



Vaisala Corporation
Corporate Governance
Statement
2013

Table of Contents

Vaisala's Corporate Governance Statement 2013.....	3
Deviations from the recommendations of the Corporate Governance Code and the explanations for these deviations	3
Governing bodies of Vaisala.....	4
Board of Directors.....	4
Members of the Board in 2013	5
Board Committees	8
The Audit Committee.....	9
The Remuneration Committee	9
Meeting attendance of Board and Committee members	10
President and CEO	10
Management Group.....	11
Control systems.....	11
Risk management.....	12
Main features of the internal control and risk management in relation to the financial reporting process.....	13
Insiders	14

Vaisala's Corporate Governance Statement 2013

Vaisala's Corporate Governance Statement has been drawn up in accordance with the recommendation 54 of the Finnish Corporate Governance Code and Chapter 2, section 6, of the Finnish Securities Market Act.

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 rules and regulations 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 by the Securities Market Association that came into effect on October 1, 2010. 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 code is available on the Securities Market Association website <http://cgfinland.fi/en/>.

The Vaisala Board of Directors has approved this Corporate Governance statement at its meeting on February 10, 2014. 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.

More information

This Corporate Governance 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.

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 Recommendation 10 of 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. 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. The General Meeting decides on changes to the Articles of Association.

A longer term effectively promotes the commitment of Vaisala's principal shareholders to the Company's long-term development. The longer term practice has worked well and benefited the Company.

Governing bodies of Vaisala

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



Board of Directors

Vaisala's Board of Directors is responsible for the administration and the proper organization of the operations of the Company. In accordance with Vaisala Corporation's Articles of Association, the Company's Board of Directors comprises at least four and at most eight members. All Board members are appointed by an Annual General Meeting. 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.

The term of the members of Vaisala's Board of Directors deviates from the Recommendation 10 of Corporate Governance Code, which recommends a term of one year. Under the Articles of Association, the term of the Board members is three years. 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 at least six times each year 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 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 Finnish Limited Liability Companies Act, the Articles of Association and elsewhere;
- to decide on Group strategy;
- to decide on Group long-term and annual targets;
- to review the Group's business plan, budget and investment plan;
- to review the interim reports,
- to review and approve consolidated financial statements, the Board of Director's report and Corporate Governance Statement;
- 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 make proposals concerning the distribution of dividends to the Annual General Meeting;
- to decide on the compensation and incentive schemes for Group management;
- to appoint the Company's President and CEO and decide on his compensation;
- to approve the recruitment and compensation of the CEO's immediate subordinates; and
- to evaluate its own operations/performance? // to conduct a self-assessment of its performance.

Members of the Board in 2013

The Vaisala Board of Directors comprises six members. The Chairman of the Board is Raimo Voipio, the Vice Chairman is Yrjö Neuvo and the members are, Timo Lappalainen, Mikko Niinivaara, Maija Torkko ja Mikko Voipio. The Board secretary is AA Matti Kari.

All Board members are independent of the Company in accordance with recommendation 15. Timo Lappalainen, Yrjö Neuvo, Mikko Niinivaara and Maija Torkko are independent of the Company and independent of significant shareholders of the Company. Raimo Voipio, the Chairman, and Mikko Voipio, Board member, are dependent of significant shareholders of the Company. The Board of Directors complies with recommendation 14 concerning the number of independent directors.



Chairman of the Board

Raimo Voipio, b. 1955, Finnish citizen, M.Sc. (Eng.)

- Board member in various technology companies
- Board member since 1989, Chairman since 1994
- Chairman of the Remuneration Committee
- Independent of the Company, dependent of significant shareholders of the Company

Employment History

- Nokia Corporation, various product marketing positions 1988-1998
- Marketing and development positions in private telecommunication companies 1983-1988

Positions of Trust

- Helkama Bica, Member of the Board
- Novamator Oy, Member of the Board
- Munkkiniemen yhteiskoulun kannatusyhdistys ry, Vice Chairman



Vice Chairman of the Board

Yrjö Neuvo, b. 1943, Finnish citizen, Ph.D. Cornell University

- Professor, Research Director, Aalto University
- Vice Chairman since 1994
- Member of the Remuneration Committee
- Independent member of the Vaisala Board since 1989

