

CORPORATE GOVERNANCE  
STATEMENT 2009

Biotie Therapies Corp.

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## 1. Corporate Governance Statement

Biotie Therapies Corp (below Biotie) complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association. Furthermore, Biotie's corporate governance is in line with laws of Finland, the rules of NASDAQ OMX Helsinki Ltd and Group's Articles of Association. Biotie does not deviate from the Finnish Corporate Governance Code Recommendations.

The Corporate Governance Statement of Biotie has been drawn up in accordance with the recommendation 51 of the Finnish Corporate Governance Code. The statement has been issued as a separate report and the group's Audit Committee has reviewed the statement. Furthermore, the statement is available on Biotie's website at [www.biotie.com](http://www.biotie.com). Finnish Corporate Governance Code itself is publicly available on the website of the Securities Market Association, address [www.cgfinland.fi](http://www.cgfinland.fi).

PricewaterhouseCoopers Oy's role as the company's auditor is to check that this statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process are consistent with the financial statements.

## 2. Board of Directors

### 2.1. Board composition

Under the Articles of Association, the Board of Directors consists of at least three (3) and at most eight (8) members. The members of the Board are elected by the Annual General Meeting of the shareholders and the term of office of the Board members expires at the end of the Annual General Meeting following their election.

The 2009 Annual General Meeting of Biotie re-elected Juha Jouhki, Ann Hanham, Bernd Kastler, Pauli Marttila, Riku Rautsola, Christoph Schröder and Pierre Serrure as the members of the Board of Directors. Krish Krishnan was a member of the Board until the end of Annual General Meeting 29 May 2009. In addition, the Extraordinary General Meeting held on 29 October 2009 elected Dr. Peter Fellner as a new member of the Board of Directors.

The following table represents the people who have served as Biotie Board members in 2009:

	Born	Education	Main occupation	Independent from company	Independent from major shareholders
<b>Chairman of the Board</b>					
<b>Juha Jouhki</b>	1966	M.Sc. (Tech.)	Managing Director, Biothom Oy	X	X
<b>Members of the Board</b>					
<b>Peter Fellner</b> (Member since EGM 29 October 2009)	1943	Ph.D. in molecular biology	Company Director	X	X
<b>Ann Hanham</b>	1952	Ph.D. from the University of British Columbia, M.Sc. from Simon Fraser University, and a B.Sc. from the University of Toronto	Managing Director and General Partner of Burrill & Company	X	X
<b>Bernd Kastler</b>	1949	Doctorate in law in 1980 from the University of Giessen (Germany)	Co-founder and former CEO of elbion NV, Company Director	X	X
<b>Krish Krishnan</b> (member until AGM 29 May 2009)	1965	B.S. in Mechanical Engineering	Private Investor	X	X
<b>Pauli Marttila</b> , Deputy Chairman of the Board	1958	M.Sc. (Eng.)	Director, Business Development and Strategic Investments at Sitra, the Finnish Innovation Fund	X	X
<b>Riku Rautsola</b>	1954	Ph.D. (Econ.)	President and CEO, VIRxSYS Corporation	X	X
<b>Christoph Schröder</b>	1961	Ph.D. in Finance from the Technische Universität in Berlin and graduated in Business Administration from Ludwig Maximilians-Universität in Munich	General Partner for life sciences of TVM Capital	X	
<b>Piet Serrure</b>	1954	M.Sc. (Econ.)	Becap Bvba, Managing Director	X	X

## 2.2. The operations of the Board of Director

The duties of the Company's Board of Directors are set forth in the Companies Act and other applicable legislation. The Board of Directors is responsible for the management of the Company. Its responsibilities include, inter alia, to:

- decide on the strategy
- confirm the business plan and budget
- deliberate on and approve interim reports, the annual accounts and the Board's reports as well as the corporate governance statement
- decide on investments (as far as not approved as part of the budget), mergers and acquisitions as well as divestments (as far as not falling into the responsibility of the shareholders) and on all creations of actual or potential liabilities (as far as not approved as part of the budget)
- confirm internal control and risk management systems and reporting procedures
- decide on bonus and incentive schemes for the management (as far as not falling into the responsibility of the shareholders)
- decide on the structure of the group and organisation of the Company and
- appoint the Managing Director and the other senior members of the executive management as well as to decide on their perquisites.

