

Corporate Governance Statement 2019

Vaisala's general governance principles

Vaisala's corporate governance is based on and complies with the laws of Finland and Vaisala's Articles of Association. Consolidated financial statements and other financial reports are prepared according to the International Financial Reporting Standards (IFRS), approved by the EU. The company complies with the rules, regulations, and guidelines for listed companies issued by Nasdaq Helsinki Ltd and Finnish Supervisory Authority as well as Finnish Corporate Governance Code 2015 published by the Securities Market Association.

Vaisala Board of Directors has approved this Corporate Governance Statement in its meeting on February 12, 2020. Deloitte Oy, Audit Firm, 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 same in financial statements.



More information

This Corporate Governance Statement has been drawn up as a document independent of the Board of Director's Report and is available on the company's website at vaisala.com/investors. The Finnish Corporate Governance Code is available on website at cgfinland.fi/en.

Deviation from the recommendations of the Corporate Governance Code and the explanation for the deviation

The term of the members of Vaisala's Board of Directors deviates from the Recommendation 6 of Corporate Governance Code, which recommends a term of one year. The term of Vaisala's member of the Board of Directors is determined in accordance with its 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 of office of the Board members is justified by the long-term development of Vaisala's business as well as by the nature of the business. The practice has worked well, and Vaisala's shareholders are committed to it.

Governing bodies

The General Meeting, the Board of Directors, and the President and CEO, assisted by the Management Group, are responsible for the governance of the Vaisala Corporation.



General meeting

The General Meeting is the supreme decision-making body of Vaisala, in which all the shareholders of the company can participate in the supervision and control of the company and exercise their right to vote, speak, and ask questions. The Annual General Meeting is held once a year before the end of June on a date determined by the Board of Directors. It decides on the matters stipulated in the Finnish Limited Liability Companies Act and the Articles of Association. The decisions are mainly made with simple majority of votes.

The Chairman of the Board of Directors, members of the Board of Directors, and the President and CEO are present at the Annual General Meeting. The auditor is present at the Annual General Meeting. Board member candidates are present at the Annual General Meeting where they are elected. If the above-mentioned person or persons fail to attend the Annual General Meeting, Vaisala notifies the General Meeting of such non-attendance. The members of the Management Group participate in the Annual General Meeting, if possible.

Participation in the General Meeting requires that the shareholder is registered in Vaisala's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting, and that he/she registers for the meeting by the date mentioned in the meeting notice.

Shareholders are entitled to have an issue placed on the agenda of the Annual General Meeting, provided that the issue can be decided upon by the Annual General Meeting according to the Limited Liability Companies Act. The request must be submitted in writing to the Board of Directors early enough that the issue can be included in the meeting notice. The company announces the date by which the shareholder must notify the Board of Directors of an issue to be added to the agenda of the Annual General Meeting on its website. The date is available by the end of the previous financial year.

Vaisala publishes a notice of the Annual General Meeting no more than two months before the record date and no less than three weeks before the meeting on the company's website or in any other way that may be decided by the Board of Directors, or Vaisala may deliver it directly to shareholders when required by law. In addition, Vaisala publishes a meeting notice as a stock exchange release after the Board of Directors has decided on the convening of the Annual General Meeting. Agenda of the Annual General Meeting, proposals on decisions, and meeting documents are available on the company's website at least three weeks

prior to the meeting. Documents of the Annual General Meeting will be held on the company's website for at least five years from the time of the meeting. Minutes of a meeting will be published on the company's website within two weeks of the meeting.



More information

Minutes of the meetings and other documents related to the General Meetings can be found on the company's website at vaisala.com/investors.

Board of Directors

Competence, composition, and election

The Board of Directors is responsible for the administration and the proper organization of the operations of the company. The Board acts in accordance with the Articles of Association and the applicable legislation as well as the instructions and recommendations of the Financial Supervisory Authority and Nasdaq Helsinki Ltd. In accordance with the Articles of Association, Vaisala Corporation Board of Directors comprises at least four and maximum eight members. The Annual General Meeting elects all Board members. The Board of Directors elects a Chairman and a Vice Chairman from among its members. Under the Articles of Association, the term of the Board members is three years. The term begins at the close of the General Meeting in which the member is elected and ends at the close of the third subsequent Annual General Meeting following the member's election.

