



Together creating
Finland's new
global success stories

2021

**CORPORATE GOVERNANCE
STATEMENT**



Tesi

Together creating Finland's new global success stories.

- By financing growth companies, we raise Finland to the forefront of transformative economic growth.
- We invest in venture capital and private equity funds and directly in companies, as a minority owner.
- We invest profitably and responsibly, aiming for a positive societal impact.
- We develop Finland's venture capital and private equity market.
- We offer information and experience to companies, investors and decision-makers.
- We are a venture capital and private equity company, 100% owned by the Finnish state.



Annual Report 2021

Tesi's (Finnish Industry Investment Ltd) Annual Report comprises four sections. Business Overview, Financial Review, Corporate Governance Statement, and Remuneration Report. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website tesi.fi.

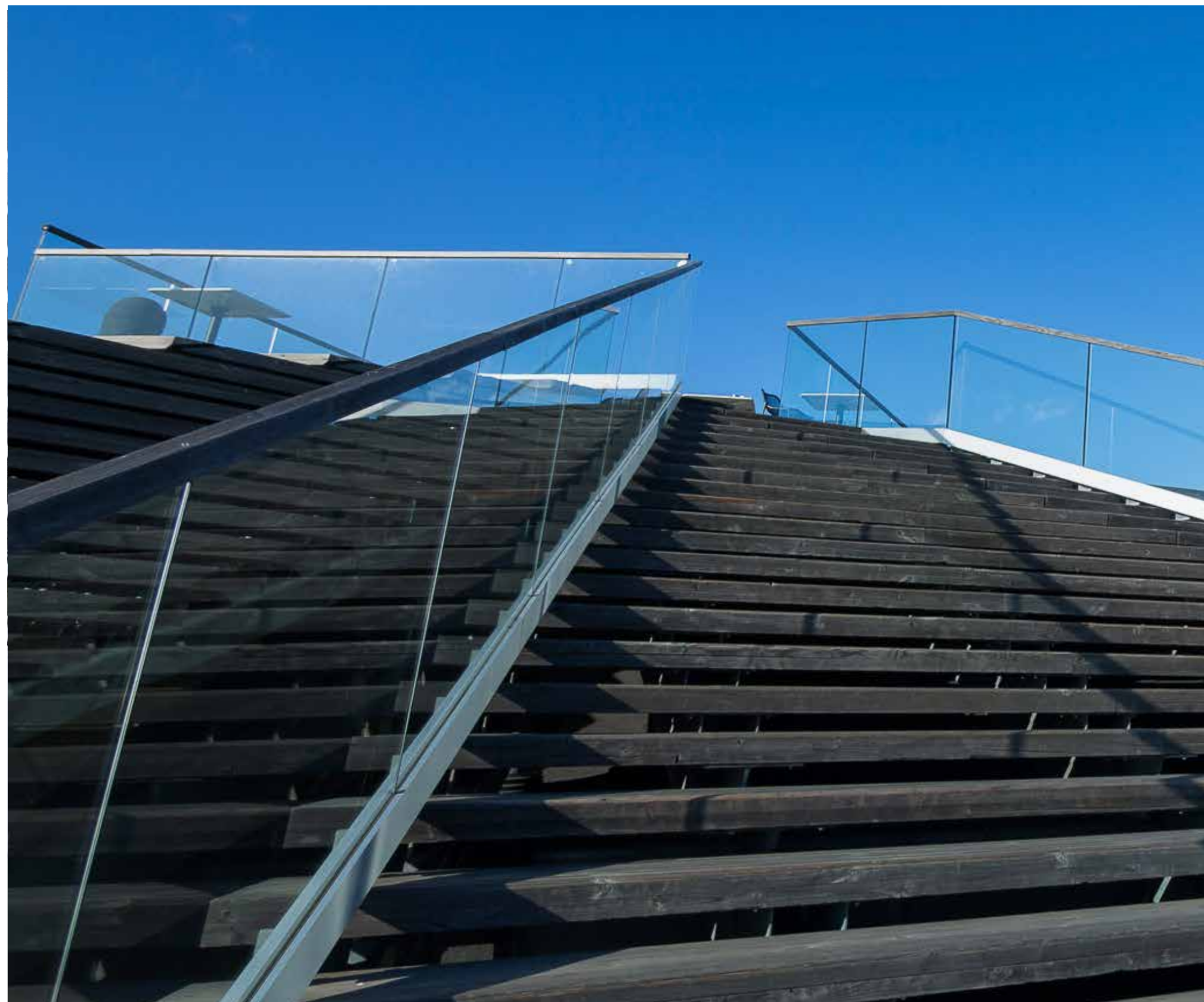
- **Business Overview:**
Strategy, value creation, investment operations and corporate social responsibility
- **Financial Review:**
Board of Directors' report and Financial Statements
- **Corporate Governance Statement:**
Corporate governance, internal control and risk management systems
- **Remuneration Report:**
Remuneration principles, remuneration of the Board of Directors and the CEO



