

**Jorma Ollila at Annual General Meeting 21 March 2002:
Corporate Governance**

Lately, there has been a lot of discussion about companies' accounting practices and corporate governance, raising several questions related to the general openness of companies and the reliability of their operations. I find this meeting a good and important forum for an overview on the principles on which Nokia has systematically striven to improve its corporate governance and practices.

Our key aim has been to establish corporate governance that is clear and unambiguous, yet flexible enough to enable fast reactions to the demands of our changing environment. We have also wanted to make sure that information is distributed to our stakeholders without delay in a reliable and transparent manner, following the principles of non-selective distribution.

I would like to name three factors that have affected the development of Nokia's corporate governance most significantly during the past ten years: the constantly increasing, open financial reporting; reforms concerning the practices and the composition of the Board, and the consolidation of the classes of shares upon the resolution by the Annual General Meeting three years ago. Listing on the New York Stock Exchange in 1994 initiated the development towards open, transparent corporate governance, focusing on increasing shareholder value. Abolition of restrictions on foreign ownership of Finnish companies in 1993 opened the door for foreign ownership which rapidly gained a foothold at Nokia as well. The proportion of Finnish ownership of Nokia has fallen from 80% in 1992 to approximately 10%. However, it is noteworthy that, at the same time, the total value of Nokia shares in Finnish ownership has increased to more than ten times the initial amount of some one billion euro.

Responding to the needs of the investors and markets, Nokia has striven to improve its financial reporting – both in quantity and detail. We began issuing quarterly reports in 1996. We have been providing business group specific information since the beginning of the 1990's and begun including this in our quarterly reporting in 1999. Furthermore, Nokia practices increasingly detailed forward-looking guidance, including EPS estimates.

The aim is to provide extensive yet precise information on the financial developments of the past as well as an outlook for the future at shorter intervals – at present as often as ten times per year. We have also increased our communication of e.g. top executive compensation principles.

I am pleased to say it has become easier for our foreign shareholders to participate in our Annual General Meetings. This is a result of changes in legislation and more effective co-operation in our ADR program management and nominee registers. In addition, our active approach to investor relations has brought the Finnish meeting practices closer to our foreign owners. The results can be seen in this meeting and in the growing number of participants.

Nokia actively follows the discussion concerning corporate governance and strives to observe the latest trends and developments without delay. By an open-minded implementation of the reforms in our corporate governance we want to do more than just react to the external pressures. The shareholders' support for the development of our corporate governance has been of utmost importance. Their co-operation has been necessary regarding our renewal. We note with great pleasure that our shareholders want to see Nokia as a leader in corporate governance as well. These developments have led to a situation in which traditional representation or direct links to background group ownership no longer plays a role in Nokia's Board. Decisions are not made on the support of selected owners and their interests; today, decisions are based on wide, comprehensive solutions utilising expertise and knowledge from various fields.

The role of the Board is essential for Nokia, since it has more than two million shareholders – with the majority of its shares being controlled by funds and other institutions. Decisions concerning the composition of the Board are made annually, including the entire Board, which emphasises the role of owners as controllers. The Board must attend to the shareholders' common interests, taking into account the different factors related to the development of the value of the share and other shareholders' benefits. This must be the sole primary mission of the Board.

Nokia's classes of shares were merged in 1999, removing differences in voting rights between owners of different classes of shares. This was a significant decision, and marks a wish by Nokia's Finnish shareholders' to ensure viable corporate governance. Unequal voting rights are primarily a

phenomenon typical of the Nordic countries. With the changes taking place in Nokia's ownership structure, unequal voting rights would have been an unknown factor causing uncertainty for the majority of owners regarding the use of the voting powers.

In addition to these new practices, we have also implemented several other reforms related to the Board's activities that aim at improving the transparency of the company's actions and offer our shareholders an opportunity to monitor and participate regarding shareholder rights. These reforms include, among others:

Cutting the term of Board membership to one year in 1999

Structured committee work within the Board

- the role, responsibilities and methods of the Audit Committee are in accordance with strict global standards
- the Personnel Committee participates in the planning of the remuneration of top executives, taking into account the shareholders' point of view
- the Nomination Committee prepares proposals concerning the composition of the Board, substituting for the traditional owner steering in nominations. This is necessary in the conditions of dispersed ownership.

The reforms in the composition of the Board aim at a wide coverage of different fields; expertise is gathered on a global basis, and participants with different backgrounds form a functioning Board.

In this context, I would also like to emphasize the great efforts of Mr. Casimir Ehrnrooth, my predecessor as Chairman of the Board, in the systematic development of Nokia's corporate governance. Today's models are based on Mr. Ehrnrooth's initiative; Nokia has independently prepared for the changes in the environment instead of just reacting to the markets' demands. At a very early stage, Mr. Ehrnrooth understood the significance of corporate governance as tantamount to our company's success. He played a key role, for instance, when Nokia was listed on the New York Stock Exchange, which improved the company's capital structure at a critical time and brought our shareholder structure to a global level.

Good corporate governance is essential when a company's ownership is widely dispersed and without direct links to top management. Nokia will continue to develop its corporate governance in a manner optimal to its stakeholders.

Finally, I would like to mention some measures that have been taken in order to bring the interests of our top management and shareholders closer together. In addition to the traditional stock option grants, Nokia's Board has recommended that the company's top executives acquire company shares in an amount that is in proportion to their fixed annual income, in such a manner that, during a five-year period, they are to purchase shares to a sum corresponding to one or two years' salaries, depending on the person's position. This recommendation applies to several dozens of Nokia's employees.