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1 Setting the Scene – Sources and Overview

1.1 What are the main corporate entities to be discussed?

The primary corporate structure in Finland is the limited liability company (hereinafter "the company"). In Finland, there are two forms of companies: private companies, which are unlisted; and public companies, which are listed.

1.2 What are the main legislative, regulatory and other sources regulating corporate governance practices?

Corporate governance in Finland is primarily governed by the Limited Liability Companies Act (624/2006, as amended, "FCA"), which imposes mandatory regulations on companies. Additionally, the Finnish Securities Market Act (746/2012, as amended, "SMA") applies specifically to listed companies. The regulations set forth in these acts must be adhered to by the companies, without exception.

In addition to legislative measures, corporate governance in Finland is also regulated through self-regulation established by the business community. The Securities Market Association has published the Finnish Corporate Governance Code (hereinafter "FCGC"), which comprises recommendations on good corporate governance and reporting for listed companies. These recommendations complement the existing legislation applicable to listed entities. While self-regulation is voluntary, it serves to elucidate binding legislation through practical guidelines. The most recent version of the FCGC was published in 2025, introducing updates that reflect new EU directives and strengthen expectations around transparency, board diversity, and shareholder engagement.

A key aspect of the FCGC is the comply-or-explain principle. This stipulates that companies shall primarily adhere to the recommendations. However, if a company chooses to deviate from specific recommendations, it is required to provide an explanation outlining the reasons for the departure and the decision-making process involved.

The FCGC provides recommendations concerning the general meeting, the board of directors, board committees, the managing director, remuneration, corporate governance reporting, risk management, and internal audit. The FCGC aims to standardise practices among listed companies, promote transparency and openness, enhance the effectiveness of the board of directors' activities, and optimise the flow of information to shareholders and other investors.

The Finland Chamber of Commerce has recommended that the largest unlisted companies comply with the FCGC. However, it acknowledges that for smaller unlisted companies, adhering to the recommendations of the FCGC may be overly burdensome. Consequently, the Finland Chamber of Commerce has published a checklist designed to enhance corporate governance. Compliance with this checklist is voluntary, enabling companies to evaluate their own practices and independently determine whether modifications or improvements are necessary. The checklist does not mandate specific obligations or structures for companies. Additionally, companies are not required to publicly justify their corporate governance decisions.

1.3 What are the current topical issues, developments, trends and challenges in corporate governance?

In Finland, corporate governance continues to evolve in response to global trends, EU regulatory changes, investor expectations, and national debates. Several topical issues, developments, trends, and challenges are shaping the corporate governance landscape today.

Environmental, Social, and Governance (hereinafter "ESG") is no longer optional – it is a core board responsibility. The Corporate Sustainability Reporting Directive (hereinafter "CSRD") is transforming how companies disclose and manage ESG risks. Companies are revising board charters and forming sustainability committees to oversee ESG matters. A lack of ESG competence on boards, difficulty in meeting double materiality and assurance requirements under the CSRD and navigating EU Taxonomy alignment and greenwashing risks can be considered challenges.

Boards are under pressure to address ICT resilience and cyber risks as rising cyber threats and regulatory pressure (e.g. NIS2 Directive, EU Digital Operational Resilience Act ("DORA")) are forcing boards to take ownership of digital oversight. However, many boards lack technical expertise and the integration of cyber risk into enterprise risk management is often still weak.

Finnish listed companies are leaders in gender diversity, but broader diversity (age, nationality, skills) is now a focus. There is pressure from investors and proxy advisors to increase non-executive and independent representation. This requires deepening the talent pool for diverse board candidates and achieving competence-based diversity while meeting regulatory expectations.

Currently, a number of new EU directives require implementation, including the CSRD, the Corporate Sustainability Due

Diligence Directive ("CSDDD" – pending final adoption), NIS2 Directive (effective October 2024) and the EU AI Act (forthcoming for high-risk AI systems). The implementation of the aforementioned and other directives expected in the forthcoming years increases the regulatory burden, especially for mid-sized companies, and the need for legal, sustainability, and audit teams to collaborate across the board.

There are also stronger expectations to involve employees, local communities, and value chain actors in governance processes and for more companies to conduct stakeholder consultations and materiality assessments, which require formalising stakeholder roles without compromising board independence.

The move toward machine-readable, standardised ESG data (per the CSRD) causes high costs of ESG data systems and audit readiness.

1.4 What are the current perspectives in this jurisdiction regarding the risks of short termism and the importance of promoting sustainable value creation over the long term?

