



Securities Market Association

# **CORPORATE GOVERNANCE**

**FINNISH CORPORATE  
GOVERNANCE CODE 2026**



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# PREFACE

## Background and Goals of the Revision of the Corporate Governance Code

In 2023, the Board of the Securities Market Association decided to revise the Corporate Governance Code, which had entered into force at the beginning of 2020, in two phases. The first phase of the revision updated the diversity entries in the Code. The updated Corporate Governance Code 2025 entered into force on 1 January 2025.

The second phase of the revision of the Corporate Governance Code involved assessing the effectiveness of the Code's requirements relating to remuneration reporting (remuneration policy, remuneration report, and other remuneration-related information) and conducting an international comparison of these requirements. As a result, changes have been made to the requirements on remuneration reporting, with the aim of increasing transparency on the basis for remuneration. In addition, recent sustainability regulation, in particular the Corporate Sustainability Reporting Directive<sup>1</sup>, and sustainability considerations more generally have been considered in the Code's entries.

## Key Changes

### Remuneration reporting

The structure of the chapter on remuneration reporting has been completely restructured so that the remuneration reporting requirements are shown in highlighted text in the reporting section. The reporting requirements are followed by a Guidelines section, which provides application guidance on individual reporting requirements. The guidelines specify the content of the reporting requirements and provide related operational guidance. The purpose of the guidelines is also to harmonise the application of the reporting requirements. Due to changes in the structure of the chapter, the checklist for remuneration reporting has been removed as unnecessary.

As regards remuneration policy, the reporting requirement concerning temporary departures from the remuneration policy has been aligned with the requirements of the legislation. The guidelines on remuneration policy have, in turn, clarified the objective of regulation, according to which the remuneration policy sets the framework for the remuneration of the managing director.

The reporting requirements for the remuneration report have been clarified with regard to the variable remuneration of the managing director and the explanation of the justification for any one-off remuneration. The guidelines for the application of the reporting requirements have also been clarified in this respect. Guidance published by the Securities Market Association in the questions and answers concerning the Code has also been transferred to the guidelines.

For other remuneration information, technical clarifications have been made to the reporting requirements. Guidance included in the questions and answers concerning the Code has also been transferred to the guidelines.

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<sup>1</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

### **Changes resulting from sustainability reporting regulation**

To take account of legislation on sustainability reporting, the recommendations of the Corporate Governance Code, the rationale for the recommendations and the reporting requirements have been updated. With regard to sustainability reporting, the Corporate Governance Code and its reporting requirements apply to those companies covered by the Corporate Governance Code that are required to publish a sustainability report under the Accounting Act or voluntarily publish a sustainability report prepared in accordance with the European Sustainability Reporting Standards referred to in the Accounting Act.

In recommendation 1 on the notice of the general meeting and proposals for resolutions, a recommendation has been added that the notice of general meeting should include a proposal for a sustainability reporting assurance provider, if necessary. Recommendation 3 on attendance at the general meeting also requires that any sustainability reporting auditor be present at the annual general meeting. Recommendation 10 on the independence of directors equates acting as a sustainability reporting assurance provider with acting as an auditor for the purposes of assessing the independence of a director. Recommendation 16 on the audit committee and its rationale update the changes resulting from the Corporate Sustainability Reporting Directive to the statutory responsibilities of the audit committee in relation to sustainability reporting and assurance thereof. In addition, references to sustainability reporting have been added to the Introduction section of the Corporate Governance Code and to the rationale of recommendations 24 (Internal Control), 25 (Risk Management) and 26 (Internal Audit).

Information requirements on sustainability reporting and assurance of sustainability reporting have also been added to the corporate governance reporting requirements (corporate governance statement and website information).

### **Other changes to the recommendations**

In addition to the above, recommendation 10 on the independence of directors has been amended so that being an employee of an audit or sustainability audit firm will only create a relationship of dependence on the company if the director has been significantly involved in the performance of the audit or assurance engagement.

In addition to the changes relating to legislation on sustainability reporting, a restriction has been added to recommendation 16 on the audit committee that the managing director or any other member of the company's management team may not be a member of the audit committee.

### **Other changes**

The description of the governance model for Finnish listed companies in the introduction to the Corporate Governance Code has been supplemented due to changes in legislation. The chapter is also supplemented with a description of different classes of shares and aspects related to sustainability and corporate culture. Technical changes clarifying the Code have also been made to the rationale for recommendations, the introductions to chapters concerning recommendations, and the reporting section.

### Working Group

The amendments to the Corporate Governance Code were prepared by a working group appointed by the Board of the Securities Market Association in September 2024.

