



CORPORATE GOVERNANCE STATEMENT, 2019

Tesi's (Finnish Industry Investment) Corporate Governance Statement is prepared in all applicable respects in compliance with the recommendations of the Finnish Corporate Governance Code issued by Finland's Securities Market Association. The statement is issued separately to the Report by the Board of Directors. Tesi's financial statements and Annual Report are available online at the company's website: www.tesi.fi.

1 LEGISLATION GUIDING OPERATIONS

The company's corporate governance is managed in accordance with Finland's Limited Liability Companies Act and the Act on State-Owned Company Suomen Teollisuussijoitus Oy. Tesi complies with the applicable recommendations of the Corporate Governance Code for Finnish Listed Companies, in addition to existing legislation and the provisions of the company's Articles of Association.

2 OWNERSHIP AND OWNERSHIP POLICY

The Finnish state owns Tesi's entire capital stock. The Ministry of Employment and the Economy's Enterprise and Innovation Department is responsible for the ownership steering and industrial policy guidance of the company.

3 ANNUAL GENERAL MEETING

The Annual General Meeting is held at the company's place of domicile by the end of May each year on a date specified by the Board of Directors. The Annual General Meeting elects the Chairman, Deputy Chairman and members of the Board of Directors, appoints the auditors, ratifies the financial statements, decides on the remuneration of Board members and releases the Board members and the CEO from personal liability. The Annual General Meeting was held on 8 March 2019.

4 BOARD OF DIRECTORS

The Board of Directors is responsible for the administration and the proper organisation of the operations of the company in accordance with the applicable legislation and legislative instruments (special law and associated decrees), the Articles of Association and the Board's rules of procedure.

The Board of Directors is responsible for the strategic development of the company as well as for guiding and supervising its business operations. The Board of Directors also decides the company's main operating principles and monitors implementation of them. Tesi's Board of Directors makes the company's investment decisions.

The Board of Directors comprises the Chairman of the Board as well as at least four and at most seven other members of the Board. The Annual General Meeting elects the members, the Chairman and the Deputy Chairman of the Board of Directors. Their term of office ends at the close of the next Annual General Meeting.

The members of the Board of Directors whose terms of office started on January 1st 2019 are:

Members	Born	Education	Main Occupation
Kimmo Jyllilä, Chairman (Chairman from 8.3.2019)	1972	M.Sc. (Econ)	CEO at Almatro Advisors Oy
Mika Niemelä, Vice Chairman	1975	M.Pol.Sc.	Director of Finance at Ministry of Economic Affairs and Employment
Marika Af Enehjelm (until 29.8.2019)	1974	PhD Industrial Management, M.Sc. (Econ)	Investment Director at Norvestor
Jyrki Mäki-Kala (from 8.3.2019)	1961	M.Sc. (Econ.)	CFO, Neste Oyj
Pauli Kariniemi	1970	Lic.Sc. (Econ.)	Financial counsellor at Ministry of Finance
Annamarja Paloheimo	1964	LL.M	People Business Partner Personal Banking at Nordea Bank AB (publ)
Riitta Tiuraniemi	1962	M.Sc. (Tech)	Board professional

The Board of Directors has written rules of procedure for its activities. The Board conducted a self-assessment of its activities and procedures in 2019. The Board of Directors convened 14 times and average attendance was 81,9% in 2019.

4.1 AUDITING COMMITTEE

The Board's auditing committee comprises three members of the Board of Directors. The Board of Directors elects from amongst its members the committee chairman and committee members for one year at a time. The members of the committee must be independent of the company. The Board of Directors has confirmed written rules of procedure for the committee. These rules specify the main duties and principles of operation of the committee.

The duties of the auditing committee mainly involve preparation of matters relating to the company's financial reporting, financial monitoring and auditing.

In 2019 the members were Marika af Enehjelm (until 29.8.2019), Kimmo Jyllilä, Jyrki Mäki-Kala and Pauli Kariniemi. The auditing committee convened 6 times.

4.2 REMUNERATION COMMITTEE

The remuneration committee comprises four members of the Board of Directors. The Board of Directors elects from amongst its members the committee chairman and committee members for one year at a time. The members of the committee must be independent of the company. The Board of Directors has confirmed written rules of procedure for the committee. These rules specify the main duties and principles of operation of the committee.

The duties of the remuneration committee include preparation of matters relating to remuneration of management personnel and to the company's remuneration systems.

In 2019 the remuneration committee members were Kimmo Jyllilä, Mika Niemelä, Annamarja Paloheimo and Riitta Tiuraniemi. The remuneration committee convened 5 times.

