



**Finnish Corporate
Governance Code 2020**
Securities Market Association



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PREFACE

Background and Goals of the Revision of the Corporate Governance Code

The Corporate Governance Code preceding this New Corporate Governance Code 2020 entered into force on 1 January 2016. The regulatory framework relating to the governance of listed companies has changed since then. The central change underlying the revision of the Corporate Governance Code is the EU's Second Shareholder Rights Directive¹, which has been implemented in Finnish national legislation on 10 June 2019. The Corporate Governance Code has been amended to correspond to the requirements of the new legislation, particularly with respect to the provisions concerning the remuneration policy and remuneration report.

Key Changes

Remuneration reporting – remuneration policy and report for governing bodies

The structure of the remuneration section has been revised to correspond to the requirements of the Second Shareholder Rights Directive, and for example, the company's remuneration statement has been replaced by the remuneration policy for governing bodies ("remuneration policy") and remuneration report for governing bodies ("remuneration report"), which are supplemented by information provided on the company's website. The remuneration policy and report concern the company's board of directors, supervisory board, if any, and the managing director and deputy managing director. Information on the remuneration of the rest of the management team will in future be provided on the company's website. The remuneration reporting section also includes a checklist to clarify the reporting obligations.

The point of departure in reporting remains that all requirements arising from legislation² are included in the mandatory reporting section of the Corporate Governance Code. This means that, as opposed to the recommendations of the Corporate Governance Code, the requirements presented in the Reporting section cannot be derogated from based on the 'comply or explain' principle. The section on remuneration remains its own section at the end of the Corporate Governance Code following the Recommendations section.

Audit Committee, Recommendation 16 (and Recommendation 8)

The recommendation concerning the audit committee and the rationale for it have been clarified to comply with existing legislation with respect to the requirement concerning the competence and expertise of members of the audit committee (see also the addition to the rationale of Recommendation 8). In addition, the mandatory duties of the audit committee, such as duties relating to auditing and other duties, have been clarified in the text of the rationale of this recommendation.

1 Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

2 Chapter 7, section 7 b and chapter 8, section 5 a of the Securities Markets Act and the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019).

Related Party Transactions, Recommendation 27

The recommendation and its rationale have been revised in their entirety. In the future, the recommendation requires that companies define and report their principles for monitoring and assessing related party transactions. The purpose of the principles is to ensure proper decision making in related party transactions in accordance with the new requirements of the Limited Liability Companies Act.

Independence of Directors, Recommendation 10

Recommendation 10 concerning the independence of members of the board of directors has been clarified with respect to carrying out and reporting the assessment of independence. According to the recommendation, the board must in future report which of the board members are independent of the company and which are independent of the company's significant shareholders. In addition, the reasoning for determining that a board member is not independent must also be reported. The criteria to be taken into account in the overall assessment of independence have also been supplemented so that under the interpretation of the criteria, the benefits paid and offered to a member of the board by a shareholder otherwise than on the basis of an employment or service relationship may require assessment.

Descriptions of the Duties of the Remuneration Committee, Nomination Committee and Shareholders' Nomination Board, Recommendations 17, 18, and 19

An addition has been made to the recommendation and rationale relating to the remuneration committee that states that the remuneration committee prepares the remuneration policy and remuneration report for the company's governing bodies.

Furthermore, the lists of example duties of the remuneration and nomination committees and the shareholders' nomination board contained in the rationales for the respective recommendations have been somewhat revised. For example, the preparation of the board of directors' diversity principles has been added to the description of the optional duties of the nomination committee and shareholders' nomination board.

Management Team

Recommendation 21, which concerned other executives, has been removed and replaced with instructions concerning the rest of the management team as part of the reporting section. The term 'other executives' is no longer used in the Corporate Governance Code in general, and has been replaced by the more accurate 'rest of the management team', which refers to the company's management team with the exclusion of the managing director. Information on the remuneration of the rest of the management team is no longer part of the remuneration report, but is provided on the company's website.

Repealed Recommendations and Certain Other Changes

Recommendations 21 (Organisation of the Other Executives) and 24 (Structure of the Remuneration) of the 2015 Corporate Governance Code have been removed. The contents of these recommendations have, in practice, been transferred to the section dealing with remuneration reporting. In addition, the numbering of two recommendations has been changed: the recommendation concerning the nomination committee is numbered 18 (18a), and the recommendation concerning the shareholders' nomination board is numbered 19 (18b). The Corporate Governance Code has a total of 27 recommendations.

Working Group

In October 2018, the Board of the Securities Market Association appointed a working group to update the Corporate Governance Code to reflect the new regulations and the development targets identified in practice.

Chair of the Working Group

Pauliina Tenhunen, Attorney, Chair of the Board (Castrén & Snellman Attorneys Ltd)

Members of the Working Group:

Miika Arola, Group General Counsel (Metsä Group)

Eeva Ahdekivi, Investment professional

Jorma Eloranta, Chair of the Board (Stora Enso)

Saara-Maria Helminen, Group Legal Counsel, Governance & Securities Markets Compliance (UPM-Kymmene Corporation)

Hannele Jakosuo-Jansson, Senior Vice President, HR, HSSEQ and Procurement (Neste Corporation)

Leena Linnainmaa, Secretary General (Directors' Institute Finland)

Mikko Mursula, Deputy CEO, Investments (Ilmarinen Mutual Pension Insurance Company)

Jaakko Raulo, Corporate Secretary (Nasdaq Nordic Ltd)

Anne Teitto, Senior Legal Counsel (Sampo Plc)

Secretariat of the Working Group:

Tapani Manninen (Associate General Counsel, Nasdaq Helsinki)

Antti Turunen (Legal Counsel, Finland Chamber of Commerce)

Hannu Ylänen (Legal Counsel, Confederation of Finnish Industries)

The Working Group convened 10 times during its mandate. The Working Group consulted a wide range of authorities, experts, and market participants in the course of its work. An extensive consultation was organised in the summer of 2019, and a total of 10 statements were received.

Adoption and Entry into Force of the Corporate Governance Code

The Board of the Securities Market Association adopted this Corporate Governance Code on 19 September 2019.

The New Corporate Governance Code 2020 will enter into force on 1 January 2020 and will replace the previous Finnish Corporate Governance Code, which entered into force on 1 January 2016.

By law, companies must present the new remuneration policy to the annual general meeting held following 1 January 2020. Companies must disclose the first new remuneration report for the financial year beginning on or after 1 January 2020, i.e. in practice the first report is to be disclosed in 2021. The remuneration reports for the financial years preceding 1 January 2020 can comply with the instructions for the Remuneration Statement contained in the old Corporate Governance Code, which entered into force in 2016.

Helsinki 19 September 2019

Board of the Securities Market Association

Timo Ritakallio
Chair

Henrik Husman
Vice Chair

Leena Niemistö

Jari Paasikivi

Laura Raitio

The Securities Market Association is a cooperative body established in December 2006 by the Confederation of Finnish Industries EK, Finland Chamber of Commerce and Nasdaq Helsinki Ltd. The aim of the Association is to ensure, through more efficient self-regulation, that companies operating in the securities market observe uniform and transparent operating principles and rules. The mission of the Association includes promoting good corporate governance and administering the Corporate Governance Code. The Securities Market Association follows domestic and international development and updates the code when necessary. For more information about the Association, the history of the Corporate Governance Code, and previous working groups, see the Securities Market Association website at www.cgfinland.fi/en

INTRODUCTION

Objectives of the Corporate Governance Code

The Corporate Governance Code is a collection of recommendations on good corporate governance for listed companies. The recommendations of the Corporate Governance Code supplement the obligations set forth in legislation. The objective of the Corporate Governance Code is to maintain and promote the high quality and international comparability of corporate governance practices applied by Finnish listed companies. Good corporate governance supports the value creation of Finnish listed companies and their attractiveness as investment objects.

The purpose of the Corporate Governance Code is to harmonise the procedures of listed companies and to promote openness with regard to corporate governance and remuneration. From the perspective of a shareholder and an investor, the Corporate Governance Code increases the transparency of corporate governance and the ability of shareholders and investors to evaluate the practices applied by individual companies. The Corporate Governance Code also provides investors with an overview of the kinds of corporate governance practices that are acceptable for Finnish listed companies.

Structure of the Corporate Governance Code

The Corporate Governance Code consists of three sections: i) introduction, ii) recommendations, and iii) reporting.

The **introduction** describes the objectives, structure, and application of the Corporate Governance Code and explains the 'comply or explain' principle, which is applied to the recommendations. The introduction also includes an overview of the corporate governance model of Finnish listed companies.

The **recommendations** section consists of individual recommendations that are divided into separate subsections I–VI. Certain general principles relating to each category are discussed at the beginning of each subsection.

- **Individual recommendations** (1-27) are listed in chronological order in bold font. Departures from the individual recommendations and the reasons for them shall be reported.
- Each individual recommendation is followed by its **rationale**, which explains the reasons behind the recommendation, provides descriptive and clarifying considerations to the recommendations and includes any relevant references to the reporting section. The rationale for individual recommendations also includes, as applicable, a list of examples or voluntary procedures, in respect of which there is no obligation to report or explain the departures. Thus, the rationale of the recommendation does not contain an obligation to comply on the level of recommendations, but departures from the actual recommendations must be reported and explained. The rationale of certain recommendations also includes references to the procedures that the company bound to comply with is under the applicable legislation.

The **reporting** section comprises two subsections:

- (1) Corporate governance reporting and
- (2) Remuneration reporting.

Companies shall draw up the statements and documents described in the section (the CG Statement and Remuneration Policy and Report for Governing Bodies), and no departures from the reporting of the required information are allowed.

Application of the Corporate Governance Code and Definitions

The Corporate Governance Code is applicable to all companies that are listed on Nasdaq Helsinki Ltd (Helsinki Stock Exchange). According to the Rules of the Helsinki Stock Exchange, all issuers of shares that are traded on the official list must comply with the Corporate Governance Code³. However, issuers of securities other than shares, as well as companies whose shares are listed, for example, on the Nasdaq First North Growth Market Finland (First North) marketplace, are not obligated to comply with the Corporate Governance Code. Pursuant to the Securities Market Act, issuers of other securities traded on a regulated market, such as issuers of bonds, shall include a corporate governance statement in the management report or in a separate report.⁴ These and the companies traded on the First North marketplace may, of course, choose to voluntarily apply the Corporate Governance Code, either in full or in part.

The Corporate Governance Code uses the term *company* to refer to a listed company. The majority of the recommendations are directed at listed companies that are the parent company of a group. However, many of the recommendations on control, supervision, and reporting, as well as the associated rationale, apply to the company's entire group. For the avoidance of doubt, certain sections of the Corporate Governance Code expressly mention either the group or the companies in the group.

The Corporate Governance Code uses the term *disclose* to refer to the provision of information specifically by means of stock exchange releases. For the other ways of publishing information, the Corporate Governance Code uses the terms *report*, *publish*, and *make available*. In these cases, the rationale for the recommendation in question also includes more detailed guidance on the manner in which the information is to be published, such as in the CG Statement, remuneration policy, remuneration report, or on the company's website. All guidance relating to the publishing of information is compiled into a separate reporting section.

Some of the recommendations impose an obligation on the company to *establish* or *define* a specific corporate governance practice or other policy, such as the terms of the managing director's service contract. In these cases, the information in question need not be disclosed or otherwise be made available to investors, unless the reporting section expressly stipulates otherwise.

The 'Comply or Explain' Principle

The Corporate Governance Code is to be applied in accordance with the 'comply or explain' principle. Thus, the starting point is that the company shall comply with all recommendations of the Corporate Governance Code. The company may, however, depart from the specific recommendations, provided that it has good reasons for doing so. In these cases, the company shall, in accordance with the 'comply or explain' principle, report which recommendations it is departing from and why, as well as how the decision to depart from the recommendations was made. In other words, the company is deemed to be in compliance with the Corporate Governance Code even if it departs from individual recommendations, provided that the departures are reported and explained.

The 'comply or explain' principle is widely used internationally and it gives the company more flexibility in the application of the Corporate Governance Code. Not all practices set out in the Corporate Governance Code apply equally well to all companies, and the recommendations of the Corporate Governance Code may not always lead to the best possible outcome in all individual cases. The company may adopt procedures that depart from the individual recommendations of the Corporate Governance Code due to, e.g. the company's ownership structure or the special features of the company or its industry – provided that these alternative procedures are appropriate and sufficient in view of the company and its circumstances. The company may also introduce procedures that are stricter than those required under the Corporate Governance Code. The obligations included in the Corporate Governance Code, therefore, need to be evaluated separately in the case of each company, having regard to the circumstances of the

³ Rules of the Helsinki Stock Exchange, the rationale for Section 2.2.5: A company with a registered office in Finland follows the Finnish Corporate Governance Code, but a company with a registered office in a country other than Finland follows the corporate governance recommendations that are applied to it in its home state. If corporate governance recommendations are not applied to the company in its home state (no corporate governance recommendations exist in its home state), the company shall, as a rule, apply the Finnish Corporate Governance Code unless the Exchange has, on special grounds, granted the right to depart from this principle in accordance with Rule 2.2.7.3.

⁴ Chapter 7, section 7 of the Securities Markets Act and section 7 of the Ministry of Finance Decree on the obligation of securities issuers to disclose periodic information.

company and its shareholders. Any departures from the individual recommendations always need to be based on a careful evaluation from the point of view of the company's individual circumstances, and any departures need to be well justified and duly decided upon. Legislation may also place some restrictions on the ways in which companies may depart from the individual recommendations.

If a company departs from the individual recommendations of the Corporate Governance Code, the reasons given for the departure must be sufficiently clear and detailed, so as to allow the investors to evaluate the significance of such departures from the recommendations. An explanation that sets out the reasons for the departure in an open and comprehensive manner and outlines the alternative procedures chosen by the company is conducive to improving the interaction between the company, its shareholders, and investors, as well as to building trust towards the company's chosen practice.

The following must be reported by the company **for each departure**⁵:

- an explanation of the manner in which the company has departed from a recommendation;
- a description of the reasons for the departure;
- a description of how the decision to depart from the recommendation was taken within the company;
- where the departure is limited in time, an explanation of when the company envisages complying with a particular recommendation;
- where applicable, a description of the measure taken instead of compliance and an explanation of how that measure achieves the underlying objective of the specific recommendation or of the code as a whole, or a clarification of how it contributes to good corporate governance of the company.

The company shall provide information about its compliance with the Corporate Governance Code and any departures from it, including reasons for them, on its website and in its annual CG Statement. The company's management report must refer to the website on which information about compliance with the Corporate Governance Code and any departures from it can be found.⁶

*>> Corporate Governance Reporting, Section A –
Corporate Governance Statement*

⁵ Commission Recommendation on the quality of corporate governance reporting (2014/208/EU).

⁶ Commission Recommendation on the quality of corporate governance reporting (2014/208/EU), Section II, paragraph 6.