Chair of the Working Group

**Jaakko Raulo**, Master of Laws with court training

Members of the Working Group

**Saara-Maria Helminen**, Director, Legal Operations and Group Legal  
(UPM-Kymmene Corporation)

**Teemu Kangas-Kärki**, Board Professional

**Mika Leskinen**, Chief Investment Officer (S-Bank Plc)

**Lasse Luukkainen**, EVP, Legal and Sustainability (Kesko Corporation)

**Ulla Palmunen**, General Counsel (Solidium Oy)

**Sari Pohjonen**, Board Professional

**Kirsi Sormunen**, Board Professional

**Taru Uotila**, SVP, Legal Affairs, HR and Sustainability (Aspo Plc)

**Jukka Vähäpesola**, Head of Equities (Elo Mutual Pension Insurance Company)

Secretariat of the Working Group

**Ville Kajala**, Senior Advisor (Finland Chamber of Commerce)

**Tapani Manninen**, Associate General Counsel (Nasdaq Helsinki Ltd)

**Hannu Ylänen**, Chief Policy Adviser (Confederation of Finnish Industries EK)

The Working Group convened nine times. The Working Group consulted experts and market participants in the course of its work. The Market Practice Board of the Securities Market Association has acted as a monitoring group for the Working Group.

A request for statements on the proposed amendments to the Corporate Governance Code was published in July 2025. The Securities Market Association received a total of 20 statements on the proposed amendments.

## Adoption and Entry into Force of the Corporate Governance Code

The Board of the Securities Market Association adopted this Corporate Governance Code on 8 December 2025.

The new Corporate Governance Code 2026 will enter into force on 30 June 2026 and will replace the previous Corporate Governance Code 2025, which entered into force on 1 January 2025.

The amended reporting requirements for the Corporate Governance Statement and the Remuneration Report will be applied to reports for financial years beginning on or after 1 January 2026. Until then, Corporate Governance Code 2025 will be applied.

The reporting requirements on remuneration policy will be applied for the first time when the remuneration policy is submitted to the General Meeting after 1 January 2027. Until then, Corporate Governance Code 2025 will be applied.

Helsinki, 8 December 2025

Board of the Securities Market Association

Risto Murto  
Chair

Henrik Husman  
Vice Chair

Mirel Leino-Haltia

Niko Morkkila

Micaela Thorström

*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](http://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 highlighted text. 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
- (2) Remuneration reporting

In the reporting section, the actual **reporting requirements** are shown in highlighted text. Companies shall draw up the statements and documents described in the section (the CG Statement, the Remuneration Policy and Report for Governing Bodies, and information shown on the website on governance and remuneration), and no departures from the reporting of the information included in the requirements are allowed. In the subsection on remuneration reporting, the reporting requirements are followed by a **Guidelines for the reporting requirement** section. The guidelines specify the content of individual reporting requirements and provide related operational guidance. The purpose of the guidelines is also to harmonise the application of the reporting requirements.

## Application of the Corporate Governance Code and Definitions

The Corporate Governance Code applies to all companies listed on Nasdaq Helsinki Ltd (Helsinki Stock Exchange) and to Finnish companies traded in the Nasdaq First North Premier Growth Market segment. Under the Rules of the Helsinki Stock Exchange and the Rules of the Nasdaq First North Growth Market, issuers of shares traded on the stock exchange list and in the First North Premier market segment must comply with the Corporate Governance Code.<sup>2</sup> 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 outside the Premier market segment, 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.<sup>3</sup> 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.

With regard to sustainability reporting, the Corporate Governance Code and its reporting requirements apply to those companies covered by the Corporate Governance Code that are required to publish a sustainability report under the Accounting Act or voluntarily publish a sustainability report prepared in accordance with the European Sustainability Reporting Standards referred to in the Accounting Act.

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

2 Under the Rules of the Stock Exchange, section 2.15.1b), the issuer must comply with the corporate governance code or the recommendations for good governance of their home country. Alternatively, the issuer may comply with the corporate governance code of the Stock Exchange's home country. Under Nasdaq First North Growth Market Rulebook for Issuers of Shares, section 7.2.1(iv), the issuer must comply with the local corporate governance code of the country in which it is established.

3 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.

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 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 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 the 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 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**<sup>4</sup>:

- 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. Some recommendations in the Corporate Governance Code also require disclosure or reporting of the information on a departure separately. 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.<sup>5</sup>

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

## 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

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

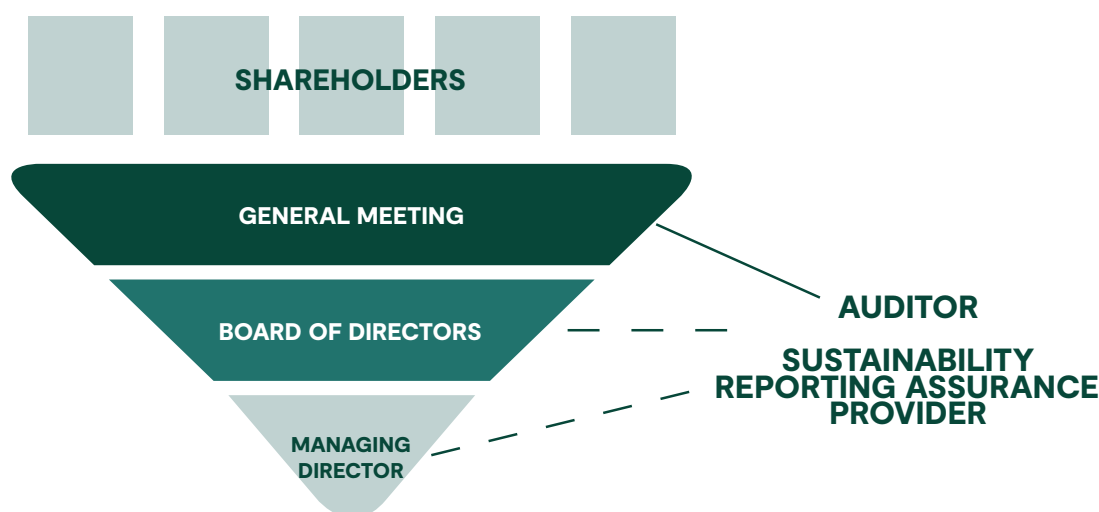
5 Commission Recommendation on the quality of corporate governance reporting (2014/208/EU), Section II, paragraph 6.