4.3 ADVISORY BOARD

Tesi's Advisory Board acts as an advisory body and promotes the company's public affairs. The Board of Directors appoints the members for a term of office of the same length as their own.

The Advisory Board comprises 8-12 members and it is convened by the Board of Directors. The Advisory Board does not have independent decision-making authority with regard to the company or to third parties and does not have any responsibilities under company law. The members at the end of 2019 were:

Juha Rantanen (chairman), Ari Korhonen, Hannu Jouhki, Veli-Matti Mattila, Pirita Mikkanen, Tommi Toivola, Arto Pirttilahti, Mari Holopainen, Ben Zyskowitz, Matti Putkonen, Riitta Mäkinen and Nina Kopola.

The Advisory Board convened three times in 2019.

5 CEO AND MANAGEMENT TEAM

The Board of Directors appoints the CEO of the company, who reports regularly to the Board of Directors on the company's operations. The CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders issued by the Board of Directors. The company's day-to-day management includes managing and monitoring business operations, entering into contracts, and ensuring that decisions made by the Board of Directors are executed.

Tesi's Management Team implements the company's strategy and prepares investment proposals for the company's Board of Directors. The Management Team comprises the CEO and the team leaders of the various functions.

The members of the Management Team in 2019	Area of responsibility	Born	Education
Jan Sasse	CEO	1967	M.Sc. (Econ.)
Matts Grönholm (from 2.9.2019)	CFO	1972	M.Sc. (Econ.) M.Sc. (Tech.)
Henri Hakamo	CDO	1986	M.Sc. (Econ.)
Jussi Hattula	Director, Growth & Industrial Investments	1968	M.Sc. (Tech.)
Matias Kaila	Director, Fund Investments	1982	M.Sc. (Econ.)
Anna Kilpi	Director, HR, Communications and Compliance	1970	LL.M.
Juha Lehtola	Director, Venture Capital Investments	1976	M.Sc. (Tech.)

The Management Team convened 45 times in 2019.

6 REMUNERATION

Tesi follows the remuneration principles outlined in the Government Resolution on State Ownership Steering Policy adopted on 13 May 2016 in the remuneration paid. The remuneration system applies to all persons employed by Tesi. Remuneration consists of basic pay plus an annual bonus:

- Basic pay is the total pay including monetary salary and any fringe benefits. A job-specific salary is based on how demanding the job is and on work performance.
- Annual bonus is determined on the basis of how well the remuneration targets set for the year are achieved. Remuneration is based on measurable and sufficiently demanding criteria specified in advance that are set according to the company's business and impact targets. The Board of Directors sets the targets and retroactively assesses achievement levels. The targets promote ownership value and encourage achievement of special tasks. The Board of Directors can unilaterally decide to cancel, postpone or make equitable a bonus payment if the financial situation of the company at the time of payment necessitates it, or for some other pressing reason. Payment of an annual bonus is contingent on a person still being employed by the company, and not having resigned, at the time of payment, and on having been employed by the company for at least four months in the qualifying year.

Bonuses for 2019 paid to personnel amounted to some €503,000. In the annual bonus scheme, the target level for good performance is 15% of fixed annual salary, and the maximum payable for exceptionally good performance is 30% of fixed annual salary.

7 PRINCIPLES OF INTERNAL CONTROL

The Board of Directors and the CEO are responsible for the preparation of the financial statements and the Report by the Board of Directors and are also responsible that these give a true and fair view in accordance with Finland's laws and regulations governing the preparation of the financial statements and the Report by the Board of Directors. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the CEO is responsible that the accounts of the company comply with the law and that the company's financial affairs have been arranged in a reliable manner.

Confidentiality is a priority in venture capital and private equity investment, while good corporate governance is of special importance in internal activities. Tesi follows the Finnish Venture Capital Association's guidelines for transparency and openness and the FVCA Code of Conduct, in addition to its own Code of Conduct and the internal documented instructions.

In line with good corporate governance, the company's operations must be transparent and managed so that external players retain their trust in the company's operations. These aspects are particularly important in a publicly-owned company. For this reason, the company uses instructions to provide guidelines for the impartial and ethical behaviour of its personnel and Board of Directors.