In Finland, there is a strong and growing consensus among policymakers, business leaders, investors, and governance experts that short-termism poses a risk to corporate resilience and that sustainable, long-term value creation must be central to corporate governance and strategy. This perspective reflects both Finnish corporate culture, which tends to favour stability and stakeholder orientation, and EU regulatory developments that are reshaping expectations for directors, boards, and investors.

Excessive focus on quarterly results is recognised to undermine long-term investment in research and development, sustainability, and employee well-being. Short-term incentives may lead to underinvestment in future capabilities (e.g. digitalisation, climate adaptation), cost-cutting at the expense of workforce development and environmental degradation as well as social harm.

Widely promoted principles to support long-term, sustainable value creation include board consideration of long-term impacts and stakeholder interests in decision-making, companies aligning their strategies and business models with sustainability goals, such as climate neutrality, biodiversity, and social equity, governance supporting resilience, innovation, and responsible leadership.

Finnish experts warn that shareholder primacy and short-term financial targets may conflict with broader societal and ecological needs.

2 Shareholders

2.1 What rights and powers do shareholders have in the strategic direction, operation or management of the corporate entity/entities in which they are invested?

Under the FCA, shareholders exercise their decision-making power primarily at the general meeting. Their powers are limited to matters within the competence of the general meeting as defined by law or the company's articles of association, such as electing the board of directors, amending the articles of association, and deciding on dividends or other significant corporate actions. Shareholders do not participate in the day-to-day management or operational decisions, which fall under the board of directors and the CEO's general competence.

Exceptionally, the articles of association may extend shareholder powers to cover matters usually reserved for the board of directors. This reflects the flexible and largely non-mandatory structure of the FCA, which allows companies to tailor governance through their articles.

The equal treatment clause stated in the FCA secures the protection of minority shareholders. All shares carry the same rights in the company, unless otherwise stated in the articles of association. The general meeting, the board of directors, the managing director or the supervisory board shall not make decisions or take other measures that are conducive to conferring an undue benefit to a shareholder or another person at the expense of the company or another shareholder.

The 2025 FCGC emphasises the importance of shareholder communication and transparency. While it does not expand shareholders' formal powers, it underscores the need for listed companies to actively facilitate shareholder participation and ensure that all shareholders receive equal and timely access to relevant information. This is especially critical in decision-making processes at general meetings and in the nomination and election of directors.

2.2 What responsibilities, if any, do shareholders have with regard to the corporate governance of the corporate entity/entities in which they are invested?

Shareholders play a pivotal role in corporate governance, albeit primarily in an indirect manner. Their main duty involves exercising their rights during the general meeting of shareholders. Furthermore, in listed companies, shareholders contribute to corporate governance through the Shareholders' Nomination Board, guided by recommendations from the FCGC.

The Shareholders' Nomination Board can be constituted pursuant to a resolution by the general meeting, with the objective of formulating recommendations regarding the composition and remuneration of the board of directors. This board typically comprises representatives from the company's principal shareholders and may also include members of the board of directors.

The primary responsibilities of the Shareholders' Nomination Board encompass the nomination of board candidates, the proposal of director remuneration, the support of succession planning, and the promotion of board diversity. Its duties are defined in a charter approved by the general meeting, and it operates transparently to ensure equal treatment of all shareholders.

The Shareholders' Nomination Board allows shareholders to be involved in governance decisions and the long-term oversight of the company.

2.3 What kinds of shareholder meetings are commonly held and what rights do shareholders have with regard to such meetings?

The shareholders exercise their power of decision at the general meeting. The board of directors convenes the general meeting. However, it may be provided in the articles of association that the supervisory board convenes the general meeting.

The matters to be decided at the general meeting are specified in the FCA. These include decisions on the adoption of the financial statements, which for a parent company also encompasses the consolidated financial statements. The general meeting will determine the allocation of profit as reflected in the balance sheet and decide on the discharge of board members, supervisory board members, and the managing director from liability. Additionally, it will address the remuneration and appointment of board and supervisory board members, as well as the auditor, unless otherwise stipulated by law or the articles of association. Furthermore, any other matters assigned to the general meeting under the articles of association will also be resolved. An extraordinary general meeting shall be convened if stipulated by the articles of association, deemed necessary by the board of directors or the supervisory board as authorised by the articles of association, or requested by a shareholder or the auditor in accordance with the FCA.

As a general rule, a proposal that receives support from more than half of the votes cast constitutes the decision of the general meeting. Decisions by the qualified majority are required for certain actions, including amending the articles of association, conducting a directed share issue, issuing options and other rights entitling to shares, acquiring and redeeming treasury shares in listed companies, directed acquisition of treasury shares, mergers, demergers, and liquidation.

