

Corporate Governance Statement 2021

This Corporate Governance Statement has been prepared pursuant to Chapter 7, section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association of Finland on 1 January 2020. The Corporate Governance Code is available on the Finnish Securities Market Association's website at cgfinland.fi/en/. The Corporate Governance Statement is issued separately from the Report of the Board of Directors, and the provided data are based on the situation as at 31 December 2021.

Corporate governance

Teleste Corporation (hereafter 'Teleste') aims to organise its management in a consistent and functional manner. The company's governance is based on Finnish legislation and Teleste's Articles of Association. Teleste shares are listed on Nasdaq Helsinki Oy (hereafter "Stock Exchange"). Teleste complies with the Finnish Securities Markets Act, the rules and regulations for listed companies issued by the Stock Exchange, including the Finnish Corporate Governance Code 2020, and the rules and regulations of the Finnish Financial Supervisory Authority. Since 1 March 2000, Teleste complies with the insider guidelines of the Stock Exchange in their valid form at any given time. These insider guidelines are complemented by Teleste's internal guidelines. The company has confirmed the values applied to its operations.

General Meeting

Teleste's General Meeting is the highest decision-making body of the company. The AGM convenes at least once a year. According to the Articles of Association, the Annual General Meeting (AGM) must be held by the end of June each year.

The General Meeting decides on matters as required in the provisions of the Limited Liability Companies Act. The matters decided by the AGM include adoption of the financial statements, allocation of profit shown by the balance sheet, discharge of the Board of Directors and the CEO from liability, and election of the Board members and the auditor. In addition, responsibilities of the General Meeting include making amendments to the Articles of Association and deciding on share issues, granting of entitlements to options and other special rights, procurement and redeeming of the company's own shares, and reduction of share capital. Teleste's General Meeting shall be convened by the Board of Directors.

Board of Directors

Rules of Procedure

It is the responsibility of Teleste's Board of Directors to manage the company in accordance with the law, statutory regulations, Articles of Association and decisions taken by the General Meeting. The operating procedures and main duties of the Board of Directors are specified in the Board's Rules of Procedure.

According to the Rules of Procedure approved by the Board of Directors on 18 September 2018 and amended on 18 December 2019 and 10 February 2021, the Board of Directors represents all the shareholders and always acts in the best interests of the company and its shareholders. The objective of the Board of Directors is to guide the company's business in such a manner that it provides the company's shareholders with the best possible return in the long run. The Board of Directors regularly monitors the achievement of the company's financial and strategic targets as well as the development

of the company in accordance with the long-term goals. The Board of Directors provides the company management with external opinions and support. The Board is also responsible for ensuring that accounting, economic governance and risk management in the company are appropriately organised. In addition, as applicable, the Board of Directors is responsible for matters related to the preparation of the shareholders' meeting and the implementation of its decisions.

The Board of Directors considers matters that have a significant and long-lasting effect on the company and defines the powers of the Chief Executive Office (CEO). When considered necessary, the Board of Directors establishes committees to support its work. The Board of Directors decides on the members, chairpersons and rules of procedure of the committees.

In accordance with its Rules of Procedure, the Board of Directors:

- confirms the company's ethical values and policies and monitors their implementation;
- monitors the company management's communications with shareholders and the securities market and, when necessary, discusses the formation of shareholder interest and the response of the market;
- defines the company's dividend policy;
- annually confirms the company's basic strategy as well as the business objectives for the planning period derived from the basic strategy;
- annually studies the technical development as well as the general demand and competition environment in the industry and assesses the company's key risks on the basis of the analysis prepared by the CEO;
- reviews and approves interim financial statements and interim reports as well as the annual financial statements and the Report of the Board of Directors;
- holds a meeting with the chief auditors at least once a year;
- appoints and, when necessary, dismisses the CEO;
- makes the necessary proposals to the shareholders' meeting;
- grants authorisation to sign for the company and power of procuration;
- establishes Board committees, when necessary;
- approves proportional principles and processes for related party transactions and monitors and assesses transactions between the company and its related parties;
- considers any other matters that the Chairman of the Board and/or CEO have decided to place on the agenda for a meeting and matters that Board members have requested to be considered at a meeting by informing the Chairman about their request; and
- performs any other duties required by the Limited Liability Companies Act, the Articles of Association and other regulations.

