

Corporate Governance Statement 2011

(Not included in the Board of Directors' Review and the Financial Statements)

Glaston Corporation complies with its Articles of Association, the Finnish Companies Act and the rules of NASDAQ OMX Helsinki Stock Exchange. In addition, Glaston complies with the Finnish Corporate Governance Code for listed companies, which came into force in 2010. The Finnish Corporate Governance Code is publicly available at the internet address www.cgfinland.fi.

Duties and Responsibilities of Governing Bodies

The Annual General Meeting, Board of Directors and the President & CEO, whose duties are determined mainly in accordance with the Finnish Companies Act, are responsible for the management of Glaston Group.

General Meeting of Shareholders

The General Meeting of Shareholders is the company's ultimate decision-making body. It decides the duties for which it is responsible in accordance with the Companies Act and the Articles of Association. The Annual General Meeting (AGM) decides on, among other things, the adoption of the financial statements and the consolidated financial statements contained therein, the distribution of profits and the discharge of the Members of Board and the President & CEO from liability. In addition, the AGM elects the Members of the Board and the auditors, and decides on the remuneration paid to Members of Board and the auditors. The AGM, furthermore, may decide on, for example, amendments to the Articles of Association, share issues and the acquisition of the company's own shares.

Glaston Corporation's General Meeting of Shareholders meets at least once per year. The Annual General Meeting must be held at the latest by the end of May. In accordance with the Articles of Association, the notice to attend a General Meeting of Shareholders must be announced no later than three weeks before the meeting and at least nine days before the last day of registration for the meeting in one Finnish-language and one Swedish-language daily newspaper specified by the Board of Directors. In addition, Glaston publishes the notice to the General Meeting of Shareholders as a stock exchange release and on its website.

The President & CEO, the Chairman of the Board and a sufficient number of Members of the Board must attend a General Meeting of Shareholders. In addition, the auditor must be present at the Annual General Meeting.

Extraordinary General Meeting of Shareholders

An Extraordinary General Meeting of Shareholders is convened when the Board of Directors considers there is good cause to do so, or if the auditor or shareholders who control one tenth of all the shares so demand in writing for the consideration of a certain issue.

Shareholders' Rights

In accordance with the Finnish Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice. At a General Meeting,

shareholders have the right to make proposals and ask questions on the matters being dealt with.

A shareholder shall have the right to participate in a General Meeting if the shareholder is registered in the company's register of shareholders eight days before a General Meeting. Owners of nominee-registered shares can be temporarily registered in the company's register of shareholders for participation in a General Meeting. A shareholder may attend a General Meeting personally or through an authorised representative. A shareholder may also have an assistant at a General Meeting.

Board of Directors

The Board of Directors is responsible for the appropriate arrangement of the company's administration and operations. The Board of Directors consists of minimum of five and a maximum of nine members elected by a General Meeting of Shareholders. The term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election. According to the Articles of Association, a person who has reached 67 years of age cannot be elected a Member of the Board of Directors.

The Board of Directors shall elect from among its members a Chairman and a Deputy Chairman to serve for one year at a time. The Board of Directors has a quorum if more than half of its members are present at the meeting.

The Board of Directors' tasks and responsibilities are determined primarily by the company's Articles of Association, the Finnish Companies Act and other legislation and regulations. It is the responsibility of the Board of Directors to further the interests of the company and all of its shareholders.

The main duties and operating principles of the Board of Directors are defined in the board charter approved by the Board. It is the Board's duty to prepare the matters to be dealt with by a General Meeting and to ensure that the decisions made by a General Meeting are appropriately implemented. It is also the Board's task to ensure the appropriate arrangement of the control of the company accounts and finances. In addition, the Board directs and supervises the company's executive management, appoints and dismisses the CEO, decides on the CEO's employment and other benefits, and approves the salary and other benefits of the Executive Management Group. The Board approves the Executive Management Group's charter.

