

Translation from Finnish

Legally binding only in Finnish and Swedish

Ministry of Justice, Finland

Cooperatives Act

(421/2013; amendments up to 662/2022 included)

By decision of Parliament, the following is enacted:

PART I

GENERAL PRINCIPLES, INCORPORATION AND MEMBERS

Chapter 1

Application of this Act and main principles of cooperative operations

Section 1

Scope of application

This Act applies to cooperatives registered in accordance with Finnish law, unless otherwise provided in this Act or another act.

Section 2

Legal personality and the limited liability of members

A cooperative is a legal person distinct from its members, established through registration.

The members and other membership shareholders and investment shareholders have no personal liability for the obligations of the cooperative. However, provisions may be included in the rules on the obligation of a member to obtain multiple membership shares and investment shares as provided in chapter 9 and on the obligation of a member and another membership shareholder and investment shareholder to make extraordinary payments to the cooperative and on the obligation of a member to make additional payments as provided in chapters 13 and 14.

Section 3

Members, capital and permanence of capital

The number of members, the number of membership shares and the membership share capital of a cooperative are variable.

In addition to membership share capital, a cooperative may have investment share capital and investment shares.

The assets of a cooperative may only be distributed as provided in this Act.

Section 4

Transfer of membership, membership shares and investment shares

Membership is not transferrable, unless otherwise provided in the rules.

The transferee of a membership share has only the same right to the assets of the cooperative as the transferor of the membership share would have had when the transferor's membership ended or when the transferor terminated the membership share, unless the cooperative accepts the transferee as a member or as a membership shareholder or unless otherwise provided in the rules.

An investment share may be transferred and acquired without restrictions, unless otherwise provided in the rules.

Section 5

Purpose

The purpose of a cooperative is to promote the financial management or business interests of its members by way of the pursuit of economic activity where the members make use of the services provided by the cooperative or services that the cooperative arranges through its subsidiary or otherwise. Provisions on a different purpose may be laid down in the rules of a cooperative.

Section 6

Principle of majority rule

The members exercise their power of decision at the general meeting. Decisions are made by the majority of the votes cast, unless otherwise provided in this Act or in the rules. The rules may provide that the delegates exercise the power of decision of the members.

Section 7

Equal treatment

All members have equal rights in the cooperative, unless otherwise provided in this Act or in the rules. All membership shares and investment shares carry the same rights in the cooperative, unless otherwise provided in this Act or in the rules. The general meeting, the delegates, the board of directors, the managing director and the supervisory board shall not make decisions or take other measures that are conducive to conferring an undue benefit to a member or another at the expense of the cooperative, another member, membership shareholder or investment shareholder.

Section 8

Duty of management

The management of the cooperative shall act with due care and promote the interests of the cooperative.

Section 9

Discretion of members

The members may include provisions on cooperative operations in the rules. Provisions contrary to a mandatory provision of this Act or another act may not be included in the rules.

Chapter 2

Incorporation of a cooperative

General provisions

Section 1

Memorandum of association

A cooperative shall be incorporated by way of a written memorandum of association signed by all members. Where, in addition, membership shares or investment shares are issued to others that are not members, the subscribers for such membership shares and investment shares shall also sign the memorandum of association.

By signing the memorandum of association, a member subscribes for the number of membership shares indicated in the memorandum of association. The subscription may not be cancelled once all of the membership shares have been subscribed for, unless otherwise agreed. The same applies to subscription for and subscribers of investment shares.

The term and the duties of the management and the auditors commence as of the signing of the memorandum of association.

Section 2

Contents of the memorandum of association

The memorandum of association shall always specify:

- 1) the date of the contract;
- 2) all incorporating members and the number of membership shares subscribed for by each of them;
- 3) the price to be paid to the cooperative for each membership share (*subscription price*);
- 4) the time when the membership shares are to be paid; and
- 5) the members of the board of directors of the cooperative.

The rules referred to in section 3 shall be included in or attached to the memorandum of association. The financial period of the cooperative shall be determined either in the memorandum of association or in the rules.

The memorandum of association shall specify the managing director, the members of the supervisory board, the auditors and the operations inspectors of the cooperative if the cooperative has such a body. In addition, the information referred to in subsection 1 shall be provided concerning investment shares and their subscribers if investment shares are also issued. The chairpersons of the board of directors and of the supervisory board may be designated in the memorandum of association.

Section 3

Rules

The rules shall always contain the following information on the cooperative:

- 1) its trade name;
- 2) the municipality in Finland where it has its registered office; and
- 3) its field of operation.

If the trade name of the cooperative is to be used in two or more languages, all of the language versions of the trade name shall be specified in the rules.

Provisions on amendments to the rules are laid down in chapter 5.

Provisions on model rules for a cooperative may be issued by decree of the Ministry of Justice.

Section 4

Subscription price

The subscription price of a membership share is credited to the membership share capital unless it is provided in the memorandum of association or in the rules that a part of it is to be credited to the reserve for invested unrestricted equity or unless otherwise provided in the Accounting Act (1336/1997).

The subscription price of an investment share is credited to the investment share capital unless it is provided in the memorandum of association or in the rules that a part of it is to be credited to the reserve for invested unrestricted equity or unless otherwise provided in the Accounting Act.

The cooperative shall not transfer or pledge its subscription price receivables. If the cooperative is declared bankrupt, the receivable belongs to the bankruptcy estate.

Unless otherwise provided in the memorandum of association, the subscription price may be set off against a receivable from the cooperative only if the board of directors of the cooperative consents to the same.

Section 5

Payment of membership share and investment share

The subscription price of a membership share and an investment share shall be paid to the cooperative in one or more instalments within the time limit as laid down in the memorandum of association.

The subscription price of an investment share paid in cash shall be paid into an account of the cooperative in a Finnish deposit bank or in a branch of a foreign credit institution licensed to accept deposits in Finland or into a comparable foreign account.

Section 6

Contribution in kind

If, instead of cash, the subscription price is paid in full or in part with other assets (*contribution in kind*), the assets shall at the time of conveyance have a financial value to the cooperative at least equal to the price. A commitment to perform work or provide services may not be used as a contribution in kind.

Provisions on the payment of the subscription price in kind shall be included in the memorandum of association. In addition, the memorandum of association shall contain an account specifying the contribution in kind and the price covered by it, and the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions of this subsection have not been complied with, the subscriber is obliged to prove that the contribution had a financial value to the cooperative equal to the subscription price. Any shortfall shall be paid to the cooperative in cash.

If the subscription price is paid in cash on condition that the cooperative is to acquire assets against consideration, the provisions on contributions in kind apply correspondingly to the acquisition.

Section 7

Consequences of late payment of membership share and investment share

The board of directors may declare that the right to a membership share or investment share other than one referred to in chapter 9, section 1, subsection 1 or 2 has been forfeited if the subscription price, together with any interest for late payment, has not been paid although it has become due and the board of directors has not granted an extension to the subscriber. In this event, the board of directors may award the subscription right to another person.

A person whose right to an investment share has been declared forfeited under subsection 1 is liable to compensate the cooperative, in addition to any collection fees, with one tenth (1/10) of the subscription price of the investment share.

Registration and its legal effects

Section 8

Registration of a cooperative

A cooperative shall be notified for registration within three months of the signing of the memorandum of association; failing this, the incorporation of the cooperative shall lapse. Further provisions on registration are laid down in the Trade Register Act (129/1979).

Membership shares and membership share capital are not registered. Investment shares and investment share capital are registered. Only investment shares which have been fully paid up may be notified for registration.

The cooperative may be registered once the registration authority has been provided with:

- 1) a declaration by the members of the board of directors and the managing director of the cooperative to the effect that the provisions of this Act have been complied with in the incorporation of the cooperative; and
- 2) if investment shares and investment share capital are registered, a certificate by the auditors of the cooperative to the effect that the provisions of this Act on payment for investment shares have been complied with; if, under the law or the rules, no auditor needs to be elected for the cooperative, other evidence of payment for investment shares shall be provided.

If an investment share has been paid for in kind, also an auditor's statement on the account referred to in section 6, subsection 2 and on whether the contribution had a financial value to the cooperative at least equal to the price shall always be attached to the registration notification.

Section 9

Legal effects of registration

A cooperative is established upon registration. The obligations arising from measures taken after the signing of the memorandum of association or from measures specified in the memorandum of association and taken no earlier than one year before the signing are transferred to the cooperative upon registration.

After registration, a member of the cooperative or a subscriber of a membership share or investment share may not withdraw from the payment of the membership share or investment share by asserting that a condition relating to the incorporation has not been met.

Section 10

Operations before registration

Before registration, a cooperative may not acquire rights, make commitments or appear as a party in court or in dealings with other authorities.

Measures taken on behalf of the cooperative before registration are at the joint and several liability of persons deciding on the measures and the persons involved in them. In the situations referred to in section 9, subsection 1, this liability is transferred to the cooperative upon the registration of the cooperative.

The board of directors and the managing director may exercise the right of action without personal liability in matters relating to the incorporation of the cooperative and take measures for the collection of the payment for membership shares and investment shares.

Section 11

Legal transactions with an unregistered cooperative

If the contracting partner of a cooperative knew that the cooperative had not been registered, that partner may, unless it has been otherwise agreed, withdraw from the contract with the cooperative if the registration notification has not been submitted within the time limit referred to in section 8, subsection 1 or if registration has been refused. If the contracting partner did not know that the cooperative had not been registered, that partner may withdraw from the contract until the registration of the cooperative.

Section 12

Lapse of incorporation

The incorporation of a cooperative shall lapse if the cooperative has not been notified for registration within the time limit referred to in section 8, subsection 1 or if registration is refused.

If the incorporation lapses, the board of directors and the managing director are jointly and severally liable for refunding the amount paid for and any proceeds from membership shares and

investment shares. The normal expenses arising from measures referred to in section 10, subsection 3 may be subtracted from the amount to be refunded.

Chapter 3

Members

Section 1

Application for and beginning of membership

An application for membership of a cooperative is made in writing to the board of directors. The board of directors decides on whether to approve the application or decides on an approval procedure and the conditions for approval. The rules may provide that the decision on whether to approve an application shall be made by the general meeting or by the supervisory board.

Provisions on the right to be admitted as a member may be laid down in the rules of the cooperative.

Membership of the cooperative begins when the application has been approved, unless otherwise provided in the rules.

If a transferee of a membership share is approved as a member in accordance with this subsection, the transferee receives the financial benefits and obligations based on this Act and the rules that the transferor would have had if their membership had continued. The transferee shall apply for membership of the cooperative within six months of the acquisition or, if the acquisition is based on an estate distribution or division of assets after the death of a member, within twelve months of the date of death. Provisions on some other time limit may be laid down in the rules. This subsection also applies to a transferee who is a member of the cooperative, unless otherwise provided in the rules.

Provisions on the obligation to obtain a membership share or an investment share are laid down in chapter 9. Provisions on the subscription price to be paid for a membership share and an investment share are laid down in chapters 2 and 4 and provisions on the membership register are laid down in chapter 4.

Section 2

Withdrawal from membership

A member has the right to withdraw from the cooperative by notifying the same to the cooperative in writing as provided in chapter 26, section 10, subsection 1. Provisions may be laid down in the rules also on other methods by which the cooperative is deemed to have received a notice of withdrawal, and the board of directors may additionally designate a person to receive notices of withdrawal.

The rules may provide that a member may only withdraw after a fixed period following the beginning of the membership. The fixed period may be no longer than three years.

Provisions on the extraordinary right of a member to withdraw are laid down in chapter 5, section 35.

Section 3

Expulsion

A member may be expelled from the cooperative if the member has neglected an obligation arising from membership. Provisions may be laid down in the rules also on other grounds for expulsion.

A member shall be provided with a written notification of the grounds for expulsion and of the body of the cooperative that makes the decision at least a month before the expulsion decision is to be made. The notification shall be delivered to the member to the address entered in the membership register or to an address otherwise known to the cooperative.

The expulsion decision is made by the board of directors or the body of the cooperative which according to the rules makes decisions on the admission of members. The rules may provide that the decision to expel a member is made by a body of the cooperative other than that making decisions on the admission of members.

If a member is expelled by means other than a decision of the general meeting, the member has the right to request that the matter be submitted to the general meeting for decision. The written request for submission shall be served on the cooperative in the manner laid down in chapter 26, section 10, subsection 1 within one month of the expulsion decision having been notified to the expelled member to the address entered in the membership register or to an address otherwise known to the cooperative. In addition, the body of the cooperative which made the expulsion

decision has the right to submit the matter also on its own motion to the general meeting for decision.

An expelled member may object to the expulsion decision made by the general meeting before a court of law. However, an objection to an expulsion decision shall be submitted to arbitration if the rules of the cooperative provide on the resolution of disputes between the cooperative and members in the manner referred to in chapter 26, section 3. The provisions of chapter 24, sections 1 and 2 apply to actions against the cooperative.

If it is held in the final judgment of the court or the decision of the arbitral tribunal that the expulsion decision of the general meeting is invalid, the unlawfully expelled member is entitled to compensation from the cooperative for loss of the benefits of membership.

Section 4

End date of membership

The withdrawal of a member from the cooperative is effective when the cooperative has received the notice of withdrawal unless the right to withdraw has been deferred as laid down in section 2, subsection 2.

The expulsion of a member from the cooperative is effective when the general meeting has made the expulsion decision. If some other body of the cooperative has made the expulsion decision and the expelled member has not requested the submission of the matter to the general meeting for decision, the expulsion takes effect in one month of the service of the expulsion decision to the expelled member.

The rules may provide that a right arising from membership to the surplus and other assets of the cooperative as well as the right to make use of the services of the cooperative will continue regardless of the end of membership until the refund of the membership share price to the former member has taken place.

Upon the end of membership, the right to a membership share also terminates and the membership share price is refunded as laid down in chapter 17 unless the rules provide that others that are not members may also hold a membership share. Provisions on the reduction of the membership share capital are laid down in chapter 18 and provisions on the acquisition and redemption of treasury membership shares are laid down in chapter 19.

Section 5

Legal successors of a deceased member

The legal successors of a deceased member have the right to jointly exercise the rights of the decedent in the cooperative for one year after the date of death of the decedent or until a legal successor has become a member of the cooperative before that date, unless otherwise provided in the rules. The legal successors may exercise the right only through a joint representative.