In addition, matters requiring approval by the Board are listed in Appendix 1 to the Board of Directors' Rules of Procedure. The Rules of Procedure of the Board of Directors are available in their entirety on Teleste's website.

Members of the Board of Directors

According to the Articles of Association, the Annual General Meeting elects a minimum of three and maximum of eight Board members each year. The Annual General Meeting (AGM) decides on the number of Board members and their election. The Board elects a Chairman of the Board from among its members. A person designated by the Board of Directors acts as the secretary of the Board.

The company has a nomination board that comprises three (3) members who represent the company's

three largest shareholders calculated on the basis of all shares conferred by the company on 30 August preceding the next annual general meeting. Its term continues until a new nomination board is elected. In addition to the required experience and areas of expertise, the guidelines on the diversity of the Board are taken into account when choosing candidates. In accordance with its Rules of Procedure, the duties of the nomination board include: a) preparing and presenting a proposal on the number of Board members to the AGM, b) preparing and presenting a proposal on the Board members to the AGM and advising the company's Board in respect of the composition of the Audit Committee, and c) preparing and presenting a proposal on the remuneration of the Board members. The Rules of Procedure of the nomination board are available in their entirety on Teleste's website.

The term of office of Board members is one year, lasting until the close of the Annual General Meeting following the election. The number of terms of a Board member is not limited.

The Annual General Meeting held on 7 April 2021 elected the six persons specified below to Teleste's Board of Directors. Timo Luukkainen was elected Chairman on 7 April 2021 by the members of the Board.

Member	Position	Date of birth	Education	Principal occupation	Member since
Luukkainen, Timo	Chairman	1954	M.Sc. (Econ.), M.Sc. (Eng.)	Board professional	2016
Himanen, Jussi	Member	1972	M.Sc. (Eng.)	Ramboll Finland, Business Development Director	2019
Korpimies, Vesa	Member	1962	M.Sc. (Econ.)	EM Group Oy, CEO	2019
Leino-Haltia, Mirel	Member	1971	D.Sc. (Econ.), CFA	Professor of Practice, Board professional	2020
Mäkijärvi, Heikki	Member	1959	M.Sc. (Eng.)	Head of Telia Ventures	2018
Telanne, Kai	Member	1964	M.Sc. (Econ.)	Alma Media Corporation, CEO	2008

The members of the Board are not employed by the company, and on the basis of assessment in accordance with the issued Finnish recommendations, they are independent of the company. The Board members are independent of the company's significant shareholders, except for the following Board members:

- Timo Luukkainen – Chairman of the Board of Tianta Oy from 6 April 2018. Tianta Oy is a significant shareholder of Teleste.
- Vesa Korpimies – CEO and Board member of Tianta Oy. Tianta Oy is a significant shareholder of Teleste.

On 31 December 2021, Board members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

Member	Shareholding on 31 December 2021
Himanen, Jussi	7,805 shares
Korpimies, Vesa	8,805 shares
Leino-Haltia, Mirel	6,720 shares
Luukkainen, Timo	30,337 shares
Mäkijärvi, Heikki	9,721 shares
Telanne, Kai	30,868 shares

On 31 December 2021, Board members or their controlled entities held no share-based entitlements in Teleste Corporation or other companies included in the Teleste Group.

In 2021, Teleste's Board of Directors held 10 meetings. The Board members attended the meetings as follows:

Himanen, Jussi	10/10 (100%)
Korpimies, Vesa	10/10 (100%)
Leino-Haltia, Mirel	10/10 (100%)

Luukkainen, Timo	10/10 (100%)
Mäkijärvi, Heikki	10/10 (100%)
Telanne, Kai	10/10 (100%)

In addition to the Board members, meetings of the Board were attended by the CEO, the CFO and the secretary to the Board, as well as other persons who were specifically invited as necessary.

Principles concerning the diversity of the Board of Directors

Teleste has established principles concerning the diversity of the Board of Directors, taking into account the extent of the company's business and the needs related to its phase of development. Teleste's Board of Directors adopted the diversity principles concerning the Board of Directors on 10 August 2016.

It is in the interests of Teleste and its shareholders that Teleste's Board of Directors is composed of people with different educational and professional backgrounds and international experience, and that Board members have complementary expertise and knowledge in different topics, such as Teleste's field of business and the related technologies, risk management and international sales and marketing. Teleste's objective is that both genders are represented in the Board of Directors.

