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PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

FINLAND

GLASS LEWIS

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' Continental Europe Policy Guidelines by highlighting the key policies that we apply specifically to companies listed in Finland and the relevant regulatory background to which Finnish companies are subject, where they differ from Europe as a whole. Given the growing convergence of governance regulations and practices across companies subject to European Union rules and directives, Glass Lewis combined our general approach to Continental European companies in a single set of guidelines, the Continental Europe Policy Guidelines, which set forth the underlying principles, definitions and global policies that Glass Lewis uses when analysing Continental European companies.

While our approach to issues addressed in the Continental Europe Policy Guidelines are not repeated here, we will clearly indicate in these guidelines when our policy for Finnish companies deviates from the Continental Europe Policy Guidelines.

CORPORATE GOVERNANCE BACKGROUND

The Finnish Corporate Governance Code ("Code") was originally issued by the Finnish Securities Market Association in 2008 and updated in 2010. It replaced the Corporate Governance Recommendation for Listed Companies originally issued in 2003. The current version of the Code was approved on October 1, 2015 and came into force on January 1, 2016.

The main intention behind the most recent update was to make the Code compliant with recent regulatory developments in Finland and Europe and to promote transparency and comparability among Finnish companies. The changes include a reduction in the number of recommendations following a re-structuring of the reporting obligations included in the Code, increased reporting requirements on diversity and related party transactions, and new rules regarding director tenure and audit committee independence. The Code sets a standard for Finnish publicly traded companies and aims to unify practices between companies and with respect to international standards. The Code makes a distinction between recommendations that are targeted to the parent company and recommendations that are targeted to the entire group. Finnish companies must abide by the Code according to a "comply-or-explain" principle. The Securities Market Association has also published an additional Corporate Governance Statement Guideline, the most recent revision of which was released on December 1, 2010; Remuneration Statement Guideline, the most recent revision of which was released on March 8, 2011; Helsinki Takeover Code, the most recent revision of which came into force on January 1, 2014; and Guideline: comply or explain, released on January 20, 2012, which provide companies with recommendations for disclosure.

A Board of Directors that Serves Shareholder Interest

ELECTION OF BOARD OF DIRECTORS OR SUPERVISORY BOARD MEMBERS

Under Finnish law, a company may elect to be governed by either: (i) a one-tier board of directors with a managing director (i.e., CEO); or (ii) a two-tier structure consisting of a board of directors and a supervisory board (which exercises control over the board of directors and is composed solely of non-executive members).[1] Under the two-tier structure, shareholders are entitled to elect only the members of the supervisory board while members of the board of directors are elected by the latter. In practice, the vast majority of public Finnish companies opt for a one-tier board structure.

Unless otherwise provided by these guidelines, any and all rules applicable to a company governed by a board of directors will apply to a company that elects to be governed by a two-tier board structure.

INDEPENDENCE

In Finland, we put directors into three categories based on an examination of the type of relationship they have with the company:

Independent Director — An independent director has no material[2] financial, familial[3] or other current relationships with the company,[4] its executives, or other board members, except for board service and standard fees paid for that service. An individual who has been employed by the company within the past five years[5] is not considered to be independent. We use a three year look back for all other relationships.

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.[6] Directors will normally be classified as affiliated if they:

1 Article 6.1 of the Finnish Limited Liability Companies Act.

2 Per Glass Lewis' Continental Europe Policy Guidelines, "material" as used herein means a relationship in which the value exceeds: (i) €50,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) €100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of the company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

3 Per Glass Lewis' Continental Europe Policy Guidelines, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.

4 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

5 Recommendation 10 of the Code suggests a three year look-back period. However, in our view, a five-year standard is appropriate because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five (5) years. However, Glass Lewis does not apply the five-year look back period to directors who have previously served as executives of the company on an interim basis for less than one year.

6 Recommendation 10 of the Code. If a company classifies a non-executive director as non-independent, Glass Lewis will classify that director as an affiliate.

- Have served in an executive capacity at the company in the past five years;
- Have served on the board for more than 10 years;[7]
- Have — or have had within the past three years — a material business relationship with the company or its auditor;
- Own or control 10% or more of the company's share capital or voting rights;[8]
- Have close family ties with any of the company's advisers, directors or employees; and/or
- Hold cross-directorships or have significant links with other directors through their involvement with other companies.

Inside Director — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Voting Recommendations on the Basis of Board Independence

Glass Lewis believes a board will be most effective in protecting shareholders' interests when the majority of directors are independent of the company and management.[9] In addition, due to the fact that most Finnish boards are composed of a majority of directors who represent substantial shareholders, at least two of the directors who are independent of the company should also be independent of the company's significant shareholders.[10] Where 50% or more of the members are insiders or affiliated with the company and/or there are not at least two directors who are independent of the significant shareholders, we typically recommend voting against some of the inside and/or affiliated directors in order to satisfy the independent threshold we believe is appropriate.

As outlined in our Continental Europe Policy Guidelines, we refrain from recommending to vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

Shareholders are typically asked to vote for the board as a slate in Finland. In such cases, we will recommend voting against the entire slate if the board does not comply with the aforementioned independence thresholds.

