**Translation from Finnish**
**Legally binding only in Finnish and Swedish**
**Ministry of Justice, Finland**

# Limited Liability Companies Act

*(624/2006; amendments up to 1139/2019 included)*

## PART I
## GENERAL PRINCIPLES, INCORPORATION AND SHARES

### Chapter 1
### Main principles of company operations and application of this Act

#### Section 1
#### Scope of application

This Act applies to all limited liability companies registered in accordance with Finnish law, unless otherwise provided in this or another act. A limited liability company may be private (*private company*) or public (*public company*).

The securities of a private company may not be admitted to trading on a regulated market referred to the Act on Trading in Financial Instruments (748/2012). (756/2012)

*The Act on Trading in Financial Instruments 748/2012 was repealed by the Act on Trading in Financial Instruments 1070/2017.*

#### Section 2
#### Legal personality and the limited liability of shareholders

A limited liability company is a legal person distinct from its shareholders, established through registration.

The 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.

**Section 3**
**Capital and the permanence of the capital**

The minimum share capital of a public company is EUR 80,000. (184/2019)

The assets of a company may be distributed only as provided in this Act.

**Section 4**
**Transferability of shares**

A share may be transferred and acquired without restrictions, unless otherwise provided in the Articles of Association.

**Section 5**
**Purpose**

The purpose of a company is to generate profits for the shareholders, unless otherwise provided in the Articles of Association.

**Section 6**
**Principle of majority rule**

The shareholders exercise their power of decision at the General Meeting. Decisions are made by the majority of the votes cast, unless otherwise provided in this Act or in the Articles of Association.

**Section 7**
**Equal treatment**

All shares carry the same rights in the company, unless otherwise provided 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.

**Section 8**
**Duty of the management**

The management of the company shall act with due care and promote the interests of the company.

**Section 9**
**Discretion of shareholders**

The shareholders may include provisions on company operations in the Articles of Association. Provisions contrary to a mandatory provision of this Act or another act, or contrary to the rules of appropriate conduct, shall not be included in the Articles of Association.

**Definitions (512/2019)**

**Section 10 (512/2019)**
**Listed company**

In this Act, *a listed company* means a limited liability company whose shares are traded on a regulated market referred to in the Act on Trading in Financial Instruments.

This chapter and chapters 5 and 6 contain specific provisions on listed companies.

**Section 11 (512/2019)**
**Related parties**

The related parties of a company are:

1) the parent company of the company or another person who controls more than 50 per cent of the voting rights carried by all the shares of the company or has otherwise control over the company as referred to in chapter 1, section 5 of the Accounting Act (1336/1997);

2) a Member and Deputy Member of the Board of Directors and the Supervisory Board and the Managing Director and the Deputy Managing Director;

3) the spouse or cohabiting partner of a person referred to in paragraphs 1 and 2 above, and the person's, spouse's or partner's child, grandchild, parent and grandparent;

4) a legal person where the person referred to in paragraphs 1–3 is a Member or Deputy Member of the Board of Directors or the Supervisory Board, the Managing Director or Deputy Managing Director or in a corresponding position;

5) a legal person where a Member of the Board of Directors or another person referred to in paragraphs 1–3 alone or together with other said persons holds more than 50 percent of the voting rights carried by all the shares or participations of the entity or otherwise has the control referred to in chapter 1, section 5 of the Accounting Act;

6) a legal person where the parent company referred to in paragraph 1 or another person exercising control over the company holds 20–50 percent of the voting rights carried by all the shares or participations of the legal person or where the parent company or another person exercising control over the company may otherwise significantly influence decision-making related to the finances and business of the legal person.

If the company has no shareholders referred to in subsection 1, paragraph 1, related parties comprise a shareholder who holds at least 20 percent of the voting rights carried by all the shares of the company or who may otherwise significantly influence decision-making related to the finances and business of the company. The provisions of subsection 1 apply to such a shareholder.

When calculating the voting rights referred to in subsections 1 and 2, the voting rights carried by the shares owned by a legal person controlled by the shareholder are added to the shareholder's voting rights. When calculating the voting rights, a restriction of voting rights based on law or the Articles of Association or Deed of Partnership or comparable rules of the entity is not taken into account and when calculating the total voting rights of a company, shares held by the company or its subsidiary are not taken into account.

The definition of related parties laid down in subsections 1–3 applies to presenting information in the management report on debt concerning related parties referred to in chapter 8, section 6, to the acquisition of company shares for employees as referred to in chapter 13, section 10, and to the presumption that a loss is caused negligently as referred to in chapter 22, sections 1 and 2.

**Section 12 (512/2019)**
**Related parties of a listed company**

In this Act, the *related parties* of a listed company mean related parties as they are defined in the international financial reporting standards adopted pursuant to the IAS Regulation referred to in chapter 1, section 4d of the Accounting Act. Other companies may also apply this definition of related parties. If so, this shall be stated in the notes to the financial statements.

In a listed company, the definition of related parties laid down in subsection 1 applies to the disqualification in decision-making as referred to in chapter 5, section 14a and chapter 6, section 4a and section 19, subsection 2 and to the arrangement of the monitoring and assessment of related-party transactions referred to in chapter 6, section 16a and, notwithstanding section 11, subsection 4 of this chapter, to presenting information in the management report on debt concerning related parties referred to in chapter 8, section 6 and to the acquisition of company shares for employees as referred to in chapter 13, section 10. A shareholder of a listed company, a Member or Deputy Member of its Board of Directors or Supervisory Board and its Managing Director or Deputy Managing Director is in a related-party relationship to a transaction decided in the company or its subsidiary when he or she himself or herself or a person in a related-party relationship referred to in subsection 1 to him or her is a party to the transaction. The definition of related parties laid down in section 11 applies to the presumption that a loss is caused negligently, referred to in chapter 22, sections 1 and 2, also in a listed company.

Provisions on the liability of a listed company to disclose a material related-party transaction are laid down in chapter 8, section 1a of the Securities Markets Act (746/2012).

## Chapter 2
## Incorporation of a limited liability company

### General provisions

**Section 1**
**Memorandum of Association**

A company shall be incorporated by way of a written Memorandum of Association, signed by all shareholders.

By signing the Memorandum of Association, a shareholder subscribes for a quantity of shares, as indicated in the Memorandum of Association. The subscription shall not be cancelled once all of the shares have been subscribed for, unless otherwise agreed.

The term and the duties of the management and the auditors begins as of the signing of the Memorandum of Association.

**Section 2**
**Contents of the Memorandum of Association**

The Memorandum of Association shall always contain the following information:

1) the date of the contract;

2) all shareholders and the quantity of shares subscribed for by each of them;

3) the price to be paid to the company for each share (*subscription price*);

4) the time when the shares are to be paid; and

5) the Members of the Board of Directors of the company.

(461/2007)

The Articles of Association referred to in section 3 shall be included or attached to the Memorandum of Association. The financial period of the company shall be determined either in the Memorandum of Association or in the Articles of Association.

Where appropriate, the Memorandum of Association shall also contain information on the Managing Director, the Members of the Supervisory Board and the Auditors. The Chairmen of the Board of Directors and of the Supervisory Board may be designated in the Memorandum of Association. (461/2007)

**Section 3**
**Articles of Association**

The Articles of Association shall always contain the following information on the company:

1) its trade name;

2) the municipality in Finland where it has its registered office; and

3) its field of operation.

If the trade name of the company is to be used in two or more languages, all of the language versions shall be mentioned in the Articles of Association.

Chapter 5 contains provisions on the amendment of the Articles of Association.

Model Articles of Association for a limited liability company may be issued by decree of the Ministry of Justice.

**Section 4 (512/2019)**
**Subscription price**

The subscription price of a share is credited to the share capital, unless it is provided in the Memorandum of Association or Articles of Association that a part of it is to be credited to the reserve for invested unrestricted equity, or unless otherwise provided in the Accounting Act.

**Payment for shares**

**Section 5**
**Payment in cash**

A subscription price paid in cash shall be paid into an account of the company in a Finnish deposit bank or in a branch of a foreign credit institution licensed to accept deposits in Finland, or into a comparable foreign account.

**Section 6**
**Contribution in kind**

If, instead of cash, the subscription price is paid in full or in part with other assets (*contribution in kind*), the assets shall at the time of conveyance have a financial value to the company at least equal to the price thus paid. An undertaking to perform work or services shall not be used as contribution in kind.

Provisions on the payment of the subscription price in kind shall be included in the Memorandum of Association. In addition, the Memorandum of Association shall contain an account specifying the contribution in kind and the price covered by it, and the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions of this subsection have not been complied with, the subscriber shall prove that the contribution had a financial value to the company equal to the subscription price. Any shortfall shall be paid to the company in cash.

If the subscription price is paid in cash on condition that the company is to acquire assets against consideration, the provisions on contribution in kind apply correspondingly to the acquisition.

**Section 7**
**Consequences of late payment**

The Board of Directors may declare the right to a share forfeited, if the subscription price, together with the possible overdue interest thereon, has not been paid, although it has become due and the Board of Directors has not granted an extension to the subscriber. In this event, the Board of Directors may award the subscription right to a third party.

A person whose right has been declared forfeited in accordance with subsection 1 shall be liable to compensate the company, in addition to the possible collection fees, with one tenth (1/10) of the subscription price of the share.

## Registration and its legal effects

### Section 8
### Registration of the company

The company shall be notified for registration within three months of the signing of the Memorandum of Association; failing this, the incorporation of the company shall lapse. The Trade Register Act (129/1979) contains more detailed provisions on registration.

Only shares which have been fully paid up can be notified for registration. (585/2009)

The company may be registered once the Registration Authority has been provided with:

1) a declaration by the Members of the Board of Directors and the Managing Director to the effect that the provisions of this Act have been complied with in the incorporation of the company; and

2) a certificate by the auditors of the company to the effect that the provisions of this Act on the payment for shares have been complied with. If, under the law or the Articles of Association, no Auditor need be appointed for the company, other evidence on the payment for shares shall be attached to the notification.
(585/2009)

If a share has been paid for in kind, also a statement by an auditor on the account referred to in section 6, subsection 2 and on whether the assets had a financial value to the company at least equal to the price thus paid price shall be attached to the registration notification. (461/2007)

### Section 9
### Legal effects of registration

A company is established upon registration. The obligations arising from measures taken after the signing of the Memorandum of Association and from measures specified in the Memorandum of Association and taken no earlier than one year before the signing shall be transferred to the company upon registration.

After registration, a shareholder cannot withdraw from a subscription by asserting that a condition relating to the incorporation has not been met.

**Section 10**
**Operations before registration**

Before registration, a company cannot acquire rights or enter into obligations, nor can it appear as a party in court or in dealings with other authorities.

Measures taken on behalf of the company before registration shall be at the joint and several liability of the persons deciding on the measures and the persons participating in them. In the situations referred to in section 9, subsection 1, this liability shall be transferred to the company upon registration.

The Board of Directors and the Managing Director may speak for the company without personal liability in matters relating to the incorporation of the company and take measures for the collection of the payment for shares.

**Section 11**
**Legal transactions with an unregistered company**

If the contracting partner of a company knew that the company had not been registered, that partner may, unless it has been otherwise agreed, withdraw from the contract if the registration notification has not been submitted within the time limit referred to in section 8, subsection 1 or if registration is refused. If the contracting partner did not know that the company had not been registered, that partner may withdraw from the contract until the registration of the company.

**Section 12**
**Lapse of incorporation**

The incorporation of a company shall lapse, if the company has not been notified for registration within the time limit referred to in section 8, subsection 1 or if registration is refused.

If the incorporation lapses, the Board of Directors and the Managing Director shall be jointly and severally liable for refunding the shareholders for the paid-up subscription prices and the income

accruing on them. The normal expenses arising from measures referred to in section 10, subsection 3 may be subtracted from the amount to be refunded.

**Special provisions on public companies**

**Section 13**
**Special advantages and costs**

The Memorandum of Association of a public company shall indicate the costs of incorporation to the company or the estimated maximum of such costs, and the possible special advantages to the shareholders who have signed the Memorandum of Association.

**Section 14**
**Substantial acquisitions after incorporation**

If a public company acquires, otherwise than on the basis of a term of the Memorandum of Association referred to in section 6, assets from a signatory of the Memorandum of Association within two years of the registration of the company, and the consideration paid by the company is no less than one tenth (1/10) of the share capital at the time of acquisition, and if the acquisition does not fall within the normal course of the company's business nor occur in the public trading of securities, the acquisition shall be submitted to the General Meeting for approval.

The General Meeting shall be presented with an account, corresponding to that referred to in section 6, subsection 2, regarding the acquired asset and the consideration paid for it, and the statement of an auditor on the account and on whether the value of the acquired asset is at least equal to the consideration paid for it. The decision of the General Meeting shall be notified for registration within six months of the meeting. The account and statement referred to above shall be attached to the registration notification. (461/2007)

## Chapter 3
## Shares

### General provisions

### Section 1
### Equality of shares and different share classes

All shares carry equal rights in the company. However, it may be provided in the Articles of Association that the company has or may have shares that differ from each other as regards the rights or obligations they carry. In this event, the Articles of Association shall indicate how the shares are different.

Shares belong to different classes where they:

1) differ from each other as regards the voting rights they carry or the rights that they carry in the distribution of the assets of the company; or

2) are otherwise designated in the Articles of Association as belonging to different classes.

Provisions may be included in the Articles of Association on the conditions and procedures under which shares can be converted from one class to another (*conversion clause*). The conversion shall be notified for registration without delay. The conversion shall take effect upon registration.

### Section 2
### Exercise of shareholder rights

The acquirer of a share has no right to exercise shareholder rights in the company before the acquirer has been entered in the shareholder register referred to in section 15, subsection 1 or before the acquirer has declared the acquisition to the company and produced reliable evidence of the same. However, this provision does not apply to shareholder rights that are exercised by presenting or transferring the share certificate, a coupon or some other specific certificate issued by the company. Provisions on the exercise of shareholder rights in a company recorded in the book-entry system are laid down in section 14c. (349/2017)

If several persons own a share jointly, they may exercise shareholder rights in the company only by means of a common representative.

A treasury share does not carry any shareholder rights.

**Voting rights**

**Section 3**
**Voting rights carried by shares**

One share carries one vote in all matters dealt with by the General Meeting. However, it may be provided in the Articles of Association that different shares carry different voting rights.

It may also be provided in the Articles of Association that a share carries no voting rights or that a share does not carry a vote in given matters dealt with by the General Meeting. For each of the matters dealt with by the General Meeting, such a provision shall concern only a part of the shares in the company.

**Section 4**
**Non-voting shares**

Unless otherwise provided in the Articles of Association:

1) a share referred to in section 3, subsection 2 carries all shareholder rights except voting rights;

2) a share referred to in section 3, subsection 2 carries a vote in all matters, if the dividend or other unrestricted equity that is to be paid on it on the basis of the Articles of Association regardless of a distribution decision, has not been paid within eight months of the end of the financial period; and

3) in a matter where a share referred to in section 3, subsection 2 does not carry a vote, that share is not taken into account when calculating the majority required for a decision of the General Meeting.

If a share referred to in section 3, subsection 2 carries a vote in some of the matters dealt with by the General Meeting, provisions shall be included in the Articles of Association on the inclusion of the share in the calculation of votes on the issue of squeeze-out and sell-out, as referred to in chapter 18, section 1.

**Accountable par and nominal value of a share**

**Section 5**
**Accountable par and nominal value**

Provisions on the amount to be credited to the share capital for each share at the incorporation of the company or at the issue of new shares (*accountable par*) are laid down in chapter 2, section 4; chapter 9, section 6, subsection 1; and chapter 10, section 7, subsection 1. Accountable par may differ between shares.

It may be provided in the Articles of Association that the shares of the company have a nominal value. In this event, all shares in the company shall have the same nominal value.

If the shares in the company have a nominal value, the amount to be credited to the share capital for each share at incorporation shall be at least equal to the nominal value. Likewise, in a share issue of new shares or when new shares are issued against option rights, the share capital of the company shall be increased by at least the nominal value of the shares thus issued. The share capital shall not be reduced so that it would be less than the sum total of the nominal values of the shares.

**Transferability of shares**

**Section 6**
**Lawful transfer restrictions**

Restrictions of the transfer or acquisition of shares may be included in the Articles of Association only as provided in sections 7 and 8.

**Section 7**
**Redemption clause**

It may be provided in the Articles of Association that a shareholder, the company or another person has the right to redeem shares due to be transferred to a third party by a shareholder other than the company. The redemption clause shall indicate who has the right of redemption and, where there are several persons who have the right of redemption, how their precedence is determined.

Unless otherwise provided in the Articles of Association, the following provisions apply to the redemption:

1) the right of redemption applies to all types of acquisition;

2) the redemption covers all the shares subject to the same acquisition;

3) the redemption price shall be equal to the fair price of the share; in the absence of other evidence, the fair price of a share acquired for consideration shall be the price agreed for the share;

4) the Board of Directors shall notify the transfer of shares to the person who has the right of redemption, in writing or in the manner provided for the delivery of notices of the General Meeting, within one month of the transfer of the shares being notified to the Board of Directors;

5) the demand for redemption shall be presented to the company or, where the company is exercising the right of redemption, to the acquirer of the share, within two months of the transfer of the share being notified to the Board of Directors; and

6) the redemption price shall be paid within one month of the expiry of the period referred to in paragraph 5 or, if the redemption price has not been fixed, within one month of the fixing of the redemption price.

The set periods referred to in subsection 2, paragraphs 4–6 cannot be extended in the Articles of Association.

Before it has been determined whether the right of redemption is to be exercised, the acquirer of the share has no shareholder rights in the company except for the right to payment in the event that assets are distributed and the pre-emptive right in a share issue. The rights and obligations in a share issue shall devolve on the person who exercises the right of redemption.

The company may redeem shares only with distributable assets. The provisions of chapter 15, section 10, subsection 2, apply to decision-making in the company regarding redemption.

**Section 8**
**Consent clause**

It may be provided in the Articles of Association that the acquisition of a share by way of a transfer requires the consent of the company. However, such a provision shall not apply to a share that has been acquired at a bailiff's auction or from a bankruptcy estate.

The Board of Directors shall decide on the giving of the consent, unless otherwise provided in the Articles of Association. Provisions may be taken in the Articles of Association on the criteria for giving consent. If the acquisition concerns several shares, the issue of consent shall be decided in the same way for each of them, unless otherwise provided in the Articles of Association.

If the decision on the consent has not been notified in writing to the applicant within two months of the delivery of the application to the company, or within the shorter period determined in the Articles of Association, the consent is deemed to have been given.

Before the consent has been given, the acquirer of the share has no shareholder rights in the company except the right to payment in the event that assets are distributed and the pre-emptive right in a share issue. A share acquired on the basis of such pre-emptive right does not carry more shareholder rights than this, unless the company consents to the same.

## Share certificate and other certificates relating to shareholder rights

### Section 9
### Issue of share certificates

The Board of Directors may issue share certificates for the shares in the company, if the shares have not been incorporated in the book-entry system. However, share certificates shall not be issued before the company and the shares have been registered. A share certificate may be issued only to a shareholder entered in the shareholder register. (349/2017)

If the criteria referred to in subsection 1 are met, the Board of Directors shall, at the request of the shareholder, issue share certificates for the shareholder's shares. In addition, the Board of Directors shall, at the request of the shareholder and against compensation for the expenses to the company, split a share certificate, reverse split several share certificates or otherwise exchange share certificates, provided that these pertain to shares in the same class.

If the share is subject to a right of pledge, distraint or an interim measure, the possession of the share certificate is conveyed to the pledge holder or to the enforcement authority in question. (349/2017)

### Section 10
### Contents of a share certificate

A share certificate shall be issued only to a specified person.

The share certificate shall contain the following information:

1) the trade name of the company and its business identity code;

2) the serial numbers of the shares, or the quantity of shares and the serial number of the share certificate;

3) the share class, if the company may have several share classes at the time of issue of the share certificate; and

4) a mention of the liability to make specific payments to the company, as referred to in chapter 1, section 2, subsection 2, the conversion clause referred to in section 1, subsection 3 of this chapter, the redemption clause referred to in section 7, the consent clause referred to in section 8, and the acquisition or redemption term referred to in chapter 15, section 10, if provisions on any of the same have been included in the Articles of Association.

The share certificate shall be dated and signed by the Board of Directors or a person duly authorised by the Board of Directors. The signature may be printed or reproduced in a comparable manner.

**Section 11**
**Marking the share certificate in certain situations**

The share certificate shall without delay be marked in an appropriate manner, when:

1) the share is cancelled;

2) assets are distributed or shares issued against the presentation of the share certificate; or

3) a certificate referred to in section 12, subsection 2 is issued against the presentation of the share certificate.

If the share certificate is issued as a replacement for a cancelled share certificate, this shall be mentioned in the share certificate.

**Section 12**
**Other certificates relating to shareholder rights**

Before issuing a share certificate, the company may issue a certificate concerning the right to one or several shares and containing the condition that a share certificate is issued only in exchange for the certificate (*interim certificate*). Upon request, a marking shall be made in the certificate on the payment made for the share. In other respects, the provisions of section 10 on a share certificate apply to the interim certificate.

The company may issue a certificate on the right to subscribe for shares in a share issue *(share issue certificate*) or on an option right (*option certificate*), or other certificates on corresponding rights, containing the condition that the right can be exercised only in exchange for the certificate. The certificate shall indicate the terms of the subscription for shares or the exercise of the other right in question. The provisions of section 10, subsection 3 on a share certificate apply to the signing of the certificate.

A share issue or the distribution of assets may be effected also by means of share issue coupons or dividend coupons attached to the share certificates. When share issue coupons are being used, share issue certificates shall not be issued.

**Section 13**
**Application of the provisions of the Promissory Notes Act to share certificates and other certificates**

If a share certificate, interim certificate or a certificate referred to in section 12, subsection 2 and issued to a specified person is conveyed or pledged, the provisions of sections 13, 14 and 22 of the Promissory Notes Act (622/1947) on promissory notes given to a specified person or a nominee apply correspondingly. In this event, the holder of a share certificate or an interim certificate, who according to a marking made by the company on the certificate has been entered in the shareholder register as a shareholder, shall be deemed to have the same status as a person who under section 13, subsection 2 of the Promissory Notes Act is presumed to hold the right indicated in the promissory note. The provisions of sections 13, 14 and 22 of the Promissory Notes Act on bearer notes apply to a certificate referred to in section 12, subsection 2 of this chapter and not issued to a specified person. (349/2017)

The provisions of sections 13, 14 and 22 of the Promissory Notes Act on bearer notes apply to share issue coupons once the decision to issue shares has been made. However, if a share issue coupon has been acquired together with a share certificate, the acquirer does not have a better right to the coupon than to the share certificate. The provisions of section 14 of the Promissory Notes Act do not apply, if the share issue coupon has been transferred separately from the share certificate before the decision to issue shares has been made.

The provisions of sections 24 and 25 of the Promissory Notes Act apply to a dividend coupon.

**Section 14**
**Compulsion by the company**

If a marking is to be made on a share certificate in accordance with this Act, the company may rescind the right, based on the share, to receive assets from the company or to receive shares, until such time that the share certificate has been presented for the marking to be made. The company may do likewise in the event that the share certificate is to be exchanged owing to a share conversion referred to in section 1, subsection 3.

**Shares incorporated in the book-entry system (349/2017)**

**Section 14a (349/2017)**
**Recording of shares in the book-entry system**

Provisions on the recording of shares of a company in the book-entry system referred to in the Act on the Book-Entry System and Settlement Activities (348/2017) or in a foreign book-entry system are laid down in the Articles of Association. The decision of the General Meeting on the amendment of the Articles of Association shall indicate the period within which the shares shall be incorporated in the book-entry system (*registration period*) or withdrawn from the book-entry system, or the decision shall authorise the Board of Directors to decide on this. The decision on the incorporation or withdrawal and its point of time shall be notified for registration without delay.

The provisions of chapter 6, sections 3–5 of the Act on the Book-Entry System and Settlement Activities apply to the recording of the rights of shareholders in the book-entry system and the provisions of section 7 of the said chapter to withdrawal of shares from the book-entry system.

If the recording referred to in chapter 6, section 3 of the Act on the Book-Entry System and Settlement Activities has not been requested before ten years have passed from the end of the registration period, the General Meeting may decide that the right to the share recorded in the book-entry system and the rights carried by it have been forfeited. The provisions on treasury shares apply to a forfeited share.

The provisions of this Act on shares of a company recorded in the book-entry system are also applied when the shares of a company have been incorporated in a foreign book-entry system. If the shares of a company have been incorporated in a foreign book-entry system, the book-entry

account referred to in this Act means the account provided in the service referred to in point (2) of Section A of the Annex to Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

**Section 14b (349/2017)**
**Informing of the decision**

The company shall inform the shareholders of the decision on the incorporation in the book-entry system three months before the end of the registration period at the latest. At the same time, instructions shall be provided as to how the shareholder or the person in possession of the share certificate is to proceed in order to have the right to the share registered in a book-entry account, and how the other rights pertaining to the share can be registered.

The information shall be delivered in the same manner as the notice of a General Meeting. In addition to what is provided in the Articles of Association on a notice of the General Meeting, the information shall also be sent in writing to each shareholder whose name and address are known to the company, and published in the Official Gazette. The information with the instructions shall also be sent to the central securities depository and the parties to the central securities depository.

If necessary, more detailed provisions may be included in the rules of the central securities depository on the procedure referred to in subsections 1 and 2.

The company shall, no later than three months before the withdrawal of shares from the book-entry system, inform the shareholders of the decision. The provisions of subsections 2 and 3 apply to the notice.

The company shall inform the shareholders of the transfer of shares from one book-entry system to another no later than three months before the transfer. In that case, information on the effects of the transfer to the state of a shareholder and information on the arrangement of the safekeeping of shares in the new book-entry system shall be provided. The provisions of subsections 2 and 3 apply to the notice.

**Section 14c (349/2017)**
**Shareholder rights in the book-entry system**

The acquirer of a share recorded in the book-entry system has no right to exercise shareholder rights in the company before the acquirer has been entered in the shareholder register referred to in section 15, subsection 2. The provisions of chapter 4, section 4, subsection 2 of the Act on the Book-Entry System and Settlement Activities apply to the exercise of rights carried by a nominee-registered share.

The right carried by a share recorded in the book-entry system to receive a payment from the company when assets are being distributed, the right to receive shares and other comparable rights are vested in the person to whom the share belongs at the record date referred to in the decision to distribute assets or to issue shares, or in another decision. A record date may be set also in a decision on the redemption of shares. Unless otherwise provided in the decision to issue shares, the subscription right in a share issue against payment shall be entered in the respective book-entry account in the beginning of the subscription period and the share issued in a share issue without payment shall be entered directly in the respective book-entry account.

The provisions of chapter 5, section 6a apply to the right to participate in the General Meeting based on a share recorded in the book-entry system.

