



Corporate Governance Statement 2022

Dare to grow.

Tesi

Tesi

- We work for Finnish growth companies.
- We develop and serve the Finnish venture capital and private equity market.
- We want to raise Finland to the forefront of transformative economic growth
- We invest in venture capital and private equity funds as well as directly in growth companies
- We operate on market terms, as a minority owner
- We advance sustainability both in venture capital and private equity industry and in companies
- We strive for a significant social impact
- We share insightful knowledge and knowhow with companies, investors and decisionmakers
- We are a fully state-owned investment company

Annual Report 2022

Tesi's (Finnish Industry Investment Ltd) Annual Report comprises four sections. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website [tesi.fi](https://www.tesi.fi).

- **Business Overview:**
Strategy, value creation, investment operations and sustainability
- **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



Table of contents

Tesi's Annual Report 2022 comprises four sections. This is the Corporate Governance Statement, which covers corporate governance, internal control and risk management systems

CORPORATE GOVERNANCE STATEMENT

Introduction.....	5
Ownership and ownership steering.....	6
Annual General Meeting.....	6
Board of Directors.....	7
Advisory Board.....	10
CEO and Management Team.....	11
Internal control and risk management.....	13
Auditing and internal control.....	15
Related party transactions.....	15
Insider administration.....	16



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, 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 govern-

ance 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 impartiality and disqualification of its 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.