2.4 Do shareholders owe any duties to the corporate entity/entities or to other shareholders in the corporate entity/entities and can shareholders be liable for acts or omissions of the corporate entity/entities? Are there any stewardship principles or laws regulating the conduct of shareholders with respect to the corporate entities in which they are invested?

The main principle set forth in the FCA is that shareholders have no personal liability for the obligations of the company. However, provisions may be included in the articles of association on the liability of a shareholder to make specific payments to the company.

Shareholders are thus, as a starting point, free to act in their own interests and exercise their shareholders rights. Notwithstanding this, the FCA does include an explicit requirement of equal treatment, which prohibits the general meeting, the board of directors, the managing director or the supervisory board from making any decisions or taking any other measures that are conducive to conferring an undue benefit to a shareholder or another person at the expense of the company or another shareholder. In practice, this standard is of importance, for example, for shareholders who hold the majority of votes in the company.

Despite the main principle of shareholders not having personal liability for the obligations of the company, it is possible for a shareholder to become liable for the company's obligations and undertakings. Courts can in certain situations pierce the corporate veil. This mainly relates to situations in which a shareholder's control, the group structure, or arrangements of artificial character, have been used in a manner, resulting in, for example, harm to the company's creditors or to the circumvention of liability.

Under the FCA, a shareholder is responsible for damages and is required to compensate for any damage caused to the company, another shareholder, or a third party due to intentional or negligent actions that have contributed to a violation of the FCA or the company's articles of association.

There are as such no statutory stewardship principles that regulate the conduct of shareholders with respect to the corporate entities in which they are invested. The main principles contained in the FCA apply. It is, however, not uncommon that investors, mainly institutional investors, publish their own internal ownership, steering and investment guidelines and policies.

2.5 Can shareholders seek enforcement action against the corporate entity/entities and/or members of the management body?

It is possible for a shareholder to seek enforcement action against corporate entity/entities and/or members of the management body. A member of the board of directors, a member of the supervisory board and the managing director is liable to compensate for any damage that they have, by violating other provisions of the FCA or the articles of association, while in office, intentionally or through negligence caused to the company, a shareholder or a third party.

Under the FCA, one or several shareholders have the right to pursue an action in their own name for the collection of damages to the company, if it is probable at the time of filing of the action that the company will not make a claim for damages and: 1) the plaintiffs hold at least one-tenth of all shares at that moment; or 2) it is proven that the non-enforcement of the claim for damages would be contrary to the principle of equal treatment set forth in the FCA.

Shareholders further have the possibility to object to decisions of the general meeting by pursuing action against the company if the procedural provisions of the FCA or the articles of association the company have been breached and the breach may have had an effect on the contents of the decision or otherwise on the rights of a shareholder; or the decision is otherwise contrary to the provisions of the FCA or the articles of association of the company. Such obligation action must be brought within three months of the general meeting's decision.

Under certain conditions, a shareholder may apply to the Finnish regional state administrative agency of the place where the company has its registered office for an order of a special audit of the administration and accounts of the company for a given past period or for given measures or circumstances. The proposal for a special audit shall be made at an ordinary general meeting or at a general meeting where the matter is according to the notice to be dealt with. The application may be made, if it is supported by the shareholders holding at least one-tenth of all shares or at least one-third of the shares represented at the general meeting. In a public company with several share classes, the application may be made if it is supported by at least one-tenth of all shares in one of the share classes or at least one-third of the shares in one of the share classes represented at the general meeting.

2.6 Are there any limitations on, or disclosures required, in relation to the interests in securities held by shareholders in the corporate entity/entities?

The SMA regulates notifications of major holdings. The obligation to notify major shareholdings and proportions of voting rights (flagging obligation) applies to listed companies' shareholders, persons comparable to a shareholder and the listed company itself.

Under the SMA, shareholders have an obligation to notify the company and the Finnish Financial Supervisory Authority (hereinafter "FIN-FSA") of its holdings and proportion of voting rights, when the proportion reaches or exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50% or 90% or two-thirds of the voting rights or the number of shares in the listed company.

2.7 Are there any disclosures required with respect to the intentions, plans or proposals of shareholders with respect to the corporate entity/entities in which they are invested?

Shareholders are in general not required to disclose any such intentions or plans.

However, as per the provisions set forth in the SMA, the FIN-FSA may, on the application by the board of the directors of the offeree company, set a time period for a party who has contacted the offeree company or its shareholders with an intention to launch a takeover bid or made public that it is planning to launch a takeover bid, by which the party shall either make public a takeover bid or notify that it will not launch a takeover bid.