**Shareholder register (349/2017)**

**Section 15 (349/2017)**
**Shareholder register**

If the shares in the company have not been incorporated in the book-entry system, the Board of Directors shall keep a register on the shares and their holders (*shareholder register*) indicating the name and address of each shareholder and the number of specified shares or share certificates broken down by share class and the date of issue of the shares. The shareholder register shall also indicate any other differences in the rights and obligations carried by the shares. If no share certificate has been issued on a share, also the pledges and other encumbrances on the share that have been notified to the company shall be entered in the shareholder register.

By derogation from the provisions of subsection 1 above, the Board of Directors shall keep an up-to-date shareholder register of shares incorporated in the book-entry system and of their holders based on recordings in the book-entry account, indicating the name, personal identity code or other identification code of the shareholder or the nominee, his or her contact details, payment address and taxation information, the number of shares broken down by share class, and the party of the central securities depository maintaining the book-entry account in which the shares have been recorded.

For a temporary entry referred to in chapter 5, section 6a, the name and address of the shareholder, the number of shares to be recorded in the shareholder register broken down by share class, and the personal identification code or another identification code in accordance with the provisions issued by the central securities depository shall be notified regarding the shares recorded in the book-entry system.

It may be provided in the Articles of Association that, instead of the address of the shareholder, the municipality of residence and the date of birth of the shareholder are entered in the shareholder register.

The shareholder register shall be created without delay once the company has been incorporated. The register shall be maintained in a reliable manner.

Provisions on a waiting list kept of shares incorporated in the book-entry system are laid down in chapter 6, section 6 of the Act on the Book-Entry System and Settlement Activities.

**Section 16 (349/2017)**
**Entering acquisitions into the shareholder register**

If the shares in the company have not been incorporated in the book-entry system, an acquisition notified by the acquirer to the company and another change in the information in the share register notified to the company shall be entered in the shareholder register without delay. Before an entry is made, reliable evidence of the acquisition and the payment of the transfer tax shall be provided. The entry shall be dated. However, if the share is subject to a redemption right referred to in section 7 or if consent is required for the acquisition of the share, as referred to in section 8, the entry shall not be made until it is clear that the redemption right will not be exercised or until the consent has been given.

If the last transfer of the share has been marked on the share certificate or interim certificate as an anonymous transfer, the name of the new shareholder shall be written on the share certificate or the interim certificate before the acquisition is entered in the register. A statement to the effect that the acquisition has been entered in the shareholder register, and of the date of the entry, shall be written on the share certificate or interim certificate presented to the company.

If the company has only one shareholder, the holding shall be notified for entry in the shareholder register without delay and no later than two months after the acquisition.

**Section 17 (349/2017)**
**Public access to the shareholder register**

The shareholder register shall be kept accessible to everyone at the head office of the company. The shareholder register of a company recorded in the book-entry system may, however, be kept accessible to everyone at the establishment of the central securities depository in Finland. Everyone has the right to receive copies of the shareholder register or a part thereof against compensation for the expenses. The provisions of this subsection also apply to the date-specific shareholder register referred to in chapter 5, section 6a, until the conclusion of the General Meeting.

The provisions of subsection 1 of this section apply to public access to the waiting list kept of the shares incorporated in the book-entry system referred to in chapter 6, section 6 of the Act on the Book-Entry System and Settlement Activities.

However, the provisions of subsections 1 and 2 do not apply to the individual number of a personal identity code, payment address or taxation information, or information about the sales account in which the shares that the shareholder has given for sale have been recorded. The provisions of chapter 8, section 2 of the Act on the Book-Entry System and Settlement Activities on information relating to a book-entry account apply to the information on the party to the central securities depository that maintains the book-entry account in which the shares are recorded.

If the disclosure of information concerning a shareholder has been restricted under section 36 of the Act on the Population Information System and the Certificate Services of the Digital and Population Data Services Agency (661/2009) and the company has been notified of the restriction,

information on the municipality of residence, address and other contact information of the shareholder entered in the shareholder register may only be disclosed to an authority. However, the contact address of such a shareholder entered in the shareholder register may also be disclosed to parties other than the authorities. (1139/2019)

**Chapter 4 (349/2017)**
(349/2017)

Chapter 4 was repealed by Act 349/2017.

**PART II**
**ADMINISTRATION AND FINANCIAL STATEMENTS**

**Chapter 5**
**General Meeting**

**General provisions**

**Section 1**
**Decision-making by the shareholders**

The shareholders shall exercise their power of decision at the General Meeting.

Notwithstanding the provision of subsection 1, unanimous shareholders may make a decision in a matter within the competence of the General Meeting without holding a meeting. The decision shall be written down, dated, numbered and signed. If the company has more than one shareholder, at least two of them shall sign the decision. In other respects, the provisions on the minutes of the General Meeting apply to the written decision.

*Section 1a was repealed by Act 512/2019.*

**Section 2**
**Competence**

The General Meeting shall make decisions on matters that fall within its competence by virtue of this Act. It may be provided in the Articles of Association that the General Meeting decides matters that fall within the general competence of the Managing Director and the Board of Directors.

Chapter 6, section 7, contains provisions on the submission of matters falling within the general competence of the Board of Directors and the Managing Director to be decided by the General Meeting. In individual cases, unanimous shareholders may also otherwise make decisions on matters falling within the general competence of the Board of Directors or the Managing Director.

**Section 3**
**Ordinary General Meeting and Extraordinary General Meeting**

The Ordinary General Meeting shall be held within six months of the end of the financial period.

Decisions shall be made at the Ordinary General Meeting on the following:

1) adoption of the financial statements, which in a parent company means also the adoption of the consolidated financial statements;

2) the use of the profit shown on the balance sheet;

3) the discharge of the Members of the Board of Directors, the Members of the Supervisory Board and the Managing Director from liability;

4) the remuneration and appointment of the Members of the Board of Directors and the Members of the Supervisory Board and on the appointment of the auditor, unless otherwise provided in this Act or in the Articles of Association on their term, appointment or remuneration; and

5) the other matters that according to the Articles of Association are to be decided by the Ordinary General Meeting.

(512/2019)

An Extraordinary General Meeting shall be held, if:

1) so provided in the Articles of Association;

2) the Board of Directors considers it necessary;

3) a shareholder or the auditor demands the same in accordance with section 4; or

4) the Supervisory Board considers it necessary and it is competent, under the Articles of Association, to decide on the holding of an Extraordinary General Meeting.

**Section 3a (512/2019)**
**Handling of the remuneration policy at the General Meeting of a listed company**

The remuneration policy of a listed company shall be presented to the General Meeting at least every four years. Also any material changes in the remuneration policy shall be presented to the General Meeting. The General Meeting decides whether it supports the proposed remuneration policy. The decision of the General Meeting is of advisory nature.

If the General Meeting of a listed company has not supported the proposed remuneration policy, the revised remuneration policy shall be presented to the General Meeting at the next Ordinary General Meeting at the latest.

**Section 3b (512/2019)**
**Handling of the remuneration report at the Ordinary General Meeting of a listed company**

The Ordinary General Meeting of a listed company shall also decide on the approval of the remuneration report referred to in chapter 7, section 7b of the Securities Markets Act. The decision of the General Meeting is of advisory nature.

**Section 4**
**Right to demand an Extraordinary General Meeting**

An Extraordinary General Meeting shall be held, if an auditor or shareholders with a total of one tenth (1/10) of all shares, or a smaller proportion as provided in the Articles of Association, so demand in writing in order for a given matter to be dealt with. In a private company, the notice shall be delivered within two weeks and in a public company within one month of the arrival of the demand.

**Section 5**
**Right to have a matter dealt with by the General Meeting**

A shareholder has the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice.

In a listed company, the demand shall always be deemed to be on time, if the Board of Directors has been notified of the demand no later than four weeks before the delivery of the notice. (585/2009)

**Participation in the General Meeting**

**Section 6 (349/2017)**
**Participation by a shareholder**

Every shareholder has the right to participate in a General Meeting.

In accordance with chapter 3, section 2, subsection 1, a precondition for participation is that the shareholder has been entered in the shareholder register or that the shareholder has notified the acquisition to the company and presented reliable evidence of the same. In a company recorded in the book-entry system, it shall be a precondition for participation that the shareholder has been entered in the shareholder register in accordance with section 6a.

With regard to shares held in a manner comparable to nominee registration, a precondition for participation in the General Meeting is that the shareholder has been notified for a temporary entry

in the shareholder register in a manner corresponding to that provided in section 6a for the purpose of participation in the General Meeting.

**Section 6a (349/2017)**
**Right of a shareholder to participate in the book-entry system**

If the shares in the company have been incorporated in the book-entry system, only shareholders who have been entered in the shareholder register eight working days before a General Meeting (*General Meeting Record Date*) have the right to participate in the meeting. In addition, the holder of a nominee-registered share may be notified for a temporary entry in the shareholder register so that the shareholder can attend that meeting, if the shareholder has the right, on the basis of the shares, to be entered in the shareholder register on the General Meeting Record Date. The notification for a temporary entry shall be filed no later than on the date mentioned in the notice of the General Meeting, said date to be subsequent to the General Meeting Record Date. Changes in shareholdings occurring after the General Meeting Record Date shall not affect the right to attend the General Meeting or the voting rights of the shareholder.

**Section 7**
**Advance notice of participation**

It may be provided in the Articles of Association that a shareholder may participate in the General Meeting on condition of giving advance notice of participation to the company no later than on a given date, not to be earlier than ten days before the meeting. The last date for advance notices of participation shall be mentioned in the notice of the General Meeting.

If the shares in the company have been incorporated in the book-entry system, the holder of a nominee-registered share is deemed to have given advance notice of participation if the shareholder has been notified for a temporary entry in the shareholder register in accordance with section 6a. If a shareholder participates in a General Meeting by means of several proxies, the advance notice of participation shall indicate the shares on the basis of which each of the proxies represents the shareholder. (349/2017)

**Section 8**
**Proxy representative and assistant**

A shareholder may exercise the rights of a shareholder at a General Meeting by way of proxy representation. The representative shall produce a dated proxy document or otherwise provide reliable evidence of the right to represent the shareholder. The proxy is valid for one General Meeting, unless otherwise indicated in the proxy document.

A shareholder and a proxy representative may have an assistant at the General Meeting.

A shareholder in a listed company may have several proxies, who represent the shareholder on the basis of shares held in different book-entry accounts. (585/2009)

The right of a proxy to represent several shareholders shall not be restricted. (585/2009)

**Section 9**
**Treasury shares**

Shares held by the company or a subsidiary do not entitle to participation in the General Meeting. Likewise, these shares are not taken into account in cases where the making of a valid decision or the exercise of a given right requires the consent of all shareholders or the consent of shareholders holding a specified proportion of the shares in the company.

**Section 10 (1147/2015)**
**Participation by others**

A Member of the Board of Directors, a Member of the Supervisory Board and the Managing Director have the right to be present at a General Meeting, unless the General Meeting in an individual case decides otherwise. The Board of Directors, the Supervisory Board and the Managing Director shall ensure that the right of shareholders to request information, as referred to in section 25, is realised. The Auditing Act (1141/2015) contains provisions on the presence of auditors at a General Meeting. The General Meeting may permit also other persons to participate in the meeting.

## General provisions on decision-making

### Section 11
### Matters to be decided

The General Meeting may decide only matters that have been mentioned in the notice of the General Meeting or that under the Articles of Association are to be dealt with by the General Meeting. However, an Ordinary General Meeting shall always decide the matters referred to in section 3, subsection 2; it may also decide on the appointment of an auditor, as referred to in chapter 7, section 5, and deal with a proposal for a special audit, as referred to in chapter 7, section 7.

Notwithstanding the provisions of subsection 1, the General Meeting may decide on the convocation of a new General Meeting or on the postponement of a matter to a continuation meeting.

### Section 12
### Voting rights

Everyone may exercise the entire voting rights of the shares that one represents at the General Meeting, unless otherwise provided in the Articles of Association.

A shareholder in a listed company may vote with different shares in different ways, in so far as not otherwise provided in the Articles of Association. (585/2009)

### Section 13
### Principle of equal treatment

The General Meeting shall not make decisions contrary to the principle of equal treatment referred to in chapter 1, section 7.

**Section 14**
**Disqualification**

A shareholder or a proxy shall not vote in a matter pertaining to a civil action against the shareholder or the discharge of the shareholder from liability in damages or from other liability towards the company. A shareholder or a proxy shall likewise not vote in a matter pertaining to a civil action against a third party or the discharge of a third party from liability, if the shareholder is likely to derive an essential benefit in the matter and that benefit may be contrary to the interests of the company.

The provisions of subsection 1 do not apply if all shareholders in the company are disqualified.

**Section 14a (512/2019)**
**Disqualification in the General Meeting of a listed company**

In addition to the provisions of section 14 above, a shareholder who is a related party of a listed company may not take part in a vote on a contract or another legal transaction to which he or she or a person in a related-party relationship to him or her is a party and the legal transaction is outside the ordinary course of business of the company or it is not concluded on normal market terms.

The provisions of subsection 1 above do not apply to:

1) a transaction between a listed company and its subsidiary if the listed company and its other subsidiaries own all the shares in the first-mentioned subsidiary or, if the company and its subsidiaries do not own all the shares in the first-mentioned subsidiary, another related party of the company has no financial interest in the first-mentioned subsidiary;

2) a decision of the General Meeting on a share issue or a share issue authorisation referred to in chapter 9, on the issue of option rights referred to in chapter 10 and other special rights referred to in section 1 of said chapter and the authorisation to the Board of Directors relating thereto, the distribution of assets referred to in chapter 13, the reduction of the share capital referred to in chapter 14, the acquisition and redemption of own shares referred to in chapter 15, a merger referred to in chapter 16, a demerger referred to in chapter 17 and on placing a company in liquidation and termination of the liquidation referred to in chapter 20; and to

3) a decision of the General Meeting on the remuneration policy referred to in section 3a of this chapter and the remuneration based thereon and on the handling of the remuneration report referred to in section 3b in the General Meeting.

**Section 15**
**Waiver of procedural requirements**

A matter that has not been dealt with in accordance with the procedural provisions of this Act or the Articles of Association may only be decided if the shareholders who are affected by the omission consent to the decision being made.

**Meeting procedure**

**Section 16**
**Meeting venue and mode of participation (585/2009)**

The General Meeting shall be held in the place where the registered office of the company is located, unless otherwise provided in the Articles of Association. For especially weighty reasons, the meeting may be held at another location.

It may be provided in the Articles of Association that participation in the General Meeting may take place by post or telecommunications or other technical means. Also the Board of Directors may make this decision, unless otherwise provided in the Articles of Association. A precondition for participation by technical means is that the right to participate and the correctness of the vote count can be verified in a manner corresponding to that in use in an ordinary meeting. In this event, the possibility to participate in the manner referred to in this subsection, the preconditions for doing so, the possible concomitant restrictions in the right of the shareholder to be heard, and the relevant procedure shall be mentioned in the notice. (585/2009)

**Section 17**
**Convocation**

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.

If the General Meeting is not convened, even though it should be convened by virtue of law, the Articles of Association or the decision of the General Meeting, or if the provisions governing the notice of the General Meeting have been materially breached, the regional state administrative agency shall, on the application of a Member of the Board of Directors, a Member of the Supervisory Board, the Managing Director, an auditor or a shareholder, permit the applicant to convene the meeting at the expense of the company. The permit decision of the regional state administrative agency can be enforced even if it is not yet final.

**Section 18**
**Contents of the notice**

The notice of the General Meeting shall indicate the name of the company, the date, time and venue of the meeting, and 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.

Specific provisions on the contents of the notice of the General Meeting are laid down in:

1) section 7, concerning advance notice of participation;

2) section 16, subsection 2, concerning participation by technical means;

3) section 19, subsection 3, concerning a later meeting;

4) chapter 9, section 4, subsection 2, concerning directed share issues;

5) chapter 15, section 5, subsection 3, concerning redemption by way of the reduction of the share capital;

6) chapter 15, section 6, subsection 3, concerning the directed acquisition and redemption of own shares, and chapter 15, section 9, subsection 3, concerning the reverse splitting of shares;

7) chapter 16, section 10, subsection 2, concerning mergers; and

8) chapter 17, section 10, subsection 2, concerning demergers.

In addition, the notice of a General Meeting of a listed company shall indicate the following:

1) the conditions for a shareholder's right to participate in the General Meeting under sections 6, 6a and 7; (349/2017)

2) the conditions for a shareholder's right to participate in the General Meeting by proxy under section 8;

3) the shareholder's right to request information, as referred to in section 25;

4) the total number of shares in the company and the total number of votes, broken down by share class, as at the time of convocation of the General Meeting;

5) the website where the information on the General Meeting required by this Act and the Securities Markets Act is accessible.

(585/2009)

**Section 19**
**Convocation period**

The notice shall be delivered no earlier than two months and no later than one week before the General Meeting, the last date for advance notices of participation, as referred to in section 7, or the General Meeting Record Date pertaining to companies incorporated in the book-entry system, as referred to in section 6a. In a public company, however, the notice may be delivered three months before the date referred to above at the earliest. (349/2017)

Specific provisions on the convocation period are laid down in:

1) section 24, subsection 3, concerning a continuation meeting;

2) chapter 16, section 10 subsection 1, concerning mergers;

3) chapter 17, section 10, subsection 1, concerning demergers; and

4) chapter 20, section 3, subsection 2, concerning liquidation.

If, under the Articles of Association, the validity of a decision requires that it has been made in two General Meetings, the notice of the later meeting shall not be delivered before the earlier meeting has been held. The decision made in the earlier meeting shall be mentioned in the notice.

A listed company shall deliver the notice of the General Meeting no later than three weeks before the General Meeting. The notice shall, however, be delivered at least nine days before the General Meeting Record Date referred to in section 6a. (349/2017)

**Section 20**
**Manner of convocation**

A written notice of the General Meeting shall be sent to all shareholders whose addresses are known to the company, unless otherwise provided in the Articles of Association.

In addition to what is provided in the Articles of Association, a written notice shall be sent to all shareholders whose addresses are known to the company if the meeting is to deal with an amendment of the Articles of Association, as referred to in section 29. Similar provisions on a written notice are laid down in:

1) chapter 16, section 10, subsection 2, concerning merger in a merging company;

2) chapter 17, section 10, subsection 2, concerning demerger in a demerging company; and

3) chapter 20, section 3, subsection 2, concerning the company going into liquidation, and chapter 20, section 18, subsection 1 concerning the continuation of liquidation.

**Section 21**
**Meeting documents and the availability and delivery of the meeting documents**

The proposals and, if the General Meeting is to deal with the financial statements, the financial statements, the management report and the auditor's report shall be kept available to the

shareholders in the head office of the company or on the company website for at least one week before the meeting and they must kept available to the shareholders at the meeting venue. The meeting documents shall without delay be sent to a shareholder who requests them, if the documents are not available for downloading and printing on the company website. (981/2011)

If a decision pertains to a share issue, the issue of option rights or other special rights entitling to shares, the increase of the share capital from reserves, the payment of dividend, the distribution of reserves of unrestricted equity, the decrease of the share capital, the acquisition or redemption of own shares, or the company going into liquidation, and the financial statements are not to be dealt with at the meeting, the provisions of subsection 1 also apply to:

1) the latest financial statements, management report and auditor's report;

2) the possible decisions on the distribution of assets, made after the end of the preceding financial period;

3) any interim reports prepared as of a date after the end of the preceding financial period; and

4) a statement by the Board of Directors on the events occurring after the latest financial statements or interim report and having an essential effect on the state of the company.

Chapter 16, section 11, and chapter 17, section 11, contain provisions on the merger or demerger documents that are to be kept available and delivered on request.

**Section 22 (512/2019)**
**Special provisions for listed companies on the availability and delivery of documents**

A listed company shall keep the notice referred to in section 18 and the documents to be kept available to the shareholders, referred to in section 21, subsections 1–3, available on the company website for a period beginning no later than three weeks before the General Meeting and ending no earlier than three months after the General Meeting. If the General Meeting of a listed company handles the remuneration policy or the remuneration report, the listed company shall also keep these documents available on the company website for the same period.

The provisions of section 21 on the availability of meeting documents before the General Meeting and their delivery do not apply to the financial statements, the management report, the auditor's report, the remuneration policy or the remuneration report if the company has kept them available as referred to in subsection 1 and disclosed the information therein as provided in the Securities Markets Act no later than three weeks before the General Meeting.

**Section 23**

**Chairperson, register of votes and minutes of the meeting**

The General Meeting shall be opened by the person designated by the convener of the meeting. The General Meeting shall elect the chairperson, unless otherwise provided in the Articles of Association. If the Articles of Association contain provisions on the chairperson of the General Meeting, that person shall also open the meeting.

The chairperson shall ensure that a register is compiled of the shareholders, proxy representatives and assistants in attendance, indicating the quantity of shares and voting rights of each shareholder (*register of votes*). The shareholder register shall be kept available at the meeting.

The chairperson shall ensure that minutes are kept of the meeting. The minutes shall indicate the decisions made and the results of any votes. The chairperson and a person elected as scrutiniser shall sign the minutes. The register of votes shall be included in or attached to the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

No later than two weeks after the meeting, the minutes shall be kept available to the shareholders at the head office of the company or on the company website, and copies shall be delivered to shareholders requesting the same. A shareholder has the right to receive copies of the attachments to the minutes against compensation of the company's costs.

If a full account of the voting has been carried out in the General Meeting of a listed company, the minutes of the General Meeting shall also indicate the proportion of the voted shares of all shares, the number of votes cast in favour of and against a decision, and the number of non-voted shares represented in the General Meeting. This information shall be available on the company website no later than three weeks after the General Meeting and for at least three months after the General Meeting. (585/2009)

**Section 23a (512/2019)**
**Special provisions for listed companies on the verification of electronic voting**

Anyone who has voted at the General Meeting via electronic means shall be provided with an electronic confirmation of receipt of the vote.

After the General Meeting, a shareholder in a listed company shall, upon request, be provided with a confirmation to the effect that his or her vote has been duly registered and accounted at the General Meeting, unless the said information is already available to him or her. The confirmation shall be requested within three months of the General Meeting.

*Section 23a added by Act 512/2019 enters into force on 24 September 2020.*

**Section 24**
**Continuation meeting**

The General Meeting may decide that a matter is postponed to be dealt with in a continuation meeting.

A matter pertaining to the approval of the financial statements and the use of profits shall be postponed from the Ordinary General Meeting to a continuation meeting, if shareholders holding at least one tenth (1/10) of all shares so request. The continuation meeting shall be held no earlier than one month and no later than three months after the Ordinary General Meeting. The decision need not be postponed for a second time even if the minority so requests.

A new notice shall be delivered of the continuation meeting, if it is to be held more than four weeks after the General Meeting. The notice of a continuation meeting may always be delivered no later than four weeks before the meeting.

**Section 25**
**Right to request information**

On the request of a shareholder, the Board of Directors and the Managing Director shall provide more detailed information on circumstances that may affect the evaluation of a matter dealt with by the meeting. If the meeting deals with the financial statements, this obligation also applies to more general information on the financial position of the company, including the relationship of the company with another corporation or foundation in the same group. However, the information shall not be provided if this would cause essential harm to the company.

If the question of a shareholder can only be answered on the basis of information not available at the meeting, the answer shall be provided in writing within two weeks. The answer shall be delivered to the shareholder asking the question and to other shareholders requesting the same.

**Rules of decision-making**

**Section 26**
**Decision by majority**

A proposal that has been supported by more than half of the votes cast constitutes the decision of the General Meeting, unless otherwise provided in this Act. In an election, the person receiving the most votes is elected. The General Meeting may, before the election, decide that the person receiving more than half of the votes cast will be elected. In the event of a tie, an election is decided by drawing lots, and another vote is decided by the casting vote of the chairperson, unless otherwise provided in the Articles of Association.

The requirement of majority may be relaxed by way of the Articles of Association only as regards elections.

**Section 27**
**Decision by a qualified majority**

If a decision must be made by a qualified majority, a proposal that has been supported by at least two thirds (2/3) of the votes cast and the shares represented at the meeting shall constitute the decision.

Unless otherwise provided in this Act or in the Articles of Association, the following decisions shall be made by a qualified majority:

1) the amendment of the Articles of Association;

2) a directed share issue;

3) the issue of option rights and other special rights entitling to shares;

4) the acquisition and redemption of own shares in a public company;

5) the directed acquisition of own shares;

6) a merger;

7) a demerger; and

8) going into liquidation and the termination of liquidation.

If the company has several share classes, an additional requirement for the validity of a decision on the merger in a merging company, the demerger in a demerging company, the company going into liquidation, the termination of liquidation and, in a public company, the directed acquisition of own shares is that the decision is supported by a qualified majority within each of the share classes represented at the meeting.

The requirement of qualified majority shall not be relaxed by way of the Articles of Association.

**Section 28**
**Alteration of the rights of a share class**

A decision 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 a qualified majority, as provided in section 27. An additional requirement for the validity of the decision is that the decision 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.

**Section 29**
**Consent of the shareholders**

The consent of a shareholder shall be obtained for the amendment of the Articles of Association, where:

1) 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 of Association referred to in chapter 13, section 9;

2) the liability of the shareholder to make payments to the company is increased;

3) the right of the shareholder to acquire shares is restricted by taking into the Articles of Association a redemption clause referred to in chapter 3, section 7, or a consent clause referred to in chapter 3, section 8;

4) the pre-emptive right of the shareholder to shares is restricted as referred to in chapter 9, section 3, subsection 3;

5) the right to minority dividend is restricted as referred to in chapter 13, section 7;

6) a redemption term referred to in chapter 15, section 10, is attached to the shares of the shareholder;

7) the right of the company to damages is restricted as referred to in chapter 22, section 9; or

8) 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 referred to in chapter 15, section 6, or when a decision on a change of corporate form is made, as referred to in chapter 19, section 5.

The General Meeting shall not make a decision contrary to the principle of equal treatment referred to in chapter 1, section 7, unless the shareholder at whose expense the unjust benefit is to be given consents to the same.

**Miscellaneous provisions**

**Section 30**
**Amendment of the Articles of Association**

The General Meeting decides on the amendment of the Articles of Association. The decision shall be made by a qualified majority, as referred to in section 27.

The decision on the amendment of the Articles of Association shall be notified for registration without delay, and it shall not be implemented before registration. If the amendment of the Articles of Association requires implementation measures to be entered in the register, the amendment shall, however, be notified for registration and registered simultaneously with the implementation measures.

If the right carried by a share is determined on the basis of the nominal value of the share, the abandonment of nominal values shall not affect the rights carried by the share, unless otherwise decided.

**Section 31**
**Objections**

Provisions on objections against the decisions of the General Meeting are laid down in chapter 21.

## Chapter 6
## Management and representation of the company

### Management

### Section 1
### Management of the company

A company shall have a Board of Directors. It may also have a Managing Director and a Supervisory Board.

Provisions on the prohibition of decisions contrary to the principle of equal treatment are laid down in chapter 1, section 7, provisions on the duty of care in chapter 1, section 8, and provisions on liability in damages in chapter 22.

Provisions on the representation of the company are laid down in sections 25–28 of this chapter.

