

PROHA PLC**Corporate Governance Statement 2009**

This Corporate Governance Statement has been composed in accordance with Recommendation 51 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the company's annual report.

General principles

Proha Plc is a public limited company registered in Finland and its head office is located in Espoo, Finland. Proha Group (Proha) is comprised of the parent company Proha Plc, its two Finnish subsidiaries and several foreign subsidiaries.

Decision-making and governance at Proha comply with the company's Articles of Association, the Finnish Companies Act, and other applicable legislation. In addition, the company complies with the recommendations of NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK on corporate governance with the exceptions mentioned in these principles as well as NASDAQ OMX Helsinki Ltd's Guidelines for Insiders. The subsidiaries comply with local legislation.

Proha complies with the Finnish Corporate Governance Code published by the Securities Market Association with the following exception:

Recommendation 14: The majority of the Board is not independent of the company. Of the four Board members, independent of the company and its significant shareholders are the chairman Antti Manninen and Hannu Vaajoensuu.

Tasks and responsibilities of bodies

The General Meeting of Shareholders, Board of Directors and CEO are in charge of the management of Proha Group, and their tasks are determined as specified by the Finnish Companies Act. The CEO is in charge of Group-level operative activity, assisted by the group's Executive Team.

General Meeting

The General Meeting is the highest decision-making body of the company. The Annual General Meeting is arranged once a year on the date determined by the Board of Directors within six months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary. In accordance with the Articles of Association, the General Meeting is held in the company's registered office in Espoo, Helsinki or Vantaa. A Summons to a General Meeting of Shareholders and the matters to be discussed in the meeting are published as a stock exchange release and on the company's Web site.

The Annual General Meeting each year resolves the following matters:

- approval of the income statement and balance sheet
- measures occasioned by the profit or loss shown in the approved balance sheet
- discharging members of the Board of Directors and the CEO from liability

- number of Board members and their appointment
- election of the auditor
- remuneration of the Board of Directors and auditors
- other matters mentioned in the summons to the meeting

Board of Directors

The Board of Directors of Proha Plc is responsible for the Company's management and the appropriate arrangement of its operations. The Board supervises the Company's operations and management and decides on significant matters concerning the Company strategy, organization, financing and investments. The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies a working order that specifies the meeting procedure of the Board of Directors and its tasks.

In 2009, Proha's Board of Directors had four members: Antti Manninen (chairman), Ilari Koskelo (vice-chairman), Leena Mäkelä, and Hannu Vaajoensuu. The Board of Directors convened 15 times and the attendance rate was 97.6%.

In accordance with the working order, the tasks of the Board of Directors are to

- assume responsibility for tasks specified as obligatory for the company's Board of Directors by the Finnish Companies Act, the Articles of Association or elsewhere
- approve the company's strategy and objectives
- approve the company values and ethical principles
- approve the company's management system and organizational structure
- approve the operating plan and essential changes to it
- approve the company's internal control and risk management policies and enforce them
- approve the interim reports, financial statements and annual report
- assume responsibility for communications related to financial market outlook
- approve the company's financing policy
- assume responsibility for the development of the company's market value and specify the company's dividend policy
- approve company and business acquisitions and divestments and significant individual investments and contingent liabilities
- approve the company's incentive system and policy
- appoint and discharge the company's top management and decide on their terms of employment and remuneration
- decide on appointing a deputy for the CEO
- decide on the founding of subsidiaries
- assume responsibility for the development of the company's Corporate Governance
- review the operation of the Board of Directors annually
- review the CEO's operation and provide feedback

In accordance with the Articles of Association, the Proha Board of Directors has a minimum of four and a maximum of eight regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting of Shareholders following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chair and a Vice Chair from among its members, and the Board of Directors is deemed to have a quorum present when more than half of its members are present.

In addition to matters to be resolved, the Board of Directors is given real-time information on the operation, financial standing and risks of the group in the meetings.

The Board of Directors convenes once monthly according to an agreed schedule, in addition to which the Board of Directors convenes when necessary. Minutes are kept for all meetings.

CEO

The Board of Directors appoints the CEO. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. The CEO is assisted in the management of the group by the Executive Team. In 2009, Ilari Koskelo acted as the CEO until November 17, 2009 and after that Ilkka Toivola.

Proha Executive Team

The group's Executive Team is appointed by Proha's Board of Directors.