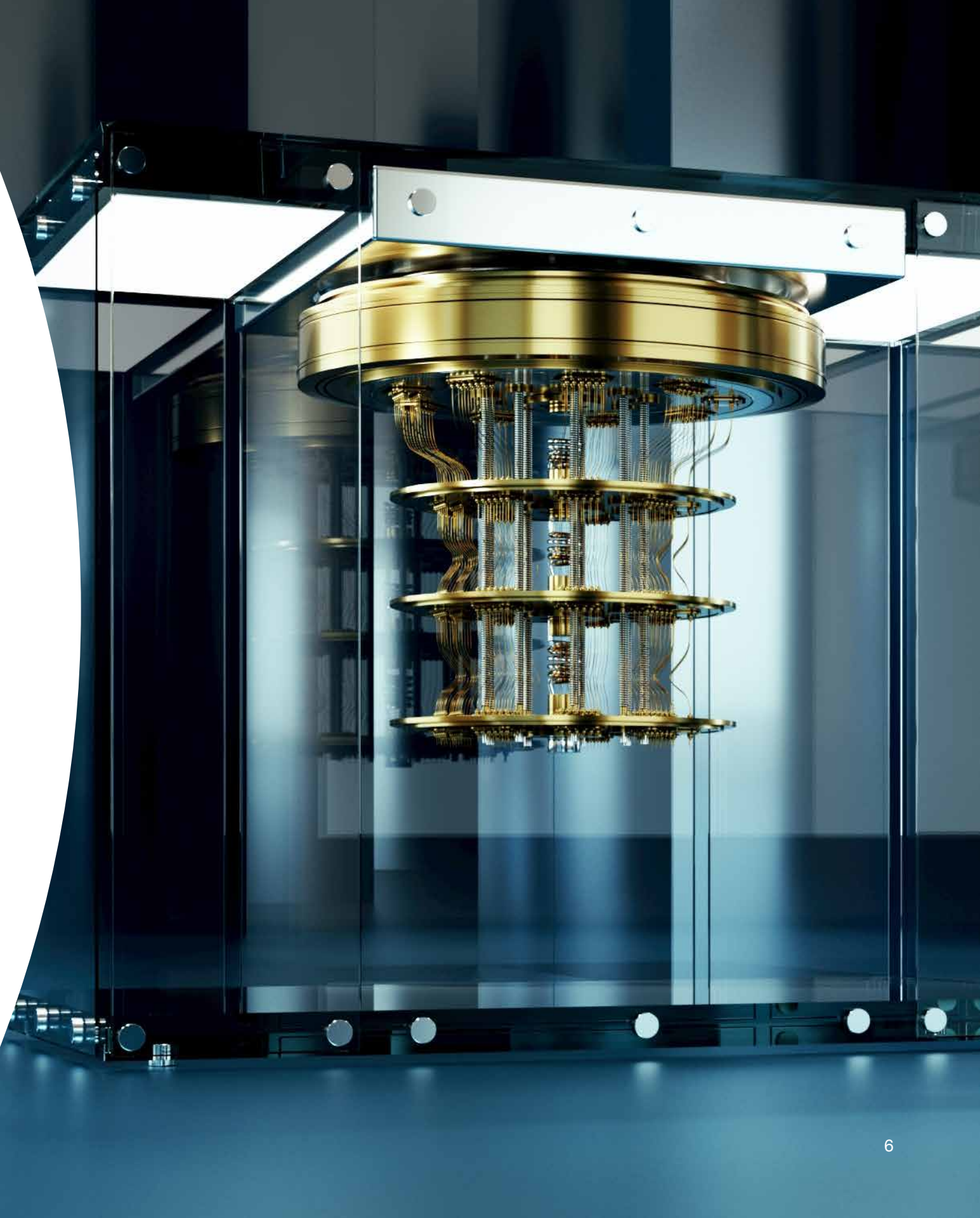
Ownership and ownership steering

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.

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

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 2022.



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. The Board also evaluates and develops its work each year.

The Board of Directors convened 18 times during 2022, and attendance was 96%.

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 2022, altogether 43% of Board members were women (43% in 2021).

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 2022 the members of the Board of Directors were Kimmo Jyllilä (Chair until 22 March), Riku Huttunen, Mia Folkesson, Jacob af Forselles (Chair as from 22 March), Anniina Heinonen, Minna Helppi, Pauli Kariniemi and Timo Leino (as from 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 2022

Jacob af Forselles

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



Anniina Heinonen

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



Timo Leino

- Board Chair, Linnea Capital Oy
- Board member
- LL.M, born 1957
- Member of the Board since 2022
- Independent from the company and owner



Riku Huttunen

- Director General of the Energy Department, 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



Minna Helppi

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



Mia Folkesson

- CEO, Impaktly Group Oy
- Board member
- MSc (Econ), born 1980
- Board member since 2021
- Independent of the company and of the owner



Pauli Kariniemi

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



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 duties of the Audit Committee mainly involve addressing matters relating to the company's financial reporting and monitoring as well as to its risk and compliance reporting and monitoring, in addition to preparations for auditing and internal auditing. During 2022 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 up to 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 2022 the members of the Remuneration Committee were Riku Huttunen (Chair), Kimmo Jyllilä (until 22 March), Mia Folkesson, Jacob af Forselles, and Timo Leino (as from 24 March). The Remuneration Committee convened 13 times during 2022.

” The duties of the Audit Committee mainly involve addressing matters relating to the company's financial reporting and monitoring as well as to its risk and compliance reporting and monitoring, in addition to preparations for auditing and internal auditing.

Attendance at meetings of Board and committees

		ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT AUDIT COMMITTEE	ATTENDANCE AT REMUNERATION COMMITTEE
Kimmo Jyllilä	until 22 March 2022	3/3	not a member	2/2
Jacob af Forselles	as from 1 January 2022	17/18	not a member	12/13
Mia Folkesson	as from 1 January 2022	17/18	not a member	13/13
Anniina Heinonen	as from 1 January 2022	18/18	6/6	not a member
Minna Helppi	as from 1 January 2022	18/18	6/6	not a member
Riku Huttunen	as from 1 January 2022	17/18	not a member	10/10
Pauli Kariniemi	as from 1 January 2022	16/18	6/6	not a member
Timo Leino	as from 24 March 2022	15/15	not a member	11/11

Advisory Board

The Advisory Board advises 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 2022, the members of the Advisory Board were Juha Rantanen, Mari Holopainen, Nina Kopola, Ari Korhonen, Veli-Matti Mattila, Pirita Mikkanen, Lauri Muranen, Riitta Mäkinen, Arto Pirttilahti, Matti Putkonen, Tommi Toivola, and Ben Zyskowitz. During 2022 the Advisory Board convened four times.