### Duties of the Board of Directors and decision-making

### Section 2
### General duties of the Board of Directors

The Board of Directors shall see to the administration of the company and the appropriate organisation of its operations (*general competence*). The Board of Directors is responsible for the appropriate arrangement of the control of the company accounts and finances.

The Board of Directors or a Member of the Board of Directors shall not comply with a decision of the General Meeting, the Supervisory Board or the Board of Directors where it is invalid owing to being contrary to this Act or the Articles of Association.

### Section 3
### Decision-making by the Board of Directors

The opinion of the majority shall constitute the decision of the Board of Directors, unless a qualified majority is required in the Articles of Association. In the event of a tie, the Chairperson of

the Board of Directors shall have the casting vote. If there is a tie in the election for the Chairperson, and no other provision has been made in the appointment of the Board of Directors or in the Articles of Association, the election shall be decided by drawing lots.

The Board of Directors shall have a quorum when more than half of the Members of the Board of Directors are present, unless a larger proportion is required in the Articles of Association. The proportion shall be calculated on the basis of the number of Members who have been appointed. When this proportion is being calculated, disqualified Members shall be deemed to be absent. No decision shall be made, unless all Members have been reserved the chance, as far as possible, to participate in the consideration of the matter. If a Member is unavailable, this chance shall be reserved to the Deputy Member of the Board of Directors. If a decision is made without a meeting being held, the decision shall be written down, signed, numbered and archived as provided for the minutes of Board meetings in section 6.

**Section 4**
**Disqualification**

A Member of the Board of Directors shall not participate in the consideration of a matter pertaining to a contract between the Member and the company. A Member shall likewise not participate in the consideration of a matter pertaining to a contract between the company and a third party, if the Member is to derive an essential benefit in the matter and that benefit may be contrary to the interests of the company. The provisions of this section on a contract apply correspondingly to other legal transactions and court proceedings.

**Section 4a (512/2019)**
**Disqualification of a Member of the Board of Directors of a listed company**

By derogation from what is provided in the second sentence of section 4 above, a Member of the Board of Directors of a listed company shall not, in the Board of Directors of the company or its subsidiary, participate in the consideration of a contract where a party to the contract is in a related-party relationship to him or her as referred to in chapter 1, section 12 and the legal transaction is outside the ordinary course of business of the company or it is not concluded on normal market terms. A decision concerning such contract is valid if the decision is supported by the required majority of the Members of the Board of Directors of the listed company or its Finnish subsidiary who are not in a related-party relationship to the matter to be decided.

The provisions of this section on a contract apply correspondingly to other legal transactions and court proceedings.

The Board of Directors of a listed company decides on a transaction by the listed company referred to in section 4 and in subsection 1 or 2 of this section unless otherwise provided in this Act or in the Articles of Association on the division of competence in the company.

The provisions of this section above do not apply to a transaction between a listed company and its subsidiary, if the company and its other subsidiaries own all the shares in the first-mentioned subsidiary or, if the company and its subsidiaries do not own all the shares in the first-mentioned subsidiary, another party in a related-party relationship has no financial interest in the first-mentioned subsidiary.

**Section 5**
**Meeting of the Board of Directors**

The Chairperson of the Board of Directors shall ensure that the Board of Directors meets when necessary. A meeting shall be convened if a Member of the Board of Directors or the Managing Director so requests. If, notwithstanding a request, the Chairperson does not call the meeting, the meeting may be called by a Member, if at least one half of the Members approve of the call, or by the Managing Director.

The Board of Directors may decide that also a person other than a Member of the Board of Directors may be present at a meeting. Provisions on the right of the Managing Director to be present at a meeting are laid down in section 18. Provisions on who may be present at a meeting may also be included in the Articles of Association.

**Section 6**
**Minutes of the Board of Directors**

Minutes shall be kept of the meetings of the Board of Directors, to be signed by the person chairing the meeting and, if there are several Members of the Board of Directors, at least by one Member designated by the Board. A Member and the Managing Director have the right to have a

dissent entered into the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

**Section 7**
**Transfer of decision-making**

In individual cases or if so provided in the Articles of Association, the Board of Directors may make a decision in a matter falling within the general competence of the Managing Director also where the company has a Managing Director.

The Board of Directors may submit a matter within the general competence of the Board of Directors or the Managing Director to be decided by the General Meeting.

Provisions on the liability of a listed company to transfer a matter falling within the general competence of the Board of Directors or the Managing Director to be decided by the General Meeting are laid down in chapter 11, section 14 of the Securities Markets Act. (512/2019)

**Members of the Board of Directors and the beginning and end of membership**

**Section 8**
**Members of the Board of Directors, Deputy Members of the Board of Directors and the Chairperson of the Board of Directors**

There shall be between one and five regular Members of the Board of Directors, unless otherwise provided in the Articles of Association. If there are fewer than three Members, there shall be at least one Deputy Member of the Board of Directors. The provisions of this Act on a Member also apply to a Deputy Member.

If there are several Members of the Board of Directors, a Chairperson of the Board of Directors shall be elected. The Board of Directors shall elect the Chairperson, unless otherwise decided when the Board is appointed or unless otherwise provided in the Articles of Association.

**Section 9**
**Appointment of the Members of the Board of Directors**

The General Meeting shall appoint the Members of the Board of Directors, unless it is provided in the Articles of Association that the Supervisory Board is to appoint the Members. It may be provided in the Articles of Association that a minority of the Board of Directors is to be appointed according to some other procedure. However, if a Member has not been elected according to the other procedure, the General Meeting may appoint the Member, unless otherwise provided in the Articles of Association.

**Section 10**
**Qualifications of a Member of the Board of Directors**

The following cannot be Members of the Board of Directors: legal persons, minors, persons under guardianship, persons with restricted legal competency, and bankrupts. The Act on Business Prohibitions (1059/1985) contains provisions on the effect of a business prohibition on the qualification of a Member.

At least one of the Members of the Board of Directors shall be resident within the European Economic Area, unless the registration authority grants the company an exemption from this requirement.

**Section 11**
**Term of the Members of the Board of Directors**

In a private company, the term of a Member of the Board of Directors is indefinite. In a public company, the term of a Member ends upon the conclusion of the next Ordinary General Meeting following the appointment of the Member. Other provisions on the term may be laid down in the Articles of Association. The term of a Member ends and the term of the successor Member begins upon the conclusion of the General Meeting deciding on the appointment of the successor Member, unless otherwise provided in the Articles of Association or decided when the successor Member is appointed.

**Section 12**
**Resignation of Members of the Board of Directors**

A Member of the Board of Directors may resign before the end of his or her term.

The resignation shall take effect at the earliest when it has been notified to the Board of Directors. If the Member of the Board of Directors has been appointed by someone else than the General Meeting, the resignation shall also be notified to the appointing party.

If the resigning Member of the Board of Directors has reason to believe that the company no longer has any Members of the Board of Directors, the resigning Member shall see to it that a General Meeting is convened to appoint a new Board of Directors.

**Section 13**
**Dismissal of Members of the Board of Directors**

A Member of the Board of Directors may be dismissed ahead of term by the party who appointed the Member. However, a Member appointed by someone else than the General Meeting may be dismissed by the General Meeting, if the Articles of Association have been amended so that the special right of appointment no longer applies.

The term of a dismissed Member of the Board of Directors ends with the conclusion of the General Meeting deciding on the dismissal, unless the General Meeting decides on some other point in time. The term of a Member dismissed by someone else than the General Meeting ends immediately, unless some other point in time is indicated in the context of the dismissal.

**Section 14**
**Supplementing the Board of Directors**

If there is a vacancy in the Board of Directors in mid-term or if a Member of the Board of Directors loses the qualifications referred to in section 10, a Deputy Member of the Board of Directors shall substitute for the Member as provided in the Articles of Association or as decided upon the appointment of the Deputy Member. If there are no Deputy Members, the other Members shall see to it that a successor Member is appointed for the remainder of the term. If, however, the

appointment of the Member is a task for the General Meeting and the Board of Directors, with Deputy Members, has a quorum, the appointment may take place in the next General Meeting.

**Section 14a (512/2019)**
**Remuneration of the Members of the Board of Directors in a listed company**

In a listed company, the decision on the remuneration of the Members of the Board of Directors shall be based on the remuneration policy presented to the General Meeting.

If the General Meeting of a listed company has not supported the remuneration policy presented to it, the decision on the remuneration of the Members of the Board of Directors shall be based on the remuneration policy presented to the General Meeting until the revised remuneration policy has been handled by the General Meeting.

A listed company may temporarily derogate from the remuneration policy presented to the General Meeting if the derogation is necessary to ensure the long-term interests of the listed company. The derogation is possible only if the remuneration policy defines the elements that can be derogated from and the procedure to be complied with in derogation situations.

**Other provisions on the Board of Directors**

**Section 15**
**Parent-subsidiary relationship**

If the company has become a parent company or if it no longer is a parent company, the Board of Directors shall without delay notify the same to the Board of Directors or the other corresponding organ of the subsidiary. The Board of Directors or the other corresponding organ of the subsidiary shall supply the Board of Directors of the parent company with the information necessary for the evaluation of the state of the group and the calculation of its financial results.

**Section 16**
**Contract with sole shareholder**

A contract or other undertaking between the company and its sole shareholder that does not fall within the scope of the regular business operations of the company shall be entered in or attached to the minutes of the Board of Directors.

**Section 16a (623/2016)**
**Duties of the Board of Directors in a listed company and in another public-interest company (512/2019)**

If the company is a listed company or another public-interest entity referred to in chapter 1, section 9 of the Accounting Act, the duty of its Board of Directors is, with regard to the financial reporting and auditing of the company, especially to monitor and assess:

1) the financial reporting system of the company;

2) the efficiency of the internal control and auditing and of the risk-management systems;

2a) the manner in which the contracts and other legal transactions concluded between the company and a person in a related-party relationship to it meet the requirements for not applying the disqualification provisions of chapter 5, section 14a and chapter 6, section 4a regarding the ordinary course of business of the company and the market terms;

3) the independence of the auditor and especially the provision of non-audit services by the auditor.

In addition to the duties referred to in subsection 1 above, the Board of Directors shall monitor the audit of the company and prepare the selection of the auditor of the company. A Member of the Board of Directors who is in a related-party relationship to a transaction subject to monitoring, may not participate in the internal control of the transactions referred to in subsection 1, paragraph 2a above. (512/2019)

The provisions of subsection 1, paragraph 3 and subsection 2 do not apply to:

1) a company whose parent company attends to said duties;

2) an undertaking for collective investment in transferable securities referred to in Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) or an alternative investment fund referred to in Article 4(1)(a) of Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;

3) an entity the sole purpose of which is to issue asset backed securities referred to in Article 2(5) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

(1378/2016)

In addition to the duties referred to in subsections 1 and 2 above, the Board of Directors of a listed company shall draw up the remuneration report referred to in chapter 7, section 7b of the Securities Markets Act. (512/2019)

**Section 16b (623/2016)**
**Audit committee in a public-interest company**

For the preparation of the duties referred to above in section 16a, subsections 1 and 2, a company may have an audit committee comprised of Members of the Board of Directors. In the absence of an audit committee, the preparation of the duties belongs to the entire Board of Directors.

The duties of the audit committee may be attended to by another Board committee whose composition meets the requirements of section 16c.

**Section 16c (623/2016)**
**Audit committee members**

A member of the audit committee may not participate in the daily management of the company or of its consolidated corporation or foundation.

At least one of the members of the audit committee shall have expertise in accounting or auditing.

**Managing Director**

**Section 17**
**General duties of the Managing Director**

The Managing Director shall see to the executive management of the company in accordance with the instructions and orders given by the Board of Directors (*general competence*). The Managing Director shall ensure that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The Managing Director shall supply the Board of Directors and the Members of the Board of Directors with the information necessary for the performance of the duties of the Board of Directors.

The Managing Director may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorised by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the company. In the latter case, the Board of Directors shall be notified of the measures as soon as possible.

**Section 18**
**Presence of the Managing Director at the meetings of the Board of Directors**

The Managing Director has the right to be present at the meetings of the Board of Directors and to speak there even if the Managing Director is not a Member of the Board of Directors, in so far as the Board of Directors does not decide otherwise.

**Section 19**
**Provisions applicable to the Managing Director and the Deputy Managing Director**

The provisions laid down in section 2, subsection 2 on invalid decisions, section 4 on disqualification and section 10, subsection 1 on qualification that pertain to the Members of the Board of Directors also apply to the Managing Director. The Managing Director shall in all events be resident within the European Economic Area, unless the registration authority grants the company an exemption from this requirement. The provisions of section 4a, subsection 1 on the disqualification of a Member of the Board of Directors of a listed company from the decision-making in a subsidiary also apply to the Managing Director of a listed company. (512/2019)

The provisions of this Act on the Managing Director also apply to the Deputy Managing Director.

**Section 20**
**Appointment, resignation and dismissal of the Managing Director**

The Board of Directors appoints the Managing Director and decides on his or her remuneration. (512/2019)

The Managing Director has the right to resign from the post. The resignation takes effect upon notification to the Board of Directors at the earliest.

The Board of Directors may dismiss the Managing Director from the post. The dismissal takes effect immediately, unless the Board of Directors decides on a later point in time.

**Section 20a (512/2019)**
**Remuneration of the Managing Director in a listed company**

In a listed company, the decision on the remuneration of the Managing Director shall be based on the remuneration policy presented to the General Meeting.

If the General Meeting of a listed company has not supported the remuneration policy presented to it, the decision on the remuneration of the Managing Director shall be based on the remuneration policy presented to the General Meeting until the revised remuneration policy has been handled at the General Meeting.

A listed company may temporarily derogate from the remuneration policy presented to the General Meeting if the derogation is necessary to ensure the long-term interests of the listed company. The derogation is possible only if the remuneration policy defines the elements that can be derogated from and the procedure to be complied with in derogation situations.

## Supervisory Board

### Section 21
### Duties of the Supervisory Board

Provisions on the Supervisory Board shall be laid down in the Articles of Association. The Supervisory Board supervises the administration of the company, which is the responsibility of the Board of Directors and the Managing Director. It may be provided in the Articles of Association that the Supervisory Board appoints the Board of Directors and decides on the remuneration of the Members of the Board of Directors. (512/2019)

In other respects, duties may be assigned to the Supervisory Board only in so far as they fall within the general competence of the Board of Directors or have not been assigned by law to any other organ. The Supervisory Board shall not be given any right to represent the company.

### Section 22
### Access of the Supervisory Board to information

The Board of Directors, the Members of the Board of Directors and the Managing Director shall supply the Supervisory Board and the Members of the Supervisory Board with all information needed for the performance of the duties of the Supervisory Board.

### Section 23
### Members of the Supervisory Board and Chairperson of the Supervisory Board

The Supervisory Board shall have at least three Members. The Managing Director or a Member of the Board of Directors shall not be a Member of the Supervisory Board. A Chairperson shall be elected for the Supervisory Board. The Chairperson shall be elected by the Supervisory Board,

unless otherwise decided upon the appointment of the Supervisory Board or otherwise provided in the Articles of Association.

**Section 24**
**Provisions applicable to the Supervisory Board**

In other respects, the provisions of section 2, subsection 2 on invalid decisions, sections 3–6 on decision-making, disqualification, meetings and minutes, and sections 9–13 on appointment, qualification, term, resignation and dismissal apply to the Supervisory Board and the Members of the Supervisory Board.

In addition, the provisions of section 14a on the remuneration of the Members of the Board of Directors apply to the remuneration of the Members of the Supervisory Board of a listed company. (512/2019)

**Representation**

**Section 25**
**Board of Directors and Managing Director as representatives**

The Board of Directors shall represent the company. The Managing Director may represent the company in matters falling within the Managing Director's duties under section 17.

**Section 26**
**Other representatives**

It may be provided in the Articles of Association that a Member of the Board of Directors or the Managing Director has the right to represent the company or that the Board of Directors may grant a Member of the Board of Directors, the Managing Director or some other designated person the right to represent the company. The Board may revoke the right thus granted at any time.

**Section 27**
**Restrictions of the right to represent the company**

The only restriction of the right to represent the company that may be entered in the Trade Register is one to the effect that two or more persons have this right only when acting together.

A provision in the Articles of Association on the field of operation of the company shall constitute a restriction of the authority of a representative.

**Section 28**
**Binding effect of measures by a representative**

A legal transaction entered into by a representative of the company, as referred to in this Act, shall not be binding on the company if:

1) the representative has violated a restriction of the representative's competence to represent the company, as referred to in this Act;

2) the representative has violated a restriction referred to in section 27, subsection 1; or

3) the representative has exceeded his or her authority and the other party to the legal transaction knew or should have known of the authority having been exceeded.

In cases referred to in subsection 1, paragraph 3, the fact that the restrictions of the authority to represent the company have been registered shall not on its own be deemed adequate proof that the other party to the legal transaction knew or should have known of the authority having been exceeded.

## Chapter 7
## Audit and special audit

### Audit

### Section 1
### Applicable law

The provisions of this chapter and the provisions of the Auditing Act apply to the audit of a company.

*Subsection 2 was repealed by Act 461/2007.*

### Section 2 (461/2007)
### Appointment of the auditor

The obligation to have an audit conducted is governed by the provisions of chapter 2 of the Auditing Act and of section 6 of this chapter.

The General Meeting shall appoint the auditor. If several auditors are to be appointed, it may be provided in the Articles of Association that an auditor or some of the auditors, but not all, are to be appointed in accordance with some other procedure.

### Section 3
### Deputy auditor

The obligation to appoint a deputy auditor is governed by the provisions of chapter 2, section 3 of the Auditing Act. The General Meeting may also appoint a deputy auditor in a company where there is no obligation to do so, and appoint several deputy auditors. If some of the auditors are to be appointed in accordance with some other procedure, it may also be provided in the Articles of Association that the deputy auditor for such an auditor is appointed in accordance with the other procedure. (1147/2015)

The provisions of this Act and the Auditing Act on an auditor also apply to the deputy auditor.

**Section 4**
**Term of the auditor**

In a private company, the term of an auditor is indefinite. In a public company, the term ends upon the conclusion of the Ordinary General Meeting following the appointment of the auditor. The Articles of Association may contain provisions on the term of the auditor that deviate from what is provided above. The term of the auditor ends and the term of the successor auditor begins upon the conclusion of the General Meeting deciding on the election of the successor auditor, unless otherwise provided in the Articles of Association or decided when the successor auditor is appointed.

**Section 5 (1147/2015)**
**Right of the minority to demand an auditor**

In a company where an auditor need not be appointed pursuant to the law or the Articles of Association, the General Meeting shall nonetheless appoint an auditor, if the shareholders holding at least one tenth (1/10) of all shares or at least one third (1/3) of the shares represented at the meeting so demand at an Ordinary General Meeting or at the General Meeting where the matter is according to the notice to be dealt with. If the General Meeting does not appoint an auditor, the Finnish Patent and Registration Office designates an auditor in accordance with the procedure specified in chapter 2, section 8, subsections 1 and 4 of the Auditing Act if a shareholder applies for the designation of an auditor within one month of the General Meeting.

**Section 6 (1147/2015)**
**Specific obligation to appoint a KHT auditor**

In a public company, at least one of the auditors appointed by the General Meeting shall be a KHT auditor [also referred to as an authorised public accountant (KHT)] or an audit firm whose key audit partner shall be a KHT auditor.

**Special audit**

**Section 7 (1413/2009)**
**Ordering a special audit**

A shareholder may apply to the regional state administrative agency of the place where the company has its registered office for an order of the special audit of the administration and accounts of the company for a given past period or for given measures or circumstances. It shall be a prerequisite for such an order that the proposal has been dealt with by the General Meeting and that it has received the support referred to in subsection 2. The application to the regional state administrative agency shall be filed within one month of the General Meeting.

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 (1/10) of all shares or at least one third (1/3) 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 (1/10) of all shares in one of the share classes or at least one third (1/3) of the shares in one of the share classes represented at the General Meeting.

The regional state administrative agency shall obtain a statement from the Board of Directors of the company and, if the special audit is according to the application to pertain to the measures undertaken by a given person, from that person. The application shall be granted, if it is determined that there are weighty reasons for the special audit. The regional state administrative agency may designate one or several special auditors. The order may be enforced regardless of appeal.

**Section 8 (623/2016)**
**Special auditor**

The special auditor shall be a natural person or an audit firm. The special auditor shall have the financial and legal knowledge and experience that is, with a view to the nature and scale of the audit engagement, needed for the performance of the engagement. The provisions on an auditor laid down in chapter 22, sections 6–9 and chapter 24, section 3 of this Act and in chapter 2,

section 7; chapter 3, sections 9 and 10; chapter 4, sections 6–8; and chapter 10, section 9 of the Auditing Act apply correspondingly to the special auditor.

**Section 9**
**Report of the special audit**

A report of the special audit shall be submitted to the General Meeting. For at least a week before the General Meeting, the report shall be kept available to the shareholders at the head office or on the website of the company, sent without delay to the shareholders who so request, and kept available at the General Meeting.

**Section 10**
**Fee and expenses**

The special auditor has the right to receive a fee from the company. The company is also liable for any other expenses arising from the special audit. However, for special reasons a court may oblige the shareholder who applied for the special audit to reimburse the company for all or part of its costs.

**Chapter 8**
**Equity, financial statements, management report and group**

**Equity**

**Section 1**
**Types of equity and its use**

The equity of a company is divided into restricted equity and unrestricted equity. Restricted equity consists of the share capital and of the fair value reserve and the revaluation reserves under the Accounting Act. Unrestricted equity consists of other reserves and of the profit from the current and the previous financial periods.

A legal reserve and a share premium reserve accruing before the entry into force of this Act are governed by the provisions of the Act on the Implementation of the Limited Liability Companies Act (625/2006).

In addition to the provisions of this chapter, the provisions of chapters 13–15 apply to the distribution and other uses of equity.

**Section 2**
**Reserve for invested unrestricted equity**

The reserve for invested unrestricted equity shall be credited with that part of the subscription price of the shares that according to the Memorandum of Association or the share issue decision is not to be credited to the share capital and that according to the Accounting Act is not to be credited to liabilities, and with other equity inputs that are not to be credited to some other reserve. The invested unrestricted reserve shall likewise be credited with the amount of a share capital reduction, less any amounts needed for the covering of losses or for the distribution of assets.

**Financial statements and management report**

**Section 3**
**Application of the Accounting Act**

The financial statements and the management report shall be drawn up in accordance with the provisions of the Accounting Act and the provisions of this chapter.

**Section 4**
**Financial period**

Provisions on the financial period of a company are laid down in the Memorandum of Association or the Articles of Association upon incorporation. Even in the case that provisions on the financial period have not been laid down in the Articles of Association, the decision to change the financial period is made by the General Meeting. The change shall take effect upon registration.

**Section 5 (1622/2015)**
**Management report**

The management report shall always contain the information specified in this Act unless the limited liability company is a small undertaking referred to in chapter 1, section 4a or a micro-undertaking referred to in chapter 1, section 4b of the Accounting Act. Provisions on the information to be included in the management report and the financial statements of such an undertaking are laid down in the Accounting Act and provisions issued under it.

The management report shall contain a proposal of the Board of Directors for the use of the profits of the company and a proposal, where appropriate, for the distribution of other unrestricted equity.

The management report shall contain the following information:

1) the number of outstanding shares, broken down by share class, and the main provisions of the Articles of Association relating to each of the share classes; and

2) for a capital loan, the main terms of the loan and the interest accruing on the loan and not entered into the accounts as an expense.

The foreign branches of the company shall be mentioned in the management report.

The information required under this Act may, instead of a management report, be given as notes to the financial statements, unless otherwise provided in the Accounting Act.

**Section 6**
**Information to be included in the management report on debt concerning related parties**

The management report shall include separate information on loans, liabilities and commitments to related parties and on the main terms thereof, if the sum total of the loans, liabilities and commitments exceeds EUR 20,000 or five per cent of the equity of the company, as it appears on the balance sheet.

*Subsection 2 was repealed by Act 512/2019.*

**Section 7**
**Information to be included in the management report on corporate structure and finance**

The management report shall contain appropriate information:

1) if the company has become a parent company, it has been the acquiring company in a merger or a demerger, or it has demerged;

2) on the main contents of a share issue decision referred to in chapter 9, section 5 or 17;

3) on the main contents of a decision on the issue of option rights or other special rights entitling to shares, as referred to in chapter 10, section 3;

4) on the main terms of a subscription based on option rights or other special rights entitling to shares, as issued by the company at an earlier stage; and

5) the current authorisations that the Board of Directors has in respect of share issues and the issue of option rights or other special rights entitling to shares.

**Section 8**
**Information to be included in the management report on own shares**

The management report shall contain information on the following, broken down by share class:

1) total quantity of shares in the company and its parent company held by, or pledged to, the company or its subsidiaries, and the proportions of all shares and the voting rights carried by the shares; and

2) the shares in the company and its parent company acquired or accepted as pledges during the financial period, and the transfer and cancellation of such shares.

The management report shall contain the following information on the shares in the company or its parent company acquired, accepted as pledges, transferred or cancelled during the financial period:

1) how the shares have been acquired by the company or how they have been transferred to it;

2) the quantity of shares and their proportion of all shares; and

3) the consideration paid for the shares.

The shares held by the company and pledged to it shall be listed separately. If shares have been acquired from a related party or if they have been transferred to a related party, that party shall be mentioned by name.

**Section 9 (1622/2015)**
**Consolidated financial statements**

In addition to the provisions laid down elsewhere in the law, the provisions of this chapter apply to the drawing up of the consolidated financial statements.

A parent company shall always draw up the consolidated financial statements, if it distributes assets to the shareholders or if it is a public company. However, consolidated financial statements need not be drawn up of a small group referred to in chapter 1, section 6a of the Accounting Act or if the company is exempt from the obligation to draw up the consolidated financial statements under chapter 6, section 1, subsection 4 of the said Act.

**Section 10**
**Registration of the financial statements and management report**

The company shall notify the financial statements and the management report for registration within two months of the adoption of the financial statements. The notification shall include a copy of the auditor's report and of the auditor's report on the consolidated financial statements, and a written certification by a Member of the Board of Directors or by the Managing Director on the date when the financial statements were adopted and on the decision of the General Meeting relating to the use of the company profit.

If the obligation referred to in subsection 1 is not complied with, the registration authority may compel the Managing Director or the Member of the Board of Directors to comply with it before a set deadline under threat of a fine. A decision of the registration authority on the imposition of a conditional fine shall not be open to appeal. Under chapter 20, section 4, the company may be ordered into liquidation or deregistered owing to the failure to comply with the obligation.

**Section 11**
**Instructions and statements by the Accounting Board**

In accordance with chapter 8, section 2 of the Accounting Act, the Accounting Board may issue instructions and statements on the application of the provisions of this Act relating to the drawing up of the financial statements and management report.

**Group**

**Section 12**
**Group**

If a limited liability company exercises control over another domestic or foreign corporation or foundation, as referred to in chapter 1, section 5 of the Accounting Act, the limited liability company shall be the parent company and the other corporation or foundation a subsidiary. The parent company and its subsidiaries form a group.

