

## Vaisala's Corporate Governance Statement 2009

### Provisions and Corporate Governance Code observed by Vaisala

Vaisala's Corporate Governance Statement has been drawn up in accordance with Recommendation 51 of the Finnish Corporate Governance Code and Chapter 2, section 6, of the Securities Market Act. The Statement has been drawn up as a document independent of the Board of Director's report and it is also available on the company's website at [www.vaisala.com/investors](http://www.vaisala.com/investors).

Vaisala Group's corporate governance system is based on the Finnish Limited Liability Companies Act and Vaisala's Articles of Association. The company complies with the recommendations and instructions for listed companies issued by NASDAQ OMX Helsinki Ltd and the Finnish Financial Supervisory Authority. Vaisala's A shares are listed on NASDAQ OMX Helsinki Ltd.

Vaisala complies with the Finnish Corporate Governance Code published by the Securities Market Association on October 20, 2008. The code is available on the Securities Market Association website [www.cgfinland.fi](http://www.cgfinland.fi). However, the company's policy deviates from the recommendation concerning the term of Board members in accordance with the latter part of the Code's Comply or Explain principle.

The Vaisala Board of Directors has approved this statement at its meeting on February 18, 2010. The auditing firm PricewaterhouseCoopers Oy, the company's auditor, has verified that the statement has been issued and that the general description of internal audit and risk management systems associated with the financial reporting process conforms to the financial statements.

### Deviations from the recommendations of the Corporate Governance Code and the explanations for these deviations

The term of the members of Vaisala's Board of Directors deviates from the Corporate Governance Code, which recommends a term of one year. The term of the company's Board is determined in accordance with its Articles of Association. The General Meeting decides on changes to the Articles of Association. Under the Articles of Association, a member's term is three years, beginning at the close of the General Meeting in which the member is elected and ending at the close of the third subsequent Annual General Meeting.

A longer term effectively promotes the commitment of Vaisala's principal shareholders to the company's long-term development.

The Board of Vaisala has not established an audit committee according to recommendation 24; the duties of the committee assigned in recommendation 27 are instead included in the Board's agenda. The Board is collectively responsible for the duties of an audit committee. It is the Board's opinion that the extent of the Group's business does not warrant the establishment of a separate audit committee.

### Vaisala Group's Corporate Governance

The General Meeting, Board of Directors and the managing director, assisted by the Management Group, are responsible for the operations of The Vaisala Group.

### Vaisala's reporting structure



### Composition and activities of the Board

#### Board of Directors

In accordance with Vaisala Corporation's Articles of Association, the company's Board of Directors comprises at least three (3) and at most six (6) members. All Board members are appointed by a General Meeting of Shareholders. The Board elects a Chairman and a Vice Chairman from among its members.

The majority of the Board members must be independent of the company and at least two members in this majority must be independent of the company's major shareholders.

Under the Articles of Association, the term of the Board members is 3 years, which is a deviation from the one-year recommendation of the Corporate Governance Code. The term begins at the close of the General Meeting of Shareholders at which the member is elected, and ends at the close of the third subsequent Annual General Meeting following the member's election.

The Board of Vaisala convenes nine times each year in accordance with a schedule agreed in advance and if otherwise needed. The Group President and CEO and the Chief Financial Officer also attend Board meetings. The other members of the Management Group attend Board meetings as required on the invitation of the Board.

The Board of Vaisala does not have separate committees. The Board may, on the basis of the Chairman's decision, establish working groups from among its members in individual cases in order to prepare the matters allocated for it in order to ensure the effective organization of the Board's work.

The Vaisala Board operates in accordance with an approved charter. The principal matters dealt with by the Board are:

- to assume responsibility for the duties stipulated for the Board of Directors in the Limited Liability Companies Act, the Articles of Association and elsewhere;
- to decide on Group strategy;
- to review and approve the interim reports, consolidated financial statements and the Board of Director's report;
- to deal with the Group's business plan, budget and investment plan;
- to decide on individual investments, acquisitions, divestments or corporate restructuring and contingent liabilities that are strategically or financially significant;
- to confirm the Group's risk management and reporting procedures;
- to confirm the Group's insurance policy;
- to approve the Group's financing policy;
- to decide on the compensation and incentive schemes for Group management;
- to make proposals concerning the distribution of dividends to the Annual General Meeting;
- to appoint the company's President and CEO and decide on his compensation;
- to approve the recruitment and salaries of the CEO's immediate subordinates; and
- to evaluate its own operations on an annual basis under the leadership of the Chairman.