The Group's Executive Team assists the CEO in the operative management of the Company, prepares matters handled by the Board and the CEO, as well as plans and monitors the operations of the business units. The Executive Team convenes at least once a month in a combination suitable for the matters at hand. The CEO acts as chairman of the Executive Team.

Members of the Executive Team in 2009 were Ilkka Toivola (CEO) as of November 18, 2009, before that Ilari Koskelo (CEO) until Nov 17, 2009, Svein Blomsø (Managing Director, Safran), Mike Critch (Executive Vice President, Dovre), Sirpa Haavisto (CFO), Arve Jensen (Executive Vice President, Dovre), Petri Karlsson (Managing Director, Camako) as of 17 August, 2009, before that Timo Saros. Janne Rainvuori was a member of the Executive Team until April 27, 2009.

Internal audit

The Group's internal audit assesses and ensures the sufficiency and effectiveness of the Group's internal control. It also assesses the efficiency of different business processes, sufficiency of risk management and compliance with internal guidelines. Internal audit is accounted for by the CEO and the CFO. Internal audit is organized as the responsibility of the financial management.

External audit

According to the Articles of Association, Proha Plc has a minimum of one and a maximum of two auditors appointed by the Annual General Meeting, at least one of which is a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants). Additionally, the company has a minimum of one and a maximum of two deputy auditors. The auditors are elected until further notice. The Board's proposal for the auditor is disclosed in the notice of the General Meeting.

The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Proha Group's result and financial position for the financial period. In addition, the Auditors report to the Board of Directors on the ongoing auditing of administration and operations. In 2009, Proha's auditor was Ernst & Young Oy, Authorized Public Accountants, with Ulla Nykky, A.P.A. as the auditor in charge.

Internal control and risk management systems associated with financial reporting

The ultimate responsibility for accounting and financial administration lies with Proha Plc's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system. The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

Risk management and internal audit system

The Group's risk management is guided by legal requirements, business requirements set by the owners of the company as well as the expectations of the customers, personnel and other important stakeholders. The goal of risk management is to systematically and extensively identify and acknowledge the risks involved in the company's operations as well as to make sure that the risks are appropriately managed when making business decisions.

The company's risk management supports the attainment of strategic goals and ensures the continuity of business operations. Proha takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might endanger the continuity of operations or that are uncontrollable or that can significantly harm the company's operations.

In accordance with Proha's risk management process, the Board of Directors receives an annual report of the most significant risks discovered during the assessment of risks. The Board analyses the risks from the point of view of shareholder value. According to the reporting conforming to the risk management process, the most significant risks in 2009 that have come to the Board's knowledge are associated with gaining product leadership and maintaining the company's competitiveness in the changing competitive situation, growth of the Canadian unit and fully utilizing the opportunities provided by it, as well as the measurement of significant balance sheet items and impairment testing.

Internal control is a process performed by the organization's Board of Directors, acting management and other employees to obtain a reasonable certainty of the attainment of goals. The framework of internal control at Proha is based on Proha Authorization Matrix that is approved by the Board. It specifies the responsibilities and liabilities of the management. The highest supervisory body is the Proha Board. Execution is primarily supervised by the CEO and CFO, who report to the Board.

Control environment

The goal of Proha's internal control is to support the implementation of the Group strategy and ensure compliance with regulations. The operating culture is being built by the steering and control of the company's operations by the Board of Directors, the management methods of the company's management, the company's organizational structure and management system, effective utilization of global information system as well as the employees' competence and development.

Risk assessment

The aim of financial reporting is to ensure that assets and liabilities belong to the company; all rights and liabilities of the company are presented in the financial statements; items in the financial statements have been classified, disclosed and described correctly; assets, liabilities, income and expenditure are entered in the financial statements at the correct amounts; all the transactions during the reporting period are included in the accounts; transactions entered in the accounts are factual transactions; and that the assets have been secured.

The risk management process includes an annual identification and analysis of risks related to financial reporting. In addition, the aim is to analyze and report all new risks immediately after they have been identified. Taking into account the quality and extent of the Group's business operations, the most significant risks associated with the reliability of financial reporting are associated with revenue recognition, processing of bad debt reservation, capitalization of product development expenses, impairment testing of assets (including goodwill and capitalized product development expenses).

Control functions

The correctness and reliability of financial reporting are ensured through compliance with the Group policies and guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls.

The Group's net sales are recognized under the supervision of the centralized controlling function. Revenue recognition is based on the existence of obligatory sale and delivery documents.