A limited liability company exercises control over another corporation or foundation also in the event that the limited liability company, together with one or several of its subsidiaries, or a subsidiary or several subsidiaries together exercise control over that corporation or foundation, as referred to in chapter 1, section 5 of the Accounting Act.

The provisions of chapter 1, section 5 of the Accounting Act on the party responsible to keep accounts apply to the limited liability company referred to above, and the provisions of the said chapter on an object undertaking apply to the other domestic or foreign corporation or foundation referred to above.

# PART III
# FINANCE

## Chapter 9
## Share issue

### General provisions

### Section 1
### Share issue

A company may issue new shares or transfer treasury shares (*share issue*).

A share issue may involve the issue of shares against payment (*share issue against payment*) or free of charge (*share issue without payment*).

### Section 2
### General provisions on the decision

The General Meeting shall make the decisions on share issues.

By a decision determining the maximum quantity of shares to be issued, broken down by share class, the General Meeting may also authorise the Board of Directors to decide on a share issue in full or for some part (*share issue authorisation*). A share issue authorisation shall be notified for registration without undue delay, and in any event no later than one month after the decision. Unless otherwise indicated in the authorisation, it shall remain in effect until further notice. However, in a public company, a share issue authorisation may remain in effect for at most five years from the decision. A new share issue authorisation shall supersede an earlier one, unless otherwise decided.

Provisions on the notice of the General Meeting and the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22.

**Section 3**
**Pre-emptive right in a share issue**

In a share issue, the shareholders have a pre-emptive right to the shares to be issued in proportion to their current shareholdings in the company.

If the company has several share classes, the pre-emptive rights of shareholders shall be realised by issuing shares in all share classes in proportion to the classes and by offering shares in each share class to the shareholders in proportion to their shareholdings in the respective share class.

The provisions of subsections 1 and 2 may be derogated from in the Articles of Association of a private company. It may be provided in the Articles of Association of a public company that a share that according to the Articles of Association does not carry the right to a share in the distribution of the assets of the company shall likewise not carry the pre-emptive right in a share issue.

**Section 4**
**Directed share issue**

The pre-emptive right referred to in section 3 may be derogated from in a share issue (*directed share issue*), if there is a weighty 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 an especially weighty reason for the same both for the company and in regard to the interests of all shareholders in the company.

If the Board of Directors proposes that the General Meeting make a decision on a directed share issue or on a share issue authorisation that does not exclude the right of the Board of Directors to decide on a directed share issue, there shall be a mention to this effect in the notice of the General Meeting. A General Meeting decision of this kind shall be made by a qualified majority, as referred to in chapter 5, section 27.

It shall not be deemed a derogation from the pre-emptive right if, in order to facilitate the share issue, subscription rights are given to each holder of pre-emptive rights only to the maximum number divisible by the number entitling to shares, and the rest of the subscription rights are sold

in a regulated market referred to in the Act on Trading in Financial Instruments, or sold by public auction on behalf of the holders of pre-emptive rights so that the funds so accrued are remitted no later than at the next distribution of assets after the end of the subscription period. (756/2012)

**Share issue against payment**

**Section 5**
**Contents of the decision**

A decision on a share issue against payment shall contain the following information:

1) the quantity or maximum quantity of shares to be issued, broken down by share class, and information on whether new or treasury shares are to be issued;

2) who has the right to subscribe for shares and, in a directed share issue, the justification for the existence of a weighty financial reason to derogate from the pre-emptive right of the shareholders, as referred to in section 4, subsection 1;

3) the amount to be paid for a share (*subscription price*) and the justification for the setting of the subscription price; and

4) the deadline for the payment of the subscription price.

If all of the holders of subscription rights do not subscribe for shares at the meeting deciding on the share issue, the decision shall also contain the following information:

1) the subscription period for the shares; and

2) in others than a directed share issue, the period during which the pre-emptive subscription right is to be exercised.

The period referred to above in subsection 2, paragraph 2 shall not end before two weeks have passed from the beginning of the subscription period. In a public company, the period shall likewise not end until two weeks have passed from the registration of the share issue decision.

**Section 6**
**Subscription price**

The subscription price of a new share shall be credited to the share capital, unless it is provided in the share issue decision that it is to be credited in full or in part to the reserve for invested unrestricted equity, or unless otherwise provided in the Accounting Act.

The amount received for a treasury share shall be credited to the reserve for invested unrestricted equity, unless it is provided in the share issue decision that it is to be credited in full or in part to the share capital, or unless otherwise provided in the Accounting Act.

**Section 7 (585/2009)**
**Registration of the decision**

A decision on a share issue against payment shall be notified for registration if new shares are issued in the share issue. The notification shall be made without undue delay, and in any event no later than one month after the decision.

If it becomes evident that new shares are to be issued in a quantity smaller than the decided maximum, the change may be notified for registration.

**Section 8 (1231/2018)**
**Access of shareholders to information**

A shareholder who, according to a decision referred to in section 5, subsection 2, has a subscription right shall before the beginning of the subscription period be notified of the decision in the same manner as a notice of the General Meeting. At the same time, the shareholder shall be notified of how and when to act if the shareholder wishes to exercise the right.

The notification referred to in subsection 1 need not be made, if:

1) the corresponding information is included in the notice of the General Meeting deciding on the share issue, or it is available at the meeting deciding on the share issue and the shareholder is present at the meeting; or

2) the corresponding information is published as provided in chapter 3 of the Securities Markets Act.

The contents of the share issue decision and the documents concerning the financial position of the company, as referred to in chapter 5, section 21, subsection 2, shall be kept available to the shareholders referred to in subsection 1 for the duration of the subscription period. However, this obligation does not apply if the company has published a prospectus or a basic information document referred to in chapter 3 of the Securities Markets Act containing the corresponding information.

**Section 9**
**Subscription**

The subscription for a share shall be verifiable. The subscription shall indicate the subscriber, the share issue decision on which the subscription is based, and the shares that are being subscribed for.

**Section 10**
**Subscription price receivables**

The company shall not convey or pledge its subscription price receivables. If the company is declared bankrupt, the receivable shall belong to the bankruptcy estate.

Unless otherwise provided in the share issue decision, the subscription price may be set off against a receivable from the company only if the Board of Directors of the company consents to the same.

**Section 11**
**Payment in cash**

A subscription price paid in cash shall be paid into an account of the company in a Finnish deposit bank or in a branch of a foreign credit institution licensed to accept deposits in Finland, or into a comparable foreign account.

**Section 12**
**Contribution in kind**

If, instead of cash, the subscription price is paid in full or in part with other assets (*contribution in kind*), the assets shall at the time of conveyance have a financial value to the company at least equal to the price thus paid. An undertaking to perform work or provide services shall not be used as contribution in kind.

The share issue decision shall contain a mention of the payment of the subscription price in kind. In addition, the decision shall contain an account specifying the contribution in kind and the price covered by it, and the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions of this subsection have not been complied with, the subscriber shall prove that the contribution had a financial value to the company equal to the subscription price. Any shortfall shall be paid to the company in cash.

If the subscription price is paid in cash on condition that the company is to acquire assets against consideration, the provisions on contribution in kind apply correspondingly to the acquisition.

**Section 13**
**Consequences of late payment**

The Board of Directors may declare that the right to a share has been forfeited, if the subscription price, together with the possible overdue interest thereon, has not been paid, although it has become due and the Board of Directors has not granted an extension to the subscriber. In this event, the Board of Directors may grant the subscription right to a third party or cancel the unpaid new share.

A person whose right has been declared forfeited in accordance with subsection 1 shall be liable to compensate the company, in addition to the possible collection fees, with one tenth (1/10) of the subscription price of the share.

**Section 14**
**Registration of new shares**

Subscribed new shares may be notified for registration once they have been fully paid for and any other terms of subscription have been met. At that time, the shares shall be notified for registration without undue delay and, if necessary, in several batches, taking due note of the rights of the shareholders on one hand and of the costs of notification to the company on the other hand. When more than one year has passed from the beginning of the subscription period, the register notification on new shares shall also be made without delay after the end of each financial period. When a new share is notified for registration, the possible increase of the share capital based on the subscription price of the share shall be notified for registration at the same time.

The shares shall be notified for registration within five years of the share issue decision, unless a shorter period has been provided in the share issue decision; failing this, the issue of the shares shall lapse.

The register notification shall contain a declaration by the Members of the Board of Directors and the Managing Director to the effect that the provisions of this Act have been complied with in the issue of the shares. The notification shall also contain a certificate by the auditors of the company to the effect that the provisions of this Act on the payment for shares have been complied with. If, under the law or the Articles of Association, no auditor need to be appointed for the company, other evidence on the payment for shares shall be attached to the notification. (461/2007)

If a share has been paid for in kind, also a statement by an auditor on the account referred to in section 12, subsection 2 and on whether the assets had a financial value to the company at least equal to the price thus paid shall always be attached to the registration notification. (461/2007)

**Section 15**
**Legal effects of registration**

A new share shall carry shareholder rights as of registration, unless a later point in time is determined in the share issue decision. In any event, the shares shall carry shareholder rights no later than one year after registration.

After registration, the shareholder cannot withdraw from the subscription by asserting that a condition relating to the subscription has not been met.

**Section 16**
**Issue of treasury shares**

In the issue of treasury shares, a share shall not be transferred until the issue has been fully paid for. The possession of the share certificate or the book entry shall not be released to the transferee before the said point in time.

**Share issue without payment**

**Section 17**
**Contents of the decision**

A decision on a share issue without payment shall contain the following information:

1) the quantity or the maximum quantity of shares to be issued, broken down by share class, and information on whether new or treasury shares are to be issued; and (585/2009)

2) who has the right to receive shares and, in a directed share issue without payment, also the justification for the existence of an especially weighty financial reason to derogate from the pre-emptive right of the shareholders, as referred to in section 4, subsection 1.

**Section 18 (585/2009)**
**Registration and its legal effects**

A decision on a share issue without payment shall be notified for registration, if new shares are issued in the share issue. The notification shall be made without delay after the decision on the share issue. If it becomes evident that new shares will be issued at a quantity less than the maximum quantity specified in the decision, the change may be notified for registration.

The shares shall be notified for registration without undue delay and, if necessary, in several batches, taking due note of the rights of the shareholders on one hand and of the costs of notification to the company on the other hand.

A new share shall carry shareholder rights as of registration, unless a later point in time is determined in the share issue decision. In any event, the shares shall carry shareholder rights no later than one year after registration.

**Section 19**
**Forfeiture of a share**

If special measures, such as the presentation of the share certificate or a share issue coupon, are required of the recipient so as to receive a share in a share issue without payment, and these measures have not been taken before ten years have passed from the registration of the share issue decision, the General Meeting may declare the right to the share and the respective shareholder rights to be forfeited. The provisions on treasury shares apply to a forfeited share.

**Section 20**
**Share issue to the company without payment**

The company may decide on a share issue to the company itself without payment so that the new shares registered in the share issue are governed by the provisions on treasury shares. A share issue of this kind shall not be subject to the provisions on directed share issues.

A public company shall not decide on a share issue referred to in subsection 1, if the total quantity of treasury shares held by the company and its subsidiaries would then exceed one tenth (1/10) of all shares, as referred to in chapter 15, section 11, subsection 1.

**Chapter 10**
**Option rights and other special rights entitling to shares**

**Section 1**
**Option rights and other special rights**

If there is a weighty financial reason for the company to do so, the company may issue special rights, as provided in this chapter, for the holder to receive new shares or treasury shares against payment. The holder may have the right to choose whether or not to subscribe for shares (*option right*). The right may also be attached to an undertaking to subscribe for shares.

A right referred to in subsection 1 may be issued to a creditor of the company with the condition that the receivable of the creditor is to be set off against the subscription price of the share.

**Section 2**
**Decision-making**

The General Meeting shall decide on the issue of option rights and other rights referred to in section 1.

By a decision determining the maximum quantity of shares to be issued, broken down by share class, the General Meeting may also authorise the Board of Directors to decide, in full or for some part, on an issue of option rights or other rights referred to in section 1. The authorisation shall be notified for registration without undue delay, and in any event no later than one month after the decision. Unless otherwise indicated in the authorisation, it shall remain in effect until further notice. However, in a public company, the authorisation may remain in effect for at most five years from the decision. A new authorisation shall supersede an earlier one, unless otherwise decided.

A General Meeting decision referred to in subsection 1 or 2 shall be made by a qualified majority, as referred to in chapter 5, section 27. Provisions on the notice of the General Meeting, the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22.

**Section 3**
**Contents of the decision**

A decision concerning the issue of option rights or other rights referred to in section 1 shall contain the following information:

1) the shares to which each option right or other right referred to in section 1 pertains, and information on whether new or treasury shares are to be issued;

2) the number or maximum number of option rights or other rights referred to in section 1 to be issued;

3) who has the right to receive or to subscribe for option rights or other rights referred to in section 1;

4) if the option rights or other rights referred to in section 1 are to be issued against consideration, their subscription prices or other consideration for them, the subscription period and the deadline for payment;

5) the subscription prices, subscription period and the deadline for payment for the shares;

6) justification for the existence of the weighty financial reason for the issue of the rights, as referred to in section 1, subsection 1, and justification for the determination of the subscription price or the other consideration for the rights and of the subscription price of the shares; and

7) the status of the rights in a share issue, in the issue of rights under this chapter in accordance with some other decision, in the distribution of company assets in accordance with chapter 13, section 1, subsection 1, in the reacquisition of rights under this chapter, in the merger of the company into another company, in the demerger of the company and in the redemption of minority shares in accordance with chapter 18.

Unless otherwise provided in the decision, the right of the holder of the right to redemption in a merger or demerger is also governed by the provisions of chapter 16, section 13, and chapter 17, section 13.

Where applicable, the subscription price of an option right or another right referred to in section 1 shall be credited to the reserve for invested unrestricted equity, unless it is provided in the decision that it is to be credited to the share capital.

**Section 4**
**Registration of the decision**

A decision to issue option rights or other rights referred to in section 1 shall be notified for registration without undue delay, and in any event no later than one month after the decision.

If it becomes evident that option rights or other rights referred to in section 1 are to be issued in a quantity smaller than the maximum provided in the decision, the change may be notified for registration.

**Section 5**
**Subscribing for special rights**

The subscription for option rights and other rights referred to in section 1 shall be verifiable. The subscription shall indicate the subscriber, the company decision on which the subscription is based and the rights to which the subscription pertains.

**Section 6**
**Payment to the company**

The payment to the company of the subscription price or other consideration for an option right or another right referred to in section 1 is governed by the corresponding provisions of chapter 9, sections 10–12 and section 13, subsection 1 on the subscription price receivables, payment in cash, contribution in kind and the consequences of late payment. In this event, the provisions of the said sections on the share issue decision apply to the decision referred to in section 3.

**Section 7**
**Issue of shares**

In other respects, the issue of shares is governed by the provisions of chapter 9, sections 6 and 9–16 on a share issue against payment. The provisions of the said sections on the share issue decision apply to the decision referred to in section 3.

However, the issue of shares under this chapter shall not be subject to the deadline for the registration of new shares provided in chapter 9, section 14, subsection 2.

## Chapter 11
## Increase of the share capital

### Section 1
### Means of increasing the share capital

The share capital may be increased:

1) by crediting the subscription price of shares, option rights or other special rights in full or in part to the share capital, as provided in chapters 9 and 10;

2) by transferring assets from reserves of unrestricted equity into the share capital (*increase from reserves*); or

3) by crediting to the share capital assets that are invested in the company in a situation other than that referred to in paragraph 1 on the condition that the assets be credited to the share capital (*share capital investment*).

### Section 2
### Increase from reserves

The decision on an increase from reserves is made by the General Meeting.

By a decision determining the maximum amount of increase, the General Meeting may also authorise the Board of Directors to decide on an increase from reserves. The authorisation shall be notified for registration without undue delay, and in any event no later than one month after the decision. Unless otherwise provided in the authorisation, it shall remain in effect until further notice. A new authorisation shall supersede an earlier one, unless otherwise decided.

The decision on an increase from reserves shall indicate the amount of the increase and the assets to be used for the increase. Provisions on the notice of the General Meeting, the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22.

**Section 3**
**Share capital investment**

The Board of Directors shall make the decision to increase share capital on the basis of a share capital investment. The decision shall indicate the amount of the increase and the investment on which the increase is based.

The provisions of chapter 9, sections 10–12 on the subscription price receivable, payment in cash and contribution in kind apply correspondingly to the payment of the investment. In this event, the provisions of the said sections on the share issue decision apply to the decision to increase the share capital.

**Section 4**
**Registration and legal effects of the increase**

Provisions on the notification of a share capital increase for registration in the event that the share capital is being increased by the subscription price of new shares are laid down in chapter 9, section 14.

A share capital increase other than one referred to in subsection 1 shall be notified for registration without delay once the eventual payment has been received by the company and once the other terms of the increase have been met. The register notification shall contain a declaration by the Members of the Board of Directors and the Managing Director to the effect that the provisions of this Act have been complied with in the increasing of the share capital. In an increase other than one from reserves, the register notification shall contain a certificate by the auditors of the company to the effect that the provisions of this Act on the payment of the share capital have been complied with. If, under the law or the Articles of Association, no auditor need to be appointed for the company, other evidence on the payment for shares shall be attached to the notification. (461/2007)

If the increase has been paid for in kind, the register notification shall further contain a statement by an auditor on the account referred to in chapter 9, section 12, subsection 2 and on whether the assets had a financial value for the company at least equal to the payment. (461/2007)

The share capital is considered to have been increased once the increase has been registered. After registration, the payer of the increase cannot withdraw from the legal transaction by asserting that a condition relating to the legal transaction has not been met.

## Chapter 12
## Capital loan

### Section 1
### Subordination and other terms of the loan

The company may take out a loan (*capital loan*), where:

1) the principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the company;

2) the principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements; and

3) the company or a subsidiary shall not post security for the payment of the principal and interest.

The repayment of the principal, the payment of interest and the posting of security for a capital loan in violation of the provisions of subsection 1 is subject to the provisions of chapter 13, section 4 on the unlawful distribution of assets and of chapter 25, section 1, subsection 4 on criminal penalties.

The provisions of this section do not apply to the creditor protection referred to in chapter 14, section 2, chapter 16, section 6, chapter 17, section 6, or chapter 19, section 7. However, the amount due to the creditor of a capital loan may be paid or security posted only after the measure requiring creditor protection has been registered. On the consent of the creditor of the capital loan, the capital loan may be used for the payment of a share capital increase, converted into invested unrestricted equity or used to cover the loss of the company.

**Section 2**
**Miscellaneous provisions on capital loan**

A contract on a capital loan shall be concluded in writing. A change in the terms of the loan or the posting of security is invalid, if it is contrary to section 1, subsection 1.

If interest due on a capital loan cannot be paid, the interest is deferred to be paid on the basis of the first such financial statements that allow for payment.

Capital loans have an equal right to the assets of the company, unless otherwise agreed between the company and the creditors of the capital loans.

Capital loans shall be shown on the company balance sheet as a separate item.

**PART IV**
**DISTRIBUTION OF THE ASSETS OF THE COMPANY**

**Chapter 13**
**Distribution of assets**

**General provisions**

**Section 1**
**Methods of distribution of assets**

The assets of the company may be distributed to the shareholders only in accordance with the provisions laid down in this Act on:

1) the distribution of profits (*dividend*) and the distribution of assets from reserves of unrestricted equity;

2) the reduction of the share capital, as referred to in chapter 14;

3) the acquisition and redemption of own shares, as referred to in chapters 3 and 15; and

4) the dissolution and deregistration of the company, as referred to in chapter 20.

Under section 9 of this chapter, the company may have some other purpose than generating profits for the shareholders. Provisions on the donation of company assets are laid down in section 8.

Other transactions that reduce the assets of the company or increase its liabilities without a sound business reason constitute unlawful distribution of assets.

Assets shall not be distributed before the company has been registered.

**Section 2**
**Solvency**

Assets shall not be distributed, if it is known or should be known at the time of the distribution decision that the company is insolvent or that the distribution will cause the insolvency of the company.

**Section 3 (461/2007)**
**Distribution based on the financial statements**

The distribution of assets shall be based on the latest adopted and audited financial statements. If, under the law or the Articles of Association, an auditor shall be appointed for the company, the financial statements shall be audited. The essential changes in the financial position of the company after the completion of the financial statements shall be taken into account in the distribution.

**Section 4**
**Refund obligation**

Assets received from the company in contravention of this Act or the Articles of Association shall be refunded, if the recipient knew or should have known that the distribution was in violation of this Act or the Articles of Association. The amount to be refunded shall bear annual interest at the current reference rate provided in section 12 of the Interest Act (633/1982).

## Dividend and distribution of assets from reserves of unrestricted equity

### Section 5 (1622/2015)
### Amount to be distributed

Unless otherwise provided in section 2 on the solvency of the company, the company may distribute its unrestricted equity, less the assets that are to be left undistributed under the Articles of Association and the amount entered in the balance sheet as development expenditure in accordance with the Accounting Act.

### Section 6
### Decision-making

The General Meeting shall make the decision on the distribution of assets. Provisions on the notice of the General Meeting, the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22. The General Meeting may decide to distribute assets in excess of what the Board of Directors has proposed or accepted only if it is under the obligation to do so under section 7 or the Articles of Association.

By a decision determining the maximum amount of assets to be distributed, the General Meeting may also authorise the Board of Directors to decide on the distribution of dividend or of assets from reserves of unrestricted equity. The authorisation may remain in effect until the beginning of the next Ordinary General Meeting at most.

The decision shall indicate the amount and type of assets to be distributed.

With the consent of all shareholders, unrestricted equity may also be distributed in a manner other than that referred to in section 1, subsection 1 or in proportion to shares held, unless otherwise provided in the Articles of Association. (512/2019)

### Section 7
### Minority dividend

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 Ordinary General Meeting by shareholders with at least one tenth (1/10) of all shares before the decision on the use of the profits has been made. However, a shareholder shall not demand the distribution of profits in excess of the amount that can be distributed under this chapter in the absence of consent by the creditors, nor in excess of eight per cent (8%) of the equity of the company. The possible distributions of profits during the financial period and before the Ordinary General Meeting shall be subtracted from the amount to be distributed.

Provisions on the minority dividend different from those in subsection 1 may be included in the Articles of Association. The right to the minority dividend may be restricted only on the consent of all shareholders.

**Miscellaneous provisions on the distribution of assets**

**Section 8**
**Donations**

The General Meeting may make a decision on a donation for philanthropic or other corresponding purposes, if the amount of the donation can be deemed reasonable in view of the purpose, the state of the company and other circumstances. The Board of Directors may use funds for such purposes in so far as their amount is insignificant in view of the state of the company.

**Section 9**
**Not-for-profit company**

If the company has, in full or in part, a purpose other than generating profits for the shareholders, a provision to this effect shall be included in the Articles of Association. In this event, the Articles of Association shall contain provisions on the use of equity in the situations referred to in section 1, subsection 1.

**Section 10**
**Financing the acquisition of company shares**

The company shall not provide loans, assets or security for the purpose of a third party acquiring shares in the company or its parent company.

The provisions of subsection 1 do not apply to measures taken within the limits of the distributable assets and aiming for the acquisition of shares for employees of the company or a company that is a related party. (512/2019)

## Chapter 14
## Reduction of the share capital

### Section 1
### Decision-making

The General Meeting may make a decision on the distribution of share capital, the reduction of the share capital in order to transfer assets to reserves of unrestricted equity, and the use of the share capital to cover at once such losses that cannot be covered from unrestricted equity (*loss coverage*). The share capital shall not be reduced below the minimum share capital referred to in chapter 1, section 3, subsection 1.

The decision shall indicate the amount or maximum amount of the reduction and the purpose referred to in subsection 1 for which the amount of reduction is intended. Provisions on the notice of the General Meeting, the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22.

Provisions on decision-making in respect of the acquisition and redemption of own shares are laid down in chapter 15. Provisions on decision-making and creditor protection in respect of a merger, a demerger, a change of business form and the dissolution of the company are laid down in chapters 16, 17, 19 and 20.

### Section 2
### Creditor protection

The creditors of the company whose receivables have arisen before the issue of the public notice referred to in section 4 have the right to object to the reduction of the share capital. However, they do not have this right if the amount of the reduction is to be used for loss coverage or if the share capital is at the same time increased at least by the amount of the reduction.

If the share capital has been reduced for loss coverage, the unrestricted equity of the company may be distributed to the shareholders during the three years following the registration of the reduction only in accordance with the creditor protection procedure laid down in sections 3–5. However, a creditor does not have the right to object to the distribution if the share capital has been increased by at least the amount of the reduction.

**Section 3**
**Register notification and application for a public notice**

If the creditors have the right to object to the reduction of the share capital, as referred to in section 2, subsection 1, the company shall notify the reduction for registration within one month of the decision and apply to the registration authority for the issue of a public notice referred to in section 4; failing this, the decision shall lapse.

**Section 4**
**Public notice to creditors**

Once the registration authority receives an application referred to in section 3, it shall issue a public notice to the company's creditors referred to in section 2, subsection 1, indicating that they have the right to object to the reduction by so informing the registration authority in writing by the due date indicated in the public notice. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the public notice on its own motion.

No later than one month before the due date, the company shall send a written notification of the public notice to its known creditors referred to in section 2, subsection 1. A declaration by a Member of the Board of Directors or the Managing Director on the sending of the notifications shall be delivered to the registration authority by the due date.

The registration authority shall notify the company about the objections filed with it without delay after the due date.

**Section 5**
**Preconditions of registration**

The registration authority shall register the reduction of the share capital of the company, if no creditor has objected to the reduction or if it is affirmed by court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the reduction, the decision on the reduction of the share capital shall lapse in one month from the deadline. However, the registration authority shall suspend the proceedings in the matter, if the company shows that it has, within one month of the deadline, brought an action for the affirmation that the creditor has received payment or full security for the receivable, or if the company and the creditor together request that the proceedings be suspended.

The share capital is considered to have been reduced when the reduction has been registered.

**Section 6**
**Registration of other forms of reduction of share capital**

A decision on the reduction of the share capital that the creditors cannot under section 2, subsection 1 object to shall be notified by the company for registration within one month of the decision; failing this, the decision shall lapse. The share capital is considered to have been reduced when the reduction has been registered.

The reduction of the share capital and an increase of the share capital, as referred to in section 2, subsection 1, shall be notified for registration at the same time.

**Section 7**
**Creditor protection in the amendment of the Articles of Association**

It may be provided in the Articles of Association that the company's creditors referred to in section 2, subsection 1 have the right, in accordance with the procedure laid down in sections 3–5, to object to the amendment of a given term in the Articles of Association or a derogation from such a term. In this event, the provisions of sections 3–5 on the reduction of the share capital apply to

the amendment of the Articles of Association or to the derogation from them. However, the one-month deadline referred to in section 3 does not apply.

## Chapter 15
## Own shares

### General provisions

### Section 1
### Acquisition, redemption and acceptance as pledge

In accordance with this chapter, the company may make a decision:

1) to acquire its own shares (*acquisition*);

2) to the effect that a shareholder is to convey shares to the company free of charge or for consideration (*redemption*); and

3) to accept its own shares as pledge.