- **Impartiality Instruction:** instruction for the impartial and ethical behaviour of personnel and of the Board of Directors.
- **Insider Instruction:** Promotes public trust in investment activities and also increases the knowledge of company personnel and other persons working within the company's sphere of interest regarding insider regulations.
- **Instruction for Notification of a Concentration:** Describes operating models for ensuring that the duty to notify authorities and to obtain permissions in merger and acquisition cases is properly handled.
- **Responsible investment principles:** The principles for responsible investment confirmed in 2016 by the Board of Directors are applied in all investment activities.
- **Procurement:** The company's Board of Directors decides each year on the budget and business plan, and the operative management decides on the implementation of procurements included in

the budget. Sizeable procurements are subject to competitive bidding and are prepared by several people.

- **Environmental responsibility** – Green Office: Tesi endeavours in its operations to promote sustainable development. The company was awarded the Green Office certificate in 2012.
- **Data security and data protection:** Described operating models to be followed in Tesi when handling confidential information. These ensure appropriate, legally compliant and safe data processing and also the uninterrupted operation of key IT systems and data networks.

8 RISK MANAGEMENT

Tesi's operations are governed by a special law and a government decree relating to it, which define the company's main principles for risk-taking. Tesi promotes the development of Finland's private equity and venture capital market as well as the growth and internationalisation of Finnish companies. The company's operations therefore involve bearing higher than usual risks in certain geographic areas and specific sectors. The company's investment activities must nevertheless be managed as a whole in a way that ensures investments are adequately diversified and that does not jeopardise the primary legal obligation for profitable operation over the long term.

Tesi has a risk management policy, confirmed by the Board of Directors. The policy sets out the principles for risk management, specifies risk definitions and risk classifications and also defines the main roles and divisions of responsibilities as well as the monitoring and reporting procedures. The goal for risk management is to ensure that risks borne by the company are commensurate with its risk-bearing capability. The aim is to ensure that the risks attached to the company's business operations are identified and assessed, that the company responds to those risks, and that they are managed and monitored.

The Board of Directors confirms the company's strategy and action plan, in which the targets for different investment allocations are prioritised and specified. In order to reduce risks, investments are deconcentrated to different allocation classes, different industries, and also distributed geographically, while taking into account the company's social mission. The Board makes investment decisions and supervises the implementation of investments.

Risk management supports achievement of the goals set in the company's strategy and action plan by monitoring that the risks taken are commensurate with risk-bearing capability. Risk-bearing capability is managed by carefully planning investment operations and by managing investments with the aim of assuring achievement of the targets set for return on capital and profitability.

Tesi's main risks are related to private equity and venture capital investments, and to investments in financial securities. Both involve various investment risks, including business risks attached to venture capital and private equity investments, liquidity risks, market risks and credit risks.

The risks related to each private equity and/or venture capital investment are managed by predictive generation of the deal flow, careful analysis in the screening phase, participating through board work in the business development of portfolio companies, proactive interaction with managers of private equity and venture capital funds, and proactive action in the exit stage.

Managing financing risks ensures that the company always has adequate financing available for its business operations (unpaid investment commitments). The company's liquidity and cash flows are continuously monitored. When preparing new investments, the effect of the investments on liquidity and financial position is taken into account. Most of the Company's cash flows and investments are denominated in euros.

Investments in financial securities are made at the selected risk level in compliance with the investment policy confirmed by the Board of Directors. Investments in financial securities aim to ensure adequate assets for private equity investing and other payment transactions. Investments in financial securities are



spread mainly between investments in bond funds, investments in equity funds, and alternative investments. The market volatility of financial securities is regularly monitored. The market volatility of financial securities is monitored regularly, and counterparty risk is managed by selecting partners carefully.

Other risks to which Tesi is exposed include strategic risks, operational risks, risks of loss or damage, and risks for reputation. Strategic risks are managed by regularly evaluating the company's operations and operating environment. Operational risks are managed by good corporate governance and internal instructions, and these risks are covered by insurances.

9 EXTERNAL AUDIT

The company has one Auditor. The Auditor must be an auditor authorised by the Central Chamber of Commerce (Authorised Public Accountant) or a public accountant company. If a public accountant company is not elected as the auditor, one Deputy Auditor must also be elected. The term of office of the Auditor and the Deputy Auditor ends at the close of the first Annual General Meeting following the one at which they were elected.

Tesi publishes its IFRS-compliant financial statements in conjunction with its Annual Report. The company's financial statements bulletin and Annual Report are published in March-April in Finnish and English. The audit covers the accounting records, financial statements, report by the Board of Directors and a review of corporate governance.

The company's auditor was KPMG Oy. The lead auditor was Juha-Pekka Mylén, CPA. The Group paid the auditor an auditing fee of €24,619 for 2019. In addition, the auditing company was paid €62,000 for other services in the review period.