board of Directors decides upon matters that, considering the scope and size of the operations of the company, are of major importance. The Board of Directors is also responsible for the duties specified in the Companies Act and the Articles of Association, and in other regulations.

The duties of the Board are defined in a written charter adopted in 2012, which the Board complies with in addition to the Articles of Association and Finnish laws and regulations.

Duties of the Board of Directors:

- confirming the company's goals
- deciding on the corporate strategy and confirming divisional strategies
- establishing a dividend policy and being responsible for the development of the shareholder value
- deciding on the Group structure and organisation
- ensuring the operation of the management system
- handling and adopting interim reports, consolidated financial statements and annual reports
- confirming the Group's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements as well as financing arrangements and contingent liabilities
- confirming treasury, disclosure and risk management and insurance policies as well as internal control policy
- nominating and dismissing the President and CEO and monitoring and evaluating his work
- deciding on the nomination, remuneration and other financial benefits of the President and CEO's immediate subordinates.

Meeting practice

The Board of Directors convenes as often as its tasks require. It confirms its annual, regular meetings. Meetings held annually prior to the publication of the financial statements and each interim report as well as strategy, budget and other meetings confirmed in the annual programme of the Board are considered regular meetings. In addition to regular meetings, the Board can hold extraordinary meetings, which can be arranged as telephone conferences.

Minutes are prepared of Board meetings, subject to the signature of members of the Board of Directors participating in the meeting as well as the President and CEO of the company and secretary to the Board. These minutes are kept at the company's headquarters.

The President and CEO is responsible for ensuring that the Board is provided with sufficient information for assessing the operations and financial situation of the company.

He also supervises and reports to the Board on the implementation of the Board's decisions.

The Board of Directors in 2013

The Board of Directors comprises the following persons: Mr Heikki Bergholm, Chairman, Mr Eero Hautaniemi, Vice Chairman, Mrs Hille Korhonen, Mr Sakari Lassila and Mr Miikka Majjala. Information on their holdings in the company and their remuneration is provided in the Remuneration Statement in the Annual Report at Remuneration and shareholding of the Board members.

The Board of Directors met 15 times during 2013. The average attendance rate of the members at the meetings was 97.3 per cent.

Key themes in Board work included directing and supporting the implementation of the strategy, monitoring strategic projects, clarifying the business portfolio and directing risk management.

BOARD MEMBER MEETING PARTICIPATION 1 JAN.-31 DEC. 2013

	Board	Audit Committee	Remuneration Committee
Heikki Bergholm	15/15		4/4
Eero Hautaniemi	15/15	6/6	
Hille Korhonen	13/15		4/4
Sakari Lassila	15/15	6/6	
Miikka Majjala	15/15	6/6	

BOARD MEMBERS

Heikki Bergholm

born 1956, M.Sc. (Eng.)

Chairman of the Board since 2011 and member since 2008, Chairman of the Remuneration Committee since 2011 and member since 2010

Work experience:

Suominen Corporation Oyj: President and CEO 2002–2006

The former Lassila & Tikanoja Group: President and CEO 1998–2001, Vice President 1997–1998, President of business units 1986–1997

Lassila & Tikanoja Oy: CFO 1985–1986

Industrialisation Fund of Finland Ltd: Researcher and development manager 1980–1985

Other key positions:

Solidium Oy (2013–), Lakan Betoni Oy (1986–, COB), Maillefer International Oy (2010–), MB Funds Oy (2002–), Forchem Oy (2007–2013), Componenta Corporation (2002–2012, COB), Kemira Oyj (2004–2007), Pohjola Group plc (2003–2005), Sponda plc (1998–2004) and Suominen Corporation Oyj (2001–2011)

Eero Hautaniemi

born 1965, M.Sc. (Econ.)

President and CEO of Oriola-KD Corporation 2006–

Vice Chairman of the Board since 2011 and member since 2007, Chairman of the Audit Committee since 2011 and member since 2009

Work experience:

GE Healthcare Finland Oy: President 2004–2005

GE Healthcare IT: General Manager, Oximetry, Supplies and Accessories business area 2003–2004

Instrumentarium Corporation: positions in financial and business management 1990–2003

Other key positions:

Nurminen Logistics Oyj (2009–2012)

Hille Korhonen

born 1961, Lic. Tech.,

President and CEO of Alko Oy 2013–

Member of the Board since 2009, member of the Remuneration Committee since 2010

Work experience:

Fiskars Corporation: Vice President, Operations (responsible for manufacturing, sourcing and logistics strategies) 2008–2012

Iittala Group: Group Director, Operations 2003–2009

Executive positions within worldwide delivery chain strategies and processes at Nokia Corporation 2000–2003, Nokia Networks 1998–2000 and Nokia Mobile Phones 1996–1997

Outokumpu Copper: positions in developing logistics and marketing 1993–1996

Other key positions:

Nokian Tyres plc (2006–), Mint of Finland Group (2008–2010)

Sakari Lassila

born 1955, M.Sc. (Econ.)

