

## Corporate Governance Statement 2022

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. The Corporate Governance Code is available on the Finnish Securities Market Association's website at [cgfinland.fi/en](http://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 2022.

### Teleste's governing bodies

The governing bodies responsible for the governance and operations of Teleste Corporation (hereafter 'Teleste') are the General Meeting, the Board of Directors, the Audit Committee of the Board of Directors and the Management Group led by the CEO.



### 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, the 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.

## Shareholders' Nomination Board

Teleste's Annual General Meeting of 2020 established a Shareholders' Nomination Board for the company and approved the Rules of Procedure of the Nomination Board. The responsibility of the Nomination Board is annually to prepare proposals on the election and remuneration of the members of the Board of Directors to the Annual General Meeting and ensure that the Board of Directors and its members have sufficient competence and experience to meet the needs of Teleste.

The Nomination Board consists of three members who represent the company's three largest shareholders, calculated on the basis of the votes conferred by all the shares in Teleste on 30 August preceding the next Annual General Meeting. Its term of office continues until a new Nomination Board is elected.

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 Nomination Board shall submit its proposals to the Board of Directors annually no later than 28 February before the next Annual General Meeting. The proposals of the Nomination Board are included in the notice of the Annual General Meeting.

The Nomination Board's report on its work and its Rules of Procedure are available in full on Teleste's website.

## 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.

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 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 6 April 2022 elected the six persons specified below to Teleste's Board of Directors. Timo Luukkainen was elected Chairman on 6 April 2022 by the members of the Board.

Member	Position	Date of birth	Education	Principal occupation	Member since
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Luukkainen, Timo	Chairman	1954	M.Sc. (Econ.), M.Sc. (Eng.), MBA	Board professional	2016
Himanen, Jussi	Member	1972	M.Sc. (Eng.)	WithSecure, VP Strategy and M&A	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 2022, 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 2022
Himanen, Jussi	10,729 shares
Korpimies, Vesa	11,729 shares
Leino-Haltia, Mirel	11,062 shares
Luukkainen, Timo	36,185 shares
Mäkijärvi, Heikki	12,645 shares
Telanne, Kai	33,792 shares

In 2022, Teleste's Board of Directors held 12 meetings. The Board members attended the meetings as follows:

Member	Participation (%)
Himanen, Jussi	12/12 (100%)
Korpimies, Vesa	12/12 (100%)
Leino-Haltia, Mirel	12/12 (100%)
Luukkainen, Timo	12/12 (100%)
Mäkijärvi, Heikki	12/12 (100%)
Telanne, Kai	12/12 (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.

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 the share of the less represented gender in the Board of Directors is at least 40 %.

The Annual General Meeting held on 6 April 2022 elected six members to the Board of Directors. All of the Board members have a degree in technology or business. The aforementioned factors and characteristics relevant to diversity were represented in the Board of Directors in 2022. The share of the less represented gender in the Board of Directors was 17 %.

#### *Audit Committee*

Teleste's Board of Directors has 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, and 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's AGM on 6 April 2022 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies.

In 2022, the Audit Committee held 9 meetings. The members attended the meetings as follows:

<b>Member</b>	<b>Participation (%)</b>
Leino-Haltia, Mirel	9/9 (100%), Chair
Himanen, Jussi	9/9 (100%), member
Korpimies, Vesa	9/9 (100%), member

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 Limited Liability Companies Act, 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.

Esa Harju, born 1967, M.Sc. (Eng.), has been the company's 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 2022, 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 2022, Teleste's Management Group consisted of the following members:

Member	Date of birth	Education	Position	Tasks and areas of responsibilities
Harju, Esa	1967	M.Sc. (Eng.)	President and CEO	Is in charge of the Group's business operations and corporate governance in accordance with the Limited Liability Companies Act, Teleste's Articles of Association and the instructions and regulations issued by the Board
Hyytiäinen, Juha	1967	M.Sc. (Econ.)	CFO	Area of responsibility: finance and IT
Järvenpää, Pasi	1967	M.Sc. (Eng.)	Senior Vice President, Research and Development	Area of responsibility: Teleste's research and development
Mattila, Markus	1968	M.Sc. (Eng.)	Senior Vice President, Operations, Logistics & Sourcing	Area of responsibility: Teleste's operations, logistics and sourcing
Narjus, Hanno	1962	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Networks business unit
Sand, Valerian	1984	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Video Security and Information business unit
Vanne, Tuomas	1979	M.Sc. (Military Science)	Senior Vice President, People and Competence	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 incentive and remuneration systems of the members of the Management Group on the basis of the CEO's proposal.

On 31 December 2022, Management Group members and their controlled entities held shares in Teleste's and other companies included in the Teleste Group as follows:

Member	Shareholding on 31 December 2022
Harju, Esa	17,136 shares
Hyytiäinen, Juha	9,913 shares
Järvenpää, Pasi	6,184 shares

Mattila, Markus	12,006 shares
Narjus, Hanno	8,896 shares
Sand, Valerian	1,050 shares
Vanne, Tuomas	2,650 shares

### **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 6 April 2022, 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's Board of Directors and Audit Committee and attend at least one Board meeting each year.

In 2022, Teleste Group's auditing expenses totalled EUR 198,443, with PwC accounting for EUR 154,147 of that total and other audit firms for EUR 44,296. Audit firms have provided Teleste Group companies with other additional services corresponding to a total of EUR 44,992, with PwC accounting for EUR 15,920 of that total and auditors other than PwC for EUR 29,072.

### **Insider management**

Teleste complies with the Market Abuse Regulation (EU) 596/2014 (MAR) and 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, which Teleste discloses in the form of separate stock exchange releases. 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 Senior Legal Counsel is in charge of insider issues.

Teleste has a whistleblowing channel that provides Teleste's employees and third parties with the opportunity to report concerns of potential misconduct in Teleste's business operations or other functions related to the company. The whistleblowing channel can also be used for reporting suspected violations of the rules and regulations concerning the financial markets.

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

### **Related party transactions**

Teleste assesses and monitors related party transactions in accordance with the Finnish Corporate Governance Code 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, are in line with the company's purpose and are 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 reviews essential business risks and their management on quarterly basis and always when needed. 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. The CEO or 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 and specifying the control points on the basis of a 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'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.