

To: [policy@issgovernance.com](mailto:policy@issgovernance.com)

With regards to your request for comments on the European policy changes on director elections, we comment on the following:

## **Whether to include Finland in the over boarding policy, despite all Finnish board elections being bundled?**

Under the Finnish Limited Liability Companies Act, a company must have a board of directors. The board is elected by the general meeting typically for one year at the time. The nomination committees of Finnish companies typically propose certain individuals to be elected to the board and this proposal is considered as one proposal. This is often seen as a bundled board proposal. However, a shareholder could give a counter proposal suggesting changes to the proposed composition if present at the meeting in person or represented by proxy. Therefore, giving advance voting instructions to vote against the board proposal if there was e.g. an over boarding situation might result in no board being elected at the general meeting or a board being elected by a very low number of shareholders at the meeting, in case the proxy representatives do not have authority to vote if a counter proposal is presented. This is not in the interest of the company or the shareholders. It should also be considered that while the board consists of individuals the suggested composition (group) may be considered more than the sum of the individuals.

In addition, when assessing whether to include Finland in the over boarding policy the ISS should acknowledge the order in which matters are dealt with at the general meeting both by law and articles of association of the company. In Finland the general meeting also resolves on the remuneration to the members of the board of directors. Finnish companies follow a certain agenda at their general meetings and the resolution on the board remuneration is made before the members of the board are elected. If the composition of the board is uncertain, that will also create uncertainty to the board compensation resolution.

Furthermore, the number of the members of the board is also resolved on an agenda item of its own before making a resolution on the members of the board. This would be problematic, if the general meeting would not then elect all proposed board members. In order to avoid these situations, the whole election process and preceding resolutions related to the board would need to be renewed.

Currently the Finnish companies are also occupied by the regulatory changes resulting from the Shareholders' Rights Directive, which will bring changes to the general meetings. The companies need to be given time to prioritize meeting these regulatory requirements first.

We believe that if the over boarding policy were applied to Finnish board elections in the current voting practice where the board is elected as a group, this might result in unreasonable outcomes for the companies for the above-mentioned reasons. Thus, the change in the current practice should be driven by changes in local legislation and practice. Changing the vote from so called bundled election to voting each individual would require changes to the current candidate setting and voting, especially advance voting, procedures. Currently it is not known how this would be carried out in practice and companies would need time to adjust to this. Consequently, we are not in favor of including Finland in the ISS over boarding policy for 2018.

In addition, Finland is a small market and even if the boards are getting more and more international, there are some individuals who serve on many boards, although based on the ISS research this is not a major problem in Finland and therefore we question including Finland in the over boarding policy in the current voting practice. We consider that it would not add to the good governance, but would significantly increase the insecurity related to board elections and administrative burden as the whole AGM voting process would need to be thought over.