Voting Recommendations on the Basis of Committee Independence

We believe that only non-executive board members should serve on a company's audit, compensation and nominating committees.[11] Further, we believe that a majority of the members of the audit, compensation and nominating committees should be independent of the company and its management, with a majority of the members of the audit and compensation committees, also independent of significant shareholders[12] and a controlling shareholder,[13] respectively. We accept the presence of significant shareholders on the nominating committee in proportion to their ownership stake in a company.

7 Recommendation 10 of the Code.
8 *Ibid*.
9 *Ibid*.
10 *Ibid*.
11 Recommendations 17 and 18a of the Code. EU Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Annex I. Articles 3.1 and 4.1.
12 Recommendation 16 of the Code specifies that a majority of the members of the audit committee should be independent of the company, with at least one member independent of significant shareholders. Given the importance of the audit committee's work, we believe that a higher level of independence from major shareholders is necessary. As such, we believe a majority of audit committee members should always be independent of the company and shareholders holding 20% or more of the company's share capital and voting rights.
13 Recommendations 17 and 18a of the Code specify that a majority of members of these committees should be independent of the company and that all members should be non-executives. In accordance with EU Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, Annex I, we believe a majority of compensation committee members should be independent of shareholders owning at least 50% of the share capital or voting rights.

DUAL CLASSES OF SHARES

It is quite common for Finnish companies to have shares with different voting rights. The use of two different classes of shares usually results in very stable ownership structures where a single shareholder, such as the state or a founding family, may retain control of a company even with a small equity interest.[14] When a company has a dual class share structure, we will consider a shareholder's voting rights when assessing the independence of the board. We do not recommend voting against directors based solely on this issue.

OTHER CONSIDERATIONS FOR INDIVIDUAL DIRECTORS

Our policies with regard to performance, experience and conflict-of-interest issues are not materially different from our Continental Europe Policy Guidelines.

BOARD STRUCTURE AND COMPOSITION

Our policies with regard to board structure and composition are not materially different from our Continental Europe Policy Guidelines. The following is a clarification regarding best practice recommendations and law in Finland.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CEO

In Finland, the managing director (i.e., CEO) cannot serve as a member of the supervisory board under the two-tier structure.[15] Under the more common one-tier structure, the managing director may serve as board chair; however, insider chairs are very uncommon in Finland.

In line with the policy described in our Continental Europe Policy Guidelines, we do not recommend that shareholders vote against CEOs who serve on or chair the board. However, we may recommend voting against the nominating committee chair when the board chair and CEO roles are combined without explanation and one of the following criteria is met: (i) the board is not sufficiently independent; or (ii) the board has failed to appoint an independent lead director or vice chair.

BOARD DIVERSITY

The Code states that companies should establish principles concerning the diversity of the board of directors. These principles should specify objectives for ensuring that both genders are represented in the company's board of directors, the means to achieve the objectives, and an account of the progress in achieving the objectives.[16] The Code further requires companies to have both genders represented on their board of directors.[17]

CHANGING FROM A TWO-TIER BOARD STRUCTURE TO A ONE-TIER BOARD STRUCTURE

The vast majority of public Finnish companies opt for a one-tier board structure. During recent years, there has been a trend to abolish existing supervisory boards, as the one-tier structure is believed to facilitate more effective operation of a company. Glass Lewis generally recommends in favor of such proposals, as we believe that shareholders should have an opportunity to elect the members of the board of directors, as is the case in the one-tier structure. Under the two-tier structure in Finland, shareholders do not have any direct influence over the composition of the board, which is responsible for oversight of management.

14 Chapter 3 of the Companies Act states that a company's articles of association may give shares different rights with regard to voting power or dividends.
15 Article 6.23 of the Companies Act.
16 Recommendation 9 of the Code.
17 Recommendation 8 of the Code.

BOARD COMMITTEES

In Finland, boards are not obligated to establish separate committees; however, a separate audit committee should be established if the extent of the business requires it.[18] When a company does not have an audit committee, the board as a whole will serve as the audit committee, or it can delegate this responsibility to another committee.[19] The Code does not explicitly recommend the formation of any other board committees, although it encourages companies with "extensive business operations" to consider forming compensation, nominating or other committees.[20] Board committees should always have at least three members.[21] In line with our Continental Europe Policy Guidelines, we may recommend voting against the board chair when a large board fails to establish a separate audit, compensation or nominating committee, particularly if the board is not sufficiently independent.

In Finland, nominating committees may either be formed by the board or established by the general meeting as a nominating board, a separate committee consisting of shareholders or their representatives.[22]

In cases where the nominating committee is separate from the board, we may recommend voting against the board chair if we have concerns regarding the composition of the current committee and no separate vote on the election of the committee has been offered to shareholders.

Our policies with regard to committee performance are not materially different from our Continental Europe Policy Guidelines.

ELECTION PROCEDURES

Our policies with regard to election procedures are not materially different from our Continental Europe Policy Guidelines. The following are clarifications regarding best practice recommendations in Finland.

