

EFORE PLC'S CORPORATE GOVERNANCE STATEMENT 2011

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 2010 except a deviation from the Code's recommendation Nr. 9 concerning the composition of the Board of Directors

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 13, 2011 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. In addition to this Efore Management Oy, a company owned by the members of the Efore Group Executive Management Team has been consolidated in the group on the basis of Efore's control over it.

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 group's operative organization is based on global functional line organizations.

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 the strategic planning and finances of the Group.

Shareholders' meeting

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

2011: 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 February 10, 2011.

Board of Directors

Appointing 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 among its members a Chairman and Deputy Chairman.

2011: On request of the Board of Directors The Nomination Committee, which included other persons than members of the Board, prepared a proposal concerning Board members in the beginning of fiscal year 2011. Based on the proposal of the Nomination Committee the Board of Directors made a final proposal of the Board composition to the Annual General Meeting.

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.

2011: Deviation from the Code's recommendation Nr 9:

Efore Plc deviates from the 2010 Code's recommendation Nr. 9 concerning composition of the Board so that at the moment both genders are not represented on the board.

With regard to the duties and efficient operations of the board, it is important for the company that the members have versatile expertise and mutually complementing experience. Main shareholders considered the possibility of proposing a suitable female candidate, in accordance with the Corporate Governance Code concerning the gender parity of the Board. The Nomination Committee has so far found no suitable candidate who is also familiar with the company's business.

2011: Composition of the Board of Directors as from February 11, 2011

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

Olli Heikkilä, Independent of the company and the company's main shareholders

Richard Järvinen Independent of the company and the company's main shareholders

Tei-Hu Liu, 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

Composition of the Board of Directors until February 10, 2011 during the fiscal year 2011:

Matti Vikkula, 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

Isto Hantila, 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 and non-independent of the company's main shareholders

Members of the Board (since February 11, 2011) 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 prin-

ciples, 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 or in co-operation with the external company.

2011: The Board of Directors met 17 times during the fiscal year 2011 and the participation rate of the Board members was 92%.

Board committees

The Board of Directors has two committees that assist in its work; the Audit committee and the Nomination committee, but instead of the Nomination committee the Board of Directors decided to appoint Nomination Board in the beginning of fiscal year 2011.

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

2011: After hearing the major shareholders, Efore's Board of Directors decided to appoint the Nomination Board on 1 November, 2010. All the members were elected from outside the Board of Directors. Juhani Pirttialo was elected as the Chairman and Markku Kaloniemi, Jarmo Simola and Leena Tammivuori were elected as members of the Nomination Board. The term of the Nomination Board shall end at the closing of the next Annual General Meeting of the company. Nomination Board prepared a proposal for a Board composition in the beginning of fiscal year 2011. The decision meant that the Board of Directors do not appoint a new nomination committee which consist of Board members or a new nomination board in order to prepare proposals to the next general meeting on the composition of the Board of Directors and fees and other financial benefits to the Board members. The Nomi-

nation Committee met four times during the fiscal year 2011 and the participation rate of the members was 94%.

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.

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.

2011: The members of the Audit Committee since February 11, 2011 were Matti Vikkula (Chairman), Olli Heikkilä and Ari Siponmaa. The members of the Audit Committee until February 10, 2011 were Matti Vikkula (Chairman), Isto Hantila, Timo Syrjälä and Matti Tammivuori. The Audit Committee met 4 times during the fiscal year 2011 and the participation rate of the members was 85%.

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.

2011: Vesa Vähämöttönen has been the President and CEO of the company since June 1, 2010.

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 implementation 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.

Board of Directors

2011: The Annual General Meeting on February 10, 2011 resolved on the proposal of the Board of Directors that the annual remuneration payable to the Board members shall be as follows: EUR 42,000 to the Chairman and EUR 21,000 to the Deputy Chairman and the other members. Approximately 40 per cent of the aggregate annual remuneration is payable in shares of the company. Payment of the annual remuneration was paid as a one time payment according to the average of the closing prices of Efore shares between March 3–16, 2011.

The annual remuneration was paid by the assignment of shares held by the company, based on the authorization to issue shares decided by the Annual General Meeting of Shareholders on 10 February 2011.

In addition, a fee of EUR 1,000 per meeting was paid to the Chairman of the Board and EUR 500 per meeting to the Deputy Chairman and the other members. In addition, a fee of EUR 500 was paid to the committee members per meeting. An additional fee of EUR 1,000 was payable for attendance at a meeting in Europe or Asia requiring a one-way flight of at least 6 hours in duration. Travel and accommodation expenses were payable against receipt.