The Annual General Meeting held on 7 April 2021 elected six members to the Board of Directors: five men and one woman. All of the Board members have a degree in technology or business. All of the other aforementioned factors and characteristics relevant to diversity were also represented in the Board of Directors in 2021.

Remuneration of Board members

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The Annual General Meeting held on 7 April 2021 decided on the following remunerations for Board service until the next AGM: the Chairman of the Board will be paid EUR 66,000 a year and each member EUR 33,000 a year. The annual remuneration of the Board member who acts as the chairman of the Audit Committee shall be EUR 49,000 per year. Of the remuneration to be paid to the Board members, 40% of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on a regulated market organised by Nasdaq Helsinki Ltd and the rest will be paid in cash. In addition, EUR 400 per meeting shall be paid to the members of the Board of Directors' Audit Committee as a meeting fee for each meeting they attend. However, a separate meeting fee shall not be paid to the members of the Board of Directors nor the Chairman of the Audit Committee.

Salaries, remuneration and fringe benefits paid to the Board of Directors in 2021 were as follows:

- Luukkainen, Timo, EUR 66,000, including 4,427 Teleste Corporation shares
- Leino-Haltia, Mirel, EUR 49,000, including 3,286 Teleste Corporation shares
- Himanen, Jussi, EUR 35,400, including 2,213 Teleste Corporation shares
- Korpimies, Vesa, EUR 35,400, including 2,213 Teleste Corporation shares
- Mäkijärvi, Heikki, EUR 33,000, including 2,213 Teleste Corporation shares
- Telanne, Kai, EUR 33,000, including 2,213 Teleste Corporation shares

Audit Committee

On 5 April 2018, Teleste's Board of Directors established an audit committee to prepare matters concerning the company's financial reporting and supervision. The Audit Committee assists the Board of Directors by preparing the matters that fall within the responsibilities of the Audit Committee. The

Audit Committee shall convene at least four times a year, in accordance with a schedule confirmed by the chairperson of the Audit Committee.

The majority of the members of the Audit Committee must be independent of the company. In addition, at least one member must be independent of the company's significant shareholders. The Audit Committee members must have

sufficient expertise and experience considering the responsibilities of the committee and obligatory auditing-related duties. At least one Audit Committee member must have expertise in accounting or auditing.

The Audit Committee consists of a minimum of three Board members, each of whom fulfils the requirements on independence and understanding of financial information as well as any other requirements specified in Finnish law and regulations concerning Finnish listed companies.

In addition to the committee members, the participants in Audit Committee meetings include the company's CEO, CFO, auditor and the secretary to the Audit Committee. The Audit Committee may invite other experts or representatives of the operative management to attend its meetings as necessary. Any Board member may attend Audit Committee meetings at their discretion. The minutes and materials of the Audit Committee are available to all Board members.

The chairperson of the Audit Committee presents the committee's most important observations, its recommendations and a summary of Audit Committee meetings to the Board of Directors.

The Board of Directors that convened after Teleste Corporation's AGM on 7 April 2021 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies.

In 2021, the Audit Committee held 6 meetings. The members attended the meetings as follows:

Member	Participation (%)
Himanen, Jussi	6/6 (100%), member
Korpimies, Vesa	6/6 (100%), member
Leino-Haltia, Mirel	6/6 (100%), Chair

According to the Rules of Procedure of the Audit Committee, the responsibilities of the Audit Committee include:

- monitoring of Teleste Corporation's economic and financial situation, taxation position as well as the financial statement reporting process;
- monitoring and assessment of the financial reporting system;
- supervision of compliance with the accounting policies for consolidated financial statements and with the IFRS;
- reviewing interim reports and financial statements and giving recommendations to the Board of Directors before the publication of stock exchange releases on interim reports and financial statements;
- assessment of the use and presentation of alternative performance measures;
- processing of the statement of non-financial information;
- assessment of the efficiency of the company's internal control and risk management systems;
- monitoring of significant economic, financial and tax risks;
- supervision of compliance with policies and principles confirmed by the Board as well as internal auditing;

- processing of the Corporate Governance Statement;
- monitoring of the company's information management strategy and data security-related policies;
- monitoring of the statutory audit of the financial statements and consolidated financial statements;
- evaluation of the independence of the statutory auditor;
- monitoring of the additional services provided by the audit firm;
- preparation of a proposal to the Annual General Meeting on the election of auditor and communication with the auditor;
- definition of principles applicable to the monitoring and assessment of related party transactions;
- assessment of legal and regulatory compliance processes; and
- performing other tasks assigned to the committee by the Board of Directors.