Employment History

- Nokia Corporation, Technology Advisor 2006
- Nokia Corporation, member of the Executive Board, product development of mobile phones 1993 – 2005
- Academy of Finland, National Research Professor 1984-1992
- Tampere University of Technology, Professor of Signal Processing 1976-1992
- Visiting Professor, University of California, Santa Barbara 1981-1982

Positions of Trust

- Forum Virium Helsinki Oy, Chairman of the Board
- Canatu Oy, Entertrainer Oy and Spinverse Oy, Member of the Board
- Metropolia Polytechnic, Member of the Board
- Technology Academy of Finland Foundation, Member of the Board
- Cap-XX Ltd, Member of Scientific Advisory Board
- Finnish Centre of Expertise Program, Chairman of the Board
- Finnish Science Centre Foundation (Heureka), Member of the delegation
- Future Internet Public Private Partnership Program, Member of the steering

Committee



Member of the Board

Timo Lappalainen, b. 1962, Finnish citizen, M.Sc. (Eng.)

- President and CEO, Orion Corporation
- Member of the Audit Committee
- Independent member of the Vaisala Board since 2011

Employment History

- Orion Corporation, President and CEO, since 2008
- Orion Corporation, various executive positions 1999–2008
- Leiras Oy, various executive positions 1994–1999
- Finvest Ltd., various managerial positions 1989–1993
- Arthur Andersen & Co, USA, Consultant 1987–1988

Positions of Trust

- Chemical Industry Federation of Finland, Vice Chairman of the Board
- Finnish Foundation for Cardiovascular Research, Member of the Board
- ICC Finland, International Chamber of Commerce, Member of the Board
- The Finnish Fair Corporation, Member of the Advisory Board
- Helsinki Region Chamber of Commerce, Member of the Council
- International Chamber of Commerce Finland, Member of the Council



Member of the Board

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

- Member of the Audit Committee
- Independent member of the Vaisala Board since 2002

Employment History

- ABB Oy, President 2001-2011
- ABB Industry Oy, President 1999-2001
- ABB Ltd, Zurich, Division Director 1993-1998
- Various managerial positions in ABB Group 1984-1993

Positions of Trust

- Technology Industries of Finland Centennial Foundation, Chairman of the Board



Member of the Board

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

- Chairman of the Audit Committee and Member of the Remuneration Committee
- Independent member of the Vaisala Board since 2007

Employment History

- Nokia Corporation, Senior Vice President, Corporate Controller 1997-2006
- Nokia Corporation, various positions 1968-1996

Positions of Trust -



Member of the Board

Mikko Voipio, b. 1960, Finnish citizen, Lic.Sc. (Technology)

- Member of the Vaisala Board since 1994
- Independent of the Company, dependent of significant shareholders of the Company

Employment History

- Managerial and R&D positions in software and telecommunications businesses

Positions of Trust

- ComIQ Oy, Chairman of the Board
- Fontus Oy, Member of the Board
- Gecko Systems Oy, Chairman of the Board
- Novameter Oy, Member of the Board

The Vaisala Board convened 16 times during 2013, and the attendance rate of members was 97.4%. Member attendance at the meetings is provided in a table on page 10.

Board Committees

The Board has two permanent committees: an Audit Committee and a Remuneration Committee. The members of the Committees are appointed annually from among the members of the Board of Directors in accordance with the charter of the respective Committee. The Board of Directors may establish Committees for duties assigned by the Board. The Board also determines the charter for the Committees and defines the rules of conduct for working groups. The Committees have no autonomous decision-making or execution power.

The Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities for matters pertaining to financial reporting and control, risk management as well as to statutory and internal audits. The Audit Committee carries out its tasks in accordance with the charter approved by the Board, the Finnish Corporate Governance Code and applicable laws and regulations.

The Audit Committee comprises three members, appointed annually by the Board of Directors. The members of the Committee shall be independent of the Company and at least one member shall also be independent of significant shareholders of the Company. The Committee convenes at least five times a year. The Group President and CEO and the Chief Financial Officer also attend the Committee meetings. The other responsible Vaisala employees attend the Committee meetings as required on the invitation of the Committee.

The Audit Committee deals with the following key issues:

- to monitor the reporting process of financial statements and forecast process;
- to approve changes in Vaisala's accounting and reporting principles;
- to review internal reports and financial statements;
- to assess compliance with laws and regulations;
- to verify Corporate Governance Statement
- to monitor the efficiency of the Company's internal control and risk management systems;
- to approve statutory audit plan and related cost budget;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the Company; and
- to prepare the proposal for resolution on the election of the auditor.