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Introduction

TESI'S (Finnish Industry Investment Ltd's) Corporate Governance Statement is prepared in all applicable respects in compliance with the Corporate Governance Code for Finnish Listed Companies compiled by Finland's Securities Market Association. The Corporate Governance Statement is available on the company's website: www.tesi.fi.

Tesi'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 all 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. Our goal is transparency, international comparability and the promotion of good corporate governance practices in line with the Code, as well as the harmonisation of information-related procedures. Confidentiality is a priority in venture capital and private equity

investment, while good corporate governance is of special importance in internal activities.

Tesi deviates from the recommendations of the Corporate Governance Code only in cases where they are not appropriate to a wholly state-owned, unlisted company. Tesi has an Impartiality Instruction on the impartial and ethical behaviour of personnel, but no practical monitoring and evaluation principles for related party transactions nor does it maintain a list of related parties (Recommendation 27).

 **Tesi complies with all 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.**

Ownership and corporate governance

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

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 Chair, Vice Chair and members of the Board of Directors, appoints the auditors, ratifies the financial statements, decides on the remuneration of the company's Board members and releases the Board members and the CEO from personal liability. The Annual General Meeting was held on 22 March 2021.

” The Annual General Meeting elects the Chair, Vice Chair and members of the Board of Directors.



Board of Directors

TESI'S 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 task of the Board of Directors is to promote the company's best interests. The Board must manage the company professionally and according to sound business practices. The Board of Directors addresses issues with broad implications and of an unusual nature with respect to the scope and nature of the company's business activities.

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. As a rule, the Board of Directors makes the company's investment decisions and appoints the CEO and Management members. The Board also evaluates and develops its work each year.

The Board of Directors convened 23 times during 2021, and attendance was 98,2%.

The Board of Directors comprises the Chair of the Board as well as at least four and at most seven other members of the Board. The Board of Directors annually assesses the independence of its members and notifies which of them are independent of the company and which independent of the shareholder.

Finland's Ministry of Employment and the Economy is responsible for the ownership steering of the company and for the proposal to be made to the Annual General Meeting concerning the composition of the Board of Directors. Equal opportunity aspects for state-owned companies are addressed when electing Board members. In 2021, altogether 43% of Board members were women (57% in 2020).

The Annual General Meeting elects the members, the Chair and the Vice Chair of the Board of Directors. Their term of office ends at the close of the next Annual General Meeting. During 2021 the members of the Board of Directors were Kimmo Jyllilä, Riku Huttunen, Mia Folkesson, Jacob af Forselles, Anniina Heino-nen, Minna Helppi, Pauli Kariniemi, Annamarja Paloheimo (until 22 March) and Riitta Tiura-niemi (until 22 March).

” The Board of Directors addresses issues with broad implications and of an unusual nature with respect to the scope and nature of the company's business activities.

