

Corporate Governance Statement 2013

QPR Software Plc

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1 Information on compliance with the Corporate Governance Code

QPR Software Plc complies with the Corporate Governance Code effective as of October 1, 2010.

2 Deviation from recommendations

QPR Software complies with the Finnish Corporate Governance Code with the following exception: the Board of Directors has not established any committees.

There are no separate committees, as the Board has not considered these necessary in view of the size of the Group, extent of the operations and existing monitoring systems. The Board as a whole is responsible for fulfilling the tasks of an audit committee and other committees.

3 Availability of the Corporate Governance Code on the Internet

The Finnish Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association, at www.cgfinland.fi.

4 Composition and operations of the Board and Board committees

4.1 Composition of the Board of Directors

Vesa-Pekka Leskinen
(b. 1950)

- Member of the Board since July 2003.
- Chairman of the Board since January 2006.

Mr. Vesa-Pekka Leskinen is the Chairman of the Board of Kauppamainos Oy and was the CEO of Kauppamainos from 1979 to September 2010. He is the majority owner of Kauppamainos Oy. The main area of business of Kauppamainos has been investor relations and communications, in relation to which Kauppamainos has designed and delivered nearly a hundred annual reports of various companies, participated in the preparation of tens of equity issues, and have been supporting the IPO process of more than ten companies. Mr. Leskinen has personally been involved in carrying out the investor relations and communication of public listed companies.

Vesa-Pekka Leskinen is also the founder of Quartal Oy and was the majority owner of the company until 1999. Quartal Oy is focusing on developing and delivering computerized delivery solutions and communication services, especially for the stock market and the companies having business therein. In addition, Vesa-Pekka Leskinen is a board member in Vianaturale Oy. By education Mr. Leskinen is an undergraduate and has an MAT degree.

Mr. Leskinen held 851,400 shares of QPR Software Plc at December 31, 2013. Kauppamainos Oy, whose majority owner Mr. Leskinen is, held 475,170 shares of QPR Software Plc at December 31, 2013.

Kirsi Eräkangas

(b. 1965)

- Member of the Board since March 2012.
- Independent member.

Kirsi Eräkangas is a member of Board of Directors of Biocomputing Platforms Ltd Oy, Oy Free Drop Innovations Ltd and Vahanen International Oy. She is owner of Nomadi Oy, an investment and development company co-operating with several IT start-ups.

Kirsi Eräkangas is a one of the co-founders of the publicly listed software company Basware Corporation. The company, specialized in automating financial and procurement processes, is a one of the most successful Finnish software companies. Eräkangas had a central role in developing Basware's business, and she held several executive positions 1988–2005. Her latest operative responsibility covered Basware's professional services globally. She was Basware's board member 1993–2008, latest as the Vice Chairman.

Earlier she has been member of Board of Directors of Finpro ry (2007–2013), Biocomputing Platforms Ltd (2007–2010) and Softability Oy (2006–2008) as well as the member of the Board of Directors (2007–2012) and Chairman of the Board (2008–2010) of Nervogrid Oy. She was a member of the Board of Directors of Nobultec Ltd in 2008, a company acquired by QPR Software in 1 August, 2011, and the Chairman of the Nobultec Board during 2009–2011. Mrs. Eräkangas is also a member of the Finnish Association of Professional Board Members.

Kirsi Eräkangas holds a M.Sc. degree in Economics and EMBA degree.

Mrs. Eräkangas held 7,000 shares of QPR Software Plc at December 31, 2013.

Jyrki Kontio

(b. 1961)

- Member of the Board since March 2008.
- Independent member.

Mr. Jyrki Kontio is an entrepreneur in his own consulting company R & D-Ware Oy. Previously, he was Professor of Software Product Business at the Helsinki University of Technology in 2002–2007. Prior to this assignment, Kontio worked for 15 years at Nokia Corporation, serving in various software and process management leadership and research positions. He is an active investor in several start-up companies. Mr. Kontio has a M.Sc. degree in Business Administration and a Doctor degree in Technology.

Jyrki Kontio held no shares of QPR Software Plc at December 31, 2013.

Topi Piela

(b. 1962)

- Member of the Board since March 2012.
- Independent of the Company.

Topi Piela is the CEO and a member of the Board of Directors of Balance Capital Oy, deputy to CEO of Ulkomarkkinat Oy and a member of the Finnish Association of Professional Board Members. Mr. Piela is also a member of the Board of Directors of Balance capital Oy, Piela Ventures Oy and JJPPPT Holding Oy and the Chairman of the Board of Coptersafety Oyj. He is also a member of the State Pension Fund and YLE (the Finnish Broadcasting Company) Pension Fund investments committees.

Earlier, Topi Piela served as the Managing Director of Amanda Capital Plc (2000–2004), after which he assumed a position in the Board of Directors of Amanda and worked also as a chairman (2004–2011). Piela's previous positions include Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arctos Rahasto Oy, and Securities and Investment Director of Ålandsbanken Ab. He has also served on the investment committees of several Finnish and European private equity funds. Topi Piela has earlier been member of QPR Software Board of Directors during 2006–2009.

