

N.B. Unofficial translation

Prime Minister's Office, Finland

**State Shareholdings and Ownership Steering Act
(1368/2007)**

Section 1 - Scope of application

- (1) This Act applies to decision-making relating to state shareholdings and ownership steering in state majority-owned companies and in state associated companies.
- (2) This Act does not apply to shares owned by the Social Insurance Institution of Finland, the Bank of Finland, the State Pension Fund or a state enterprise, nor are votes carried by shares owned by them taken into consideration when calculating voting rights under this Act.
- (3) This Act applies only to decision-making and ownership steering relating to companies referred to in subsection 1. If a company referred to in subsection 1 is the parent company of a group, the Act shall not apply to its subsidiaries. Neither does this Act apply to shares that the State owns in housing companies or in companies whose main purpose is the ownership or control of a certain property or group of properties.

- (4) If a company or its ownership steering is separately provided for by an act, the provisions of the act in question shall be complied with in so far as this is not otherwise provided for in this Act.

Section 2 - *Definitions*

- (1) *Decisions relating to state shareholding* refers to measures by which the State relinquishes or acquires shares or as a shareholder approves such decisions of company bodies that result in a change in state ownership or voting rights in a company.
- (2) *State ownership steering* refers to the exercising of the State's right to vote in general meetings as well as to other measures by which the State as a shareholder contributes to companies' administration and operating principles.
- (3) *A state majority-owned company* refers to a limited company in which the State has a majority of the votes carried by all of the company's shares.
- (4) *A state associated company* refers to a limited company in which the State has at least ten per cent and at most fifty per cent of the votes carried by all of the company's shares. Applying this Act, a company in which

the State's proportion of votes is less than ten per cent may also be prescribed a state associated company by a government decree, provided that state ownership in the company is deemed significant by virtue of financial or ownership steering factors.

Section 3 - Parliamentary authorisation for decisions relating to the acquisition or relinquishment of control

- (1) If a decision relating to state shareholding concerns ownership or corporate restructuring whose implementation would result in the State ceasing to be a company's sole shareholder or relinquishing its majority shareholding in a company, the decision can be made only if Parliament has given its authorisation thereto. Parliamentary authorisation shall not be required, however, to an arrangement that gives rise to a new company in which the State has voting rights pursuant to an earlier decision of Parliament.

- (2) If a decision relating to state shareholding concerns ownership or corporate restructuring whose implementation would result in a company becoming state majority-owned, the decision can be made only if Parliament has given its authorisation thereto. Parliamentary authorisation shall not be required, however, if the State does not invest additional assets in a company or if a company becomes state majority-

owned in connection with a corporate restructuring or an exchange of shares in which the State receives shares or assets to be invested as a counter-payment to shares it relinquishes. Neither shall parliamentary authorisation be required if the State subscribes for a majority of shares in a company to be founded or acquires a majority shareholding in a company that is small or medium-sized. A company is small if it fulfils the conditions laid down in Article 11 of the Fourth Council Directive 78/660/EEC based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies, and medium-sized if it fulfils the conditions laid down in Article 27 of the Fourth Council Directive 78/660/EEC based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies.

Section 4 - *Authority of the Government*

- (1) The government plenary session shall handle and decide matters relating to:
 - 1) the relinquishment and acquisition of shares in state majority-owned companies and state associated companies;

2) the State's contribution to such an arrangement that results in the relinquishment to others of shares in a company wholly owned by the State;

3) the State's contribution to a merger or division and to such an arrangement that results in the State's proportion of votes carried by all of a company's shares changing by at least five percentage points or in a significant way in terms of shareholder authority;

4) the State's contribution to a decision by which a company is placed in voluntary liquidation;

5) the State's share capital investments and other equity investments in state majority-owned companies and state associated companies; and

6) general principles and operating guidelines concerning state ownership policy and ownership steering.

(2) Shares may be acquired for the State and share capital investments and other equity investments may be made only:

1) within the framework of appropriations allocated for the purpose in the Budget as well as on the terms

and conditions mentioned therein;

2) by using state-owned property to pay for share subscriptions; and

3) in connection with a corporate restructuring or an exchange of shares in which the State receives shares as a counter-payment to shares that it relinquishes.

Section 5 - Authority of the ministry responsible for ownership steering

(1) The ministry responsible for ownership steering shall handle and decide matters relating to:

1) the appointment of state representatives at general meetings and the operating guidelines issued to them;

2) the exercise of the State's rights as a shareholder;

3) other ownership steering of companies; and

4) the State's contribution to an arrangement that results in the State's proportion of votes carried by all of the shares of a company, other than one wholly

owned by the State, changing in a way other than that referred to in section 4 (1) paragraph 3.

Section 6 - Authority of government agencies or public bodies responsible for ownership steering

- (1) If the administration of shares belonging to the State has been allocated through a decision of Parliament or the Government to be handled by a specified government agency or public body, the agency or public body in question shall have the authority and tasks which pursuant to sections 4 and 5 belong to the Government and to the ministry responsible for ownership steering, and shall be governed by the same restrictions that apply to the Government pursuant to section 3 and section 4 (2).

Section 7 - Relinquishment of shares belonging to the State

- (1) The provisions of section 24 of the Budget Act (423/1988) shall not apply to the relinquishment of shares of state majority-owned companies and state associated companies.

- (2) State-owned shares shall not be relinquished for a price lower than fair value unless otherwise required by special circumstances relating to the relinquishment. A relinquishment at a price substantially below fair value shall, however, always be subject to authorisation granted by Parliament. Ownership or corporate restructuring that results in a substantial change in the State's proportion of the votes carried by all of a company's shares shall be considered comparable to a relinquishment of shares. Convertible bonds, warrants and other documents and financial instruments granting entitlement to subscribe for shares or to exercise the right to vote shall be considered comparable to shares.

Section 8 - *Determination of fair value*

- (1) The fair value of shares shall be considered to be the price that it is possible to obtain for the shares in trading conducted on normal commercial terms.
- (2) The market price in share sales of the shares of a company subject to public trading or multilateral trading referred to in the Securities Markets Act (495/1989) shall be formed either in the trading referred to above in this paragraph or in a representative auction conducted outside thereof.

- (3) The market price in share sales of a company other than that referred to in subsection 2 shall be assessed by valuation methods generally used in corporate acquisitions.
- (4) The market price in corporate restructurings or exchanges of shares shall be assessed by valuation methods generally used in corporate acquisitions. The methods used in valuation shall be applied in the same manner to all companies participating in a corporate restructuring or an exchange of shares and to their securities.

Section 9 - *Further provisions*

- (1) Further provisions on the implementation of this Act are laid down where necessary by government decree.

Section 10 - *Entry into force*

- (1) This Act enters into force on 1 January 2008.
- (2) This Act repeals the Act on the State's exercise of its partnership authority in certain limited companies engaging in economic activities (740/1991), issued on 19 April 1991.

- (3) When this Act enters into force, such decisions of Parliament that have been issued in respect of the Government's authority and deviating from section 3 shall be annulled. Decisions relating to state shareholding shall not require parliamentary authorisation if Parliament has, before this Act's entry into force, approved that the State will relinquish its majority stake in a company.