BOARD MEMBERS AS AT 31 DECEMBER 2021

Kimmo Jyllilä

- CEO, Almatro Advisors Oy
- Board Chair
- M.Sc. (Econ), born 1972
- Member of Board of Directors since 2015
- Board Chair since 2019
- Independent of the company and of the owner



Jacob af Forselles

- Chief Strategy Officer, Konecranes Plc
- Board member
- M.Sc. (Econ), LL.M., born 1973
- Board member since 2021
- Independent of the company and of the owner



Pauli Kariniemi

- Director General, Financial markets, Ministry of Finance of Finland
- Board member
- Lic.Sc. (Econ), M.Sc. (Econ.), born 1970
- Board member since 2018
- Independent of the company



Riku Huttunen

- Director General for Energy, Ministry of Economic Affairs and Employment
- Vice Chair of the Board of Directors
- M.Pol.Sc. (Econ), born 1966
- Board member since 2020
- Independent of the company



Anniina Heinonen

- Managing Director, Payments, Wolt
- Board member
- M.Sc. (Econ), born 1981
- Board member since 2020
- Independent of the company and of the owner



Mia Folkesson

- CEO, Folk & Son Oy
- Board member
- M.Sc. (Econ), born 1980
- Board member since 2021
- Independent of the company and of the owner



Minna Helppi

- Group Treasurer, Metso Outotec plc
- Board member
- MBA, born 1967
- Board member since 2020
- Independent of the company and of the owner



BOARD OF DIRECTORS' AUDIT COMMITTEE

The Audit Committee of the Board of Directors comprises at least two Board members. The Board of Directors elects from amongst its members the committee chair and committee members for one year at a time. The members of the committee must be independent of the company and at least one member independent of the owner. At least one member of the Audit Committee must have sufficient expertise in financial matters and applicable experience in accounting principles and financial statements. The Audit Committee may, if necessary, use third-party specialists and it has the right to examine all information regarding 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 Audit Committee prepares matters relating to monitoring and reporting on the company's financials, risk and compliance, as well as auditing. During 2021 the members were Pauli Kariniemi (Chair), Minna Helppi and Anniina Heinonen. The Audit Committee convened six times during the year.

REMUNERATION COMMITTEE

The Remuneration Committee comprises at least four members of the Board of Directors. The Board of Directors elects from amongst its members the committee Chair 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. During 2021 the members of the Remuneration Committee were Riku Huttunen (Chair), Kimmo Jyllilä, Mia Folkesson and Jacob af Forselles, Annamarja Paloheimo (until 22 March) and Riitta Tiuraniemi (until 22 March). The Remuneration Committee convened five times during 2021.

” **The Audit Committee prepares matters relating to monitoring and reporting on the company's financials, risk and compliance, as well as auditing.**

Attendance at board and committee meetings

		ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT AUDIT COMMITTEE	ATTENDANCE AT REMUNERATION COMMITTEE
Kimmo Jyllilä	as from 1.1.2021	16/16	not a member	5/5
Jacob af Forselles	as from 7.6.2021	8/9	not a member	2/2
Mia Folkesson	as from 22.3.2021	14/14	not a member	3/3
Anniina Heinonen	as from 1.1.2021	16/16	6/6	not a member
Minna Helppi	as from 1.1.2021	16/16	6/6	not a member
Riku Huttunen	as from 1.1.2021	16/16	not a member	5/5
Pauli Kariniemi	as from 1.1.2021	15/16	6/6	not a member
Annamarja Paloheimo	until 22.3.2021	2/2	not a member	2/2
Riitta Tiuraniemi	until 22.3.2021	2/2	not a member	2/2