If the acquisition or redemption proceeds by way of the reduction of share capital, the provisions of chapter 14 shall likewise be complied with.

### Section 2
### Restrictions of scope

The provisions of this chapter on acquisition, redemption and acceptance as pledge do not apply, when the company:

1) acquires a business by way of merger, demerger or other transfer and thereby acquires its own shares owned or held as pledge by the acquired business;

2) purchases in a bailiff's auction a share that has been distrained to enforce the receivable of the company; or

3) receives an own share for no consideration.

**Section 3**
**Other redemption situations**

The provisions of this chapter on redemption do not apply to the redemption of the shares of shareholders objecting to a merger, as referred to in chapter 16, section 13, or objecting to a demerger, as referred to in chapter 17, section 13.

It may be provided in the Articles of Association, as referred to in chapter 3, section 7, that a shareholder, the company or a third party has the right to redeem a share transferred to a new shareholder; provisions may likewise be included in the Articles of Association on the right or obligation of the company to acquire or redeem shares as referred to in section 10 of this chapter.

**Section 4**
**Retention, cancellation and transfer**

Shares that have been acquired or redeemed or that have otherwise come to the possession of the company may be retained as treasury shares, cancelled or transferred further.

Section 12 contains provisions on cancellation and chapter 9 contains provisions on further transfer. Provisions on the duty to transfer or to cancel treasury shares acquired or redeemed in violation of the provisions of this Act are laid down in section 12, subsections 2 and 3 of this chapter.

**Acquisition and redemption of own shares**

**Section 5**
**General provisions on decision-making**

The General Meeting shall make the decision on acquisition and redemption. In a public company, the decision shall be made by a qualified majority, as referred to in chapter 5, section 27.

By a decision indicating the maximum quantity of shares to be acquired, broken down by share class, the period of validity of the authorisation, and the minimum and maximum amounts of

consideration, the General Meeting may also authorise the Board of Directors to decide on an acquisition in full or in part. The authorisation may remain in effect for at most 18 months. Own shares may be acquired on the basis of an authorisation only by using unrestricted equity for the purpose.

Provisions on the notice of the General Meeting, the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22. When the Board of Directors of a public company proposes the redemption of own shares so that the share capital of the company is thereby reduced, the notice of the General Meeting shall indicate the purpose of the redemption and the manner of reduction of the share capital.

**Section 6**
**Directed acquisition and directed redemption**

Own shares may be acquired in a proportion other than that of the shares held by the shareholders (*directed acquisition*) if there is a weighty financial reason for the company to do so. In the assessment of the acceptability of a directed acquisition, special attention shall be paid to the relation between the consideration offered and the fair price of the share. The decision of the General Meeting shall be made by a qualified majority, as referred to in chapter 5, section 27. The same provision applies to the granting of an authorisation to the Board of Directors, where the right of the Board of Directors to decide on a directed acquisition is not excluded.

Own shares may be redeemed in a proportion other than that of the shares held by the shareholders (*directed redemption*) only by the consent of all shareholders. However, a public company may decide by a qualified majority, as referred to in chapter 5, section 27, that shares are to be reverse split, as referred to in section 9 of this chapter. In addition, the Articles of Association may contain a redemption clause referred to in section 10 of this chapter.

If the Board of Directors proposes that the General Meeting decide on a directed acquisition, directed redemption or the authorisation for the Board of Directors to decide on an acquisition where the right to decide on a directed acquisition has not been excluded, a mention to this effect shall be included in the notice of the General Meeting.

**Section 7**
**Contents of the acquisition or redemption decision**

The decision to acquire or to redeem own shares shall contain the following information:

1) whether the matter is of acquisition or redemption;

2) the quantity or maximum quantity of shares that the decision concerns, broken down by share class;

3) the persons from whom the shares are to be acquired or redeemed and, if necessary, the order in which the acquisition or redemption is to take place, and in a directed acquisition the justification for the existence of the weighty financial reason for a directed acquisition, as referred to in section 6 subsection 1;

4) the period during which the shares to be acquired are to be offered to the company, or the date when the shares are to be redeemed;

5) the consideration to be paid for the shares and the grounds for the determination of the consideration and, if assets other than money are to be given as consideration, an account of the value of the said assets;

6) the date of payment of the consideration; and

7) the effects of the procedure on the equity of the company.

**Section 8**
**Access of shareholders to information**

A shareholder who according to the acquisition decision has the right to sell shares to the company shall be notified of the decision in the same manner as that used in the delivery of notices of the General Meeting before the beginning of the period during which the shares are to be offered to the company. At the same time, the shareholder shall be notified of how and when the shareholder is to act in order to exercise the right.

The notification referred to in subsection 1 need not be made, if:

1) the corresponding information is included in the notice of the General Meeting deciding on the acquisition, or is available at the meeting deciding on the acquisition and the shareholder is present at that meeting; or

2) the corresponding information is published as provided in the Securities Markets Act.

The contents of the acquisition decision and the documents on the financial position of the company, as referred to in chapter 5, section 21, subsection 2, shall be kept available for the shareholders referred to in subsection 1 of this section for the duration of the period during which the shares to be acquired are to be offered to the company. However, this obligation does not apply, if the company has published an offer document referred to in chapter 11 of the Securities Markets Act, containing the corresponding information. (756/2012)

**Section 9**
**Reverse share split in a public company**

A public company may decide by a qualified majority, as referred to in chapter 5, section 27, to redeem a given proportion of the shares of all shareholders (*reverse share split*), if the occurrence of share fractions is prevented in the redemption decision as follows:

1) the quantity of shares to be redeemed in each share class is an integer;

2) the quantity of shares to be redeemed from each shareholder, for each share class, is rounded up to the nearest integer, if necessary;

3) the company sells, without delay, the surplus shares that become redeemable because of the rounding referred to in paragraph 2, on a regulated market referred to in the Act on Trading in Financial Instruments or in an open auction on behalf of the shareholders referred to in paragraph 2; (756/2012)

4) the funds derived from the sale of the shares referred to in paragraph 3 are paid out to the shareholders in proportion of the differences obtained by subtracting the quantity of shares that

would be redeemed from each shareholder in the absence of rounding from the quantity of shares actually redeemed from each shareholder.

The funds derived from the sale of the shares shall be paid out to the shareholders without delay. After the date of redemption, the funds shall bear interest at the current reference rate provided in section 12 of the Interest Act. The company shall deposit the funds derived from the sale on an account in a deposit bank in Finland or in a branch of a foreign credit institution licensed to accept deposits in Finland, or into a comparable foreign account, so that there is no risk of the funds being confused with the assets of the company. In its books, the company shall keep the funds separate from its assets.

A weighty financial reason shall be required for a reverse share split. The decision on a reverse share split shall not be made, if the redemption according to the shareholder register would result in the redemption of the entire shareholding from more than one in a hundred (1/100) shareholders. The provisions of section 6, subsection 3 apply to the notice of the General Meeting.

**Section 10**
**Terms of acquisition and redemption**

It may be provided in the Articles of Association that the company has the right or the obligation to acquire or redeem its own shares. In this event, provisions shall be included in the Articles of Association on the following:

1) whether the matter is of acquisition or redemption;

2) whether the company has the right or the obligation to acquire or redeem;

3) which shares the provision concerns and, if necessary, in which order the shares are to be acquired or redeemed;

4) the procedure to be observed;

5) the consideration to be paid for the shares or the basis for the calculation of the consideration; and

6) the assets that can be used for the payment of the consideration.

In a public company, the General Meeting shall make the decision on the exercise of the right of the company to acquire or redeem shares. The General Meeting may authorise the Board of Directors to make the decision in this respect. The authorisation shall be notified for registration no later than one month after the decision. The authorisation may remain in effect for at most five years. In other circumstances, the decision on acquisition or redemption may be made by the Board of Directors.

**Section 11**
**Restrictions to acquisition, redemption and acceptance as pledge**

In a public company, the decision to acquire or redeem own shares or to accept them as pledge shall not be made so that the treasury shares in the possession of, or held as pledges by, the company and its subsidiaries would exceed one tenth (1/10) of all shares.

A private company shall not acquire or redeem all of its shares.

**Section 12**
**Cancellation and transfer of treasury shares in certain situations**

The Board of Directors may decide to cancel treasury shares. The cancellation shall be notified for registration without delay. The shares shall have been cancelled once the notification has been registered.

Shares acquired or redeemed in violation of the provisions of this Act shall be transferred without undue delay, and in any event no later than one year after the acquisition or redemption. If a public company and its subsidiaries hold treasury shares in excess of one tenth (1/10) of all shares because shares have been acquired in the manner referred to in section 2, the shares that exceed the said proportion shall be transferred within three years of the acquisition.

If the shares have not been transferred within the period provided in subsection 2, they shall be cancelled. The treasury shares held by the parent company shall be cancelled before the shares in the parent company held by its subsidiaries.

## Acceptance of own shares as pledge and subscription for own shares

### Section 13
### Own shares as pledge

A company may accept its own shares as pledge. In a public company, the decision to accept own shares as pledge shall be made in accordance with the same rules as in the acquisition of own shares.

Besides the provisions of chapter 10 of the Code of Commerce, the sale of own shares held as pledge shall be governed by the provisions of chapter 9 of this Act on the transfer of treasury shares.

### Section 14
### Subscription for own shares and shares in a parent company

A company or its subsidiary shall not subscribe for shares in the company against consideration. If the company has subscribed for its shares in the context of incorporation, the signatories of the Memorandum of Association shall be deemed to have subscribed for the shares. If the company has subscribed for its shares in a share issue against consideration, the Members of the Board of Directors and the Managing Director shall be deemed to have subscribed for the shares. If a subsidiary has subscribed for shares in the parent company, the Members of the Board of Directors and the Managing Director of the parent company and the persons in corresponding positions in the subsidiary shall be deemed to have subscribed for the shares. The subscribers shall be jointly and severally liable for the payment of the subscription price. However, a person who proves that he or she objected to the subscription or did not know and should not have known of the subscription shall not be deemed a subscriber.

A person who has subscribed for shares in a company in his or her own name but on behalf of the company or a subsidiary shall be deemed to have subscribed for the shares on his or her own behalf.

Chapter 9, section 20 contains provisions on a share issue to the company itself without payment.

# PART V
# CHANGES IN COMPANY STRUCTURE AND THE DISSOLUTION OF THE COMPANY

## Chapter 16
## Merger

### Definition of a merger and forms of merger

### Section 1
### Merger

A limited liability company (*merging company*) may merge into another limited liability company (*acquiring company*), in which event the assets and liabilities of the merging company are transferred to the acquiring company and the shareholders of the merging company receive shares in the acquiring company as merger consideration. The merger consideration may also consist of cash, other assets and future undertakings.

### Section 2
### Forms of merger

A merger may occur so that:

1) one or several merging companies merge into the acquiring company (*absorption merger*); or

2) at least two merging companies merge by way of incorporating an acquiring company together (*combination merger*).

*A subsidiary merger* means an absorption merger where the companies involved in the merger own all of the shares of the merging company and, where appropriate, all option rights and other special rights entitling to shares in the company.

*A triangular merger* means an absorption merger where a party other than the acquiring company provides the merger consideration.

In this chapter, *companies involved in the merger* refers to the merging company and the acquiring company.

**Draft terms of merger and the statement of an auditor (461/2007)**

**Section 3**
**Draft terms of merger**

The Boards of Directors of the companies involved in the merger shall draw up written draft terms of merger, which shall be dated and signed. In a triangular merger, also the provider of the merger consideration shall sign the draft terms of merger.

The draft terms of merger shall contain the following information:

1) the trade names of the companies involved in the merger and, where appropriate, the trade name of the other provider of merger consideration, their business identity codes or other corresponding identifying information, and the places of their registered offices;

2) an account of the reasons for the merger;

3) in an absorption merger, a proposal for the amendment of the Articles of Association of the acquiring company, where appropriate, and in a combination merger, a proposal for the Articles of Association of the company to be incorporated and for how the members of the organs of that company are to be appointed;

4) in an absorption merger, a proposal, where appropriate, for the quantity of the shares to be issued as merger consideration, broken down by share class, and a proposal for whether new shares or treasury shares are to be issued, and in a combination merger, a proposal for the quantity of the shares of the acquiring company, broken down by share class;

5) where appropriate, a proposal for other merger consideration and, if that consideration consists of option rights or other special rights entitling to shares, the terms of the same, as referred to in chapter 10, section 3;

6) a proposal for the distribution of the merger consideration, the point in time of the payment of the consideration and the other terms relating to the provision of the consideration, and an account of the grounds for the same;

7) an account on or a proposal for the rights in the merger of the holders of option rights and other special rights entitling to shares in the merging company;

8) in an absorption merger, where appropriate, a proposal for the increase of the share capital of the acquiring company, and in a combination merger, a proposal for the share capital of the acquiring company;

9) an account of the assets, liabilities and equity of the merging company and of the circumstances relevant to their valuation, the intended effect of the merger on the balance sheet of the acquiring company, and of the accounting treatments to be applied in the merger;

10) a proposal for the right of the companies involved in the merger to decide on arrangements beyond their normal business operations and affecting their equity or number of outstanding shares;

11) an account of subordinated loans whose creditors are entitled to object to the merger, as referred to in section 6;

12) an account of the quantity of shares in the acquiring company and its parent company held by the merging company and its subsidiaries, and of the quantity of shares in the merging company held by the companies involved in the merger;

13) an account of the business mortgages pertaining to the assets of the companies involved in the merger, as referred to in the Business Mortgages Act (634/1984);

14) an account of or a proposal for the special advantages and rights to be granted to the Members of the Supervisory Board and the Members of the Board of Directors of the companies involved in the merger, their Managing Directors, their auditors and the auditor issuing a statement on the draft terms of merger; (461/2007)

15) a proposal for the intended date of registration of the implementation of the merger; and

16) where appropriate, a proposal for the other terms of the merger.

The provisions of subsection 2, paragraphs 4–8 and 10 do not apply to a subsidiary merger.

**Section 4**
**Statement of an auditor (461/2007)**

The companies involved in the merger shall designate one or several auditors to issue a statement on the draft terms of merger to each of the companies involved in the merger. The statement shall contain an analysis of whether a true and fair view has been provided of the grounds for setting the merger consideration and of the distribution of the consideration. The statement to be issued to the acquiring company shall also indicate whether the merger is conducive to compromising the repayment of the company's debts. (461/2007)

If all shareholders of the companies involved in the merger consent to the same, or if the merger is a subsidiary merger, only a statement as to whether the merger is conducive to compromising the repayment of the company's debts is needed.

**Registration of the draft terms of merger and public notice to the creditors**

**Section 5**
**Registration of the draft terms of merger**

The draft terms of merger shall be notified for registration within one month from the signing of the proposal. The statement referred to in section 4 shall be attached to the notification.

The notification shall be made by the companies involved in the merger together. In a subsidiary merger, the notification shall be made by the parent company.

The merger shall lapse, if the notification is not made in time or if registration is refused.

**Section 6**
**Public notice to creditors**

The creditors of the merging company whose receivables have arisen before the registration of the draft terms of merger have the right to object to the merger. A creditor whose receivable may be collected without a judgment or decision being required, as provided in the Act on the Collection of Taxes and Public Charges by Enforcement Measures (367/1961), and whose receivable has arisen no later than on the due date referred to in subsection 2 likewise has the right to object to the merger. (1415/2007)

On the application of the merging company, the registration authority shall issue a public notice to the creditors referred to in subsection 1, containing a mention of the right of the creditor to object to the merger by so informing the registration authority in writing no later than on the due date indicated in the public notice. The issue of the public notice shall be applied for within four months of the registration of the draft terms of merger; failing this, the merger shall lapse. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

On the application of the acquiring company, a public notice shall likewise be issued to the creditors of the acquiring company, if the merger is, according to the statement of an auditor referred to in section 4, conducive to compromising the repayment of the debts of the acquiring company. In this event, the provisions of this chapter on the creditors of the merging company apply to the creditors of the acquiring company. (461/2007)

**Section 7 (1415/2007)**
**Written notification by the company to the creditors**

No later than one month before the due date, the company shall send a written notification of the public notice to its known creditors referred to in section 6, subsection 1 whose receivables have arisen before the registration of the draft terms of merger. If a shareholder of the merging company or the holder of an option right or some other special right entitling to shares has demanded redemption, as referred to in section 13, the creditors shall be notified of the quantities of shares and rights that have been requested to be redeemed. The notification shall be sent only after the General Meeting deciding on the merger has been held. However, if all shareholders and

holders of the rights referred to above have declared that they waive the right of redemption or if they otherwise do not have the right of redemption, the notification may be sent earlier.

**Section 8**
**Restructuring of enterprises**

Restructuring proceedings referred to in the Restructuring of Enterprises Act (47/1993) shall replace the public notice referred to in section 6; a creditor shall have no right to object to the merger in accordance with this Act, if all companies involved in the merger belong to the same group and the restructuring programme is approved for all of them at the same time.

The draft terms of merger and its attachments shall be appended to the proposed restructuring programme.

**Merger decision**

**Section 9**
**Competent organ and timing of the decision**

In the merging company, the General Meeting shall make the decision on the merger. However, in a subsidiary merger, the decision shall be made by the Board of Directors of the merging company. (981/2011)

In the acquiring company, the Board of Directors shall make the decision on the merger. However, where the acquiring company has less than nine tenths (9/10) of the shares in the merging company, the decision shall be made by the General Meeting, if shareholders with at least one twentieth (1/20) of the shares in the company so request. Shares owned by the company itself or its subsidiary entities shall not be included in the company's total number of shares. (981/2011)

The General Meeting that is to decide on the merger shall be held or the Board of Directors' decision on the merger made within four months of the registration of the draft terms of merger; failing this, the merger shall lapse. In any event, the General Meeting shall be held no later than one month before the due date referred to in section 6, unless all shareholders and, where appropriate, all holders of option rights or other special rights entitling to shares have waived their right to demand redemption.

The merger decision of the General Meeting shall be made by a qualified majority, as referred to in chapter 5, section 27.

**Section 10**

**Notice of the General Meeting and notice to holders of option rights and other special rights entitling to shares**

The notice of the General Meeting that is to decide on the merger shall not be delivered before the draft terms of merger have been registered. The notice shall be delivered no earlier than two months and, unless a longer period has been determined in the Articles of Association, no later than one month before the General Meeting, the last date for advance notices of participation referred to in chapter 5, section 7, or the date of record for companies in the book-entry system in accordance with chapter 5, section 6a. However, in a public company, the notice may be delivered three months before the date referred to above at the earliest. (349/2017)

In addition to the provisions of the Articles of Association on the notice of the General Meeting, the notice shall, in the merging company, be sent in writing to all shareholders whose addresses are known to the company. The notice of the General Meeting of the merging company shall mention the shareholders' right to demand redemption, as provided in section 13. The merging company shall, within the time limit provided in subsection 1, give notice of the right of redemption referred to in section 13 to those holders of option rights or other special rights entitling to shares who have the right to demand redemption and whose addresses are known to the company. If the addresses of all rightsholders with the right of redemption are not known to the company, the notice of the right of redemption shall also be published in the Official Gazette within the same time limit.

If the acquiring company has less than nine tenths (9/10) of the shares in the merging company and the General Meeting of the acquiring company is not to be convened, a notice of the merger shall be delivered to the shareholders in the same manner as a notice of a General Meeting. Shares owned by the company itself or its subsidiary entities shall not be included in the company's total number of shares. Within one month of the notice, a shareholder may demand in writing that the decision on the merger be made by the General Meeting. (981/2011)

In the acquiring company, the notice may be delivered within the time limit referred to in chapter 5, section 19, subsection 1 if the decision on the merger is made at the General Meeting on the request of a shareholder and if the time between the notice of the company referred to in subsection 3 of this section and the General Meeting, the last date for advance notices of participation referred to in chapter 5, section 7, or the date of record for companies in the book-entry system in accordance with chapter 5, section 6a, is at least one month or a longer notice period determined in the Articles of Association. (349/2017)

**Section 11**
**Availability and delivery of documents and delivery of new information (981/2011)**

For at least a month before the General Meeting that is to decide on the merger and as of the delivery of the notice referred to in section 10, subsection 3, the following documents shall be kept available to the shareholders at the head office or website of each company involved in the merger and kept available at the General Meeting:

1) the draft terms of merger;

2) the financial statements, management reports and auditor's reports of each company involved in the merger, for the past three completed financial periods;

3) if more than six months have passed from the end of the financial period of a public company involved in the merger to the signing of the draft terms of merger, the financial statements, management report and auditor's report of each such company dated no earlier than three months before the signing of the draft terms of merger, or an interim report referred to in the Securities Markets Act, chapter 2, section 5, for the six or nine first months following the latest financial period;

4) where appropriate, the decisions made by each company involved in the merger after the end of the latest financial period regarding the distribution of assets;

5) the interim reports given by each company involved in the merger since the end of the latest financial period;

6) a report by the Board of Directors of each company involved in the merger on any events with an essential effect on the state of the company that have occurred after the financial statements or interim report; and

7) for each company involved in the merger, a statement on the draft terms of merger referred to in section 4.

The documents referred to in subsection 1 shall without delay be sent to a shareholder that so requests, if the documents are not available for downloading and printing on the company website.

In addition to the provisions of subsection 1, the company shall inform the General Meeting and the other companies involved in the merger of any other events with an essential effect on the state of the company coming to the attention of the company before the decision on the merger is made.

In a triangular merger, the documents referred to in chapter 5, section 21, subsection 2 concerning the provider of the merger consideration shall be kept available to the shareholders. If there are no financial statements, an account of the financial position of the company for the latest financial period or, in case there is no such account, for the past calendar year and for the subsequent period, shall be kept available.

*The Securities Markets Act 495/1989 was repealed by Act 746/2012.*

**Section 12**
**Legal effects of the merger decision**

The merger decision of the merging company shall replace the subscription for the merger consideration and the other measures that establish a right in the merger consideration, as carried out by the shareholders of the merging company and the holders of option rights and other special rights entitling to shares. In a combination merger, the draft terms of merger shall also replace the Memorandum of Association of the acquiring company.

If the merger is not approved unchanged in accordance with the draft terms of merger in each of the companies involved in the merger, the merger shall lapse. The decision not to approve the merger or the lapse of the merger shall be notified for registration without delay.

**Redemption of shares, option rights and other special rights entitling to shares**

**Section 13**
**Redemption procedure**

A shareholder in the merging company may at the General Meeting that is to decide on the merger demand that his or her shares be redeemed; the shareholder shall be reserved an opportunity to make this demand before the decision on the merger is made. Only those shares may be redeemed that have been notified to be entered in the shareholder register by the General Meeting or by the last date for advance notices of participation or, if the shares are recorded in the book-entry system, in the book-entry account of the shareholder who demands redemption by the date of record referred to in chapter 5, section 6a. A shareholder who demands redemption shall vote against the merger decision. (349/2017)

The holder of option rights or other special rights entitling to shares may demand the redemption of the rights at the General Meeting that is to decide on the merger or verifiably file a written demand to this effect with the merging company before the General Meeting. Before a decision on the merger is made, the General Meeting shall be informed of how many rights are subject to demands of redemption.

If no agreement is reached with the acquiring company on the redemption of shares, option rights or other special rights entitling to shares or on the terms of the redemption, the matter shall be submitted to arbitration in accordance with the provisions of chapter 18, sections 3–5 and 8–10 on the settlement of redemption disputes. The shareholder or holder of a right shall initiate the proceedings no later than one month after the General Meeting. Once the proceedings have been initiated, the shareholder and the holder of the right shall only have a right to the redemption price. If it is later determined in the redemption proceedings that they have no right of redemption, they shall have a right to the merger consideration in accordance with the draft terms of merger. If the merger lapses, also the redemption proceedings shall lapse.

The fair price of the share, option right or other special right entitling to shares at the time preceding the merger decision shall serve as the redemption price. In the determination of the redemption price, the depreciating effect that the merger may have on the price of the merging company's shares, option rights and other special rights entitling to shares shall not be taken into account. The redemption price shall bear annual interest between the merger decision and the payment of the redemption price at the current reference rate provided in section 12 of the Interest Act.

The redemption price shall be paid within one month of the award or judgment becoming res judicata, but in any event not before the registration of the implementation of the merger. The redemption price may be deposited as provided in chapter 18, section 11, subsections 2 and 3.

The acquiring company shall be liable for the payment of the redemption price. The merging company shall without delay notify the acquiring company of any demands for redemption.

**Implementation and legal effects of the merger**

**Section 14 (1415/2007)**
**Notification of the implementation of the merger**

The companies involved in the merger shall notify the registration authority of the implementation of the merger within six months of the merger decision; failing this, the merger shall lapse. The following information shall be attached to the notification:

1) a declaration of the Members of the Board of Directors and the Managing Directors of each company involved in the merger to the effect that the provisions of this Act have been complied with in the merger;

2) a certificate of an auditor to the effect that the acquiring company will receive full consideration for the amount credited to its equity, and a statement regarding the account in the draft terms of merger referred to in section 3, subsection 2, paragraph 9;

3) a certificate of a Member of the Board of Directors or the Managing Director on the sending of the notifications referred to in section 7; and

4) merger decisions made by the companies involved in the merger.

In a subsidiary merger, the parent company is responsible for submitting the notification. Notwithstanding the provisions of subsection 1, only a declaration by a Member of the Board of Directors or the Managing Director of the parent company to the effect that the provisions of this Act have been complied with in the merger, a certificate of the sending of the notifications referred to in section 7, and the merger decisions need to be attached to the notification.

**Section 15**
**Preconditions for registration**

The registration authority shall register the merger, if no creditor has objected to the merger or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the merger, the registration authority shall notify the company of the same without delay after the due date. If a creditor objects, the merger shall lapse in one month after the due date. However, the registration authority shall suspend the proceedings, if the company shows that it has within one month of the due date brought an action in order to have the court affirm that the creditor has received payment or full security for the receivable, or if the company and the creditor together request that the proceedings be suspended.

The merger may be implemented even if the merging company has been placed in liquidation, unless the distribution of the assets of the company to the shareholders, as referred to in chapter 20, section 15, has already begun.

If the assets of more than one of the companies involved in the merger are subject to a business mortgage, as referred to in the Business Mortgages Act, the merger shall not be registered, except if the company and the mortgage holders have together applied for the registration of an agreement on the order of precedence of the mortgages and that agreement is to be registered at the same time.

**Section 16**
**Legal effects of the merger**

The assets and liabilities of the merging company shall be transferred to the acquiring company without liquidation once the implementation of the merger has been registered. At the same time, the merging company shall dissolve and, in a combination merger, the acquiring company shall be established.

The assets and liabilities of the merging company shall not be entered into the balance sheet of the acquiring company at a value higher than their financial value to the acquiring company. An undertaking to perform work or services shall not be entered into the balance sheet in the context of a merger.

At the moment of registration of the implementation of the merger the shareholders of the merging company and the holders of option rights and other special rights entitling to shares shall become entitled to the merger consideration in accordance with the draft terms of merger. The new shares to be issued as merger consideration shall carry shareholder rights as of the moment of registration, unless a later point in time is determined in the draft terms of merger. However, the shares shall carry shareholder rights no later than one year after the registration. Shares in the merging company held by the acquiring company or the merging company shall not carry a right to the merger consideration.