Mr. Piela has a M.Sc degree in Economics and has CEFA and Advanced Insurance Examination diplomas.

Mr. Piela held 1,052 shares of QPR Software Plc at December 31, 2013. Ulkomarkkinat Oy, whose Deputy to CEO Mr. Piela is, held 1,657,986 shares of QPR Software Plc at December 31, 2013.

5 Operations of the Board of Directors

5.1 Charter of the Board (summary)

Board meetings

- Convenes regularly at least 8 times a year according to pre-agreed schedule.
- At least one of the meetings focus on strategy in the spring and one is a budget meeting in the autumn.
- When necessary, the Chairman of the Board and CEO may call for an additional Board meeting.
- The agenda and materials shall be delivered to Board members no less than three working days before the meeting, if not otherwise agreed with the Chairman.

Material

- The monthly report shall contain the Group's actual results, result forecast, budget comparison, and commentary on the results including reasons for any significant budgetary deviations. A summary of all other important matters within Group is also included.

- All significant matters shall be informed to the Board immediately.
- Risk management report is presented to the Board in connection with quarterly financial reporting (4 times in a year).

Matters to be handled at the board meeting

Following list contains matters to be handled at the Board meetings:

- Matters specified by the Finnish Companies Act
- Approving the strategy and annual budget, and their follow-up
- Appointing and dismissing the CEO, and deciding on the terms of his/her employment
- Approving the hiring of personnel reporting directly to the CEO, and the key terms of employment for these people
- Determining the compensation principles for senior management
- Approving the incentive systems for the CEO and the personnel
- Preparing a proposal on the personnel option schemes for the Annual General Meeting and deciding on its allocation to personnel
- Reviewing and approving interim reports and financial statements
- Approving major business deals and investments as well as other decisions of key significance
- Approving the dividend distribution policy and preparing a proposal for the Annual General Meeting concerning the distribution of dividend
- Approving the investment policy
- Monitoring the implementation of internal control, internal audit and risk management
- Reviewing other matters that the Chairman of the Board and the CEO have agreed to be taken on the Board's agenda or that otherwise fall within the Board's decision-making powers under the provisions of the Companies Act, other laws, Articles of Association or other regulations.

5.2 Board's operations in 2013

QPR Board of Directors assembled 13 times during 2013. The average participation percentage was 96. The Board of Directors made a self-assessment of its operation. The Board has not established any committees.

6 Supervisory board

QPR Software Plc does not have a supervisory board.

7 Board committees

There are no separate committees, as the Board has not considered these necessary in view of the size of the Group, extent of the operations and existing monitoring systems. The Board as a whole is responsible for fulfilling the tasks of an audit committee and other committees.

8 Chief Executive Officer and his duties

8.1 Chief Executive Officer

Mr. **Jari Jaakkola** (born 1961) has been the Chief Executive Officer of QPR Software Plc since January 2008. He has been employed by the Company and been a Member of Executive Management Team since August 2006.

Mr. Jari Jaakkola worked from August 2006 to January 2008 as Senior Vice President, Business Operations at QPR Software Plc. Jari Jaakkola's previous experience covers leadership positions in Sonera Corporation and Metsä Board Corporation. He also has extensive experience from positions in international advertising and PR agencies and the Finnish media. Mr. Jaakkola holds a B.A. degree in journalism from Tampere University and an MBA from Henley Management College.

8.2 The duties of the Chief Executive Officer

QPR's Board of Directors appoints the CEO and decides the terms of his/her service contract. The CEO's terms of service have been agreed on in writing. The CEO is not appointed for a certain term, but is appointed indefinitely until further notice is given.

The CEO's duty is to manage the company's activities in accordance with the Finnish Companies Act and the Board of Directors' instructions and rules and to inform the Board of Directors about the development of the company's business and financial situation. The CEO is also responsible for arranging the company's day-to-day administration and ensuring that the financial administration of the company has been arranged reliably. The CEO primarily presents matters in Board meetings and is responsible for preparing proposals for Board's decisions.

9 Internal control and risk management

9.1 Internal Control

Internal control and risk management in QPR Software Plc aims to ensure that the Company operates efficiently and effectively, distributes reliable information, complies with regulations and operational principles, reaches its strategic goals, reacts to changes in the market and operational environment, and ensures continuity of its business.

It is the duty of the Board of Directors to monitor the appropriateness, effectiveness and efficiency of risk management and internal control in QPR Software Group. Risk management report covering the risks presented in the Risk Management section is presented to the Board in connection with quarterly financial reporting.

The threat caused by the risks to shareholders is used as a criterion when the Board of Directors evaluates these risks. The Board of Directors also monitors that the Company has defined operational principles for internal control and that the Company monitors the effectiveness of internal control.

9.2 Internal control and risk management systems associated with financial reporting

The ultimate responsibility for accounting and financial administration lies with QPR Software 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.

9.3 Risk Management

Coordination of QPR Group's risk management and internal control and the related reporting is the responsibility of the Chief Financial Officer. Risk management in QPR Group is guided by the requirements of legislation, shareholders' expectations regarding business objectives and expectations among important stakeholders, such as customers and personnel.