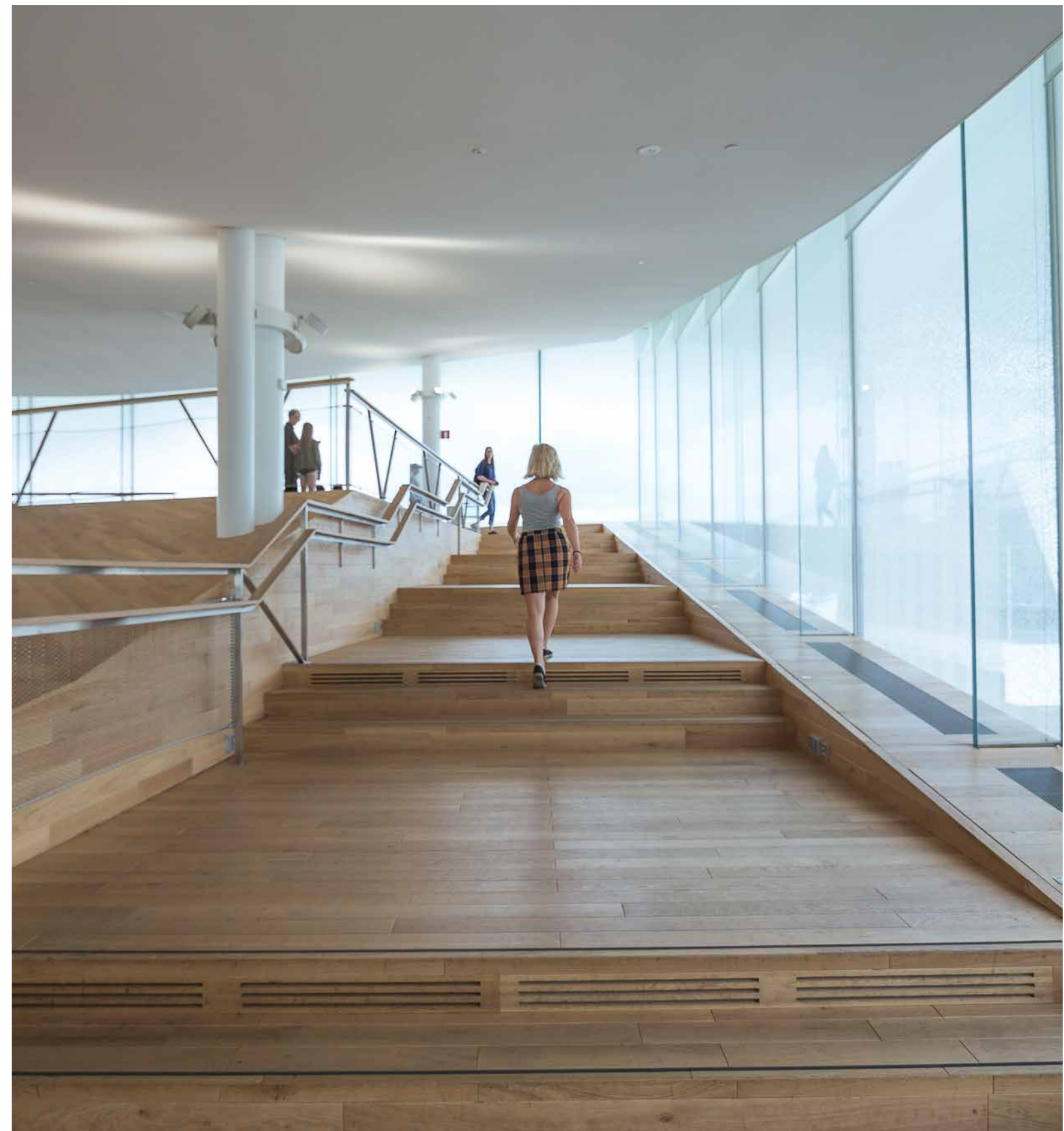
Advisory Board

THE ADVISORY Board functions as an advisory body to the Board of Directors and promotes the company's public relations. 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 commercial law. During 2021 the members of the Advisory Board were Juha Rantanen, Mari Holopainen, Hannu Jouhki until 31 July 2021, Nina Kopola, Ari Korhonen, Veli-Matti Mattila, Pirita Mikkanen, Lauri Muranen as from 1 August 2021, Riitta Mäkinen, Arto Pirttilahti, Matti Putkonen, Tommi Toivola and Ben Zyskowicz. During 2021 the Advisory Board convened four times.

” The Advisory Board functions as an advisory body to the Board of Directors and promotes the company's public relations.