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.

An example of the non-mandatory nature of the Limited Liability Companies Act is the possibility to provide for different classes of shares and their rights in the articles of association. The rights of different classes of shares may differ, for example, in terms of the number of votes a share carries or the rights to distribution of the company's assets. The Limited Liability Companies Act does not impose any restrictions on the rights conferred by different classes of shares. However, the law requires that in the case of decisions requiring a qualified majority, the decision must be supported by a qualified majority of both the votes cast and the shares represented at the meeting. Certain decisions also require a qualified majority for each class of shares represented at the meeting. The impairment of the rights conferred by a class of shares also requires the consent of a majority of the shares of classes of shares whose rights are to be reduced.

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.*

## Company Bodies and Independent Auditors

### General Meeting

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, auditors and sustainability reporting assurance providers, 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.

As an alternative to a physical meeting, the general meeting can also be held as a hybrid or remote meeting under certain conditions. Unless otherwise provided in the articles of

association, the Board of Directors may decide to offer shareholders the possibility to attend the general meeting remotely as an alternative to physical attendance. The articles of association may also oblige the company to offer its shareholders the possibility of remote participation. A general meeting may be held as a purely remote general meeting if the articles of association so permit. The Limited Liability Companies Act requires that, in both hybrid and remote meetings, a shareholder attending the meeting remotely can exercise his or her shareholder rights (the right to speak and ask questions, the right to propose resolutions and the right to vote) in full and in real time during the meeting. Unless otherwise provided in the articles of association, the Board of Directors may also decide to organise advance voting on the matters to be discussed at the general meeting or to offer a limited possibility of remote participation in addition to the physical meeting. The proposal for a resolution subject to an advance vote shall be deemed to have been submitted unchanged to the general meeting. Shareholders who have voted in advance have the right to change their advance votes at the general meeting.

### Board

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, deciding 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 the 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.

### Managing Director

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.

### Auditor and Sustainability Reporting Assurance Provider

Listed companies must also have an **auditor**, who is elected by the general meeting. In a listed company, at least one auditor must be a certified auditor (KHT) or an audit firm whose principal auditor is a certified auditor (KHT), as required by 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.

If a listed company is required to publish a sustainability report as part of its management report, the company must also have a sustainability reporting assurance provider elected by the general meeting. The sustainability **reporting assurance provider** can be either

a certified auditor with a sustainability reporting auditor qualification or an audit firm registered as a sustainability audit firm.

### 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

### 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 Purpose of the Company and the Duty of Care and Loyalty of the Management

*The duty of care and loyalty of the management* 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 act with due care and promote the interests of the company. Safeguarding the company's interests ultimately benefits all shareholders collectively and helps the company achieve its **purpose**, which is to generate profit for its shareholders. In practice, the profit-generation purpose means maximising the long-term value of the company. This purpose can only be departed from if a provision to this end is included in the articles of association.

Acting in the company's best interests often requires following socially acceptable practices, such as taking into account sustainability or responsibility issues, and promoting an ethical corporate culture even in situations where this is not required by law. It is also often in the company's interest to cooperate and engage in dialogue with its various stakeholders.

## 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 Finnish Supervisory 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 promoted by taking into account the shareholder's right to use proxies, advance voting instructions and the company's ability to offer shareholders the possibility of advance voting or remote attendance.*

*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.<sup>6</sup>*

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<sup>6</sup> <https://www.cgfinland.fi/en/materials/>

### 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;
- proposal concerning the election of the auditor; and
- if necessary, proposal for a sustainability reporting auditor.

Any proposals submitted by shareholders concerning the composition and remuneration of the board of directors and the election of the auditor and any sustainability reporting auditor 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. The items to be discussed at the general meeting are set out in a clear agenda in the notice of the meeting.<sup>7</sup>

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 applied in the nomination of individuals for directorship are discussed in more detail in **RECOMMENDATION 7**. If a proposal is not

<sup>7</sup> 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. (<https://www.cgfinland.fi/en/materials/>)

available before the notice of the general meeting is issued, the company shall report and give reasons for the departure from the recommendation. If the proposed composition of the board of directors departs from **RECOMMENDATION 8**, the company shall report and give reasons for the departure from the recommendation in the notice of the general meeting. However, if the reasons for the departure have already been given in connection with the disclosure of the proposal concerning the composition of the board of directors, a reference to the previously published reasons is sufficient in the notice of the general meeting.

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.