Members of the Audit Committee in 2013

In 2013, the Audit Committee comprised Maija Torkko (Chairman), Timo Lappalainen and Mikko Niinivaara. The Audit Committee secretary is AA Matti Kari. All the members of the Committee are independent of the Company and also independent of significant shareholders of the Company. The Audit Committee convened seven times during 2013 and the members of the Committee participated in all meetings.

The Remuneration Committee

The Remuneration Committee is responsible for preparing human resources matters pertaining to the compensation of the President and CEO, and the members of the Management Group, evaluation of the performance of the President and CEO and the members of the Management Group, Group compensation policies and practices. In addition, the Committee discusses the composition of the Board of Directors and Board nominations.

The Remuneration Committee comprises three members, appointed annually by the Board of Directors. The majority of the members of the Committee shall be independent of the Company. The Committee convenes at

least two times a year. The Group President and CEO, Senior Vice President, Human Resources and the Chief Financial Officer also attend the Committee meetings, except when the agenda includes items relating to them. The other responsible Vaisala employees attend the Committee meetings as required on the invitation of the Committee.

Members of the Remuneration Committee in 2013

In 2013, the Remuneration Committee comprised Raimo Voipio (Chairman), Yrjö Neuvo and Maija Torkko. The Remuneration Committee secretary is AA Matti Kari. All the members of the Committee are independent of the Company. The Remuneration Committee convened five times during 2013 and the members of the Committee participated in all meetings.

Meeting attendance of Board and Committee members

Name	Position	Board meetings	Audit Committee	Remuneration Committee
Raimo Voipio	Chairman	16/16		5/5
Yrjö Neuvo	Vice Chairman	16/16		5/5
Timo Lappalainen	Member	15,5/16	7/7	
Mikko Niinivaara	Member	16/16	7/7	
Maija Torkko	Member	14/16	7/7	5/5
Mikko Voipio	Member	16/16		

President and 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.

President and CEO

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

- President & CEO, Vaisala Group since 2006
- Chairman of the Management Groups since 2006

Employment History

- Ericsson, several managerial positions within the Company, both in Finland and abroad 1986–2006;
- President of Ericsson Finland 2003 - 2006

Positions of Trust, December 31, 2013

- Helvar Oy Ab, Board Member
- ICC Finland, International Chamber of Commerce, Member of the Board
- VTT Technical Research Centre of Finland, Board Member
- Confederation of Finnish Industries, Research and Innovation Committee, Chairman

Management Group

The President and CEO is the Chairman of Vaisala's Management Group. The Management Group has seven members and it convenes once a month to execute Vaisala's strategy and take care of the Company's operative management. It consists of the heads of business areas, finance and control, operations, services and human resources.

Members of the Management Group in December 31, 2013

- Kjell Forsén, President and CEO, chairman of the Management Group
- Sampsa Lahtinen, Executive Vice President, Controlled Environment Business Area as of October 22, 2013 (Kenneth Forss until October 21, 2013)
- Kai Konola, Executive Vice President, Weather Business Area
- Kaarina Muurinen, Chief Financial Officer
- Vesa Pylvänäinen, Executive Vice President, Operations
- Hannu Katajamäki, Executive Vice President, Services
- Marja Happonen, Senior Vice President, Human Resources

More information

More information about Vaisala's Management Group is available on the Company's website at www.vaisala.com/investors.

Control systems

Vaisala Corporation's Board of Directors has approved the principles of internal control and risk management to be followed within the Group. The target of Vaisala's internal control is to ensure that Company operations are profitable, compliant with applicable laws, regulations and Company's operating principles and that the financial information is timely, complete, reliable and compliant with the relevant regulations. Internal control aims also to support the fulfillment of the Board's supervision obligation.

Internal control is a process carried out by Vaisala's Board of Directors, Audit Committee, management and employees.

Vaisala's internal control system consists of:

- management and corporate governance policies, and principles set by the Board of Directors;
- shared ethical values and the employees' internal control culture;
- the management which oversees the implementation and application of the policies and principles;
- the finance and control function which defines the internal control points, monitors the efficiency 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 including control activities tailored for each process and specified minimum requirements; and
- internal audit assignments to review the effectiveness of the internal control in case needed.

Risk management

The objective of Vaisala's risk management is to identify and manage material risks related to strategy implementation and business operations. Vaisala has a risk management policy which has been approved by the Board of Directors, and which covers the Company's business, operational, hazard, and financial risks. The policy aims at ensuring the safety of the Company's personnel, operations and products, as well as the continuity and compliance of business operations.

