



# **Russian Corporate Governance Roundtable Meeting**

**Moscow, 27 – 28 October 2008**

**Meeting co-hosted by the Ministry for Economic Development, Russia**



**OWNERSHIP STEERING**  
GOVERNMENT OFFICE

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## **Equitable Treatment of Non-Government Shareholders Finnish Perspectives**

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# Basic Rule in Finnish Limited Liability Companies Act:

- Part I, Chapter 1, Section 7 – Equal treatment
- “All shares shall carry the same rights in the company, unless it is otherwise provided for 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.”



# Perspective: Decisionmaking

- Not a challenge with SOE:s in Finland
- Principles of Ownership Steering:
  - The State exercises its power as Shareholder in General Meetings only
  - Most Boardmembers are external experts, independent from Shareholders
    - must, by law, act in the best interest of the Company and all Shareholders
  - Independent Management
- Corporate Governance Code for Listed Companies
  - also widely used by non-listed Companies with several Shareholders
  - ➡ All operational decisions “at arm’s length”
- Public procurements strongly regulated
  - EU directives
  - domestic regulation
- State aid?
- Media control
  - public
  - politicians



# Perspective: Information

- The Company Law does not require, that all Shareholders would have access to the same, complete information
  - fair but impossible
- Law on Securities Trading and Rules of Stock Exchange
  - All essential information disseminated by listed companies by public press releases through the Stock Exchange
  - Administration of insider information strongly regulated
  - Undue dissemination and misuse of insider information forbidden and criminalised



- However, big owners often know better
  - In practice it is beneficial, that the Management seeks in advance the opinion of major Shareholders in matters that are finally to be decided at the AGM
  - Messages to the Ownership Steering are to be delivered by the Chairman or the CEO
  - We do not listen to individual Board Members or other members of the Management
  - This rule included in the Government's Decision in Principle concerning Ownership Steering
  - Insider information, if any, is dealt with in a very formal way strictly abiding to the Law



# Perspective: Strategic Interests

- The Government has declared in public that there is a strategic interest in the State ownership of a group of Companies
  - 16 all in all, 3 listed, 13 non-listed
  - State ownership in most cases > 50 %
  - Energy, basic services, air transport, defence
  - Security of Supply
- Government's Decision in Principle concerning Ownership Steering:
  - Should the Government impose a special task or any sort of operational or economical burden to any such Company
    - this task or other burden has to be precisely defined,
    - its economical value must be assessed
    - the Company and the Government must agree on the compensation
  - This rule has never been applied in practice



# Perspective: Misunderstandings

- The public opinion has often misconceptions on the role of the State as a Shareholder
  - The “omnipotent” Owner
  - Irrespective of the size of the ownership
  - Creates flashy headlines in the media
  - Utilised by opposition party politicians