Chapter 4

Membership shares, membership share capital, investment shares and investment share capital

General provisions

Section 1

Equality and different classes of membership shares and investment shares and termination of membership shares

All membership shares carry equal rights in the cooperative. However, the rules may provide that the cooperative has or may have membership shares that differ from each other as regards the rights or obligations they carry. In this event, the rules shall indicate how the membership shares differ from each other.

All investment shares carry equal rights in the cooperative. However, the rules may provide that the cooperative has or may have investment shares that differ from each other as regards the rights or obligations they carry. In this event, the rules shall indicate how the investment shares differ from each other.

The rules may lay down provisions on the conditions and procedures under which membership shares and investment shares may be converted from one class to another (*conversion clause*). The conversion of investment shares shall be notified for registration without delay. Conversion takes effect upon registration.

A membership shareholder has the right to terminate the holder's membership share other than one referred to in chapter 9, section 1, subsections 1 and 2. The rules may lay down provisions on the period of notice for termination. In all other respects, the provisions of chapter 3, sections 2

and 4 on the notice of withdrawal of a member and the end of membership apply to the notice of termination and the termination of membership shareholding.

Provisions on the expulsion of a member are laid down in chapter 3, provisions on a membership share price refund on the basis of the end of membership are laid down in chapter 17, provisions on the reduction of the membership share capital are laid down in chapter 18, and provisions on the acquisition and redemption of treasury membership shares are laid down in chapter 19.

Section 2

Exercise of membership shareholder and investment shareholder rights

The acquirer of a membership share or investment share has no right to exercise membership shareholder or investment shareholder rights in the cooperative before the acquirer has been entered in the membership and shareholder register as a member or as a new membership shareholder or investment shareholder or has notified the acquisition to the cooperative and produced reliable evidence of the same. This, however, does not apply to such rights based on a membership share or investment share that are exercised by presenting or transferring the membership share certificate, the investment share certificate, a coupon or some other specific certificate issued by the cooperative. Provisions on the exercise of membership shareholder and investment shareholder rights in a cooperative recorded in the book-entry system are laid down in section 13c. (357/2017)

If several persons own a membership share or investment share jointly, they may exercise membership shareholder or investment shareholder rights in the cooperative only through a joint representative.

A membership share or investment share held by the cooperative itself does not carry any rights in the cooperative.

Section 3

Voting rights

Membership shares and investment shares do not carry voting rights in the general meeting.

However, the rules may provide that the number of votes that a member has the right to cast in all or some matters to be dealt with by the general meeting is calculated on the basis of the holding of membership shares and investment shares as laid down in chapter 5, section 13. A

provision may, with regard to each matter to be dealt with by the general meeting, apply to all or some of the membership shares or investment shares in the cooperative.

Provisions on the support of membership shareholders and investment shareholders required for a decision of the general meeting in certain matters are laid down in chapter 5, section 32. In addition, the rules may provide that, in another matter to be dealt with by the general meeting, the support of membership shareholders or investment shareholders is also required. Such a provision may, with regard to each matter to be dealt with by the general meeting, apply to all or some of the membership shares or investment shares.

Section 4

Accountable par and nominal value

Provisions on the amount to be credited to the membership share capital or investment share capital for each membership share and investment share upon the incorporation of the cooperative or upon the issue of new membership shares and investment shares (*accountable par*) are laid down in chapter 2, section 4 and chapter 9, section 7. Accountable par may differ between different membership shares and investment shares.

It may be provided in the rules that the membership shares and investment shares of the cooperative have a nominal value.

If the membership shares in the cooperative have a nominal value (*membership share price*), the amount to be credited to the membership share capital for the amount paid for each membership share shall be at least equal to the nominal value. Likewise, when new membership shares are issued, the membership share capital is increased by at least the nominal value of the membership share for the amount paid for each membership share.

If the investment shares in the cooperative have a nominal value, the amount to be credited to the investment share capital for each investment share issued shall be at least equal to the nominal value upon the incorporation of the cooperative. Likewise, when new investment shares are issued by means of an investment share issue or against option rights, the investment share capital of the cooperative shall at the same time be increased by at least the nominal value of the investment shares issued. The investment share capital shall not be reduced so that it falls below the sum total of the nominal values of the investment shares.

Section 5

Provisions laid down by rules on exchange of membership shares and investment shares

The rules may permit the transfer and acquisition of membership shares by way of derogation from chapter 1, section 4.

Restrictions of the right to transfer or acquire investment shares may be included in the rules only as provided in sections 6 and 7.

Section 6

Redemption clause

It may be provided in the rules that an investment shareholder, the cooperative or another person has the right to redeem an investment share due to be transferred to another by a shareholder other than the cooperative. The redemption clause shall determine who has the right of redemption and, where there are several persons who have the right of redemption, how the order of precedence between them is determined.

Unless otherwise provided in the rules, the following provisions apply to the redemption:

- 1) the right of redemption applies to all types of acquisition;
- 2) the redemption covers all the investment shares subject to the same acquisition;
- 3) the redemption price is equal to the fair price of the investment share; in the absence of other evidence, the fair price of an investment share acquired for consideration is the price agreed for the investment share;
- 4) the board of directors shall notify the transfer of an investment share to whoever has the right of redemption, in writing or in the manner provided for the delivery of notices of the general meeting, within one month of the transfer of the investment share being notified to the board of directors;
- 5) the redemption request shall be submitted to the cooperative or, where the cooperative is exercising the right of redemption, to the acquirer of the investment share, within two months of the transfer of the investment share being notified to the board of directors; and

6) the redemption price shall be paid within one month of the expiry of the time limit specified in paragraph 5 or, if the redemption price has not been fixed, within one month of the fixing of the redemption price.

The time limits referred to in subsection 2, paragraphs 4–6 may not be extended by the rules.

Before it has been determined whether the right of redemption is to be exercised, the acquirer of the investment share has no other right based on investment shares in the cooperative than the right to payment in the event that assets are distributed and the pre-emptive right in an investment share issue. The rights and obligations in an investment share issue devolve on the exerciser of the right of redemption.

The cooperative may redeem investment shares only with distributable assets. The provisions of chapter 19, section 10, subsection 2 apply to decision-making in the cooperative regarding redemption.

Section 7

Consent clause

The rules may provide that the acquisition of an investment share by way of a transfer requires the consent of the cooperative. However, such a provision does not apply to an investment share that has been acquired in a compulsory auction or from a bankruptcy estate.

The board of directors makes the decisions on consent, unless otherwise provided in the rules. Provisions may be included in the rules on the conditions for giving consent. If the acquisition concerns several investment shares, the decision on consent shall be made in the same way for each of them, unless otherwise provided in the rules.

If the decision on consent has not been notified in writing to the applicant within two months of the delivery of the application to the cooperative or within a shorter period determined in the rules, the consent is deemed to have been given.

Before the consent has been given, the transferee has no other right based on investment shares in the cooperative than the right to payment in the event that assets are distributed and the pre-emptive right in an investment share issue. An investment share acquired on the basis of a pre-emptive right does confer a better right than this unless the cooperative consents to the same.

Membership share certificate, investment share certificate and other certificates relating to membership and investment shareholder rights

Section 8

Issue of a membership share certificate and investment share certificate

The board of directors may issue membership share certificates for membership shares in the cooperative if, under the rules, the transferee has the right to become a membership shareholder and the membership shares have not been incorporated in the book-entry system. However, a membership share certificate shall not be issued before the provisions of the rules on the membership share have been registered and the subscription price for the membership share has been fully paid. A membership share certificate may only be issued to a membership shareholder entered in the membership and shareholder register.

The board of directors may issue investment share certificates for investment shares in the cooperative if the investment shares have not been incorporated in the book-entry system. However, an investment share certificate shall not be issued before the cooperative and the investment share have been registered. An investment share certificate shall be issued only to an investment shareholder entered in the shareholder register.

If the conditions in accordance with subsections 1 and 2 are met, the board of directors shall, at the request of a membership shareholder or investment shareholder, issue a membership share certificate or investment share certificate for the shareholder's membership shares or investment shares. In addition, the board of directors shall, on request and against compensation for the expenses to the cooperative, split a membership share certificate or investment share certificate, reverse split several membership share certificates or investment share certificates or otherwise exchange membership share certificates or investment share certificates, provided that these pertain to membership shares or investment shares in the same class.

If the membership share or investment share is subject to a right of pledge, attachment or an interim measure, the possession of the membership share certificate or investment share certificate is transferred to the pledge holder or to the enforcement authority in question. (357/2017)

Section 9

Contents of a membership share certificate and investment share certificate

A membership share certificate and investment share certificate may only be issued to a specified person.

The membership share certificate and investment share certificate shall contain the following information:

- 1) the trade name of the cooperative and its business identity code;
- 2) the serial numbers of the membership shares or investment shares or the number of membership shares or investment shares, the serial number of the membership share certificate or investment share certificate and the name of the holder of the membership share or investment share;
- 3) the membership share class or investment share class if the cooperative may have several classes of membership shares or investment shares at the time of issue of the membership share certificate or investment share certificate; and
- 4) a mention of the obligation to obtain multiple membership shares, to make extraordinary payments to the cooperative and the member's obligation to make additional payments specified in chapter 1, section 2, subsection 2, the conversion clause specified in section 1, subsection 3 of this chapter, the redemption clause, consent clause and other restrictions of transfer and acquisition of membership shares specified in sections 5–7 of this chapter as well as the acquisition or redemption term specified in chapter 19, section 10 if provisions on any of these are included in the rules.

The membership share certificate and investment share certificate shall be dated and signed by the board of directors or a person authorised to do so by the board of directors. The signature may be printed or reproduced in a comparable manner.

Section 10

Entries to be made on the membership share certificate and investment share certificate in certain situations

A relevant entry shall without delay be made on the membership share certificate or investment share certificate when:

- 1) the membership share or investment share is cancelled;
- 2) assets are distributed or membership shares or investment shares issued against the presentation of the membership share certificate or investment share certificate; or
- 3) a certificate referred to in section 11, subsection 2 is issued against the presentation of the membership share certificate or investment share certificate.

If the membership share certificate is issued as a replacement for a cancelled membership share certificate, this shall be specified in the membership share certificate. The same applies to investment share certificates.

Section 11

Other certificates relating to membership shareholder and investment shareholder rights

Before issuing a membership share certificate or investment share certificate, the cooperative may issue a certificate concerning the right to one or several membership shares or investment shares and containing the condition that a membership share certificate or investment share certificate is only issued against surrender of the certificate (*interim certificate*). Upon request, an entry shall be made on the certificate on the payment made for the membership share or investment share. In other respects, the provisions of section 9 on the membership share certificate or investment share certificate apply to the certificate.

The cooperative may issue a certificate on the subscription right in the issue of new membership shares or in an investment share issue (*membership or investment share issue certificate*) or on an option right (*option certificate*) or other certificates on corresponding rights, containing the condition that the right may only be exercised against surrender of the certificate. The certificate shall indicate the terms of the subscription for membership shares or investment shares or the exercise of the other right in question. The provisions of section 9, subsection 3 on the signing of a membership share certificate and investment share certificate apply to the signing of the certificate.

A membership share or investment share issue or the distribution of assets may also be effected by means of coupons attached to the membership share certificates and investment share certificates. When coupons are being used, certificates on the right to subscribe for new membership shares or investment share issue certificates shall not be issued.

Section 12

Application of provisions of the Promissory Notes Act to membership share certificates, investment share certificates and other certificates

If a membership share certificate, investment share certificate, interim certificate or a certificate referred to in section 11, subsection 2 and issued to a specified person is transferred or pledged, the provisions of sections 13, 14 and 22 of the Promissory Notes Act (622/1947) on promissory notes given to a specified person or a nominee apply correspondingly. In this event, the holder of a membership share certificate, investment share certificate or interim certificate who, according to an entry made by the cooperative on the certificate has been entered in the membership and shareholder register as a member or a membership shareholder or investment shareholder, is deemed to have the same status as a person who under section 13, subsection 2 of the Promissory Notes Act is deemed to hold the right indicated in the promissory note. The provisions of sections 13, 14 and 22 of the Promissory Notes Act on bearer notes apply to a certificate referred to in section 11, subsection 2 of this chapter that has not been issued to a specified person.

The provisions of sections 13, 14 and 22 of the Promissory Notes Act on bearer notes apply to a certificate representing a membership share and to an investment share coupon once the decision to issue new membership shares or investment shares has been made. However, if a certificate has been acquired together with a membership share certificate or investment share certificate, the acquirer does not have a better right to it than to the membership share certificate or investment share certificate. The provisions of section 14 of the Promissory Notes Act do not apply if the certificate representing a membership share has been transferred separately from the membership share certificate or investment share certificate before the decision to issue membership shares or investment shares has been made.

The provisions of sections 24 and 25 of the Promissory Notes Act on dividend coupons apply to certificates entitling to the distribution of assets.

Section 13

Compulsion by cooperative

If, under this Act, an entry shall be made on a membership share certificate or investment share certificate, the cooperative may rescind the right, based on the membership share or investment share, to receive assets from the cooperative and the right to receive membership shares and investment shares until such time that the membership share certificate or investment share

certificate has been presented for the entry to be made. The cooperative may apply the same procedure in the event that the membership share certificate or investment share certificate is to be exchanged owing to a membership share or investment share conversion referred to in section 1, subsection 3.

Membership shares and investment shares incorporated in the book-entry system (357/2017)

Section 13a (357/2017)

Incorporation of membership shares and investment shares in the book-entry system

Provisions on the incorporation of membership shares and investment shares of a cooperative in the book-entry system referred to in the Act on the Book-Entry System and Settlement Activities (348/2017) or in a foreign book-entry system are laid down in the rules of the cooperative. The decision of the general meeting on the amendment to the rules shall indicate the period within which the membership shares or investment shares are to be incorporated in the book-entry system (*registration period*) or withdrawn from the book-entry system, or the decision shall authorise the board of directors to decide on this. The decision on the incorporation or withdrawal and its point of time shall be notified for registration without delay.

The provisions of chapter 6, sections 3–5 of the Act on the Book-Entry System and Settlement Activities apply to the recording of the rights of membership shareholders and investment shareholders in the book-entry system and the provisions of chapter 6, section 7 of the said Act to withdrawal of membership shares or investment shares from the book-entry system.