Vaisala does not have a separate audit committee; therefore the Board is also responsible for:

- monitoring the financial statement reporting process;
- supervising the financial reporting process;
- monitoring the effectiveness of the company's internal control, any internal auditing and the risk management system;
- reviewing the description of the main aspects of the internal control and risk management systems pertaining to the financial reporting process outlined in the Corporate Governance Statement;
- monitoring the statutory audit of the financial statements and the consolidated financial statements;
- evaluating the independence of the statutory auditor or auditing firm and, in particular, the provision of additional services to the audited company; and
- preparing the draft resolution on the selection of an auditor.

## **Board of Directors in 2009**

The Vaisala Board of Directors has six members. The Chairman of the Board is Raimo Voipio, the Vice Chairman is Yrjö Neuvo and the members are Maija Torkko, Stig Gustavson, Mikko Voipio and Mikko Niinivaara. The Board secretary is Matti Kari.

All Board members are independent of the company. Yrjö Neuvo, Stig Gustavson, Mikko Niinivaara and Maija Torkko are independent of the company's major shareholders. Raimo Voipio, the Chairman, and Mikko Voipio, Board member, are not independent of major shareholders.

### **Chairman**

**Raimo Voipio, b. 1955, M.Sc. (Eng.)**

**Principal occupation:** Board member in various technology companies

**Employment history:** various product marketing positions in Nokia Corporation and private telephone companies

**Positions of trust:** Board member of Space Systems Finland Oy and Novameter Oy, Vice Chairman of Munkkiniemen yhteiskoulun kannatusyhdistys ry

**Vaisala Board of Directors:** member as of 1989, Chairman as of 1994

### **Vice Chairman**

**Yrjö Neuvo, b. 1943, Ph.D. Cornell University**

**Principal occupation:** Professor, Research Director, Helsinki University of Technology

**Employment history:** Nokia Corporation, Technology Advisor in 2006 and member of the Nokia Group Executive Board 1993–2005, specializing in mobile phone product

development; Academy of Finland, National Research Professor, 1984 – 1992; Professor of Signal Processing

**Positions of trust:** Metso Corporation, Member of the Board; The Foundation of Technology, Chairman of the Board; Helsinki Metropolia University of Applied Sciences, Vice Chairman of the Board; VTT Technical Research Centre of Finland, Chairman of Scientific Advisory Board; European Institute of Innovation and Technology (EIT), member of the Governing Board and Working Committee; Finnish Centre of Expertise Program, Chairman of the Board; Cornell University Council, Member; Finnish Science Centre Foundation (Heureka), Member.

**Vaisala Board of Directors:** member as of 1989, Vice Chairman as of 1994

**Stig Gustavson, b. 1945, M. Sc. (Eng), Dr. Tech. (h.c.)** Chairman of the Board, Konecranes Plc

**Employment history:** Konecranes President and CEO 1994-2005, KONE Corporation, Sponsor Oy, RAY, Wärtsilä Corporation

**Positions of trust:** Chairman of the Board: Dynea Oy, Svenska Handelsbanken (Finland), Arcada Foundation, Cramo Oyj and Technology Academy Finland Foundation; Supervisory Board Member, Varma Mutual Pension Insurance Company; IK Investment Partners, Senior Industrial Advisor

**Vaisala Board of Directors:** member as of 2006

**Mikko Niinivaara, b. 1950, M.Sc. (Eng.), Dr. Tech. (h.c.)**

**Principal occupation:** President, ABB Oy

**Employment history:** ABB Industry Oy, President 1999-2001; ABB Ltd, Zurich: Division Director 1993-1998

**Positions of Trust:** ABB Oy, Board Member; Technology Industries of Finland, Member of Executive Board and Chairman of the Competitiveness Working Group, Confederation of Finnish Industries EK, Board member; Helsinki University of Technology, Chairman of the Board; and Energiaforum ry, Board member.