2.8 What is the role of shareholder activism in this jurisdiction and is shareholder activism regulated?

In Finland, shareholder activism plays a modest but growing role in corporate governance, particularly among institutional investors, though it is generally more collaborative and engagement-focused than confrontational. The Finnish regulatory framework allows activism, but it is lightly regulated, with transparency and fairness being the primary legal concerns.

Shareholder activism in Finland typically includes engagement with management and boards on governance, ESG, and strategic issues, submitting proposals to the general meeting (e.g. on dividends, board composition, ESG issues), voting strategies or campaigns (e.g. against executive pay) and rarely, public campaigns or proxy fights.

Characteristically, shareholder activism is more institutional and long-term oriented (e.g. pension funds, government investment bodies) and emphasis is on dialogue and consensus rather than adversarial approaches.

There is no specific law governing "activism" as such, but certain legal frameworks, essentially the FCA, regulate how shareholders can act and what rights they have.

3 Management Body and Management

3.1 Who manages the corporate entity/entities and how?

In accordance with the FCA, a company must have a board of directors. Additionally, the company may appoint a managing director and establish a supervisory board. The company's articles of association may specify the requirement for a supervisory board or a managing director.

The board of directors is responsible for the overall administration of the company and for ensuring the proper organisation of its operations, also called the general competence. Furthermore, the board of directors holds accountability for the appropriate arrangement of the company's accounts and finances.

The managing director shall be responsible for the day-to-day operations of the company, overseeing the executive management of the company according to the instructions and orders given by the board of directors. The managing director must ensure that the company's accounts comply with legal requirements and that its financial affairs are arranged reliably. Additionally, the managing director must provide the necessary information to the board of directors and its members to enable them to perform their duties.

The managing director may take measures that are unusual or extensive in relation to the scope and nature of the company's activities only if authorised by the board of directors or if waiting for the board's decision would cause significant harm to the company's operations.

The articles of association shall specify provisions related to the supervisory board. The supervisory board oversees the company's administration, a duty that falls to the board of directors and the managing director. The supervisory board cannot be given any right to represent the company.

3.2 How are members of the management body appointed and removed?

The board of directors is appointed by the shareholders in a general meeting or through a unanimous written decision by the shareholders. The board of directors chooses among them the chairperson of the board of directors. If specified in the articles of association, the supervisory board may appoint the board of director.

In a publicly listed company, at least 40% of board members must represent the underrepresented gender if the company has over 250 employees on average and if either of the balance sheet total exceeds €43 million, or the turnover exceeds €50 million.

In private companies, board members are elected indefinitely. In public companies, board members' terms conclude at the next annual general meeting after their election. The company's articles of association may include different provisions regarding term lengths.

The term of office of a member of the board of directors ends prematurely either by resignation or by dismissal. The resignation becomes effective upon notification to the board of directors. If the board member was elected by a party other than the general meeting, the resignation must also be notified to the electing party.

A member of the board of directors may be dismissed before the end of the term by the party who elected the member. However, a member elected by someone else other than the general meeting may be dismissed by the general meeting, if the articles of association have been amended so that the right of election no longer applies.

The managing director is appointed by the board of directors. The managing director retains the right to resign from the position, with the resignation taking effect upon the earliest notification to the board of directors. Furthermore, the board of directors holds the authority to dismiss the managing director. Such dismissal becomes effective immediately unless the board specifies a later effective date.

The shareholders appoint the supervisory board at the general meeting or through a unanimous written decision. Members of the supervisory board can be removed by either resignation or dismissal, similar to the process for members of the board of directors.

3.3 What are the main legislative, regulatory and other sources impacting on compensation and remuneration of members of the management body?

The primary legislation affecting compensation and remuneration is the FCA. In addition, practical guidelines are provided in the FCGC for listed companies, as well as in the checklist created by the Finland Chamber of Commerce for unlisted companies.

Remuneration decisions are generally made by the body responsible for appointing the individual in question. For board members, the general meeting determines their remuneration.

In listed companies, the remuneration policy must be presented to the general meeting at least every four years. Any material changes to the policy must also be submitted for review. The general meeting decides whether to support the proposed policy.

According to the FCA, remuneration decisions for the board of directors and managing director in listed companies must align with the remuneration policy presented to the general meeting. The articles of association may specify that the supervisory board decides on board members' remuneration.

If the general meeting does not support the presented remuneration policy, remuneration decisions for the board of directors and managing director must still follow the latest presented policy until a revised version is approved.