The Board of Directors also decides on far-reaching and fundamentally important issues affecting the Group. Such matters are the Group's strategy, approving the Group's budget and action plans and monitoring their implementation, acquisitions and the Group's operating structure, significant capital expenditures, internal control systems and risk management, key organisational issues and incentive schemes.

The Board of Directors is also responsible for monitoring the reporting process of the financial statements, the financial reporting process and the efficiency of the company's internal control, internal auditing, if applicable, 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 statutory auditor or audit firm, particularly with respect to the provision services unrelated to the audit, and preparing a proposal for resolution on the election of the auditor.

The Board of Directors also regularly evaluates its own actions and working practices. This evaluation may be performed by the Board itself or by an external evaluator.

Meetings of the Board of Directors are held as a rule in the company's head office in Helsinki. The Board of Directors also visits each year the Group's other operating locations and holds meetings there. The Board of Directors may also, if necessary, hold telephone conferences. The Board of Directors normally meets 7-10 times per year. The company's President

& CEO and Chief Financial Officer generally attend the meetings of the Board. If necessary, such as in connection with the handling of strategy or the annual plan, other Members of the Executive Management Group may also attend meetings of the Board. The auditor attends at least two meetings per year.

Independence of Members of the Board

According to an independence assessment performed by the company's Board of Directors, all of the Board's six members are, in principle, independent of the company. Excluding Andreas Tallberg, the Members of the Board are independent of the company's significant shareholders. Andreas Tallberg is Chairman of the Board of GWS Trade Oy (GWS Trade Oy's ownership of Glaston Corporation shares was 12.74% on 31 December 2011) and Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 12.14% on 31 December 2011). Based on a broader assessment, however, the Board considers that Carl-Johan Rosenbröjjer and Christer Sumelius are not independent, because they have served as Board Members for more than 12 consecutive years. The Members of the Board, the President & CEO and the Members of Executive Management Group have no conflicts of interest between the duties they have in the company and their private interests.

Composition of the Board of Directors

In 2011 the company's Board of Directors has no female members, and the company deviates in this respect from Recommendation 9 of the Finnish Corporate Governance Code for listed companies. The composition of the Board of Directors is of key importance for the company's future, and when proposing members Glaston strives to ensure that as wide and diverse expertise as possible is represented on the Board. The Board of Directors proposes to the 2012 Annual General Meeting that a female member be elected to the Board of Directors.

Committees of the Board of Directors

The company has no committees established by the Board of Directors and therefore the Board is responsible for the

duties of the Audit Committee in accordance with the Finnish Corporate Governance Code for listed companies. The company's Board of Directors has considered that it wishes to participate as a whole in the preparation of issues specified for the Board and that the effectiveness of the company's Corporate Governance is such that it does not currently require the establishment of separate committees.

President & CEO

The President & CEO handles the operational management of the company in accordance with instructions issued by the Board. He is responsible to the Board of Directors for fulfilling the targets, plans and goals that the Board sets. The President & CEO is responsible for ensuring that the company's accounting is in compliance with the law and that financial affairs have been arranged in a reliable manner. The President & CEO is supported by the Executive Management Group.

Executive Management Group

The company's Executive Management Group comprises the President & CEO (also representing the Machines segment), the Senior Vice Presidents of the Software Solutions and Services segments, the General Manager, Asia, the Senior Vice President, Supply Chain, the company's Senior Advisor (as of July 2011), the Senior Vice President, Human Resources and the Chief Financial Officer. The Members of the Executive Management Group report to the President & CEO and assist him in implementing the company's strategy, operational planning and management, and in reporting the development of business operations. The Executive Management Group meets under the direction of the President & CEO.

The Chairman of the company's Board of Directors appoints, on the proposal of the President & CEO, the Members of the Executive Management Group and confirms their remuneration and other contractual terms. The company's President & CEO acts as the Chairman of the Executive Management Group. The Executive Management Group handles the Group's and segments' strategy issues, capital expenditure, product policy, Group structure and control systems, and supervises the company's operations. Information of the Members of the Executive

Management Group is presented on the company's website at the address www.glaston.net.