Remuneration of the members of the Board of Directors (since February 11, 2011) for the fiscal year 2011:

	Annual and meeting fees (incl. annual remuneration payable in shares), EUR	Committee fees, EUR
Matti Vikkula	54,900	2,000
Marko Luoma	27,500	
Ari Siponmaa	27,500	1,500
Olli Heikkilä	19,100	1,000
Richard Järvinen	19,600	
Tei-Hu Liu	18,600	

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. 40%, 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. Also the contracts of other executive management do not contain any deviation from that laid down in the acts on employment pension concerning the retirement age. The period of notice for the President and CEO is six months and, under the contract, he will not receive any separate discharge fee. Upon termination of the service contract of the CEO by the Company and in the absence of breach of duties by the President and CEO, the President and CEO is also entitled to 6 month's salary.

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

Efore Plc's Board of Directors approves contract terms of the CEO and the executive management of the company. Efore Plc's Board of Directors decides the performance-related pay system for the CEO and the executive management of the company yearly. The total remuneration comprises short term yearly performance related compensation and a long-term share ownership plan as well as option scheme.

Short-term remuneration

The maximum performance-related compensation approved by the Board is set for President and CEO at max 40% of the yearly earnings and for the executive management team at max. 30% of the yearly earnings. The criteria used for assessing the performance are the Group's performance (importance 60%) and those applying to the person's own sphere of responsibility, and other measures of operational activity (importance 40%). Performance related compensation is monitored yearly.

Long-term remuneration

In addition to performance related compensation there is an option scheme 2005 directed to the members of the Efore Group Executive and key persons. Target of the option scheme 2005 is to commit key personnel to the company on a long-term basis. A share ownership plan, in which the key personnel is obliged to acquire Efore Plc shares with 20% of the net income gained from the stock options and own these shares for one year, is incorporated to the stock option program. The option rights will lapse if they have not been redeemed within the subscription period. If a person leaves the Group before the final vesting, the option rights will be lost

The Board of Directors of Efore Plc decided in 2010 on a new shareholding plan directed to the members of the Efore Group Executive Management Team. The plan enables the participants to acquire a considerable long-term shareholding in the Company. For the purpose of the share ownership, the members of the Executive Management Team have established a limited company named Efore Management Oy, whose entire share capital they own. The acquisitions have been financed partly by capital investments in Efore Management by the members of the Executive Management Team and partly by a loan provided by the Company.

2011: During the fiscal year 2011 President and CEO Vesa Vähämöttönen received a total of EUR 210,800 in salary and fringe benefits out of which regular monetary salary accounted for EUR 210,500 and the fringe benefits for EUR 240. President and CEO owns 35.4% of Efore Management Oy.

Efore Management Oy is owned by Vesa Vähämöttönen, Alexander Luiga, Panu Kaila, Markku Kukkonen and Olli Nermes. Efore Management Oy owns 2,084,000 Efore shares.

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

2011: The Annual General Meeting 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 totaled EUR 56,900. The auditing companies charged EUR 57,200 for other services during the fiscal year 2011.

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 entering 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 capital employed 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. In addition to this group income statements and balance sheet reports are delivered to the Board of Directors four times a year.

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 Executive Vice President, Finance and Administration.

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 21 days before publication of interim reports and the financial statements bulletin or publishing preliminary information based thereof and ending the day following the day of the release of such a report. During other periods trading with Efore securities is allowed provided that a person is not entered into a project-specific register or he/she does not otherwise possess inside information at that time point.

BOARD OF DIRECTORS OCTOBER 31, 2011

MATTI VIKKULA

b. 1960
Education: M.Sc. (Econ.)
Chairman of the Board
Chairman of the Audit Committee
Board member since 2009

Main duty:
Scandinavian Biogas Fuels International AB, CEO since 2011

Primary working experience:
Fenestra Oy, CEO 2009–2010
ResCus Partners Oy, Managing Partner since 2008
Ruukki Group Oyj, CEO 2007–2008
Elisa Oy, SEVP, Consumer and small enterprise BU 2006–2007
Saunalahti Group Oyj, CEO 2001–2007
PricewaterhouseCoopers, Partner 1999–2001

Primary Board memberships:
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

Holds 17,319 Efore shares, no option rights



OLLI HEIKKILÄ

b. 1959
Education: M.Sc (Eng.)
Member of the Audit Committee
Board member since 2011

Main duty:
UPM-Kymmene, Vice President since 2005

Primary working experience:
Jaakko Pöyry Consulting, Principal 2001–2005
Accenture, Senior Manager 1993–2000
ABB Process Automation, Account Manager & Project Manager 1987–1993
SIAR Planning, Consultant 1986–1987