A listed company may temporarily derogate from the remuneration policy if necessary to protect its long-term interests. However, this is only allowed if the policy explicitly defines the elements that may be subject to derogation and the procedure to be followed in such cases. A listed company is required to make its current remuneration policy publicly accessible on its website.

The supervisory board's remuneration in a listed company must adhere to a policy approved by the general meeting, similar to other management bodies.

According to the FCA, unlisted companies are not required to have a remuneration policy. The remuneration of management bodies in unlisted companies adheres to the same principles as those in listed companies. Specifically, the authority responsible for appointing the management body also determines its remuneration. Consequently, shareholders at the general meeting decide on the remuneration of the board of directors. Similarly, since the board of directors appoints the managing director, they typically determine the remuneration for this position as well.

3.4 What are the limitations on, and what disclosure is required in relation to, interests in securities held by members of the management body in the corporate entity/entities?

The disclosure requirements concerning members of the management body in companies with share ownership are governed by the EU Market Abuse Regulation (EU) No 596/2014 (hereinafter "MAR") and the SMA.

In unlisted companies, members of the management body can own shares without limitations or legal disclosure requirements.

In listed companies, members of the management body and individuals closely associated with them must notify the company and the FIN-FSA about their transactions related to the company's shares, debt instruments, derivatives, or other financial instruments. This notification requirement applies once the transactions total EUR 20,000 within a calendar year. The threshold is calculated by summing all transactions referred to in Article 19(1) of MAR conducted within a calendar year without netting.

Transactions by members of the management and persons closely associated with them must be disclosed within two business days following receipt of notification from a member of the management or a closely associated person. The public disclosure of transactions must be done in a manner similar to a stock exchange release. The transactions conducted by members of the company's management body shall be publicly disclosed on the company's website for a period of five years.

Members of the company's management body are subject to a closed period of 30 days prior to the announcement of either an interim financial report or a year-end report. During this closed period, members of the management body are prohibited from carrying out, on their own account or on behalf of third parties, any transactions related to the company's shares, debt instruments, associated derivatives, or other financial instruments. This restriction extends to any personal transactions conducted by members of the company's management, as well as transactions carried out on behalf of persons closely associated with them, such as controlled corporations or third parties.

The FCGC indicates that directors' shareholding in the company is beneficial for corporate governance. One method to increase directors' shareholding is to provide remuneration for their board and committee work, or a portion of it, in the form of shares. In this case, the company must comply with insider regulations. The company may require that a director retain the shares or part of the shares received as remuneration or acquired otherwise for at least the duration of their term as a director.

3.5 What is the process for meetings of members of the management body?

The chairperson of the board is responsible for convening meetings as required. A meeting must be convened upon the request of a board member or the managing director. Should the chairperson fail to comply with this request, a meeting may be called by a board member with the support of at least 50% of the members, or by the managing director. The managing director retains the right to attend and be heard during these meetings unless the board decides otherwise.

The opinion of the majority shall constitute the decision of the board of directors, unless a qualified majority is required under the articles of association. If there is a tie, the chairperson casts the deciding vote. If tied in electing the chairperson, the decision is made by lot unless otherwise stated. The board has a quorum with over half of its members present unless higher attendance is required by the articles of association. Disqualified members are considered absent. Decisions require all members or their deputies to have the chance to participate. Any decision made without a meeting must be documented, signed, numbered, and archived as meeting minutes.

Minutes of board meetings must be recorded and signed by the chairperson and at least one designated board member if multiple members are present. Board members and the managing director have the right to have dissenting opinions included. The minutes must be numbered consecutively and archived securely.

3.6 What are the principal general legal duties and liabilities of members of the management body?

The management body including the board of directors, managing director and possible supervisory board are bound by a duty of care, which means they shall act with due care and in the interest of the company. Consequently, the management body must actively promote the best interests of the company and is accountable for both its actions and omissions. In practice, the members of the management body are required to prioritise the company's interests above all other interests under all circumstances.

A member of the management body who causes damage to the company through their actions is required to compensate for the damage. Liability for damages is assessed individually for each member, based on their participation in the act or omission that caused the damage. This liability requires negligence or intentionality; it does not arise from decisions made after thorough consideration and investigation that later prove to be commercially unprofitable.

3.7 What are the main specific corporate governance responsibilities/functions of members of the management body and what are perceived to be the key, current challenges for the management body?