” The Advisory Board advises the Board of Directors and promotes the company's public relations.

MEMBERS OF ADVISORY BOARD

31 DECEMBER 2022

- 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 Zyskowitz, Member of Parliament, National Coalition Party

CEO and Management Team

Tesi's Chief Executive Officer is Pia Santavirta, from 1 January 2023. Jan Sasse left his position as the company's CEO on 24 October 2022 to take up a position with another employer. During the transition period, the interim CEO was Jussi Hattula, who heads Tesi's company's Growth & Industrial Investments 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 did not have a deputy in 2022.

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 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 Management Team convened 46 times during 2022. During the year, the Management Team comprised Jan Sasse (until 24 October), Susanna Aaltonen, Henri Hakamo, Jussi Hattula, Gösta Holmqvist, Matias Kaila, Anna Kilpi, and Juha Lehtola.

” Tesi's Chief Executive Officer is Pia Santavirta, from 1 January 2023



MANAGEMENT TEAM AS AT 31 DECEMBER 2022

Jussi Hattula

- CEO, Director, Growth & Industrial Investments
- MSc (Tech), born 1968



Gösta Holmqvist

- CFO
- MSc (Econ), born 1959



Juha Lehtola

- Director, Venture Capital
- MSc (Tech), born 1976



Susanna Aaltonen

- Director, Communications
- MSc (Econ), B.Soc.Sc., born 1970



Matias Kaila

- Director, Funds
- MSc (Econ), born 1982



Henri Hakamo

- Chief Digital Officer
- MSc (Econ), born 1986



Anna Kilpi

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



Internal control, risk management, and compliance

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 achievement 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. Business units represent the first Line, risk management unit the second and independent internal audit the third.

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.