Insider Administration

In addition to statutory insider regulations, Glaston complies with the insider guidelines for listed companies of NASDAQ OMX Helsinki Ltd as well as the regulations and guidelines of the Finnish Financial Supervisory Authority.

Glaston's permanent insiders include the statutory insiders, namely the Board of Directors, the President & CEO and the responsible auditor. In addition to these, Members of the Executive Management Group are also permanent insiders with a duty to disclose their ownership in Glaston.

Glaston's company-specific non-public insider register also includes some other management personnel and employees according to their job descriptions. At the preparation stage of significant projects, the company also keeps a project-specific insider register. Insiders are given a written statement of their inclusion in an insider register as well as guidelines on insider obligations.

The company's insider registers are maintained by the Group's Communications Department, which is responsible for updating the information. Shareholding information on the company's permanent insiders as well as their related parties' shareholdings are available in the SIRE system of Euroclear Finland Ltd. The information is also on Glaston's website.

Auditing

The company has one auditor, which must be an auditing firm authorised by the Finnish Central Chamber of Commerce. The Annual General Meeting elects the auditor to audit the accounts for the financial year, and the auditor's duties cease at the close of the subsequent Annual General Meeting. The auditor's duty is to audit the consolidated and parent company financial statements and accounting as well as the parent company's governance, and to give reasonable assurance that the financial statements and the Board of Directors' Review give a true and fair view

of the Group's operations and result as well as its financial position. In connection with the annual financial statements the company's auditor presents the audit report required by law to the company's shareholders and reports regularly to the Board of Directors. The auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

Main Features of the Internal Control and Risk Management Pertaining to the Financial Reporting Process

Internal control is an essential part of the company's administration and management. Its aim is to ensure that the Group's operations are efficient, productive and reliable and that legislation and other regulations are complied with. The Group has specified for the main areas of its operations Group-wide principles that form the basis for internal control.

The Group's internal control systems serve to provide reasonable assurance that the financial reports published by the Group give reasonably correct information about the Group's financial position. The Board of Directors and the President & CEO are responsible for arranging internal control. A report covering the Group's financial situation is supplied monthly to each Member of the Board of Directors. The Group's internal control is decentralised to different group functions, which supervise within their areas of responsibility compliance with the policies approved by the Board of Directors. The Group's financial management and operational control are supported and coordinated by the Group's financial management and controller network.

The Group's financial reporting process complies with the Group's operating guidelines and standards relating to financial reporting. The interpretation and application of financial reporting standards has been concentrated in the Group's Financial Management organisation, which maintains operating guidelines and standards relating to

financial reporting and is responsible for internal communication relating to them. The Group's Financial Management organisation also supervises compliance with these guidelines and standards. The company has no separate internal auditing organisation. The Group's Financial Management organisation regularly monitors the reporting of segments and addresses deviations perceived in reporting and, if necessary, performs either its own separate internal auditing or commissions the internal auditing from external experts. Control of reporting and budgeting processes is based on the Group's reporting principles, which are determined and centrally administered by the Group's Financial Management organisation. The principles are applied consistently throughout the Group and a consistent group reporting system is in place.

Risk Management

Risk management is an essential part of Glaston's management and control system. The purpose of risk management is to ensure the identification, management and monitoring of risks relating to business targets and operations. Risk management principles have been specified in a risk management policy approved by the company's Board of Directors, and operating practices in a risk management process description and in risk management guidelines.

The principle guiding Glaston's risk management is the continuous, systematic and appropriate development and implementation of the risk management process, with the objective being the comprehensive recognition and appropriate management of risks. Glaston's risk management focuses on the management of risks relating to business opportunities and of risks that threaten the achievement of Group objectives in a changing operating environment. From the perspective of risk management, the company has divided risks into four different groups: strategic risks, operational risks, financial risks and hazard risks. Risks relating to property, business interruption as well as liability

arising from the Group's operations have been covered by appropriate insurances. Management of financial risks is the responsibility of the Group Treasury in the Group's parent company.