Selection criteria, diversity, and the independence of the members

The primary goal in Board member election is to gather to the Board of Directors capability, expertise, and experience from various technologies, international relations, global business, and strategically significant industries. The Board should be considered as a whole that is capable of managing its tasks and duties in the best possible way. The goal of the election of the members of the Board of Directors is to ensure that the Board supports the development of the company's current and future business. In addition, the Board should consist of members of both genders and the members should have the chance to allocate a sufficient amount of time to managing their tasks. The goal is that at least 25% of

Board members are always men and women. Vaisala Board of Directors in 2019 represents adequate expertise and experience as well as diversity on the established goals.

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. The Board of Directors evaluates the independence of the members annually based on overall evaluation. This evaluation of a member takes into account information and analysis provided by the member himself/herself.

Meetings, duties, and decision-making

The Board of Directors convenes at least eight times a year and if otherwise needed. The 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 of Directors. The Board of Directors may, on the basis of the Chairman's decision, establish working groups from among its members in individual cases to prepare the matters allocated for it in order to ensure the effective organization of the Board of Directors' work.

The Board of Directors operates in accordance with an approved written charter, published on the company's website. Meetings may, if necessary, be held as conference calls or e-mail meetings. Minutes of meetings are compiled in English, with annually running numbering. The General Counsel acts as the Secretary of the Board of Directors.

A member of the Board of Directors is not allowed to participate if he/she is biased in that issue between him/her and the company or between the company and a third party when there is possibility to achieve essential advantage to him/her, which may conflict with the company's interest.

The members of the Board of Directors are bound by obligations related to commercial and trade secrets as well as by the restrictions and requirements of the Market Abuse Regulation (EU) N:o 596/2014 (MAR) and the restrictions and obligations of Vaisala's Insider Policy. In their decision-making and other activities, the Board and its members must act in accordance with the interest of the company and all its shareholders as well as in accordance with the principles of due care and data protection.

The Board will have a quorum when more than half of the members are present. Decisions are made on a simple majority basis, and when the votes are even, the Chairman has the casting vote. When the votes for election of the Chairman are even, the Chairman is elected by drawing lots.

The President and CEO is responsible for the execution of the Board of Directors' decisions and reports to the Board on deficiencies or problems observed during the execution.

Main responsibilities of the Board of Directors are

- to decide on the election and dismissal of the President and CEO
- to decide on the employment terms of the President and CEO
- to decide on the election and dismissal of the members of the Management Group and their job descriptions based on the President and CEO's proposition
- to ensure that the company has organized internal control of accounting and financial management as well as to monitor the effectiveness of supervision
- to determine the company's strategy and oversee its implementation and to approve the strategic plans of the business areas
- to determine the company's long-term targets and to monitor their implementation and to accept business areas' long-term targets
- to assess the company's and its business areas' annual action plans
- to approve the company's and its business areas' financial targets
- to make the business decisions, the value of which exceeds the approval limit of the President and CEO according to the Approval Policy, such as business reorganizations, acquisitions and divestitures, major contracts and liabilities, investments, and financing arrangements
- to review and approve the company's most important policies and instructions, such as Approval Policy, Treasury Policy, Disclosure Policy, Dividend Policy, Risk Management Policy, Insider Policy, Code of Conduct, and Anti-Corruption Policy
- to decide on management remuneration and incentive systems

Members of the Board of Directors in 2019

In January 1-March 26, 2019 the Board of Directors comprised eight members. The Chairman of the Board of Directors was Raimo Voipio, the Vice Chairman was Yrjö Neuvo, and the members were Petri Castrén, Petra Lundström, Mikko Niinivaara, Kaarina Ståhlberg, Pertti Torstila, and Ville Voipio. The Board of Directors' secretary was General Counsel Katriina Vainio.

