Finland
Minority Shareholder Rights
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SOURCES OF PROTECTION AND ENFORCEMENT

Please provide an overview of the sources of protection for minority shareholders in your jurisdiction. Who enforces these rights?

The laws of Finland give protection to minority shareholders in a number of different ways. The main statutes relating to the minority protection are the Limited Liability Companies Act (624/2006, as amended) and the Securities Markets Act (746/2012, as amended).

Listed companies are obliged to comply with the Finnish Corporate Governance Code and the Helsinki Takeover Code.

The main rule is that the minority shareholders enforce these rights themselves in the courts.

PROTECTION AGAINST DILUTION

Are there any mechanisms in your jurisdiction to protect against dilution of shareholdings? For example, are existing shareholders granted any rights on the issue of new shares in a company?

Shareholders are afforded several different kinds of mechanisms for the protection of the value of their shareholdings relative to the holdings of other shareholders in the same company.

One such mechanism takes the form of the requirement, under Chapter 9, Section 2 of the Limited Liability Companies Act, that directors shall not issue shares without being authorised to do so by the general meeting. Although not technically a protection specifically for minority shareholders (authorisation may be given by majority shareholder vote), it nonetheless brings the potential for dilution of shareholdings on an allotment to the attention of existing shareholders.

Pursuant to Chapter 9, Section 3 of the Limited Liability Companies Act, the holders of shares also have a right of pre-emption when shares are issued, effectively granting them first refusal over the new shares in question. These pre-emption rights operate in proportion to the existing shareholdings in the company, allowing minority shareholders the chance to purchase enough of the new shares to maintain their relative shareholdings in the company.

A derogation to the above mentioned right of pre-emption may be made in a share issue only if there is a significant financial reason for the company to do so. In the assessment of the permissibility of a directed share issue, special attention shall be paid to the relation between the subscription price and the fair price of the share. A directed share issue may be a share issue without payment only if there is a significant reason, both for the company and having regard to the interests of all shareholders in the company.

Although the above rights and protections have general applicability to shareholders, they nonetheless operate to protect minority shareholders by requiring their input in situations where their shareholdings are at risk of being diluted

RIGHTS TO APPOINT DIRECTORS

Do minority shareholders have any special rights to appoint directors to safeguard their interests? Are other protections available to minority shareholders in this context (such as general duties of directors)?

Unless provision has been made for the appointment of directors in the articles of association of a company, minority shareholders in Finland have no specific rights to appoint directors.

Directors are subject to general duties under Chapter 1 of the Limited Liability Companies Act, which should help to ensure that directors appointed by majority shareholders do not act in a way that benefits the party who nominated the respective director at the expense of minority shareholders. For example, directors must promote the success of the company ‘as a whole’, and must avoid situations where a given course of action may result in them having a conflict of interest.

The general duty of equal treatment (Limited Liability Companies Act, Chapter 1, Section 7) sets the basis of minority protection. The duty of equal treatment stipulates that the general meeting, the board of directors, the managing director or the supervisory board shall not make decisions or take other measures that may bring an undue benefit to a shareholder or another person at the expense of the company or another shareholder. Even if there is no specific minority protection rule at hand, a matter may fall under the scope of the duty and therefore be deemed unlawful.

PROTECTION AGAINST TAKEOVER BIDS FOR THE COMPANY

Do minority shareholders have any protection in your jurisdiction where the company is the subject of a takeover bid?

Where a takeover offer is made in relation to a Finnish company whose shares are traded on a regulated market (such as the main market of Nasdaq Helsinki Ltd) the offeror and the target company will be subject to the Finnish Securities Markets Act, implementing provisions of the European Directive on Takeover Bids (2004/25/EC).

Pursuant to the Securities Markets Act, all shareholders of the target company must be treated equally during a takeover bid and provided with essential and sufficient information for deciding on the merits of the bid. Pursuant to the said Act, both the offeror and the target company must announce whether they are committed to complying with the Helsinki Takeover Code. The objective of the Helsinki Takeover Code is to standardise the procedures to be complied with in public takeover bids in Finland and promote the legal protection of the parties in a takeover bid. However, just as in every other matter, the board has a duty to act with due care in the interest of all shareholders in relation to takeover situations.

A central protection for the minority shareholders during a public takeover is the concept of mandatory purchase offers stipulated in the Chapter 11 of the Securities Markets Act. Where any party's (either alone or acting in concert) ownership exceeds the thresholds of 30 per cent or 50 per cent of the voting rights in a company, they must make an offer to purchase the remaining shares of the company. This gives minority shareholders a chance to exit the company if they do not wish to remain involved post-takeover, with the Securities Markets Act providing rules on the minimum price that must be offered for these shares as well as on the offer procedure.

