

ABSTAIN VOTES SUM UP WITH AGAINST VOTES AT QUALIFIED MAJORITY ITEMS IN FINLAND

Shareholders ordering their proxy agent or custodian to **ABSTAIN** from voting often consider themselves sending the issuer a message. The message may not have the effect shareholder intended as qualified majority items treat **ABSTAIN** and **AGAINST** votes alike.

This paper describes the actual effects of an **ABSTAIN** vote in the qualified majority items on the agenda of listed Finnish companies' general meetings. The effects are similar in various European markets. The rule aims to ensure the equal treatment of shareholders in a company with two or more share classes but it also applies to companies with one share class only.

1 What is a qualified majority item?

In a qualified majority item the underlying proposal shall be supported by at least two thirds (2/3) of votes cast and shares represented to be passed in the meeting.

The following decisions, inter alia, shall be made by a qualified majority of 2/3 of votes cast and shares present:

- 1) Amendment of the articles of association
- 2) Directed share issue
- 3) Issuing option rights and other special rights entitling to shares
- 4) Acquisition and redemption of own shares
- 5) Directed acquisition of own shares
- 6) Merger and demerger, and
- 7) Going into liquidation and termination of liquidation.

The qualified majority is also required for authorising the board to any of the above.

2 How **ABSTAIN** votes affect the voting result

ABSTAIN votes do not increase the number of votes cast. However, **ABSTAIN** votes do increase the aggregate number of shares present at the meeting. The more **ABSTAIN** votes, the greater number of the remaining shares is needed in favour of the proposal. Therefore, **ABSTAIN** votes have an impact in the voting result.

3 Example

Votes cast and shares present at a qualified majority item	
Voting instructions, total 1,000,000	500,000 FOR 400,000 ABSTAIN 100,000 AGAINST
Votes cast: → Qualified majority is reached as 500,000 / 600,000 exceeds the required 2/3	500,000 FOR 100,000 AGAINST 600,000 total
Shares present: → Qualified majority is not reached as 500,000 of 1,000,000 does not exceed the required 2/3	500,000 FOR 100,000 AGAINST 400,000 ABSTAIN 1,000,000 total

4 Conclusion

In the qualified majority (2/3) items **ABSTAIN** votes work de facto as **AGAINST** votes. If this is not the intention, it may be rational to instruct the proxy to vote otherwise.