Composition of the Board of Directors Dec 31, 2019

Member	Member since	End of term	Born	Education	Nationality	Main occupation	Shareholding Dec 31, 2019
Raimo Voipio Chairman	1989 Chairman since 1994	2020	1955	M.Sc. (Eng.)	Finnish	Board professional	570,002 (A share) 454,296 (K share)
Ville Voipio Vice Chairman	2015	2021	1974	D.Sc. (Tech.)	Finnish	CTO, Si-Tecno Oy	396,087 (A share) 96,712 (K share)
Petri Castrén	2017	2022	1962	LL.M., MBA (University of Connecticut)	Finnish	CFO, Kemira Oyj	2,401 (A share)
Petra Lundström	2014	2021	1966	M.Sc. (Tech. Physics)	Finnish	Vice President, Nuclear Services, Fortum Power and Heat Oy	5,801 (A share)
Jukka Rinnevaara	2019	2020	1961	M.Sc. (Econ.)	Finnish	President and CEO, Teleste Corporation	720 (A share)
Kaarina Ståhlberg	2016	2022	1966	LL.M (Helsinki and Columbia Universities)	Finnish	General Counsel and M&A, Posti Group Oyj	5,201 (A share)
Tuomas Syrjänen	2019	2022	1976	M.Sc. (El. Eng.)	Finnish	Program Director - AI Renewal, Futurice Oy	2,070 (A share)
Pertti Torstila	2014	2020	1946	M.Sc. (Pol.)	Finnish	Board professional	5,801 (A share)
Total							988,083 (A share) 551,008 (K share) 1,539,091 (Total)

Shareholdings include also shares held by the Board of Directors' controlled organizations.

In accordance with the recommendation 10, all Board members are independent of the company and of significant shareholders of the company.

The Annual General Meeting held on March 26, 2019 confirmed that the number of Board members is eight. Petri Castrén, Petra Lundström, Kaarina Ståhlberg, Pertti Torstila, Raimo Voipio, and Ville Voipio continued as members of the Board of Directors. Jukka Rinnevaara and Tuomas Syrjänen started as new members of the Board. The Chairman of the Board of Directors is Raimo Voipio, and the Vice Chairman is Ville Voipio. The Board of Directors' secretary is General Counsel Katriina Vainio.

Attendance in board meetings 2019

Member	Attendance/ number of meetings	Attendance %
Raimo Voipio (Chairman)	18/18	100
Yrjö Neuvo (Vice Chairman until March 26, 2019)	3/4	75
Petri Castrén	18/18	100
Petra Lundström	17/18	94
Mikko Niinivaara	4/4	100
Jukka Rinnevaara	14/14	100
Kaarina Ståhlberg	18/18	100
Tuomas Syrjänen	13/14	93
Pertti Torstila	18/18	100
Ville Voipio (Vice Chairman as of March 26, 2019)	18/18	100

Board committees

The Board of Directors has two permanent committees: Audit Committee and Remuneration and HR Committee. The members and the chairs of the Committees are appointed annually from among the members of the Board of Directors in accordance with the charter of the respective committee.

Audit Committee

The Audit Committee assists the Board of Directors in supervising the company's accounting and asset management, risk management, as well as in organizing internal controls and external and internal audit. The Audit Committee manages its tasks in accordance with the charter approved by the Board of Directors, the Securities Market Association's Finnish Corporate Governance Code, as well as the applicable laws and regulations. The Audit Committee's charter is published as part of the charter of the Board of Directors on the company's website. The Audit Committee reports regularly about its meetings to the Board of Directors.

The Audit Committee comprises at least three members, appointed annually by the Board of Directors from among its members. The members of the committee must be independent of the company, and at least one member must also be independent of significant shareholders of the company. A member of the Audit Committee may not participate in the company's or its group company's daily management.

Remuneration and HR Committee

The Remuneration and HR Committee is responsible for preparing human resources matters pertaining to the compensation of the President and CEO as well as top management, evaluation of the performance of the President and CEO and the Management Group, and to remuneration and incentive plans. Additionally, the Remuneration Committee oversees the performance evaluation and successor planning of top management. The Remuneration and HR Committee's charter is available as part of the charter of the Board of Directors on the company's website. The Audit Committee reports regularly about its meetings to the Board of Directors.

The Remuneration and HR Committee comprises at least three members, appointed annually by the Board of Directors from among its members. The majority of the members of the committee must be independent of the company.

