



A NEW CORPORATE GOVERNANCE RECOMMENDATION
FOR FINNISH LISTED COMPANIES

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The new Corporate Governance Recommendation for Listed Companies (“Recommendation”) was announced on 2 December 2003. It was drafted by a Corporate Governance working group appointed by HEX Plc, the Central Chamber of Commerce of Finland, and the Confederation of Finnish Industry and Employers. Although the Recommendation will take effect on 1 July 2004, companies may implement it immediately.

The Recommendation is intended for the companies listed on the Helsinki Exchanges, provided that it is not in conflict with the regulations of the company’s domicile. It is designed to complement the statutory corporate governance procedures of Finnish listed companies. These procedures are currently based primarily on mandatory provisions in several Finnish laws.

The aim of the Recommendation is to harmonise the practices of listed companies, improve the transparency of their operations, harmonise the information given to shareholders and improve the quality of disclosure. The Regulation includes 57 recommendations that address, among other things, questions on the organisation of general meetings, the election and composition of the board of directors and the performance and organisation of its duties, internal control, risk management and internal audits, and the presentation of information concerning corporate governance.

First and foremost, the Recommendation encourages companies to adopt an open disclosure practice and transparency in their internal operations. Companies are to report the financial benefits based on the service contracts of the managing director and of the full-time chairman of the board and disclose the average attendance of directors at the board meetings. According to the Recommendation, companies are to have a website on the Internet where they will present information on issues of corporate governance. In the future, particular attention must also be paid to the independence of the directors in relation to the company and to its significant shareholders. According to the Recommendation, a majority of the members of the board of directors need to be independent of the company. The independence of a board member shall be evaluated in accordance with the detailed provisions of the Recommendation.

The Recommendation has been drafted in accordance with the “comply or explain” principle. Companies listed on the Helsinki Exchanges should in general comply with the Recommendation and are bound to explain any deviation from this practice. They must also give information on overall compliance with the Recommendation in both their annual report and on their website.

Although the Recommendation will take effect on 1 July 2004, the decisions that need to be made in the general meeting and any necessary changes to the Articles of Association may be made at the next annual general meeting after the above date (in most cases spring 2005). Before such a meeting companies do not have to explain practices that may deviate from the Recommendation.

The Recommendation is available in English on the following websites:

www.hex.com

www.tt.fi

www.keskuskauppakamari.fi