The amount of the Group's bad debt reservation is checked quarterly. The calculation is based on the maturity distribution of trade receivables by sales company.

The amount of the Group's product development expenditure is checked quarterly. The calculation is based on project-specific monitoring documentation of R&D activities. The Group has a Development Board which decides upon capitalization of R&D expenses and possible impairment.

Goodwill is tested for impairment during the last quarter of the year. Key variables used in the calculations are the estimated change rates of net sales and costs. In addition, indications of impairment are continuously monitored. If indications of impairment are detected, a separate testing is performed. In specifying the company specific deferred tax assets, the effective tax rate of each country is applied. Deferred tax assets have not been recognized for Group's losses, as it has been estimated that it is not definite that the losses could be utilized in the near future.

The result of business operations and attainment of annual goals is assessed monthly in Executive Team and Board meetings. Monthly management and Board reporting includes both actual and forecast data compared to the goals and actual results of previous periods. Financial reports generated for the business management monitor certain key indicators associated with the development of sales and trade receivables on a monthly basis.

Proha has complemented its organic growth with acquisitions in accordance with its strategy. In making acquisitions, the company aims to follow due diligence and utilize its internal and external competence in the planning phase (e.g. due diligence), takeover phase, as well as when integrating acquired functions with the company's operations.

Communication and information

The purpose of the management's reporting is to produce aptly timed and essential information for making decisions. The controlling function provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with budgeting and forecasting. The Group's financial administration internally distributes information on financial reporting-related processes and procedures on a regular basis, and the personnel performs their internal control tasks according to such information. When necessary, financial administration also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them. The Group's investor

relations maintain the guidelines on the disclosure of financial information in cooperation with financial administration that include e.g. communication responsibilities of a public company.

Monitoring

Monitoring refers to the process of assessing Proha's internal control system and its performance in the long term. Proha also continuously monitors its operations through various assessments, such as internal audits and external audits as well as supplier audits carried out by customers. Proha's management monitors internal control as a part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The Group's financial functions monitor compliance with the financial reporting processes and control. The financial functions also monitor the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Proha's internal control and risk management.

Proha's internal control is also assessed by the company's auditor. The external auditor verifies the correctness of external annual financial reporting. The most significant observations and recommendations of the process audit according to the auditing plan are reported to the Board of Directors.

Compensation

Management of compensation

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Board decides on the service terms and conditions of the CEO, specified in writing. The compensation principles of the top management are decided by the Board. The Board annually approves the personnel incentive scheme.

Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors and auditors.

The Annual General Meeting on March 31, 2009 decided that the chairman of the board be paid EUR 30,000 and each other member of the board EUR 20,000 for the term which will last to the next annual general meeting in 2010. The Compensation is paid quarterly. Deviating from the Board of Director's proposal, the Annual General Meeting decided that notwithstanding the above, such members of the board who at the moment of election are employed by the Proha Group will receive in remuneration EUR 300 per meeting. In accordance with the decision, actual travelling expenses are remunerated. Ilari Koskelo, CEO, informed the meeting that he will, however, renounce the meeting fee on his part.

CEO

The Board decides on the service terms and conditions of the CEO, specified in writing. The service terms and conditions of the current CEO are as follows:

- 3 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 6 months' fixed salary,
- 3 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid,
- 12-month prohibition of competition as of the termination of the employment,
- annual salary is EUR 150,000. In addition, he has phone and car benefits.
- bonus based on performance is no more than 75 percent of basic salary,

- retirement age and pension benefits pursuant to the Employees' Pensions Act (TyEL).

The CEO's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of warrants.

The CEO Ilari Koskelo's total salary, including benefits, totalled EUR 12 in 2009. Salary in money was EUR 12. In addition, Ilari Koskelo had phone benefit. His performance bonuses totalled EUR 25 000.

CEO Ilkka Toivola's total salary, including benefits, totalled EUR 20,092.50. No performance bonuses were paid to him.

Executive Team

Members of the Executive Team in 2009 were Ilkka Toivola (CEO) as of November 18, 2009, before that Ilari Koskelo (CEO) until Nov 17, 2009, Svein Blomsø (Managing Director, Safran), Mike Critch (Executive Vice President, Dovre), Sirpa Haavisto (CFO), Arve Jensen (Executive Vice President, Dovre), Petri Karlsson (Managing Director, Camako) as of 15 August, 2009, before that Timo Saros. Janne Rainvuori was a member of the Executive Team until April 27, 2009.