The board of directors is vested with general authority over the administration and organisation of the company's operations in accordance with the FCA. This encompasses the responsibility to ensure proper management of the company's accounts and financial matters. Furthermore, the board appoints and oversees the managing director, establishes strategic objectives, and monitors risk management, internal control systems, and corporate governance practices. In performing these duties, the board must act in the best interests of the company and its shareholders.

Current governance challenges involve meeting new requirements for gender representation on the board of directors, integrating sustainability and corporate due diligence obligations in accordance with EU directives, and ensuring that governance practices reflect diversity and transparency. Additionally, the board of directors is expected to enhance their internal evaluation processes and remain responsive to digital and strategic risks.

A notable governance challenge currently faced is achieving balanced gender representation on the board of directors. According to the 2025 FCGC, all companies within its purview are mandated to ensure equal representation of women and men on their board of directors by 30 June 2026. While this aligns with the 40% target in the FCA for large listed companies, the FCGC goes further by applying this requirement to all listed companies, regardless of size.

3.8 Are indemnities, or insurance, permitted in relation to members of the management body and others?

Companies can obtain management liability insurance to protect members of the management body, such as board members and managing directors, against personal liability arising from their decisions and actions. This insurance covers financial damages that the insured company or third parties may incur due to management decisions.

Insurance generally provides coverage for legal defence costs and any compensation payments should a management member be held personally liable. It also frequently covers legal expenses associated with defending against unfounded or excessive claims.

Finnish law assigns personal responsibility to management members for damages caused by their actions. Obtaining management liability insurance is a standard practice to reduce personal financial risks related to these liabilities.

3.9 What is the role of the management body with respect to setting and changing the strategy of the corporate entity/entities?

The board of directors is responsible for defining the company's strategy and overseeing its implementation. Strategic decisions, including changes to strategy, fall under the board of directors general competence and include matters such as major investments, mergers, and financing. The managing director executes the strategy under the board of directors' supervision.

4 Other Stakeholders

4.1 May the board/management body consider the interests of stakeholders other than shareholders in making decisions? Are there any mandated disclosures or required actions in this regard?

Under the FCA, a company's primary purpose is to generate profit for its shareholders, unless the articles of association specify another purpose. Finnish corporate governance therefore follows a shareholder-centric model. The board of directors and managing director must act with due care and loyalty to promote the company's interests, which typically means enhancing shareholder value.

In fulfilling their duty, the board of directors may take into account the interests of various stakeholders, including employees, customers, creditors, and the environment, when these interests align with the company's long-term success or risk management. This consideration is relevant in the context of sustainability and corporate responsibility, which are increasingly reflected in soft-law instruments such as the FCGC and EU legislation.

While there is no general legal requirement to prioritise stakeholder interests, certain mandated disclosures are applicable. For instance, under the CSRD, companies must report on ESG matters, including the impact of their operations on non-shareholder stakeholders. Finnish companies are also required to disclose their sustainability approach as part of the management report and explain how stakeholder interests are integrated where relevant.

4.2 What, if any, is the role of employees in corporate governance?

In Finland, employees have a recognised and structured role in corporate governance, particularly in medium to large companies. This reflects the country's emphasis on co-determination, social dialogue, and workplace democracy. The role of employees is rooted in national legislation, collective agreements, and, in some cases, corporate practice – especially in listed companies.

According to the Act on Co-operation within undertakings (1333/2021, hereinafter "CA"), in companies with at least 150 employees in Finland, employees have the right to appoint representatives to the company's administrative organs (board of directors or supervisory board). This applies to both private and listed companies. The employee-elected representatives may sit on the board or supervisory board, or take part in other management bodies. These representatives have the same rights and obligations as other board members, including fiduciary duties and confidentiality.

The CA, which applies to companies with at least 20 employees, requires structured dialogue between the employer and employee representatives (e.g. shop stewards) on business plans and major changes (e.g. mergers, layoffs), organisational structure, personnel policies and workplace development, health and safety, and sustainability-related matters (increasingly relevant). While these discussions are not part of formal corporate governance, they influence company strategy and decisions that later go to the board. Companies must document co-operation procedures and may publish key summaries, especially in sustainability reporting.

Many listed Finnish companies voluntarily include employees in governance structures even if not legally required. The FCGC allows for employee representatives on the board, but it is not mandatory. Companies that include employee representatives usually disclose this in their corporate governance statement.

4.3 What, if any, is the role of other stakeholders in corporate governance?

Other stakeholders do not have formal rights within the governing bodies (like the board of directors) of a company, but they are nonetheless recognised and increasingly influential in corporate governance through legal obligations, voluntary practices, and ESG-driven stakeholder engagement.