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 the Company's 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 the Company's 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 and any sustainability reporting assurance provider 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 and the sustainability reporting assurance provider at the annual general meetings allows the shareholders to ask them for more detailed information on matters that may have an impact on the evaluation of the financial statements, the sustainability report, or other issues on the agenda of the meeting. Where an audit or sustainability audit firm is acting as auditor or sustainability reporting assurance provider, the requirement to be present applies to the auditor or sustainability reporting auditor designated as the principal auditor or sustainability reporting auditor. 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 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 the Company's Website*  
*>> 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**.

The decision of the general meeting on the election of members of the board of directors can be arranged from the perspective of good securities market practice in such a way that the shareholders take a stand on the proposed Board composition as a whole, or in such a way that the shareholders take a stand on each candidate separately. The company decides on the procedure to be followed in the decision-making. If it is necessary to hold an election at the general meeting, the election should in any case be organised in such a way that any advance votes cast at the general meeting and voting instructions submitted to the company by nominee-registered shareholders can be taken into account.

**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 systematic nature of the preparation process of the board composition supports the objective of achieving a board composition that is diverse and best suited to the company's needs. Good preparation procedures usually include defining members' skills needs in advance, conducting a sufficiently broad screening of candidates, and properly and carefully assessing the background, skills and merits of the various candidates.

The company shall publish the procedure applied in the preparation of the proposal for the composition of the board of directors. At the same time, the company may, at its discretion, otherwise describe the procedure it has followed in preparing the proposal, such as defining the skills needs, the scope of the candidate screening process, and the potential use of recruitment experts.

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 the Company's 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.

There shall be balanced representation of women and men 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 director, 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**.

Having balanced representation of women and men in the board of directors is one element of a diverse board composition. Balanced representation is realised when the proportion of underrepresented genders in the board of directors is at least the number indicated in the table below.<sup>8</sup>

<sup>8</sup> The figures in the table correspond to the goal of 40 per cent under chapter 6, section 9 a of the Limited Liability Companies Act, with the rounding rules in accordance with the Appendix to the Act.

| TOTAL NUMBER OF BOARD MEMBERS | MINIMUM NUMBER OF BOARD MEMBERS OF UNDERREPRESENTED GENDERS |
|-------------------------------|-------------------------------------------------------------|
| 3                             | 1                                                           |
| 4                             | 1                                                           |
| 5                             | 2                                                           |
| 6                             | 2                                                           |
| 7                             | 3                                                           |
| 8                             | 3                                                           |
| 9                             | 4                                                           |
| 10                            | 4                                                           |
| 11                            | 4                                                           |
| 12                            | 5                                                           |
| 13                            | 5                                                           |
| 14                            | 6                                                           |
| 15                            | 6                                                           |

If the proposal for the composition of the board of directors departs from the recommendation for balanced representation of women and men, the departure shall be reported and justified already in connection with the publication of the proposal. Information on the departure shall also be provided in the notice of the general meeting (see Rationale for **RECOMMENDATION 1**). In addition to the information described in the introduction to the Corporate Governance Code, the company shall also explain the procedure followed in preparing the proposal for the composition of the board of directors, such as how the skills needs of the candidates for board members have been determined, how candidates have been screened, and whether recruitment experts have been used to assist in the screening of candidates.

The preparation of the composition of the board of directors shall also reflect the diversity of the board in accordance with **RECOMMENDATION 9** and the independence of the board members in accordance with **RECOMMENDATION 10**.

**RECOMMENDATION 9 – Diversity of the Board of Directors**

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

The company shall report the board's diversity principles and how they have been implemented.

**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 consider when determining the diversity principles include age and gender, disabilities, professional and educational background, experience in industries or geographic areas relevant to the company, or experience in areas of expertise relevant to the company. 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.<sup>9</sup> In addition, the company reports how the principles have been implemented.

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

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

<sup>9</sup> 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 or sustainability reporting assurance provider of the company, a partner or an employee who has been significantly involved in the performance of the audit or assurance engagement in the company's current auditor or sustainability reporting assurance provider, or the director is a partner or an employee who has been significantly involved in the performance of the audit or assurance engagement within the last three years in an audit firm or sustainability audit firm that has served as the company's auditor or sustainability reporting assurance provider; 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 the 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. The board of directors shall decide on the establishment of committees, unless the articles of association stipulate otherwise. 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. If necessary, the board of directors may also decide to establish other committees, for example for duties related to risk management or sustainability. 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 combine duties of the committees referred to in the Corporate Governance Code into a single committee or 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 statutory duties of an audit committee must be discharged by the entire board of directors or these duties must be delegated to another committee.*

**Remuneration Committee**

*In addition to the duties described in **RECOMMENDATION 17**, the remuneration committee's duties may include broader duties related to the company's personnel and their remuneration. In company practice, the committee is often referred to as the HR committee or the personnel and remuneration 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 such a way that the committee can operate efficiently and the division of labour between the various committees is clear. 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 amongst 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 diversity of the know-how, experience, and opinions of the committee members contributes to open discussion and the committee's ability to address the issues under its responsibility in a comprehensive manner.

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 committee meetings held during the financial period, and the attendance of each committee member at the meetings. The information regarding the committee members enables 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 committee meetings and the attendance of the members enables 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, sustainability reporting and their 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 statutory duties.

The majority of the members of the audit committee must be independent of the company and at least one member shall be independent of the company's significant shareholders. The managing director or other persons in the management team of the company shall not be appointed to the audit committee.