The Board of Directors held 14 meetings during 2009. The average ratio of attendance at the meetings was 91 percent.

Biotie does not have a supervisory board.

## 2.3. Board committees

Currently Biotie has two Board committees: Audit Committee and Nomination and Remuneration Committee.

### 2.3.1. Audit Committee

The Audit Committee has been established by the Board to ensure the overseeing of the accounting, auditing and financial reporting processes.

The committee members are Berndt Kastler (Chairman), Riku Rautsola (from June 2009) and Piet Serrure, Pauli Mattila (until June 2009).

The Committee shall:

- monitor and supervise the reporting process of financial statements;
- monitor the efficiency of the Company's internal control and risk management systems;
- initiate and oversee internal financial audits;
- 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 disclosure controls and procedures;
- evaluate and monitor arrangements for the employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters ("whistle blowing") and respond to any requests received by employees and third parties in the context of whistle blowing policies;
- monitor the statutory audit of the financial statements and audit of 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.

In 2009, The Audit Committee held six meetings. The average ratio of attendance at the meetings was 100 percent.

### 2.3.2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee has been established to ensure the efficient preparation of nomination and remuneration matters.

The Nomination and Remuneration Committee consists of Juha Jouhki (Chairman), Christoph Schröder, Pauli Marttila (from June 2009) and Peter Fellner (from December 2009).

The Committee shall

- prepare and present a recommendation to the Board for the proposal to the Annual General Meeting concerning the composition and compensation of the Board.
- prepare for the Board the appointment of any executive directors or other senior members of the executive management. When considering the appointment of the other members of the executive management, the managing director of the Company shall participate to the handling of such matters.
- prepare the framework for remuneration of the Company's managing director, the executive directors and such other members of the executive management as it is designated to consider. No Board member, director or manager shall be involved in any decisions as to their own remuneration.
- assess the need for bonus or other incentive programs as well as to review design of and determine targets for any performance related compensation schemes.
- prepare the policy for authorising claims for expenses from the managing director and Chairperson of the Board.
- prepare the annual self-evaluation, including its nature and manner, to be conducted in accordance with the rules and procedure of the Board of Directors.

In 2009, The Nomination and Remuneration Committee held one meeting. The average ratio of attendance at the meetings was 100 percent.

## 3. Managing Director

- Managing Director: Timo Veromaa (appointed 2005)
- Year of birth 1960
- M.D., Ph.D., Special Competence in Pharmaceutical Medicine

### 3.1. The duties of the Managing Director

The Managing Director is responsible for the day-to-day management of the Group in accordance with the instructions and rules given by the Board of Directors and ensuring that the accounting of the Group complies with the law and that the financial management of the Group has been arranged in a reliable manner.

The Managing Director primarily presents the matters handled in Board meetings and is responsible for preparing draft resolutions.

## 4. Internal control and risk management in Biotie

Internal control is a process effected by the Board of Directors, management and all levels of personnel in the Group.

The aim of internal control framework in Biotie Group is to ensure that:

- operations are managed effectively and efficiently as well as aligned with the Company's strategy,
- financial reporting and management information are reliable, complete and timely, and
- all Group companies are in compliance with all applicable laws and regulations.

Enterprise risk management in Biotie is a continuous process. It is integrated in the Group's strategy setting process, operative planning, daily decision making and monitoring of its operations. As such, it is also part of the Company's internal control environment.

Moreover, risk management is an integral part of the Group's management monitoring and reporting systems. Regular reporting and monitoring is performed both at the Group and local company levels. The Board of Directors approves the risk management policy and objectives. It guides and monitors the planning and implementation of risk management.