If the recording referred to in chapter 6, section 3 of the Act on the Book-Entry System and Settlement Activities has not been requested before ten years have elapsed from the end date of the registration period, the general meeting may decide that the right to the membership share or investment share incorporated in the book-entry system and the rights carried by it have been forfeited. The provisions on the cooperative's treasury membership shares or treasury investment shares apply to a forfeited membership share, supplementary membership share or investment share.

The provisions of this Act on membership shares and investment shares of a cooperative recorded in the book-entry system also apply when the membership shares and investment shares of a cooperative have been incorporated in a foreign book-entry system. If the membership shares and investment shares of a cooperative have been incorporated in a foreign book-entry system, the book-entry account specified in this Act refers to the account provided in the service referred to in

point (2) of Section A of the Annex to Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

Section 13b (357/2017)

Notification of decision

The cooperative shall notify the membership shareholders and investment shareholders of the decision on the incorporation in the book-entry system no later than three months before the end of the registration period. In this event, instructions shall be provided as to how the membership shareholder or investment shareholder or the possessor of the membership share certificate or investment share certificate is to proceed in order to have the right to the membership share or investment share registered in a book-entry account and how the other rights pertaining to the membership share or investment share can be registered.

The notification shall be delivered in the same manner as a notice of the general meeting. In addition to what is provided in the rules on a notice of the general meeting, the notification shall also be sent in writing to each membership shareholder and investment shareholder whose name and address are known to the cooperative, and published in the Official Gazette. The notification, including the instructions, shall also be sent to the central securities depository and the parties to the central securities depository.

More detailed provisions on the procedure referred to in subsections 1 and 2 may be laid down in the rules of the central securities depository.

The cooperative shall notify the membership shareholders or investment shareholders of the decision on the withdrawal of membership shares and investment shares from the book-entry system no later than three months before the withdrawal. The provisions of subsections 2 and 3 apply to the notification.

The cooperative shall notify the membership shareholders and investment shareholders of the transfer of membership shares and investment shares from one book-entry system to another no later than three months before the transfer. In this event, information on the effects of the transfer to the position of a membership shareholder and investment shareholder and information on the arrangement of the safekeeping of membership shares or investment shares in the new

book-entry system shall be provided. The provisions of subsections 2 and 3 apply to the notification.

Section 13c (357/2017)

Membership shareholder and investment shareholder rights in the book-entry system

The acquirer of a membership share incorporated in the book-entry system has no right to exercise membership shareholder or investment shareholder rights in the cooperative before the acquirer has been entered in the membership and shareholder register referred to in section 14, subsection 2. The provisions of chapter 4, section 4, subsection 2 of the Act on the Book-Entry System and Settlement Activities apply to the exercise of rights carried by a nominee-registered membership share.

The right carried by a membership share or investment share incorporated in the book-entry system to receive a payment from the cooperative when assets are being distributed, the right to receive new membership shares or investment shares when these are being issued, or other comparable rights are vested in the person to whom the membership share or investment share belongs at the record date referred to in the decision to distribute assets or issue membership shares or investment shares, or in another decision. A record date may be set also in a decision on the redemption of membership shares or investment shares. Unless otherwise provided in the decision to issue membership shares or investment shares, the right to subscribe to membership shares or investment shares is, in an issue of membership shares, supplementary membership shares or investment shares against payment, entered in the respective book-entry account when the right commences and, in an issue of membership shares or investment shares without payment, entered directly in the respective book-entry account.

The provisions of chapter 5, section 7a apply to the right to participate in the general meeting based on a membership share or investment share incorporated in the book-entry system.

Membership and shareholder register (357/2017)

Section 14 (357/2017)

Membership and shareholder register

If the membership shares and investment shares in the cooperative have not been incorporated in the book-entry system, the board of directors shall keep a register on the members of the cooperative in alphabetical order (*membership register*). If membership shares and investment

shares are also held by non-members, such shareholders shall be entered in a register (*membership and shareholder register*). The name, address and start date of membership of the members and other membership shareholders and investment shareholders as well as the number of membership shares and investment shares held by them, broken down by membership share class and investment share class, shall be entered in the register. The register shall also indicate any other differences in the rights and obligations carried by the membership shares and investment shares. If no membership share certificate or investment share certificate has been issued on a membership share or investment share, the pledges or other encumbrances on the membership share or investment share that have been notified to the cooperative shall also be entered in the register.

By way of derogation from the provisions of subsection 1, the board of directors shall keep an up-to-date membership and shareholder register of the membership shares and investment shares incorporated in the book-entry system and of their holders based on recordings in the book-entry account, indicating the name, personal identity code or other identification code of the shareholder or the nominee, their contact details, payment address and taxation information, the number of membership shares or investment shares broken down by membership share class and investment share class, and the party of the central securities depository maintaining the book-entry account in which the membership shares or investment shares have been recorded.

For a temporary entry referred to in chapter 5, section 7a, the name and address of the membership shareholder or investment shareholder, the number of membership shares and investment shares to be recorded in the membership and shareholder register broken down by membership share class and investment share class, and the personal identity code or other identification code in accordance with the provisions issued by the central securities depository shall be notified regarding the membership shares and investment shares incorporated in the book-entry system.

A register shall be kept of the former members of the cooperative until the cooperative has refunded the membership share price as provided in chapter 17. If the rules lay down provisions on an obligation to make additional payments in accordance with chapter 14, a former member may be removed from the register once the member's obligation to make additional payments has ended. The register may be included in the membership and shareholder register, or it may be maintained in another reliable manner. In addition to the information specified in subsection 1, the end date of the membership is entered in the register.

The rules may provide that, instead of the address of members and other membership shareholders and investment shareholders, their municipality of residence and date of birth are entered in the membership and shareholder register.

The registers shall be created without delay once the cooperative has been incorporated. The registers shall be maintained in a reliable manner.

Provisions on a waiting list kept of membership shares and investment shares incorporated in the book-entry system are laid down in chapter 6, section 6 of the Act on the Book-Entry System and Settlement Activities.

Section 15

Entry of membership and acquisition in the membership and shareholder register

If the membership shares and investment shares in the cooperative have not been incorporated in the book-entry system, an acquisition notified by the acquirer of a membership share or investment share to the cooperative and any other change in the information in the membership and shareholder register notified to the cooperative shall be entered in the register without delay. Before an entry is made, reliable evidence of the acquisition and the payment of the transfer tax shall be provided. The entry shall be dated. If the consent of the cooperative is required for the transfer or acquisition of a membership share or if a member holds a redemption right or if an investment share is subject to a redemption right referred to in section 6 or if consent referred to in section 7 is required for the acquisition of the investment share, the entry shall not, however, be made until it is clear that the consent has been given or that the redemption right has not been exercised. (357/2017)

If a membership share certificate has been issued on a membership share or an investment share certificate has been issued on an investment share and the last transfer of the membership share or investment share has been entered on the membership share certificate or investment share certificate or interim certificate as an anonymous transfer, the name of the new holder of the membership share or investment share shall be written on the membership share certificate, investment share certificate or interim certificate before the acquisition is entered in the registers. A statement to the effect that the acquisition has been entered in the membership and shareholder register, and of the date of the entry, shall be written on the membership share certificate, investment share certificate or interim certificate presented to the cooperative.

If the cooperative has only one member, the member and the member's membership shareholding and investment shareholding shall be notified for entry in the register without delay and no later than two months from the acquisition.

Section 16 (357/2017)

Public access to the membership and shareholder register

The information in the membership and shareholder register and register of former members on the names and start and end dates of membership of the members and other membership shareholders and investment shareholders shall be kept available to everyone at the head office of the cooperative. The above-mentioned membership and shareholder register information of a cooperative recorded in the book-entry system may, however, be kept available to everyone at the establishment of the central securities depository in Finland. Members, membership shareholders, investment shareholders, creditors and others who demonstrate that their interests so require have the right to access also other information entered in the registers. Everyone has the right against compensation for the expenses to receive copies of a register or its part to the extent that they have the right to access the information in the register. The provisions of this subsection also apply to the date-specific membership and shareholder register referred to in chapter 5, section 7a until the conclusion of the general meeting.

The provisions of subsection 1 of this section apply to public access to the waiting list kept of the membership shares and investment shares incorporated in the book-entry system referred to in chapter 6, section 6 of the Act on the Book-Entry System and Settlement Activities.

However, the provisions of subsection 1 do not apply to the individual number and control character of a personal identity code, payment address or taxation information, or information about the sales account in which the membership shares or investment shares that the membership shareholder or investment shareholder has given for sale have been recorded. The provisions of chapter 8, section 2 of the Act on the Book-Entry System and Settlement Activities on information relating to a book-entry account apply to the information on the party to the central securities depository that maintains the book-entry account in which the membership shares or investment shares are recorded.

If the disclosure of information concerning a member, membership shareholder or investment shareholder has been restricted under section 36 of the Act on the Population Information System and the Certificate Services of the Digital and Population Data Services Agency (661/2009) and the cooperative has been notified of the restriction, information on the municipality of residence,

address and other contact information of the member, membership shareholder or investment shareholder entered in the membership and shareholder register may only be disclosed to an authority. The contact address of such a member, membership shareholder or investment shareholder entered in the membership and shareholder register may also be disclosed to parties other than the authorities. (1149/2019)

Section 17

Membership share capital and investment share capital

In this Act, *membership share capital* means the amount of subscription prices of membership shares issued and increase of membership share capital paid to the cooperative at any given time that has been credited to the membership share capital.

In this Act, *investment share capital* means the amount of subscription prices of investment shares issued and increase of investment share capital paid to the cooperative that has been credited to the investment share capital and registered as investment share capital.

PART II

ADMINISTRATION AND FINANCIAL STATEMENTS

Chapter 5

General meeting and delegates of cooperative

General provisions

Section 1

Decision-making by members

The members exercise their power of decision at the general meeting.

Notwithstanding the provision of subsection 1, unanimous members may make a decision in a matter within the competence of the general meeting without holding a general meeting. The decision shall be written down, dated, numbered and signed. If the cooperative has more than one member, at least two of them shall sign the decision. In other respects, the provisions on the minutes of the general meeting apply to the written decision.

The rules may provide that, instead of the general meeting, the members' power of decision is to be exercised by delegates elected by the members as laid down in sections 37–43.

Section 2

Listed cooperative

In this chapter, *listed cooperative* means a cooperative whose membership shares or investment shares are traded on a regulated market referred to in the Act on Trading in Financial Instruments (748/2012).

Act on Trading in Financial Instruments 748/2012 was repealed by Act on Trading in Financial Instruments 1070/2017.

Section 3

Competence

The general meeting makes decisions on matters that fall within its competence under this Act. The rules may, however, provide that the general meeting makes decisions on matters that fall within the general competence of the managing director and the board of directors.

Provisions on the referral of a matter falling within the general competence of the board of directors and the managing director of the cooperative for a decision by the general meeting are laid down in chapter 6, section 7. In individual cases, unanimous members may also otherwise make a decision on a matter falling within the general competence of the board of directors or the managing director or falling within the competence of the supervisory board under chapter 6, section 21, subsection 2, paragraphs 3 and 5.

General meeting

Section 4

Ordinary general meeting and extraordinary general meeting

The ordinary general meeting shall be held within six months of the end of the financial period.

Decisions shall be made at the ordinary general meeting on the following:

- 1) adoption of the financial statements, which in a parent cooperative also means the adoption of the consolidated financial statements;

- 2) the use of the surplus shown on the balance sheet;
- 3) the discharge of the members of the board of directors, the members of the supervisory board and the managing director from liability;
- 4) the appointment of the members of the board of directors and the members of the supervisory board, the auditor and the operations inspector unless otherwise provided in this Act or in the rules on their term or appointment; and
- 5) any other matters that according to the rules are to be decided by the ordinary general meeting.

An extraordinary general meeting shall be held if:

- 1) so provided in the rules;
- 2) the board of directors considers it necessary;
- 3) a member, an auditor or an operations inspector requests the same in accordance with section 5; or
- 4) the supervisory board considers it necessary and it is competent, under the rules, to decide on the holding of an extraordinary general meeting.

Section 5

Right to request an extraordinary general meeting

An extraordinary general meeting shall be held, if an auditor, operations inspector or members representing at least one tenth (1/10), or a smaller proportion as provided in the rules, of the total number of votes held by the members so request in writing in order for a given matter to be dealt with. A notice of the meeting shall be delivered within two weeks of the arrival of the request.

Section 6

Right to have a matter dealt with by the general meeting

A member has the right to have a matter falling within the competence of the general meeting under this Act dealt with by the general meeting if the member so requests in writing from the

board of directors well in advance of the meeting so that the matter can be mentioned in the notice of the meeting.

In a listed cooperative, the request shall always be deemed to be on time if the board of directors has been notified of the request no later than four weeks before the delivery of a notice of the meeting.

Participation in general meeting

Section 7

Participation of a member

Every member has the right to participate in a general meeting.

Participation is subject to the condition that the member has been entered in the membership register or that the member has in accordance with chapter 4, section 2, subsection 1 notified the acquisition to the cooperative and presented reliable evidence of the same. In a cooperative recorded in the book-entry system, participation is subject to the condition that the membership shareholder has been entered in the membership register in accordance with section 7a before the general meeting. (357/2017)

With regard to membership shares held in a manner comparable to nominee registration, participation in the general meeting is subject to the condition that the member has been notified for a temporary entry in the membership register in a manner corresponding to that provided in section 7a for the purpose of participation in the general meeting. (357/2017)

Membership shareholders and investment shareholders also have the right referred to in subsections 1–3 to participate in the general meeting, unless otherwise provided in the rules concerning a matter other than one referred to in section 32.

A member has the right to participate in a general meeting only in the manner referred to in section 17, subsection 2 using a telecommunications connection and a technical device, if the member has notified the cooperative that they will participate in such a manner and the binding nature of the mode of participation to be notified to the cooperative was mentioned in the notice of the general meeting. The same applies to a membership shareholder and an investment shareholder who has the right to participate in a general meeting. A notification given by a proxy

of a member of a listed cooperative does not restrict the right of participation of the member's other proxies referred to in section 9, subsection 3. (662/2022)

Section 7a (357/2017)

Right to participate in the book-entry system

If the membership shares and investment shares in the cooperative have been incorporated in the book-entry system, only members who have been entered in the membership register as membership shareholders eight business days before the general meeting (*general meeting record date*) have the right to participate in the general meeting. In addition, the holder of a nominee-registered membership share or investment share may be notified for temporary entry in the membership and shareholder register for the purpose of participating in a general meeting if the member has the right, on the basis of a membership share, to be entered in the membership register on the general meeting record date. The notification for a temporary entry shall be filed no later than on the date mentioned in the notice of the general meeting, which date shall be subsequent to the general meeting record date. Changes in membership shareholdings and investment shareholdings occurring after the general meeting record date do not affect the right to participate in the general meeting or the number of votes held by a member.