The primary duty of the board and management is to act in the interest of the company, which traditionally emphasises shareholder value. However, Finnish law increasingly interprets "the interest of the company" broadly to allow consideration of stakeholder impacts, such as the environment, local communities, customers, suppliers and creditors.

This aligns with sustainable and responsible business practices and does not prohibit management from weighing long-term stakeholder interests.

Good governance is increasingly seen as requiring stakeholder-informed decision making, even if stakeholders have no formal role in governance bodies.

4.4 What, if any, is the law, regulation and practice concerning corporate social responsibility and similar ESG-related matters?

In Finland, Corporate Social Responsibility ("CSR") and broader ESG matters are governed by a combination of EU regulations, national laws, and voluntary frameworks, with increasing expectations for transparency, due diligence, and strategic integration of sustainability into corporate governance.

Within the EU-based regulatory framework, comprising the most essential CSR and ESG regulatory framework applicable in Finland, the CSRD applies to large companies and all listed companies (phased in from 2024–2028) and requires disclosure on environmental impacts (e.g. climate change, biodiversity), social and human rights issues (e.g. working conditions, equality), and governance (e.g. anti-corruption, board diversity). The aforementioned shall also follow the European Sustainability Reporting Standards ("ESRS").

The EU Taxonomy Regulation provides a classification system for environmentally sustainable activities. It requires certain companies to disclose share of turnover, CapEx, and OpEx aligned with taxonomy criteria. The regulation affects investment and lending decisions in Finland. The Sustainable Finance Disclosure Regulation ("SFDR") affects financial market participants, such as asset managers and pension funds. It requires ESG disclosures in investment decision-making and marketing materials.

The Finnish Accounting Act mandates non-financial reporting (based on the Non-Financial Reporting Directive ("NFRD"), soon replaced by the CSRD) for large companies and requires reporting on environmental matters, social and employee-related issues, respect for human rights, anti-corruption and bribery as well as board diversity. The Act on the Register of Beneficial Owners enhances corporate transparency by requiring identification of ultimate beneficial owners.

Many Finnish companies go beyond legal requirements by adopting global standards and frameworks. Companies often integrate CSR/ESG into core strategies, publish annual sustainability reports, and establish dedicated ESG governance structures (e.g. board-level sustainability committees).

5 Transparency and Reporting

5.1 Who is responsible for disclosure and transparency and what is the role of audits and auditors in these matters?

In corporate governance in general in Finland, disclosure and transparency is guided by the FCA and supplemented by the FCGC (for listed companies). Disclosure and transparency responsibilities in a company are shared among several parties, primarily within management.

Primary responsibility of disclosure and transparency lies with the board of directors that is ultimately responsible for ensuring proper governance, including transparency and disclosure of material information. This includes, *inter alia*, ensuring that the annual report and financial statements are prepared and ensuring that the company complies with applicable laws and regulations on disclosure. In listed companies, the board also oversees the company's disclosure policy and continuous disclosure obligations under MAR. The managing director handles day-to-day administration and is responsible for ensuring that the board receives sufficient information and that disclosures (especially operational and financial data) are properly prepared and disseminated. The managing director signs off on financial statements together with the board.

Most Finnish companies are required to have an auditor, especially if they exceed certain size thresholds regarding turnover, balance sheet total, or number of employees.

Auditors are independent professionals primarily responsible for auditing the financial statements and the management report. The auditors issue an audit report to confirm whether the accounts give a true and fair view in accordance with Finnish accounting standards (FAS or IFRS, depending on the company) and report any irregularities or breaches of law or corporate governance.

Listed companies must appoint Authorised Public Auditors and adhere to stricter audit and disclosure standards, including risk management, internal controls, and interim reports. In listed companies, an audit committee under the board oversees financial reporting processes, effectiveness of internal controls, and the performance of auditors.

5.2 What corporate governance-related disclosures are required and are there some disclosures that should be published on websites?

Key corporate governance disclosures required for all companies in Finland include the financial statements, the annual report and the auditor's statement. These must be submitted to the Finnish Patent and Registration Office ("PRO") and are publicly accessible. Listed companies are required, in addition to the aforementioned, to prepare and publish on their website half-year and quarterly reports.

Listed companies are subject to more detailed and frequent disclosure obligations. The corporate governance statement must be issued annually and made available as a separate document. The corporate governance statement should, *inter alia,* include a description of the governance framework (board, committees, managing director), internal control and risk management related to financial reporting and information on the composition and operation of the board and committees. The corporate governance statement must be published on the company's website.