Holds 10,835 Efore shares, no option rights



RICHARD JÄRVINEN

b. 1964
Education: M.Sc (Eng.)
Board member since 2011

Main duty:
Elektrobit Wireless China (Beijing), General Manager since 2010

Primary working experience:
Nokia China Investment Ltd (Beijing), Site Manager and Senior Program Manager 2004–2010
Nokia Ltd (Finland), Various business development and management positions 1997–2004
Tampere University of Technology, Institute of Production Engineering, Researcher, Assistant Researcher 1995–1997

Primary Board memberships:
Finnish Chamber of Commerce in China, Chairman of the organizing committee
Finnish Business Council of Beijing, Chairman

Holds 8,659 Efore shares, no option rights



TEI-HU (TOMMY) LIU

b. 1950
Education: Economics, University of Gothenburg
Board member since 2011

Main duty:
Emotron AB, Country Manager, China since 2008

Primary working experience:
Perstorp AB, Adviser to Perstorp Executive Management Team since 2001
Investment AB InChina (publ), Country Manager, China 1999–2000
Perstorp AB, Country Manager, China 1995–1999
Chinese Consulting in Scandinavia AB, Managing Director, China 1992–1995
Tetra Pak (China) Ltd, Chief Representative, 1983–1992

Holds 8,659 Efore shares, no option rights



MARKO LUOMA

b. 1971
Education: Tech.Lic.
Board member since 2007

Main duty:
Senior Research Scientist at the Aalto University/School of Electrical Engineering since 1999

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

Primary Board memberships:
Creanord Oy, Member of the Board

Holds 8,659 Efore shares, no option rights



ARI SIPONMAA

b. 1959
Education: M.Sc. (Eng.)
Member of the Audit Committee
Board member since 2009

Main duty:
Aura Capital Oy, Managing Partner since 2000

Primary working experience:
Aura Capital Oy, Partner 2000–2003
AT Kearney, Helsinki, Principal 1998–2000
Gemini Consulting, Helsinki, Principal 1997–1998
SIAR-Bossard, Helsinki, Consultant - Senior Project Manager 1991–1997

Primary Board memberships:
Aura Capital Oy Member of the Board
AW-Energy Oy, Member of the Board
Bluegiga Technologies Oy, Chairman of the Board
Continuent INC, Chairman of the Board
Confidex Oy, Member of the Board

Holds 8,659 Efore shares, no option rights



EXECUTIVE MANAGEMENT TEAM OCTOBER 31, 2011*

VESA VÄHÄMÖTTÖNEN

born 1966
Education: Tech.Lic
President and CEO
Employed by Efore since 2010
Chairman of Executive Management Team

Before joining Efore acted as Senior Vice President, Sales and Marketing in Lite-On Mobile (ex Perlos) and was responsible for global sales, marketing and customer relationships in 2006–2010. Prior to this acted as Managing Director of Flextronics ODM Finland and in 1999–2004 acted e.g. as General Manager, Europe in Filtronic Comtek

No shareholding in Efore, no option rights**



PANU KAILA

born 1955
Education: B.Sc.(Eng.)
Executive Vice President, Operations and Programs
Employed by Efore since 2004

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).

No shareholding in Efore, 30,000 Efore C-option rights**



MARKKU KUKKONEN

born 1959
Education: Tech.Lic.
Executive Vice President, Product Development and Technology
Employed by Efore since 2006

Before joining Efore held managerial positions in Salcomp Oy's product development (1999–2005) and in Helvar Oy (1986–1999).

Holds 1,000 Efore shares, 30,000 Efore C-option rights**



OLLI NERMES

born 1956
Education: M.Sc.(Econ.)
Executive Vice President, CFO
Employed by Efore since 2007

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

Holds 2,000 Efore shares, 20,000 Efore C-option rights**



ALEXANDER LUIGA

born 1965
Education: Economics, University of Stockholm
Executive Vice President, Sales & Marketing
Employed by Efore since 2010

Prior to Efore Luiga held several executive sales and marketing positions in the international companies such as Lite-On Mobile (ex Perlos 2003–2010), Moteco (2000–2003) and ABS Pumps International (1997–2000).

No shareholding in Efore, no option rights**



*) **Jukka Pietarinen**, M.Sc(Eng), has been appointed as Executive Vice President, Industrial business area and as the member of the Efore Executive Management Team from December 13, 2011. Jukka Pietarinen has been employed by Efore since 2009.

***) Efore Management Oy is owned by Vesa Vähämöttönen, Panu Kaila, Markku Kukkonen, Alexander Luiga and Olli Nermes. Efore Management Oy owns 2,084,000 Efore-shares. The president and CEO owns 35,4% of Efore Management Oy.