The Executive Team's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of option rights. The compensation principles of the Executive Team members are decided by the Board. In 2007-2009, a long-term incentive program for the top management was in use, according to which warrants could be granted to top management, country managers of the business units, and key personnel.

In 2009, the total salaries and benefits of the Executive Team members were EUR 672,000, excluding the CEOs of Proha Plc. Performance bonuses totalled EUR 17,000. In addition, the controlling interest company of Otto Sørberg, the former CEO of Dovre Group AS, was paid EUR 282,000 as consulting fees and EUR 35,000 as expenses in 2009. Performance bonuses were EUR 18,000 in 2009. Otto Sørberg finished in his position on October 9, 2009.

According to the share register maintained by Euroclear Finland Ltd, the CEO Ilkka Toivola held 150,000 shares in Proha Plc on December 31, 2009. Other members of the Executive Team did not hold shares in Proha Plc.

Members of the Executive Team

Ilkka Toivola, CEO, Proha Plc

Svein Blomsø, Managing Director, Safran Software Solutions AS

Mike Critch, Executive Vice President, Dovre International (US), Inc.

Sirpa Haavisto, CFO, Proha Plc

Arve Jensen, Executive Vice President, Dovre Group AS

Petri Karlsson, Managing Director, Camako Oy

Insider Administration

Proha's insider guidelines comply with the NASDAQ OMX Helsinki Guidelines for Insiders effective as of January 1, 2006. The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights issued of the company for a period of four weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window).

By law, the Company public insiders include members of the Board, CEO, auditors and the auditor in charge of the company of public accountants as well as Executive Team members responsible for the key business areas. In addition, the Company has a company-specific insider register that includes those who regularly receive insider information in their work. Persons who are involved in acquisitions or other projects that have an effect on the valuation of the company's shares, are considered project specific insiders and are subject to a temporary trading suspension.

The company's Board is in charge of the guidance and supervision of insider issues and also maintains the project-specific insider registers if necessary. The Marketing Manager takes care of the permanent insider register. The insider register of Proha Plc is maintained by Euroclear Finland Ltd (previously the Finnish Central Securities Depository Ltd.). The up-to-date shareholdings of the insiders can be seen in Euroclear Finland Ltd's customer service point in Helsinki, Finland, address Urho Kekkosen katu 5 C. The company also maintains a list of insiders on its website.

Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Annual General meeting resolved on March 31, 2009 to compensate the members of the Board according to the following:

- members: EUR 20,000 per year
- chairman: EUR 30,000 per year

However, the remuneration is not paid to those members of the Board who hold a position at Proha Group. In addition, all members of the Board are paid a meeting fee of EUR 300 for each meeting.

According to the share register maintained by Euroclear Finland Ltd, Antti Manninen held 500,500, Ilari Koskelo 4,262,590, Leena Mäkelä 8,435, and Hannu Vaaajoensuu 710,000 shares in Proha Plc on December 31, 2009.

Members of the Board

Antti Manninen

Born. 1961, KTM
Main occupation investments and board work

Key working experience: Rio Group Oy: Chairman of the Board 1998-, Megavision S.A. Ltd.: Investment Manager 1993--1998, Basware Oy: Researcher 1991--1992

Key positions of trust:

Chairman of the board: Rio Group Oy
Member of the board: Fenno Kvantum Oy
Member of the board: Event Management Group Oy

Ilari Koskelo

Born 1959, M.Sc., MBA, Bachelor of Science
Navdata Oy, Managing director

Key working experience: Navdata Oy: Managing director and founder, Javad Positioning Systems Inc. and Global Satellite Solutions Inc.: Founder, Geo/Hydro Inc.: Project manager

Key positions of trust:

Chairman of the board: Navdata Oy

Leena Mäkelä

Born 1973, DI
Consultant, Camako Oy

Key working experience: Artemis Finland Oy / Proha Plc: product manager, project manager, consultant 1997-2008

Hannu Vaajoensuu

Born 1961, KTM
Full-time Basware's chairman of the Board 2005-

Key working experience: Basware Plc: CEO 1999–2004, manager 1990–1999, consultancy work for the company 1987–1990

Key positions of trust:

Chairman of the board: Basware Plc, Efecte Oy, Profit Software Oy

Vice chairman of the board: Comptel Oyj

Member of the board: Biocomputing Platforms Ltd Oyj, Inventure Oy, Nervogrid Oy

Proha's separate Corporate Governance Statement 2009 was approved by the Board of Directors on January 15, 2010.