Section 8

Advance notice of participation

The rules may provide that a member may participate in the general meeting on condition of giving advance notice of participation to the cooperative no later than on a given date, which shall not be earlier than ten days before the meeting. The last date for advance notices of participation shall be specified in the notice of the general meeting.

If the membership shares in the cooperative have been incorporated in the book-entry system, the holder of a nominee-registered membership share is deemed to have given advance notice of participation if the shareholder has been notified for temporary entry in the membership register in accordance with section 7a. If a member on the basis of membership shareholding may have multiple votes and the member participates in a general meeting by means of several proxies, the advance notice of participation shall indicate the membership shares on the basis of which each of the proxies represents the member. (357/2017)

Subsections 1 and 2 also apply to such membership shareholders and investment shareholders who have the right to participate in a general meeting.

Section 9

Proxy and assistant

A member may also exercise the rights of a member at a general meeting by way of proxy representation unless this is restricted by the rules. The proxy shall produce a dated proxy document or otherwise provide reliable evidence of the right to represent the member. The appointment of the proxy holder is valid for one general meeting, unless otherwise indicated in the proxy document. A proxy may represent a maximum of three members at a time, unless otherwise provided in the rules. Notwithstanding this subsection, a proxy may represent members who belong to the same group referred to in the Accounting Act.

A member and their proxy may have an assistant at the general meeting.

A member of a listed cooperative may have several proxies who represent the member on the basis of membership shares held in different book-entry accounts.

In a listed cooperative, the right of a member to use a proxy and the right of a proxy to represent several members shall not be restricted.

The provisions of this section above on proxies and assistants also apply to such membership shareholders and investment shareholders who have the right to participate in a general meeting.

Section 10

Participation of subsidiary

A subsidiary that is a member of the cooperative or holds membership shares or investment shares in the cooperative shall not participate in a general meeting. The votes of such a subsidiary are not taken into account when the making of a valid decision or the exercise of a given right requires the consent of all members or the consent of members holding a specified proportion of the total votes in the cooperative.

Section 11 (1148/2015)

Participation of others

A member of the board of directors, a member of the supervisory board and the managing director have the right to be present at a general meeting unless the general meeting in an individual case decides otherwise. The board of directors, the supervisory board and the managing director shall ensure that the right of members to request information, as referred to in section 27, is realised.

Provisions on the presence of an auditor at a general meeting are laid down in the Auditing Act (1141/2015) and provisions on the presence of an operations inspector are laid down in chapter 7, section 13 of this Act. The general meeting may also permit other persons to be present at the general meeting.

General provisions on decision-making

Section 12

Matters to be decided

The general meeting may only decide on matters that have been specified in the notice of the general meeting or that under the rules are to be dealt with by the general meeting. However, an ordinary general meeting shall always decide on the matters referred to in section 4, subsection 2; it may also decide on the appointment of an auditor referred to in chapter 7, section 5 and on the appointment of an operations inspector referred to in chapter 7, section 7 and deal with a proposal for a special audit referred to in chapter 7, section 15.

Notwithstanding the provisions of subsection 1, the general meeting may decide on the convocation of a new general meeting or on the deferral of a matter to a continuation meeting.

Section 13

Number of votes held by a member

A member holds one vote in a general meeting in all matters dealt with by the meeting, unless otherwise provided in the rules.

The rules may provide that members hold different numbers of votes. The number of votes held by a member may be more than twenty times the number of votes held by another member only in a cooperative according to the rules of which the majority of the members are to be cooperatives or other legal persons or the members of which are to include at least one public entity.

A member of a listed cooperative may vote with different membership shares in different ways, unless otherwise provided in the rules.

Section 14

Principle of equal treatment

The general meeting shall not make decisions contrary to the principle of equal treatment referred to in chapter 1, section 7.

Section 15

Disqualification

A member or a member's proxy may not vote in a matter pertaining to the discharge of the member from liability, a civil action against the member, a civil action by the member against the cooperative, the discharge of the member from liability for damages or from other liability towards the cooperative, or an agreement or commitment between the member and the cooperative. A member or a member's proxy shall likewise not vote in a matter pertaining to a civil action against another person or the discharge of another person from liability towards the cooperative or a contract or commitment between another person and the cooperative if the member is likely to derive an essential benefit in the matter and that benefit may be contrary to the interests of the cooperative. Notwithstanding this subsection, the acquiring cooperative may vote in a matter pertaining to the draft terms of merger referred to in chapter 20, section 3 and in a matter pertaining to the draft terms of demerger referred to in chapter 21, section 3.

The provisions of subsection 1 do not apply if all members of the cooperative are disqualified.

The provisions of subsection 1 on a member and a member's proxy also apply to the right of a membership shareholder and an investment shareholder as well as a proxy to participate in a vote referred to in section 32. The provisions of subsection 2 on a member also apply to a membership shareholder and an investment shareholder.

Section 16

Waiver of formal requirements

A matter that has not been dealt with in accordance with the procedural provisions of this Act or the rules may only be decided if the members who are affected by the omission consent to the decision being made.

The provisions of subsection 1 on a member also apply to a membership shareholder and an investment shareholder in a voting referred to in section 32.

Meeting procedure

Section 17

Meeting venue and mode of participation (662/2022)

The general meeting shall be held in the place where the registered office of the cooperative is located, unless otherwise provided in the rules. On very serious grounds, the meeting may be held at another location.

The board of directors may decide that participation in a general meeting referred to in subsection 1 may also take place so that a member exercises their power of decision referred to in section 1, subsection 1 in full using a telecommunications connection and a technical device during the meeting, unless holding such a meeting is restricted or prohibited under the rules. (662/2022)

The board of directors may also decide that a general meeting is held without a meeting venue so that the members exercise their power of decision referred to in section 1, subsection 1 in full using a telecommunications connection and a technical device in real time during the meeting. A condition for this is that a general meeting shall or may be held this way under the rules. (662/2022)

The board of directors may decide that participation in a general meeting referred to in subsections 1–3 may also take place by post or using a telecommunications connection and a technical device before or during the general meeting, unless providing such a mode of participation is restricted or prohibited under the rules. The board of directors may decide that only some of the members' rights may be exercised in the manner referred to in this subsection and that a given right may only be exercised in the manner determined by the board of directors, unless otherwise provided in the rules. (662/2022)

A further condition for holding a meeting referred to in subsections 2 and 3 and providing a possibility to use the mode of participation referred to in subsection 4 is that the right to participate and the correctness of the vote count can be verified in a manner comparable to the procedures to be complied with at a general meeting referred to in subsection 1. Only those who have exercised their right to vote before the meeting or who can exercise their right to vote during the meeting are considered participants in the meeting. Any proposal for a decision that is subject

to advance voting is considered to have been presented at the general meeting without amendments. (662/2022)

The notice of the general meeting shall contain information on the possibility to participate in the meeting in the manner referred to in subsections 2–4 and on the conditions for using this possibility, the technical implementation of participation, any related restrictions on the members' right to speak referred to in subsection 4, and the procedure to be complied with. (662/2022)

It may be provided in the rules that a membership shareholder or an investment shareholder may only participate in a meeting in the manner referred to in subsections 2–4. The membership shareholder or the investment shareholder shall be notified of such a right to participate in the same manner as the notice of the meeting shall be delivered, and they shall have an opportunity to exercise the right to participate for at least 24 hours. (662/2022)

Section 18

Convocation of meeting

The board of directors convenes the general meeting. However, it may be provided in the rules that the supervisory board convenes the general meeting. A supervisory board that has the right to convene a general meeting also decides on the modes of participation referred to in section 17 available at the meeting, unless otherwise provided in the rules. (662/2022)

If the general meeting is not convened, even though it should be convened under the law, the rules or a decision of the general meeting, or if provisions in force governing the notice of the general meeting have been materially breached, the regional state administrative agency shall, on the application of a member of the board of directors, a member of the supervisory board, the managing director, an auditor, an operations inspector or a member of the cooperative, permit the applicant to convene the meeting at the expense of the cooperative. The decision of the regional state administrative agency may be enforced even if it is not yet final.

Section 19

Contents of a notice of meeting

A notice of a general meeting shall specify the name of the cooperative, the date, time and venue of the meeting, and the matters to be dealt with by the meeting. If the meeting is to deal with an amendment to the rules or a matter referred to in section 21 or the issue of new membership

shares or investment shares or the acquisition or redemption of treasury membership shares or investment shares, the notice shall specify the main contents of the proposal as well as whether the membership shares or investment shares are acquired or redeemed in a directed manner.

In addition, provisions on the contents of the notice of the general meeting are laid down in:

- 1) section 8 concerning an advance notice of participation;
- 2) section 7, subsection 5 concerning an advance notice of participation and section 17, subsection 6 concerning the use of technical devices and participation by post; (662/2022)
- 3) section 20, subsection 3 concerning a later meeting;
- 4) chapter 9, section 5, subsection 2 concerning directed membership share issues and investment share issues;
- 5) chapter 19, section 5, subsection 3 concerning redemption by way of reduction of the membership share or investment share capital;
- 6) chapter 19, section 6, subsection 3 concerning the directed acquisition and redemption of treasury membership shares and investment shares and chapter 19, section 9, subsection 3 concerning the reverse splitting of membership shares and investment shares;
- 7) chapter 20, section 10 concerning mergers; and
- 8) chapter 21, section 10 concerning demergers.

In addition, the notice of a general meeting of a listed cooperative shall specify:

- 1) the conditions for a member's right to participate in the general meeting under sections 7, 7a and 8; (357/2017)
- 2) the conditions for a member's right to participate in the general meeting by way of proxy representation under section 9;
- 3) the member's right to request information referred to in section 27;

- 4) the total number of membership shares and investment shares in the cooperative and the total number of votes, broken down by membership share class and investment share class, at the time of convening the general meeting;
- 5) the website where the information on the general meeting required under this Act and the Securities Markets Act (746/2012) is accessible.

Section 20

Notice period

The notice shall be delivered no earlier than two months and no later than one week before the date of the general meeting, the last date for advance notices of participation specified in section 8, or the general meeting record date pertaining to cooperatives incorporated in the book-entry system specified in section 7a, whichever is the earliest. In a listed cooperative, however, the notice shall be delivered three months before the date specified above at the earliest. (357/2017)

In addition, provisions on the notice period are laid down in:

- 1) section 21 concerning certain decisions; and
- 2) section 26, subsection 3 concerning a continuation meeting.

If, under the rules, the validity of a decision requires that it has been made in two general meetings, the notice of the later meeting shall not be delivered before the earlier meeting has been held. The decision made in the earlier meeting shall be mentioned in the notice.

A listed cooperative shall deliver the notice of the general meeting no later than three weeks before the general meeting. The notice of the general meeting shall, however, be delivered no later than nine days before the general meeting record date. (357/2017)

Section 21

Special notice period

The notice of the general meeting shall be delivered no earlier than two months and no later than one month before the date of the general meeting, the last date for advance notices of participation specified in section 8 or the general meeting record date pertaining to cooperatives incorporated in the book-entry system specified in section 7a, if the meeting is to deal with: (357/2017)

- 1) a substantial amendment to the purpose or field of operation of the cooperative or the continuation of operations beyond the period laid down in the rules;
- 2) an amendment to the number of votes held by members;
- 3) an amendment to the voting system or electoral districts for the management, auditors or delegates of the cooperative or the delegation of the power of decision of the members to the delegates;
- 4) a restriction on the right of current members to withdraw from the cooperative;
- 5) a restriction on the right to terminate or transfer membership shares already issued, or a deferral of a membership share price refund;
- 6) with regard to current members or membership shares already issued, a restriction on a right concerning surplus, the membership share price refund or the net assets of the cooperative in a manner other than that referred to in subsection 4 or 5, or any other change to the surplus or net asset distribution criteria;
- 7) an increase of the payment obligation of current members by means of an increase of the subscription price against payment or in another manner;
- 8) a reduction of the membership share capital or the redemption or acquisition of treasury membership shares; or
- 9) a merger, a demerger, a change into another business form of the cooperative or the placing of the cooperative into liquidation, termination of liquidation or deregistration of the cooperative.

The notice period laid down in subsection 1 also applies to the other matters dealt with in the same meeting, notwithstanding any provisions of the rules on a shorter notice period.

In a listed cooperative, however, the notice may be delivered three months before the date specified in subsection 1 at the earliest.

Section 22

Manner in which the notice is to be given

A written notice of the general meeting shall be sent to all members whose addresses are known to the cooperative, unless otherwise provided in the rules.

In addition to the provisions of the rules, a written notice shall be sent to all members whose addresses are known to the cooperative or the notice shall be delivered in another manner making it commonly known to the members if the meeting is to deal with a matter referred to in section 21.

Each membership shareholder and investment shareholder shall be delivered a written notice of the general meeting as laid down in subsections 1 and 2, unless otherwise provided in the rules concerning a matter other than one referred to in section 32.

Section 23

Meeting documents, keeping them available and sending them

The proposals and, if the general meeting is to deal with financial statements, the financial statements, the management report and the auditor's report shall be kept available to the members in the head office of the cooperative or on the cooperative website for at least one week before the meeting. The meeting documents shall without delay be sent to a member requesting them if the documents are not available for downloading and printing on the cooperative website.

If a decision pertains to a matter referred to in section 21, a membership share or investment share issue, the issue of option rights or other special rights entitling to membership shares or investment shares, the increase of the investment share capital from reserves, the distribution of surplus, the distribution of reserves of unrestricted equity, or the acquisition or redemption of treasury membership shares and investment shares, and the financial statements are not to be dealt with at the meeting, the following documents shall also be kept available in the manner provided in subsection 1:

- 1) the latest financial statements, management report, auditor's report and operations inspector's report;
- 2) any decisions on the distribution of assets made after the end of the preceding financial period;
- 3) any interim reports prepared as of a date after the end of the preceding financial period; and
- 4) an account of the board of directors on the events having occurred after the latest financial statements or interim report and having an essential effect on the position of the cooperative.