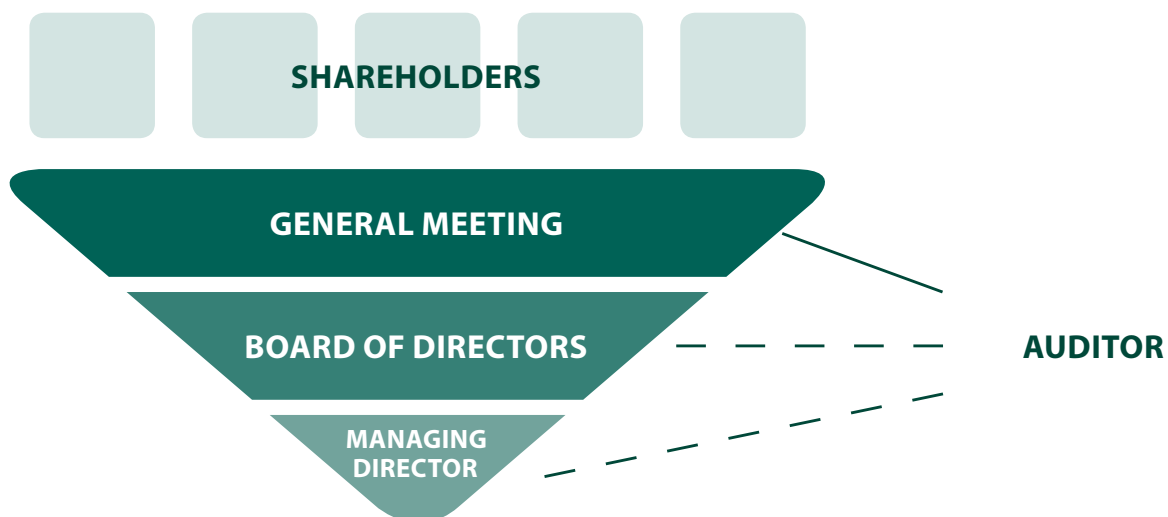
Corporate Governance of Finnish Listed Companies

The Finnish corporate governance model is efficient and flexible. It is based on the principle of majority rule, which promotes a strong ownership role and is balanced out by the principle of equal treatment, qualified majority requirements, and the rights given to minority shareholders, as well as a clear division between the responsibilities of the company's governing bodies.

Good corporate governance of listed companies is based on a combination of laws and decrees issued on the basis of them, as well as self-regulation and other best practices. The most essential domestic legal provisions are included in the Limited Liability Companies Act, the Securities Markets Act, the Auditing Act, and the Accounting Act. Finnish listed companies are also bound by EU-level regulations, the Rules of the Helsinki Stock Exchange (including the Corporate Governance Code and the associated reporting requirements), as well as the regulations and guidelines issued by the Financial Supervisory Authority (FIN-FSA).

The most essential statute, as far as the corporate governance of listed companies is concerned, is the Limited Liability Companies Act, which lays down the framework for the

companies' organisation and operative arrangements. The Limited Liability Companies Act defines, for example, the company's governing bodies, their roles and responsibilities, as well as their relation to each other. The Limited Liability Companies Act is also essential from the point of view of the shareholders' rights. The Limited Liability Companies Act contains provisions on the rights associated with the shares and on the exercise of these rights, and it also contains the key principles of corporate law applied to corporate governance. In addition to its strong principles, another central feature of the Limited Liability Companies Act is its non-mandatory nature. Many of the provisions of the Limited Liability Companies Act are default provisions that companies may – subject to certain restrictions laid down by law – depart from by providing otherwise in their articles of association. The linking of the non-mandatory nature of the act to the express provisions in the articles of association reflects the more general objective of the Limited Liability Companies Act to make corporate governance more transparent. This objective is particularly emphasised in the case of listed companies, which are further subject to the extensive reporting obligation under the Securities Markets Act.



Almost all Finnish listed companies use the unitary board structure described in this section, in which the company's administration is the responsibility of the board of directors and the managing director. Companies may also have a two-tier structure in which a supervisory board supervises the governance of the company vested in the board of directors and the managing director. The provisions regarding a supervisory board must be included in the company's articles of association, which can also stipulate that the supervisory board shall elect the members of the board of directors instead of the general meeting. In the case of the latter, a company shall, under Recommendation 5, report and explain its departure from the standard board structure described in the code. The two-tier structure is not common among Finnish listed companies, which is why supervisory boards are not discussed in more detail in the Corporate Governance Code.

Governing Bodies and Auditor

The highest governing body of a company is the **general meeting**, in which the shareholders exercise their decision-making powers. An annual general meeting must be held once a year. Extraordinary general meetings must be held when requested by shareholders if the shareholders demanding the handling of a given matter hold no less than 10% of the total number of the company's shares. Matters within the decision-making power of the general meetings include the matters provided for in law or the articles of association, such as the remuneration and appointment of directors and auditors, adoption of the company's financial statements, distribution of assets, discharge from liability of the executives, amendments to the articles of association, and decisions relating to the company's shares or share capital. The remuneration policy and report referred to in the Corporate Governance Code are also discussed in the general meeting. The general meeting does not have general competence, unlike the company's board of directors. The board of directors has the right to refer matters falling within its general competence to the general meeting.

The **board of directors** shall see to the administration of the company and the appropriate organisation of its operations. The board of directors consists of directors appointed by the general meeting. The number of directors depends on the provisions of the company's articles of association and the general meeting's decisions and varies from one company to another. The boards of directors of Finnish listed companies usually consist of three to ten directors. The boards of directors of a majority of Finnish listed companies consist exclusively of directors who are not members of the company's operative management (non-executive directors).

The board of directors has an extensive general competence. The competence of the board of directors generally covers all matters that are not within the general meeting's powers or part of the general competence of the managing director. It is the duty of the board of directors to ensure that the company is duly organised and that the board of directors is kept up to date with the development of the company's circumstances and financial situation. The board of directors is responsible for the appropriate arrangement of the control of the company accounts and finances.

The most essential tasks of the board of directors include appointing and discharging the managing director, decid-

ing on the terms of the managing director's contract, such as the remuneration within the framework of the valid remuneration policy presented to the general meeting, as well as defining the company's strategy and monitoring its implementation. Furthermore, the most important business decisions, such as mergers and acquisitions, major contracts, investments, and financing arrangements fall under the general competence of the board of directors.

The Limited Liability Companies Act does not contain detailed provisions on the role of the **chair of the board of directors**, and the duties of chair of the board of directors can therefore vary from one company to another. The chair is responsible for ensuring that the board of directors convenes when necessary and that the decisions taken by the board of directors are documented. In other respects, the role or powers of the chair do not differ from those of the other directors under the Limited Liability Companies Act. In practice, however, the role of the chair of the board of directors is often considerably more extensive than that of the other directors in a listed company. The chair of the board of directors is responsible for the organisation of the work of the board of directors. The chair assists the managing director in his/her work and often represents the company in relation to important stakeholders. Depending on the company, the role of the chair can be particularly important, especially in strategically significant business transactions. The board of directors appoints the chair from amongst its members, unless the articles of association stipulate otherwise or a decision to the contrary is made when appointing the board of directors.

The board of directors can increase its efficiency by forming smaller compositions, **committees**, to take charge of certain specific tasks of the board of directors. The committees have no formal legal status or independent decision-making powers, and their role is to provide support in the preparation of the decision-making. The responsibility for the decisions remains with the board of directors even if the matter has been delegated to a committee. The most common committees in listed companies are the audit committee, remuneration committee, and nomination committee, which are discussed in more detail in the Recommendation Section III of the Corporate Governance Code. In addition, the board of directors can also set up ad-hoc committees, for example, for the purpose of preparing for a major business transaction or in the event of conflicts of interest.

The board of directors has the power to appoint and discharge the **managing director**, who shall see to the daily administration of the company in accordance with the instructions and orders given by the board of directors. In listed companies, the managing director is responsible for the company's operative activities. In addition to the daily administrative tasks, the decisions of the board of directors are often based on the managing director's proposals, and the managing director is also responsible for their implementation. In practice, it is the managing director who organises the company's operations, negotiates and concludes major business arrangements, and represents the company. Pursuant to the Limited Liability Companies Act, the managing director shall see to it that the accounts of the company are in compliance with the law and that its financial administration has been arranged in a reliable manner.

The company usually has a **management team** tasked with assisting the managing director. A management team is not a governing body referred to in the Limited Liability Companies Act.

Listed companies must also have an **auditor**, who is elected by the general meeting. At least one of the auditors of a listed company must be an approved auditor within the meaning of the Auditing Act or an auditing firm that satisfies the requirements of the Auditing Act. Auditors play an important role as a controlling body elected by the shareholders. Through the audit, shareholders receive an impartial opinion of the company's financial statements and management report, as well as of the company's accounts and administration.

Communication with Shareholders

The established view in Finland is that a company should take a restrictive approach to providing information concerning the company to individual shareholders, unless the same information is available to all investors. The principle of equal treatment, insider regulation, directors' and executives' duties of confidentiality and loyalty, as well as for instance reasons related to competition law place restrictions on the provision and receipt of information about the company.

From the point of view of equality and equal treatment of shareholders, there is nothing to prevent an individual shareholder from sharing his or her views with the company's directors and executives, who may, at their discretion, take the information into account in their decision-making. It is another established view in Finland that in matters falling within the competence of the general meeting, it may be in the interests of the company and all of its shareholders that the board of directors is aware of the opinions of the shareholders with significant voting rights in the matter being prepared.

If the board of directors decides, after a careful evaluation of the situation, that it is possible and in the interests of the company to discuss a matter with an individual shareholder and provide information, the board of directors shall ensure that any subsequent decisions are taken in an appropriate manner considering the company and all of its shareholders. A clear definition of the procedures and individuals involved in the discussions support the pertinence of the decision-making of the board of directors.

Key Features of the Finnish Corporate Governance Model

PRINCIPLE OF MAJORITY RULE
PRINCIPLE OF EQUAL TREATMENT

STRONG MINORITY RIGHTS

TRANSPARENCY

The Principles of Majority Rule and Equal Treatment

The Finnish corporate governance model is based upon the strong principles set out in the Limited Liability Companies Act. Of these, one of the most central is the **principle of majority rule**, which promotes a strong ownership role. According to the rule, decisions are based on the majority vote, unless otherwise provided for by law or the company's articles of association.

The **principle of equal treatment** balances out the principle of majority rule together with the more detailed minority protection provisions of the Limited Liability Companies Act. Pursuant to the principle of equal treatment, all shares carry equal rights in a company, unless otherwise stipulated in the company's articles of association. The general meeting, the board of directors, or the managing director may not make a decision or take measures that are conducive to conferring an undue benefit to a shareholder or another person at the expense of the company or another shareholder.

One of the main aims of the principle of equal treatment is to protect minority shareholders. Compliance with this principle does not prevent the use of majority rule, but it prevents some shareholders from being favoured at the expense of others.

The duty of loyalty of executives provided for in the Limited Liability Companies Act supports the principle of equal treatment in practice. The company directors and executives have an obligation to promote the interests of the company. Safeguarding the company's interests ultimately benefits all shareholders and helps the company achieve its purpose, which is to generate profit for its shareholders. This purpose can only be departed from if a provision to this end is included in the articles of association.

Strong Minority Rights

Decisions that are based on a qualified majority and decisions that require consent

As a rule, a proposal that is supported by more than half of the votes cast shall constitute the decision of the general meeting. Pursuant to the Limited Liability Companies Act, certain decisions – such as decisions to amend the articles of association and decisions on directed share issues – nevertheless require a qualified majority of two-thirds of the votes cast and represented at the meeting. Moreover, the Limited Liability Companies Act provides that specific shareholders or all shareholders must consent to a decision limiting the rights arising from shares or increasing the obligations of shareholders.

Rights of shareholders owning no less than 10% of the company's shares

Shareholders who hold no less than 10% of the company's shares may, subject to certain conditions,

- demand that an extraordinary general meeting be called to address a specific issue;
- demand that a minority dividend be distributed;
- demand that decisions concerning the adoption of the company's financial statements, the distribution of assets and the discharge from liability of the directors and managing director be deferred to a continuation meeting;
- bring an action against the company's directors, the managing director, or another shareholder for the payment of damages to the company; and
- propose that a special audit be carried out (in addition to the support of a sufficient number of votes at the general meeting, this also requires that the Regional State Administrative Agency approves the application for the special audit).

Right to request information and submit draft resolutions

Every shareholder has the right to request information about any of the items on the agenda of a general meeting. At the annual general meeting, the right to request information covers the company's financial situation on a more general level. Shareholders also have the right in principle to submit proposals for decisions that fall within the competence of the general meeting and that are on the agenda of that meeting. However, with respect to the remuneration policy and report, it must be noted that shareholders are not entitled to propose resolutions concerning the contents of the policy and report.

Shareholders have the right to have a matter falling within the competence of the general meeting dealt with by the general meeting, provided that the shareholder so demands in writing from the board of directors well in advance, so that the matter can be included in the meeting notice (**RECOMMENDATION 2**).

Transparency

The corporate governance of Finnish listed companies is characterised by openness and transparency, which is evident, for example, in the reporting of information relating to remuneration. The Corporate Governance Code's mandatory reporting requirements exceed the requirements of legislation in some respects. Transparency is conducive to increasing interaction between investors and companies and to building trust in the company. The Corporate Governance Code strives for its part to promote and maintain the high quality, international comparability, and openness of the corporate governance practices applied by listed companies. Transparency increases flexibility and efficiency. It gives companies more leeway to follow procedures that depart from the Corporate Governance Code, but which are sound and carefully reasoned from the point of view of the company.

I GENERAL MEETING

Shareholders exercise their decision-making power at the general meeting, where they have the right to speak, ask questions, and vote. The general meeting shall be organised in a manner that allows shareholders to exercise their ownership rights effectively. General meeting procedures shall promote the objective of general meetings and enable active participation and decision-making by shareholders on matters included in the agenda of the general meeting in an appropriate and reliable manner and based on sufficient information.

The general meeting shall be organised in a manner that allows shareholders to participate in the general meeting as extensively as possible. The shareholders' ability to participate in the general meetings vary, particularly in companies that have an international ownership structure. The company shall use all reasonable means to encourage shareholders' participation. Participation can be encouraged by taking into account the shareholder's right to use proxy representatives, the advance voting instructions, and the company's possibility, at its discretion, to make use of telecommunications or other technical facilities to support shareholders' participation in the meetings.

In addition to the provisions of the Limited Liability Companies Act and the Securities Markets Act, provisions on general meetings can also be included in the company's articles of association. The Advisory Board of Finnish Listed Companies has published templates for a notice of the general meeting and notice in a newspaper, as well as for minutes of the general meetings. The Advisory Board has also issued guidelines on certain procedures related to general meetings of listed companies.¹

¹ <http://cgfinland.fi/en/advisory-board-of-finnish-listed-companies/>

RECOMMENDATION 1 – Notice of the General Meeting and Proposals for Resolutions

In addition to what is provided by law and in the company's articles of association, a notice of the general meeting shall include the following proposals (if the relevant item is included in the agenda of the meeting):

- proposal concerning the composition of the board of directors;
- the specific order, if any, according to which the directors are to be appointed pursuant to chapter 6, section 9 of the Limited Liability Companies Act;
- proposal concerning the remuneration of the directors; and
- proposal concerning the election of the auditor.

Any proposals submitted by shareholders concerning the composition and remuneration of the board of directors and the election of auditors shall be included in the notice of the general meeting provided that

- the shareholder(s) who submitted the proposal represent(s) no less than 10% of the votes conferred by the company's shares;
- the candidates have consented to the appointment; and
- the proposal was submitted to the company in such a manner that it can be included in the meeting notice.

Any similar proposals submitted by shareholders representing no less than 10% of the company's shares after the disclosure of the notice of the general meeting must be disclosed separately.

RATIONALE

Shareholders must be provided with sufficient information about the items on the agenda before the general meeting. Advance information gives the shareholders the opportunity to evaluate whether they wish to participate in the general meeting and to ask questions at the meeting, as well as to decide on how they intend to vote. This allows even those shareholders who do not participate in the meeting to receive information about the company.²

The election of the board of directors is an important decision for the shareholders. Thus, it is important that the shareholders are notified of the proposed composition of the board of directors well in advance of the relevant general meeting. A proposal for the composition and remuneration of the board of directors must be included in the notice of the general meeting, regardless of the procedure applied by the company in the preparation of the composition and remuneration of the board of directors and regardless of whether any shareholders have submitted proposals relating to the matter before the disclosure of the notice of the general meeting. The procedures ap-

plied in the nomination of individuals for directorship are discussed in more detail in **RECOMMENDATION 7**. If a proposal is not available before the notice of the general meeting is issued, the company shall report and give reasons for the departure from the recommendation.