The Rules of Procedure of the Audit Committee are available in their entirety on Teleste's website.

President and CEO

The company's CEO is in charge of the Group's business operations and corporate governance in accordance with the law, Teleste's Articles of Association and the instructions and regulations issued by the Board.

The detailed terms of employment of the CEO are specified in a separate contract approved by the Board of Directors. The CEO is not a member of Teleste's Board of Directors. The CEO is assisted by the Management Group.

The company's Board of Directors decides on the salary, remuneration and other benefits received by the CEO. The key terms of the written CEO agreement between the company and CEO Jukka Rinnevaara, the CEO's remuneration and the CEO's pension security are described in the remuneration report for Teleste's governing bodies, which is published in the Investors section of the company's website.

Teleste's President and CEO, Jukka Rinnevaara, b. 1961, M.Sc. (Econ.), started as CEO on 1 November 2002. After Jukka Rinnevaara reached his contractual retirement age in spring 2021, he transferred the duties of CEO to his successor on 31 December 2021. Esa Harju, born 1967, M.Sc. (Eng.), was appointed the company's new CEO effective from 1 January 2022. CEO Esa Harju's responsibilities and role in the company and the Board of Directors are the same as his predecessor's.

Management Group

On 31 December 2021, the Group's Management Group consisted of seven members including the CEO, to whom the members of the Management Group report. The members of the Management Group are directors of Teleste's business units and Group functions. The subsidiaries operate as part of the business units. Teleste's Management Group is chaired by the CEO who reports to the Board of Directors. The Management Group has no authority under law or the Articles of Association. On 31 December 2021, Teleste's Management Group consisted of the following members:

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Rinnevaara, Jukka	1961	M.Sc. (Econ.)	President and CEO	Is in charge of the Group's business operations and corporate governance in accordance with the law, Teleste's Articles of Association and the instructions and
Hyytiäinen, Juha	1967	M.Sc. (Econ.)	CFO	Area of responsibility: finance and IT
Narjus, Hanno	1962	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Networks business unit
Harju, Esa	1967	M.Sc. (Eng.)	Senior Vice President	Area of responsibility: Video Security and Information business unit
Järvenpää, Pasi	1967	M.Sc. (Eng.)	Head of R&D	Area of responsibility: Teleste's research and development
Mattila, Markus	1968	M.Sc. (Eng.)	Senior Vice President, Operations	Area of responsibility: Teleste's Operations
Vanne, Tuomas	1979	M.Sc. (Military Science)	Head of HR	Area of responsibility: HR

The Management Group handles the main issues related to managing the company, such as matters related to strategy, budgets, interim reports and acquisitions, and prepares investments for approval by the Board of Directors. As a rule, the Management Group meets once a month and at other times when necessary.

The Board of Directors decides on the management's incentive and remuneration systems on the basis of the CEO's proposal.

Incentive schemes and ownership by the management

Management Group's shareholding and share-based entitlements

On 31 December 2021, Management Group members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

Member	Shareholding on 31 December 2021
Rinnevaara, Jukka	110,354 shares
Hyytiäinen, Juha	9,564 shares
Narjus, Hanno	7,808 shares
Harju, Esa	13,713 shares
Järvenpää, Pasi	5,651 shares
Mattila, Markus	10,943 shares
Vanne, Tuomas	1,775 shares

On 31 December 2021, Teleste did not have any running stock option programmes, and the CEO, the members of the Management Group or their controlled entities did not hold any Teleste options or other share-based entitlements.

Share-based incentive programme LTI 2018

On 7 February 2018, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2018").

The objective of LTI 2018 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive compensation for excellent performance.

LTI 2018 consists of three annually commencing plans with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The matching share plan includes the investment of a participant in Teleste's shares and the delivery of matching shares as a long-term incentive reward against the invested shares. After the three-year vesting period, the key employee receives one matching share for each two invested shares free of charge.