Provisions on the documents to be kept available and to be sent on request when deciding on a merger, demerger or change into another business form are laid down in chapter 20, section 11, chapter 21, section 11, and chapter 22, section 3.

If, under the rules, a decision on a matter is to be made in two general meetings and the later meeting is held within three months of the first meeting, no documents referred to in this section need to be drawn up for the later meeting.

The provisions of this section on meeting documents, on keeping them available and on sending them apply to membership shareholders and investment shareholders, unless otherwise provided in the rules on a matter other than one referred to in section 32.

Section 24

Special provisions concerning listed cooperatives on keeping documents available and sending them

A listed cooperative shall keep the notice referred to in section 19 and the documents to be kept available to the members referred to in section 23 available on the cooperative website for a period beginning no later than three weeks before the general meeting and ending no earlier than three months after the general meeting.

By derogation from section 23, the financial statements, the management report and the auditor's report need not be kept available or sent before the general meeting of a listed cooperative if the cooperative has disclosed the information contained in them in the manner referred to in the Securities Markets Act no later than three weeks before the general meeting.

Section 25

Chairperson, register of votes and minutes

The general meeting is opened by the person designated by the convener of the meeting. The general meeting elects a chairperson, unless otherwise provided in the rules. If the rules contain provisions on the chairperson of the general meeting, that person also opens the meeting.

The chairperson shall ensure that a register is compiled of the members, proxies and assistants present at the meeting, indicating the number of membership shares and investment shares and the number of votes held by each member (*register of votes*). If, under the rules, a member may have several votes, the register shall also specify the number of votes held by each member and the basis for the determination of that number. Of the information included in the membership and

shareholder register, the following shall be kept available at the general meeting: the name and municipality of residence of each member as well as the number of membership shares and investment shares, broken down by membership share class and investment share class, and any other differences in the rights and obligations conferred by the membership shares and investment shares. (662/2022)

The chairperson shall ensure that minutes are kept of the meeting. The decisions made and the results of any voting shall be entered in the minutes. The chairperson and a person elected as scrutiniser shall sign the minutes. The register of votes shall be included in or attached to the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

No later than two weeks after the meeting, the minutes shall be kept available to the members at the head office of the cooperative or on the cooperative website, and copies shall be delivered to members requesting the same. A member has the right to receive copies of the attachments to the minutes against compensation of the cooperative's costs. The same applies to membership shareholders and investment shareholders, unless otherwise provided in the rules on a matter other than one referred to in section 32.

If a full account of the voting has been carried out at the general meeting of a listed cooperative, the minutes of the general meeting shall also indicate the proportion of the voted membership shares of all membership shares, the number of votes cast in favour of and against a decision, and the number of non-voted membership shares represented in the general meeting. This information shall be kept available on the cooperative website no later than two weeks after the general meeting and for at least three months after the general meeting.

Section 26

Continuation meeting and suspension of a meeting due to technical malfunction (662/2022)

The general meeting may decide that a matter is deferred to a continuation meeting.

A matter pertaining to the adoption of the financial statements and the use of surplus shall be deferred from the ordinary general meeting to a continuation meeting if members representing at least one tenth (1/10), or a smaller proportion provided in the rules, of the total number of votes held by the members so request. The continuation meeting shall be held no earlier than one month and no later than three months after the ordinary general meeting. The decision need not be deferred for a second time even if a minority so requests.

A separate notice of the continuation meeting shall be delivered if it is to be held more than four weeks after the general meeting. The notice of a continuation meeting may always be delivered no later than four weeks before the meeting.

If a malfunction occurring in the cooperative's telecommunications connection or in another technical device, as referred to in section 17, subsections 2–4, used by the cooperative for arranging the general meeting could affect the validity of decisions made at the general meeting and there is reason to assume that fixing the malfunction would significantly delay the meeting, the chairperson of the general meeting may decide that the meeting shall be suspended and resumed within four weeks of the start time mentioned in the notice of the meeting. A condition is that the members, membership shareholders and investment shareholders who had the right to participate in the meeting at the time of its suspension are informed of the suspension, the possible time of resumption and any new technical solutions that may be required for participation in good time before the meeting is resumed. (662/2022)

Section 27

Right to request information

On the request of a member, the board of directors and the managing director shall, at a general meeting, provide more detailed information on circumstances that may affect the evaluation of a matter dealt with by the meeting. If the meeting deals with the financial statements, this obligation also applies to more general information on the financial position of the cooperative, including the relationship of the cooperative with another corporation, association or foundation in the same group. However, the information shall not be provided if this would cause essential harm to the cooperative.

If the question of a member can only be answered on the basis of information not available at the meeting, the answer shall be provided in writing within two weeks. The answer shall be delivered to the member asking the question and to other members requesting the same.

If the board of directors deems that the information requested cannot be provided to the member without causing essential harm to the cooperative, the board of directors shall provide the requested information to the auditors and operations inspectors of the cooperative within two weeks of the general meeting. Within a month of the general meeting, the auditors and operations inspectors shall supply a written opinion to the board of directors on the effect that the information has on the auditor's report or other opinion by the auditors or on the operations inspector's report. The provisions of section 25, subsections 3 and 4 on the minutes of the general

meeting apply to the keeping, making available and issue of copies of the opinion. The opinion shall be sent without delay to the member asking the question and to other members requesting the same.

Membership shareholders and investment shareholders have the right to request information under subsections 1–3, unless otherwise provided in the rules on a matter other than one referred to in section 32.

Section 27a (662/2022)

Exercise of the right to speak otherwise than orally

If a member exercises their right to request information otherwise than orally during the general meeting under section 17, subsection 4, the board of directors may answer the question after the meeting in the manner provided in section 27, subsection 2, unless otherwise specified in the notice of the general meeting or unless otherwise provided in the rules. However, the general meeting may decide that the question shall be answered at the general meeting in accordance with section 27.

If a member exercises their right to speak otherwise than orally during the general meeting under section 17, subsection 4, such questions and other contributions may, notwithstanding sections 7 and 27, be combined and edited at the general meeting before the questions, contributions and answers to them are made visible or audible to the participants of the general meeting. A condition is that such a procedure is necessary to reasonably limit the duration of the general meeting and that the procedure makes it easier to follow the meeting, is conducive to ensuring the proper conduct of the meeting and does not materially alter the contents of the contributions. The principles of the procedure shall be decided at the beginning of the meeting. The original contributions that were made otherwise than orally during the meeting shall be retained for at least one year after the general meeting.

Rules of decision-making

Section 28

Decision by majority

A proposal that has been supported by more than half of the votes cast constitutes the decision of the general meeting, unless otherwise provided in this Act. In an election, the person receiving the

most votes is elected. The general meeting may, however, decide before the election or provide in the rules that the person receiving more than half of the votes cast is elected. In the event of a tie, an election is decided by drawing lots, and other votes are decided by the casting vote of the chairperson, unless otherwise provided in the rules.

Notwithstanding subsection 1, the rules may provide that an election takes place by proportional representation. In this event, the rules shall lay down provisions on which election is to take place by proportional representation, on the formation of voter groups, on implementation and inspection bodies and other matters relating to the execution of elections.

The rules may provide a lower minority requirement for elections and for when changing the number of votes held by a member in a cooperative the rules of which lay down provisions on members holding different numbers of votes. With regard to changing the number of votes held, however, the rules may not provide a requirement lower than the qualified majority laid down in section 29, subsection 1.

Section 29

Decision by qualified majority

If a decision shall be made by a qualified majority, a proposal that has been supported by at least two thirds (2/3) of the votes cast at the general meeting constitutes the decision.

Unless otherwise provided elsewhere in this Act or in the rules, the following decisions shall be made by a qualified majority:

- 1) an amendment to the rules;
- 2) a directed membership share or investment share issue;
- 3) the issue of option rights and other special rights entitling to membership shares or investment shares;
- 4) the directed acquisition of treasury membership shares or investment shares;
- 5) a merger;
- 6) a demerger;
- 7) the change of business form to a limited liability company; and

8) placing the cooperative into liquidation and the termination of liquidation.

The qualified majority requirement may not be relaxed by way of the rules.

A decision by majority is, however, sufficient for amending the rules, if the amendment in question is about an obligation to provide the members with a possibility to exercise their rights at the general meeting in the manner referred to in section 17, subsection 2. (662/2022)

Section 30

Alteration of rights of membership share class or investment share class

A decision on the amendment to the rules to the effect that membership share or investment share classes are combined or the rights of an entire membership share or investment share class are otherwise reduced shall be made by a qualified majority referred to in section 29. In addition, the validity of the decision is subject to the condition that the decision is supported by members holding at least two thirds (2/3) of the membership shares and investment shares within each membership and investment share class represented at the meeting.

Section 31

Majority requirements for certain amendments to the rules

The validity of a decision concerning an amendment to the rules is subject to the condition that it receives the support of the members holding at least nine tenths (9/10) of the votes cast at the meeting if the decision:

- 1) restricts the right of a current member to withdraw or restricts the right to terminate membership shares with regard to membership shares already issued; or
- 2) defers the refund of the price of a membership share already issued when membership ends or when membership shares are terminated by a member or another membership shareholder.

The validity of a decision concerning an amendment to the rules is, however, subject to the condition that it receives the support of all members represented in the meeting if the decision:

- 1) changes the main purpose of the cooperative;
- 2) stipulates that different members hold a different number of votes;

- 3) restricts the right of a current member or the right carried by a membership share or investment share to surplus, a subscription price refund or net assets of the cooperative in a manner other than that referred to in subsection 1;
- 4) increases the payment obligation of a current member or a holder of a membership share or investment share already issued by means of a provision that increases the non-refundable subscription price, extraordinary payments or obligation to make additional payments or restricts the right to withdraw or the right to terminate membership shares in a cooperative the rules of which lay down provisions on extraordinary payments or the obligation to make additional payments;
- 5) restricts the acquisition of a membership share or investment share already issued;
- 6) restricts the pre-emptive right to membership shares or investment shares based on membership or membership shareholding or investment shareholding;
- 7) attaches a redemption term referred to in chapter 19, section 10 to a membership share or investment share already issued;
- 8) restricts the right of the cooperative to damages in a manner referred to in chapter 25, section 9; or
- 9) alters the balance between the rights carried by membership shares or investment shares in the same class.

However, the support of all members represented at the meeting shall be obtained for the redemption of treasury membership shares and investment shares as well as for a reduction of the membership share capital or investment share capital if the decision restricts the right carried by a membership share or investment share already issued to surplus, a membership share price refund or net assets of the cooperative.

The general meeting shall not make a decision contrary to the principle of equal treatment referred to in chapter 1, section 7 unless the member or the membership shareholder or investment shareholder at whose expense the unjust benefit is to be given consents to the same.

Section 32

Support of membership shareholders and investment shareholders

If a decision of the general meeting pertains to a membership share or investment share already issued in a manner referred to in section 30 or 31 or in a manner restricting the right of a membership shareholder or investment shareholder referred to in section 7, 9, 22, 23, 25 or 27, the decision requires, in addition to the support referred to in the said sections of this Act, also that the decision is supported by the membership shareholders or investment shareholders who hold the majority referred to in the said sections of this Act of the votes cast by the membership shareholders or investment shareholders in each of such membership share class or investment share class.

In a vote referred to in subsection 1, a membership shareholder and an investment shareholder has one vote, unless otherwise provided in the rules.

Section 33

Notification of a decision derogating from the notice of general meeting to members and membership shareholders

A decision of the general meeting shall be notified to the members and membership shareholders of the cooperative if the rules restrict the right of members to withdraw or the right of members or membership shareholders to terminate their membership shares, or defer the membership share price refund, and the main content of the decision referred to in section 21 deviates from that specified in the notice of the general meeting in such a way that the decision reduces the rights of members or membership shareholders in the cooperative or increases their obligations or changes the main purpose of the cooperative or substantially changes the field of operation of the cooperative or continues the operations of the cooperative beyond the period proposed.

The notification shall be delivered without delay to the members and membership shareholders who were not represented at the meeting. The notification shall be delivered in the same manner as a notice of a general meeting.

Other provisions

Section 34

Amendments to the rules and implementation of amendments

A decision on an amendment to the rules is made by the general meeting by a qualified majority referred to in sections 29–31.

The decision on an amendment to the rules shall be notified for registration without delay. The decision shall not be implemented until registered. If the amendment to the rules requires implementation measures to be entered in the register, the amendment shall, however, be notified for registration and registered simultaneously with the implementation measures.

However, a decision on an amendment to the rules applies to a member admitted before the registration of the decision and to a membership share issued before the registration of the decision after one year from the end of the financial period during which the registration of the decision takes place, where the decision:

- 1) defers a payment obligation based on a membership share;
- 2) brings forward the membership share price refund;
- 3) increases the right to a refund of an increase from reserves or of an extraordinary payment;
- 4) reduces the membership share capital for a purpose other than loss coverage; or
- 5) restricts the obligation of a member to make additional payments.

If the right carried by a membership share is determined on the basis of the nominal value of the membership share, the abandonment of nominal values does not affect the rights carried by the membership share unless otherwise decided.

Section 35

Extraordinary right to withdraw, terminate membership share and receive membership share price refund

Notwithstanding a restriction of the right to withdraw, or the deferral of a membership share price refund, laid down in the rules, a member has the right to withdraw from the cooperative and to receive a membership share refund as provided in this section if the member has not supported a

decision referred to in section 21, subsection 1 (*extraordinary right to withdraw and to receive a refund*). This does not, however, apply to a merger decision of the general meeting of the acquiring cooperative nor to a decision on placing into liquidation or deregistration.

A member has the extraordinary right to withdraw and to receive a refund if the member withdraws from the cooperative or the membership otherwise ends within 30 days of the decision of the general meeting or the membership has ended earlier during the financial period when the decision is made.

If the decision pertains to the cooperative merging into another cooperative, demerging or changing into a limited liability company, a member is entitled to a full refund, from the acquiring cooperative or the limited liability company to be registered, of the full amount paid for the subscription price on the part of the member, and any other amount laid down in the rules. The right to the refund arises when the decision of the general meeting has been registered. If the decision pertains to another matter referred to in subsection 1, the member has the right to receive the membership share price refund when the decision of the general meeting has been registered, if so provided in this Act. Otherwise, provisions on refunds are laid down in chapter 17.