The biographical details of all candidates must be presented on the company's website. The publication of the candidates' biographical details on the company's website allows the shareholders to form an opinion on the proposed composition of the board of directors, especially with regard to new director candidates. In the same connection, information about the independence of the candidates must be provided (**RATIONALE FOR RECOMMENDATION 10**) if the proposal concerning the composition of the board has been prepared in the company's bodies, nomination board or nomination committee. If the proposal was made by a shareholder, the proposing shareholder's assessment of independence must be provided in this connection. The company's board of directors can also provide its own assessment, if necessary.

² The Advisory Board of Finnish Listed Companies has drawn up templates for a notice of the general meeting and notice in a newspaper. The templates take into account not just the Limited Liability Companies Act and other applicable laws, but also the requirements for providing instructions to holders of nominee-registered shares. (<http://cgfinland.fi/en/advisory-board-of-finnish-listed-companies/>)

In addition to the proposals for resolutions expressly mentioned in this recommendation, all written proposals submitted to the company before the date of its general meeting and relating to the items on the agenda of that meeting must be published on the company's website. The proposals to the general meeting referred to herein include proposals made by the board of directors and other competent body, as well as proposals made by shareholders that fall within the competence of the general meeting.

They do not include, for example, opinions expressed in advance concerning a specific item on the agenda without a concrete counter-proposal.

This recommendation is not intended to limit the shareholder's right to propose issues to be addressed at the general meeting (**RECOMMENDATION 2**) or the right to voice proposals at the general meeting on matters falling within its competence.

>> *Corporate Governance Reporting, Section B – Other Information to Be Provided on Companies' Website*

RECOMMENDATION 2 – Shareholders' Proposals for Issues to Be Addressed at the General Meeting

The Company shall publish on its website the date by which a shareholder must notify the company's board of directors of an issue that he or she demands to be addressed at the annual general meeting. The date shall be published no later than by the end of the financial period preceding the annual general meeting.

RATIONALE

A shareholder has the right to have a matter falling within the competence of the general meeting under the Limited Liability Companies Act addressed by the general meeting. The decision-making related to the notice of the meeting and the practical measures related to the disclosure of the notice require that the company has sufficient time to deal with the demands of shareholders on items to be put on the agenda of the general meeting. The Limited Liability Companies Act gives a company discretion to decide when to issue the notice of the general meeting.

To ensure efficient dissemination of information and to allow shareholders to prepare for the general meeting, it is important that the company provides information on its website well in advance of the date by which a shareholder must make his or her demand known, so as to ensure that the company has time to process it before the delivery of the notice. Under the Limited Liability Companies Act, the date may not be earlier than four weeks prior to the issuance of the notice of the general meeting.

It is the duty of a shareholder to ensure that any matters demanded to be addressed at the general meeting are in compliance with the Limited Liability Companies Act and that they are sufficiently detailed in order for them to be included in the notice of the general meeting and be addressed at the general meeting. The shareholder who made the demand also has the duty to ensure that a proposal for a resolution on the basis of which the matter can be resolved is submitted to the general meeting.

The relevant date and instructions on the email or postal address to which the shareholder's demand should be sent will be published on the company's website, as well as in the events calendar.

>> *Corporate Governance Reporting, Section B – Other Information to Be Provided on Companies' Website*

RECOMMENDATION 3 – Attendance at the General Meeting

The chair of the board of directors, the members of the board of directors, and the managing director shall be present at the general meeting.

The auditor shall be present at the annual general meeting.

Director candidates shall be present at the general meeting deciding on their election.

RATIONALE

The presence of the directors, members of the board committees, and the managing director at the general meeting is necessary in particular for the purpose of ensuring the interaction between the company's shareholders and executives as well as the shareholders' right to ask questions.

By exercising their right to ask questions, the shareholders can obtain more detailed information about matters that may have an impact on the evaluation of the company's financial statements or financial position or any other issues on the agenda of the general meeting. It is particularly important that the directors and the managing director attend the annual general meeting. In an extraordinary general meeting, it may be sufficient, considering the nature of the matter to be dealt with and the fulfilment of the shareholders' right to ask questions, that the managing director, chair of the board of directors, and at least the number of directors required for quorum attend the meeting.

The presence of the auditor at the annual general meetings allows the shareholders to ask the auditor for more detailed information on matters that may have an impact on the evaluation of the financial statements or other issues on the agenda of the meeting. In case of the company's auditor being an auditing firm, it is the auditor-in-charge to whom the requirement to be present relates. When organising an extraordinary general meeting, a company should seek to ensure that the auditor is present, for instance, if the matters to be discussed include the adoption of interim financial statements, a merger, or another procedure regarding which the auditor has submitted a report.

The presence of the director candidates at the general meeting in which their appointment is decided upon is important so that they can be introduced to the company's shareholders.

If one or more persons fail to attend the general meeting pursuant to the recommendation, it is sufficient that the company notifies the general meeting of such non-attendance, in which case the non-attendance need not be reported as a departure from the code.

RECOMMENDATION 4 – Archive of the General Meeting Documents

General meeting documents shall be kept on the company's website for a period of no less than five years from the general meeting in question.

RATIONALE

Making the general meeting documents subsequently available to shareholders on the company's website promotes the effective exercise of the shareholders' rights. Publishing the minutes of the general meetings and the voting results on the company's website also allows those shareholders who did not participate in the meeting to be informed of the events of the general meeting and the outcome of the vote. Furthermore, the possibility to familiarise themselves with the general meeting documents of the previous years also promotes the shareholders' effective preparation for the meetings.

In addition to the notice of the meeting and the proposals issued by the company, General meeting documents consist at least of the minutes of the general meeting, including the voting results and any appropriate appendices (either per se or with reference to another document elsewhere). In accordance with the Limited Liability Companies Act, the minutes of the general meeting shall be made available on the company's website within two weeks of the general meeting. However, lists of participants, proxy documents, and shareholders' voting instructions are not among the documents that need to be published on the company's website.

In accordance with the Securities Markets Act, the valid remuneration policy for governing bodies ("remuneration policy") that is included in the general meeting documents must be available to the public on the company's website. The annual remuneration report for governing bodies ("remuneration report") must be available to the public for at least ten years.

- >> *Corporate Governance Reporting, Section B – Other Information to Be Provided on Companies' Website and Remuneration Reporting*
- >> *Remuneration Reporting*

II BOARD OF DIRECTORS

The company's board of directors is responsible for the administration and the proper organisation of the operations of the company. The board of directors appoints and discharges the managing director, approves the strategic objectives and the principles of risk management for the company, and ensures the proper operation and supervision of the management system. The board of directors also ensures that the company has established the corporate values applied to its operations.

The duty of the board of directors is to promote the best interest of the company and all its shareholders. A director does not represent the interests of the parties who have proposed his or her election as a director.

The boards of directors of Finnish listed companies mainly consist of non-executive directors. A non-executive director is a person with no employment or service contract with the company. In some companies, the managing director is a member of the board of directors.

RECOMMENDATION 5 – Election of the Board of Directors

The general meeting shall elect the board of directors.

RATIONALE

By electing the board of directors, the shareholders directly and efficiently contribute to the administration of the company and thereby to the operation of the entire company. It is, therefore, justified that the general meeting elects the board of directors even when the company has a supervisory board. Any provisions of the company's articles of association that depart from this recommendation shall be reported as departures.

The articles of association may provide that less than half of the directors are to be appointed following a procedure other than election by the general meeting. The special appointment procedure may, for instance, concern the employees' right to appoint directors to the board of directors. Information about any appointment procedure that departs from the recommendation shall also be included in the notice of the general meeting in accordance with **RECOMMENDATION 1**.

RECOMMENDATION 6 – Term of Office of the Board of Directors

The board of directors shall be elected annually at the annual general meeting.

RATIONALE

Shareholders shall have the possibility to evaluate the performance of the board of directors and the directors on a regular basis. Good corporate governance requires that the entire board of directors is elected annually at the annual general meeting. Any provisions of the company's articles of association that depart from this recommendation shall be reported as departures.

RECOMMENDATION 7 – Preparation of the Proposal for the Composition of the Board of Directors

The company shall publish the procedure applied in the preparation of the proposal for the composition of the board of directors.

RATIONALE

The election of the board of directors is one of the most important decisions taken in the general meeting. The transparency of the procedure applied in preparing the proposal for the composition of the board of directors provides shareholders with information and supports the preparation for the general meeting. The proposal for the composition of the board of directors may, for example, be prepared

- by the board of directors or a separate committee composed of directors (nomination committee); or
- by a board appointed by the general meeting and which consists of individuals other than directors, for instance, representatives of the company's largest shareholders (shareholders' nomination board); or
- by the major shareholders of the company.

Nomination committees and shareholders' nomination boards are addressed in **RECOMMENDATIONS 18 AND 19**. The company shall assess the best preparation procedure for its own purposes.

The company shall publish the procedure applied in the preparation of the proposal for the composition of the board of directors. In addition, the company may, at its own discretion, also otherwise describe the practices applied in the preparation of the proposal.

The procedure published by the company shall not restrict the shareholders' right to make proposals concerning the composition or remuneration of the board of directors.

>> Corporate Governance Reporting, Section B – Other Information to Be Provided on Companies' Website

RECOMMENDATION 8 – Composition of the Board of Directors

The composition of the company's board of directors shall reflect the requirements set by the company's operations and development stage.

A person elected as a director must have the competence required by the position and the possibility to devote a sufficient amount of time to attending to the duties. The number of directors and the composition of the board of directors shall be such that they enable the board of directors to see to its duties efficiently. Both genders shall be represented in the board of directors.

RATIONALE

With regard to the duties and efficient operation of the board of directors, the board of directors shall have a sufficient number of directors. The directors shall also have sufficient and versatile expertise as well as mutually complementary experience and knowledge of the industry. The composition of the company's board of directors shall reflect that at least one member of the company's audit committee must have the expertise required by law (**RECOMMENDATION 16**).

The successful discharge of the duties of the board of directors requires knowledge of business operations or the different areas thereof. The directors shall also have the possibility to familiarise themselves with the company matters to the required extent. The directors, and the chair in particular, are often required to perform a considerable amount of work in addition to attending to the board meetings. When assessing the sufficiency of the time an individual director is able to devote to the duties of a di-

rector, the director's main occupation, secondary occupations, and simultaneous board memberships and positions of trust, inter alia, shall be taken into account. Individuals who have been proposed as directors shall, in confidence and as instructed by the company, provide the information required to assess their competence and the amount of time they can devote to the task. This information shall be provided to the body in charge of preparing the proposals for the composition of the board of directors in accordance with **RECOMMENDATION 7**.

The preparation of the composition of the board of directors shall also reflect the diversity of the board in accordance with **RECOMMENDATION 9**. Having both genders represented on the board of directors is one element of a diverse board composition.

SRECOMMENDATION 9 – Diversity of the Board of Directors

The company shall define and report principles concerning the diversity of the board of directors.

RATIONALE

Diversity of the board of directors supports the company's business operations and development. Diversity of the know-how, experience, and opinions of the directors promotes the ability to have an open-minded approach to innovative ideas and also the ability to support and challenge the company's operative management. Adequate diversity promotes open discussion and independent decision-making. Diversity also promotes good corporate governance, efficient supervision of the company's directors and executives, as well as succession planning.

The company shall define the diversity principles for its own purposes, taking into account the scale of its business operations and the requirements of its development stage. Factors to be taken into account when defining the diversity principles may include, for example, age and gender as well as occupational, educational, and international background. The company shall decide the matters to be incorporated into its diversity principles and the objectives included therein on the basis of its own circumstances.

The preparation of diversity principles is carried out in a manner chosen by the company and can be assigned, for example, to the nomination committee or the shareholders' nomination board. Decisions on the election of directors shall be made in the general meeting.

The company can decide the extent in which the diversity principles are reported.³ However, the information reported shall always include at least the objectives relating to both genders being represented in the company's board of directors, the means to achieve the objectives, and an account of the progress in achieving the objectives.

The diversity principles are also applied to a possible supervisory board.

>> Corporate Governance Reporting, Section A – Corporate Governance Statement

³ See the Decree of the Ministry of Finance on the obligation of securities issuers to disclose periodic information (1020/2012, section 7).

RECOMMENDATION 10 – Independence of Directors

The board of directors shall evaluate the independence of the directors and report which directors are independent of the company and which are independent of the significant shareholders. The reasoning for determining that a board member is not independent must also be reported.

The majority of the directors shall be independent of the company. At least two directors who are independent of the company shall also be independent of the significant shareholders of the company.

Independence of the company

A director is not independent of the company if

- a) the director has an employment relationship or service contract with the company;
- b) the director has had an employment relationship or service contract with the company in the last three years, and such employment relationship or service contract has not been temporary;
- c) the director receives, or has received during the past year, remuneration that is not insignificant for services that are not connected to the duties of a director, e.g. consulting assignments, from the company or members of the company's operative management;
- d) the director belongs to the operative management of another corporation which has or has had during the past year a supplier, customer, or cooperation relationship with the company, and such relationship is or has been significant to the other corporation;
- e) the director is, or has been in the past three years, the auditor of the company, a partner or an employee of the present auditor, or a partner or an employee in an audit firm that has been the company's auditor in the past three years; or
- f) the director belongs to the operative management of another company whose director is a member of the operative management of the company (interlocking control relationship).

Independence of major shareholders

A significant shareholder is a shareholder who holds at least 10% of all company shares or the votes carried by all the shares, or who has the right or obligation to acquire the corresponding number of already issued shares.

A director is not independent of a significant shareholder if

- g) the director is a significant shareholder of the company or a director of a significant shareholder, or has a relationship such as referred to in sub-sections a) – b) above with a significant shareholder; or
- h) the director exercises direct or indirect control in a significant shareholder or is a director of a significant shareholder, or the director has a relationship such as referred to in sub-sections a) – b) above with a party who exercises direct or indirect control in a significant shareholder.

Overall evaluation

In addition to the above-mentioned criteria, the board of directors may, based on an overall evaluation, determine that a director is not independent of the company or a significant shareholder. The following factors, inter alia, shall be taken into account when conducting the overall evaluation of independence:

- i) the director participates in the same performance-related or share-based remuneration scheme as the operative management of the company, which may be of substantial financial significance to the director;
- j) the director has served as a director for more than 10 consecutive years;
- k) a member of the director's family or a private or legal person closely related to the director is subject to circumstances such as described in this recommendation; or
- l) the company is aware of other factors that may compromise the independence of the director and the director's ability to represent all shareholders.

RATIONALE

The duty of the board of directors is to supervise and control the managing director of the company. In order to avoid conflicts of interest, the majority of the directors should not have an interdependent relationship with the company. Although it is recommended that directors hold shares in the company, the majority of directors, consisting of independent directors, shall include at least two directors who are also independent of significant shareholders of the company. Such a composition of the board of directors supports the objective that the board of directors shall act in the interests of the company and all of its shareholders.

Access to information and procedures

Each director shall provide the board of directors with sufficient information so as to allow the board of directors to evaluate his/her independence. Each director shall also notify the board of directors of any changes in factors that may affect his/her independence and express his/her own opinion of his/her independence.

The board of directors shall evaluate the independence of the directors and report which directors are independent of the company and which are independent of the significant shareholders. The board of directors shall re-evaluate the situation every year, and the evaluation shall be included in the company's Corporate Governance Statement. The evaluation must also indicate the rationale based on

which a board member is found not to be independent (e.g. cross-ownership or familial relationship). An updated evaluation shall be published on the company's website if factors affecting the independence of a director change during the year.