The performance matching plan includes a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved. The performance measure applied in the performance share plan in each of the plans in effect is the total shareholder return (TSR) of Teleste's share. The above investment in Teleste's shares is the requirement for an individual key employee to be included in the plan.

The gross quantity of matching shares payable under the matching share plan 2019-2021 is 17,537 shares and under the performance share plan at maximum 274,620 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2019. At the end of 2021, altogether 23 key employees were approved as eligible to participate in the plan.

The gross quantity of matching shares payable under the matching share plan 2020-2022 is 18,451 shares and under the performance share plan at maximum 281,700 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2020. At the end of 2021, altogether 27 key employees were approved as eligible to participate in the plan.

The gross quantities of shares delivered under the 2018-2020 plan that ended in April 2021 were 13,963 shares and 0 performance matching shares. A net quantity of 8,225 shares were delivered to the key employees entitled to reward through a directed share issue on 23 March 2021.

Share-based incentive programme LTI 2021

On 10 February 2021, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2021"). The objective of LTI 2021 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive performance-based compensation.

LTI 2021 consists of one three-year plan with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The matching share plan 2021-2023 comprises the individual key employee's investment in Teleste's shares and the delivery of a specific number of matching shares without consideration as a share reward based on the share investment after the three-year vesting period. The matching ratio applied to the matching share plan is one matching share for each two shares invested.

The performance share plan 2021-2023 comprises a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved. The performance measure applied in the plan is the total shareholder return (TSR) of the Teleste share.

The gross quantity of matching shares payable under the matching share plan 2021-2023 is 21,313 shares and under the performance share plan at maximum 318,000 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2021. At the end of 2021, altogether 31 key employees were approved as eligible to participate in the plan.

Auditing, revisions and remuneration of the auditor

The term of office of Teleste's auditor expires at the closing of the first Annual General Meeting following the election.

On 7 April 2021, Teleste's Annual General Meeting elected the audit firm PricewaterhouseCoopers Oy (PwC) as the company's auditor. The audit firm appointed Markku Launis, APA, as the auditor in charge.

In addition to their statutory duties, the auditors report their observations to Teleste Corporation's Board of Directors and Audit Committee and attend at least one Board meeting each year.

In 2021, Teleste Group's auditing expenses totalled EUR 172,368, with PwC accounting for EUR 106,662. In addition, Teleste Group companies have received other consultation services from various units of PwC for a total of EUR 13,816 and from other than PwC auditors for EUR 52,130.

Insider management

Since 1 March 2000, Teleste complies with the insider guidelines of Nasdaq Helsinki Oy in their valid form at any given time. The company also has its own insider guidelines, which have been approved by the company's Board of Directors.

Teleste maintains project-specific and event-specific insider lists as necessary. Project-specific insider lists include the persons who work for Teleste under an employment contract or other agreement and receive insider information concerning an individual project, as well as any other persons to whom Teleste discloses insider information concerning an individual project. 'Project' refers to an identifiable arrangement or set of procedures which is being prepared at Teleste in strict confidence and which, when disclosed, could materially affect the value of Teleste's financial instrument. The CEO evaluates each case to determine whether a set of procedures or an arrangement is considered as a project.

Persons discharging managerial responsibilities at Teleste with the obligation to notify are the Board members, the CEO, the CFO, the SVP in charge of the Networks business unit and the SVP in charge of the Video Security and Information business unit. They and persons closely associated with them shall notify Teleste and the Finnish Financial Supervisory Authority of any transactions they conduct in Teleste's financial instruments. Teleste informs about transactions reported to it in a specific stock exchange release. It is recommended for persons discharging managerial responsibilities at Teleste to time their trading activities involving financial instruments issued by Teleste in such a manner that as accurate as possible information affecting the value of the share is available in the market.

The persons discharging managerial responsibilities at Teleste are not permitted, on their own account or on behalf of others, directly or indirectly, to trade in financial instruments issued by Teleste during the "closed window" period, that is, for thirty (30) days prior to the publication of an interim report and financial statement release. Teleste has expanded the closed window to also apply to persons

participating in the preparation of interim reports and/or financial statement releases. Such persons are subject to the same closed window of thirty (30) days.

Teleste's insider administration supervises compliance with the insider guidelines and maintains insider lists as well as a list of persons discharging managerial responsibilities and persons closely associated with them. Teleste's Legal Counsel is in charge of insider issues.