If the amendment to the rules pertains to an increase of a member's payment obligation, a member who has withdrawn is at the same time released from the obligation based on the amendment.

The rules may lay down provisions on a restriction to or abolition of the extraordinary right to withdraw and to receive a refund.

The provisions of this section on a member's extraordinary right to withdraw and to receive a refund also apply to the right of other membership shareholders to terminate their membership shares and receive a membership share price refund.

Section 36

Objection to decision

Provisions on objections to decisions of the general meeting are laid down in chapter 24.

Delegates

Section 37

Duties

It may be provided in the rules that the power of decision of the members either in all matters or in certain matters is exercised, instead of the general meeting, by delegates elected by the members.

In this event, it shall be provided in the rules how the delegates are appointed, the duties of the delegates, the number of delegates elected and their term, and the manner of filling a vacancy in the event that a delegate leaves office in mid-term. The delegates' term shall end no later than during the sixth financial period after the election, either after the election of the new delegates or at the end of the financial period.

Members of the cooperative and membership shareholders and investment shareholders do not have the right to participate in the meetings of the delegates, unless otherwise provided in the rules. The rules may not, however, provide the right for members of the cooperative to vote in a meeting of the delegates.

Section 38

Election

The delegates shall always be elected on the basis of proportional representation, unless otherwise provided in the rules.

The rules may provide that the delegates are elected from electoral districts determined on the basis of different member groups or different geographical areas. In this event, the rules shall also provide the criteria on the basis of which the members are divided into the electoral districts.

The rules may provide that the proportional share of the delegates elected from each electoral district is determined:

- 1) on the basis of the number of members of the cooperative;
- 2) on the basis of the number of membership shares of the members or the amount paid for them;

- 3) in accordance with the use of services provided or otherwise organised by the cooperative; or
- 4) on the basis of a criterion other than one referred to in paragraphs 1–3.

If the delegates are to be elected from electoral districts, the rules may provide that the election of the delegates from their electoral district is to be performed by electors. The members of the cooperative elect the electors for each electoral district by proportional representation and in compliance with the provisions of this section on the election of delegates. The rules shall provide the term of the electors, which may not exceed the term of the delegates.

The rules may provide that members vote in the election of the delegates or the electors by post or telecommunications or other technical means. In this event, the rules shall provide a voting procedure that safeguards the members' right to vote and to nominate candidates.

Section 39

New election in mid-term

A new election of delegates shall be held in the middle of the delegates' term if members of the cooperative representing at least half, or a smaller proportion specified in the rules, of the total votes held by the members so require in writing.

The new delegates shall be elected within four months of the request. The term of the new delegates begins on the day following the confirmation of the election results. The rules may, however, provide that the term of the new delegates is to begin later, but no later than two weeks after the election.

Section 40

Failure to elect delegates

In the event of failure to elect delegates, the provisions of section 18, subsection 2 on the right of the regional state administrative agency to permit an applicant to convene the necessary meeting are observed. The application referred to in that section concerning the holding of an election may also be submitted by a member of the cooperative.

Section 41

Meeting of delegates

The provisions of this Act on the general meeting apply to the meeting of the delegates, unless otherwise provided in this section. A delegate always has one vote in the meeting and may not exercise the delegate's right to vote by proxy. A delegate may only use an assistant if so provided in the rules or so decided by the meeting of the delegates.

An extraordinary meeting of the delegates considering a matter belonging to the delegates shall be held if at least one fourth (1/4) of the delegates so request. The meeting shall also be held if so requested by a smaller proportion of the delegates specified in the rules.

A meeting of the delegates shall not make a decision on a matter referred to in section 21 before one month has elapsed from the notification to the members of the cooperative of the main contents of the proposed decision and of the time of the meeting of the delegates in the same manner as a notice of a general meeting that is to deal with such a matter is delivered. If a decision on a matter referred to in section 31 deviates from what has been notified to the members and delegates of the cooperative, this deviation shall be notified to the members as provided in section 21.

With regard to the support of membership shareholders and investment shareholders required for a decision of the meeting of the delegates in a matter referred to in section 30 or 31, the provisions of section 32 on the support of membership shareholders and investment shareholders required for a decision of the general meeting apply.

Section 42

Objections to decisions and liability for damages

The provisions of chapter 24 on objections to decisions of the general meeting also apply to objections to decisions of the meeting of the delegates.

Provisions on a delegate's liability for damages are laid down in chapter 25, section 2 and on the liability for damages of the chairperson of the meeting of the delegates in section 3 of the said chapter.

Section 43

Remedies of members of cooperative

A member of a cooperative always has the right to request that a special audit referred to in chapter 7, section 15 be conducted and the right to pursue an action on behalf of the cooperative referred to in chapter 25, section 7. Members of the cooperative requesting a special audit or filing an action shall hold at least one fourth (1/4), or a smaller proportion specified in the rules, of the total number of votes in the cooperative. Members of the cooperative may request a special audit or file an action even if delegates have not objected to the decision of the delegates in the manner referred to in chapter 7, section 15 or chapter 25, section 7. Membership shareholders and investment shareholders have the same right to pursue an action on behalf of the cooperative referred to in chapter 25, section 7.

Chapter 6

Management and representation of a cooperative

Management

Section 1

Management of a cooperative

A cooperative shall have a board of directors. It may also have a managing director and a supervisory board.

Provisions on the prohibition of decisions contrary to the principle of equal treatment are laid down in chapter 1, section 7, provisions on the duty of care in chapter 1, section 8 and provisions on the liability for damages in chapter 25.

Provisions on the representation of the cooperative are laid down in sections 26–29 of this chapter.

Duties and decision-making of the board of directors

Section 2

General duties of the board of directors

The board of directors sees to the administration of the cooperative and the appropriate organisation of its operations (*general competence*). The board of directors is responsible for the appropriate arrangement of the control of the cooperative accounts and finances.

The board of directors or a member of the board of directors shall not comply with a decision of the general meeting, the meeting of the delegates, the supervisory board or the board of directors where it is invalid owing to being contrary to this Act or the rules.

Section 3

Decision-making by the board of directors

The opinion of the majority constitutes the decision of the board of directors unless a qualified majority is required in the rules. In the event of a tie, the chairperson of the board of directors has the casting vote. If there is a tie in the election for the chairperson, and no other provision has been made when electing the board of directors or in the rules, the election is decided by drawing lots.

The board of directors has a quorum when more than half of the members of the board of directors are present unless a larger proportion is required under the rules. The proportion is calculated on the basis of the number of members of the board of directors who have been elected. When this proportion is being calculated, disqualified members are deemed to be absent. No decision shall be made unless all members of the board of directors have been allowed the opportunity, as far as possible, to participate in the consideration of the matter. If a member of the board of directors is unavailable, this opportunity shall be allowed to the deputy member of the member. If a decision is made without a meeting being held, the decision shall be written down, signed, numbered and archived as provided for the minutes of meetings of the board of directors in section 6.

Section 4

Disqualification of a member of the board of directors

A member of the board of directors shall not participate in the consideration of a matter pertaining to a contract between the member and the cooperative. A member shall likewise not participate in the consideration of a matter pertaining to a contract or commitment between the cooperative and a third party if the member is to derive an essential benefit in the matter and that benefit may be contrary to the interests of the cooperative. The provisions of this section on a contract also apply to other legal transactions as well as judicial proceedings and other exercise of the right to be heard.

Section 5

Meeting of the board of directors

The chairperson of the board of directors is responsible for ensuring that the board of directors meets when necessary. A meeting shall be called if a member of the board of directors or the managing director so requests. If, notwithstanding a request, the chairperson does not call a meeting, a meeting may be called by a member of the board of directors if at least one half of the members of the board of directors approve of the call, or by the managing director.

The board of directors may decide that also a person other than a member of the board of directors may be present at a meeting. Provisions on the right of the managing director to participate in a meeting are laid down in section 18. Provisions on the right to be present may be laid down in the rules.

Section 6

Minutes of the board of directors

Minutes shall be kept of the meetings of the board of directors and shall be signed by the person chairing the meeting and, if there are several members of the board of directors, at least by one member designated by the board. A member of the board of directors and the managing director have the right to have a dissenting opinion entered in the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

Section 7

Delegation of duties

In individual cases or if so provided in the rules, the board of directors may make a decision in a matter falling within the general competence of the managing director also when the cooperative has a managing director.

The board of directors may refer a matter within the general competence of the board of directors or the managing director for a decision by the general meeting or the supervisory board.

Members of the board of directors and the beginning and end of membership

Section 8

Members, deputy members and chairperson of the board of directors

There shall be between one and five ordinary members elected to the board of directors, unless otherwise provided in the rules. If there are fewer than three members, there shall be at least one deputy member of the board of directors. The provisions of this Act on a member also apply to a deputy member.

If there are several members of the board of directors, a chairperson of the board of directors shall be elected. The board of directors shall elect the chairperson unless otherwise decided when the board is elected or unless otherwise provided in the rules.

Section 9

Election of the members of the board of directors

The general meeting elects the members of the board of directors unless the rules provide that the supervisory board shall elect the members.

The rules may provide that a minority of the board of directors shall be elected according to some other procedure. However, if a member has not been elected according to the other procedure, the general meeting or the supervisory board may elect the member, unless otherwise provided in the rules.

Section 10

Qualifications of a member of the board of directors

The following cannot be members of the board of directors: legal persons, minors, persons for whom a guardian has been appointed, persons with restricted legal capacity, and persons who are bankrupt. Provisions on the effect of a business prohibition on the qualification of a member are laid down in the Act on Business Prohibitions (1059/1985).

At least one of the members of the board of directors shall be resident within the European Economic Area unless the registration authority grants the cooperative an exemption from this requirement.

Section 11

Term of a member of the board of directors

The term of a member of the board of directors is indefinite unless provisions on a fixed term are laid down in the rules. The term of a member ends and the term of the successor member begins upon the conclusion of the meeting electing the successor member, unless otherwise provided in the rules or decided when the successor member is elected.

Section 12

Resignation of a member of the board of directors

A member of the board of directors may resign before the end of their term.

The resignation takes effect at the earliest when it has been notified to the board of directors. If the member of the board of directors has been elected by a party other than the general meeting, the resignation shall also be notified to the electing party.

If the resigning member of the board of directors has reason to believe that the cooperative no longer has any other members of the board of directors, the resigning member shall see to it that a general meeting is convened to elect a new board of directors.

Section 13

Dismissal of a member of the board of directors

A member of the board of directors may be dismissed before the end of the term by the party who elected the member. However, a member elected by a party other than the general meeting may

be dismissed by the general meeting if the rules have been amended so that the right of election no longer exists.

The term of a dismissed member of the board of directors ends upon the conclusion of the general meeting deciding on the dismissal unless the general meeting decides on some other point in time. The term of a member dismissed by a party other than the general meeting ends immediately unless some other point in time is indicated in the context of the dismissal.

Section 14

Filling of vacancy in the board of directors

If there is a vacancy in the board of directors in mid-term or if a member of the board of directors loses the qualifications referred to in section 10, a deputy member of the board of directors shall substitute for the member as provided in the rules or as decided upon the election of the deputy member. If there are no deputy members, the other members of the board of directors shall ensure that a successor member is elected for the remainder of the term. If the board of directors, with deputy members, has a quorum, the election may take place in the next general meeting or meeting of the supervisory board where members of the board are elected.

Other provisions on the board of directors

Section 15

Parent-subsidiary relationship

If the cooperative has become a parent cooperative or if it no longer is a parent cooperative, the board of directors shall without delay notify the same to the board of directors or the other corresponding body of the subsidiary. The board of directors or the other corresponding body of the subsidiary shall provide the board of directors of the parent cooperative with the information necessary for the evaluation of the position of the group and the calculation of its financial results.

Section 16

Contract with sole member

A contract or other commitment between the cooperative and its sole member that does not fall within the scope of the regular business operations of the cooperative shall be entered in or attached to the minutes of the board of directors.

Section 16a (1379/2016)

Duties of the board of directors in a public-interest cooperative

If the cooperative is a public-interest entity referred to in chapter 1, section 9 of the Accounting Act, the duty of its board of directors is, with regard to the financial reporting and auditing of the cooperative, especially to monitor and assess:

- 1) the financial reporting system of the cooperative;
- 2) the efficiency of the internal control and auditing and of the risk-management systems of the cooperative;
- 3) the independence of the auditor of the cooperative and especially the provision of non-audit services by the auditor.

In addition to the duties specified in subsection 1, the board of directors shall monitor the audit of the cooperative and prepare the appointment of the auditor of the cooperative.

The provisions of subsection 1, paragraph 3 and subsection 2 do not apply to:

- 1) a cooperative whose parent attends to the said duties;
- 2) an undertaking for collective investment in transferable securities referred to in Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) or an alternative investment fund referred to in Article 4(1)(a) of Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;
- 3) an entity the sole purpose of which is to issue asset backed securities referred to in Article 2(5) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Commission Regulation (EC) No 809/2004 was repealed by Commission Regulation (EU) 2019/980.

Section 16b (624/2016)

Audit committee in a public-interest cooperative

For the preparation of the duties referred to in section 16a, subsections 1 and 2, a cooperative may have an audit committee consisting of members of the board of directors. In the absence of an audit committee, the preparation of the duties belongs to the entire board of directors.

The duties of the audit committee may be attended to by another committee of the board of directors the composition of which meets the requirements of section 16c.

Section 16c (624/2016)

Audit committee members

A member of the audit committee shall not participate in the daily management of the cooperative or of its consolidated corporation, association or foundation.

At least one of the members of the audit committee shall have expertise in accounting or auditing.

Managing director

Section 17

General duties of the managing director

The managing director shall see to the day-to-day management of the cooperative in accordance with the instructions and orders given by the board of directors (*general competence*). The managing director is responsible for ensuring that the accounts of the cooperative are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The managing director shall provide the board of directors and its members with the information necessary for the performance of the duties of the board of directors.

The managing director may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the cooperative only if so authorised by the board of directors or if it is not possible to wait for a decision of the board of directors without causing essential harm to the business operations of the cooperative. In the latter case, the board of directors shall be notified of the measures as soon as possible.