>> Corporate Governance Reporting

Individuals who have been proposed as directors shall, in confidence and as instructed by the company, provide the information required to evaluate their independence and also their own evaluation of their independence. This information and evaluation shall be provided to the body in charge of preparing the proposal for the composition of the board of directors in accordance with **RECOMMENDATION 7**. The board of directors can also carry out its evaluation on its own initiative, for example, if a proposal concerning a board member has been received from a shareholder.

Absoluteness of the independence criteria and factors to be taken into account in the evaluation

The evaluation of independence shall be based on a director-specific overall evaluation that takes into account the information provided by the director and the independence factors referred to in the recommendation.

The criteria listed in **sub-sections a) – h)** of the recommendation are absolute in that the existence of even one of the circumstances cited in **sub-sections a) – f)** means that the director cannot be regarded as being independent of the company. Similarly, the presence of any of the circumstances cited in **sub-sections g) – h)** means that the director cannot be regarded as being independent of a significant shareholder.

In addition to the absolute criteria, the board of directors may, based on an overall evaluation, determine that the director is not independent of the company or a significant shareholder (considering, for example, the factors addressed in **sub-sections i) – l)**).

The following factors shall be taken into account in the interpretation of the criteria:

- ‘Operative management’ refers to the managing director and the management team;
- The term ‘company’ used in **sub-sections a) – e)** also covers companies that belong to the same group as the listed company. In **sub-sections f) – h)**, ‘company’ refers to the listed company only. With regard to **sub-section f)**, any interlocking control relationship concerning companies belonging to the same group as the relevant listed companies shall be taken into account as a factor affecting the overall evaluation;
- In **sub-sections a) – b)**, ‘service contract’ refers primarily to the managing director and the chair of the board of directors if he/she has an employment relationship or service contract with the company;
- In the context of **sub-section b)**, ‘employment relationship or service contract’ shall never be considered temporary if the individual in question has held his/her position for more than one year;

- The amount and significance of ‘remuneration’ referred to in **sub-section c)** shall be evaluated from the perspective of the director in question, and the evaluation shall also take into account any remuneration received via a company in which the director is an owner or exercises influence otherwise (such as a company that provides consultancy or expert services);
- The effect of a director’s long service history (in excess of 10 consecutive years) referred to in **sub-section j)** on his/her independence shall be evaluated at regular intervals as part of the overall evaluation, i.e. at least once a year. The evaluation shall be based on the actual circumstances from both the perspective of the company and the director in question. The evaluation is all the more significant if a director who has served as a director for more than 10 consecutive years is not dependent of significant shareholders;
- In the context of **sub-section k)**, a private or legal person is ‘closely related’ to a director if the person is able to exercise significant influence on the financial and business-related decisions of the other (i.e. the director relative to a private or legal person, or vice versa). When evaluating the circumstances referred to in **sub-section k)**, the nature of the criterion shall be taken into account as a part of the overall evaluation; and
- In the context of **subsection l)**, the benefits paid and offered to a member of the board by a shareholder otherwise than on the basis of an employment or service contract may require evaluation.

RECOMMENDATION 11 – Charter of the Board of Directors

The board of directors shall draw up a written charter for its work.

RATIONALE

Efficient board work requires that the main duties and working principles are defined in a written charter, the key contents of which shall be reported. The information provided in the charter, for its part, allows the shareholders to evaluate the operations of the board of directors.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

RECOMMENDATION 12 – Right of Board of Directors to Receive Information

The company shall ensure that all directors have access to sufficient information about the company's business operations, operating environment, and financial position, and that new directors are properly introduced to the operations of the company.

RATIONALE

In order to see to its duties, the board of directors needs information about the company's structure, business operations, and operating environment, and also the company's market and financial position. By virtue of the Limited Liability Companies Act, the managing director has a duty to provide the board of directors and the directors with any information that the board of directors may need in order to see to its duties.

The company shall choose procedures that promote the board of directors' access to sufficient and timely information. A new director's adequate familiarisation with the company and its business operations and practices supports the beginning of the board work in the company and, simultaneously, the efficient work of the entire board of directors.

RECOMMENDATION 13 – Performance Evaluation of the Board of Directors

The board of directors shall conduct an annual evaluation of its operations and working methods.

RATIONALE

Board work requires a considerable amount of work from the directors. In addition to attending the meetings, a significant part of board work consists of preparing for the meetings, committee work, familiarisation with the company's business operations and operating environment, and monitoring and assessing the operations of the company.

In order to ensure and improve the efficiency and continuity of its work, the board of directors shall make sure that its operations and working methods are evaluated regularly. The evaluation may be carried out in the form of an internal self-evaluation. Using an external evaluator at intervals and to the extent deemed necessary by the company may provide new and more objective perspectives.

The evaluation may focus on, for example, the composition of the board of directors, the organisation and effectiveness of the board of directors as a team, the meeting preparations, cooperation with the managing director, and the competence, special expertise, and efficiency of each director and the board of directors as a whole. The evaluation may also include an assessment on how successfully

the board of directors has operated in relation to the set objectives. It may also be justified to conduct similar evaluations of the committees of the board of directors.

The company has a duty to ensure that the findings of such evaluations are provided, in confidence, to the body in charge of preparing the proposal for the composition of the board of directors as set forth in **RECOMMENDATION 7** insofar as the findings may affect the planning of the preparation concerning the composition of the board of directors.

The company shall report the number of board meetings held during the financial period and the meeting attendance of each director.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

III COMMITTEES

Overview

The preparation of matters within the competence of the board of directors may be made more efficient by the establishment of board committees allowing more extensive concentration on matters. Decisions on the establishment of board committees are taken by the board of directors, unless otherwise stipulated in the company's articles of association. The establishment of board committees may be necessary, in particular for the supervision of the company's reporting and control systems and the nomination of the executives, as well as for the development of the company's remuneration systems. The committees assist the board of directors by preparing matters falling within the competence of the board of directors. The board of directors remains responsible for the duties assigned to the committees. The committees have no autonomous decision-making power, and the decisions within its competence are taken collectively by the board of directors.

RECOMMENDATIONS 14 to 18 discuss the establishment and the duties of three committees (audit committee, remuneration committee, and nomination committee). **RECOMMENDATIONS 14 to 15** apply to all committees and **RECOMMENDATIONS 16 to 18** to specific committees. If necessary, the board of directors may also establish other permanent or temporary committees, combine the duties assigned to different committees, or decide that a certain matter be prepared by the entire board of directors. Moreover, the general meeting may choose to establish a shareholders' nomination board (or the articles of association may contain a stipulation on the shareholders' nomination board). The shareholders' nomination board is discussed in more detail in **RECOMMENDATION 19**.

Companies do not have an obligation under the Corporate Governance Code to establish committees or a shareholders' nomination board. As the establishment of the committees is not obligatory, the lack of committees is not deemed to be a departure from the code and therefore there is no need to report or explain it. Thus, the recommendations on board committees and the shareholders' nomination board are only applicable to companies that have committees or a shareholders' nomination board. If a company establishes a committee or a shareholders' nomination board and departs from an individual recommendation regarding it, the company shall report the departure and give reasons for it. However, it is not considered a departure from the code if the company chooses to combine the duties of two committees into a single committee, provided that the recommendations pertaining to the committees in question are complied with, or if the duties of one or more committees are dealt with by the entire board of directors.

Audit Committee

A company must either have an audit committee or the mandatory duties of an audit committee must be discharged by the entire board of directors or these duties must be delegated to another committee.

Nomination Committee and Shareholders' Nomination Board

It is important to analyse the experience, skills, and independence of individuals and candidates proposed as directors to the company's board of directors for the purpose of ensuring the appropriate composition and continuity of the board of directors. A well-organised procedure that follows the practice published by the company increases the transparency of the preparation process.

According to **RECOMMENDATION 7**, proposals concerning the election of directors can be prepared by the board of directors, by a separate nomination committee consisting of directors, or by the shareholders' nomination board consisting, for example, of representatives appointed by the company's largest shareholders and possibly also directors. In addition to these, the company's shareholders can propose individuals as directors. The company shall choose the procedure it deems best, and the code does not comment on which procedure is the most expedient for individual companies.

RECOMMENDATION 14 – Establishment of a Committee

The board of directors shall decide on the establishment of committees, unless the articles of association stipulate otherwise. The board of directors shall confirm the main duties and operating principles of each committee in a written charter. The committee shall regularly report on its work to the board of directors.

RATIONALE

The role of the committee within the company shall be determined in a written charter. The duties and operating principles shall be defined in a manner allowing the committee to operate efficiently. The material content of the charter shall be published.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

A committee shall regularly report on its work to the board of directors. The board of directors may define the details and schedule of the reporting by the committee to the board of directors. The reports shall include at least a summary of the matters addressed and measures taken by the committee.

RECOMMENDATION 15 – Appointment of Members to a Committee

The board of directors shall appoint from among itself the members and chair of the committee. The committee must have at least three members. The members of the committee shall have the expertise and experience required for the duties of the committee.

RATIONALE

As the committees act as support for the board of directors and prepare matters falling within the competence of the board of directors, the board of directors shall appoint the members of the committees from among the directors. Although the members of the committee are elected from among the directors, the committee may also, when necessary, invite external experts to its meetings in addition to the representatives of the company.

The fact that a board of directors only has few directors may be a reason to depart from the recommendation regarding the minimum number of members. Thus, a committee may, in exceptional cases, consist of two members, in which case the departure from the recommendation must be reported by the company.

The company shall report the composition of the committee, the number of the committee meetings held during the financial period, and the attendance of each committee member at the meetings. The information regarding the committee members enables the shareholders to evaluate the relationship of the committee members to the company as well as the conditions for the efficiency of the committee work. The information regarding the number of the committee meetings and the attendance of the members enables the shareholders to evaluate the committee work. The attendance of the members at the committee meetings shall be reported separately for each individual member.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

RECOMMENDATION 16 – Audit Committee

A company shall establish an audit committee, if the extent of the company's business requires that the preparation of the matters pertaining to financial reporting and control be done by a body smaller than the entire board of directors.

The members of the audit committee must have sufficient expertise and experience with respect to the committee's area of responsibility and the mandatory tasks relating to auditing.

The majority of the members of an audit committee must be independent of the company and at least one member shall be independent of the company's significant shareholders.

RATIONALE**Role and Establishment of the Audit Committee**

In accordance with the Limited Liability Companies Act, the duties of the board of directors include, among other things:

- to monitor and assess the financing reporting system;
- to monitor and assess the efficiency of internal control and audit as well as of the risk management systems;
- to monitor and assess how agreements and other legal acts between the company and its related parties meet the requirements of the ordinary course of business and arm's-length terms;
- to monitor and evaluate the independence of the auditor and, in particular, the offering of services other than auditing services by the auditor;
- to monitor the company's auditing; and
- to prepare the appointment of the company's auditor.

The board of directors can establish an audit committee from amongst its members for the purposes of preparing the aforementioned tasks. In practice, an audit committee can use more time than the entire board to familiarise itself with the company's finances and control systems and can see to communications with the auditors and internal audit function.

The need to establish an audit committee shall be assessed by the board of directors from the perspective of the company. If there is no audit committee, the preparation of these tasks is the responsibility of the entire board or of another committee appointed by the board.

No audit committee needs to be established in companies in which the establishment of one would not be expedient due to, for example, the nature of the company's business,

the stage of the company's development, the size of the company, or the composition of the company's board of directors. The lack of an audit committee is not deemed to constitute a departure from the code, provided that the mandatory auditing duties of the audit committee prescribed in mandatory legislation are discharged by the company's entire board of directors or another committee appointed by the board of directors.

Mandatory Auditing Duties

The board of directors and audit committee, if established, must in their operations take into account that the Auditing Act and the EU Audit Regulation contain many mandatory duties relating to, for example, preparing the appointment of an auditor, monitoring the services offered by an auditor and evaluating the independence of an auditor as well as auditing itself. The audit committee will handle the auditor's report and possible audit minutes as well as the supplementary report presented by the auditor to the audit committee. If necessary, the audit committee will discuss any key factors arising in the course of the aforementioned duties with the auditor.

The legislation is based on the idea that an audit committee is responsible for the aforementioned mandatory auditing duties. If the company has no audit committee, the company's entire board must see to these duties or assign them to another committee. If the mandatory auditing duties have been assigned to another committee, the composition of that committee must meet the requirement for independence and expertise set forth in this recommendation.

Legislation requires that the company's corporate governance statement include a description of the composition and activities of the governing body that sees to the aforementioned mandatory duties.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

Other Duties of the Audit Committee

In addition to the aforementioned duties, the duties of the company's audit committee may also comprise, for example, the following:

- monitoring of the financial position of the company;
- supervision of the financial reporting process and risk management process;
- evaluation of the use and presentation of alternative performance measures;
- approval of the operating instructions for internal audit;
- handling of the plans and report of the internal audit function;
- evaluation of the processes aimed at ensuring compliance with laws and regulations;
- establishment of principles concerning the monitoring and assessment of related party transactions;
- other communications with the auditor in addition to the duties required by regulations;
- monitoring of the company's funding and tax position;
- monitoring of the significant financial, funding, and tax risks;
- monitoring of the processes and risks relating to IT security;
- handling of the company's corporate governance statement and non-financial report; and
- resolution and monitoring of any special issues allocated by the board of directors and falling within the competence of the audit committee (such as issues relating to the company's procedures and/or specific risks).

The duties of the audit committee must be reported in the same manner as the duties of the other committees.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

Requirement Concerning the Composition and Expertise of the Audit Committee

The range of duties of the audit committee is wide. The versatile and mutually complementary expertise, competence, and business administration experience of the audit committee members contribute to the audit committee's ability to support and challenge the company's operative management in matters falling within the audit committee's competence. The audit committee shall, as a whole – and taking into account the mutually complementary expertise, competence, and industry knowledge of its members – have sufficient expertise and experience in matters forming part of the audit committee's duties and of the company's operating environment.

The audit committee must have sufficient expertise and experience to be able to challenge and evaluate the company's internal accounting function and the company's internal and external audit function. Due to the mandatory auditing duties, legislation also requires that at least one member of the audit committee must have expertise in accounting or auditing. Expertise means, for example, competence obtained through experience and often also through studies or research. For example, serving as a chief financial officer, in other demanding financial administrative positions, or as an auditor are typical ways to obtain the competence referred to. Other corporate management experience can also be assessed to provide sufficient expertise in accounting and auditing.

Due to the nature of the matters handled by the audit committee, a majority of the members of the committee must be independent of the company and at least one member must be independent of the company's significant shareholders in the manner referred to in RECOMMENDATION 10. It must also be noted that, based on the Limited Liability Companies Act, a person who participates in the day-to-day management of the company or a company in the same group of companies (for example, as the managing director) cannot be appointed to the audit committee at all.

RECOMMENDATION 17 – Remuneration Committee

The board of directors may establish a remuneration committee to prepare matters pertaining to the remuneration and appointment of the managing director and the rest of the management team as well as the remuneration principles observed by the company.

The remuneration committee prepares the remuneration policy and remuneration report for the company's governing bodies.

The majority of the members of the remuneration committee shall be independent of the company. The managing director or other persons in the management team of the company shall not be appointed to the remuneration committee.

RATIONALE

The remuneration committee can focus on the development of the remuneration schemes of the managing director and the other management team, as well as on the remuneration principles observed by the company, more efficiently than the entire board of directors. The establishment of the remuneration committee promotes the transparency and systematic functioning of the company's remuneration schemes and the development of the company's intellectual capital and the organisation's competence, as well as successor planning.

The duties of the remuneration committee are established in the charter to be adopted for the committee. In addition to the preparation of the remuneration policy and report, the remuneration committee's duties can include:

- the presentation of the remuneration policy and report in the general meeting and responding to questions related thereto;
- the preparation of the appointment of the managing director and the rest of the management team as well as successor planning;
- the preparation and assessment of the remuneration of the managing director and the rest of the management team; and
- planning of matters pertaining to the remuneration of other personnel and the development of the organisation.