MEMBERS OF ADVISORY BOARD AS AT 31.12.2021

- Juha Rantanen (Chair),
Chair of Board of Directors
- Mari Holopainen, Member of Parliament,
The Green League
- Nina Kopola, Director General & CEO,
Business Finland
- Ari Korhonen, Angel investor
- Veli-Matti Mattila, Chief Economist,
Federation of Finnish Financial Services
- Pirita Mikkanen, Board Chair of Lifa Air Oy
- Lauri Muranen, Head of Industrial Affairs,
SAK (Central Organisation of Finnish
Trade Unions)
- Riitta Mäkinen, Member of Parliament,
Social Democratic Party
- Arto Pirttilahti, Member of Parliament,
Centre Party
- Matti Putkonen, Member of Parliament,
Finns Party
- Tommi Toivola, Director, Confederation of
Finnish Industries (EK)
- Ben Zyskowicz, Member of Parliament,
National Coalition Party



CEO and Management

TESI'S CEO is Jan Sasse. The Board of Directors appoints the CEO of the company, who reports regularly to the Board of Directors on the company's operations. CEO does not have a deputy.

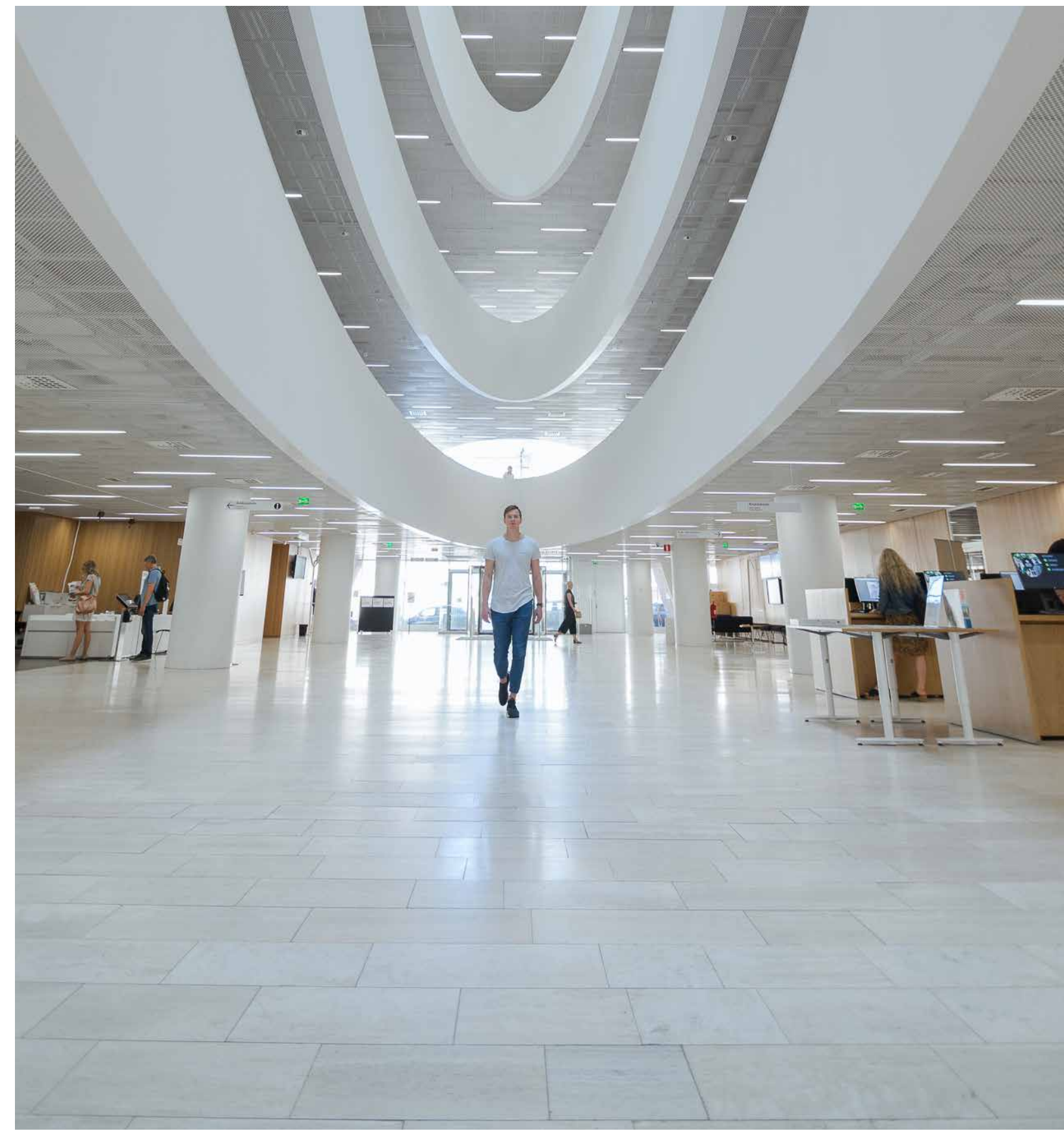
The CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders issued by the Board of Directors and in compliance with legal requirements. The company's day-to-day management includes managing and monitoring business operations, entering into contracts,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