If the receipt of the merger consideration requires specific measures from the recipient, such as the presentation of the share certificate, and the consideration is not claimed in this manner within ten years of the registration of the implementation of the merger, the General Meeting of the acquiring company may decide that the right to the merger consideration and the respective rights have been forfeited. The forfeited consideration shall devolve on the acquiring company.

**Section 17**
**Final accounts**

The Board of Directors and Managing Director of the merging company shall as soon as possible after the implementation of the merger draw up the financial statements and management report for the period not yet covered by financial statements submitted to the General Meeting (*final accounts*). If, under the law or the Articles of Association, an auditor shall be appointed for the

company, the final accounts shall be given to the auditors, who shall issue their report on the final accounts within one month. (461/2007)

Upon completion of the measures referred to in subsection 1, the Board of Directors shall without delay call the shareholders to a shareholders' meeting to approve the final accounts. The provisions on a General Meeting apply to the shareholders' meeting. (461/2007)

The final accounts shall be notified for registration as provided in chapter 8, section 10.

**Section 18**
**Cancellation of the merger**

Even if the merger has been registered, it shall be cancelled if the merger decision is invalid according to a res judicata court judgment. The merging company and the acquiring company shall be jointly and severally liable for the obligations of the acquiring company that have arisen after the registration of the merger but before the registration of the judgment.

**Cross-border merger (1415/2007)**

**Section 19 (1415/2007)**
**Definition and implementation of a cross-border merger**

A limited liability company may participate in a merger to be implemented in accordance with sections 1 and 2 also where a foreign company is to merge into a Finnish company or a Finnish company is to merge into a foreign company (*cross-border merger*).

A cross-border merger may only be implemented in accordance with subsection 1 if the foreign company is a company corresponding to a limited liability company (*foreign limited liability company*):

1) that is a company referred to in Article 1 of First Council Directive (68/151/EEC) on co-ordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community (Directive 68/151/EEC), or another comparable company which:

a) has equity or other comparable capital;

b) is a legal person;

c) has assets that stand alone against the liabilities of the company; and

d) is subject to conditions under domestic legislation that are comparable to the safeguards laid down for the protection of shareholders, members and third parties in Directive 68/151/EEC; and

2) that is registered in another state within the European Economic Area and that is subject to the domestic legislation of another state within the European Economic Area on the basis of its seat, place of central administration or principal business location.

In a cross-border combination merger, the acquiring company may be registered in a state within the European Economic Area whose legislation is not applicable to a merging company.

In this chapter, *companies involved in a cross-border merger* refers to the merging and the acquiring company and the foreign limited liability company.

*Council Directive 68/151/EEC was repealed by Directive 2009/101/EC of the European Parliament and of the Council, cf. Directive (EU) 2017/1132 of the European Parliament and of the Council.*

**Section 20 (1415/2007)**
**Merger of a Finnish company into a foreign parent corporation**

A Finnish limited liability company may also merge into a foreign legal person holding all shares in the company, where the foreign legal person corresponds to a Finnish co-operative, co-operative bank, savings bank or mutual insurance company, is registered in another state within the European Economic Area and is subject to the legislation of another state within the European Economic Area.

The provisions of this chapter on cross-border mergers apply to the merging Finnish company and the acquiring foreign legal person.

**Section 21 (1415/2007)**
**Application of the provisions on mergers**

The provisions of sections 19–28 apply to a cross-border merger.

**Section 22 (1415/2007)**
**Draft terms of merger and statement by the Board of Directors**

The companies involved in a cross-border merger shall draw up draft terms of merger, as referred to in section 3 and in this section. On behalf of a foreign limited liability company, the draft terms of merger shall be drawn up and signed by the competent organ of the company.

In addition to the information referred to in section 3, subsection 2, the draft terms of merger shall contain the following information:

1) information on the corporate form of the companies involved in the merger and of the possible provider of merger consideration, and a proposal for the corporate form of a company to be established by way of a combination merger;

2) information on the registers where the foreign companies involved in the merger have been registered, and the contact details of the said registers;

3) in an absorption merger, the Articles of Association of the acquiring company as they are to take effect as amended under section 3, subsection 2, paragraph 3;

4) a proposal for the date as of which the transactions by the companies involved in the merger are to be deemed, for accounting purposes, to have been entered into on behalf of the acquiring company;

5) an account of the probable impact of the cross-border merger on employment;

6) an account of the procedures for the determination of detailed rules on the participation of employees in the formulation of employees' rights of participation in the acquiring company; and

7) an account of how the final accounts of the companies involved in the merger have been used in the determination of the terms of the merger.

The Board of Directors in each of the companies involved in the merger shall draw up an account of the probable impact of the merger on the shareholders, creditors and employees, in so far as this impact is not accounted for in the draft terms of merger.

Each of the companies involved in the merger shall keep the account referred to in subsection 3 available to the shareholders, creditors and employees' representatives or, if there are no such representatives, to the employees, and send the account to shareholders as provided in section 11.

If the company receives a statement on the account referred to in subsection 3 from employees' representatives, that statement shall be attached to the account, kept available to the shareholders and sent to the shareholders, as provided in section 11.

**Section 23 (1415/2007)**
**Statement of an independent expert**

The provisions of section 4 on the statement of an auditor apply to the statement of an independent expert on the draft terms of a cross-border merger and on the Finnish company involved in it.

The Boards of Directors or the corresponding competent organs of the companies involved in a cross-border merger may, however, together appoint one or several independent experts to issue a common statement on the draft terms of the cross-border merger to all of the companies involved in it. An independent expert, subject to the law of the Member State whose domestic legislation applies to a foreign company involved in the merger, may also be appointed to issue a common statement.

**Section 24 (1415/2007)**
**Registration of the draft terms of merger, public notice to creditors, merger decision, and redemption**

The Finnish limited liability companies involved in a cross-border merger shall notify the draft terms of merger for registration as provided in section 5. The statement referred to in section 23 shall be attached to the register notification.

Provisions on creditor protection in a Finnish limited liability company are laid down in sections 6–8.

Provisions on the merger decision in a Finnish limited liability company are laid down in sections 9–11. Provisions on the legal effects in a Finnish company of a merger decision to be registered in Finland are laid down in section 12.

Provisions on the redemption of shares, options and other rights entitling to shares in the merging Finnish company are laid down in section 13.

**Section 25 (1415/2007)**
**Implementation of a merger to be registered in Finland**

If a Finnish limited liability company is the acquiring company in a cross-border merger, the companies involved in the merger shall notify the merger for registration, as provided in section 14, within six months of the merger decision by the Finnish companies involved in the merger and of the receipt by the other companies involved in the merger of a certificate issued by the registration authority or other competent authority of the state whose legislation applies to a foreign limited liability company involved in the merger, to the effect that the measures required for the merger have been carried out and the formalities completed.

Section 15 applies to the prerequisites for the registration of a merger referred to in this section. In addition, it is a prerequisite that the foreign limited liability companies involved in the merger accept the right of redemption referred to in section 13 and that the rules governing personnel representation have been laid down as provided in the Act on Personnel Representation in the Administration of Undertakings (725/1990; hereinafter *the Personnel Representation Act*), and that

all companies involved in the merger have accepted the draft terms of merger in the same form and the registration authority is provided with the certificate referred to in subsection 1.

The registration authority shall, without delay and on its own motion, notify the registration of the merger to the foreign registration authority in whose register the merging foreign company is registered.

Section 17 contains provisions on the final of accounts regarding a merging Finnish company.

**Section 26 (1415/2007)**
**Implementation of a merger to be registered in another state**

If a Finnish limited liability company is to merge into an acquiring foreign limited liability company, the Finnish companies involved in the merger shall petition the registration authority for permission to implement the merger, within six months of the merger decision; failing this, the merger shall lapse. The following documents shall be attached to the petition: the merger decisions and an affidavit by the members of the Board of Directors and the Managing Director of a Finnish company to the effect that the provisions of this Act have been complied with in the merger, and a certificate by a member of the Board of Directors or the Managing Director on the sending of the notifications referred to in section 7. If redemption proceedings have been initiated under section 13, this shall be mentioned in the implementation notice to the registration authority.

Section 15 applies to the criteria for the granting of the permission to implement a merger referred to in this section. In addition, it is a prerequisite that the foreign limited liability companies involved in the merger accept the right of redemption referred to in section 13 and that the registration authority is provided with evidence of employee participation in the acquiring company having been arranged in a manner corresponding to that provided in Article 16 of Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies (Directive 2005/56/EC). The decision of the registration authority on the permission shall be registered on the authority's own motion.

If the assets of a Finnish company involved in a merger referred to in this section are subject to a business mortgage, as referred to in the Act on Business Mortgages (634/1984), it is a prerequisite

for the permission that a registrable petition is pending for the mortgage being transferred to be the liability of a branch to be established in Finland, or that the mortgage has been cancelled.

The registration authority shall issue a certificate on the granting of the permission referred to in subsection 1 for the Finnish companies involved in a cross-border merger. The certificate issued by the registration authority shall contain a statement to the effect that the Finnish companies involved in the merger have carried out the measures required for the merger and completed the statutory formalities. The certificate shall contain a reference to the pendency of the redemption proceedings referred to in section 13. The certificate shall be submitted to the competent authority of the state whose legislation applies to the acquiring foreign company; failing this, the certificate shall expire.

Upon notification by the registering foreign authority, the registration authority shall, without delay and on its own motion, deregister the merging Finnish company.

Provisions on the final accounts of the merging Finnish company are laid down in section 17.

*Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies was repealed by Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.*

**Section 27 (1415/2007)**
**Legal effects of merger**

Provisions on the legal effects of a cross-border merger in a merger referred to in section 25 are laid down in section 16.

In a merger referred to in section 26, the assets and liabilities of the merging company shall be transferred to the acquiring company without liquidation, once the merger takes effect in accordance with the legislation of the state whose legislation applies to the acquiring company. At the same time, the merging Finnish company shall be dissolved and the shareholders and the holders of options and other special rights entitling to shares shall become entitled to the merger consideration in accordance with the draft terms of merger. Treasury shares held by the merging company shall not carry any entitlement to merger consideration.

**Section 28 (1415/2007)**
**Validity of a cross-border merger**

A cross-border merger shall not be declared invalid or altered once it has taken effect in accordance with section 27.

## Chapter 17
## Demerger

### Definition and forms of demerger

**Section 1**
**Demerger**

A limited liability company (*demerging company*) may demerge so that the assets and liabilities of the demerging company are transferred in full or in part to one or several limited liability companies (*acquiring company*) and so that the shareholders of the demerging company receive shares in the acquiring company as demerger consideration. The demerger consideration may also consist of cash, other assets or undertakings.

**Section 2**
**Forms of demerger**

A demerger may proceed so that:

1) all of the assets and liabilities of the demerging company are transferred to two or more acquiring companies and the demerging company dissolves (*full demerger*); or

2) some of the assets and liabilities of the demerging company are transferred to one or several acquiring companies (*partial demerger*).

*Demerger into an existing company* means a demerger where the acquiring company has been incorporated before the implementation of the demerger, and *demerger into a company to be incorporated* means a demerger where the acquiring company is incorporated in the context of the

demerger. A demerger may proceed into an existing company and into a company to be incorporated at the same time.

In this chapter, *companies involved in a demerger* refers to the demerging company and the acquiring company.

**Draft terms of demerger and the statement of an auditor (461/2007)**

**Section 3**
**Draft terms of demerger**

The Boards of Directors of the companies involved in the demerger shall draw up written draft terms of demerger, which shall be dated and signed.

The draft terms of demerger shall contain the following information:

1) the trade names of the companies involved in the demerger, their business identity codes or other corresponding identifying information, and the places of their registered offices;

2) an account of the reasons for the demerger;

3) in a demerger into an existing company, a proposal for the amendment of the Articles of Association of the acquiring company, where appropriate, and in a demerger into a company to be incorporated, a proposal for the Articles of Association of that company and for how the members of the organs of that company are to be appointed;

4) in a demerger into an existing company, where appropriate, a proposal for the quantity of the shares to be issued as demerger consideration, broken down by share class, and a proposal for whether new shares or treasury shares are to be issued, and in a demerger into a company to be incorporated, a proposal for the number of shares in that company, broken down by share class;

5) where appropriate, a proposal for other demerger consideration and, if that consideration consists of option rights or other special rights entitling to shares, the terms of the same, as referred to in chapter 10, section 3;

6) a proposal for the distribution of the demerger consideration, the point in time of the payment of the consideration and the other terms of the provision of the consideration, and an account of the grounds for the same;

7) an account of or a proposal for the rights in the demerger of the holders of option rights or other special rights entitling to shares in the demerging company;

8) in a demerger into an existing company, a proposal for the increase of the share capital of the acquiring company, where appropriate, and in a demerger into a company to be incorporated, a proposal for the share capital of the acquiring company;

9) an account of the assets, liabilities and equity of the demerging company and of the circumstances relevant to their valuation, and a proposal for the division of the assets and liabilities of the demerging company between each of the acquiring companies, the intended effect of the demerger on the balance sheet of the acquiring company, and of the accounting treatments to be applied in the demerger;

10) a proposal for the reduction of the share capital in order to distribute assets to the acquiring company or to shareholders, to transfer assets to reserves of unrestricted equity or to immediately cover losses that cannot be covered from unrestricted equity;

11) a proposal for the right of the companies involved in the demerger to decide on arrangements beyond their normal business operations that affect their equity or outstanding shares;

12) an account of subordinated loans whose creditors are entitled to object to the demerger, as referred to in section 6;

13) an account of the quantity of shares in the acquiring company and its parent company held by the demerging company and its subsidiaries, and of the quantity of shares in the demerging company held by the companies involved in the demerger;

14) an account of the business mortgages pertaining to the assets of the companies involved in the demerger, as referred to in the Business Mortgages Act;

15) an account of or a proposal for the special advantages and rights to be granted to the Members of the Supervisory Board and Members of the Board of Directors of the companies involved in the demerger, their Managing Directors, their auditors and the auditor issuing a statement on the draft terms of demerger; (461/2007)

16) a proposal for the intended date of registration of the implementation of the demerger; and

17) a proposal, where appropriate, for the other terms of the demerger.

If all the shareholders of the demerging companies consent to the same, or if in the companies to be incorporated in the demerger, all the shares of all the acquiring companies are given as demerger consideration to the shareholders of the demerging company in proportion to their ownership, the draft terms of demerger need not include an account of the reasons for the demerger or of the grounds referred to in subsection 2, paragraph 6. (981/2011)

**Section 4**
**Statement of an auditor (461/2007)**

The Boards of Directors of the companies involved in the demerger shall designate one or several auditors to issue a statement on the draft terms of demerger to each of the companies involved in the demerger. The statement shall contain an analysis of whether a true and fair view has been provided in the draft terms of demerger of the grounds for setting the demerger consideration and of the distribution of the consideration. The statement to be issued to the acquiring company shall also indicate whether the demerger is conducive to compromising the repayment of the company's debts. (461/2007)

If all shareholders of the companies involved in the demerger consent to the same, only a statement as to whether the demerger is conducive to compromising the repayment of the company's debts is needed. The statement need not be given to the companies to be incorporated in the demerger if all the shares of all the acquiring companies are given as demerger consideration to the shareholders of the demerging company in proportion to their ownership. (981/2011)

## Registration of the draft terms of demerger and public notice to the creditors

### Section 5
### Registration of the draft terms of demerger

The draft terms of demerger shall be notified for registration within one month of the signing of the proposal. The statement referred to in section 4 shall be attached to the notification.

The notification shall be made by the companies involved in the demerger together.

The demerger shall lapse if the notification is not made in time or if registration is refused.

### Section 6
### Public notice to creditors

The creditors of the demerging company whose receivables have arisen before the registration of the draft terms of demerger have the right to object to the demerger. A creditor whose receivable may be collected without a judgment or decision being required, as provided in the Act on the Collection of Taxes and Public Charges by Enforcement Measures, and whose receivable has arisen no later than on the due date referred to in subsection 2 likewise have the right to object to the demerger. (1415/2007)

On the application of the demerging company, the registration authority shall issue a public notice to the creditors referred to in subsection 1, containing a mention of the right of the creditor to object to the demerger by so informing the registration authority in writing no later than on the due date indicated in the public notice. The issue of the public notice shall be applied for within four months of the registration of the draft terms of demerger; failing this, the demerger shall lapse. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

On the application of the acquiring company, a public notice shall likewise be issued to the creditors of the acquiring company, if the demerger is, according to the statement of an auditor referred to in section 4, conducive to compromising the repayment of the debts of the acquiring company. In this event, the provisions of this chapter on the creditors of the demerging company apply to the creditors of the acquiring company. (461/2007)

**Section 7 (1415/2007)**
**Written notification by the company to the creditors**

No later than one month before the due date, the company shall send a written notification of the public notice to its known creditors referred to in section 6, subsection 1, whose receivables have arisen before the registration of the draft terms of demerger. If a shareholder of the demerging company or the holder of an option right or some other special right entitling to shares has demanded redemption, as referred to in section 13, the creditors shall be notified of the quantities of shares and other rights that have been demanded to be redeemed. The notification shall not be sent before the General Meeting deciding on the demerger has been held. However, if all shareholders and holders of the rights referred to above have declared that they waive the right of redemption or if they otherwise do not have the right of redemption, the notification may be sent earlier.

**Section 8**
**Restructuring of enterprises**

Restructuring proceedings, as referred to in the Restructuring of Enterprises Act, shall replace the public notice referred to in section 6, and a creditor has no right to object to the demerger in accordance with this Act, if all companies involved in the demerger belong to the same group and the restructuring programme is approved for all of them at the same time.

The draft terms of demerger and its attachments shall be appended to the proposed restructuring programme.

**Demerger decision**

**Section 9**
**Competent organ and timing of the decision**

In the demerging company, the General Meeting shall make the decision on the demerger. The decision on a demerger shall, however, be made by the Board of Directors of the demerging company, if the companies involved in the demerger own all the shares in the demerging company and any option rights or other special rights entitling to shares. (981/2011)

In the acquiring company, the Board of Directors shall make the decision on the demerger. However, where the acquiring company has less than nine tenths (9/10) of the shares in the demerging company, the decision shall be made by the General Meeting, if shareholders with at least one twentieth (1/20) of the shares in the company so demand. Shares owned by the company itself or its subsidiary entities shall not be included in the company's total number of shares. (981/2011)

The General Meeting that is to decide on the demerger shall be held or the Board of Directors' decision on the demerger made within four months of the registration of the draft terms of demerger; failing this, the demerger shall lapse. In any event, the General Meeting shall be held no later than one month before the due date referred to in section 6, unless all shareholders and, where appropriate, all holders of option rights or other special rights entitling to shares have waived their right to demand redemption.

The decision of the General Meeting on the demerger shall be made by a qualified majority, as referred to in chapter 5, section 27. If, in a demerger into a company to be incorporated, a shareholder of the demerging company is not to receive the same proportionate shareholding and respective rights as the shareholder has in the demerging company, the decision may only be made on the consent of the said shareholder.

**Section 10**
**Notice of the General Meeting and notice to holders of option rights and other special rights entitling to shares**

The notice of the General Meeting that is to decide on the demerger shall not be delivered before the draft terms of demerger have been registered. The notice shall be delivered no earlier than two months and, unless a longer period has been determined in the Articles of Association, no later than one month before the General Meeting, the last date for advance notices of participation referred to in chapter 5, section 7, or the date of record for companies in the book-entry system in accordance with chapter 5, section 6a. However, in a public company, the notice may be delivered three months before the date referred to above at the earliest. (349/2017)

In addition to the provisions of the Articles of Association on the notice of the General Meeting, the notice shall, in the demerging company, be sent in writing to all shareholders whose addresses are known to the company. The notice of the General Meeting of the demerging company shall

mention the shareholders' right to demand redemption, as provided in section 13. The demerging company shall, within the time limit provided in subsection 1, give notice of the right of redemption referred to in section 13 to those holders of option rights or other special rights entitling to shares who have the right to demand redemption and whose addresses are known to the company. If the addresses of all persons with the right of redemption are not known to the company, the notice of the right of redemption shall also be published in the Official Gazette within the same time limit.

If the General Meeting of the acquiring company is not to be convened, a notice of the demerger shall be delivered to the shareholders in the same manner as a notice of a General Meeting. Within one month of the notice, a shareholder may demand in writing that the decision on the demerger be made by the General Meeting.

In the acquiring company, the notice may be delivered within the time limit referred to in chapter 5, section 19, subsection 1, if the decision on the demerger is to be made at the General Meeting on the request of a shareholder and if the time between the notice of the company referred to in subsection 3 of this section and the General Meeting, the last date for advance notices of participation referred to in chapter 5, section 7 or the date of record for companies in the book-entry system in accordance with chapter 5, section 6a is at least one month or a longer notice period determined in the Articles of Association. (349/2017)

**Section 11 (981/2011)**
**Availability and delivery of documents and delivery of new information**

For at least one month before the General Meeting that is to decide on the demerger and as of the delivery of the notice referred to in section 10, subsection 3, the following documents shall be kept available to the shareholders at the head office or on the website of each company involved in the demerger and kept available at the General Meeting:

1) the draft terms of demerger;

2) the financial statements, management reports and auditor's reports of each company involved in the demerger, for the past three completed financial periods;

3) if more than six months have passed from the end of the financial period of a public company involved in the demerger to the signing of the draft terms of demerger, the financial statements, management report and auditor's report of each such company dated no earlier than three months before the signing of the draft terms of demerger, or an interim report referred to in chapter 2 section 5 of the Securities Markets Act, for the six or nine first months following the latest financial period;

4) where appropriate, the decisions made by each company involved in the demerger after the end of the latest financial period regarding the distribution of assets;

5) the interim reports given by each company involved in the demerger since the end of the latest financial period;

6) a report by the Board of Directors of each company involved in the demerger on the events with an essential effect on the state of the company that have occurred after the financial statements or the interim report; and

7) for each company involved in the demerger, a statement on the merger proposal referred to in section 4.

Subsection 1, paragraph 3 does not apply if all the shareholders of all the companies involved in the demerger consent to the same, or if in the companies to be incorporated in the demerger, all the shares in all the acquiring companies are given as demerger consideration to the shareholders of the demerging company in proportion to their ownership.

The documents referred to in subsection 1 shall without delay be sent to a shareholder requesting them, if the documents are not available for downloading and printing on the company website.

In addition to the provisions of subsection 1, the company shall inform the General Meeting and all the companies involved in the demerger of any events with an essential effect on the company's state coming to the attention of the company before the decision on the demerger is made.

*The Securities Markets Act 495/1989 was repealed by Act 746/2012.*

**Section 12**
**Legal effects of the demerger decision**

The demerger decision of the demerging company shall replace the subscription for the demerger consideration and the other measures that establish a right in the demerger consideration, as carried out by the shareholders of the demerging company and the holders of option rights and other special rights entitling to shares. In a demerger into a company to be incorporated, the draft terms of demerger shall also replace the Memorandum of Association of the acquiring company.

If the demerger is not approved unchanged in accordance with the draft terms of demerger in each of the companies involved in the demerger, the demerger shall lapse. The decision not to approve the demerger or the lapse of the demerger shall be notified for registration without delay.

**Redemption of the demerger consideration, option rights and other special rights entitling to shares**

**Section 13**
**Redemption procedure**

In a demerger into an existing company, a shareholder in the demerging company may, at the General Meeting that is to decide on the demerger, demand that the shareholder's demerger consideration be redeemed; the shareholder shall be reserved an opportunity to make this demand before the decision on the demerger is made. Shares carry this right of redemption only if they have been notified to be entered into the shareholder register by the General Meeting or the last date for advance notices of participation or, if the shares are incorporated in the book-entry system, they have been entered into the book-entry account of the demander by the date of record referred to in chapter 5, section 6a. A shareholder who demands redemption shall vote against the demerger decision. (349/2017)

The holder of option rights or other special rights entitling to shares may demand the redemption of the right at the General Meeting that is to decide on the demerger or verifiably file a written demand to this effect with the demerging company before the General Meeting. Before a decision on the demerger is made, the General Meeting shall be informed of how many rights are subject to demands of redemption.

If no agreement is reached with the acquiring company on the redemption of the demerger consideration, option rights or other special rights entitling to shares or on the terms of the redemption, the matter shall be submitted to arbitration in accordance with the provisions of chapter 18, sections 3–5 and 8–10 governing the settlement of redemption disputes. The shareholder or holder of a right shall initiate the proceedings no later than one month after the General Meeting. Once the proceedings have been initiated, the shareholder has a right to the redemption price instead of the demerger consideration. Once the proceedings have been initiated, the holder of the right only has a right to the redemption price. If it is later determined in the redemption proceedings that the shareholder, option right holder or holder of another right have no right of redemption, they have a right to the demerger consideration in accordance with the draft terms of demerger. If the demerger lapses, also the redemption proceedings shall lapse.

The redemption price of the demerger consideration due to a share in the demerging company is the part of its fair price of the time preceding the demerger decision that corresponds to the demerger into an existing company. The fair price of the option right or other special right entitling to shares at the time preceding the demerger decision serves as its redemption price. In the determination of the redemption price, the depreciating effect that the demerger may have on the price of the demerging company's shares, option rights and other special rights entitling to shares is not taken into account. The redemption price shall bear annual interest between the demerger decision and the payment of the redemption price at the current reference rate provided in section 12 of the Interest Act.

The redemption price shall be paid within one month of the award or judgment becoming res judicata, but in any event not before the registration of the implementation of the demerger. The redemption price may be deposited as provided in chapter 18, section 11, subsections 2 and 3.

The acquiring company that provided the demerger consideration that has been redeemed is liable for the payment of the redemption price. The companies involved in the demerger are jointly and severally liable for the payment of the redemption price of option rights and other special rights entitling to shares. The demerging company shall without delay notify the company liable for the payment of the redemption price of any demands for redemption.

## Implementation and legal effects of the demerger

### Section 14 (1415/2007)
### Notification of the implementation of the demerger

The companies involved in the demerger shall notify the registration authority of the implementation of the demerger within six months of the demerger decision; failing this, the demerger shall lapse. The following information shall be attached to the notification:

1) a declaration of the Members of the Board of Directors and the Managing Directors of each company involved in the demerger to the effect that the provisions of this Act have been complied with in the demerger;

2) a certificate of an auditor to the effect that the acquiring company will receive full consideration for the amount credited to its equity, and a statement regarding the account in the draft terms of demerger referred to in section 3, subsection 2, paragraph 9;

3) a certificate of a Member of the Board of Directors or the Managing Director on the sending of the notifications referred to in section 7; and

4) the demerger decisions made by the companies involved in the demerger.

### Section 15
### Preconditions for registration

The registration authority shall register the demerger, if no creditor has objected to the demerger or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the demerger, the registration authority shall notify the company of the same without delay after the due date. If a creditor objects, the demerger shall lapse in one month after the due date. However, the registration authority shall suspend the proceedings, if the company shows that it has within one month of the due date brought an action in order to have the court affirm that the creditor has received payment or full security for the receivable, or if the company and the creditor together request that the procedure be suspended.