The duties of the remuneration committee shall be published in the same manner as the duties of other committees.

>> Corporate Governance Reporting, Section A – Corporate Governance Statement

The majority of the members of the committee shall be independent of the company. Neither the company's managing director nor other board members in the management team may be members of the committee.

When carrying out its duties, the remuneration committee shall act independently with relation to the operative management of the company. If the remuneration committee uses an external advisor to assist in carrying out its duties, the committee shall ensure that the advisor is not also an advisor to the operative management in a manner that can result in a conflict of interest.

RECOMMENDATION 18 – Nomination Committee

The board of directors may establish a nomination committee to prepare matters pertaining to the appointment and remuneration of the board of directors.

The majority of the members of the nomination committee shall be independent of the company. The managing director or members of the management team of the company shall not be appointed to the nomination committee.

RATIONALE

The board of directors may establish a nomination committee to improve the efficient preparation of matters pertaining to the appointment of the board of directors. The establishment of a nomination committee promotes the transparency and the systematic functioning of the election process.

The duties of the nomination committee may include, for example, the following:

- preparation of the proposal to the general meeting relating to the composition of the board of directors (the number of directors and the candidates);
- preparation of the proposal to the general meeting concerning the remuneration of the directors in accordance with the remuneration policy;
- presentation of the proposals to be made to the general meeting;
- preparation of the board of directors' diversity principles;
- successor planning for the members of the board of directors; and
- duties relating to the auditor selection process, provided that the company does not have an audit committee and the board of directors does not handle these duties.

The duties of the nomination committee shall be defined in the charter adopted for the committee, and they shall be reported in the same manner as the duties of the other committees.

>> Corporate Governance Reporting, Section A – Corporate Governance Statement

As the board of directors controls and supervises the operative management of the company, the majority of the members of the nomination committee, which prepares the election of the directors, must be independent of the company. Due to the nature of the matters addressed by the nomination committee, neither the managing director nor members of the company's management team may be members of the nomination committee.

It may be in the interests of the company and all its shareholders that the nomination committee is aware of the opinion of shareholders holding significant voting rights regarding the proposal for the appointment of directors which is being prepared.

The nomination committee is entitled to receive information on the factors affecting the evaluation of the independence of new candidates in accordance with **RECOMMENDATION 10** as well as on the findings of the evaluations concerning the board of directors' performance as set forth in **RECOMMENDATION 13**.

The proposal for the composition of the board of published shall be disclosed no later than in the notice of the general meeting, as set forth in **RECOMMENDATION 1**. The nomination committee shall ensure that the proposal is presented at the general meeting.

RECOMMENDATION 19 – Shareholders’ Nomination Board

The company’s general meeting may establish a shareholders’ nomination board to prepare matters pertaining to the appointment and remuneration of the board of directors. The shareholders’ nomination board shall consist of the company’s largest shareholders or persons appointed by the largest shareholders. The shareholders’ nomination board may also include members of the board of directors.

RATIONALE

As an alternative to a nomination committee set up by the company’s board of directors, the general meeting may resolve to establish a shareholders’ nomination board and adopt a procedure for appointing its members. In addition to the company’s largest shareholders and persons appointed by the same, the shareholders’ nomination board may also include directors. Establishing a shareholders’ nomination board can also be based on the company’s articles of association.

The duties of the shareholders’ nomination board may include, for example, the following:

- preparation of the proposal to the general meeting relating to the composition of the board of directors (the number of directors and the candidates);
- preparation of the proposal to the general meeting concerning the remuneration of the directors in accordance with the remuneration policy;
- presentation of the proposals to be made to the general meeting;
- preparation of the board of directors’ diversity principles; and
- successor planning for the members of the board of directors.

The shareholders’ nomination board may not assume other responsibilities beyond those assigned to it in the charter adopted by the general meeting.

The process for electing the members and the chair of the shareholders’ nomination board, as well as the composition and the duties of the nomination board, shall be specified in the charter adopted for the nomination board, and the key contents of the above shall also be reported.

>> Corporate Governance Reporting, Section A – Corporate Governance Statement

Good corporate governance requires an unambiguous and transparent process for establishing the shareholders’ nomination board, and such process shall also treat all shareholders equally. With regard to the appointment process, at least the procedure and cut-off date for determining the company’s largest shareholders who have the right to nominate members to the shareholders’ nomination board and the procedure for appointing the members must be reported. The term of office of the members may also be reported, along with information on whether the shareholders’ nomination board is a permanent or a temporary one. With regard to the composition of the nomination board, the company shall report the members of the nomination board and whose nominees they are. Good corporate governance requires that holders of nominee-registered shares and shareholders whose holdings should, according to shareholding disclosure rules, be added together are also taken into account in the appointment process. Each company shall evaluate the need to issue more detailed instructions and to take practical measures from their own perspectives.

The shareholders’ nomination board is entitled to receive, in confidence and subject to insider rules, information on the independence of the candidates (or, in the case of new candidates, on any factors that may affect their independence) in accordance with **RECOMMENDATION 10**, and on the findings of the evaluations concerning the board of directors’ performance as set forth **RECOMMENDATION 13**, in so far as they may be relevant when planning the composition of the board of directors.

The proposal for the composition of the board of directors shall be published no later than in the notice of the general meeting, as set forth in **RECOMMENDATION 1**. The shareholders’ nomination board shall ensure that the proposal is presented at the general meeting.

IV MANAGING DIRECTOR

The managing director is a governing body provided for in the Limited Liability Companies Act that is in charge of the day-to-day management of the company in accordance with the instructions and orders issued by the board of directors. The board of directors appoints and discharges the managing director, decides on the financial benefits within the framework of the valid remuneration policy presented to the general meeting and on other terms of the service, and supervises the operations of the managing director.

The managing director may undertake measures that are unusual or extensive, considering the scope and nature of the operations of the company, only with the authorisation of the board of directors. The managing director is responsible for ensuring that the company's accounting practices are in compliance with the law and that the financial matters are organised in a reliable manner.

The company usually has a management team tasked with assisting the managing director. The management team is not a governing body of the company.

Recommendations and reporting duties applicable to the managing director are also applied to a possible deputy managing director.⁴

Information to be provided with regard to the managing director and the deputy managing director is set out in the Reporting section.

>> Corporate Governance Reporting

>> Remuneration Reporting

⁴ Deputy managing director means the person who is entered into the Trade Register as the deputy managing director.

RECOMMENDATION 20 – Terms of the Managing Director’s Service Contract

The terms of the managing director’s service shall be specified in writing in the managing director’s service contract, which shall be approved by the board of directors. The managing director’s service contract shall also specify the financial benefits of the service, including the managing director’s severance package and any other compensation.

RATIONALE

The position of the managing director in the company requires that the terms of the managing director’s service be specified in a written agreement approved by the board of directors. The board of directors is responsible for ensuring that any financial benefits payable on the basis of the managing director’s service are in accordance with the company’s valid remuneration policy.

The board of directors approves the financial benefits of the service, including the managing director’s severance package and any other compensation. Compensation payable due to the termination of the managing director’s service contract includes salary for the period of notice as well as all other compensation that is based on the termination of the service contract. With regard to compensation payable due to the termination of the managing director’s service contract, it is rarely justified for the aggregate amount

to exceed the fixed salary and benefits in kind from a two-year period.

Remuneration and benefits that have been agreed upon at the beginning of or during the managing director’s service and that are based on the managing director’s work contribution prior to the end of the service are not considered to constitute compensation payable due to the termination of the service contract unless the payment of such compensation is expressly contingent on the termination of the service contract. Thus, for example, pension benefits agreed upon before the termination of the service contract are not included in compensation payable due to the termination of the service contract.

>> Remuneration Reporting

RECOMMENDATION 21 – Restriction Concerning the Managing Director

The managing director shall not be elected chair of the board of directors.

RATIONALE

The election of the managing director as the chair of the board of directors has been restricted, as it is the duty of the board of directors to supervise the managing director.

The company should clearly divide the areas of responsibility of the managing director and the chair of the board of directors so as to ensure that all the decision-making powers of the company are not, in practice, vested in a single individual. In general, this means that the managing director cannot be elected chair of the board of directors. However, the combination of these two roles may be justified due to certain special circumstances, such as the business

area of the company, the extent or special development phase of the operations, or the ownership structure of the company.

V REMUNERATION

Remuneration is not only compensation for the work contribution received by the company, but is also a key incentive used to guide and motivate the company's management. Remuneration can also be used as a means to retain people in the company and support the continuity of operations. Well-functioning and competitive remuneration is an essential tool for engaging competent directors and executives for the company. This, in turn, contributes to the financial success of the company and the implementation of good corporate governance. In addition to supporting the company's long-term profitability and results, remuneration supports the implementation of the objectives set by the company and the company's strategy.

Remuneration as a whole varies from company to company. It can include fixed pay components, such as an annual salary, and variable pay components, such as short- and long-term incentive schemes. Remuneration also encompasses pension arrangements, fringe benefits and other financial benefits. Any compensation for the termination of the employment or service relationship is also deemed to be remuneration, despite being compensation for termination.

The remuneration must be in proportion to the development and long-term enhancement of the value of the company. The fact that remuneration is linked to the performance and result criteria, and the fact that the materialisation thereof is monitored, increases trust in the functioning of remuneration.

The transparency of the content of remuneration and the associated decision-making process allows the shareholders to evaluate the appropriateness of the company's remuneration policy and its effectiveness in achieving the set objectives. Transparent reporting also facilitates the comparison of remuneration policies. Remuneration reporting is specified in the Reporting section.

[>> Remuneration Reporting](#)

RECOMMENDATION 22 – Decision-Making Relating to Remuneration

The general meeting shall decide on the remuneration payable for board and committee work as well as on the basis for its determination. The board of directors shall decide on the remuneration of the managing director as well as on the other compensation payable to him or her within the framework of the valid remuneration policy presented to the general meeting.

The company shall specify the decision-making procedure for the remuneration of the rest of the management team.

RATIONALE**Remuneration of Governing Bodies**

Legislation requires that the company has a remuneration policy that defines the principles and decision-making processes for the remuneration of the company's governing bodies, i.e. the board of directors and possible supervisory board, as well as the managing director and possible deputy managing director.

The remuneration of a person is generally decided on by the body responsible for the appointment of said person. The general meeting decides on the remuneration of the board of directors. The preparation of the proposal relating to the remuneration of the board of directors may be carried out together with the proposal for the composition of the board of directors as provided for in **RECOMMENDATION 7**. Decisions concerning the remuneration of the company's managing director are made by the company's board of directors. Remuneration must comply with the valid remuneration policy.

The remuneration policy must be presented to the general meeting at least every four years and whenever substantial changes are made to it. The general meeting will make a resolution on the remuneration policy expressing whether it supports the presented policy. The resolution is advisory. The shareholders cannot propose changes to the remuneration policy presented to the general meeting. If a majority of the general meeting opposes of presented remuneration policy, an amended policy must be presented no later than in the next annual general meeting.

If the company has a remuneration committee, it may be assigned the duty of conducting the preparatory work of the remuneration of the managing director. Remuneration committees are discussed in **RECOMMENDATION 17**.

Management Team Remuneration

A management team is not a governing body referred to in the Limited Liability Companies Act. Thus, the remuneration policy does not apply to the management team, with the exception of the managing director. With respect to the rest of the management team, the decision-making procedures for remuneration are defined by the company. The remuneration committee can also prepare the management team's remuneration in cooperation with the managing director. The company publishes the principles for the remuneration of the management team on its website.

The decision-making process concerning the remuneration of the rest of the management team must take into account the provisions of the Limited Liability Companies Act. For example, the general meeting decides on the issue of shares or option rights unless it has authorised the company's board of directors to decide on the matter.

>> *Remuneration Reporting, Section A – Remuneration Policy for Governing Bodies*

RECOMMENDATION 23 – Remuneration and Shareholdings of the Board of Directors

Remuneration for board and committee work may be paid, either fully or in part, in the form of company shares.

Remuneration of a non-executive director shall be arranged separately from the share-based remuneration scheme applicable to the company's managing director, management team, or personnel.

RATIONALE

Directors' shareholding in the company promotes good corporate governance. A good way to increase the shareholding of directors is to pay the remuneration for their board and committee work, or a part thereof, in the form of shares. In such case, the company must ensure compliance with insider regulations. The company may require that a director retain the shares or a part of the shares received as remuneration or acquired otherwise at least for the duration of his/her term as a director.

>> *Remuneration Reporting, Section A –
Remuneration Policy for Governing Bodies*

The payment of a fixed remuneration in shares instead of payment in cash differs from share-based remuneration schemes, where the amount of the remuneration is not fixed in advance, but is determined on the basis of the development of the company's financial position or share price.

In general, it is not justified from the perspective of the shareholders' interests for non-executive directors to participate in the same share-based remuneration scheme as the managing director, the rest of the management team, or the personnel, because this could hinder the implementation of the board of directors' supervisory duty and lead to conflicts of interest.

VI OTHER GOVERNANCE

The purpose of internal control and risk management is to ensure the effective and profitable operations of the company, the reliability of information, and compliance with the relevant regulations and operating principles. Another objective is to be able to identify, evaluate, and monitor risks related to the business operations. The internal audit of the company evaluates aspects such as the internal control of the company and risk management.

The company procedure concerning related party transactions is also a part of good corporate governance. Whenever the company conducts business transactions with related parties, the company must ensure that the transactions are appropriate from the perspective of the company and the shareholders. The company must take into account the legislation that sets specific requirements for the monitoring, assessment, deciding, and disclosure of related-party transactions.

The Reporting section sets out in more detail how these matters need to be reported in the company's Corporate Governance Statement.

>> [Corporate Governance Reporting, Section A – Corporate Governance Statement](#)

RECOMMENDATION 24 – Internal Control

The company shall define the operating principles for internal control.

RATIONALE

The company must regularly control and monitor its activities to ensure the efficiency and results of its business operations. The board of directors shall ensure that the company has defined the operating principles for internal control and that the company monitors the functioning of the internal control.

The purpose of the operating principles for internal control is to ensure that the company's objectives relating to matters such as the company's strategy, operations, practices, and especially financial reporting, are achieved. The operating principles for internal control also help to ensure that the company complies with all applicable laws and regulations.

Each company shall define its methods and operating principles for internal control on the basis of its own circumstances taking into account, *inter alia*, the size of the company, its line of business, the geographical scope of its operations, and its group structure.

The operating principles for internal control shall be reported in the Corporate Governance Statement.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

RECOMMENDATION 25 – Risk Management

The company shall define the principles applied in the organisation of the company's risk management.

RATIONALE

Risk management is a part of the company's control and monitoring system. The purpose of risk management is to ensure that the risks related to the business operations of the company are identified, evaluated, and monitored. Well-functioning risk management requires that the principles of risk management are specified. In order to evaluate the operations of the company, sufficient information on risk management must be provided. Risk management principles relating to financial reporting processes shall be reported in the Corporate Governance Statement.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

Legislation requires that the management report contains an evaluation of the material risks and uncertainties. In addition, the company's regular reporting must describe the material short-term risks and uncertainties related to the business operations. The company may refer to this information in its corporate governance reporting.

>> *Corporate Governance Reporting, Section B – Other Information to Be Provided on Companies' Website*

RECOMMENDATION 26 – Internal Audit

The company shall define the organisation of the company's internal audit.

RATIONALE

The purpose of the internal audit is to evaluate, among other things, the appropriateness and success of the company's internal control system and risk management as well as the management and corporate governance processes. The internal audit supports the development of the organisation and improves the efficient fulfilment of the supervision obligation of the board of directors.

The organisation and methods of the company's internal audit depend, for example, on the nature and scope of the company's business operations, the number of personnel,

and other corresponding factors. It is not always expedient for the company to organise internal audit as a separate function.