Committee members and their attendance in committee meetings in 2019

Committee	Members	Attendance/ number of meetings	Attendance %
Audit Committee	Kaarina Ståhlberg (Chair)	5/5	100
	Petri Castrén	5/5	100
	Mikko Niinivaara (until March 26, 2019)	1/1	100
	Jukka Rinnevaara (as of March 26, 2019)	3/4	75
	Ville Voipio (as of March 26, 2019)	4/4	100
Remuneration and HR Committee	Raimo Voipio (chair until March 26, 2019)	1/1	100
	Ville Voipio (chair as of March 26, 2019)	4/4	100
	Petri Castrén	5/5	100
	Petra Lundström (as of March 26, 2019)	4/4	100
	Mikko Niinivaara (until March 26, 2019)	1/1	100

All members of the Audit Committee as well as the Remuneration and HR Committee are independent both of the company and of significant shareholders.

President and CEO

The Board of Directors appoints the President and CEO. The President and CEO is responsible for the day-to-day management of the company in accordance with the guidelines and instructions given by the Board of Directors and informs the Board of Directors of the development of the company's business and financial situation. The President and CEO is responsible for ensuring that the company's accounting is legally compliant and that its financial affairs have been arranged in a reliable manner. Kjell Forsén has been the President and CEO of Vaisala as well as the Chairman of Vaisala Management Group since 2006. He was born in 1958 and holds a licentiate's degree in technology.

Management Group

The President and CEO is the Chairman of the Management Group. The Management Group comprises seven members. The Management Group meets at least once a month to assist the President and CEO in developing and implementing the strategy, managing operational business, as well as preparing matters handled by the Board. The Management Group draws up annual operational and financial plans as well as targets related to these plans, monitors the implementation of the plans, and prepares major investments and acquisitions. The President and CEO is responsible for the decisions made by the Management Group. Members of the Management Group are responsible for implementing the decisions in their own areas of responsibility.

Members of the Management Group are the Executive Vice Presidents of both business areas, the Chief Financial Officer, the Executive Vice President of Operations, the Executive Vice President of Human Resources, as well as the Group General Counsel. The General Counsel acts as secretary to the Management Group.

Members of the Management Group Dec 31, 2019

Director	Member since	Born	Education	Nationality	Position at Vaisala	Shareholding Dec 31, 2019
Kjell Forsén	2006	1958	Lic.Sc. (Tech.)	Finnish	President and CEO	49,132 (A share)
Mari Heusala	2019	1966	M.Sc. (Econ.)	Finnish	EVP, Human Resources	-
Sampsa Lahtinen	2013	1963	M.Sc. (El. Eng.)	Finnish	EVP, Industrial Measurements business area	15,206 (A share)
Kaarina Muurinen	2011	1958	M.Sc. (Econ.)	Finnish	CFO	29,096 (A share)
Vesa Pylvänäinen	2011	1970	M.Sc. (Econ.)	Finnish	EVP, Operations	15,212 (A share)
Jarkko Sairanen	2016	1963	M.Sc. (Ind. Eng.), MBA (INSEAD)	Finnish	EVP, Weather and Environment business area	14,776 (A share)
Katriina Vainio	2017	1967	LL.M.	Finnish	EVP, Group General Counsel	7,888 (A share)
Total						131,310 (A share)

Shareholdings include also shares held by the Management Group's controlled organizations.

Remuneration

The Annual General Meeting decides on the remuneration of the Chairman, Vice Chairman, and Board members as well as on the remuneration of the auditor.

The objective of remuneration is to encourage employees as individuals and as team members to achieve the financial and operational targets set. In determining the remuneration, Vaisala takes into account its financial performance, job grade classification commonly used by peer companies, and external remuneration references. All employees are included in an incentive (STI) plan that promotes the development of net sales and operating result.

Compensation of key executives includes a competitive salary and employee benefits according to local market practices as well as short-term incentive plans (STI) based on predefined annual performance indicators. Incentive plans promote development of net sales and operating result. The key executives also participate in long-term share-based incentive plans (LTI), which are based on the development of the company's profitability and total shareholder return (TSR).