The demerger may be implemented even if the demerging company has been placed in liquidation, unless the distribution of the assets of the company to the shareholders, as referred to in chapter 20, section 15, has already begun.

If the assets of a demerging company are subject to a business mortgage, as referred to in the Business Mortgages Act, the demerger shall not be registered, except if the company and the mortgage holders have applied for the registration of an agreement on the order of precedence of the mortgages and that agreement is to be registered at the same time. Moreover, if the acquiring operative company has a business mortgage, as referred to in the Business Mortgage Act, and the business mortgage of the demerging company is transferred to it, the demerger shall not be registered, except if the demerging company, the acquiring company and the mortgage holders have applied for the registration of an agreement on the order of precedence of the mortgages, and the agreement is to be registered at the same time. (1415/2007)

**Section 16**
**Legal effects of the demerger**

The assets and liabilities of the demerging company are transferred to the acquiring companies without liquidation, once the implementation of the demerger has been registered. However, in a partial demerger, only the assets and liabilities divided by way of the draft terms of demerger are transferred. At the same time, the demerging company dissolves in a full demerger and, in a demerger into a company to be incorporated, the acquiring company is established.

The assets and liabilities of the demerging company shall not be entered into the balance sheet of the acquiring company at a value higher than their financial value to the acquiring company. An undertaking to perform work or services shall not be entered into the balance sheet in the context of a demerger.

At the moment of registration of the implementation of the demerger, the shareholders of the demerging company and the holders of option rights and other special rights entitling to shares become entitled to the demerger consideration in accordance with the draft terms of demerger. The new shares to be issued as demerger consideration carry shareholder rights as of the moment of registration, unless a later point in time is determined in the draft terms of demerger. However, the shares carry shareholder rights no later than one year after the registration. Shares in the

demerging company held by the acquiring company or the merging company do not carry a right to the demerger consideration.

If the receipt of the demerger consideration requires specific measures from the recipient, such as the presentation of the share certificate, and the consideration is not claimed in this manner within ten years of the registration of the implementation of the demerger, the General Meeting of the acquiring company may decide that the right to the demerger consideration and the respective rights have been forfeited. The forfeited consideration shall devolve on the acquiring company.

If, in a full demerger, assets that have not been divided by way of the draft terms of demerger appear, they belong to the acquiring companies in the same proportions as the net assets of the demerging company are divided by way of the draft terms of demerger, unless otherwise provided in the draft terms of demerger.

The companies involved in the demerger are jointly and severally liable for the liabilities of the demerging company that have arisen before the implementation of the demerger has been registered. However, the liabilities of the demerging company that according to the draft terms of demerger devolve on another company shall be borne by a company only to the maximum amount of the net assets remaining with or transferred to it. A creditor may demand the repayment of a receivable mentioned in the draft terms of demerger on the basis of the joint and several liability only after it has been determined that no payment is forthcoming from the debtor or from security. Provisions on the liability relating to the payment of the redemption price are laid down in section 13, subsection 6.

**Section 17**
**Final accounts**

In a full demerger, the Board of Directors and Managing Director of the demerging company shall, as soon as possible after the implementation of the demerger, draw up the financial statements and management report for the period not yet covered by financial statements submitted to the General Meeting (*final accounts*). If, under the law or the Articles of Association, an auditor shall be appointed for the company, the final accounts shall be given to the auditors, who shall issue their report on the final accounts within one month. (461/2007)

Upon completion of the measures referred to in subsection 1, the Board of Directors shall without delay call the shareholders to a shareholders' meeting to approve the final accounts. The provisions on a General Meeting apply to the shareholders' meeting. (461/2007)

The final accounts shall be notified for registration as provided in chapter 8, section 10.

**Section 18**
**Cancellation of the demerger**

Even if the demerger has been registered, it is cancelled if the demerger decision is invalid according to a res judicata court judgment. The demerging company and the acquiring company are jointly and severally liable for the obligations of the acquiring company that have arisen after the registration of the demerger but before the registration of the judgment.

**Cross-border demerger (1415/2007)**

**Section 19 (1415/2007)**
**Definition and implementation of a cross-border demerger**

A limited liability company may participate in a demerger to be implemented in accordance with sections 1 and 2 also where a foreign company is to demerge into a Finnish company or a Finnish company is to demerge into a foreign company (*cross-border demerger*).

A cross-border demerger may only be implemented in accordance with subsection 1 if the foreign company is a company corresponding to a limited liability company (*foreign limited liability company*):

1) that is a company referred to in Article 1 of First Council Directive (68/151/EEC) or another comparable company which:

a) has equity or other comparable capital;

b) is a legal person;

c) has assets that stand alone against the liabilities of the company; and

d) is under domestic legislation subject to conditions that are comparable to the safeguards laid down for the protection of shareholders, members and third parties in Directive 68/151/EEC; and

2) that is registered in another state within the European Economic Area and is subject to the domestic legislation of another state within the European Economic Area on the basis of its seat, place of central administration or principal business location.

In this chapter, *companies involved in a cross-border demerger* refers to the demerging and the acquiring company and the foreign limited liability company.

*Council Directive 68/151/EEC was repealed by Directive 2009/101/EC of the European Parliament and of the Council, cf. Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.*

**Section 20 (1415/2007)**
**Application of the provisions on demergers**

The provisions of sections 19–27 apply to a cross-border demerger.

**Section 21 (1415/2007)**
**Draft terms of demerger and statement by the Board of Directors**

The companies involved in a cross-border demerger shall draw up draft terms of demerger, as referred to in section 3 and in this section. On behalf of a foreign limited liability company, the draft terms of demerger shall be drawn up and signed by the competent organ of the company.

In addition to the information referred to in section 3, subsection 2, the draft terms of demerger shall contain the following information:

1) information on the corporate form of the companies involved in the demerger and a proposal for the corporate form of a company to be established by way of a demerger;

2) information on the registers where the foreign companies involved in the demerger have been registered, and the contact details of the said registers;

3) in a demerger into an operating acquiring company, the Articles of Association of the acquiring company as they are to take effect as amended under section 3, subsection 2, paragraph 3;

4) a proposal for the date as of which the transactions by the companies involved in the demerger are to be deemed, for accounting purposes, to have been entered into on behalf of the acquiring company;

5) an account of the probable impact of the cross-border demerger on employment;

6) an account of the procedures for the determination of detailed rules on the participation of employees in the formulation of employees' rights of participation in the acquiring company;

7) an account of how the final accounts of the companies involved in the demerger have been used in the determination of the terms of the demerger; and

8) an account of how the demerger is to be implemented and a proposal for the measures for securing the equal treatment of the shareholders in a situation where the demerger cannot take effect in some state, as referred to in section 25, subsection 6.

The Board of Directors in each of the companies involved in the demerger shall draw up an account of the probable impact of the demerger on the shareholders, creditors and employees, in so far as this impact is not accounted for in the draft terms of demerger.

Each of the companies involved in the demerger shall keep the account referred to in subsection 3 available to the shareholders, creditors and employees' representatives or, if there are no such representatives, to the employees, and send the account to shareholders, as provided in section 11.

If the company receives a statement on the account referred to in subsection 3 from employees' representatives, that statement shall be attached to the account, kept available to the shareholders and sent to the shareholders, as provided in section 11.

**Section 22 (1415/2007)**
**Statement of an independent expert**

The provisions of section 4 on the statement of an auditor apply to the statement of an independent expert on the draft terms of a cross-border demerger and on the Finnish limited liability company involved in it.

The Boards of Directors or the corresponding competent organs of the companies involved in a cross-border demerger may, however, together appoint one or several independent experts to issue a common statement on the draft terms of the cross-border demerger to all of the companies involved in it. An independent expert, subject to the law of the Member State whose domestic legislation applies to a foreign company involved in the demerger, may also be appointed to issue a common statement.

**Section 23 (1415/2007)**
**Registration of the draft terms of demerger, public notice to creditors, demerger decision, and redemption**

The Finnish limited liability companies involved in a cross-border demerger shall notify the draft terms of demerger for registration as provided in section 5. The statement referred to in section 22 shall be attached to the register notification.

Provisions on creditor protection in a Finnish limited liability company are laid down in sections 6–8.

Provisions on the demerger decision in a Finnish limited liability company are laid down in sections 9–11. Provisions on the legal effects in a Finnish company of a demerger decision to be registered in Finland are laid down in section 12.

Provisions on the redemption of shares, options and other rights entitling to shares in the demerging Finnish limited liability company are laid down in section 13.

**Section 24 (1415/2007)**
**Implementation of a demerger to be registered in Finland**

If a Finnish limited liability company is the acquiring company in a cross-border demerger, the companies involved in the demerger shall notify the demerger for registration, as provided in section 14, within six months of the demerger decision by the Finnish companies involved in the demerger and of the receipt by the other companies involved in the demerger of a certificate issued by the registration authority or other competent authority of the state whose legislation applies to a foreign limited liability company involved in the demerger, to the effect that the measures required for the demerger have been carried out and the formalities completed. The implementation notice shall also be accompanied by a statement by the members of the Board of Directors and of the Managing Director of the acquiring Finnish company involved in the demerger to the effect that, in accordance with the draft terms of demerger, the assets of the demerging company will fall into the ownership of the acquiring Finnish company no later than at the moment when the implementation of the demerger is registered in Finland.

Section 15 applies to the prerequisites for the registration of a demerger referred to in this section. In addition, it is a prerequisite that the foreign limited liability companies involved in the demerger accept the right of redemption referred to in section 13 and that the rules governing personnel representation have been laid down as provided in the Personnel Representation Act, and that all companies involved in the demerger have accepted the draft terms of demerger in the same form and the registration authority is provided with the certificate referred to in subsection 1.

The registration authority shall, without delay and on its own motion, notify the registration of the demerger to the foreign registration authority in whose register the demerging foreign company is registered.

Section 17 contains provisions on the final accounts regarding a demerging Finnish company.

**Section 25 (1415/2007)**
**Implementation of a demerger to be registered in another state**

If a Finnish limited liability company is to demerge into an acquiring foreign limited liability company, the Finnish companies involved in the demerger shall petition the registration authority for permission to implement the demerger, within six months of the demerger decision; failing

this, the demerger shall lapse. The following documents shall be attached to the petition: the demerger decisions and an affidavit by the members of the Board of Directors and the Managing Director of a Finnish company to the effect that the provisions of this Act have been complied with in the demerger, and a certificate by a member of the Board of Directors or the Managing Director on the sending of the notifications referred to in section 7. If redemption proceedings have been initiated under section 13, this shall be mentioned in the implementation notice to the registration authority.

Section 15 applies to the criteria for the granting of the permission to implement a demerger referred to in this section. In addition, it is a prerequisite that the foreign limited liability companies involved in the demerger accept the right of redemption referred to in section 13 and that the registration authority is provided with evidence of employee participation in the acquiring company having been arranged in a manner corresponding to that provided in Article 16 of Directive 2005/56/EC. The decision of the registration authority on the permission shall be registered on the authority's own motion.

If the assets of a Finnish company involved in a demerger referred to in this section are subject to a business mortgage, as referred to in the Act on Business Mortgages, the prerequisite for the permission is that a registrable petition is pending for the mortgage being transferred to be the liability of a branch to be established in Finland, or that the mortgage has been cancelled.

The registration authority issues a certificate on the granting of the permission referred to in subsection 1 for the Finnish limited liability companies involved in a cross-border demerger. The certificate issued by the registration authority shall contain a statement to the effect that the Finnish companies involved in the demerger have carried out the measures required for the demerger and completed the statutory formalities. The certificate shall contain a reference to the pendency of the redemption proceedings referred to in section 13. The certificate shall be submitted to the competent authority of the state whose legislation applies to the acquiring foreign limited liability company; failing this, the certificate shall expire.

Upon notification by the registering foreign authority or on the basis of other reliable evidence, the registration authority shall, without delay and on its own motion, in a full demerger, deregister the demerging Finnish company, and in a partial demerger, register the demerger.

If a full demerger or a partial demerger is to take effect by stages owing to the fact that the demerger takes effect at different times according to the legislation of different acquiring states, the demerger shall be deemed a partial demerger for the parts already implemented. The same provision applies if the implementation of the demerger is precluded in some state even though it has taken effect or will take effect in another state in accordance with the draft terms of demerger.

Section 17 contains provisions on the final accounts of the demerging Finnish company.

*Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies was repealed by Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.*

**Section 26 (1415/2007)**
**Legal effects of demerger**

Provisions on the legal effects of a cross-border demerger in a demerger referred to in section 24 are laid down in section 16.

In a demerger referred to in section 25, the assets and liabilities of the demerging company are transferred to the acquiring company without liquidation, once the demerger takes effect in accordance with the legislation of the state whose legislation applies to the acquiring company. At the same time, the shareholders and the holders of options and other special rights entitling to shares become entitled to the demerger consideration in accordance with the draft terms of demerger. However, in a partial demerger, only the assets and liabilities divided by way of the draft terms of demerger are transferred. Section 16, subsections 5 and 6 apply to the joint liability of the companies involved in the demerger and to the distribution of assets not covered by the draft terms of a full demerger. In a full demerger, the demerging company dissolves once the demerger has taken effect in respect to all of the acquiring companies.

**Section 27 (1415/2007)**
**Validity of a cross-border demerger**

A cross-border demerger shall not be declared invalid or altered once it has taken effect in accordance with section 26.

## Chapter 18
## Squeeze-out and sell-out

### General provisions

### Section 1
### Rights of squeeze-out and sell-out

A shareholder with more than nine tenths (9/10) of all shares and votes in the company (*redeemer*) has 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 (*minority shareholder*) has the corresponding right to demand that the shareholder's shares be redeemed (*right of sell-out*).

In the application of subsection 1, the following shall be deemed to be shareholdings of the redeemer:

1) the shares and votes held by a corporation or foundation where the redeemer exercises control, as referred to in chapter 1, section 5 of the Accounting Act; and

2) the shares and votes held jointly by the redeemer or the corporation or foundation referred to in paragraph 1 and by someone else.

Any voting restrictions based on law or the Articles of Association are not taken into account in the calculation of the votes of the redeemer. The shares and votes held by the company itself or by its subsidiaries are not taken into account in the calculation of the total numbers of shares and votes in the company.

If there would be more than one redeemer under subsections 1–3, the shareholder who has the most immediate majority of shares and votes in the company, as referred to in this section, is deemed the redeemer.

**Section 2**
**Notice of the rights of squeeze-out and sell-out**

The redeemer shall, without delay, notify the company of the commencement and termination of the rights of squeeze-out and sell-out, as referred to in section 1.

The company shall, without delay, notify the commencement or termination of the rights of squeeze-out and sell-out to be registered, once the company has received the notice referred to in subsection 1 from the redeemer or other reliable information on the commencement or termination of the rights of squeeze-out and sell-out.

**Settlement of redemption disputes**

**Section 3**
**Arbitration**

Disputes about the right of squeeze-out and the redemption price shall be referred to arbitration, as provided in this chapter.

In so far as not otherwise ensues from the application of the provisions of this chapter, the provisions of the Arbitration Act (967/1992) apply in so far as appropriate.

**Section 4**
**Initiation of proceedings**

On the application of a party to the dispute, the Redemption Committee of the Central Chamber of Commerce shall appoint the requisite number of impartial and independent arbitrators with the expertise needed for the task and, if several arbitrators are appointed, designate a chairperson from among them. The application shall contain the details of the applicant's demand for redemption and the grounds for the same. The decision to appoint arbitrators may not be separately appealed against. (726/2013)

The arbitration proceedings become pending once the application or a copy of it is served on the opposing party. If service is to be effected as provided in section 5, subsection 2, the proceedings shall become pending once the notice on the application is published in the Official Gazette.

Changes in the circumstances referred to in section 1 occurring after the arbitration proceedings have become pending do not result in the lapse of the rights of squeeze-out and sell-out.

If a majority shareholder waives his or her demand for redemption after applying for an arbitrator but before the initiation of the arbitration proceedings, he or she shall compensate for the costs with interest incurred by the special representative and the minority shareholder from the appointment of the arbitrator. (726/2013)

**Section 5**
**Special representative**

Upon the arrival of an application referred to in section 4, subsection 1, the Redemption Committee of the Central Chamber of Commerce shall petition the court to appoint a special representative to look after the interests of minority shareholders in the arbitration, unless all parties have declared that they consider the appointment of a special representative unnecessary or unless the appointment of a special representative is considered unfounded, when taking into account the legal protection of the minority shareholders and the realisation of fair trial, the aggregate interest of the minority shareholders, and other factors. The district court with jurisdiction for the place where the company has its registered office has jurisdiction in respect of the petition. The matter may be decided without hearing the minority shareholders. The appointment of a special representative and the decision not to submit a petition for the appointment of a special representative are recorded in the Trade Register. The decision of the Redemption Committee not to petition for the appointment of a special representative may not be separately appealed against. (726/2013)

The special representative may accept the service referred to in section 4, subsection 2 on behalf of the minority shareholders. The redeemer shall, in that case, inform the minority shareholders of the main contents of the application and the contact details of the special representative in accordance with the procedure provided in the Articles of Association for a notice of the General Meeting and also send them in writing to the minority shareholders whose names and addresses are known to the company. The redeemer shall also, without delay, publish a notification in the Official Gazette. (726/2013)

The special representative has the right and the obligation to make a case on behalf of the minority shareholders and to present evidence in support thereof in the arbitration proceedings. The special representative is not competent to make or accept demands relating to the redemption on behalf of the minority shareholders, nor to undertake measures that are contrary to the measures taken by a minority shareholder.

The arbitrators decide on the fee and expenses of the special representative in accordance with the provisions of section 8 on the costs of the arbitration. Once the arbitration has been concluded, the special representative shall without delay notify a report of his or her activities to be registered; once registered, the report is deemed to have been delivered to the minority shareholders. In other respects, the provisions of the Guardianship Act (442/1999) on a guardian apply to the special representative, as appropriate.

**Section 6**
**Posting of security**

If the existence of the right of redemption has been affirmed by a res judicata award or judgment or if the arbitrators consider this to be clearly the case, but there is no agreement or order regarding the redemption price, the share is transferred to the redeemer at once, if the redeemer posts security for the payment of the redemption price and the arbitrators approve the security. Where necessary, the special representative shall keep the security on behalf of those entitled to the redemption price.

Once the share has been transferred to the redeemer in accordance with subsection 1, the respective share certificate is subject to the provisions of section 11, subsection 3 on a share certificate after the deposit of the redemption price. When the book entry relating to the share is transferred to the redeemer in accordance with subsection 1, an entry regarding the right to the redemption price shall instead be made in the respective book-entry account.

**Section 7**
**Determination of the redemption price**

The fair price of the share before the initiation of arbitration shall serve as the basis for the determination of the redemption price. The redemption price shall bear annual interest from the

date on which three weeks have passed from the application for an arbitrator at the current reference rate referred to in section 12 of the Interest Act. (726/2013)

Where the redemption has been preceded by a mandatory bid, as referred to in chapter 11, section 19, of the Securities Markets Act, the price quoted in the mandatory bid serves as the fair price, unless there is a special reason to determine otherwise. (756/2012)

Where the rights of squeeze-out and sell-out have arisen in the context of a voluntary bid, as referred to in chapter 11 of the Securities Markets Act, and the redeemer has on the basis of that bid obtained no less than nine tenths (9/10) of the shares targeted in the bid, the price quoted in the purchase offer serves as the fair price, unless there is a special reason to determine otherwise. (756/2012)

**Section 8**
**Costs of the arbitration**

The redeemer bears the costs of the arbitration, unless the arbitrators for a special reason deem that it is reasonable to order otherwise.

**Section 9**
**Miscellaneous provisions on arbitration**

Service of notices shall be effected on, and a copy of the arbitral award delivered to, the persons who have appeared before the arbitrators or otherwise registered for the said purpose.

The arbitrators shall notify the award for registration within two weeks of its delivery. The register notification shall contain a declaration that copies of the award have been delivered in accordance with subsection 1. If the arbitral award has not been duly notified for registration in time, the notification may also be effected by a party to the dispute.

**Section 10 (1752/2009)**
**Request for review**

A party and a special representative dissatisfied with the arbitral award may appeal against it to the Helsinki District Court. The provisions of chapter 8 of the Code of Judicial Procedure on non-

contentious civil cases apply to the consideration of the appeal in the District Court. The appeal document, with a copy of the arbitral award attached, shall be filed with the District Court no later than 60 days after the registration of the award. If the special representative, in the manner referred to in chapter 21, section 4 or 5 of the Code of Judicial Procedure, deliberately or negligently causes the redeemer to incur legal costs referred to in said chapter, he or she may be rendered liable for the said costs. The special representative shall be given an opportunity to be heard before he or she can be rendered liable for the legal costs of the redeemer. (726/2013)

The decision of the District Court may be appealed against to the Supreme Court, if the Supreme Court grants leave to appeal under chapter 30, section 3 of the Code of Judicial Procedure. The provisions of chapter 30 of the Code of Judicial Procedure governing appeal in a case heard by the court of appeal as an appellate court apply to the appeal, as appropriate. The provisions concerning a court of appeal apply to the District Court.

If the arbitral award is not appealed against, the enforcement of the award is governed by the provisions of chapter 2, section 19 of the Enforcement Act (705/2007).

**Implementation of the redemption**

**Section 11**
**Payment of the redemption price and transfer of rights**

The redemption price shall be paid within one month of the award or judgment on the redemption becoming res judicata. The share is transferred to the redeemer once the redemption price has been paid, unless it has already been transferred in accordance with section 6.

The redemption price may be paid by depositing it with the regional state administrative agency of the place where the company has its registered office, as provided in the Act on the Deposit of Cash, Book Entries, Securities or Instruments in Payment of Debts or for Release from Other Liabilities (281/1931), provided that the preconditions for deposit are met as provided in section 1 of the said Act. In this case, the redeemer shall not reserve the right to recover the deposit.

Once a deposit referred to in subsection 2 has been made, the possession of the share certificate relating to the share only entitles to the redemption price. The redeemer has the right to receive a new share certificate to replace one issued earlier; the new certificate shall bear a mention that it

replaces an earlier one. If the earlier share certificate is thereafter given to the redeemer, it shall be cancelled.

## Chapter 19
## Change of business form

### Change of limited liability company form

### Section 1
### Change of a private company into a public company

The decision of the General Meeting on the change of a private company into a public company shall be made by a qualified majority, as referred to in chapter 5, section 27.

A private company may be changed into a public company only if the company after the change meets the requirements for a public company under this Act and its trade name is at the same time changed so that it complies with the requirements laid down in the Trade Names Act (128/1979).

The company shall notify the amendment of the Articles of Association relating to its change into a public company for registration within one month of the decision of the General Meeting; failing this, the change shall lapse. The register notification shall be accompanied with a certificate by an auditor to the effect that the equity of the company is at least equal to its share capital. The company changes into a public company when the entry of the respective amendment to the Articles of Association is made in the Trade Register. (461/2007)

### Section 2
### Substantial acquisitions after the change into a public company

If a public company acquires assets from a shareholder within two years of the registration of the change of company form and the consideration paid by the company is no less than one tenth (1/10) of the share capital at the time of acquisition, and if the acquisition does not fall within the normal course of the company's business nor occur in the public trading of securities, the acquisition is governed by the respective provisions of chapter 2, section 14.

**Section 3**
**Change of a public company into a private company**

The decision of the General Meeting on the change of a public company into a private company shall be made by a qualified majority, as referred to in chapter 5, section 27. At the same time, the trade name of the company shall be changed so that it complies with the requirements provided in the Trade Names Act.

The company shall notify the amendment of the Articles of Association relating to its change into a private company for registration within one month of the decision of the General Meeting; failing this, the change shall lapse. The company changes into a private company when the entry of the respective amendment to the Articles of Association is made in the Trade Register.

**Change of a private company into another business form**

**Section 4**
**Change of business form**

A private company with at least three shareholders may be changed into a co-operative so that the shareholders become members of the co-operative.

A private company with at least two shareholders may be changed into a general partnership or a limited partnership so that the shareholders of the company become partners in the general or limited partnership.

The sole shareholder of a private company, if a natural person resident in the European Economic Area, may carry on with the operations of the company as a private entrepreneur.

**Section 5**
**Decision-making**

The decision on a change of business form, as referred to in section 4, may only be made with the consent of all shareholders and holders of option rights and other special rights entitling to shares.

The decision referred to in section 4, subsection 1 shall replace the incorporation instrument of the co-operative. The decision shall contain the following information:

1) the rules of the co-operative;

2) the shares devolving on the members; and

3) the names of the members of the first Board of Directors of the co-operative or, if the Supervisory Board is to elect the Board of Directors, the names of the members of the Supervisory Board, and, where appropriate, the names of the auditors. (461/2007)

The decision referred to in section 4, subsection 2 shall contain the partnership contract for the general or limited partnership.

The decision referred to in section 4, subsection 3 shall contain a mention of the trade name of the private entrepreneur.

**Section 6**
**Registration of the decision**

The company shall notify the decision on the change of business form, as referred to in section 4, for registration within one month of the decision and apply for the issue of a public notice, as referred to in section 7, from the registration authority; failing this, the decision shall lapse.

**Section 7**
**Public notice to creditors**

On receipt of an application referred to in section 6, the registration authority shall issue a public notice to those creditors whose receivables have arisen before the issue of the public notice. The notice shall indicate that the creditor has the right to object to the change of business form by so informing the registration authority in writing no later than on the due date mentioned in the notice. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

No later than one month before the due date, the company shall send a written notification of the public notice to its known creditors referred to in subsection 1. A certificate by a Member of the Board of Directors or the Managing Director to the effect that the notifications have been sent shall be delivered to the registration authority no later than on the due date.

The registration authority shall inform the company of the objections filed with it without delay after the due date.

**Section 8**
**Preconditions of registration**

The registration authority shall register the change of business form referred to in section 4, if no creditor has objected to the change or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the change of business form, the change shall lapse in one month from the due date. However, the registration authority shall suspend the proceedings, if the company within one month of the due date shows that it has brought an action so as to have the court affirm that the creditor has received payment or full security for the receivable, or if the company and the creditor together request that the proceedings be suspended.

The business form may be changed notwithstanding of the company being placed in liquidation, unless the distribution of the assets of the company to the shareholders, as referred to in chapter 20, section 15, has already begun.

The change of business form takes effect upon registration.

## Chapter 20
## Dissolution of the company

### General provisions

### Section 1
### Dissolution

A company is dissolved in accordance with the provisions of this chapter on liquidation.

A bankrupt company is deemed to have dissolved if, at the termination of the bankruptcy, there are no more assets or a determination on the use of the assets has been made in the context of the bankruptcy.

A company may also dissolve as a result of a merger or a demerger, as provided in chapters 16 and 17 of this Act.

### Section 2
### Deregistration

Instead of placing a company into liquidation, the registration authority shall deregister the company if its assets are not adequate for covering the costs of liquidation, or if there is no information on the assets, unless a shareholder, creditor or third party undertakes to bear the costs of the liquidation.