The organisation of the internal audit and the main principles applied in the internal audit, such as the reporting principles, shall be reported in the Corporate Governance Statement.

>> *Corporate Governance Reporting, Section A – Corporate Governance Statement*

RECOMMENDATION 27 – Related Party Transactions

The company's board of directors must define the principles for the monitoring and evaluation of related party transactions.

The company shall report these principles and maintain a list of its related parties.

RATIONALE**Related Party Transactions in General**

The company's business activities may include regular or less frequent transactions with parties that are related to the company. In some companies the group structure or contractual arrangements are such that the company's normal business operations involve buying or selling raw materials, components, commodities, or services from or to business entities or individuals who are related to the company. Transactions between the company and related parties are allowed, provided that they promote the purpose and interests of the company and are commercially justified.

Legislation includes numerous mandatory provisions concerning related party transactions of listed companies. These provisions set particular requirements for the monitoring, assessment, and decision-making concerning relat-

ed party transactions as well as for the disclosure of implemented related party transactions and the contents of such disclosure.

The board of directors must monitor and assess the company's related party transactions. The board of directors decides on related party transactions that are not conducted in the ordinary course of business of the company or are not implemented under arm's-length terms.

Definition of Related Parties and Maintenance of List of Related Parties

The company shall define the parties that are related to the company. If the company's related parties have not been identified appropriately and the information has not been kept up to date, related party transactions can go unnoticed.

In this recommendation, the related parties of the company mean the related parties of a listed company in accordance with the Limited Liability Companies Act (IAS 24). In order to identify related party transactions, the company must keep a record of the natural and legal persons that are its related parties. The company must ensure that the members of the board of directors and managing director are given sufficient instructions concerning related parties.

Identifying Related Party Transactions

Related party transaction means an agreement or other legal act between the company and a related party. When identifying related party transactions, the actual contents of the transaction, party, and the relationship between them must be accounted for, not just the legal form thereof. The essential issue is the transfer of resources, services, or obligations between a company and its related party, regardless of whether monetary or other consideration is paid.

Principles for Monitoring and Evaluating Related Party Transactions

The board of directors shall monitor and evaluate transactions between the company and its related parties. However, this does not mean that the board of directors shall evaluate each individual related party transaction. By law, the board of directors must monitor and assess how agreements and other legal acts between the company and its related parties meet the requirements of ordinary activities and arm's-length terms.

For this purpose, the company must establish proportionate principles and processes for related party transactions that the company can use to identify its related parties and the transaction to be carried out with them and to assess the nature and terms of such transactions. When establishing processes for related party transactions, the extent of the related parties and the frequency of related party transactions, among other things, can be taken into account. The principles must indicate how the company has arranged the identification, reporting, and supervision of related party transactions as well as the proper decision making.

The nature of a related party transaction and its terms must be evaluated, in particular, with respect to the company's ordinary course of business and arms-length terms. For ex-

ample, standard agreements that are offered to customers and personnel in general are typically part of the ordinary course of business, which means that they do not require special monitoring or assessment measures. Transactions that are not within the scope of the company's field of operations may not be in the ordinary course of business. The contractual terms of related party transactions must be assessed with a view to market practices that are generally complied with and accepted in the field and on a case-by-case basis, for example, in relation to the normal commercial terms applied by the company to its customers.

Related party transactions that are not part of the company's ordinary course of business or are made in deviation from customary commercial terms require a decision of the board of directors to carry out the related party transaction. With respect to such related party transactions, the principles shall take into account, for example:

- transactions must be appropriately identified, reported, and controlled, for example by having the audit committee or independent and impartial directors monitor the company's related party transactions in accordance with the company's reporting practices;
- preparation and decision making must be particularly careful given the rules for conflicts of interest; and
- the preparation of related party transactions must involve the proper reports, statements, and/or assessments.

Decision Making and Conflict of Interest Regulations

It is vital to identify related party transactions, because legislation requires that the company's board of directors decide on agreements and other legal acts to be carried out with related parties that are not part of the company's ordinary course of business and that are not implemented under arms-length terms. Related party transactions that are part of the ordinary course of business and are implemented under arms-length terms do not require a decision of the board of directors under the Limited Liability Companies Act.

The decision making of the board of directors must also take provisions on conflicts of interest into account, because board members cannot participate in deciding a matter concerning themselves. Board members also have a conflict of interest and cannot participate in decisions concerning a transaction with one of their related par-

ties if that transaction is not part of the company's ordinary course of business or is not implemented under arms-length terms.

When the general meeting decides on a related party transaction due to the board having deferred the decision to the general meeting or due to the articles of association assigning the decision to the general meeting, the decision-making process must take into account that the Limited Liability Companies Act expressly lists transactions that are not subject to the conflict of interest provisions relating to shareholders' related party transactions. Such transactions include, for example, transactions with fully-owned subsidiaries and resolutions of the general meeting concerning the remuneration of the board of directors.

Publication of the Principles

The principles for related party transactions are published in a manner decided by the company in the company's annual corporate governance statement. This provides shareholders and investors with the opportunity to assess the practices that the company complies with.

*>> Corporate Governance Reporting, Section A –
Corporate Governance Statement*

CORPORATE GOVERNANCE REPORTING

A. Corporate Governance Statement

Listed companies shall issue a corporate governance statement (hereinafter 'CG Statement') once a year. This obligation is based on legislation, and it cannot be departed from on the basis of the 'comply or explain' principle.

High-quality corporate governance reporting increases the company's transparency and investors' trust in the company. A well-drafted CG Statement promotes the investors' possibilities to obtain information by providing the investors with the most important information relating to corporate governance in a compiled manner.

The audit committee or another competent committee shall review the CG Statement. If there is no such committee, the entire board of directors shall review the statement. A note of the review must be entered into the minutes of the relevant meeting of the audit committee, another competent committee, or the board of directors. The CG Statement need not be signed separately.

Issuing a Separate CG Statement or Incorporating the CG Statement into the Management Report

The law requires that the company present its CG Statement in the management report or as a separate report. The Securities Market Association recommends that the CG Statement be issued separately. By presenting the CG Statement as a separate report, the company may emphasise the information given to shareholders and other investors. The information can also be found more easily in a separate report.

If the company issues a separate CG Statement, the CG Statement and the management report must refer to one other. The company's auditor shall verify that the CG Statement has been issued and issue a statement regarding it in case the description of the main features of the internal control and risk management systems relating to the company's financial reporting process is inconsistent with the description included in the company's financial statements. If the company presents its CG Statement in the management report, the CG Statement is audited as a part of the management report, which affects the extent of the audit.

Disclosure of the CG Statement and Availability Online

The CG Statement is disclosed together with the management report or as a separate stock exchange release. The CG Report shall be made available on the company's website in connection with disclosure. When the company discloses its financial statements and management report through a stock exchange release, the release must include a note about the availability of the CG Statement on the company's website. The company shall also ensure that the CG Statement is submitted to the Central Storage Facility of Regulated Information maintained by Nasdaq Helsinki Ltd.

In effect, it is practical for the company to issue a single stock exchange release stating that the company's financial statements, management report, as well as the CG Statement and the remuneration report for the company's governing bodies have been disclosed and that they are available on the company's website and also appended to the release. Provided that the stock exchange release is accompanied by the aforementioned documents, the documents are automatically filed in the Central Storage Facility of Regulated Information referred to in chapter 10, section 3 of the Securities Markets Act.

The company shall publish the entire CG Statement in the corporate governance/investors section of its website. The company may structure the CG Statement in accordance with the format presented below, but it may also present the required information in an order chosen by it.

The company cannot depart from the obligation to publish the information required of the CG Statement. However, information regarding the items marked below with an asterisk need not be included insofar as the company has reported in its CG Statement that it has departed from the recommendation in question and provided an appropriate explanation for the departure.

The CG Statement shall be made available in an investor-friendly manner, such as in PDF format. The company shall keep its CG Statements on its website for at least 10 years.

I. INTRODUCTION

- Corporate Governance Code(s) to which the company is subject or which the company has decided to apply
 - Website where the Corporate Governance Code is publicly available (e.g. Securities Market Association website www.cgfinland.fi/en)
- Specific recommendations of the Corporate Governance Code from which the company departs, if any
- Details of any departures from the individual recommendations and the reasons for them
 - An explanation of the manner in which the company has departed from a recommendation
 - A description of the reasons for the departure
 - A description of how the decision to depart from the recommendation was taken within the company
 - Where the departure is limited in time, an explanation of when the company envisages complying with a particular recommendation
 - Where applicable, a description of the measure taken instead of compliance and an explanation of how that measure achieves the underlying objective of the specific recommendation or of the code as a whole, or a clarification of how it contributes to good corporate governance of the company

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

Composition and operations of the board of directors

- Biographical details of the directors
 - Name, year of birth, education, and main occupation
 - Assessment by the board of directors of each director's independence of the company and of any significant shareholders
 - Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies at the end of the previous financial period
- Description of the operations of the board of directors
 - Description of the main contents of the charter of the board of directors or a direct link to the charter (**RECOMMENDATION 11**)*
 - Number of the meetings held during the previous financial period
 - Each member's attendance in the meetings (detailed by member)
- Information on any specific order according to which the directors are to be appointed
- Principles concerning the diversity of the board of directors, published to the extent chosen by the company (**RECOMMENDATION 9**)*
 - including at least the objectives relating to both genders being represented in the company's board of directors, an account of the progress in achieving these objectives, as well as the means to achieve the objectives

Composition and operations of the committees of the board of directors (if the company has committees)

- Composition of the committees
 - Biographical details provided in the context of the above (Composition and operations of the board of directors) need not be repeated.
- Description of the operations of the committees
 - Description of the main contents of the committee charter approved by the board of directors or a link to the charter
 - Number of the meetings held during the previous financial period
 - Each member's attendance in the meetings (detailed by member)

- Details of the body responsible for the mandatory duties of the audit committee
 - If the company does not have an audit committee or if some of the mandatory duties of the audit committee have been delegated to a body other than the audit committee

Shareholders' nomination board

- If the company's general meeting has established a shareholders' nomination board to carry out preparatory work on the election of directors, the company shall report the election process, composition, and operations of the nomination board.
- The composition and operations of the shareholders' nomination board shall be described, for the applicable parts, in accordance with the explanation given above for the board of directors and its committees

Supervisory board

- The composition and operations of a possible supervisory board and the committees and commissions set up by it shall be described, for the applicable parts, in accordance with the explanation given above for the board of directors and its committees

Managing director and his/her duties

- Biographical details of the managing director
 - Name, year of birth, and education
 - Shares and share-based rights of the managing director and corporations over which he/she exercises control in the company and its group companies at the end of the previous financial period
- Description of the managing director's duties
 - Description of the duties arising from the Limited Liability Companies Act and any other duties
- Deputy managing director
 - Information on a possible deputy managing director are presented in the same manner as information on the managing director

CORPORATE GOVERNANCE STATEMENT

Management team

- Composition and duties of the management team as well as responsibility areas of its members
 - If the company has no management team, the company must define the persons who are considered other management and are subject to corresponding disclosures as the members of the management team
 - The description of the company's management team must highlight the operative nature of other executives in contrast to the company's statutory governing bodies
- Biographical details and shareholding of the management team
 - The corresponding biographical details and shareholding information shall be provided in respect of the members of the management team in the same manner as in respect of the managing director, along with the information on each individual's role in the company's organisation

III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

The CG Statement shall include descriptions of the main features of the internal control and risk management systems relating to the financial reporting process, i.e. information on how the company's internal control and risk management systems ensure that financial reports disclosed by the company provide in all material respects true and accurate information about the company's financial position. The scope of the description depends on the size of the company and the structure of its business operations.

All descriptions shall cover the following issues:

- Overview of the risk management systems
 - General principles of risk management
 - Main features of the risk management process and its connection to internal control
- Overview of internal control
 - Main features of the company's internal control framework

- Description of the main features of the monitoring mechanisms for the company's operations and controls
- Description of the operating principles for internal control
- Main features of the practical application of the company's internal control

The aforementioned information shall be issued at the group level, i.e. the CG Statement shall describe how the reliability of the financial reporting of group companies is ensured at the group level. The intention is not to give a description of the financial reporting process or the details of the related internal control and risk management systems.

The company may issue more extensive descriptions of the main features of the internal control and risk management systems relating to the financial reporting process. In that case, the company can make use of the COSO 2013 or other similar framework it applies.

IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

The CG Statement shall also include the following information:

- Description of the organisation of the company's internal audit and the main principles observed in the internal audit, such as the reporting principles (**RECOMMENDATION 26**)*
- Principles for related party transactions (**RECOMMENDATION 27**)*
- Main procedures relating to insider administration¹
- Name of the company's auditor
- Remuneration paid for audit services
- Fees paid to the auditor for services other than auditing services

¹ Transparency of insider holdings and insider trading promotes trust in the securities market. Efficient insider administration in listed companies requires that insider administration is organised in a consistent and reliable manner. Obligations relating to insider administration are binding on listed companies, and the main insider administration procedures shall be reported in the CG Statement.

***NB! When the information relates to a specific recommendation and the information required thereunder, the company may also need to provide information on a possible departure from the recommendation and reasons for the departure.**

B. Other Information To Be Provided on the Company's Website

In addition to the duty to publish the CG Statement once a year, the company shall also update any essential information relating to its corporate governance on the company's website. The investor information on the company's website provides shareholders and other investors with up-to-date information about the company and its corporate governance.

The company shall regularly update the information on its website so as to ensure that the information is as up to date as possible. For example, the company shall make any necessary updates to the information on its website after each general meeting.

A transparent and clear presentation of the investor information helps create an overall picture of the operations of the company. Various technical solutions may be used to present the information on the company's website. It is of essential importance that each subject matter is clearly defined and easy to find. If information is presented, for example, by providing links to other documents, the links must lead directly to the information concerned.

In addition to the information required by the recommendations of the Corporate Governance Code, the company shall also consider the objectives of the Corporate Governance Code when planning the corporate governance / investor information provided on its website. For example, any information included in the annual CG Statement that may materially change in the course of the year should be separately maintained and updated on the company's website.

The following list includes other information to be presented and kept up to date on the company's website. More detailed provisions on the information to be presented on the company's website are included in chapter 2 of the Rules of Nasdaq Helsinki and in chapters 7, 8 and 10 of the Securities Markets Act.

Information Pertaining to General Meetings

- Notice of the general meeting (**RECOMMENDATION 1**)*
- Proposals concerning the composition of the board of directors, remuneration of the directors, and auditors (**RECOMMENDATION 1**)*
- Remuneration report for governing bodies
- Remuneration policy for governing bodies (if on the general meeting's agenda)
- Procedure used to prepare proposals on the composition of the board of directors (**RECOMMENDATION 7**)*
- Biographical details of the director candidates and the evaluation of the candidates' independence (**RECOMMENDATIONS 1 AND 10**)*
- Other draft resolutions submitted by the shareholders that fall within the competence of the general meeting (**RECOMMENDATION 1**)*
- Date by which the board of directors shall be notified of items that shareholders demand to be included in the agenda of the annual general meeting and the instructions regarding the postal or email address to which the shareholders must send their demands (**RECOMMENDATION 2**)*
- General meeting documents covering the past five years (**RECOMMENDATION 4**)*

**NB! When the information relates to a specific recommendation and the information required thereunder, the company may also need to provide information on a possible departure from the recommendation and reasons for the departure.*

Board of Directors and Its Committees, If Any

- Biographical details of the directors
 - Name, year of birth, education, and main occupation
 - Date on which the individual became a director in the company
 - Relevant work experience
 - Most important positions of trust
 - Assessment by the board of directors of each director's independence of the company and of any significant shareholders

Managing Director and Management Team

- Biographical details and duties of the managing director and possible deputy managing director
- Organisation of the executives in the company and the composition and duties of the management team, as well as the responsibilities of each member
- Biographical details of the members of the management team

Auditing

- Auditor

Other essential information pertaining to the company's corporate governance, such as the following

- Articles of association and information on any redemption clauses
- Shares and share capital
- Major shareholders and flagging notifications made during the past 12 months, presented in an investor-friendly manner
- Any shareholder agreements that the company is aware of
- Events calendar, including events such as the following:
 - Disclosure date for the financial statements release
 - Disclosure dates for the half-yearly financial report and any other possible financial reports disclosed by the company
 - Period of time determined by the company during which permanent insiders may not trade in the securities issued by the company (closed window)
 - Disclosure week for the financial statements and the management report
 - Date of the annual general meeting
 - Date until which shareholders can make demands for items to be included to the agenda of the general meeting

REMUNERATION REPORTING

The objective of remuneration is to promote the long-term financial success and competitiveness of the company and the favourable development of shareholder value. The purpose of remuneration reporting is to provide investors with a clear and comprehensive picture of the remuneration of the company's governing bodies and management team.