**Vaisala Board of Directors:** member as of 2002

**Maija Torkko, b. 1946, B.Sc (Econ.), LL.M.**

**Principal occupation:** -

**Employment history:** Nokia Corporation, Senior Vice President, Corporate Controller 1997-2006

**Positions of Trust:** -

**Vaisala Board of Directors:** member as of 2007

**Mikko Voipio, b. 1960, M.Sc. (Eng.)**

**Principal occupation:** Scientist

**Employment history:** Managerial and R&D positions in software and telecom businesses

**Positions of Trust:** Board member of Fontus Oy and Novameter Oy

**Vaisala Board of Directors:** member as of 1994

The Vaisala Board convened 9 times in total in 2009, and the attendance rate of members was 98%.

More details on the members of the Board are available at the Vaisala website at [www.vaisala.fi/investors](http://www.vaisala.fi/investors).

## **President & CEO**

Vaisala's President and CEO is appointed by the Board. The President and CEO manages the company in accordance with the instructions and orders given by the Board, and informs the Board of the development of the company's business and financial situation. The President and CEO is also responsible for arranging the company's management.

The President and CEO is the Chairman of Vaisala's Management Group. The Business Management Group includes the heads of the Business Areas, Operations, Services and Products and Technology, and the Chief Financial Officer. The Strategic Management Group includes the heads of Human Resources, Communications, and Group Business Development, the Chief Information Officer, the Chief Technology Officer and the Chief Science Officer.

## **President and CEO 2009**

Kjell Forsén, b. 1958, Lic.Sc. (Technology)

President and CEO of Vaisala since 2006

Positions of trust: Board member: Helvar Oy Ab and Technology Industries of Finland.

Vaisala's Management Group: Chairman as of: 2006

## **Internal control and risk management systems**

### **Organization of risk management**

Vaisala has a risk management policy that has been approved by the Board of Directors and that covers strategic, operative and financial risks relating to the company. Vaisala's Management Group regularly assesses risk management policies, and the scope and focus areas of related practices. The policy aims at ensuring the safety of personnel and the company's operations and products and the continuity of operations. The policy also covers intellectual capital, corporate image and brand protection. An appropriate and up-to-date risk concept plays a key role in decision-making.

**Internal control**

Vaisala aims to be a good corporate citizen, and this is supported by appropriate documented internal control policies. Internal control ensures the effective and profitable operations of the company, the reliability of information and compliance with the relevant regulations and operating principles. Internal control aims to improve the fulfillment of the Board's supervision obligation.

Internal control is a process carried out by Vaisala's Board of Directors, management and employees. It is designed to ensure that:

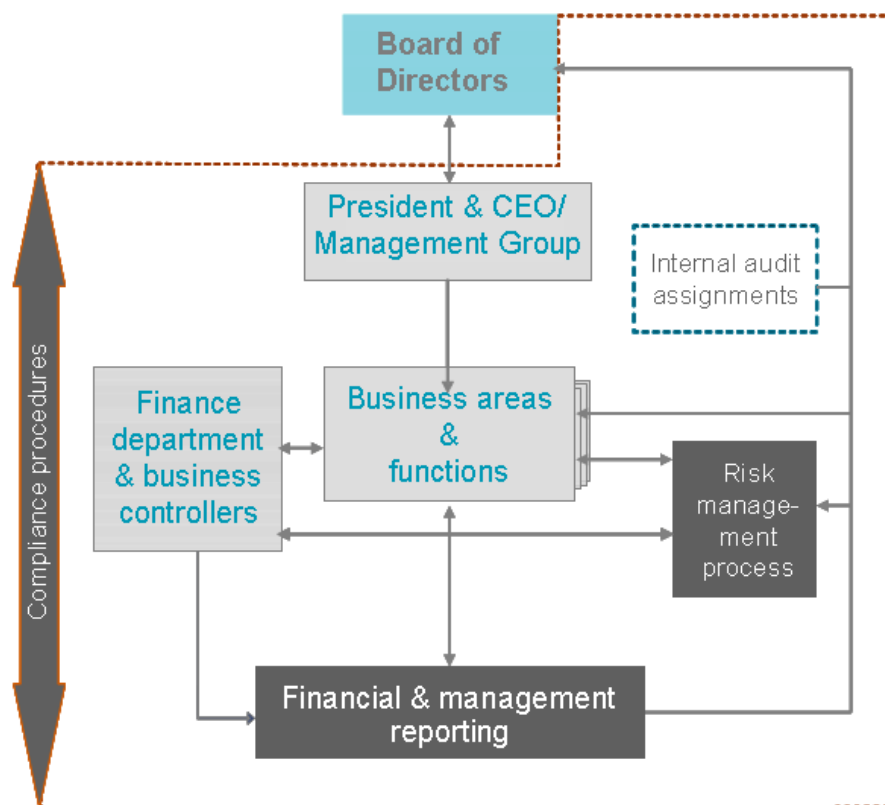
- operations are effective, efficient and aligned with strategy;
- financial reporting and management information is reliable, complete and timely, and
- the Group operates in compliance with applicable laws and regulations, and that it observes Vaisala's internal policies, ethical values and corporate responsibility.