Minority shareholders have another means of exit in the form of a sell-out procedure under the Limited Liability Companies Act. Where a shareholder manages to acquire 90 per cent or more of the shares in a company, the holder of any of the remaining shares may require the majority shareholder to purchase them at a fair price. However, minority shareholders not wishing to exit the company in this situation may still be squeezed out by the offeror.

ACTIONS AND SEEKING REMEDIES ON BEHALF OF THE COMPANY

Are shareholders in your jurisdiction able to bring actions and seek remedies on behalf of the company? For example, is there any mechanism for a judicial or other official representative to oversee or intervene in the management of the company?

Pursuant to the Limited Liability Companies Act, directors and managing directors of companies are liable for damages to the company that they, in violation of the duty of care, have deliberately or negligently caused. A director or managing director may also be liable for the loss they have caused to a shareholder or a third party but, in this case, a violation of other provisions of the Limited Liability Companies Act or the articles of association is required in addition to the breach of duty of care.

According to the Limited Liability Companies Act, the company may bring an action for damages against a member of the board or the managing director for damage that said member of the management has caused in violation of duty of care.

If it is considered likely that the company will not make a claim for damages against the directors, shareholders who alone or together hold at least one-tenth of all shares have the right to bring an action in their own name for the recovery of damages to the company. Every shareholder has the right to bring the said action if it is proven that the non-enforcement of the claim for damages would be contrary to the principle of equal treatment of shareholders.

RIGHTS TO PARTICIPATE IN DECISION-MAKING

To what extent do minority shareholders have rights to participate in the decision-making of companies in your jurisdiction?

The main element of participation in the operation of a company is that the shareholders shall exercise their power of decision-making at the general meeting. Shareholders may express their opinions and vote on matters at general meetings. It is also noteworthy that, due to the principle of equal treatment of the shareholders, each shareholder has the right to have a matter falling within the competence of the general meeting addressed at the general meeting, provided that a request is presented to the board of directors well in advance.

Pursuant to Chapter 5, Section 3 and Section 4 of the Limited Liability Companies Act, an extraordinary general meeting shall be held if an auditor or shareholders, who alone or together hold at least one-tenth (10 per cent) of all shares, or such smaller proportion as may be provided in the articles of association, demand it.

During the general meeting, the company is obliged to provide more detailed information on circumstances that may affect the evaluation of a matter dealt with by the general meeting. However, the company is not obliged to provide any information that would cause essential harm to the company or any information considered to be insider information pursuant to the Securities Markets Act.

A notice of a general meeting must be given, and it should include the name of the company, the date, time and venue of the meeting, as well as the matters to be dealt with by the meeting. If an amendment of the articles of association is to be dealt with at the general meeting, the main contents of the amendment shall be mentioned in the notice. Listed companies are also obliged to comply with the recommendations of the Finnish Corporate Governance Code, which contains more detailed provisions regarding matters such as summoning the general meeting.

Minority shareholders are also given a say in some of the most important decisions in the life of a company, such as a resolution to amend the articles of association and resolving on a directed share issue, by virtue of the qualified majority procedure. Certain decisions of the company may only be made with the approval of at least two-thirds of the votes cast and the shares represented at the general meeting, potentially giving minority shareholders the ability to block decisions which would be harmful to their interests.

At least one half of the profits of the financial period shall, unless there are special distribution restrictions in the articles, be distributed as dividend if a demand to this effect is made at the general meeting by shareholders with at least one-tenth of all shares. The amount of such distribution can be at most 8 per cent of the equity of the company, with certain other specific limitations also having to be considered.

A matter pertaining to the approval of the financial statements and the use of profits shall be postponed from the general meeting to a continuation meeting, if shareholders holding at least one-tenth of all shares so request. The continuation meeting shall be held no earlier than one month and no later than three months after the general meeting. The decision does not, however, need to be postponed for a second time, notwithstanding that this is requested by the minority shareholders.

RIGHTS WHEN A COMPANY IS EXPERIENCING FINANCIAL DIFFICULTIES

Do minority shareholders have any particular rights or protections when a company is experiencing financial difficulties? For example, are they able to demand that the company be wound up?

A shareholder may apply to the State Provincial 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 a 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 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.

RIGHTS ENFORCEABLE AGAINST OTHER SHAREHOLDERS

Do minority shareholders have any rights or protections which are enforceable against other shareholders; for example, where the majority of shareholders act in contravention of the company's articles of association?

Chapter 23 of the Limited Liability Companies Act includes provisions on the duty of redemption and dissolution of the company on the basis of abuse of influence.