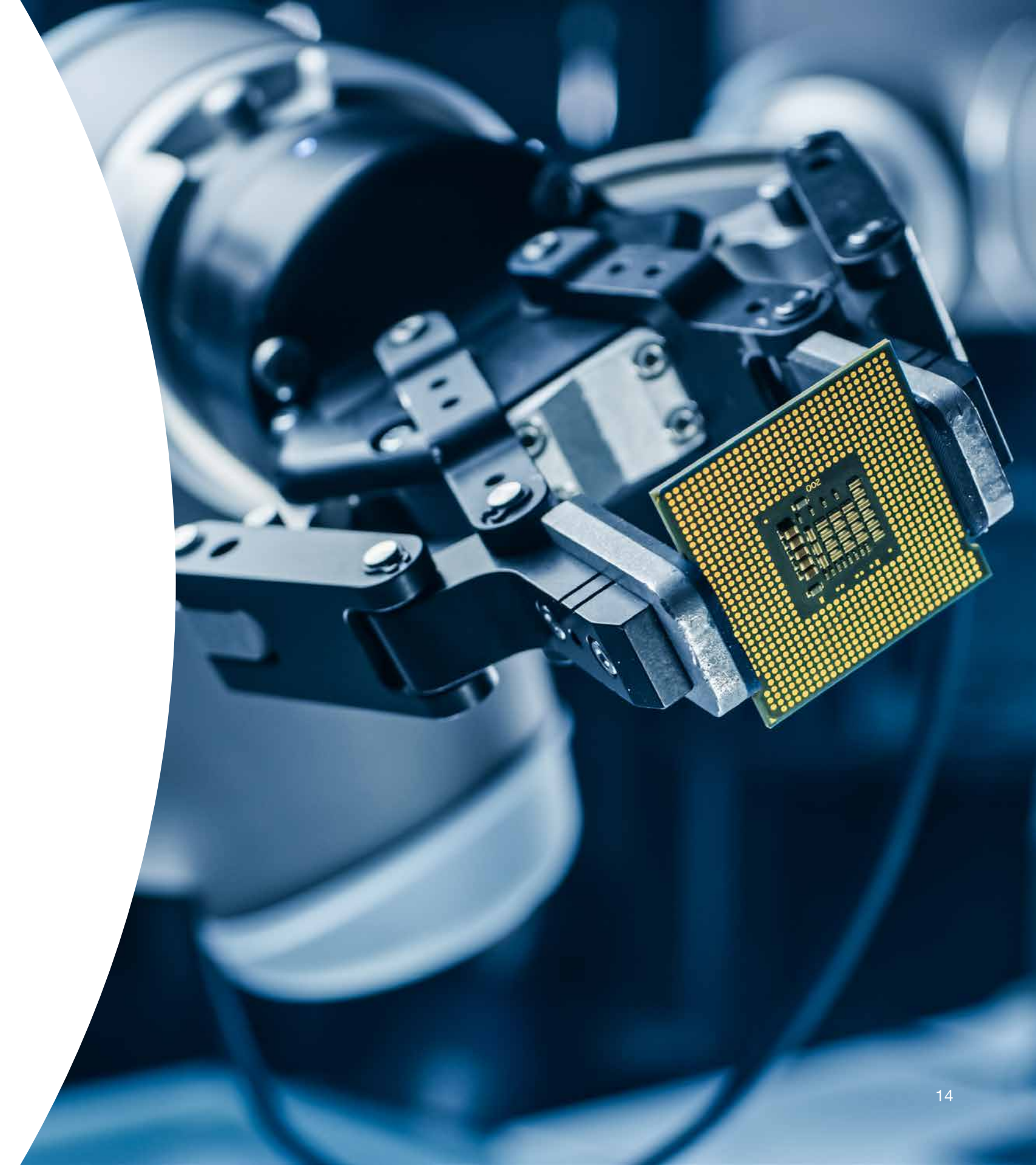
Other risks to which Tesi is exposed include strategic risks, operational risks, and ESG risks. Strategic risks, in addition to those concerning the execution of the strategy itself, are identified as risks related to special tasks and market dominance. Operational risks include cyber risks, data security 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.

COMPLIANCE

Tesi's operations are regulated by: i) a separate Act of Parliament and decree, ii) targeted recapitalisations as decided by the Finnish Parliament, iii) an annual circular setting targets, issued by the Ministry of Economic Affairs and Employment, iv) government resolutions by the Ownership Steering department (Prime Minister's Office). In addition to Finnish legislation, and the instructions and policy guidance we receive from Ownership Steering, we comply with good corporate governance principles and we also conform to international norms and agreements on employee rights and the environment. Furthermore, we require no less of the companies and funds in which we invest.

Compliance with legislation is ensured mainly in two ways: i) Pertinent laws and amendments to them are communicated to personnel by providing more detailed internal instructions on the relevant subject, ii) In conjunction with each new direct investment a comprehensive legal due diligence is conducted that ensures that the investment does not entail any legal risks or, at least, that the risks are known and managed.

A compliance report is submitted to the Board of Directors every six months. It contains monitoring of decision-making, a review of legislative initiatives of importance to Tesi, and reporting on compliance risks and data protection anomalies. A whistleblowing channel has been in place since 2020 for reporting any suspected misconduct or non-compliant behaviour.



Auditing and internal control

The Annual General Meeting elects Tesi's auditor. During fiscal year 2022 the company's auditor was KPMG Oy, chartered accountants. The lead auditor was Juha-Pekka Mylén, CPA. Auditing fees in 2022 amounted to EUR 41,504. In addition, EUR 82,204 were paid to the auditing company for other services during fiscal year 2022.

Tesi's internal control during the year was arranged as a service procurement from third-party service provider BDO.

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 impartiality and disqualification 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 acquaintanceship 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, which 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.

Employees are responsible for providing a list of the investments 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 a insider officer appointed by the CEO, and a insider register clerk 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.