### RATIONALE

#### Role and Establishment of the Audit Committee

In accordance with the Limited Liability Companies Act, the duties of the board of directors include<sup>10</sup>:

- to monitor and assess the reporting system for financial reporting and, where appropriate, sustainability reporting;
- to monitor and assess the effectiveness of internal control and audit as well as of 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 assess the independence of the auditor and, in particular, the offering of services other than auditing and, where appropriate, sustainability reporting assurance, by the auditor;
- to monitor the audit of the company's accounts and, where appropriate, the assurance of sustainability reporting; and
- to prepare the selection of the company's auditor and, where appropriate, the sustainability reporting assurance provider.

<sup>10</sup> The statutory duties of the audit committee with regard to the audit and assurance of sustainability reporting, during the reporting procedure and in the selection and monitoring of the independence of the auditor and sustainability reporting assurance provider are set out in more detail in Chapter 6, Sections 16 c – 16 e of the Limited Liability Companies Act.

The board of directors may 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, sustainability reporting, and control systems and can see to communications with the auditors, the sustainability reporting auditors, and the internal audit function.

The legislation is based on the idea that an audit committee is responsible for the aforementioned 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 aforementioned 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.

The need to establish an audit committee shall be assessed by the board of directors from the perspective of the company. 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 absence of an audit committee is not considered a departure from the Code.

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 statutory duties.

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

#### **Statutory Duties Relating to Audit and Sustainability Reporting Assurance**

The board of directors and the audit committee, if established, must in their operations take into account that the Limited Liability Companies Act, the Auditing Act and the EU Audit Regulation contain many mandatory duties relating to, for example, preparing the appointment of an auditor and a sustainability reporting assurance provider, monitoring the services offered by them and assessing their independence, as well as the actual auditing and sustainability reporting assurance.

With regard to auditing, the audit committee monitors the implementation of the audit, addresses the auditor's report and any audit minutes as well as the supplementary report presented by the auditor to the audit committee. If necessary, the audit committee discusses any key factors arising in the course of the aforementioned duties with the auditor and reports to the board of directors. With regard to sustainability reporting assurance, the audit committee similarly monitors the implementation of sustainability reporting assurance, addresses the sustainability reporting assurance report, discusses with the sustainability reporting assurance provider the key issues raised in the assignment, and reports to the board of directors.

**Other Duties of the Audit Committee**

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

- monitoring of the financial position of the company;
- supervision of the financial reporting process and risk management process;
- supervision of the sustainability reporting process and addressing double materiality;
- evaluation of the use and presentation of alternative performance measures;
- approval of the operating instructions for internal audit;
- addressing the plans and reports 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 significant financial, funding, and tax risks;
- monitoring of the processes and risks relating to IT security;
- addressing the Corporate Governance Statement; 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 practices 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*

**Requirements 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, sustainability reporting, and the company's internal and external audit function and sustainability reporting assurance. Legislation 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 addressed 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**. 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 may include:

- presentation of the remuneration policy and report in the general meeting and responding to questions related thereto;
- preparation of the appointment of the managing director and the rest of the management team as well as successor planning;
- 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 the following:

- preparation of the proposal to the general meeting on the composition of the board of directors (the number of members and the persons) in accordance with **RECOMMENDATION 8** and the board's diversity principles;
- preparation of the proposal to the general meeting concerning the remuneration of directors in accordance with the remuneration policy for governing bodies;
- presentation of the proposals to be made to the general meeting;
- preparation and monitoring of the board's diversity principles in accordance with **RECOMMENDATION 9**;
- successor planning for 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 see to 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**. If necessary, the nomination committee shall also provide reasons for the proposed composition of the board of directors if the proposal deviates from the recommendations of the Corporate Governance Code or from the board's diversity principles.

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 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 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 the following:

- preparation of the proposal to the general meeting on the composition of the board of directors (the number of members and the persons) in accordance with **RECOMMENDATION 8** and the board's diversity principles;

- preparation of the proposal to the general meeting concerning the remuneration of directors in accordance with the remuneration policy for governing bodies;
- presentation of the proposals to be made to the general meeting;
- preparation and monitoring of the board's diversity principles in accordance with **RECOMMENDATION 9**; and
- successor planning for 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 permanent or temporary. 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 perspective.

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 in **RECOMMENDATION 13**, insofar as they may be relevant when planning the composition of the board of directors. If necessary, the shareholders' nomination board shall also provide reasons for the proposed composition of the board of directors if the proposal deviates from the recommendations of the Corporate Governance Code or from the board's diversity principles.

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.<sup>11</sup>*

*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](#)

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<sup>11</sup> Deputy managing director refers to 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 is 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 may 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.*

*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 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 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 the criteria for determining it. 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 shall make a resolution on the remuneration policy expressing whether it supports the presented policy. The resolution is advisory. Shareholders cannot propose changes to the remuneration policy presented to the general meeting. If a majority of the general meeting opposes the 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**.