Risk management in the Group aims systematically and comprehensively to identify risks related to the Company's operations and ensures that risks are managed and taken into account in decision-making. The Group does not have a separate risk management organization, and risk management is part of routine responsibilities throughout the organization. Risk management is developed by constantly improving operative processes in the Group.

Risks are identified by their essentiality: if actualized, the risks selected for monitoring would have a material impact on the Group's business operations.

QPR Group has identified the following four groups of risks related to its operations:

- risks related to business operations
- risks related to information and products
- risks related to financing
- risks related to new businesses

Property, operational and liability risks are covered by insurance.

QPR Software Plc's Management System has received ISO9001:2008 quality certification covering the Company's all activities.

9.3.1 Risks related to business operations

The following risks are related to QPR Software's business operations:

Country risk. The instrument used for measuring country risk is the potential loss of country-specific revenue. Risk is managed by constantly gathering market information and by having a geographically spread business.

Customer risk. The instrument used for measuring customer risk is the potential loss of annual customer revenue. Risk is managed by taking good care of every customer and reseller.

Service delivery risk. The instrument used for measuring the risk is reclamations regarding the length and quality of the delivery. Risk is managed by professional and right-timed recruitment and by internal development of project management.

Personnel risk. The instrument used for measuring personnel risk is the adequacy of competencies needed for achieving strategic targets. Risk is managed by professional recruitment, professional supervisory work and by securing possibilities for job rotation as well as for learning and growth.

Legal risk. The instrument used for measuring legal risk is the estimated total combined financial value of all legal disputes on the Company in Euros. The risk is managed by in-depth knowhow on contractual jurisprudence and by performing both ethically and according to the Company values.

Number of Strategic and Advanced Partners. The instrument used for measuring the risk is number of partners in both categories. Risk is managed by active new recruitment and by QPR Partner Program.

Financial risk. The instrument used for measuring financial risk is the forecasted operative cash flow before investments. Risk is managed by following constantly the Company's financial position (cash flow calculation and forecasts).

QPR's market and customer risks are mitigated as follows: the Company conducts business in more than 50 countries, both in public and private sectors as well as in several different business verticals. In addition, the customer benefits produced by QPR's products and solutions are related to optimization and streamlining of operations, strategy implementation as well as risk management and compliance.

Reasonable credit risk concerning individual business partners is characteristic to any international business. QPR seeks to limit this credit risk by continuous monitoring of standard payment terms.

Risks related to Business Operations Russia

QPR monitors the following risks in the Russian subsidiary OOO QPR Software:

Country risk. The metric used for measuring country risk is the potential loss of country-specific revenue. Risk is managed by constantly gathering information from

political and economic development and by having a customer base that is spread geographically and among different industries.

Customer risk. The metric used for measuring customer risk is losing a customer. Risk is managed by good customer care and reseller support.

Personnel risk. The metric used for measuring personnel risk is adequacy of competencies needed for achieving strategic goals. Risk is managed by professional recruitment, good supervisory work and by securing possibilities for job rotation as well as for learning and growth.

Financial risk. The metric used for measuring financial risk is forecasted operative cash flow. Risk is managed by following constantly the subsidiary's financial position (cash flow calculation and forecasts) and contracts.

9.3.2 Risks related to information and products

QPR Software has identified the following three risks related to information and products:

Risk related to own products. The risk is managed by securing the competitiveness of the Company's offering at all times. The Company seeks to ensure the security of products by automated virus prevention.

Intellectual Property Rights. The Company's Intellectual Property Rights (IPR) are secured by the confidentiality of the source code.

In its new process analysis business, the Company has adopted a more active IPR strategy than previously. As a result of this, QPR filed patent applications in respect of five separate inventions in Finland and the USA in 2012. The inventions relate to automated business process discovery based on processing event data.

In addition, the Company aims to secure by up-to-date contract management and internal training that third-party IPRs are not used unauthorized in QPR products. The Company has a legal expense insurance.

Data security. Data security risks are related to the good confidentiality of corporate, insider and customer information. Risk is managed by ongoing internal training, keeping instructions up-to-date at all times, and by good technical protection of the Company's data network.

9.3.3 Risks related to financing

QPR Software has identified the following two financial risks:

Foreign currency risk. The instrument used for measuring foreign currency risk is the realized exchange rate fluctuation and the future outlook for it. The risk is managed by using the Euro as the primary invoicing currency and by currency hedging according to the Company's hedging policy.

The company constantly monitors how the open positions of the three biggest invoicing currencies develop.

Operative credit risk. The instrument used for measuring operative credit risk is the turnover rate of accounts receivable. Risk is managed by monitoring accounts receivable and by effective collection of bad debt.

9.3.4 Risks related to new businesses

QPR Software has identified the following two risks related to new businesses:

Growth of new business. The instrument used for measuring the risk is share of consolidated net sales. Risk is managed by the correct allocation of resources and investments.

Product development outlays to new business. The instrument used for measuring the risk is the amount of development outlays made to the new businesses in relation to the consolidated net sales.