Managing Director and partner of Indcrea Oy and a management board member of Cupori Group Oy 2008–

Member of the Board and Audit Committee since 2011

Work experience:

Carnegie Investment Bank AB, Finland Branch: executive positions 2002–2005

Alfred Berg Finland Oyj: executive positions within investment banking 1994–2002

Citibank Oy: head of corporate bank 1991–1994

Union Bank of Finland: supervisory and executive positions 1983–1991

Other key positions:

Vice Chairman of the Board of the Evald and Hilda Nissi Foundation (member 1987–)

Miikka Maijala

born 1967, M.Sc. (Eng.)

CEO of Clinius Ltd 2006–

Member of the Board and Audit Committee since 2010

Work experience:

GE Healthcare Finland Oy: Business Segment Manager 2004–2006

Instrumentarium Corporation (currently GE Healthcare Finland Oy): Director, Business Development 2000–2004

Instrumentarium Corporation: supervisory and executive positions within sales, marketing and financial management 1992–2000

BOARD COMMITTEES

The Board has an Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee consists of at least three members, who are all elected annually by the Board of Directors from among its members for the duration of the Board's term. The members of the Audit Committee shall be independent of the company and at least one member shall be independent of any major shareholders of the company. On an annual basis, the Board of Directors shall likewise select one member as Chairman of the Committee, for the term of the Board. The members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the committee, in particular, sufficient knowledge of bookkeeping, accounting and financial statements practices.

The duties and operating principles of the audit committee are defined in a charter approved by the Board of Directors. The Audit Committee will convene at least four times a year.

The duties of the Audit Committee include:

- monitoring the financial position and financing of the Group
- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control, internal audit and risk management systems
- reviewing the operating principles of the company's internal control
- reviewing the plans and reports of the company's internal audit
- reviewing the company's corporate governance statement, including the description of the main features of internal control and risk management systems pertaining to the financial reporting process
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the auditing company
- evaluating the provision of non-audit services to the company by the auditing firm
- preparing the proposal and/or recommendation concerning the auditor of the company
- maintaining contact with the company's auditor and reviewing the reports prepared for the committee by the auditor
- assessment of compliance with laws and provisions.

As from 12 March 2013, the members of the Audit Committee are Eero Hautaniemi, Chairman, and members Sakari Lassila and Miikka Majjala. The Audit Committee met six times in 2013. The attendance rate of the members at the meetings was 100 per cent.

Remuneration Committee

The Remuneration Committee has at least two members, who are elected annually by the Board of Directors from among its members for the duration of the Board's term. In compliance with the Corporate Governance Code for listed companies in Finland, the members must be independent of the company. On an annual basis, the Board of Directors shall likewise select one member as Chairman of the committee, for the term of the Board. The committee will convene at least twice a year.

The duties of the Remuneration Committee include:

- handling, evaluating and making statements on the salary structure of the Group management and personnel as well as remuneration and incentive schemes

- monitoring the functionality of the remuneration systems to ensure that the management's incentive schemes promote the achievement of the company's targets and are based on personal performance
- handling and preparing other questions related to management and personnel remuneration and drafting statements to the Board regarding them
- handling and preparing executive appointment issues for consideration by the Board of Directors.

As from 12 March 2013, the Remuneration Committee comprises Heikki Bergholm, Chairman and Hille Korhonen, member. The Remuneration Committee met four times in 2013. The attendance rate of the members at the meetings was 100 per cent.

CEO AND GROUP EXECUTIVE BOARD

Lassila & Tikanoja plc's President and CEO is appointed by the Board of Directors. The President and CEO is responsible for day-to-day operations in keeping with the instructions of the Board of Directors. He is also responsible for the strategy process. The President and CEO is Pekka Ojanpää.

The Group Executive Board assists the President and CEO in the management of the company. Information on the Group Executive Board members' holdings in the company and their remuneration is provided in the Remuneration Statement in the Annual Report at Remuneration and shareholding of the Group Executive Board members.

BOARD MEMBERS

PEKKA OJANPÄÄ



born 1966, M.Sc. (Econ.)

President and CEO since 2011



Kemira Oyj: President, Municipal & Industrial segment 2008–2011,
President, Kemira Specialty business area 2006–2008, Executive Vice
President of Procurement & Logistics 2005–2006

Nokia Oyj: Vice President, Electromechanics Supply Line Management
2001–2004, Managing Director of Nokia Hungary 1998–2001, sales and
logistics managerial positions in Nokia Mobile Phones 1994–1998

Other key positions:

Ilmarinen Mutual Pension Insurance Company: member of the Supervisory
Board (2012–), Kiinteistöyönantajat ry: member of the Board of Directors
(2013–)

TIMO LEINONEN



born 1970, M.Sc. (Admin.)