### Decision-making

### Section 3
### Decision on liquidation

The General Meeting decides on the placing of the company into liquidation. The decision shall be made by a qualified majority, as provided in chapter 5, section 27.

Provisions on the notice of the General Meeting, the meeting documents, their availability and delivery are laid down in chapter 5, sections 18–22. The notice of the General Meeting that is to

decide on liquidation shall be sent no earlier than two months and, unless a longer period has been provided in the Articles of Association, no later than one month before the General Meeting, the last date for advance notices of participation, as referred to in chapter 5, section 7, or the date of record for companies in the book-entry system, as referred to in chapter 5, section 6a. However, in a public company, the notice may be delivered three months before the date referred to above at the earliest. In addition to what is provided in the Articles of Association, the notice shall be sent in writing to all shareholders whose addresses are known to the company. (349/2017)

**Section 4**
**Order of liquidation or deregistration**

The registration authority shall issue an order of the liquidation or deregistration of the company, if:

1) the company has no registered and competent Board of Directors;

2) the company has no registered representative as referred to in section 6 of the Freedom of Enterprise Act (122/1919);

3) regardless of an exhortation by the registration authority, the company has not notified its financial statements for registration within one year of the end of the financial period, as required in chapter 8, section 10; or

4) the company has been declared bankrupt, but the bankruptcy has lapsed for lack of funds.

The order shall be issued, unless it is proved before the issue of the order that the grounds for the same no longer exist.

**Section 5**
**Exhortation to make corrections**

In the situations referred to in section 4, subsection 1, paragraphs 1–3, the registration authority shall take appropriate measures to exhort the company to correct the shortcomings in its register information. If no correction is made, the exhortation shall be sent to the company in writing,

backed by a threat of the company being placed in liquidation or deregistered unless the shortcomings are corrected by the deadline set in the exhortation. The exhortation shall be published in the Official Gazette no later than three months before the deadline. At the same time, the shareholders and creditors who wish to make comments on the possible liquidation or deregistration of the company shall be exhorted to do so in writing by the deadline. The matter may be decided even if no proof is available of the company having received the exhortation.

The registration authority shall, on its own motion, register the published exhortation referred to in subsection 1.

**Section 6**
**Right of initiative**

The matter of liquidation or deregistration of the company, as referred to in section 4, may be initiated by the Board of Directors, a Member of the Board of Directors, the Managing Director, an auditor, a shareholder, a creditor or another whose rights may depend on appropriate registration or the placing of the company into liquidation. The registration authority may take the matter up also on its own motion.

**Liquidation**

**Section 7**
**Purpose of liquidation**

The purpose of liquidation is to ascertain the financial position of the company, to convert the requisite amount of assets into cash, to repay the company's debts and to return the surplus to the shareholders or others, as provided in the Articles of Association. As provided in section 19, the General Meeting may decide to terminate the liquidation and continue the operations of the company and make any other decisions necessary in this respect.

If the assets of a company in liquidation are not adequate for the repayment of the company's debts, the liquidators shall apply for the bankruptcy of the company.

**Section 8**
**Beginning of liquidation**

Liquidation begins when the decision to this effect is made, unless the General Meeting designates a later date for the beginning of the liquidation.

**Section 9**
**Choice of liquidators, their appointment and duties**

When the decision on liquidation is made, one or several liquidators shall be appointed at the same time to replace the Board of Directors and, where appropriate, the Managing Director and the Supervisory Board. Unless otherwise provided in this chapter, the provisions of this Act on the Board of Directors and the Members of the Board of Directors apply to the liquidators. The decision revokes the authorisations given to designated individuals to represent the company, as referred to in chapter 6, section 26, unless otherwise determined in the decision.

The liquidators manage the affairs of the company during the liquidation. They shall, as soon as possible, convert into cash a sufficient amount of the assets of the company so that the liquidation can proceed and repay the debts of the company. The business operations of the company may be continued only to a degree called for by an appropriate liquidation process. The term of the liquidators is indefinite.

The registration authority shall appoint a competent liquidator for a company that has none. The application for the appointment of the liquidator may be made by a person whose rights may depend on the company having a representative. If the assets of the company are not adequate for covering the costs of liquidation or if there is no information on the assets of the company, and unless a shareholder, creditor or third party undertakes to bear the costs of liquidation, the registration authority shall deregister the company instead of appointing a liquidator.

**Section 10**
**Registration of the liquidation and liquidators**

The liquidation and the liquidators shall be registered. Once the General Meeting has decided on the liquidation and chosen the liquidators, the liquidators shall without delay notify the decision for registration.

**Section 11 (461/2007)**
**Financial statement for the period preceding liquidation**

If necessary, the liquidators shall draw up financial statements for the period preceding liquidation for which no financial statements have yet been submitted to the General Meeting. If, under the law or the Articles of Association, an auditor shall be appointed for the company, the financial statements shall be audited. The Members of the Board of Directors and the Managing Director shall contribute to the drawing up of the financial statements in exchange for reasonable remuneration.

**Section 12**
**General Meeting during liquidation**

The provisions of this Act on General Meetings apply to the General Meeting of a company in liquidation, unless otherwise provided in this chapter.

**Section 13**
**Financial statements, management report, audit and special audit**

The liquidators shall draw up financial statements and management reports for each financial period; these shall be submitted to the Ordinary General Meeting for approval.

The term of the auditors is not terminated when the company goes into liquidation. The provisions of chapter 7 on audit and special audit apply also during liquidation. The auditor's report shall contain a statement as to whether the liquidation has been unduly protracted and as to whether the liquidators have otherwise proceeded in an appropriate manner.

**Section 14**
**Public summons to creditors**

The liquidators shall apply for a public summons to the creditors of the company. The public summons is applied for from the registration authority, which registers the summons on its own motion. In other respects, the provisions of the Act on Public Summonses (729/2003) apply to the summons.

**Section 15**
**Repayment of debts, distribution of assets and objection to the distribution**

Once the due date of the public summons to the creditors of the company has passed and all of the known debts of the company have been repaid, the liquidators shall distribute the assets of the company. If a debt is disputed, not yet due or otherwise not repayable, the necessary funds shall be set aside and the remainder distributed. A shareholder has the right to a share in the distribution of the net assets of the company in proportion to his or her shareholding, unless otherwise provided in the Articles of Association. A shareholder and another person entitled to a share in the distribution may be paid an advance against the posting of full security.

If a shareholder wishes to object to the distribution, the action against the company shall be brought within three months of the final settlement being presented to the General Meeting.

If a shareholder or another person entitled to a share in the distribution has not claimed the share within five years of the final settlement being presented to the General Meeting, the share in the distribution shall be forfeited. Provisions on procedure in the event that funds appear to the company after it has dissolved are laid down in section 18.

**Section 16 (461/2007)**
**Final settlement**

After having completed their tasks, the liquidators shall, without undue delay, present a final settlement of their administration by drawing up a report of the entirety of the liquidation process. The report shall contain an account of the distribution of the assets of the company. The financial statements, management reports and auditor's reports from the liquidation period shall be attached to the report. If, under the law or the Articles of Association, an auditor shall be appointed for the company, the report and its attachments shall be given to the auditors, who shall issue an auditor's report on the final settlement and the administration during the liquidation within one month.

Upon completion of the measures referred to in subsection 1, the liquidators shall, without delay, call the shareholders to a General Meeting to inspect the final settlement. The provisions of chapter 5, sections 18–22 apply to the notice of the meeting, the meeting documents, their

availability and delivery, with the exception that the final settlement is governed by the provisions on financial statements. The final settlement shall be notified for registration as provided in chapter 8, section 10.

**Section 17**
**Dissolution**

The company is deemed to have dissolved once the liquidators have presented the final accounts to the General Meeting. The liquidators shall without delay notify the dissolution for registration.

Once dissolved, the company cannot acquire rights nor give undertakings. Measures taken on behalf of the company that has dissolved are at the joint responsibility of those who decided on the measures and those who carried them out. However, the liquidators may take measures to begin liquidation proceedings or apply for the bankruptcy of the company. A party contracting with a company that has dissolved may withdraw from the contract, if that party did not know of the dissolution.

**Section 18**
**Continued liquidation and post-liquidation**

The liquidation shall be continued, if new assets appear after the dissolution of the company, an action is brought against the company or liquidation measures are otherwise necessary. The liquidators shall, without delay, notify the continuation of the liquidation for registration. The notice of the first General Meeting of the continued liquidation shall be delivered as provided in the Articles of Association. In addition, a written notice shall be sent to all shareholders whose addresses are known to the company.

However, if the continuation of the liquidation is not to be deemed necessary, the liquidators may take the measures needed under the circumstances. The liquidators shall draw up a report of their measures and deliver it to the shareholders and others entitled to a share in the distribution. An insignificant share in the distribution may be remitted to the State.

The liquidation shall not be continued, if the assets of the company are not adequate for covering the costs of liquidation or there is no information on the assets, unless a shareholder, a creditor or a third party undertakes to bear the costs of the liquidation.

**Section 19**
**Termination of the liquidation and continuation of operations**

If the General Meeting has decided on the liquidation of the company, the General Meeting may decide by a qualified majority, as referred to in chapter 5, section 27, that the liquidation be terminated and the operations of the company continued. If the liquidation is based on a provision of the Articles of Association, the decision on the continuation of operations shall not be made before the provision has been amended. However, the liquidation shall not be terminated if a share in the distribution, as referred to in section 15, subsection 1, has already been remitted to a shareholder or a third party.

Once the decision on the termination of the liquidation has been made, management shall be appointed for the company in accordance with this Act and the Articles of Association.

The decision on the termination of the liquidation and the appointment of the management shall be notified for registration without delay once the management has been appointed. The public summons to the creditors of the company shall lapse when the termination of the liquidation has been registered. The liquidators shall present final accounts as provided in section 16.

**Deregistration**

**Section 20**
**Date of deregistration**

The company has been deregistered once the decision to this effect has been entered in the register.

**Section 21**
**Representation of a deregistered company**

If necessary, a deregistered company is represented by one or several representatives. The representatives are appointed and dismissed in a shareholders' meeting, which is subject to the provisions on a General Meeting. Provisions on the competence of the representatives to act on

behalf of the company are laid down in section 22. In other respects, the provisions on liquidators apply to the representatives, as appropriate.

If a deregistered company has no representative, the provisions of chapter 24, section 5, subsection 2 apply to the service of summonses and other notices.

**Section 22**
**Legal status of a deregistered company**

If necessary, the provisions of section 17, subsection 2 apply to a deregistered company. However, the representatives referred to in section 21, subsection 1 act as the representatives of the company.

Notwithstanding subsection 1, the representatives of a deregistered company may take measures that are necessary for the repayment of the company's debts or the preservation of the value of the company's assets. Where necessary, entries shall be made in the company books on measures taken on behalf of the company. The Business Mortgages Act contains provisions on the effects of deregistration on the persistence of a business mortgage.

Assets of a deregistered company may not be distributed to shareholders or others entitled to shares in the distribution without liquidation. However, in five years from the deregistration, the representatives of the company may distribute to the shareholders and the other parties entitled to shares in the distribution their shares of the assets of the company, if the assets do not exceed EUR 8,000 and if the company has no known liabilities. Those receiving assets are liable for the payment of the debts of the company up to the amount that they have received.

If, after deregistration, liquidation measures are needed, the registration authority shall order the company into liquidation on the application of the party to whose rights the matter pertains. However, no such order shall be issued, if the assets of the company are not adequate for covering the costs of liquidation or there is no information on the assets, unless a shareholder, a creditor or a third party undertakes to bear the costs of liquidation.

**Equity shortfall, restructuring and bankruptcy**

**Section 23 (1415/2007)**
**Equity shortfall**

If the Board of Directors of the company notices that the company has negative equity, the Board shall at once make a register notification on the loss of share capital. The register entry on the loss of share capital may be removed on the basis of a register notification made by the company, if the equity of the company, according to the balance sheet and the other information referred to in subsection 2, as attached to the register notification, is more than one half of the share capital. If the company is to appoint an auditor under the law or the Articles of Association, the balance sheet and the other information shall have been audited.

In the calculation of equity under subsection 1, a capital loan referred to in chapter 12 is considered as equity. In addition, the compound difference between the actual and planned depreciation of the assets of the company (*depreciation difference*) and the voluntary reserves held by the company are taken into account as additions to equity. If the probable current price of the assets of the company is otherwise than temporarily notably higher than its book value, also the difference between the probable current price and the book value may be taken into account as an addition to equity. Special caution shall be exercised in the additions to equity as referred to above; such additions shall be explained and justified in the management report or, under chapter 8, section 5, subsection 1, in the notes to the balance sheet.

If the Board of Directors of a public company notices that the equity of the company is less than half of the share capital, the Board of Directors shall, without delay, draw up financial statements and management report in order to ascertain the financial position of the company. If, according to the balance sheet, the equity of the company is less than half of the share capital, the Board of Directors shall, without delay, convene a General Meeting to consider measures to remedy the financial position of the company. The General Meeting shall be held within three months of the date of the financial statements. The availability of the financial statements and management report and their delivery to the shareholders is governed by the provisions of chapter 5, section 21.

**Section 24**
**Restructuring of enterprises**

The application for the commencement of restructuring proceedings, as referred to in the Restructuring of Enterprises Act, may be filed based on a decision of the General Meeting. Also the Board of Directors may file the application, if the matter is urgent. In this event, the Board of Directors shall, without delay, convene the General Meeting to decide on the continuation of the application.

**Section 25**
**Bankruptcy**

The assets of the company may be surrendered into bankruptcy by the decision of the Board of Directors or, if the company is in liquidation, by a decision of the liquidators. While in bankruptcy, the company as the bankrupt debtor is represented by the Board of Directors and the Managing Director or by the liquidators appointed before the bankruptcy. New Members of the Board of Directors or liquidators may be appointed while the company is in bankruptcy.

If no assets are left at the conclusion of the bankruptcy or if determination on the use of the remaining assets has been made in the bankruptcy, the company is deemed to have dissolved once the final settlement of accounts in the bankruptcy has been approved.

If, at the conclusion of the bankruptcy, assets other than those determined to be used in the bankruptcy remain, and the company was not in liquidation when its assets were surrendered into bankrupt, the Board of Directors shall, without delay, convene a General Meeting to decide whether to continue the operations of the company or to place it into liquidation. If the General Meeting decides that the operations of the company be continued, the Board of Directors shall, without delay, notify the same for registration. If the company was in liquidation when it was declared bankrupt, the provisions of section 18 apply.

If the bankruptcy of the company has been concluded and assets appear for the company, the provisions of chapter 19 of the Bankruptcy Act (120/2004) on belated scrutiny apply. If assets remain after the conclusion of the bankruptcy, the provisions of subsection 3 apply.

## PART VI
## SANCTIONS AND REMEDIES

### Chapter 21
### Objections to decisions

#### Section 1
#### Objecting to a decision by the General Meeting

A shareholder may object to a decision by the General Meeting by bringing an action against the company, where:

1) the procedural provisions of this Act or the Articles of Association 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

2) the decision is otherwise contrary to this Act or the Articles of Association.

The action of objection shall be brought within three months of the decision. If no action has been brought in time, the decision is deemed valid.

#### Section 2
#### Void decision by the General Meeting

A decision by the General Meeting, as referred to in section 1, subsection 1 above, is void, where:

1) no notice has been delivered of the General Meeting or the provisions on the notice have been materially breached;

2) the decision requires the consent of a shareholder, as referred to in chapter 5, section 29, subsection 1 or 2, and such consent has not been obtained;

3) the decision is clearly contrary to the principle of equal treatment referred to in chapter 1, section 7, and the consent of the shareholder, as referred to in chapter 5, section 29, subsection 3, has not been obtained; or

4) under the law, the decision could not have been made even with the consent of all shareholders.

The provisions on the bringing of an action of objection in time laid down in section 1, subsection 2 do not apply to a void decision. However, an action related to a merger or demerger decision cannot be brought once six months have passed from the registration of the merger or demerger.

**Section 3**
**Decision of the Board of Directors comparable to a void decision by the General Meeting**

If a decision in a matter within the competence of the General Meeting, made by the Board of Directors on authorisation, is as referred to in section 2, subsection 1, paragraphs 2–4, the provisions on a corresponding decision by the General Meeting apply to the decision.

**Section 4**
**Contents and effects of a judgment**

The judgment on an action of objection may render the decision invalid or amend the decision, as requested by the plaintiff. At the request of the plaintiff, the company may at the same time be enjoined against implementing the invalid decision. The decision may be amended only if it can be ascertained what the correct contents of the decision should have been.

A judgment rendering the decision of the General Meeting invalid or amending the decision shall have an effect also in relation to the shareholders who have not joined in the action.

## Chapter 22
## Liability in damages

### Section 1
### Liability of the management

A Member of the Board of Directors, a Member of the Supervisory Board and the Managing Director is liable in damages for the loss that he or she, in violation of the duty of care referred to in chapter 1, section 8, has in office deliberately or negligently caused to the company.

A Member of the Board of Directors, a Member of the Supervisory Board and the Managing Director is likewise liable in damages for the loss that he or she, in violation of other provisions of this Act or the Articles of Association, has in office deliberately or negligently caused to the company, a shareholder or a third party.

If the loss has been caused by a violation of this Act other than a violation merely of the principles referred to in chapter 1, or if the loss has been caused by a breach of the provisions of the Articles of Association, it is deemed to have been caused negligently, in so far as the person liable does not prove that he or she has acted with due care. The same provision applies to loss that has been caused by an act to the benefit of a related party. (512/2019)

### Section 2
### Liability of shareholders

A shareholder is liable in damages for the loss that he or she, by contributing to a violation of this Act or the Articles of Association, has deliberately or negligently caused to the company, another shareholder or a third party.

Loss that has been caused by an act to the benefit of a related party is deemed to have been caused negligently, unless the shareholder proves that he or she has acted with due care. (512/2019)

**Section 3**
**Liability of the chairperson of the General Meeting**

The chairperson of the General Meeting is liable in damages for the loss that he or she, in violation of the provisions of this Act or the Articles of Association, has deliberately or negligently caused to the company, a shareholder or a third party.

**Section 4 (623/2016)**
**Liability of the auditors**

The liability in damages of the auditors is governed by the provisions of chapter 10, section 9 of the Auditing Act.

**Section 5**
**Adjustment and the allocation of liability**

The adjustment of the damages and the allocation of liability between two or more liable persons are governed by the provisions of chapters 2 and 6 of the Tort Liability Act (412/1974).

**Section 6**
**Decision-making in the company**

As provided in chapter 6, section 2 of this Act, the Board of Directors makes the decisions on matters relating to the right of the company to damages under sections 1–3 of this chapter or under chapter 10, section 9 of the Auditing Act. However, these matters may also be decided by the General Meeting. (623/2016)

A decision of the General Meeting on the discharge of a Member of the Board of Directors, a Member of the Supervisory Board or the Managing Director from liability is not binding, if the General Meeting has not been given essentially correct and adequate information about the decision or measure underlying the liability in damages. A decision on discharge from liability is not binding on the bankruptcy estate of the company or the administrator referred to in the Restructuring of Enterprises Act, if the company is declared bankrupt or if restructuring proceedings are begun upon an application filed within two years of the decision.

**Section 7**
**Right of the shareholders to bring an action on behalf of the company**

One or several shareholders have the right to bring an action in their own name for the collection of damages to the company under sections 1–3 or under chapter 10, section 9 of the Auditing Act, if it is probable at the time of filing of the action that the company will not make a claim for damages and: (623/2016)

1) the plaintiffs hold at least one tenth (1/10) 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, as referred to in chapter 1, section 7.

The company shall be given an opportunity to be heard in the case, unless this is manifestly unnecessary. The shareholders bringing the action bear the legal costs themselves, but they have the right to be reimbursed for the same by the company, in so far as the funds accruing to the company by means of the proceedings suffice for the same.

If the person liable in damages has been discharged from liability by a decision of the General Meeting, the action shall be brought within three months of the decision. However, if a proposal for a special audit, as referred to in chapter 7, section 7, has been made and seconded in the same General Meeting, the action may in any event be brought within three months of the report of the special audit being presented to the General Meeting or the application for the appointment of a special auditor being rejected.

A shareholder does not have the right to damages for loss caused to the company.

**Section 8**
**Statute of limitations**

An action brought under this chapter or under chapter 10, section 9 of the Auditing Act and based on an act that is not punishable by law shall be brought respecting the following time limits: (623/2016)

1) against a Member of the Board of Directors, a Member of the Supervisory Board or the Managing Director within five years of the end of the financial period during which the decision underlying the action was made or the measure underlying the act was taken;

2) against an auditor within five years of the presentation of the auditor's report, statement or certificate underlying the action; and

3) against a shareholder or the chairperson of the General Meeting within five years of the decision or measure underlying the action.

**Section 9**
**Mandatory provisions**

The right of the company to damages under this chapter or under chapter 10, section 9 of the Auditing Act cannot be restricted by provisions of the Articles of Association, if the loss has been caused: (623/2016)

1) by a violation of provisions that cannot be derogated from under the Articles of Association; or

2) otherwise deliberately or through gross negligence.

The right of the company to damages may be otherwise restricted under the Articles of Association only on the consent of all shareholders.

The right of a shareholder or a third party to damages or to bring an action under this chapter or under chapter 10, section 9 of the Auditing Act cannot be restricted by provisions of the Articles of Association restricting. (623/2016)

## Chapter 23
## Duty of redemption and dissolution of the company on the basis of abuse of influence

### Section 1
### Duty of redemption

A shareholder shall be obliged, on the basis of an action brought by another shareholder, to redeem the shares of the latter shareholder within a set period, where:

1) the shareholder has deliberately abused his or her influence in the company by contributing to a decision contrary to the principle of equal treatment referred to in chapter 1, section 7, or to other violations of this Act or the Articles of Association; and

2) redemption is a necessary remedy for the other shareholder, taking due note of the probability of the conduct referred to in paragraph 1 being continued and of the other relevant circumstances.

The redemption price shall be set at the fair price that the share would have in the absence of any abuse of influence.

The company shall be given an opportunity to be heard, unless this is manifestly unnecessary.

### Section 2
### Order of liquidation or deregistration

A court order on the liquidation of the company shall be issued on the basis of an action by a shareholder against the company, where:

1) the criteria for the redemption of the shares of the plaintiff, as referred to in section 1, subsection 1, exist but the person abusing his or her influence is probably not going to comply with the duty of redemption; and

2) there are especially weighty reasons for liquidation in view of the shareholders' need for a remedy and their interests.

The other shareholders may be given an opportunity to be heard, if this is deemed necessary.

A company that has been ordered into liquidation will dissolve in accordance with the provisions on liquidation laid down in chapter 20. When the court issues an order of liquidation, it shall at the same time appoint one or several liquidators referred to in chapter 20, section 9.

Instead of an order of liquidation, the court shall issue an order of the deregistration of the company, as referred to in chapter 20, if the assets of the company are not adequate for covering the costs of liquidation or if there is no information on the assets, and if no shareholder, creditor or other party undertakes to bear the costs of liquidation.

## Chapter 24
## Dispute resolution

### Court proceedings

### Section 1 (1752/2009)
### Competent courts

Notwithstanding the provisions of chapter 10 of the Code of Judicial Procedure, a matter pertaining to the application of this Act may also be considered by the district court with jurisdiction for the place where the company has its registered office.

### Section 2
### Matters to be considered urgently

A matter pertaining to a payment or full security, where the judgment is a precondition for registration under chapter 14, section 5; chapter 16, section 15; chapter 17, section 15; or chapter 19, section 8, shall be considered urgently.

An action of objection referred to in chapter 21 shall be considered urgently.

## Arbitration

### Section 3
### Arbitration on the basis of the Articles of Association

A provision in the Articles of Association on the referral of disputes to arbitration is binding on the company, the shareholders, the Board of Directors, the Supervisory Board, the Members of the Board of Directors, the Members of the Supervisory Board, the Managing Director and the auditors in the same manner as an arbitration clause, as provided in the Arbitration Act. A provision in the Articles of Association on the referral to arbitration of disputes on the redemption right or redemption price under a redemption clause referred to in chapter 3, section 7, is likewise binding on the parties to the dispute.

However, the provision in the Articles of Association referred to in subsection 1 above applies only to actions where the cause has arisen after the registration of the provision.

### Section 4
### Statutory arbitration

Provisions on the statutory arbitration of certain redemption disputes are laid down in chapter 16, section 13, chapter 17, section 13, and chapter 18, sections 3–10.

## Miscellaneous provisions

### Section 5
### Service of notices on the company

Summonses and other notices are deemed to have been served on the company once they have been served on a Member of the Board of Directors, the Managing Director or another person who under this Act is entitled to represent the company either alone or together with another person.

If none of the representatives of the company referred to in subsection 1 has been entered in the Trade Register, the service may be effected by delivering the documents to someone in the service of the company or, if no such person can be found, to the police of the place where the company

has its registered office in compliance with chapter 11, section 7, subsections 2–4 of the Code of Judicial Procedure.

**Section 6**
**Official notice of decisions**

If a decision pertains to a circumstance to be entered in the Trade Register, the court or the arbitrators shall, without undue delay, notify the registration authority of the decision. A court shall likewise give official notice of its decision becoming res judicata (*no longer open to regular appeal*).

**Chapter 25**
**Penal provisions**

**Section 1**
**Company law offence**

A person who intentionally

1) violates the prohibition of chapter 1, section 1, subsection 2 on the admittance of the securities of a private company to trading on a regulated market referred to in the Act on Trading in Financial Instruments, (756/2012)

2) violates the provisions on the drafting of the statement of an auditor referred to in chapter 2, section 14, subsection 2, chapter 16, section 4, chapter 17, section 4, or chapter 19, section 2, (461/2007)

3) acts as a front for a third party in order to circumvent voting restrictions provided in this Act or the Articles of Association, or

4) violates the protection of the shareholders or the creditors by distributing the assets of the company in breach of the provisions of this Act

shall, unless the act is of minor significance or unless a more severe punishment for the act is provided elsewhere by law, be sentenced for *a company law offence* to a fine or to imprisonment for at most one year.

**Section 2**
**Company law violation**

A person who intentionally

1) neglects to keep a shareholder register in the manner required under chapter 3, section 15 or to keep it accessible in the manner required under chapter 3, section 17, subsection 1, (349/2017)

2) violates the provision of chapter 5, section 23, subsection 4 on the keeping available of the minutes of the General Meeting,

3) violates the provision of chapter 18, section 2, subsection 1 on the notification of the rights of squeeze-out and sell-out to the company, or

4) violates the provisions of this Act on the drawing up of the financial statements, the management report or the consolidated financial statements, or on the submission of final accounts or a settlement relating to the merger, demerger or liquidation of a company

shall, unless the act is of minor significance or unless a more severe punishment for the act is provided elsewhere by law, be sentenced for *a company law violation* to a fine.

A person who through gross negligence acts in the manner referred to in subsection 1, paragraph 4 shall also be sentenced for a company law violation.

## PART VII
## MISCELLANEOUS PROVISIONS

### Chapter 26
### Entry into force

#### Section 1
#### Entry into force

This Act enters into force as separately provided by an act.