People employed by Teleste may report any suspected violations of rules and regulations concerning the financial markets through an independent channel within the company.

Related party transactions, internal control, risk management and internal auditing

Related party transactions

Teleste assesses and monitors related party transactions in accordance with the Corporate Governance and Teleste's internal guidelines. Teleste strives to ensure that any conflicts of interest are taken into account in the decision-making process. The main rule is that all related party transactions always relate to Teleste's normal business and are in line with the company's purpose and conducted on normal commercial terms. The Board of Directors decides on related party transactions that are not conducted in the ordinary course of business or are not implemented under arm's-length terms.

Teleste's legal department is responsible for the identification of related parties and maintains up-to-date records of related parties for the purpose of identifying related party transactions. Information on related party transactions is provided in the notes of the financial statements.

Internal control

Teleste's internal control is designed to support the implementation of the strategy and to ensure the achievement of the specified goals, compliance with the regulations as well as the reliability and accuracy of financial reporting. Internal control is based on Teleste's values and corporate culture, as well as Group- and operational-level structures and processes that support each other. The management of the Group and the business units are responsible for internal control as part of their normal managerial duties, while the Board evaluates and verifies the appropriateness and efficiency of internal control. In each of the two business units, the management of the business unit, supported by Teleste's centralised business controller function, is responsible for compliance with the principles of internal control on all levels of the units.

Risk management

Teleste's risk management policy defines the objective of risk management as the achievement of strategic objectives. The principles and objectives of the Group's risk management are subject to approval by Teleste's Board of Directors. Risk management aims to ensure the achievement of business goals, so that any material risks affecting business operations and posing a threat to the achievement of goals are identified and continuously monitored and evaluated. The company has risk management methods in place to prevent the materialisation of risks. In addition, insurance is used to cover financial risks and other risks that are reasonably insurable. Regular, cost-efficient evaluation and management of risks are emphasised in Teleste's risk management policy. Risk management supports the business operations and generates added value that promotes decision-making and goal-setting by the management in charge of business operations. Monthly reporting constitutes part of the internal control and risk management system. In particular, it is used for the monitoring of the development of orders received, order backlog, deliveries, net sales, profitability, trade receivables,

working capital and cash flow and, consequently, the development of Teleste Group's performance. The Board of Directors annually reviews essential business risks and their management. Risk management constitutes an integral part of the strategic and operational activities of the business units and Group functions. Risks are reported to the Board on a regular basis.

Teleste's risk management system covers the following risk categories: strategic risks, operational risks, financial risks and hazard risks. For each identified risk, the Management Group confirms a risk owner who is responsible for risk assessment, selecting the risk management strategy, planning risk management actions and assigning responsibilities for them, and risk monitoring.

Internal auditing

Internal auditing includes evaluating the efficiency of processes related to risk management, supervision, management, administration and selected functions, as well as making proposals for their improvement. Internal auditing functions under the authority of the Board's Audit Committee and the CEO. A director appointed by the CEO is responsible for the implementation of the auditing, and the expertise of bodies external to the auditing unit is used where needed. In addition, internal auditing may carry out special tasks assigned by the Audit Committee. Internal auditing covers all the organisational levels. Internal auditing also coordinates priorities together with the external auditor.

Key features of the internal control and risk management systems related to the financial reporting process

The internal control and risk management of the financial reporting process are based on the general principles of internal control and risk management described above as well as the auditor's recommendations concerning best practices related to reporting processes and the control environment. The CFO is responsible for the systems of internal control and risk management related to the financial reporting process.

The internal control of the financial reporting process is established by describing the reporting process, surveying its relevant risks and specifying the control points on the basis of the conducted risk assessment. The controls cover the entire reporting process from accounting by subsidiaries to monthly, quarterly and annual reporting. Controls are built into reporting systems, or controls may involve balancing, inspections carried out by the management, or specified procedures or policies. The CFO is responsible for ensuring that there is a designated person responsible for the implementation and efficiency of each control. The Group Accounting Manual specifies the standards for financial reporting. Financial reports to be published are reviewed by the Management Group, the Audit Committee and the Board of Directors prior to their publication.

The auditor elected by Teleste Corporation's Annual General Meeting audits the consolidated financial statements and parent company financial statements and reviews the stock exchange releases issued on interim reports and the financial statements. The Group's largest subsidiaries conduct a local audit.