

Jorma Eloranta, Chair of Neste, Uponor and Suominen
 Chair of the Year 2016
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 Pörssitalo, Fabianinkatu 14, Helsinki

Speech of the Chair of the Year 2016

Dear members of the judging panel, ladies and gentlemen.

On the behalf of Neste and myself, I would like to express my heartfelt gratitude for the Chair of the Year 2016 award. According to the criteria for awarding this special prize, the chair is required to have been in their position for at least three years.

I have worked as the Chair of the Board of Directors of several companies since 1978, a total of 39 years. However, I had only been Chair of the Board for a few years when we decided to do away with the title of Chairman and use the shorter and more succinct title of Chair in Neste, Uponor and Suominen. This decision was influenced by the fact that my deputy at Neste and Uponor is a woman. The judges' decision was probably made easier by there not being many who work under the title of Chair of the Board.

The chair of the judging panel Sari Lounasmeri has asked me to tell you my main views regarding chairing the board.

I have selected 15 words or word pairs and their explanations to describe what I have learned over those 39 years as a chair.

1. Profits. You have to make a profit, or as Scrooge McDuck would say, "Profits through the roof and costs at a minimum." When a CEO knows how to do this and makes sure that there's money in the company coffers, board meetings go just fine. According to the Finnish Limited Liability Companies Act, the purpose of a company's operations is to produce profit for its shareholders. It is also a good starting point for developing the work of the board.
2. Success. In the long term, the success of a company, i.e. the creation of profit and profitable growth are based on management and only management. This means the correct strategic choices and their efficient implementation. In a successful company, wise owners choose the best board possible, which then chooses a competent CEO and give him or her the support to succeed in their job. When the company has a winning strategy and a competent CEO, the rest of the board's work is easy, that is corporate governance and other administrative work that is easily delegated. Good corporate governance does not produce success without a healthy business, but bad CG can ruin a good business.
3. Strategy. A company's strategy requires continuous critical and frank appraisals, preferably from some perspective or other at every board meeting. Markets, technologies, competitors, customers, operating models – all of these change and with globalization and digitalization, the pace of change has quickened. Strategy is no longer carved in stone for five years, it is not even a decision made once a year. The continuous improvement of competitiveness, whilst creating value for customers, requires active dialog between the board and management. It is often required to challenge the basic beliefs of the company's board and senior management.
4. Our business. The most important strategic choice is to resolve what business the company does and what it does not. The decision should not be based on calculations on past

performance, but on true vision, an understanding of how markets and customer needs develop, the strengths of the company, existing and possible competitive advantages, as well as the economic and moral resources the company has. Success has often required the rationalizing of structures, giving up something that has been a hit in the past or a promising opportunity, but also investing fearlessly in long term opportunities. Big decisions on business portfolio belong to the boards' responsibility area.

5. Road map. A good strategy fits on one Power Point slide. The implementation of strategy should be regularly monitored, using numerical instruments approved by the board. These are, for example, strategic and operational key performance indicators → must win battles or wildly important goals, as they were called in one company. By setting financial goals, the board steers the operations of the management and the parameters to risk taking through the balance sheet.
6. Responsibility. Responsibility, sustainable development, ethics and compliance in general – these are matters where the "tone from the top" can be heard when it is intended. The repairing of missteps can take up too much of the time of the management and the board, as well as ruining the company's value and brand for a long time.
7. Remuneration. This is nowadays one of the main and most time-consuming tasks of the board. The company must be able to attract and keep motivated people who are able to see through the strategy the company has set. The board has to independently verify the competitiveness of the remuneration of management, so that it is not too high or too low in relation to the performance and results. Say on pay is coming one way or another to annual general meetings. The publication of remuneration has raised the level of pay and performance-related pay of management, because the thinking seems to be that no-one should be paid below the average. Remuneration that succeeds in raising the value of the company requires a great amount of careful and persistent work, particularly from the chairman of the board. The main issue is finding the right metrics for realizing strategic goals and their correct readings, so that good performance and results are rewarded fairly and bad results and weak performance are not rewarded.
8. World class. The board has to understand what world class performance means in our field, to our company, what the best competitors are capable of and what world class customers expect from us. The board also has to encounter the customer face to face and hear their opinion of our company's performance.
9. Balance. The board has to find real balance between growth and profitability, developing processes and favoring creativity, structural cuts and the development of new business, taking risks and bearing risks. Creative visionaries are needed and also doers, leaders and managers. We need investments in new markets and new products, while on the other hand, cutting costs and closing factories.
10. KISS. Keep it simple, stupid. Growth increases choices and products, making business more complicated. Rules and regulations can easily divert attention to administrative tinkering. The board has to favor clear solutions. Simple solutions based on the company's vision and core strategic values, rather than bureaucratic perfection.
11. Credibility. Good work by the board increases the owners', investors' and financiers' confidence in the company and can even grow the value of the company's brand in the eyes of customers.

12. People. The personnel are the company's most important resource. This is what has always been said, but it is only over the last decades that boards have started to work in accordance with this.

The role of the board is to evaluate the competence of the management and other personnel in relation to the company's strategic need to renew. The board is also to monitor recruitment, training, task rotation, career development and other such things are carried out in accordance with this need.

13. Thank you. The selection and dismissal of the CEO has "always" been regarded as the board's most important individual decisions. Between those decisions, the board, and, in particular, its chair, would do well to remember that people can endure an unbelievable amount of praise and thanks. The board would then be better off giving 80% support and positive guidance, but only 20% stick.
14. Special situations. Surprising situations are less surprising if steps have been taken to anticipate them without the situation becoming acute. It is wise, for example, to now and again evaluate the value created by the implementation of the business plan and compare it to the prevalent market price. This way, the company is prepared if an unrequested and unexpected take-over situation arises. Correspondingly, every company I have chaired has prepared a written, "next CEO profile and process". This way, the board has already agreed beforehand how to act if and when there is a change in CEO.
15. Hubris. There is no way to save a well-performing company. The worst mistakes usually happen when there has been a great deal of success, the balance sheet is strong and the future looks good. The board's task is to make sure that money doesn't burn a hole in the company's pocket, leading to stupid investments or acquisitions. The board must question current technological choices and business models, and encourage continuous company renewal also when skies are all blue.

Dear friends,

The chair of the board leads the board's operations, the CEO leads the business of the company. The role of chair is decisive when it comes to what kind of atmosphere exists within the board and between the board and management. In a good board, the atmosphere is open and mutually respectful. Meetings are happy events and anecdotes and funny incidents produce laughter, even though serious matters are being handled responsibly. This way, even a shy person has the courage to express his or her opinion.

"When the Neste board has sung at its annual dinner, 'The only way is forward. Yes' to the tune of the Banana boat and lyrics based on the Neste board's work and the chorus "Results up and ROACE 15", all the attendees take a more confident attitude towards our tight financial goals and life in general.

I wish all the best for our boards and their work in dealing with the challenges of 2017.