The reporting requirements are partially based on the Corporate Governance Code and partially on legislation¹ and cannot be departed from on the basis of the 'comply or explain' principle.

Legislation requires that the company has a **remuneration policy** that defines the principles for the remuneration of the company's governing bodies, i.e. the board of directors and possible supervisory board, as well as the managing director and possible deputy managing director² ("remuneration policy"). Furthermore, companies must disclose an annual **remuneration report** providing information on the fees paid to the company's governing bodies in question ("remuneration report"). The remuneration policy and report do not deal with the remuneration of the rest of the management team. The remuneration policy and report must be made available to investors on the company's website.

In addition to the remuneration policy and report, the company must also issue on its website information on the remuneration of other members of its management team, as provided for in more detail in Section C concerning remuneration reporting ('Other Remuneration Information to be Published on the Company's Website').

The company can use the following structure in its reporting or present the required information in the order it sees fit.

A. Remuneration Policy for Governing Bodies

The remuneration policy sets a framework for the remuneration of the company's governing bodies. The remuneration policy shall be presented to the general meeting at least once every four years. The requirements for the remuneration policy have been described in Section A.

B. Remuneration Report for Governing Bodies

The company must draft a clear and understandable remuneration report, which shall be presented each year to the annual general meeting. The remuneration report provides information on the fees that have been paid to the company's governing bodies or are falling due for the preceding financial year. The remuneration report provides investors with the opportunity to monitor the compliance of the remuneration with the remuneration policy and monitor how remuneration promotes the company's long-term financial success. The requirements for the remuneration report have been described in Section B.

C. Other Remuneration Information to be Published on the Company's Website

In addition to the remuneration policy and report, the company must publish on its website information on valid remuneration schemes for the board of directors and managing director as well as overall information on the remuneration of the management team. The requirements for this other information have been described in Section C.

¹ Chapter 7, section 7 b and chapter 8, section 5 a of the Securities Markets Act and the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019).

² Deputy managing director means the person who is entered into the Trade Register as the deputy managing director

A. Remuneration Policy for Governing Bodies

Remuneration is not only compensation for the work contribution received by the company, but is also a key incentive used to guide and motivate the members of the company's governing bodies. Remuneration can also be used as a means to retain people in the company and support the continuity of operations. Functioning and competitive remuneration is an essential tool in recruiting capable management for the company.

The company must have a clear and comprehensible remuneration policy, which provides information on how remuneration has been arranged for the members of the company's governing bodies, i.e. the board of directors and possible supervisory board, as well as the managing director and possible deputy managing director. The remuneration policy must be presented to the general meeting at least every four years and whenever substantial changes have been made to it.

The remuneration of governing bodies must take place within the limits of the remuneration policy presented to the general meeting. Therefore, when drafting the remuneration policy, it is essential to ensure that the policy enables remuneration that promotes the company's interests. When drafting the remuneration policy, it is advisable to take into account that unexpected changes could occur in the company's governing bodies and business environment, and such changes could give rise to the need to alter remuneration. The remuneration of governing bodies is affected by the operating environment, i.e. by the terms under which the best people for the company can be recruited, retained and motivated to contribute to the company's success. In practice, e.g. the company's strategy and goals, the company's size and ownership base as well as the company's industry and personnel structure all affect the terms of remuneration. For these reasons, among others, it is advisable to draft a sufficiently flexible remuneration policy.

No material changes can be made to the remuneration policy without presenting the changed policy to the general meeting. Permitted changes that are not deemed material are, for example, technical changes to the decision-making process for remuneration or to the terminology concerning remuneration. A change in legislation could also constitute grounds to make changes to the remuneration policy that would not be deemed material.

The remuneration policy to be presented to the general meeting must be disclosed by a stock exchange release no later than three weeks prior to the general meeting in which it is to be presented. The remuneration policy can also be disclosed as an appendix to the notice of the general meeting.

The remuneration policy must be made available on the company's website for at least the period that it is applied, and in the same connection, information must be presented on the date of the general meeting that handled the matter as well as on the voting result if a vote was held on the policy.

Contents of the Remuneration Policy

1. Introduction
2. Description of the decision-making process
3. Description of the remuneration of the board of directors
4. Description of the remuneration of the managing director
 - a. Remuneration components and proportional shares of overall remuneration
 - b. Grounds for determining any variable remuneration components
 - c. Other key terms applicable to the service contract
 - d. Terms for deferral and possible clawback of remuneration
5. Requirements for temporary deviation

1. INTRODUCTION

The introduction describes the key principles of the company's remuneration policy and describes how the policy promotes the company's business strategy and long-term financial success.

The introduction must also state how the terms and conditions of the company's employees' salaries and employment relationships have been taken into account when drafting the remuneration policy. For example, the company may have general remuneration principles for the rest of its personnel, in which case the remuneration policy could report the extent to which the principles applicable to governing bodies correspond to or deviate from the principles applicable to the rest of the personnel.

When changing the remuneration policy, the introduction must state:

- material changes to the valid remuneration policy;
- how the new policy takes the general meeting's resolution on the previous policy into account; and
- how the new remuneration policy takes into account the shareholder statements presented at the general meetings when discussing the remuneration reports disclosed since the adoption of the previous remuneration policy.

The company will consider on a case-by-case basis how the drafting of the new remuneration policy is affected by the general meeting resolution on the previous remuneration policy or the shareholder statements presented at the general meetings when discussing the remuneration reports disclosed since the adoption of the previous remuneration policy.

2. DESCRIPTION OF THE DECISION-MAKING PROCESS

The remuneration policy must describe the decision-making process complied with when approving, assessing and implementing the remuneration policy. The description must include information on measures to prevent and manage conflicts of interest and, if necessary, on the role of the remuneration committee or other committees in the various stages of the decision-making process.

The remuneration of governing bodies takes place within the limits of the remuneration policy presented to the general meeting. Decisions on remuneration are usually made by the body that appointed the individual in question:

- Decisions concerning the remuneration of the board of directors and possible supervisory board are made by the general meeting.³ Preparatory work relating to the remuneration proposal can also be delegated to the company's nomination committee or shareholders' nomination board. The remuneration policy must describe the procedures applied in the preparation of the remuneration proposal.
- The board of directors decides on the remuneration of the managing director and possible deputy managing director's as well as on the key terms and conditions of their service. The decisions must be made within the limits of the remuneration policy presented to the general meeting. Preparatory work relating to the remuneration of the company's managing director can also be delegated to the company's remuneration committee. The company shall describe the procedures applied in preparatory work relating to the remuneration.
- Pursuant to the Limited Liability Companies Act, decisions concerning the distribution of a company's shares, options, or other special rights entitling to shares shall be made in the general meeting or by the company's board of directors pursuant to an authorisation from the general meeting. When shares, options, or other special rights entitling to shares are issued to members of the governing bodies as part of their remuneration, this must take place within the limits of the remuneration policy. The company shall describe the procedures applied in decision-making relating to remuneration.

Changes could take place in the decision-making processes concerning the remuneration policy, for which reason the description of such processes should avoid excessive detail.

³ If the company has a supervisory board, it is possible for the articles of association to require that the supervisory board appoints the board of directors and decides on the remuneration of the directors. However, in this case, Recommendation 5 must be taken into account.

3. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

Decisions concerning the remuneration of the board of directors are made in general meetings.⁴ The remuneration of the board of directors can consist of one or more components, such as an annual fee and possible meeting fees. The chair and deputy chair of the board as well as committee members can be paid an increased fee or meeting fee. An increased fee can also be paid if the meeting is held outside of a member's country of residence. The fees to be paid to directors can be paid in cash or partially or entirely in shares. The general meeting can also resolve on the grounds for determining other kinds of remuneration. The resolutions of the general meeting concerning the remuneration of members of the board or directors are disclosed in the same stock exchange release as the other resolutions of the general meeting.

The remuneration policy must be drafted in such a way that it does not limit the general meeting's power of decision in the matter. As a rule, it is sufficient in the remuneration policy for the board of directors to state that the remuneration of the directors is decided by the general meeting and describe how the proposal for the general meeting is prepared.⁵

What has been stated in reference to the board of directors above also applies to the supervisory board.

4. DESCRIPTION OF THE REMUNERATION OF THE MANAGING DIRECTOR

Decisions concerning the remuneration of the company's managing director are made by the company's board of directors within the limits of the remuneration policy presented to the general meeting. The remuneration of the managing director can consist of one or more components and remuneration as a whole varies from company to company. The managing director's remuneration can include, for example, a fixed annual salary, variable pay components—such as short- and long-term incentive schemes, as well as other financial benefits, such as pension schemes and fringe benefits. Potential compensation for the termination of the service contract is also deemed to be a part of remuneration.

Monetary remuneration is typical, but the benefits to be paid can also be, for example, shares, options or other share-based rights or other securities.

The description of the managing director's remuneration must indicate the following matters, as applicable:

- a. Remuneration components and proportional shares of overall remuneration
- b. Grounds for determining any variable remuneration components
- c. Other key terms applicable to the service contract
- d. Terms for deferral and possible clawback of remuneration

What has been stated in reference to the managing director above also applies to a possible deputy managing director.

⁴ Unless otherwise provided for in the articles of association.

⁵ If an employee of the company is a member of the board of directors and the remuneration policy for the board of directors is more detailed, the remuneration policy must also provide information on the principles for determining the ratio between the employee's salary and board fees.

5. REQUIREMENTS FOR TEMPORARY DEVIATION

The remuneration of governing bodies must take place within the limits of the remuneration policy presented to the general meeting. However, the remuneration policy can also include the possibility to deviate from the policy temporarily.

Temporary deviation requires that the remuneration policy defines in advance the situations in which the policy can be deviated from and what parts of the policy can be deviated from as well as the procedures to be complied with when deviating from the policy.

A further requirement is that deviation takes place to ensure the company's long-term interests. The assessment of the company's long-term interests can take into account the company's long-term financial success, competitiveness and shareholder value development, among other things.

The possibility to temporarily deviate from the remuneration policy is intended to only be applied in exceptional circumstances in which the listed company's key operating preconditions would have changed after the general meeting discussed the remuneration policy, for example, due to a change of managing director or a corporate arrangement such as a merger or takeover bid, and the valid remuneration policy would no longer be sensible in these changed circumstances. The remuneration policy can also include deviations due to changes in regulations, such as taxation.

If deviating from the remuneration policy is assessed to have continued to the point that it cannot be deemed temporary, the company must prepare a new remuneration policy to be discussed at the next possible annual general meeting. The provisions concerning the availability of the notice convening the general meeting and meeting material could lead to it not being possible to present the new remuneration policy to the next annual general meeting if the need for deviation arises close to the date of the general meeting in question. In such situations, the remuneration policy must be presented to the general meeting for which it can be properly prepared.

If the temporary deviation from the remuneration policy concerns the remuneration of a new managing director or the policy has been deviated from due to a corporate arrangement or other corresponding exceptional situation, the new terms and conditions concerning remuneration will be valid as agreed regardless of the duration of the temporary deviation.

A temporary deviation must in any case be reported in the annual remuneration report to be discussed at the next annual general meeting.

>> Remuneration reporting, Section B – Remuneration report for governing bodies

GUIDELINES FOR APPLYING THE REMUNERATION POLICY

a. Remuneration components and proportional shares of overall remuneration

All financial benefits the amount of which are known to the parties in advance, such as annual salary, are considered to be fixed remuneration components. Variable remuneration components are considered to include all fees the amount of which is dependent on the person's performance or on an outside factor, such as the development of the company's financial or non-financial performance measures, or on some other defined factor. The fixed and variable components of salaries and fees must be appropriately proportionate to each other considering the objectives of remuneration.

The remuneration policy must also indicate what kinds of other financial benefits the company can grant to members of its governing bodies. Other financial benefits can include pension benefits, compensation for termination and other comparable financial benefits that are not considered fixed or variable remuneration components. Fringe benefits are also generally other financial benefits that are not considered fixed or variable remuneration components. The company must assess the extent to which fringe benefits are treated as fixed remuneration components or other financial benefits.

The company must consider the level of detail at which the different remuneration components are defined in the remuneration policy. It could be justified to set a monetary upper limit on remuneration or, for example, a ratio to determine the proportion of different remuneration components.

If the company uses both fixed and variable remuneration components, the proportions of these components must be published. As the final amount of variable remuneration components is not known in advance, the remuneration policy can state, for example, the maximum amounts, target amounts or range of amounts of variable components or use verbal qualifiers to express the share of variable components in overall remuneration.

b. Grounds for determining any variable remuneration components

If the remuneration policy includes variable remuneration components, it must state the grounds on which the variable components are determined. The grounds can vary from component to component, in which case short- and long-term incentive remuneration can have different grounds for determination.

The grounds for determination can relate to, for example, the company's financial or profit performance, the company's corporate responsibility and non-financial performance measures, compliance with internal and external rules or on an assessment of the personal performance of the person being remunerated. The remuneration policy must report how the chosen grounds for determination promote the company's business strategy and long-term financial success.

With regard to the variable remuneration components, the period for which the fulfilment of the set performance and result criteria are evaluated (earning period) must be specified. In addition, the company may require that the benefits for the earning period are paid or made available only after a certain predetermined period of time after the earning period (restriction period).

The remuneration policy must state the procedures used to determine the extent to which the performance measures have been fulfilled. For this reason, it is advisable to use measurable criteria as performance measures.

c. Other key terms applicable to the service contract

The service contracts of the managing director and deputy managing director can contain many terms that affect overall remuneration. The service contract can provide for the duration of the contract, the applicable notice period, possible severance payments, and possible pension arrangements. The principles relating to these must be reported in the remuneration policy. The remuneration policy must also state any principles concerning shareholding.

If the members of the board of directors or supervisory board are in an employment or service relationship with the company, the principles for these relationships must be published in the same manner as for the managing director. In the case of employee representatives, only the principles for remuneration of board duties need be reported.

d. Terms for deferral and possible clawback of remuneration

Different terms for deferring payment can be applied to different remuneration components. The remuneration policy must report any deferral periods concerning the payment of any variable remuneration components as well as the possibilities to claw back variable components that have already been paid. If the company grants share-based remuneration, the remuneration policy must describe the principles for earning and restriction periods included in the share-based remuneration and for any lock-up periods concerning shares. With regard to remuneration in shares, the company may require that the shares or some of the shares received as remuneration be retained by the recipients for the entire duration of service or for some other determined period.

Agreements concerning remuneration can also include clawback terms concerning paid benefits. Any clawback terms must be stated in the remuneration policy.

In Finland, the clawback payments made as fees is possible under certain circumstances under legislation and general legal principles. These do not have to be separately reported in the remuneration policy.

B. Remuneration Report for Governing Bodies

The purpose of the remuneration report is to describe the implementation of the company's remuneration policy in a clear and comprehensible manner. The remuneration report provides information on the remuneration of the members of the company's board of directors and possible supervisory board, as well as of the managing director and possible deputy managing director, during the preceding financial year. Information shall be provided for payments by all of the company's group companies.