The remuneration policy, which is forward-looking and approved by the shareholders, is disclosed publicly and updated as needed. The remuneration report covering actual payments must be published annually. Both must be made available on the company's website for at least 10 years.

Disclosures of transactions by management and closely associated persons are required under the MAR. These are filed with the FIN-FSA and published promptly by the company on its website.

Changes in major shareholdings must be disclosed according to the flagging obligations.

5.3 What are the expectations in this jurisdiction regarding ESG- and sustainability-related reporting and transparency?

In Finland, ESG and sustainability-related reporting are increasingly central to corporate governance, particularly for listed and large companies. These expectations are shaped by EU regulations, national laws, and market practices. Finland aligns closely with the EU Green Deal and SFDR, and enforcement is overseen by the FIN-FSA and other national bodies.

The CSRD, fully replacing the NFRD from 2024 onwards, applies to large companies (over 250 employees, €40 million turnover, or €20 million balance sheet) and all listed companies. The CSRD requires reporting, in short, on ESG risks and impacts (double materiality), sustainability targets and progress, as well as on governance of sustainability matters. Reports must be audited or assured (limited assurance to start), prepared according to ESRS and published in a machine-readable digital format. Reports must also be published on the company's website and filed with the Finnish Trade Register.

For listed companies, the FCGC recommends transparency on ESG risks, board responsibility for sustainability, and policies like sustainability or ESG strategy, code of conduct and supply chain responsibility.

From a corporate governance standpoint, the board of directors is expected to oversee ESG strategy and risk, integrate sustainability into corporate decision making and ensure the accuracy and transparency of ESG reporting. The company's management is responsible for implementing ESG policies and gathering data and preparing the required disclosures.

Finnish companies often engage third parties to verify ESG data voluntarily even before legal mandates.

5.4 What are the expectations in this jurisdiction regarding cybersecurity and technology-related reporting and transparency?

From a corporate governance perspective, cybersecurity and technology-related reporting and transparency are becoming critical elements of board accountability, especially in the context of digitalisation, data protection, and increasing cyber threats.

While there is no standalone Finnish law requiring public reporting on cybersecurity, companies – particularly listed and critical infrastructure entities – are expected to address these topics through a combination of EU regulation, Finnish governance codes, and sector-specific obligations.

The board of directors is expected to understand and oversee cybersecurity and technology-related risks, integrate ICT and cyber risks into enterprise risk management, ensure proper governance frameworks and internal controls for data security. The management is responsible for operationalising security policies, incident response and recovery plans, and regulatory compliance (e.g. General Data Protection Regulation ("GDPR"), NIS2, DORA). For listed companies, the FCGC emphasises internal control and risk management, which implicitly includes cybersecurity.

In Finland, it is not mandatory for most companies to publish detailed cybersecurity reports. However, listed companies are expected to report material ICT and cyber risks in the board of directors' report or risk disclosures in financial filings, inform the market immediately of any material cyber incidents (under MAR), and disclose the existence of risk management frameworks, including cyber risk, in the corporate governance statement. Website publication is recommended for corporate policies on IT governance, cybersecurity policy and privacy policy (the last is required under the GDPR).

The NIS2 Directive, applying to essential and important entities, such as those in finance, energy, transport, health, and ICT, requires cybersecurity risk management measures and reporting of incidents within 24 hours. The DORA for financial services requires detailed ICT risk management, incident reporting, and testing. The GDPR requires data breaches affecting personal data to be reported to the Data Protection Ombudsman within 72 hours. Companies must also maintain a privacy policy and publish it on their websites.

Jan Långstedt has over 17 years of experience in corporate law. He has advised a diverse range of clients on complex corporate matters, both domestically and internationally. His practice is grounded in a deep understanding of corporate structures, governance, regulatory compliance, and cross-border transactions.
His legal career began in a foreign jurisdiction, where he spent several formative years assisting Western companies in establishing and expanding their operations. This international experience gave him valuable insight into cross-cultural business dynamics, foreign investment regulations, and the practical challenges of navigating unfamiliar legal systems. Jan supported clients through the full lifecycle of their market entry, including entity formation, joint ventures, regulatory approvals, and contract negotiations.
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Marcus Kevin holds close to 20 years of experience within business law, handling mergers and acquisitions, guiding startups and other growing businesses as well as providing general expertise on commercial contracts.
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With a strong entrepreneurial spirit, Marcus is also passionate about helping new businesses grow and develop. He regularly works with financing rounds, shareholders agreements and incentive programmes. His combination of legal knowledge and understanding of the dynamics of the startup world has made him a trusted advisor among many young companies navigating the legal landscape. His clientele also includes investors.

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