The Board of Directors approves the company's incentive plans and their target groups annually. The Board of Directors also decides on the compensation of the President and CEO and approves the compensation of the direct reports of the President and CEO.

Remuneration of the Board of Directors

The Annual General Meeting held on March 26, 2019 decided that the annual fee payable to the Board members for the term until the close of the Annual General Meeting in 2020 is: the Chairman of the Board of Directors EUR 45,000 and each Board member EUR 35,000. Approximately 40 percent of the annual remuneration will be paid in Vaisala Corporation's series A shares acquired from the market and the rest in cash.

In addition, the Annual General Meeting decided that the compensation fee per attended meeting for the Chairman of the Audit Committee is EUR 1,500 and EUR 1,000 for each member of the Audit Committee, the Chairman and each member of the Remuneration and HR Committee, and any other committee established by the Board of Directors for the term until the close of the Annual General Meeting in 2020. The meeting fees will be paid in cash.

Remuneration of the Board of Directors

EUR 1,000	2019	2018
Petri Castrén	44	43
Petra Lundström	39	35
Yrjö Neuvo (until March 26, 2019)		35
Mikko Niinivaara (until March 26, 2019)	2	43
Jukka Rinnevaara (as of March 26, 2019)	37	
Kaarina Ståhlberg	41	43
Tuomas Syrjänen (as of March 26, 2019)	35	
Pertti Torstila	35	35
Raimo Voipio	46	48
Ville Voipio	42	35
Total	321	317

Remuneration of the management

President and CEO

The Board of Directors decides on the remuneration of the President and CEO. The overall compensation consists of a monthly salary, fringe benefits, a pension plan, and an incentive plan (STI) as well as the payment of share-based incentive plan LTI 2016. The maximum annual incentive is limited to 72 percent of the President and CEO's annual salary. The President and CEO belongs to a voluntary pension plan, which defines the retirement age as 62 years.

The notice period is 6 months for the President and CEO and 12 months for the employer. Severance pay and conditions of other severance payments are equal to the respective salary.

Management Group

The Board of Directors approves the compensation of the direct reports of the President and CEO. Overall compensation of the Management Group members consists of a monthly salary, fringe benefits, pension plan, and an incentive plan (STI) as well as the payment of share-based incentive plan LTI 2016. The maximum annual incentive (STI) is limited

Remuneration of the President and CEO (payment basis)

EUR 1,000	2019	2018
Salary	515	515
Bonuses	263	302
Share-based payment	514	502
Obligatory pension	135	146
Voluntary pension	120	120
Total	1,547	1,586

Remuneration of the members of the Management Group, excl. the Present and CEO (payment basis)

EUR 1,000	2019	2018
Salary	1,492	1,393
Bonuses	478	622
Share-based payment	1,061	1,319
Obligatory pension	342	360
Voluntary pension	242	235
Total	3,616	3,929

to 60 percent of the annual salary. The Management Group members belong to a voluntary pension plan, which defines the optional retirement age as 62 years.

Share-based incentive plans

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 doubled the total number of series K and A shares. All share-related figures have been adjusted to reflect the increased number of shares. Until the end of 2017, the cost of the

share part of the share-based payments corresponded to the value of Vaisala's series A share closing price on the effective date of the incentive plan, and the cash-settled part of the share-based payments was valued at the closing price of the share. As of January 1, 2018, the cost of the share part of the share-based payments as well as the cash-settled (cash) part of the share-based payments correspond to the value of Vaisala's series A share closing price on the effective date of the incentive plan.

On December 16, 2015, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2016. The reward payment corresponded to 49% of the maximum target. On March 5, 2019, a total of 88,452 company's series A shares were conveyed without consideration to the 30 key employees participating in this incentive plan. The rest of the reward was paid in cash. Closing price of Vaisala's series A share was EUR 11.57 on the effective date of the incentive plan. A total expense of EUR 2.3 million was recognized of this plan in 2016–2019.

On December 15, 2016, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2017. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2020. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 400,000 series A shares and the reward payment will correspond to 65% of the maximum target. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2017 to March 2020. Closing price of Vaisala's series A share was EUR 17.90 on the effective date of the incentive plan. On December 31, 2019, this share-based incentive plan was directed to approximately 35 persons and the maximum reward payable totals to 237,900 Vaisala's series A shares, including the cash portion.