Glaston's risk management policy includes guidelines relating to the Group's risk management. Risk management policy also specifies the risk management processes and responsibilities. Glaston's risk management consists of the following stages: risk recognition, risk assessment, handling of risk, risk reporting and communication, control of risk management activities and processes, business continuity planning and crisis management. As part of the risk management process, the most significant risks and their possible impacts are reported to company management and the Board of Directors regularly, based on which management and the Board can make decisions on the level of risk that the company's business areas are possibly ready to accept in each situation or at a certain time.

It is the duty of Glaston's Board of Directors to supervise the implementation of risk management and to assess the adequacy and appropriateness of the risk management process and of risk management activities. In practice, risk management consists of appropriately specified tasks, operating practices and tools, which have been adapted to Glaston's segments and group-level management systems. Risk management is the responsibility of the senior manager of each segment and group-level function. Risk recognition is in practice the responsibility of every Glaston employee.

The Group Legal function is responsible for guidelines, support, control and monitoring of risk management measures. In addition, the function consolidates segment and group-level risks. The Group Legal function reports on risk management issues to the President & CEO and the Executive Management Group and assesses in collaboration with them any changes in the probabilities of the impacts of identified risks and in the level of their management. The Group Legal function also reports the results of risk management processes to the Board of Directors.

Segment and group-level risk management is included in the regularly repeated group-wide risk management process. The process can also be initiated during the year if substantial strategic

changes requiring the initiation of the risk management process take place in a certain area of operations.

The management group of each segment identifies and assesses segment risks and specifies the segment's risk management measures by which an acceptable level of risk can be achieved.

With the aid of the risk management process, risks are systematically identified and assessed in each business segment and at Group level. In addition, at each level measures are specified which, when implemented, will achieve an acceptable level of risk. Risks are consolidated from segment level to Group level. Action plans are prepared at each level of operations to ensure risks remain at an acceptable level.

The Group's risks are covered in more detail in the Board of Directors' Review on page 8. The management and organisation of the Group's financial risks are presented in more detail in Note 3 of the consolidated financial statements on page 34.

Andreas Tallberg, b. 1963, M.Sc.(Econ.)

Chairman of the Board since 2007

Independent of the company, Chairman of the Board of Directors of GWS Trade Oy, a significant shareholder, and Managing Director of Oy G.W.Sohlberg Ab, a significant shareholder.

Share ownership on 31.12.2011: no shares

Main occupation: Oy G.W. Sohlberg Ab, Managing Director since 2007

Christer Sumelius, b. 1946, M.Sc.(Econ.)

Deputy Chairman of the Board since 1995

Dependent on the company, independent of significant shareholders

Share ownership on 31.12.2011: 3,624,200 shares, including shares owned by related parties and controlling interest companies

Main occupation: Chairman of the Board, Oy Investsum Ab since 1984

Carl-Johan Rosenbröijer, b. 1964, Ph.D.(Econ.)

Member of the Board since 1996

Dependent on the company, independent of significant shareholders

Share ownership on 31.12.2011: 12,600 shares

Main occupation: Senior Teacher, Arcada University of Applied Sciences since 2003

Claus von Bonsdorff, b. 1967, M.Sc.(Eng.), M.Sc.(Econ.)

Member of the Board since 2006

Independent of the company, independent of significant shareholders

Share ownership on 31.12.2011: 122,600 shares

Main occupation: Head of Strategy, Business Development and Marketing, Nokia Siemens Networks Customer Operations since 2007

Teuvo Salminen, b. 1954, M.Sc.(Econ.), APA

Member of the Board since 2010

Independent of the company, independent of significant shareholders

Share ownership on 31.12.2011: 50,000 shares

Main occupation: Professional Board Member

Pekka Vauramo, b. 1957, M.Sc.(Eng.)

Member of the Board since 2011

Independent of the company, independent of significant shareholders

Share ownership on 31.12.2011: 10,000 shares

Main occupation: COO and Deputy to CEO, Cargotec Corporation since 2007

Corporate Governance in 2011

Annual General Meeting

Glaston's Annual General Meeting, held on 5 April 2011, confirmed the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2010. All documents relating to the Annual General Meeting are available on the company's website www.glaston.net.