The Group management holds the highest operational responsibility for the implementation of the risk management policy. The Group management is responsible for organization and the planning, implementation, development, coordination and monitoring of the risk management policies as approved and implemented by the Board of Directors.

#### **4.1. Main features of the internal control and risk management systems pertaining to the financial reporting process**

Internal control and risk management systems in relation to the financial reporting process are a part of the Group's overall internal control and risk management framework. Systems are designed to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements concerning listed companies.

Board of Directors is ultimately responsible for the appropriate arrangement of the control of the company accounts and finances, whereas the Audit Committee's duties include the overseeing of the accounting and financial reporting process, monitoring the financial reporting (financial statements, interim reports), and review of internal control procedures. Audit Committee is also responsible for the communication with the company's auditors.

The Managing Director is responsible for the implementation of internal control and risk management processes and ensuring their operational effectiveness. The Managing Director is also responsible for ensuring that the Group's accounting practices comply with the law and that financial matters are handled in reliable manner.

Biotie has a Management Team consisting of the Managing Director acting as the President of the Management Team, Chief Financial Officer, Chief Scientific Officer, Chief Medical Officer, and Chief Business Officer. The Management Team handles the issues that concern managing to the Group, such as issues related to strategy, budget, interim reports and issues related to drug development programs.

Group's management assigns responsibility for the establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. Management and employees are assigned with appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

Separate internal audit assignments may be initiated by the Board, Audit Committee or the Management as deemed necessary. The scope and frequency of separate audits depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to management and the Board of Directors.

Biotie applies IFRS standards to its consolidated financial statements and follows the standards and regulations set by NASDAQ OMX Helsinki Stock Exchange and Finnish Supervisory Authority. The Group's financial reporting complies with the Finnish Securities Markets Act and Limited Liability Companies Act. The financial statements of the parent company are prepared in accordance with Finnish Accounting Act and opinions and ordinances on Finnish Accounting Board.

Biotie has established objectives for reliable financial reporting in order to identify financial reporting risks. The Group has an integrated risk management process which is a part of the Group's management, monitoring and reporting systems. Regular reporting and monitoring is performed both at the Group and single company level. The identification of risks and preparations for them is primarily carried out in the finance and administration unit.

Risk management procedures cover the identification and assessment of the risks that may arise in different levels of the financial reporting process. Risk identification and assessment is continual, meaning that the assessment is updated on a continuous basis through taking into account the changes in the business environment and in the operation of the corporation.

The monitoring and follow-up of internal control systems is conducted to ensure that the financial information is reliable, complete and timely for the decision making and that internal control is operating efficiently.

Control activities are linked to risk assessment and specific actions are taken to address risks to the achievement of financial reporting objectives. The identified risks related to financial reporting are managed through control activities that are set throughout the organisation, at all levels and in all functions. In financial reporting, the Group Finance assists the single companies in setting up adequate control activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, safeguarding of assets and segregation of duties. Board of Directors are ultimately responsible for ensuring that external financial reporting is correct, timely and in compliance with applicable regulations.

The local companies report the results on monthly, quarterly and yearly basis to the parent company that is responsible for preparing the consolidated financial statements and monitoring the performance of the operation at consolidated level.

In Biotie, the monitoring has been embedded in the work performed by the Board of Directors, Managing Director and Group management. The monitoring contains analysing the monthly, quarterly and annual performance of the corporation at the various levels of the organisation as well as reviews and procedures.

In 2009, Biotie identified the key controls that aim to respond the financial reporting risks identified in the risk assessment process. Through the control activities, a reasonable assurance can be reached to make sure that the financial reporting of the Group is accurate, timely and complete. These common control descriptions contain a number of activities such as reconciliations, authorizations, approvals, verifications, segregation of duties and safeguarding the assets.

In 2010, the identified common controls will be implemented at Group and unit level. The focus will also be on follow-up of the adequacy and effectiveness of control activities.