Chief Financial Officer since 23 January 2013



Ixonos Plc: CFO 2008–2012

Suomen Terveystalo Plc: CFO 2006–2008

Tieto-X Plc: CFO 2002–2006, business controller 2000–2002

APT Sijoitus Ltd: Financial Advisor 1999–2000

Uusimaa Regional Tax Office: Tax Auditor 1998–1999

PETRI SALERMO



born 1970, QBA

Vice President, Environmental Services since 2013



Lassila & Tikanoja plc: Business Director, Environmental Services 2009–
2012, Sales Director, Environmental Services 2003–2009, Sales
Manager, Environmental Services 2001–2003

Europress Oy: Sales Director 1998–2001, sales managerial positions 1995–
1998

VILLE RANTALA



born 1971, M.Sc. (Econ.)

Vice President, Industrial Services since 2013 and Vice President, Renewable Energy Sources since 2011



Lassila & Tikanoja plc: CFO 2009–23 January 2013, President and CEO (acting) 13 June–31 October 2011

L&T Biowatti Oy: Managing Director 2011–2012

Suunto Oy: Director, Finance and Business Development 2007–2009

UPM-Kymmene Corporation: Finance Director, Fine and Specialty Papers

Division 2006–2007, business controller

2002–2006, controller 2000–2002

Salomon Sport Finland Oy: Finance Manager 1999–2000

PETRI MYLLYNIEMI



born 1964, M.Sc. (Econ.)

Vice President, Facility Services since 7 January 2013



ISS Palvelut Oy: Business Director, Uusimaa region customer accounts 2011–2012, Business Director, Technical Service and Building Management 2005–2011

Are Oy: Executive Vice President and Vice President, Maintenance and Service Business 1999–2005, Service Manager 1995–1999, managerial and planning positions at Onninen-Termo Oy 1989–1994

KIRSI MATERO



born 1968, M.Sc. (Econ.)

HR Director since 2012



Atria plc: Group Vice President, Human Resources 2010–2011

Pfizer Oy: HR Director 2007–2010

Nokia Mobile Phones: Senior Business HR Manager 2004–2007

Nokia Mobile Phones and Nokia Networks: Business HR Manager and Competence Development Manager 1998–2003

Adulta Oy: Program Manager 1996–1998

Shell Oil Products: Product Manager 1994–1995

TUOMAS MÄKIPESKA



born 1978, M.Sc. (Econ.)

Business Development Director since 2012



Deloitte: Management Consultant, Strategy & Operations 2005–2012

Fiskars Corporation: Project Manager 2004–2005

Rieter Automotive Management AG: Market Analyst 2003

Tapiola Group: Finance Assistant 2000–2002

ANTTI TERVO



born 1978, M.Sc. (Econ.)

Chief Procurement Officer since 2012



Siemens, North West Europe: Head of Commodity Management 2009–

2012, Work Stream Lead, Procurement & Supply Chain Management

2008–2009

Siemens Oy: Director, Procurement 2005–2009, Procurement Manager

2003–2005, Supply Chain Consultant 2001–2003

AUDITOR AND INTERNAL AUDIT

The statutory audit of the financial statements of Lassila & Tikanoja is carried out by KPMG Oy Ab, Authorised Public Accountants, elected by the Annual General Meeting. The principal auditor is Lasse Holopainen, Authorised Public Accountant.

The auditors and the Board agree on the audit plan annually and discuss the audit's findings. The principal auditor and the auditor manager attend at least one meeting of the Board of Directors annually.

In 2013, the fees paid for statutory auditing to KPMG group totalled EUR 98,000. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS and due diligence services totalled EUR 61,000.

The company has decided to establish its own internal audit organisation, which will start its work in early 2014. Executive management may invite external experts to conduct internal audit assignments when necessary.

The divisions have their own business controllers, whose duties include monitoring the business operations of the divisions, including foreign units. In addition, the rest of the company's financial organisation and management monitor the finances of foreign units, particularly from the perspective of financial accounting and risk management. The company's external auditor assists with some of these audits.

INSIDER GUIDELINES

Lassila & Tikanoja plc's Board of Directors has taken a decision that the Group observes the Guidelines for Insiders issued by NASDAQ OMX Helsinki. In addition, the Board has issued complementary guidelines that are in some respects more stringent.