On February 7, 2018, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the

development of group's profitability in calendar year 2018. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2021. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 320,000 series A shares, and the reward payment will correspond to 55% of the maximum target. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2018 to March 2021. Closing price of Vaisala's series A share was EUR 22.10 on the effective date of the incentive plan. On December 31, 2019, this share-based incentive plan was directed to approximately 30 persons and the maximum reward payable totals to 168,970 Vaisala's series A shares, including the cash portion.

On February 12, 2019, the Board of Directors resolved for approximately 45 group key employees a share-based incentive plan that is based on the development of the total shareholder return (TSR) and profitability in 2019–2021. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2022. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 330,000 series A shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. In addition, Vaisala's Board of Directors requires that the President and CEO and each member of the Management Group retains his/her ownership of shares received under this plan until the value of his/her ownership in Vaisala corresponds to at least his/her annual gross base salary. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2019 to March 2022. Closing price of Vaisala's series A share was EUR 19.06 on the effective date of the incentive plan. On December 31, 2019, this share-based incentive plan was directed to approximately 45 persons.

On June 28, 2019, Vaisala had conveyed a total of 2,195 company's series A shares without consideration to a person participating in the share-based incentive plans 2017 and 2018.

Expenses for the share-based incentive plans

MEUR	2015	2016	2017	2018	2019
Share-based incentive plan 2015	0.5	1.1	1.6	-0.1	
Share-based incentive plan 2016		0.7	1.2	0.6	0.2
Share-based incentive plan 2017			1.1	1.3	1.5
Share-based incentive plan 2018				0.6	1.2
Share-based incentive plan 2019					0.6
Total	0.5	1.8	3.9	2.5	3.5

Controls

Main features of the internal control and risk management systems pertaining to the financial reporting process

Internal control seeks to ensure the company's compliance with applicable laws, regulations, Code of Conduct, and with other recommendations as well as the reliability of financial and operational reporting. Furthermore, internal control seeks to safeguard the the assets of the company and to ensure overall effectiveness and efficiency of operations to meet strategic, operational, and financial targets. Internal control practices are aligned with the risk management process. The goal of the risk management is to support strategy and achievement of targets by anticipating and reacting to potential business threats and opportunities.

Vaisala's operating model of internal control and risk management related to financial reporting aims to provide sufficient assurance regarding the reliability of financial reporting and that the financial statements have been prepared in accordance with the applicable laws and regulations, accepted accounting principles (IFRS), and other requirements for listed companies. The principal components of internal control are control environment, risk assessment, control activities, communications, and monitoring.

Control environment

The Board of Directors has the overall responsibility for the internal control of financial reporting. The Board of Directors has established a written charter that clarifies its responsibilities and regulates the internal distribution of work of the Board of Directors and its committees. The Board of Directors has appointed the Audit Committee whose task is to ensure that established principles for financial reporting, risk management, and internal control are followed by and to enable appropriate external audit. The President and CEO is responsible for organizing an effective control environment and ongoing work on internal control as regards financial reporting. The internal audit reports all relevant issues to the Audit Committee and the President and CEO.

Internal audit focuses on developing and enhancing controls related to financial reporting by proactively assessing on internal control environment and by monitoring the effectiveness of the control design. Most important internal steering instruments for financial reporting comprise the Code of Conduct, Approval Policy, Treasury Policy, Credit Policy, Disclosure Policy, accounting policies, and other reporting instructions.

Risk assessment

Risk assessment as regards financial reporting aims to identify and evaluate most significant threats at the levels of Vaisala, reporting segments, functions, and processes. As a result of risk assessment, the company defines control targets through which it seeks to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on the development of essential risk areas as well as reactions to the risks are communicated regularly to the Audit Committee.