ELECTION OF BOARD MEMBERS AS A SLATE

In Finland, shareholders typically elect directors as a slate. Glass Lewis believes that slate elections do not serve shareholders' interests as they make individual directors less accountable to shareholders. Nevertheless, given market practice in Finland, we will generally support the election of a slate unless the board and its committees are not sufficiently independent or there are especially serious concerns regarding one or more nominees. In other cases, we will simply note our concerns.

TERM LENGTHS

Under Finnish law, directors of public companies are elected for one-year terms, unless a different term is provided by the company's articles of association.[23] There is no restriction on the number of their successive terms of office.

18 Recommendation 16 of the Code.
19 *Ibid*.
20 Recommendations 16, 17, 18a and 18b of the Code.
21 Recommendation 15 of the Code.
22 Recommendations 18a and 18b of the Code.
23 Chapter 6.11 of the Companies Act.

Transparency and Integrity in Financial Reporting

In Finland, shareholders are asked to vote on a number of proposals regarding the audited financial statements, the appointment of auditor and the allocation of profits or dividends on an annual basis. Our policies with regard to these matters do not differ materially from our Continental Europe Policy Guidelines.

The Link Between Compensation and Performance

Shareholders do not have the opportunity to vote on compensation proposals in Finland, other than share option plans and directors' fees. Our policies on these matters do not differ materially from our Continental Europe Policy Guidelines.

On March 8, 2011, The Finnish Securities Market Association published its revised Remuneration Statement Guideline, which provides additional information regarding the disclosure of a company's compensation policies. Finnish companies should disclose a remuneration statement detailing the financial benefits of the board of directors, the managing director and the supervisory board, if applicable. The statement should include the decision-making process behind the compensation structures as well as the principles of remuneration.[24] As such, we will consider Finnish companies' compliance with the increased reporting standards when evaluating compensation.

DIRECTOR OR SUPERVISORY BOARD COMPENSATION PLANS

We note that pursuant to Finnish best practice standards, non-executive directors should not participate in the company's share-related compensation program as this may create a conflict of interest in the oversight role of the directors.[25] However, directors may receive shares as compensation for their board work and committee work.[26]

24 Recommendation 22 and Remuneration Reporting Chapter of the Code.
25 Recommendation 23 of the Code.
26 *Ibid*.

Governance Structure and the Shareholder Franchise

In Finland, shareholders are asked to approve proposals regarding a company's governance structure, such as the ratification of management and supervisory board acts and amendments to the articles of association. Our policies do not differ materially from our Continental Europe Policy Guidelines.

RATIFICATION OF BOARD AND/OR MANAGEMENT ACTS

Finnish companies have to submit the actions of the board of directors, supervisory board members and management during the year for shareholder approval.[27]

Discharge from liabilities is binding for all shareholders and can hinder legal claims against board members and management. In fact, it protects members of the corporate bodies against claims for damages from the company.

However, should a company enter into bankruptcy within two years of the annual general meeting at which the board and management acts were ratified, the decision to pass the proposal is not binding. Similarly, if the information provided to shareholders prior to the meeting was incorrect or incomplete, shareholders can still bring proceedings against the board or management. Lastly, despite the approval of the ratification proposal, directors and management will still be liable for willful misconduct, fraud or any criminal offenses.

27 Chapter 5.3(2) of the Companies Act.

Capital Management

In Finland, shareholders regularly vote on proposals delegating the authority to issue and repurchase shares to the board. Our policies on these matters do not differ materially from our Continental Europe Policy Guidelines.

ISSUANCE OF SHARES AND/OR CONVERTIBLE SECURITIES

In Finland, shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. According to Finnish law, shareholders may delegate the power to determine the terms and conditions of the issuance to the board. Notwithstanding the aforementioned, shareholders must determine the length of the authority, which in no event may be greater than five years.[28] Moreover, shareholders have subscription rights to the issued shares. However, the company may determine in its articles of association to exclude preemptive rights.[29] In accordance with our Continental Europe Policy Guidelines, we generally recommend voting against authorities to issue shares without preemptive rights that exceed 20% of issued share capital.

AUTHORITY TO REPURCHASE SHARES

Finnish law limits the number of shares that may be repurchased to no more than 10% of the company's share capital.[30] Furthermore, the authority to repurchase shares cannot be granted for a period of time exceeding 18 months.[31] Given these legal provisions, we generally recommend voting for these proposals in Finland.

28 Chapter 9.2 of the Companies Act.
29 Chapter 9.4 of the Companies Act.
30 Chapter 15.11 of the Companies Act.
31 Chapter 15.5 of the Companies Act.

DISCLAIMER

This document is intended to provide an overview of Glass Lewis' proxy voting policies and guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Additionally, none of the information contained herein should be relied upon as investment advice. The content of this document has been developed based on Glass Lewis' experience with proxy voting and corporate governance issues, engagement with clients and issuers and review of relevant studies and surveys, and has not been tailored to any specific person.

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