The CEO may take actions that have broad implications and are of an unusual nature with respect to the scope and nature of the company's business activities only if the Board of Directors has authorised the CEO to do so, or if waiting for a Board decision would be essentially detrimental to the company's operations. In the latter case, notification of the measures

proposed or taken must be given to the Board of Directors without undue delay.

Tesi's Management 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 Management Team convened 46 times during 2021. During 2021 the Management Team comprised Jan Sasse, Susanna Aaltonen (as from 2 August), Henri Hakamo, Jussi Hattula, Gösta Holmqvist, Matias Kaila, Anna Kilpi, Anna Kjellberg (until 30 June) and Juha Lehtola.

” **Tesi's Management implements the company's strategy and prepares investment proposals for the company's Board of Directors.**



MANAGEMENT TEAM AS AT 31.12.21

Jan Sasse

- CEO
- M.Sc. (Econ), born 1967



Jussi Hattula

- Director, Growth & Industrial Investments
- M.Sc. (Tech), born 1968



Anna Kilpi

- Director, HR, Legal, and Compliance
- LL.M., born 1970



Susanna Aaltonen

- Director, Communications, as from 2.8.2021
- M.Sc. (Econ), B.Soc.Sc., born 1970



Gösta Holmqvist

- CFO
- M.Sc. (Econ), born 1959



Juha Lehtola

- Director, Venture Capital
- M.Sc. (Tech), born 1976



Henri Hakamo

- Chief Digital Officer
- M.Sc. (Econ), born 1986



Matias Kaila

- Director, Funds
- M.Sc. (Econ), born 1982



Internal control and risk management

INTERNAL CONTROL

Tesi's corporate culture and corporate governance systems create the foundation for internal control and risk management. Tesi's Management Team, Audit Committee and Board of Directors are responsible for arranging the company's internal control, risk management and reporting, while internal control is implemented by the whole organisation. Each supervisor is responsible for the effectiveness of internal control within his or her sphere of competence.

Internal control supports the implementation of Tesi's strategy and assures management that the company's operations are efficient and profitable, that the identification, measurement and management of risks are implemented in all activities, that financial reporting and other financial data are reliable, and that external regulations and other rules applicable to operations are followed.

Tesi's corporate culture and Tesi personnel's high degree of professionalism combined with Tesi's risk management policy, Code of Conduct, internal instructions and the monitoring of these instructions together form the basis of the company's internal control environment. Operations are based on predefined

and planned procedures and the methods for approving and adjusting them, as well as on other controls.

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's mission is to promote 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 legally jeopardise the primary obligation for profitable operation over the long term.

Tesi has a risk management policy, updated in 2021 and 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.

Risk management applies the Three Lines of Defence model, wherein the executive and risk-taking function is separated from the independent oversight function.