Control activities

The President and CEO is operationally responsible for internal controls. Internal control related to financial activities as well as to control of the business and the management has been integrated into Vaisala's business processes. The company has defined and documented significant internal control activities related to its financial statements reporting process as part of business processes. Approval mechanisms, access rights, segregation of duties, authorizations, verifications,

reconciliations, and follow-up of financial reporting are essential internal activities. All business units have their own defined controller function whose representatives participate in planning and evaluating the unit's performance. They ensure that monthly and quarterly financial reporting follows the company's policies and instructions and that all financial reporting is delivered on time. The management follows up the achievement of targets through monthly management reporting routines. The Chief Financial Officer regularly reports the results of the internal control work and the efficiency of the control activities to the Audit Committee.

Communications

Vaisala seeks to ensure that the internal and external communication of the company is open, transparent, accurate, and timely. The Disclosure Policy defines how and when information should be given and by whom it is given. It also defines the accuracy and comprehensiveness of the information in order to fulfil the communication obligations. Code of Conduct, Approval Policy, Treasury Policy, Credit Policy, accounting policies, and reporting instructions as well as Disclosure Policy and Insider Policy are available on the company's intranet.

Monitoring

The Board of Directors, the Audit Committee, the President and CEO, and internal audit monitor the effectiveness of internal control related to financial reporting. The monitoring includes follow-up of monthly financial reports, review of the rolling forecasts and plans, as well as reports from internal audit and auditors. Internal audit assesses the effectiveness of operations and adequacy of risk management and reports the risks and weaknesses related to the internal control processes. Internal audit compiles an annual audit plan and reports the status of the plan and findings regularly to the Audit Committee and the Management Group. Furthermore, the Chief Financial Officer, the General Counsel, internal audit, and auditor coordinate audit planning and monitoring regularly.

General development measures in internal control and risk management in 2019

In 2019, internal audit focused on sales process, contract management, sourcing process, and integration process of acquired companies. The audit confirmed that the reviewed sales process works reliably. Following the integration of the 2018 acquisitions, internal audit verified the effectiveness of the integration process and recommended some improvements to future acquisitions and integrations. Other audits provided suggestions for continuously improving processes and internal controls. Harmonization of the control environment in Vaisala's recent acquisitions was one of the priorities of internal controls, and it will continue during 2020.

Related party transactions

Vaisala has defined principles for monitoring and assessing related party transactions as well as keeps a record of related parties. The Board of Directors resolves on all related party transactions that are not made in the ordinary course of business and implemented under arms-length terms.

Vaisala reports related party transactions in a note to financial statements. Vaisala has currently no related party transactions which would be material and in conflict with the ordinary course of business and not implemented under arms-length terms.

Auditing and auditor's fees

The company has one auditor, who must be a public accountant or an audit firm authorized by the Finland Chamber of Commerce. If an audit firm is not chosen to perform the auditing, a deputy auditor must be elected as well. Auditor's term of office covers the current fiscal year and expires at the close of the following Annual General Meeting. Annual General Meeting elects the auditor and decides on the compensation paid to them.

The Annual General Meeting held on March 26, 2019 re-elected Deloitte Oy, Audit Firm, as the Auditor for a term of one year. APA Merja Itäniemi has acted as an auditor with the principal responsibility of the company since March 26, 2014.

Auditor’s fees

EUR 1,000	2019	2018
Audit	488	423
Tax advice	30	22
Statements	16	1
Other fees	50	141
Total	584	587

Insiders

Vaisala maintains project- or event-specific insider lists when needed. 30-day closed window applies to the managers defined by the company before publishing Interim Reports, Half Year Financial Report, Financial Statement Release, and Financial Statements. Closed window ends on the day following the publication day. Closed window also applies to the persons engaged in preparation of those reports. The managers subject to transaction notification obligations comprise the Board of Directors, the President and CEO, as well as members of the Management Group. The company’s legal department is responsible for insider management, training, creation and maintenance of project- and event-specific insider lists, and monitoring of the same.

The President and CEO, Chief Financial Officer, and/or the General Counsel, two together, can decide, based on an evaluation of the conditions set out in the Market Abuse Regulation being met, to delay publication of insider information. When the company makes a decision on delay of disclosure, a project- or event-based insider list regarding the inside information will be established. Persons, to whom project- or event-specific inside information is disclosed, are entered into the project- or event-specific insider list.