**Remuneration of the Management Team**

The management team is not a governing body referred to in the Limited Liability Companies Act. Thus, the remuneration policy shall 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 shall be defined by the company. The remuneration committee may also prepare the management team's remuneration in cooperation with the managing director. The company shall publish 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 shall decide 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. A further objective is to be able to identify, evaluate, and monitor risks related to the business operations. The internal audit function of the company evaluates aspects such as the internal control and risk management of the company.*

*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, decision-making, 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 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 and sustainability 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. The main features of risk management in financial reporting and sustainability reporting processes are described in the Corporate Governance Statement.

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

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

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

### RECOMMENDATION 26 – Internal Audit

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

#### RATIONALE

The purpose of internal audit is, inter alia, to evaluate the appropriateness and effectiveness of the company's internal control system and risk management as well as the management, control and administrative processes. 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. The company considers whether it is appropriate to organise the internal audit duties as a separate function.

The organisation of internal audit and the main principles applied in internal auditing, 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 shall 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 related 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 refer to 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 the managing director are given sufficient instructions concerning related parties.

#### **Identifying Related Party Transactions**

Related party transaction refers to 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 Assessing Related Party Transactions**

The board of directors shall monitor and assess transactions between the company and its related parties. However, this does not mean that the board of directors shall assess 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 transactions 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, may 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 assessed, in particular, with respect to the company's ordinary course of business and arm's-length terms. For example, 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 provisions on 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 Provisions**

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 arm's-length terms. Related party transactions that are part of the ordinary course of business and are implemented under arm's-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 the 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 parties if that transaction is not part of the company's ordinary course of business or is not implemented under arm's-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 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 shall be 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<sup>12</sup>

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 investors’ possibilities to obtain information by providing the investors with the most important information relating to corporate governance in a compiled manner. The CG Statement may also include other information on corporate governance that the company is required to disclose under other regulations.

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 company shall decide which form of presentation it follows. 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. On the other hand, presenting the information in the CG Statement as part of the management report may be justified, for example, when the company is obliged to present a sustainability report in its management report. If the information of the CG Statement is provided in the management report, it shall be presented in a separate section. Where applicable, the CG Statement may refer to information presented in the financial statements or the sustainability 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 CG Statement is presented in the management report, the auditor states whether the management report has been prepared in accordance with the provisions applicable to the preparation of the management report and whether the information in the management report and the financial statements are consistent.

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<sup>12</sup> According to the transitional provision of the Corporate Governance Code, the amended reporting requirements apply to the Corporate Governance Statement for financial years starting on 1 January 2026 and thereafter. Until then, Corporate Governance Code 2025 will be applied.

**Disclosure of the CG Statement and Availability Online**

If the CG Statement is published as a separate report, it shall be disclosed together with the management report or as a separate stock exchange release. The CG Statement shall be made available on the company's website in connection with the 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](http://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, gender, 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 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 appointed
- Principles concerning the diversity of the board of directors, published to the extent chosen by the company, and their implementation (**RECOMMENDATION 9**)\*
  - Including information on the gender balance of the board presented in percentages (**RECOMMENDATION 8**)\*

## CORPORATE GOVERNANCE STATEMENT

**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 meetings held during the previous financial period
  - Each member's attendance in the meetings (detailed by member)
- Details of the body responsible for the statutory duties of the audit committee
  - If the company does not have an audit committee or if some of the statutory 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, gender, 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

**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<sup>13</sup>**

The CG Statement shall include descriptions of the main features of the internal control and risk management systems relating to the financial and sustainability reporting processes, i.e. information on how the company's internal control and risk management systems ensure that financial reports and sustainability reports disclosed by the company provide in all material respects true and accurate information about the company's financial position and sustainability aspects. 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

<sup>13</sup> With regard to sustainability reporting, the Corporate Governance Code and its reporting requirements apply to those companies covered by the Corporate Governance Code that are required to publish a sustainability report under the Accounting Act or voluntarily publish a sustainability report prepared in accordance with the European Sustainability Reporting Standards referred to in the Accounting Act.

## CORPORATE GOVERNANCE STATEMENT

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 and sustainability reporting is ensured at the group level. The intention is not to give a description of the 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 reporting process. In this case, the company may make use of COSO or a similar framework, if the company follows such a framework in its operations.

#### 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 internal auditing, such as the reporting principles **(RECOMMENDATION 26)\***
- Principles for related party transactions **(RECOMMENDATION 27)\***
- Main procedures relating to insider administration<sup>14</sup>
- The name of the auditor and, if applicable, the sustainability reporting assurance provider
- Fees paid for auditing and sustainability reporting assurance
- Fees paid to the auditor and the sustainability reporting assurance provider for services other than auditing or sustainability reporting assurance

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

<sup>14</sup> 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.

## 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 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 3.11 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 the auditor and the sustainability reporting auditor, if any (**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 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 any departure from the recommendation and reasons for the departure.*

## OTHER INFORMATION TO BE PROVIDED ON THE COMPANY'S WEBSITE

**Board of Directors and Its Committees, If Any**

- Biographical details of the directors
  - Name, gender, 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
- Information on the composition of committees, if any

**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 and Sustainability Reporting Assurance**

- Auditor
- Sustainability reporting assurance provider, if elected

**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
  - If the company has different classes of shares, the information is given by class. In addition, information is provided on the rights conferred by the different share classes.
- 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 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 legislation<sup>15</sup> and cannot be departed from on the basis of the 'comply or explain' principle. The company may, at its discretion, publish information on the remuneration of its governing bodies that exceeds the minimum requirements of the Corporate Governance Code and legislation.

