



# IMPLEMENTING SRD II

## COUNTRY BRIEF: FINLAND

### KEY TAKEAWAYS

- The law that implements the Shareholder Rights Directive II took effect June 10, 2019.
- New say-on-pay votes are introduced, one on the remuneration policy and one on the remuneration report. Both votes are advisory. Additionally, companies will be required to define, supervise, and monitor related-party transactions, which will be approved by shareholders.
- The votes on the remuneration policy are expected in 2020, while votes on the remuneration report are expected in 2021.

EU DIRECTIVE  
2007/828/EC  
REGARDING THE  
ENCOURAGEMENT OF  
LONG-TERM  
SHAREHOLDER  
ENGAGEMENT (SRD II)

In response to the global financial crisis, the European Commission proposed a revision of the original 2007 Shareholder Rights Directive.

The [revised Shareholder Rights Directive II \("SRD II"\)](#), which took effect June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance.

### KEY NEW REQUIREMENTS OF SRD II

The Directive is subdivided into three main chapters



#### VOTING CHAIN

- Companies should have access to the identity of shareholders without delay.
- Transmission of information that enables shareholders to exercise their rights should be made available in electronic and machine-readable formats.
- Intermediaries are required to facilitate the exercise of shareholder rights, including confirmation that shareholder votes were recorded and counted accurately.



#### TRANSPARENCY

- Engagement policies of institutional investors and asset managers
- How shareholder engagement is integrated into investment strategy, including how voting rights were exercised
- Institutional investors' investment strategies and arrangements with asset managers
- Proxy advisors should provide a reference to the code of conduct they apply and report on the application of that code.



#### REMUNERATION & RPTs

- Shareholders will have the right to express their views on executive pay.
- Separate votes on the remuneration report and remuneration policy.
- The European Commission will provide non-binding guidance about the presentation of the remuneration report.
- Rules on transparency and approval process of related-party transactions.

## SHAREHOLDER RIGHTS DIRECTIVE II

In response to the 2008 global financial crisis, the European Commission proposed in April 2014 a revision of the original 2007 Shareholder Rights Directive in 2014. The revised Shareholder Rights Directive ("SRD II"), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance. Both elements were lacking during the crisis when many companies took on excessive risks in the pursuit of short-term returns. EU member states were called upon to amend their laws to comply with SRD II by June 10, 2019. As of Feb. 26, 2020, 20 EU member states had implemented SRD II into their local legislations.

## IMPLEMENTING SRD II INTO FINNISH LEGISLATION

The Finnish Corporate Governance code 2020 and other laws were revised based on the amendments sought by the SRD II, which took effect June 10, 2019 in Finland. These amendments address executive remuneration, related-party transactions and shareholder identification and engagement. Further details on the amendments are highlighted below.

**Identification of Shareholders**

In line with the SRD II, issuers will be allowed to request the identification of shareholders holding more than a certain percentage of shares or voting rights. Such a percentage shall not exceed 0.5 percent. In Finland, companies will have the right to identify any shareholder, irrespective of the number of shares the shareholder holds. This amendment will take effect on Sep. 24, 2020.

**Facilitation of Shareholder Rights**

The intermediaries are required to facilitate the exercise of shareholder rights. This will require intermediaries to facilitate the flow of information between the company and shareholders. This amendment will take effect on Sep. 24, 2020.

**Transmission of Information**

In order to enable shareholders to exercise rights deriving from their shares, the intermediaries are required to transmit information without delay complying with issuer deadlines and record dates and in electronic and machine-readable formats which allow for interoperability and straight-through processing (STP). This amendment will take effect on Sep. 24, 2020.

**Transparency of Institutional Investors**

Institutional investors and assets managers are required to disclose their engagement policies annually.

**Transparency of Proxy Advisors**

Proxy advisors are required to publish on their websites annually a reference to a code of conduct which they apply and reports on the application of that code.

**Right to Vote on the Remuneration Policy and Report**

The remuneration policy should be submitted at the general meeting for shareholder approval upon each substantial change thereof or at least every four years.

The annual remuneration report should be submitted for shareholder approval at the general meeting which approves the financial statements for the accounting period when the remuneration report is prepared.

**Transparency on Related-Party Transactions**

Related-party transactions are subject to approval by shareholders at the general meeting. Companies will be required to define related parties, maintain a list of related parties, and identify related-party transactions. The preparation of related-party transactions must involve reports, statements, and assessments.

<b>Effective Date</b>
June 10, 2019
<b>GM Notice Period</b>
21 days
<b>Availability Remuneration Report</b>
21 days
<b>Policy Vote</b>
Advisory
<b>Report Vote</b>
Advisory
<b>RPT Vote</b>
Yes



---

**We empower investors and companies to build  
for long-term and sustainable growth by providing  
high-quality data, analytics, and insight.**

**GET STARTED WITH ISS SOLUTIONS**

Email [sales@issgovernance.com](mailto:sales@issgovernance.com) or visit [issgovernance.com](http://issgovernance.com) for more information.

Founded in 1985, the Institutional Shareholder Services group of companies ("ISS") is the world's leading provider of corporate governance and responsible investment solutions alongside fund intelligence and services, events, and editorial content for institutional investors, globally. ISS' solutions include objective governance research and recommendations; responsible investment data, analytics, and research; end-to-end proxy voting and distribution solutions; turnkey securities class-action claims management (provided by Securities Class Action Services, LLC); reliable global governance data and modeling tools; asset management intelligence, portfolio execution and monitoring, fund services, and media. Clients rely on ISS' expertise to help them make informed investment decisions.

This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.