The remuneration report is issued each year and is disclosed as an appendix to a stock exchange release at the same time as the financial statements, management report and CG Statement. The remuneration report must be presented to the annual general meeting. The company must make the remuneration reports disclosed by it available to investors on its website for 10 years.

Contents of the Remuneration Report

1. Introduction
2. Fees of the board of directors for the preceding financial year
 - annual fees
 - meeting fees for the board of directors and committees
 - other financial benefits
3. Remuneration of the managing director for the preceding financial year
 - fixed annual salary
 - variable remuneration components, such as financial benefits based on short- and long-term incentive schemes
 - information on the proportional shares of fixed and variable remuneration components
 - supplementary pension contributions
 - other financial benefits, such as fringe benefits, signing bonuses, retention bonuses, or severance packages

1. INTRODUCTION

The remuneration report must include an introduction in which the company reports how the remuneration policy has been complied with in management remuneration during the preceding financial year and how remuneration promotes the company's long-term financial success.

The introduction must compare the development of the fees of the board of directors and managing director to the development of the average remuneration of employees and to the company's financial development over at least the preceding five financial years.⁶

The remuneration report must present information on how any advisory vote of the previous general meeting concerning the remuneration report has been taken into account. The remuneration report must also provide information on deviations from the remuneration policy if any have been made.⁷ Any clawbacks of fees must also be published.⁸

2. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration report must provide information on the fees paid or due to directors for the preceding financial year for service on the board of directors or a committee as well as for any other duties as follows:

- annual fees
- meeting fees for the board of directors and committees
- other financial benefits

If the fees of the board of directors have been paid entirely or partially in shares or share-based rights or in cash with an obligation to acquire company shares, this must be indicated in the remuneration report.

If a member of the board of directors is a part of the company's incentive scheme or if the company has paid a member other financial benefits during the financial year, such as pension contributions, the same information must be provided on these as for corresponding payments made to the managing director (see below: Remuneration of the managing director).

If the chair or a director has an employment or service contract with the company (executive chair; executive director) or if he/she acts as an advisor for the company, all remuneration, as well as other financial benefits paid or due as remuneration for this role during the financial period, must be reported. With respect to employee representatives, if the company has any, only fees and benefits related to duties on the board of directors need to be reported.

What has been stated in reference to the board of directors above also applies to a possible supervisory board.

⁶ See Guidelines, section a – Presentation of comparator data

⁷ See Guidelines, section b – Deviating from the remuneration policy

⁸ See Guidelines, section c – Clawback of remuneration

3. REMUNERATION OF THE MANAGING DIRECTOR

The remuneration report must provide information on all benefits paid or due to the managing director for the preceding financial year⁹, such as

- fixed annual salary
- variable remuneration components, such as financial benefits based on short- and long-term incentive schemes
- shares, options, or other share-based rights¹⁰
- information on the proportional shares of fixed and variable remuneration components¹¹
- supplementary pension contributions¹²
- other financial benefits, such as fringe benefits, signing bonuses, or severance packages.

With respect to variable remuneration components, information must be provided on how the predetermined performance measures have been applied.¹³

What has been stated in reference to the managing director above also applies to a possible deputy managing director.

GUIDELINES FOR APPLYING THE REMUNERATION REPORT

a. Presentation of comparator data

The remuneration report must describe in a comparable manner how the fees paid to the directors and managing director have developed over at least the preceding five years compared to the development of the average remuneration of employees and to the company's financial development over the same period.

The comparative description can be written, for example, by presenting the following side-by-side or in a table:

- development of the remuneration of the board of directors over the past 5 years
- development of the remuneration of the managing director over the past 5 years
- development of the remuneration of the company's employees over the past 5 years
- company's financial development over the past 5 years

The development can be presented either as whole numbers or as percentages.

The development of the remuneration of the company's employees can be expressed by presenting the company's staff expenses from the financial statements divided by the number of employees for the past five years or by providing information on the development of the average salary level of the company's full-time employees for the corresponding period or in some other manner decided by the company.

The company's financial development can be expressed by presenting, for example, the turnover, profit for the financial year, or some other financial key indicator significant to the company's strategy for the same period or in some other manner decided by the company.

⁹ See Guidelines, section d – Paid and due remuneration

¹⁰ See Guidelines, section e – Reporting of share-based remuneration

¹¹ See Guidelines, section f – Information on the proportional shares of fixed and variable remuneration components

¹² See Guidelines, section g – Supplementary pensions

¹³ See Guidelines, section h – Application of performance measures of variable remuneration components.

It is up to the company to evaluate what key indicators best describe the development of the remuneration of employees and the company's financial position. Correspondingly, the company must decide whether to provide information on the group or company level. The important factor is that the chosen approach is complied with consistently and that the company clearly describes the reporting method it has chosen. If the company does not have comparable retroactive figures available when the reporting obligation enters into force, the company can report the information to the extent it can present it consistently.

b. Deviating from the remuneration policy

The remuneration policy can allow temporary deviations if the policy defines the situations in and extent to which it can be deviated from as well as the procedures for deviation situations.

>> Remuneration Reporting, Section A – Remuneration policy for governing bodies.

If the company has exercised the option to temporarily deviate from the remuneration policy, the remuneration report must state the extent to which the policy has been deviated from and must clarify the circumstances that have been deemed to justify deviation in accordance with the policy.

If the company has deviated from the decision-making process described in the remuneration policy, the remuneration report must provide information on the reasons for the deviation and describe the decision-making process that was complied with.

c. Clawback of remuneration

The remuneration policy or agreements concerning remuneration may make the clawback of remuneration possible in certain circumstances. Under certain preconditions, the company can also claw back groundlessly paid remuneration under the general principles concerning the refunding of unjust enrichment.

In case the company exercised its ability to clawback remuneration during the preceding financial year, a statement to that effect must be made in the remuneration report.

d. Paid and due remuneration

The remuneration report must report all salaries and fees as well as other financial benefits paid to governing bodies during the preceding financial year.

Such salaries, fees, and other financial benefits that have not yet been paid, but that arise from an earnings period that has ended during the financial year being reported, must be reported as due remuneration. In practice, due remuneration encompasses short- or long-term financial benefits that accrued during the preceding financial years, but that are paid after the financial year being reported.

The remuneration report must report due remuneration, if possible. This procedure provides shareholders with a better opportunity to examine remuneration as a whole for the financial year being reported. To the extent that the amount of due remuneration is not sufficiently certain prior to the remuneration report being issued, the remuneration is not reported, and reporting is deferred to the following remuneration report.

The remuneration report must indicate the period during which reported remuneration has been earned.

All due remuneration must in any case be presented as paid remuneration in the remuneration report for the year during which it has factually been paid.

e. Reporting of share-based remuneration

In the remuneration report, companies must provide information on the number of shares or options granted or offered during the preceding financial year as well as information on the main terms for exercising share-based rights and any changes to such terms. Depending on the incentive scheme, the company must publish the exercise price and day, if known.

f. Information on the proportional shares of fixed and variable remuneration components

All remuneration the amount of which is known to the parties in advance, such as annual salary, are considered to be fixed remuneration components. Variable remuneration components are considered to include all fees the amount of which is dependent on the person's performance or on an outside factor, such as the development of the company's financial or non-financial performance measures, or on some other defined factor.

The relative proportion does not include other financial benefits, such as pension benefits, compensation for termination, or other comparable financial benefits, which are reported in their own section. Fringe benefits also generally fall into the category of financial benefits that are not considered fixed or variable remuneration components. The company must evaluate the extent to which fringe benefits are treated as fixed remuneration components or other financial benefits.

g. Supplementary pensions

A supplementary pension is voluntary pension coverage paid for by the company. If a person is entitled to a supplementary pension in addition to a statutory or corresponding mandatory pension arrangement, the main terms of the supplementary pension arrangement must be reported along with the costs incurred by the company from the arrangement during the preceding financial year. The main terms include information on the grounds for determination of the supplementary pension, i.e. the retirement age and whether the pension is a contribution- or benefit-based arrangement. If the company also reports statutory contributions in accordance with the Pensions Act, the supplementary pension contributions must be reported separately.

h. Application of performance measures of variable remuneration components

With respect to variable remuneration components, the remuneration criteria of the company's remuneration policy must be reported, i.e. the grounds on which the variable component is granted as well as how these grounds have been applied. Such grounds can include the grounds for financial and non-financial performance as well as grounds concerning the company's corporate responsibility. The report on the fulfilment of remuneration criteria can be drafted in such a way as to not publish commercially sensitive information of the company.

C. Other Remuneration Information

The remuneration policy is drafted for upcoming years and is often flexible and of a general nature. In contrast, the remuneration report only deals with remuneration that has already been earned. In order to ensure the transparency of remuneration, the company must ensure that investors always have sufficient information at their disposal concerning the current remuneration systems applied to the company's governing bodies and management team.

In addition to the remuneration policy and report, the remuneration section of the company's website must also provide information on the principles for the remuneration of the board of directors, managing director, and the rest of the management team. Information on the rest of the management team is provided on an aggregate level. The information must be presented on the pages concerning the company's administration and remuneration in a clear and easy to find manner. If information is presented, for example, by providing links to other documents, the links must lead directly to the information concerned and not, for example, to the financial statement information as a whole. Information can also be provided as a separate file available on the website, for example, as a PDF.

Information on the remuneration of the board of directors

The company must report the remuneration of the directors pursuant to the resolution of the latest general meeting on its website as follows:

- annual fees of the chair, deputy chair and directors
- meeting fees, if any, and grounds for determining them
- fees of committee members, if applicable
- other financial benefits and the grounds for determining them
- remuneration paid in shares and principles applied to the ownership of and restrictions on selling the shares given to the directors as remuneration

In addition, any financial benefits pertaining to a possible employment relationship or service contract of the chair of the board of directors and directors shall also be published in the same manner as the financial benefits of the managing director. With respect to employee representatives, if the company has any, only fees and benefits related to duties on the board of directors need to be reported.

Information on the remuneration of the managing director

With respect to the managing director, the website must provide the following information, as applicable and to the extent they are not indicated in the approved remuneration policy:

- Amount of the managing director's fixed salary
- Description of long- and short-term remuneration systems, including:
 - the criteria used as the basis for remuneration and any maximum amounts defined for fees
 - earning and restriction periods included in the remuneration
- Other main terms of the managing director's service contract
 - description of any supplementary pension arrangements, retirement age, and grounds for determining the pension as well as information on whether the pension agreement is contribution or benefit based
 - principles applied to the ownership of the company's shares
 - terms relating to the termination of the employment relationship, such as information on notice periods and the determination of severance packages

If changes in the managing director's aforementioned terms take place during the financial year or the managing director changes, the company must update the changes to the aforementioned information on its website.

Information on the remuneration of the rest of the management team

Information on the management team is provided on an aggregated level, i.e. the amounts of personal benefits are not reported.

With respect to the management team, the company's website must provide the following information, as applicable:

- Description of the preparatory and decision-making procedure for the remuneration of the management team
- Key principles applicable to the remuneration of the management team, such as the main points of the following:
 - description of long- and short-term remuneration systems, including:
 - the criteria used as the basis for remuneration and any maximum amounts defined for fees
 - earning and restriction periods included in the remuneration
 - other main terms of the management team's service contracts
 - terms relating to the termination of the employment relationship, such as information on notice periods and the determination of severance packages
 - supplementary pension arrangements, if any
- Remuneration paid during the previous financial year (in aggregate)
 - fixed annual salary
 - variable remuneration components, such as financial benefits based on short- and long-term incentive schemes
 - supplementary pension contributions
 - other financial benefits

CHECKLIST FOR REMUNERATION REPORTING

Remuneration policy

- Introduction
 - key principles and description of how the policy promotes the company's business strategy and long-term financial success
 - description of how the terms and conditions of the company's employees' salaries and employment relationships have been taken into account when drafting the remuneration policy
 - material changes to the previous remuneration policy
 - description of how the remuneration policy takes the general meeting's resolutions and shareholder statements into account
- Description of the decision-making process
 - approval
 - evaluation
 - implementation
- Description of the remuneration of the board of directors
- Description of the remuneration of the managing director
 - remuneration components and their proportional shares of overall remuneration
 - grounds for determining possible variable remuneration components
 - other key terms applicable to the service contract
 - terms for deferral and possible clawback of remuneration
- Requirements for temporary deviation

Remuneration report

- Introduction
 - description of how the remuneration policy has been complied with in the remuneration of management during the preceding financial year
 - description of how remuneration promotes the company's long-term financial success
 - comparison of the development of the fees of the board of directors and managing director to the development of the average remuneration of employees and to the company's financial development over at least the preceding five financial years
 - information on how any advisory vote of the previous general meeting concerning the remuneration report has been taken into account
 - information on any deviations from the remuneration policy
 - information on any clawback of remuneration
- Remuneration of the board of directors for the preceding financial year
 - annual fees
 - meeting fees for the board of directors and committees
 - other financial benefits
- Remuneration of the managing director for the preceding financial year
 - fixed annual salary
 - variable remuneration components, such as financial benefits based on short- and long-term incentive schemes
 - information on the proportional shares of fixed and variable remuneration components
 - supplementary pension contributions
 - other financial benefits, such as fringe benefits, signing bonuses, retention bonuses, or severance packages

Other remuneration information to be published on the company's website

Information on the remuneration of the board of directors

The company's website must report the remuneration of the directors as resolved by the latest general meeting:

- annual fees of the chair, deputy chair and directors
- meeting fees, if any, and grounds for determining them
- fees of committee members, if applicable
- other financial benefits and the grounds for determining them
- remuneration paid in shares and principles applied to the ownership of and restrictions on selling the shares given to the directors as remuneration

In addition, any financial benefits pertaining to a possible employment relationship or service contract of the chair of the board of directors and directors shall also be published in the same manner as the financial benefits of the managing director. With respect to employee representatives, if the company has any, only fees and benefits related to duties on the board of directors need to be reported.

Information on the remuneration of the managing director

With respect to the managing director, the website must provide the following information as applicable and to the extent they are not indicated in the approved remuneration policy:

amount of the managing director's fixed salary

- description of long- and short-term remuneration schemes
 - the criteria used as the basis for remuneration and any maximum amounts defined for fees
 - earning and restriction periods included in remuneration
- other main terms of the managing director's service contract
 - terms relating to the termination of the employment relationship, such as information on notice periods and the determination of severance packages
 - description of any supplementary pension arrangements, retirement age and grounds for determining the pension, information on whether the pension agreement is contribution or benefit based
 - principles applied to the ownership of the company's shares

If changes in the managing director's aforementioned terms take place during the financial year or the managing director changes, the company must update the changes to the aforementioned information on its website.

Information on the remuneration of the rest of the management team

Information on the management team is provided on an aggregated level, i.e. the amounts of personal benefits are not reported.

With respect to the management team, the company's website must provide the following information, as applicable:

- description of the preparatory and decision-making procedure for the remuneration of the management team
- key principles applicable to the remuneration of the management team, such as the main points of the following:
 - description of long- and short-term remuneration schemes
 - the criteria used as the basis for remuneration and any maximum amounts defined for fees
 - earning and restriction periods included in remuneration
 - other main terms of the management team's service contracts
 - terms relating to the termination of the employment relationship, such as information on notice periods and the determination of severance packages
 - supplementary pension arrangements, if any
- remuneration paid during the previous financial year (in aggregate)
 - fixed annual salary
 - variable remuneration components, such as financial benefits based on short- and long-term incentive schemes
 - supplementary pension contributions
 - other financial benefits

Securities Market Association
(c/o Finland Chamber of Commerce)
Aleksanterinkatu 17, P.O. Box 1000,
00101 Helsinki
info@cgfinland.fi
www.cgfinland.fi/en