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 director<sup>16</sup> ('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'). Neither the legislation nor the Corporate Governance Code requires the remuneration of other members of the management team to be addressed in the remuneration policy or report. 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 may provide the required information in the order it deems appropriate.

<sup>15</sup> Chapter 7, section 7b and chapter 8, section 5a of the Securities Markets Act and the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019).

<sup>16</sup> Deputy managing director refers to the person who is entered into the Trade Register as the deputy managing director.

**A. Remuneration Policy for Governing Bodies**

The remuneration policy defines the 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 reporting requirements for the remuneration policy for governing bodies are set out in Part 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 period. 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 reporting requirements for the remuneration report for governing bodies are set out in Part 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 reporting requirements for this other information are set out in Part C.

## A. Remuneration Policy for Governing Bodies<sup>17</sup>

Remuneration is not only compensation for the work performed for the company, but also a key incentive for promoting the implementation of the company's strategy and for guiding and motivating 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. 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, factors such as 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.

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. 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 duration of its application. The date of the general meeting that discussed the matter and the result of the vote, if the remuneration policy was put to a vote, must also be provided.

<sup>17</sup> According to the transitional provision of the Corporate Governance Code, the reporting requirements on remuneration policy will be applied for the first time when the remuneration policy is submitted to the General Meeting after 1 January 2027. Until then, Corporate Governance Code 2025 will be applied.

## 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 any clawback of remuneration
5. Requirements for temporary deviation

## 1. Introduction

The introduction must describe the key principles of the company's remuneration policy and 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.

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.

## GUIDELINES FOR THE REPORTING REQUIREMENT

The company may have, for example, 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.

The company shall 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.

### GUIDELINES FOR THE REPORTING REQUIREMENT

The remuneration of governing bodies shall take 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.<sup>18</sup> 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 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.

<sup>18</sup> 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

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.<sup>19</sup>

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

### GUIDELINES FOR THE REPORTING REQUIREMENT

Decisions concerning the remuneration of the board of directors are made in general meetings.<sup>20</sup> The remuneration of the board of directors may consist of one or more components, such as an annual fee and any 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.

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.

### 4. Description of the Remuneration of the Managing Director

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

- remuneration components and proportional shares of overall remuneration
- grounds for determining any variable remuneration components
- other key terms applicable to the service contract
- terms for deferral and any clawback of remuneration

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

<sup>19</sup> 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.

<sup>20</sup> Unless otherwise provided for in the articles of association.

### GUIDELINES FOR THE REPORTING REQUIREMENT

The purpose of the remuneration policy is to set the framework for 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, 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.

### 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 performance measures (e.g. the company's financial, share-specific or sustainability-related performance measures), or on some other defined factor. Various one-off bonuses are also counted as variable remuneration components.

The remuneration policy must also indicate what kinds of other financial benefits the company can grant to the managing director. 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 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.

The purpose of the remuneration policy is to set the framework for the remuneration of the managing director. The remuneration policy should therefore usually include a monetary maximum limit for the different components of remuneration or, for example, a ratio that defines the relationship between the fixed and variable components of remuneration. 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.

### 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 development of share-specific performance measures, sustainability matters, 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.

#### **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, any severance payments, and any pension arrangements. The principles relating to these must be reported in the remuneration policy. The remuneration policy must also state any principles concerning shareholding.

#### **Terms for Deferral and Any 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, clawback of payments made in the form of fees is also possible under certain conditions under the law and general principles of law. These do not have to be separately reported in the remuneration policy.

### 5. Requirements for Temporary Deviation

The remuneration policy must specify which parts of the remuneration policy can be deviated from if necessary to ensure the long-term interests of the company and the procedures to be followed in the event of a deviation.

#### GUIDELINES FOR THE REPORTING REQUIREMENT

The remuneration of governing bodies must take place within the limits of the remuneration policy presented to the general meeting. However, the Limited Liability Companies Act allows for a temporary deviation from the remuneration policy if it is necessary to ensure the long-term interests of the company. 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 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, or due to factors outside the company, such as changes in the operating environment, and the valid remuneration policy would no longer be sensible in these changed circumstances. There may also be temporary deviations from the remuneration policy because of changes in regulation, 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*

## B. Remuneration Report for Governing Bodies<sup>21</sup>

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, for the preceding financial period. 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, report of the board of directors 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. Remuneration of the board of directors for the preceding financial period
  - annual fees
  - meeting fees for the board of directors and committees
  - other financial benefits
3. Remuneration of the managing director for the preceding financial period
  - 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

<sup>21</sup> According to the transitional provision of the Corporate Governance Code, the amended reporting requirements for the remuneration report apply to reports for financial years beginning on or after 1 January 2026. Until then, Corporate Governance Code 2025 will be applied.

## 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 period 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 periods.

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. Any clawbacks of fees must also be published.

## GUIDELINES FOR THE REPORTING REQUIREMENT

### 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
- the company's financial development over the past 5 years

The development can be presented either as whole numbers or as percentages. Other forms of presentation, such as graphics, may also be used, provided that the presentation allows the information to be compared. The comparison can be made at the level of the remuneration paid to the company's bodies (board of directors, managing director) instead of at the level of the individual.