Section 18

Presence of the managing director at meetings of the board of directors

The managing director has the right to be present at the meetings of the board of directors and to exercise the right to be heard there even if the managing director is not a member of the board of directors, unless otherwise decided by the board of directors.

Section 19

Provisions applicable to the managing director and the deputy managing director

The provisions laid down in section 2, subsection 2 on invalid decisions, in section 4 on disqualification and in section 10, subsection 1 on qualification that pertain to the members of the board of directors also apply to the managing director. The managing director shall in all events be resident within the European Economic Area unless the registration authority grants the cooperative an exemption from this requirement.

The provisions of this Act on the managing director also apply to the deputy managing director.

Section 20

Appointment, resignation and dismissal of the managing director

The board of directors appoints the managing director. The rules may provide that the supervisory board or the general meeting appoints the managing director.

The managing director has the right to resign from the post. The resignation takes effect at the earliest when it has been notified to the board of directors.

The managing director may be dismissed by the body that appointed them. The dismissal takes effect immediately unless the board of directors decides on a later point in time. If the managing director was appointed by a body other than the board of directors, the dismissal takes effect immediately unless the body decides on a later point in time.

Supervisory board

Section 21

Duties of the supervisory board

Provisions on the supervisory board are laid down in the rules. The supervisory board supervises the administration of the cooperative, which is the responsibility of the board of directors and the managing director. The supervisory board may provide the board of directors with instructions in matters that are extensive in scope or important in principle.

The rules may provide that:

- 1) the supervisory board appoints the members of the board of directors and determines their fees;
- 2) the supervisory board appoints the managing director and other members of the senior management of the cooperative and decides on their emoluments;
- 3) the supervisory board decides on matters pertaining to a significant reduction or expansion of operations or a substantial organisational change;
- 4) the supervisory board provides the ordinary general meeting with an opinion on the financial statements; and
- 5) the supervisory board also has duties other than those falling under the general competence of the board of directors referred to in paragraphs 2–4 and duties that have not been laid down for other bodies.

Duties pertaining to day-to-day management, accounts and financial affairs referred to in section 17, subsection 1 may not, however, be delegated to the supervisory board. Likewise, the rules may not restrict the right of the board of directors, its members or the managing director to represent the cooperative. The board of directors does not have competence in duties delegated to the supervisory board, unless otherwise provided in the rules.

Section 22

Access of the supervisory board to information

The board of directors, the members of the board of directors and the managing director shall provide the supervisory board and the members of the supervisory board with the information required for the performance of the duties of the supervisory board.

Section 23

Members and chairperson of the supervisory board

The supervisory board shall have at least three members. The managing director or a member of the board of directors shall not be a member of the supervisory board. A chairperson shall be appointed for the supervisory board. The chairperson is appointed by the supervisory board unless otherwise decided in the appointment of the supervisory board or otherwise provided in the rules.

Section 24

Provisions applicable to the supervisory board

In addition, the provisions of section 2, subsection 2 on invalid decisions, sections 3–6 on decision-making, disqualification, meetings and minutes and sections 9–14 on election, qualification, term, resignation, dismissal and filling of vacancy apply to the supervisory board and the members of the supervisory board.

Section 25

Other bodies

The rules may also lay down provisions on other bodies of the cooperative. Such other bodies may not be assigned duties that under this Act belong to the general meeting or the meeting of the delegates, the electors, the board of directors, the managing director or the supervisory board.

Representation

Section 26

Board of directors and managing director as representatives

The board of directors represents the cooperative. The managing director may represent the cooperative in matters falling within the managing director's duties under section 17.

Section 27

Other representatives

The rules may provide that a member of the board of directors or the managing director has the right to represent the cooperative or that the board of directors may grant a member of the board of directors, the managing director or some other designated person the right to represent the cooperative. The board of directors may at any time revoke a right to represent the cooperative granted by the board of directors.

Section 28

Restrictions of the right to represent cooperative

The only restriction of the right to represent the cooperative that may be entered in the Trade Register is one to the effect that two or more persons have this right only when acting together.

A provision in the rules on the field of operation of the cooperative constitutes a restriction of the competence of a representative.

Section 29

Binding effect of measures by a representative

A legal transaction entered into by a representative of the cooperative referred to in this Act is not binding on the cooperative if:

- 1) the representative has violated a restriction of the representative's competence referred to in this Act;
- 2) the representative has violated a restriction referred to in section 28; or
- 3) the representative has exceeded their competence and the other party to the legal transaction knew or should have known of the competence having been exceeded.

In cases referred to in subsection 1, paragraph 3, the fact that the restrictions of competence have been registered cannot on its own be deemed as adequate proof that other party to the legal transaction knew or should have known of the competence being exceeded.

Chapter 7

Audit, operations inspection, member's right of inspection and special audit

Audit

Section 1

Applicable law

Provisions on the audit of a cooperative are laid down in this chapter and in the Auditing Act.

Section 2

Appointment of the auditor

Provisions on the obligation to have an audit carried out are laid down in chapter 2 of the Auditing Act and in chapter 6 of this Act.

The auditor is appointed by the general meeting. If several auditors are to be appointed, the rules may provide that an auditor or some of the auditors, but not all, are to be appointed in accordance with some other procedure.

Section 3

Deputy auditor

Provisions on the obligation to appoint a deputy auditor are laid down in chapter 2, section 3 of the Auditing Act. The general meeting may also appoint a deputy auditor in a cooperative where there is no obligation to do so and may appoint several deputy auditors. The rules may provide that the deputy auditor of an auditor appointed in accordance with some other procedure referred to in section 2, subsection 2 is also appointed in accordance with some other procedure. (1148/2015)

The provisions of this Act and the Auditing Act on an auditor also apply to the deputy auditor.

Section 4

Auditor's term

The term of an auditor is indefinite unless the rules provide for a fixed term. The term ends and the term of the successor auditor begins upon the conclusion of the general meeting deciding on

the appointment of the successor auditor, unless otherwise provided in the rules or decided when the successor auditor is appointed.

Section 5 (1148/2015)

Right of the minority to request the appointment of an auditor

In a cooperative where an auditor need not be appointed pursuant to the law or the rules, the general meeting shall nonetheless appoint an auditor if the members holding at least one fourth (1/4) of the total number of votes of the members or at least one third (1/3) of the votes of the members represented at the meeting so require at an ordinary general meeting or at the general meeting where the matter is according to the notice to be dealt with. If the general meeting does not appoint an auditor, the Finnish Patent and Registration Office designates an auditor in accordance with the procedure specified in chapter 2, section 8, subsections 1 and 4 of the Auditing Act. In addition, this is subject to the condition that the member requests the designation of the auditor within a month from the general meeting.

Section 6 (1148/2015)

Specific obligation to appoint a KHT auditor

In a listed cooperative, at least one of the auditors appointed by the general meeting shall be a KHT auditor [also referred to as an authorised public accountant (KHT)] or an audit firm whose key audit partner shall be a KHT auditor.

Operations inspection

Section 7

Appointment and term of an operations inspector

A cooperative shall have an operations inspector appointed by the general meeting if the cooperative does not have an auditor and unless otherwise provided in the rules.

An operations inspector shall, however, always be appointed if the cooperative does not have an auditor and the members holding at least one fourth (1/4) of the total number of votes of the members of the cooperative or at least one third (1/3) of the number of votes of the members represented at the meeting so require at an ordinary general meeting or at the general meeting where the matter is according to the notice to be dealt with.

The operations inspector is appointed by the general meeting. If the cooperative has an auditor, the general meeting may decide on the appointment of the operations inspector by a majority referred to in chapter 5, section 28. If several operations inspectors are to be appointed, the rules may provide that one or some of them, but not all, are to be appointed in accordance with some other procedure.

If an operations inspector has not been appointed in accordance with this Act or the rules, the regional state administrative agency designates an operations inspector in compliance with the provisions of section 5 on the designation of the auditor.

The provisions of section 4 on the term of an auditor apply to the term of an operations inspector.

Section 8

Deputy operations inspector

If only one operations inspector is appointed, at least one deputy operations inspector to whom the provisions on the operations inspector apply shall, in addition, be appointed.

Section 9

Qualifications and independence of an operations inspector

An operations inspector may not be:

- 1) a legal person or a minor or a person for whom a guardian has been appointed, a person with restricted legal capacity or a person who is bankrupt or under a business prohibition;
- 2) a member of the board of directors or the managing director of the cooperative or a person in a corresponding position in another corporation in the same group;
- 3) a person with the duty of attending to the management of the cooperative's accounts or finances or the control of the cooperative's finances;
- 4) a person in an employment relationship with the cooperative or with a person referred to in paragraph 2 or 3;
- 5) a person with a loan, security or other corresponding benefit from the cooperative or from anyone belonging to the management of the cooperative or a person who has provided a said party with such a benefit; or

6) a person who is a spouse, brother or sister of a person referred to in paragraph 2 or 3 or in a direct line of descent or ascent from such a person.

The operations inspector shall have the financial and legal knowledge and experience that is, with a view to the nature and scale of the operations of the cooperative, needed for the performance of the duty.

The operations inspector shall be independent when carrying out operations inspections. If the conditions for independent activities are materially absent, the operations inspector shall refuse to accept the duty or shall withdraw from it.

Section 10

Contents of operations inspections

An operations inspection contains the inspection of the finances and administration of the cooperative in the manner required in terms of the nature and scale of the cooperative's operations.

Section 11

Operations inspector's report

The operations inspector shall submit a dated and signed operations inspector's report for each financial period. The operations inspector's report shall identify the financial statements that are the subject of the audit.

The operations inspector's report shall contain an opinion on whether:

- 1) the financial statements contain in all material respects the income, expenses, assets, equity, liabilities and security lodged by the cooperative; and
- 2) the management report in all material respects contains the information on matters referred to in chapter 8, sections 5–8.

If the operations inspector is unable to submit an opinion, the operations inspector shall declare this in the operations inspector's report. The operations inspector's report may provide necessary additional information.

The operations inspector shall include a remark in the operations inspector's report if the inspection has revealed that a member, the chairperson or a deputy chairperson of the board of directors or the managing director of the cooperative:

- 1) is guilty of an act or negligence which may result in liability for damages to the cooperative; or
- 2) has violated this Act or the rules of the cooperative.

The operations inspector's report shall be submitted to the board of directors of the cooperative no later than two weeks before the general meeting in which the financial statements shall be proposed for adoption.

Section 12

Fee and other expenses

The operations inspector has the right to receive a fee from the cooperative. The cooperative is also liable for any other expenses arising from the operations inspection.

Section 13

Operations inspector's right of access to information, obligation to provide information and non-disclosure obligation

The board of directors and the managing director of the cooperative shall provide the operations inspector with the opportunity to carry out the inspection to the extent that the operations inspector deems it necessary and shall provide the information and assistance requested by the operations inspector. The corresponding body of a subsidiary has the same obligation towards the operations inspector of the parent cooperative.

The operations inspector has the right to be present and to be heard in a meeting of the board of directors or a general meeting in which matters related to the operations inspector's duties are dealt with. The operations inspector shall be present in a meeting if the matters dealt with are such that the operations inspector's presence is necessary.

On the request of the general meeting, the operations inspector shall provide more detailed information on circumstances that may affect the evaluation of a matter dealt with by the meeting. However, the information shall not be provided where its disclosure would result in material damage to the cooperative.

On the request of a member, the operations inspector shall provide the general meeting with all the information concerning the cooperative if this will not result in material damage to the cooperative. The operations inspector may otherwise disclose an issue of which the operations inspector has become aware when attending to their duty:

- 1) that the operations inspector has an obligation to disclose or report by virtue of law;
- 2) of which a public authority, court or another person has a legal right to have access to;
- 3) the disclosure of which the cooperative has given its consent to;
- 4) that is publicly available; or
- 5) if it does not cause harm to the cooperative.

Provisions of the operations inspector's liability for damages are laid down in chapter 25.

Member's right of inspection and special audit

Section 14

Member's right of inspection in a close cooperative

A member of a cooperative with at most ten members has the right to access the accounts of the cooperative and the other documents pertaining to its operations to the extent that this is needed for the evaluation of matters referred to in chapter 5, section 27, subsection 1.

The board of directors may rescind the right of inspection if it causes material harm to the cooperative. The provisions of chapter 5, section 27, subsection 3 apply to the obligation of the board of directors to give access to information to the auditors instead of a member. However, the time limit for the granting of access and for the opinion of the auditors starts from the date when the right was requested.

A member is entitled to use an assistant and, against compensation for the cooperative's costs, to receive copies of the accounts and the documents. The board of directors may prohibit the use of other persons than an auditor as an assistant.

The member or the assistant shall not disclose or use the information received in a manner laid down in this section if the disclosure or use of the information may cause material harm to the cooperative.

Section 15

Ordering a special audit

A member may apply to the regional state administrative agency of the place where the cooperative has its registered office for an order of a special audit of the administration and accounts of the cooperative for a given past period or for given measures or circumstances. This is subject to the condition that the proposal has been dealt with by the general meeting and that it has received the support referred to in subsection 2. The application to the regional state administrative agency shall be filed within one month of the general meeting.

The proposal for a special audit shall be made at an ordinary general meeting or at the general meeting where the matter is according to the notice to be dealt with. The application may be made if it is supported by the members holding at least one fourth ($1/4$) of the total number of votes of the members or at least one third ($1/3$) of the number of votes of the members represented at the general meeting.

The regional state administrative agency shall obtain a statement from the board of directors of the cooperative and, if the special audit is according to the application to pertain to the measures undertaken by a given person, from that person. The application shall be granted if it is determined that there are serious grounds for the special audit. The regional state administrative agency may designate one or several special auditors. The order may be enforced even if it is not yet final.

Section 16 (624/2016)

Special auditor

The special auditor shall be a natural person or an audit firm. The special auditor shall have the financial and legal knowledge and experience that is, with a view to the nature and scale of the special audit engagement, needed for the performance of the engagement. The provisions on an auditor laid down in chapter 25, sections 6–9 and chapter 26, section 3 of this Act and in chapter 2, section 7; chapter 3, sections 9 and 10; chapter 4, sections 6–8; and chapter 10, section 9 of the Auditing Act apply correspondingly to the special auditor.

Section 17

Report of the special audit

A report of the special audit shall be submitted to the general meeting. The report shall be kept available to the members at the head office or on the website of the cooperative for at least a week before the general meeting, sent without delay to the members who so request, and kept available at the general meeting.

