



COVER LETTER

Guideline on explanations provided when departing from the Code

The Finnish Corporate Governance Code has been prepared in accordance with the so-called comply or explain principle. This means that the company shall comply with all recommendations of the Code. A company may depart from an individual recommendation, however, but in this case, it must disclose such a departure and provide an explanation for doing so. A company must disclose that it complies with the Code, and provide information on any departures as well as their explanations on its website and in its annual Corporate Governance Statement.

On 20 January 2012, the Securities Market Association has issued a Guideline on the explanations that companies shall provide when departing from the recommendations of the Code. The Guideline is not as such binding. The Guideline emphasises the binding nature of the comply or explain principle, which is based on law and the rules of NASDAQ OMX Helsinki Ltd. The Guideline also gives examples of how departure from the Code should be disclosed and explained.

The aim of the Recommendation is to clarify and support the use of the comply or explain principle as part of the Corporate Governance system for listed companies. The European Commission, for instance, has acknowledged the principle but it has also expressed its concern about the insufficient quality of the explanations provided by companies. In April 2011, the Commission published a Green Paper on the EU corporate governance framework. In the consultation on the Green Paper, several respondents felt that it should be possible to demand of companies more detailed explanations and that the explanations provided by companies should be of a higher quality standard. A model where the company presents the alternative manner adopted by the company, in addition to disclosing a departure, has also been widely supported. Therefore, the Commission is planning further measures in order to improve the quality of the explanations, among others.

The Securities Market Association feels that it is important that the comply or explain principle functions well and that the related obligation to provide an explanation functions well in practice. In this manner, it is possible to secure that the principle remains an essential part of the Corporate Governance system and reduce the need for further regulation.

Additional information:

Anne Horttanainen, Legal Counsel, Central Chamber of Commerce of Finland, tel. +358 9 4242 6265, GSM +358 40 510 4907

Jaakko Raulo, Assistant General Counsel, NASDAQ OMX Helsinki Ltd, GSM +358 50 2479

Piia Vuoti, Advisor, Confederation of Finnish Industries EK, tel. +358 9 4202 2247, +358 44 577 0403

Arvopaperimarkkinayhdistys ry

PL 324, 00121 Helsinki

Puhelin 09 4202 2247 · Telefaksi 09 637 385

info@cgfinland.fi · www.cgfinland.fi

Y-tunnus 2088700-8 · Kotipaikka Helsinki