Tesi's main risks are related to private equity and venture capital investments, and to 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 mitigated 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 positive action in the exit stage. 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.

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 diversified and made at the selected risk level in compliance with the investment policy confirmed by the company's Board of Directors. 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, and ESG risks. Strategic risks are identified as risks related to special tasks, and market dominance risks. Operational risks include cyber risks, data security and system risks, personal risks, outsourcing risks, misconduct risks and legal risks. ESG risks are both internal and external, and if realised will have an impact at both the strategic and operational level.

Auditing and internal control

THE ANNUAL General Meeting elects Tesi's auditor. During fiscal year 2021 the company's auditor was KPMG Oy, chartered accountants. The lead auditor was Juha-Pekka Mylén, CPA. Auditing fees in 2021 amounted to EUR 42,015. In addition, the audit firm was paid EUR 112,384 for other services in the fiscal year.

The company did not have an internal audit in 2021. Instead, it will be conducted through a third party service in 2022. The company's internal control is an independent and autonomous precautionary function aimed at examining and assessing the company's management and governance processes as well as the effectiveness and impact of the management and governance processes from the risk perspective.

Related party transactions

TESI has an Impartiality Instruction approved by the Board of Directors containing guidelines for the impartial and ethical behaviour of its personnel. In compliance with good governance, any persons handling a matter must be independent and unbiased in respect of all aspects of the matters they handle. A person disqualified for this reason may not be involved in any preparation or decision-making concerning the matter that disqualifies them. There must, however, be a particular reason that trust is in jeopardy. For example, a normal customer relationship or acquaintance with an involved party does not constitute grounds for disqualification.

The Impartiality Instruction sets out the grounds for disqualification according to Finland's Administrative Procedure Act, and also covers related parties. To avoid disqualification, Tesi personnel may not acquire direct or indirect ownership of any of Tesi's investees or investment projects. This prohibition does not

apply to shares, holdings or other securities issued in the manner referred to in Finland's Securities Markets Act (746/2012), although special attention must be paid to insider regulations with regard to them.

An employee is responsible for providing a list of investments which they directly or indirectly own and which are listed on the balance sheet of either Tesi or its subsidiaries. This disclosure requirement also applies to shares, holdings or other securities issued in the manner referred to in Finland's Securities Markets Act (746/2012).

” To avoid disqualification, Tesi personnel may not acquire direct or indirect ownership of any of Tesi's investees or investment projects.

Insider administration

TESI'S Board of Directors approves and confirms the main principles concerning insider issues and the instructions for insider issues. The CEO supervises and is responsible for the principles confirmed by the Board of Directors and for compliance with the instructions. Tesi has an officer responsible for insider issues (insider officer) who is appointed by the CEO and a deputy to the insider officer, as well as an insider registrar appointed by the insider officer.

The purpose of Tesi's Insider Instruction is to promote public trust in Tesi's investment activities. Proper instructions also increase the knowledge of company personnel and other persons working within the company's sphere of interest, so that regulations are not unwittingly contravened. The Insider Instruction applies to all persons in Tesi's service and holding positions of trust in Tesi.

The instruction is based on Finland's Securities Markets Act and on the instructions and regulations supplementing it. Although Tesi is not itself a listed company, it often handles information classified as insider knowledge. Therefore, it is important to define procedures ensuring that people working in the company are aware of their insider status, and that they know how to manage insider information and the trading limitations for those with insider information.

The shares and other financial instruments of a listed company that is a Tesi investee can be bought and sold under the provisions of the Insider Instruction only by requesting permission in advance from Tesi's insider officer. The purpose of this procedure is to ensure that insider regulations are not unwittingly contravened and that there can be no cause at all to

suspect contravention of insider regulations.

A person in Tesi's employ must notify the insider officer without delay if in the course of performing his or her duty receives notification from a listed company that he or she has been entered in the listed company's insider register.

” **The shares and other financial instruments of a listed company that is a Tesi investee can be bought and sold under the provisions of the Insider Instruction only by requesting permission in advance from Tesi's insider officer.**