Vaisala's internal control consists of:

- risk management and corporate governance policies, and principles set by the Board of Directors;
- the management which oversees the implementation and application of the policies and principles;
- the finance department and business controllers which monitor the efficiency and effectiveness of the operations and reliability of financial and management reporting;
- the enterprise risk management process which identifies, assesses and mitigates risks threatening the realization of Vaisala's objectives;
- compliance procedures which ensure that all applicable laws, regulations, internal policies and ethical values, including sustainability, are adhered to;
- an effective control environment at all organizational levels, including control activities tailored for each process and specified minimum requirements for business and geographical areas;
- shared ethical values and the employees' internal control culture; and
- internal audit assignments to review the effectiveness of the internal control as needed.



## Internal control



### Vaisala's financial reporting processes and internal control procedures

Vaisala Group's external accounting and financial reporting are based on IFRS reporting standards approved by the EU. The Board's report and the financial statements of the Group parent company are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The Vaisala Accounting Principles maintained by Group financial administrations provide the subsidiaries with detailed guidelines on the application of the Vaisala's accounting policies.

The Group financial administration draws up the reporting timetables. Vaisala's financial reporting also involves several practical guidelines, such as approving rights, expense processing and recording and directives on each financial administration process. The company is in the process of implementing a global enterprise resource management system, and, in conjunction with this, descriptions of financial administration processes have been revised to conform to the new processes.

Each foreign subsidiary of Vaisala has a country-specific financial administration organization, which observes the issued guidelines and reports actual figures and business information for each month using the Group's common reporting application. Controls included in the subsidiaries accounting and reporting processes include balancing, itemizations, analytic controls, system controls and segregation of duties. Vaisala applies the percentage-of-completion method in long-term projects. The critical control points of such projects include updating and analyzing the cost forecasts of projects and project reviews.



The control points of Group accounting deal with the analysis, elimination and balancing of figures reported by subsidiaries. Vaisala has automated some of the functions and control points of its Group accounting application, which improves the reliability of the reporting process. Control points also cover information included in stock exchange releases and financial statements. The Vaisala Board examines interim reports and financial statements and approves them.

### **Internal control roles and responsibilities**

The Vaisala Board of Directors has ultimate responsibility for the administration and the proper organization of the operations of the company. The Board also ensures that the company duly endorses the corporate values applied to its operations, approves the internal control, risk management and corporate governance policies and can assign internal audit assignments to Vaisala's external auditors or other external service providers as needed.

The President and CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board. The President and CEO establishes the basis for internal control by providing leadership and direction to senior managers and supervising the way they control the business they are in charge of and by ensuring that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner.

The Management Group is responsible for creating detailed internal control policies and procedures in each unit. Financial officers and their staffs are of particular significance because their control activities cover all operating and other units of the company.

The Group financial administration helps units and functions to set up adequate control activities. It also steers the enterprise risk management process and reports on it to the management and follows up the adequacy and effectiveness of control activities on the operative level.

The Corporate Counsel and business area and corporate function directors are responsible for making sure that all units and employees under their responsibility comply with applicable laws, regulations and internal policies.

Vaisala does not have a separate internal audit function. The Board may engage external specialists to carry out separate evaluations of the control environment or operations. The audit plan of Vaisala's external auditor takes into account the fact that the company has no internal audit.