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, net sales, profit for the financial period, 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.

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, when the reporting obligation enters into force, the company being listed does not have comparable figures available retrospectively, the company can report the information to the extent it can present it consistently.

#### **Deviating from the Remuneration Policy**

The remuneration policy can allow temporary deviations if the policy defines which policy parts can be deviated from to ensure the company's long-term interests, 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 clarify the circumstances that have been deemed to justify deviation.

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.

#### **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 period, a statement to that effect must be made in the remuneration report.

## 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 period 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.

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

### GUIDELINES FOR THE REPORTING REQUIREMENT

The remuneration report must report all salaries and fees as well as other financial benefits paid to directors during the preceding financial period. If a member of the board of directors is covered by the company's incentive scheme or if the company has paid a member other financial benefits during the financial period, 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.

### 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 period, 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 rights
- information on the proportional shares of fixed and variable remuneration components
- supplementary pension contributions
- other financial benefits, such as fringe benefits, signing bonuses, or severance packages

For the variable remuneration components, the performance criteria for remuneration and how they have been achieved must be explained. The justification for any one-off bonuses must also be explained. The report can be drafted in such a way as to not publish commercially sensitive information of the company.

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

## GUIDELINES FOR THE REPORTING REQUIREMENT

### **Paid and Due Remuneration**

The remuneration report must report all salaries and bonuses as well as other financial benefits paid to the managing director during the preceding financial period. The remuneration report must also state the justification for any significant changes to the annual fixed salary.

Such salaries, bonuses, and other financial benefits that have not yet been paid, but that arise from an earnings period that has ended during the financial period 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 periods, but that are paid after the financial period 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 period 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. This can be done, for example, by presenting information on variable remuneration by incentive plan.

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.

### Reporting of Share-Based Remuneration

In the remuneration report, the company must provide information on the number of shares or options granted or offered during the preceding financial period 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.

### 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 bonuses the amount of which is dependent on the person's performance or on an outside factor, such as the development of performance measures (e.g. the company's financial, share-specific or sustainability-related performance measures), or on some other defined factor. Various one-off bonuses are also counted as variable remuneration components.

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.

### 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 period. 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.

### Performance Criteria for Variable Remuneration and Their Implementation

With respect to variable remuneration components, the performance criteria under the company's remuneration policy must be reported, i.e. the grounds on which the variable component is granted as well as how they have been implemented. The performance criteria and their implementation are explained separately for short-term and long-term incentive schemes.

The following information must be provided on performance criteria and their implementation:

- performance measures for variable remuneration and their weighting,
- the target level or minimum and maximum levels for each performance measure<sup>22</sup>
- the achievement of each performance measure,
- the total amount of variable remuneration based on performance criteria, and
- information on possible earning and restriction periods and their duration.

The remuneration report also reports the justification for any one-off bonuses.

The explanation of the above performance criteria and the justification for their achievement, as well as the justification for any one-off bonuses, may be provided without disclosing commercially sensitive information for the company. In the case of commercially sensitive information, the performance criterion and its achievement can be described at a more general level. The target level or minimum and maximum level of the performance measure and the achievement may also be indicated as commercially sensitive information that the company does not disclose. In assessing whether information is commercially sensitive, the company may take into account not only commercial considerations but also competition and securities law considerations. The company may take into account in its assessment, for example, how the performance measures relate to published financial or strategic objectives or published prospects. In particular, for an ongoing incentive plan, information about the target level or minimum and maximum levels of the performance measure may give an indication of the company's objectives or prospects and thus be commercially sensitive. Sometimes such information can be commercially sensitive even after the end of the incentive plan.

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<sup>22</sup> The target level or minimum and maximum levels of the performance measure must be presented at least for expired incentive plans.

### 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, the financial benefits pertaining to any 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.

## OTHER REMUNERATION INFORMATION

**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, including:
  - the criteria used as grounds for variable remuneration
  - any maximum amounts set for variable bonuses
  - earning and restriction periods included in variable 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 period or the managing director changes, the company must update the changes to the aforementioned information on its website.

**GUIDELINES FOR THE REPORTING REQUIREMENT**

The description of the managing director's long-term and short-term incentive plan can be done without disclosing commercially sensitive information for the company (see in more detail the guidelines for the remuneration report).

## OTHER REMUNERATION INFORMATION

**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, including:
    - ◆ the criteria used as grounds for variable remuneration
    - ◆ any maximum amounts set for variable bonuses
    - ◆ earning and restriction periods included in variable 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 period (in aggregate)
  - fixed annual salary
  - variable remuneration, such as financial benefits based on short- and long-term incentive schemes and one-off bonuses
  - supplementary pension contributions
  - other benefits subject to taxation

**GUIDELINES FOR THE REPORTING REQUIREMENT**

The description of the rest of the management team's long-term and short-term incentive plan can be done without disclosing commercially sensitive information for the company (see in more detail the guidelines for the remuneration report).

Where the managing director's deputy is a member of the company's management team but has not performed the duties of managing director, information on the remuneration of the managing director's deputy may be presented on the website as part of the aggregate information presented of the rest of the management team.











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