The insider register is maintained in the SIRE service of Euroclear Finland Ltd. Insiders with a duty to declare include the members of the Board of Directors, President and CEO, the principal auditor and the Group Executive Board. Persons included in the company-specific permanent insider register based on their position include the General Counsel, Chief Information Officer, Director of Corporate Relations and Responsibility, Communications Manager and persons designated by them, divisional management teams, executive assistants and persons participating in group accounting, persons preparing stock exchange releases, as well as other separately designated persons. Separate project-specific sub-registers are kept for extensive or otherwise significant projects. The General Counsel is the person responsible for insider issues.

Lassila & Tikanoja's insiders are not permitted to engage in trading with company shares during the period between the end of the financial period and the disclosure of the result.

The shareholdings and option holdings of the public insiders are listed on the company's website.

FINANCIAL REPORTING

The financial reporting principles represent an essential element of L&T's Integrated Management System (IMS). The Group's financial reporting process includes both financial accounting and management accounting. The internal control and risk management systems and procedures pertaining to the financial reporting process are explained in more detail below. Their purpose is to ensure that the information disclosed in the financial reports published by the company is essentially correct.

Audit Committee

The Audit Committee supervises and monitors the efficiency of L&T's financial reporting process and internal control systems. The duties and operating principles of the audit committee are defined in a charter approved by the Board of Directors. The Audit Committee has reviewed L&T's internal control policy and the Board of Directors has approved it.

The Audit Committee meets at least four times a year before the publication of interim reports and the financial statements release. In its meetings, the Audit Committee reviews the financial information presented by the Chief Financial Officer, as well as interim reports and financial statements releases. The auditor is also invited to attend the meetings. The Audit Committee is presented in more detail in the Committees section.

L&T's financial reporting process

L&T conducts a significant proportion of its business in Finland. Functions having to do with accounting, sales invoicing, accounts payable and receivable, payments and financing in the financial reporting process in Finland are centralised. Organisation of these functions into different teams allows the separation of various finance-related tasks. To support the consistent process in Finland, L&T also runs a centralised accounting system and common account framework.

L&T's foreign subsidiaries each have independent financial management departments operating in compliance with the accounting principles and reporting instructions issued by the Group's financial management. Foreign subsidiaries submit a monthly reporting package to the Group according to the Group's instructions. Financial controllers supervise operations related to foreign subsidiaries' financial management, their financial reports and financial statements. They visit companies assigned to them on a regular basis and conduct inspections and prepare written inspection reports.

L&T's Group financial management is responsible for preparing and updating the Group accounting policies and instructions, and for preparing reporting schedules. The financial management department consolidates subsidiaries' financial statements into consolidated financial statements, which include notes to the financial statements, and prepares interim reports and financial statement releases, official financial statements and the annual report.

INTERNAL CONTROL

The financial development of the company is monitored monthly by an operational reporting system covering the whole Group. In addition to actual data, the system provides budgets, forecasts and investment reports. L&T's operations and financial reports are monitored and compared against budgets and forecasts at different organisational levels. Group management, divisional management and area management as well as business unit management analyse the results and any nonconformities. Divisional business controllers also analyse the financial reports and prepare reports for management use. The duties of controllers also include supervision of the accuracy of financial reports and analysis of results.

L&T's Group financial management has defined and documented the control objectives and control points associated with external financial reporting in 2009. Control points have been specified both for individual companies and for Group accounting, and they represent a minimum requirement imposed by the Group on internal control of financial reporting. Foreign subsidiaries have been informed of the control points, and the Group's financial management assesses foreign subsidiaries' operations against the specified control points as part of their regular visits.

The company has financing, disclosure and risk management and insurance policies as well as an internal control policy confirmed by the Board of Directors.

Risk management

The risks associated with financial management processes are assessed in the annual risk management process, which is part of L&T's Integrated Management System. Risks identified through risk assessment are prioritised, action plans and schedules are prepared, and persons responsible for implementing the actions are named. Implementation of actions is monitored annually. The risk management process is described in more detail in the next section, Key Risk Management Principles.

KEY RISK MANAGEMENT PRINCIPLES

Risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

Responsibilities

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management. The principles for financial risk management are defined in the Group's Financial Policy. The principles for insurance risk management are specified in the Risk Management and Insurance Policy.

Identification, assessment and reporting of risks

The risk management process is defined in L&T's Integrated Management System. As part of the annual strategy process, risks are assessed at the Group and division levels, in units outside Finland as well as within centralised functions defined as being critical. In each responsibility area, the executive management assesses its strategic, financial, operational and accident risk factors. L&T evaluates risks using a risk matrix, thereby also assigning monetary values to risks. Contingency plans are prepared for significant risks. Responsibility for the risk management measures is assigned to the relevant parties. The most significant risks identified and preparations for them are reported to the President and CEO and the Board of Directors.