Composition of the Board of Directors

From 1 January to 4 April 2011, the Members of the Board were Claus von Bonsdorff, Klaus Cawén, Jan Lång, Carl-Johan Rosenbröijer, Christer Sumelius, Andreas Tallberg and Teuvo Salminen. Members of the Board Klaus Cawén and Jan Lång were not available when the Members of the Board of Directors were elected for the term of office 2011–2012.

The 2011 Annual General Meeting on 5 April 2011 elected to the company's Board of Directors the following persons listed below:

In 2010 Glaston's Board of Directors held 15 meetings, of which 5 were via telephone conference. The attendance of Members of the Board at meetings was 94%.

Remuneration of Board of Directors and the Executive Management Group in 2011

Remuneration of the Board of Directors

The 2011 Annual General Meeting approved annual remuneration to the Chairman of the Board of Directors amounting to EUR 40,000, to the Deputy Chairman EUR 30,000 and to other Members of the Board EUR 20,000. In addition, the Chairman of the Board was paid a

meeting fee of EUR 800 and the other Members of the Board EUR 500 for those meetings of the Board that they attended. Remuneration for meetings held by telephone was paid on a different basis. The travel expenses of Members of the Board are compensated in accordance with the company's travel rules. None of the Members of the Board receives from the company remuneration unconnected with their work on the Board of Directors. The Members of the Board are covered by voluntary pension insurance accrued from their Board of Directors' remuneration. The value of the pension insurance corresponds with the Finnish TyEL pension scheme. Remuneration paid to the Board of Directors is outlined in more detail in Note 30 of the consolidated

financial statements and in a separate salaries and bonuses report.

Remuneration of the President & CEO and the Executive Management Group

Remuneration of the President & CEO and the Members of the Executive Management Group consists of a fixed monthly salary, an annual bonus (variable salary component) and a share-based incentive plan (variable salary component) intended as a long-term reward. The annual bonus is determined on the basis of Glaston's financial performance. The indicators used are the Group's result, the business area's or business unit's result as well as personal targets agreed with supervisors. The maximum amount of the President & CEO's annual bonus is 50% of annual salary. For the Members of the Executive Management Group, the maximum amount of annual bonus is 40% of annual salary.

In addition, the President & CEO has a separate share bonus plan, on the basis of which he received one year after the start of his employment relationship, i.e. on 3 September 2010, a total of 50,000 Glaston Corporation shares as well as cash to the sum required for the taxes and tax-related payments arising from the distributed shares on the date that the shares were awarded. The awarded shares cannot be conveyed or otherwise used within two years of the date they were awarded.

The President & CEO's period of notice is three months. In addition, the President & CEO is paid compensation corresponding to 12 months' salary if he is dismissed by the company. If more than 50% of the company's shares are transferred to a new owner in connection with a merger or acquisition, the President & CEO shall have the right to terminate his employment contract with 1 month's notice, in which case he shall be paid one-off severance pay of EUR 200,000.

The President & CEO has the opportunity to retire at 63 years of age. The President & CEO and one member of the Executive Management Group are entitled to a supplementary pension that exceeds the statutory scheme. The retirement age of other Members of the Executive

President & CEO and Executive Management Group

The company's President & CEO in 2011 was Arto Metsänen M.Sc.(Eng.), (b. 1956).

At the end of 2011, the Executive Management Group had 8 members. The Executive Management Group met 11 times in 2011.

Arto Metsänen, b. 1956, M.Sc.(Eng.)

President & CEO and Chairman of the Executive Management Group since 1 September 2009

Tapio Engström, b. 1963, M.Sc.(Econ.)

Chief Financial Officer

Employed by the company and Member of the Executive Management Group since 2010

Günter Befort, b. 1954, B.Sc.(Eng.)

Senior Vice President, Software Solutions segment until 17 July 2011, Senior Advisor since 18 July 2011

Employed by the company and Member of the Executive Management Group since 2007

Juha Liettyä, b. 1958, B.Sc.(Eng.)