The Board of Directors defines and approves risk management principles and policies, and assesses the effectiveness of risk management. The Audit Committee reviews compliance with risk management policy and processes.

Vaisala's Risk Management Steering Group comprises key internal stakeholders, and the Group is responsible for the operational oversight of the risk management process and assuring that all significant risks are identified and reported, and risks are acted upon on all necessary organizational levels and geographical locations.

Risk management is integrated into key business processes and operations. This is accomplished by incorporating applicable risk identification, assessment, management and risk reporting actions into the core processes. The most significant risks are reported to the Vaisala Management Group quarterly, and annually to the Audit Committee.

More information

Near-term risks and uncertainties related to Vaisala's business are described in the Board of Directors' Report and at www.vaisala.com/investors. Financial risk management is described in Consolidated Financial Statements, note 1.2.



Main features of the internal control and risk management in relation to the financial reporting process

Correct financial reporting in Vaisala Group means that its financial statements give a true and fair view of the operations and the financial position of the Company, and that these statements do not include intentional or unintentional misstatements or omissions both in respect of the figures and level of disclosure.

All Vaisala Group financial reporting is based on IFRS reporting standards approved by the EU. 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 are reviewed and maintained by Vaisala Group Accounting and it provides the legal companies with detailed guidelines on the application of these policies. Other internal policies related to financial reporting include Vaisala Group Approval Policy and Vaisala Group Credit Policy. Vaisala financial control framework is built and based on unified global transactional and reporting processes as well as defined control points as described below.

Vaisala Group's financial statements are based on the monthly reporting and forecasting process. This process includes in-depth analyses of deviations between actual performance, previous performance and business forecasts. Analyses cover both the financial information as well as key performance indicators measuring operational performance. The defined control points deal with the analysis, elimination and reconciliation of figures reported by legal companies as well as information included in financial statements bulletins and other stock exchange releases.

Vaisala has a global enterprise resource planning (ERP) system which is built in accordance with Vaisala Accounting Principles. Financial transactional processing is partially centralized in dedicated Group level teams. Vaisala uses Hyperion Financial Management as financial consolidation and reporting system. This system is built in accordance with IFRS. All major legal Company financials are prepared in the global ERP and transferred to consolidation and reporting system with standard interface. The defined control points in the legal Company transactional processing and reporting include reconciliation, balancing, in-depth analysis, 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 revenue and cost forecasts of projects as well as project reviews.

Audit Committee reviews interim reports and financial statements. The Vaisala Board approves interim reports and financial statements.

Internal control roles and responsibilities

The Vaisala Board of Directors has the 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. The Board 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 Management Group members 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. Finance and control function is of particular significance because its control activities cover all operating and other units of the Company. The head of risk management steers the enterprise risk management process and reports on it both to the Management Group and to the Audit committee as well as follows up the adequacy and effectiveness of control activities on the operative level.

The General 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 Audit Committee 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.

General development activities in internal control and risk management in 2013

During 2013, Vaisala renewed the definitions of internal control points for both transactional processing as well as financial reporting process. The definitions as well as related roles and responsibilities are documented as part of Vaisala Global Process Map.

Insiders

Vaisala observes the Insiders Guidelines issued by the NASDAQ OMX Helsinki Ltd. The Company maintains its public and Company-specific insider registers in the Euroclear Finland Ltd's Sire system, where information on the ownership of securities can be obtained directly from the book-entry system.



In accordance with the Securities Market Act, Vaisala Corporation's public insiders comprise of the members of the Board of Directors, the President and CEO, the members of the Management Group and the auditors. Persons employed by the Company who, on account of their position or duties, have regular access to insider information are included in Vaisala's company-specific register of permanent insiders. Persons who on the basis of an employment or other contract work for the Company obtain insider information associated with a specific project are included in Vaisala's project-specific insider register.

Vaisala observes a silent period which starts at the end of the reporting quarter and ends to the publication of the respective quarterly or annual results. During this time, the permanent insiders are prohibited from trading in Vaisala's shares. Project-specific insiders are prohibited from trading in the Company's shares until the project in question has been cancelled or disclosed. Vaisala's insider registers are maintained by the Legal department.

More information

A regularly updated table reporting the holdings of public insiders is available on Company's website at www.vaisala.com/investors.