A shareholder who has deliberately abused their influence in the company by contributing to a decision that is contrary to the principle of equal treatment or that violates the Limited Liability Companies Act or the articles of association, may be obliged to redeem the shares of another aggrieved shareholder, as a result of an action brought by the aggrieved shareholder.

For such action to succeed, redemption must be a necessary remedy for the aggrieved shareholder, taking due note of the probability of the abuse being continued and of the other relevant circumstances.

SUMMARY OF RIGHTS

Below is a table providing a brief summary of the rights of minority shareholders in Finland, organised according to the percentage threshold at which the various protections become available.

Shareholding	Description	Reference
One-third	A resolution at a general meeting to approve an amendment to the articles of association of the company must be passed by a qualified majority (which requires at least two-thirds of the votes cast and the shares represented at the general meeting). Therefore, the amendment can be blocked by shareholders representing more than one-third of the votes cast and the shares represented.	Chapter 5, Section 27, Limited Liability Companies Act.
	More generally, shareholders with at least one-third of the company's voting rights are able to block resolutions requiring the above mentioned qualified majority. Unless it is otherwise provided in the articles of association, the following resolutions also require qualified majority: • a directed share issue; • the issue of option rights and other special rights entitling to shares; • the acquisition and redemption of own shares in a public company; • the directed acquisition of own shares; • a merger; • a demerger; and • going into liquidation and the termination of liquidation.	Chapter 5, Section 27, Limited Liability Companies Act
	A resolution on the amendment of the articles of association to the effect that share classes are combined or the rights of an entire share class are otherwise reduced shall be made by the above mentioned qualified majority. In addition, it is required that the resolution is supported by a qualified majority within each of the share classes represented at the meeting and that consent is obtained from the majority within each share class whose rights are to be reduced.	Chapter 5, Section 28, Limited Liability Companies Act
10 per cent	Right to demand an extraordinary general meeting.	Chapter 5, Section 4, Limited Liability Companies Act

	A matter pertaining to the approval of the financial statements and the use of profits shall be postponed from the general meeting to a continuation meeting, if shareholders holding at least one-tenth of all shares so request.	Chapter 5, Section 24, Limited Liability Companies Act
	At least one-half of the profits of the financial period, less the amounts not to be distributed under the articles of association, shall be distributed as dividend, if a demand to this effect is made at the general meeting by shareholders with at least one-tenth of all shares.	Chapter 13, Section 7, Limited Liability Companies Act
	A shareholder may apply to the State Provincial Office of the place where the company has its registered office for an order of the special audit of the administration and accounts.	Chapter 7, Sections 7–10, Limited Liability Companies Act
	A shareholder with more than nine-tenths of all shares and votes in the company shall have the right to redeem the shares of the other shareholders at the fair price (right of squeeze-out). A shareholder whose shares may be redeemed shall have the corresponding right to demand that the shareholder's shares be redeemed (right of sell-out).	Chapter 18, Limited Liability Companies Act
	Right of the shareholders to bring an action on the behalf of the company.	Chapter 22, Section 7, Limited Liability Companies Act

One share	The consent of a shareholder shall be obtained for the amendment of the articles, where: • the right of the shareholder to the profit or the net assets of the company is reduced by means of a provision in the articles as per Chapter 13, Section 9; • the liability of the shareholder to make payments to the company is increased; • the right to acquire the shares of a shareholder is restricted by taking into the articles a redemption clause as per Chapter 3, Section 7, or a consent clause as per Chapter 3, Section 8; • the pre-emptive right of the shareholder to shares is restricted as per Chapter 9, Section 3(3); • the right to minority dividend is restricted as per Chapter 13, Section 7; • a redemption term as per Chapter 15, Section 10, is attached to the shares of the shareholder; • the right of the company to damages is restricted as per Chapter 22, Section 9; or • the balance between the rights carried by shares in the same class is altered and the change affects the shares of the shareholder. The consent of the shareholder shall likewise be obtained when a directed redemption of shares is carried out, as per Chapter 15, Section 6, or when a decision on a change of corporate form is made, as per Chapter 19, Section 5. The general meeting shall not make a decision contrary to the principle of equal treatment as per Chapter 1, Section 7, unless the shareholder at whose expense the unjust benefit is to be given consents to the same.	Chapter 5, Section 29, Limited Liability Companies Act
One share	Shareholders have a right to request certain matters to be addressed at the general meeting if the proposal is presented to the board on time and in accordance with the Limited Liability Companies Act. Nominating directors is such a matter.	Chapter 5, Section 5, Limited Liability Companies Act