Senior Vice President, Services segment

Employed by the company since 1986, Member of the Executive Management Group since 2007

Frank Chengdong Zhang, b. 1968, EMBA

General Manager, Asia

Employed by the company since 2008, Member of the Executive Management Group since 2010

Tapani Lankinen, b. 1968, M.A.

Senior Vice President, Human Resources

Employed by the company and Member of the Executive Management Group since 2010

Pekka Huuhka, b. 1956, M.Sc.(Eng.)

Senior Vice President, Supply Chain

Employed by the company and Member of the Executive Management Group since 2010

Uwe Schmid, b. 1963, Ph.D.(Phys.)

Senior Vice President, Software Solutions

Employed by the company and Member of the Executive Management Group since 18 July 2011

Topi Saarenhovi, b. 1967, M.Sc.(Eng.)

Senior Vice President, Machines segment

Employed by the company and Member of the Executive Management Group from 2007 to 31 January 2011

Management Group is in accordance with normal local legislation.

The table below presents the total remuneration of the President & CEO and the Members of the Executive Management Group in 2011.

On 9 June 2010, Glaston's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The plan had one performance period covering 2010 and 2011, with the vesting condition being the development of the Group's operating result. The plan did not vest, as the vesting condition was not fulfilled.

On 12 December 2011, Glaston's Board of Directors decided on a new

share-based incentive plan for the Group's key personnel. The share bonus plan has three performance periods, namely the calendar years 2012, 2013 and 2014. The company's Board of Directors will decide on the plan's performance criteria and the targets set for them at the beginning of each performance period. The possible bonus of the plan for performance period 2012 will be based on the Glaston Group's operating result (EBIT) and net profit. The share bonus plan's target group consists of around 25 people. The bonuses payable on the basis of the plan will correspond during three years to a maximum of 4.8 million Glaston Corporation shares.

Auditing

At the 2011 Annual General Meeting, the accounting firm Ernst & Young Oy was elected as the company's auditor.

The responsible auditor was Harri Pärssinen, APA. Auditing units representing Ernst & Young have mainly served as the auditors of the company's subsidiaries in each country. In 2011 the Group's auditing costs totalled EUR 578 thousand of which Ernst & Young received EUR 492 thousand. Ernst & Young Oy's auditing expenses for the audit for financial year 2011 totalled EUR 350 thousand. In addition, auditing units belonging to Ernst & Young have provided other advice to Group companies to a value of EUR 57 thousand.

Salaries and bonuses paid to the Group's Executive Management Group

EUR	2011	2010
President & CEO Arto Metsänen		
Salary	325,955	316,920
Share-based incentive plan, paid in cash	-	70,312
Share-based incentive plan, value of shares awarded	-	65,500
Performance bonuses	105,168	-
Total salary	431,123	452,732
Fringe benefits	16,117	19,080
Total	447,240	471,812
Statutory pension contributions (TyEL or similar scheme)	79,161	54,768
Voluntary pension contributions	40,320	61,844
Other Executive Management Group, total		
Salary	1,163,756	1,140,288
Severance pay	94,482	327,161
Performance bonuses	198,455	44,819
Total salary	1,456,693	1,512,268
Fringe benefits	42,441	81,058
Total	1,499,134	1,593,326
Statutory pension contributions (TyEL or similar scheme)	181,346	163,143
Voluntary pension contributions	51,242	20,515

Share ownership of the Board of Directors and Executive Management Group on 31 December 2011

Rosenbröijer, Carl-Johan	12,600	Befort, Günter	-
Salminen, Teuvo	50,000	Engström, Tapio	7,000
Sumelius, Christer	3,624,200	Huuhka, Pekka	-
Tallberg, Andreas	-	Lankinen, Tapani	-
von Bonsdorff, Claus	122,600	Liettyä, Juha	-
Vauramo, Pekka	10,000	Metsänen, Arto	86,394
		Schmid, Uwe	-
		Zhang, Frank	-