Section 18

Fee and other expenses

The special auditor has the right to receive a fee from the cooperative. The cooperative also bears the other expenses arising from the special audit. However, for special reasons, a court may oblige the member who applied for the special audit to reimburse the cooperative for all or part of its costs.

Chapter 8

Equity, financial statements, management report and group

Equity

Section 1

Types of equity and its use

The equity of a cooperative is divided into restricted equity and unrestricted equity. Restricted equity consists of the membership share capital, the legal reserve and the investment share capital, and of the revaluation reserves and the fair value reserve specified in the Accounting Act. Unrestricted equity consists of other reserves and of surplus from the current and the previous financial periods.

If under the rules the purpose of the cooperative is to generate profit, surplus may be named as profit and deficit may be named as loss under equity.

Provisions on a share premium accruing before the entry into force of this Act and on the item referred to in chapter 6, section 2, subsection 3 of the repealed Cooperatives Act (1488/2001) are laid down in the Act on the Implementation of the Cooperatives Act (422/2013).

In addition to the provisions of this chapter, provisions on the distribution and other uses of equity are laid down in chapters 16–19.

Section 2

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity is credited with that part of the subscription price of the membership shares and investment shares that according to the memorandum of association, the rules or the membership share issue or investment share issue decision is not to be credited to the membership share capital or investment share capital and that under the Accounting Act is not to be credited to liabilities, and with other equity inputs that are not to be credited to some other reserve. The reserve is likewise be credited with the amount of a membership share or investment share capital reduction, less any amounts required for the covering of losses or for the distribution of assets.

Financial statements and management report

Section 3

Application of the Accounting Act

The financial statements and the management report shall be prepared in accordance with the provisions of the Accounting Act and the provisions of this chapter.

Section 4

Financial period

Provisions on the financial period of a cooperative are laid down in the memorandum of association or the rules upon incorporation. Even in the case that provisions on the financial period are not laid down in the rules, the decision to change the financial period is made by the general meeting. The change shall take effect upon registration.

Section 5

Management report

The management report shall always contain the information required in this Act. The corresponding information may, however, also be provided as notes to the financial statements, unless otherwise provided in the Accounting Act.

The management report shall contain a proposal of the board of directors for the use of the surplus of the cooperative and a proposal for any distribution of other unrestricted equity.

The management report shall contain the following information:

- 1) the number of membership shares and investment shares in the cooperative, broken down by membership share class and investment share class, and the main provisions of the rules relating to each class;
- 2) the membership share capital of the cooperative, broken down by membership share class; and
- 3) for a subordinated loan, the main terms of the loan and the interest accruing on the loan and not entered in the accounts as an expense.

The foreign branches of the cooperative shall be mentioned in the management report.

Section 6

Information on a debt concerning related parties to be included in the management report

The management report shall include separate information on loans, liabilities and commitments to related parties of the cooperative and on their main terms if the sum total of the loans, liabilities and commitments exceeds EUR 20,000 or five per cent of the equity of the cooperative, as it appears on the balance sheet.

A cooperative and another person are considered to be related if one party has the ability to control, or exercise significant influence over, the other party in making financial and operating decisions.

Section 7

Information on structural and financial arrangements to be included in the management report

The management report shall contain appropriate information:

- 1) if the cooperative has become a parent cooperative, it has been the acquiring cooperative in a merger or a demerger, or it has demerged;

- 2) on the amounts of membership share subscription price to be refunded on the basis of the financial statements or previous financial statements and on the refund dates by membership share class;
- 3) on the main contents of a decision or the provisions of the rules on a membership share or investment share issue against payment referred to in chapter 9, section 6 and without payment referred to in chapter 9, section 18;
- 4) on the main contents of a decision on the issue of option rights or other special rights entitling to membership shares or investment shares, as referred to in chapter 10, section 3;
- 5) on the main terms of a subscription based on option rights or other special rights entitling to membership shares and investment shares, as issued by the cooperative at an earlier stage; and
- 6) the current authorisations that the board of directors has in respect of membership share and investment share issues as well as the issue of option rights and other special rights entitling to membership shares and investment shares.

The management report shall contain the information referred to in chapter 2, section 6 and chapter 9, section 13 on contributions in kind for membership shares relating to the financial period.

Section 8

Information on treasury membership shares and investment shares to be included in the management report

The management report shall contain information on the following, broken down by membership share class and investment share class:

- 1) the total number of the cooperative's and parent cooperative's treasury membership shares and investment shares held by, or pledged to, the cooperative and its subsidiaries as well as their relative proportions of all votes attached to them;
- 2) the cooperative's treasury membership shares and investment shares and its parent cooperative's membership shares and investment shares acquired or accepted as pledges by the cooperative during the financial period, and the transfer and cancellation of them.

The management report shall contain the following information on the cooperative's treasury membership shares and investment shares or its parent cooperative's membership shares and investment shares that the cooperative has acquired, accepted as pledges, transferred or cancelled during the financial period:

- 1) how the membership shares and investment shares have been acquired by the cooperative or how they have been transferred;
- 2) the number of membership shares and investment shares and their relative proportion of all membership shares and investment shares; and
- 3) the consideration paid.

The membership shares and investment shares held by and pledged to the cooperative shall be listed separately. If membership shares and investment shares have been acquired from or transferred to a related party, the related party shall be specified by name.

Section 9 (1623/2015)

Consolidated financial statements

In addition to the provisions laid down elsewhere by law, the provisions of this chapter apply to the preparation of the consolidated financial statements.

A parent cooperative shall always prepare consolidated financial statements if it distributes assets to members or membership shareholders or investment shareholders. However, consolidated financial statements need not be prepared concerning a small group referred to in chapter 1, section 6a of the Accounting Act or if the cooperative is exempt from the obligation to prepare consolidated financial statements under chapter 6, section 1, subsection 4 of the said Act.

Section 10

Registration of the financial statements and the management report

The cooperative shall notify the financial statements and the management report for registration within two months of the adoption of the financial statements. The notification shall include a copy of the auditor's report and of the auditor's report on the consolidated financial statements, and a written certification by a member of the board of directors or by the managing director on the date when the financial statements were adopted and on the decision of the general meeting relating to the use of the cooperative surplus.

If the obligation referred to in subsection 1 is not complied with, the registration authority may oblige the managing director or a member of the board of directors to comply with the obligation within a specified time limit under threat of a fine. A decision of the registration authority on the imposition of a conditional fine is ineligible for judicial review by appeal. Provisions on the obligation of the registration authority to order a cooperative into liquidation or to be deregistered due to a failure to comply with the obligation are laid down in chapter 23, section 4, subsection 1.

Section 11

Instructions and statements by the Accounting Board

The Accounting Board may, in the manner laid down in chapter 8, section 2 of the Accounting Act, issue instructions and statements on the application of the provisions of this Act relating to the preparation of the financial statements and management report.

Section 12

Group

If a cooperative exercises control over another domestic or foreign corporation or foundation, as referred to in chapter 1, section 5 of the Accounting Act, the cooperative is the parent cooperative and the other corporation or foundation a subsidiary. The parent cooperative and its subsidiaries form a group.

A cooperative exercises control over another corporation or foundation also in the event that the cooperative, together with one or several of its subsidiaries, exercises or a subsidiary or several subsidiaries together exercise control over that corporation or foundation, as referred to in chapter 1, section 5 of the Accounting Act.

The provisions of chapter 1, section 5 of the Accounting Act on the party responsible to keep accounts apply to a cooperative referred to above, and the provisions of the said section on an object undertaking apply to the other domestic or foreign corporation or foundation referred to above.

PART III
FINANCE

Chapter 9

Obligation to obtain a membership share, membership shares and investment shares based on rules, and membership share and investment share issue

Section 1

Obligation to obtain membership shares and investment shares as well as the right to obtain membership shares and investment shares on the basis of rules

A member shall obtain one membership share.

The rules may lay down provisions that a member of the cooperative shall obtain several membership shares or, in addition to membership shares, investment shares, and on increasing and reducing such an obligation. In this event, the rules shall lay down provisions on the grounds for any increase or reduction. Provisions on the subscription price of new membership shares and investment shares and its time and method of payment shall be laid down in the rules or in the decision of the general meeting.

The rules may provide that a member of the cooperative or another person has the right to obtain membership shares or investment shares. In this event, the rules shall lay down provisions on the grounds for the right. Provisions on the subscription price of new membership shares and investment shares and its time and method of payment shall be laid down in the rules or in the decision of the general meeting.

The cooperative may, in a manner referred to in this chapter, issue new membership shares and investment shares or transfer its treasury membership shares and investment shares.

Section 2

Membership share and investment share issue

A cooperative may, pursuant to a provision of the rules or a decision of the general meeting, issue new membership shares and transfer its treasury membership shares (*membership share issue*) as well as issue new investment shares or transfer its treasury investment shares (*investment share issue*).

Membership shares and investment shares may be issued to members and others against payment (*membership share issue against payment, investment share issue against payment*) or to members, membership shareholders and investment shareholders and the cooperative itself without payment (*membership share issue without payment, investment share issue without payment*).

If the membership share or investment share issue is based on the rules, the rules shall provide the grounds for the issue of membership shares or investment shares. Provisions on the subscription price of new membership shares and its time and method of payment shall be laid down in the rules or the decision of the general meeting. The body of the cooperative deciding on admission to membership makes the decision to issue new membership shares, unless otherwise provided in the rules.

Section 3

General provisions on decision-making

The general meeting shall make the decisions on membership share issues and investment share issues, unless otherwise provided in the rules as laid down in section 2.

By a decision determining the maximum number of membership shares to be issued, broken down by membership share class, the general meeting may also authorise the board of directors to decide on a membership share issue in full or for some part (*membership share issue authorisation*). The authorisation may also pertain to an investment share issue (*investment share issue authorisation*). An investment share issue authorisation shall be notified for registration without undue delay, and in any event no later than one month after the decision. Unless otherwise indicated in the authorisation, it remains in effect until further notice. A new membership share issue authorisation supersedes an earlier membership share issue authorisation and a new investment share issue authorisation supersedes an earlier investment share issue authorisation, unless otherwise decided.

Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24.

Section 4

Pre-emptive right to membership shares and investment shares

In a membership share issue and investment share issue, the members and membership shareholders and investment shareholders have a pre-emptive right to the membership shares and investment shares to be issued pro rata to their current membership shareholdings and investment shareholdings in the cooperative.

If the cooperative has several membership share and investment share classes, the pre-emptive rights of membership shareholders and investment shareholders shall be realised by issuing membership shares and investment shares in all membership share classes and investment share classes pro rata to the classes and by offering membership shares and investment shares in each membership share class and investment share class to the members, membership shareholders and investment shareholders pro rata to their current shareholdings of such membership shares and investment shares.

The rules may derogate from the provisions of subsections 1 and 2.

Section 5

Directed membership share issue and investment share issue

A decision of the general meeting concerning a membership share issue or investment share issue may derogate from the pre-emptive right referred to in section 4 (*directed membership share issue, directed investment share issue*) if there is a serious financial reason for the cooperative to do so. In the assessment of the permissibility of a directed issue, special attention shall be paid to the relation between the subscription price and the fair price of the membership share. A directed membership share issue and a directed investment share issue may be without payment only if there is a very serious financial reason for the same both for the cooperative and with regard to the interests of all members, membership shareholders and investment shareholders in the cooperative.

If the board of directors proposes that the general meeting make a decision on a directed membership share issue or a directed investment share issue or on a membership share issue authorisation or investment share issue authorisation that does not exclude the right of the board of directors to decide on a directed membership share issue or directed investment share issue, this shall be specified in the notice of the general meeting. A decision of the general meeting of this kind shall be made by a qualified majority referred to in chapter 5, section 29.

It is not deemed a derogation from the pre-emptive right if, in order to facilitate the issue, a decision is made to give subscription rights to each holder of pre-emptive rights only to the maximum number divisible by the number entitling to membership shares and investment shares and to sell the rest of the subscription rights in a regulated market referred to in the Act on Trading in Financial Instruments or by public auction on behalf of those entitled to these rights so that the funds so accrued are remitted no later than at the next distribution of assets after the end of the subscription period.

Membership share issue and investment share issue against payment

Section 6

Contents of decision

A decision on a membership share or investment share issue against payment shall specify:

- 1) the number or maximum number of membership shares and investment shares to be issued, broken down by membership share class and investment share class, and information on whether new membership shares or investment shares or treasury membership shares or investment shares are to be issued;
- 2) who has the right to subscribe for membership shares and investment shares and, in a directed membership share or investment share issue, the justification for the existence of a serious financial reason to derogate from the pre-emptive right of the membership shareholders and investment shareholders, as referred to in section 5, subsection 1;
- 3) the amount to be paid for a membership share and an investment share (*subscription price*) and the justification for the setting of the subscription price; and
- 4) the deadline for the payment of the subscription price of a membership share and an investment share.

If all of the holders of subscription rights do not subscribe for their membership shares and investment shares at the meeting deciding on the membership share or investment share issue, the decision shall also specify:

- 1) the subscription period for the membership shares and investment shares; and

2) in an issue other than a directed membership share or investment share issue, the period during which the pre-emptive subscription right is to be exercised.

The period referred to in subsection 2, paragraph 2 shall not end before two weeks have elapsed from the beginning of the subscription period.

Section 7

Subscription price

The subscription price paid for a new membership share is credited to the membership share capital unless it is provided in the membership share issue decision that it is to be credited in full or in part to the reserve for invested unrestricted equity or unless otherwise provided in the Accounting Act.

The subscription price paid for a new investment share is credited to the investment share capital unless it is provided in the investment share issue decision that it is to be credited in full or in part to the reserve for invested unrestricted equity or unless otherwise provided in the Accounting Act.

The amount received for a treasury membership share or investment share transferred from the cooperative's possession is credited to the reserve for invested unrestricted equity unless it is provided in the membership share or investment share issue decision that it is to be credited in full or in part to the membership share capital or investment share capital or unless otherwise provided in the Accounting Act.

Section 8

Registration of decision

A decision on an investment share issue against payment shall be notified for registration if new investment shares are issued in the investment share issue. The notification shall be made without undue delay and in any event no later than one month after the decision.

If it becomes evident that new investment shares are to be issued in a number smaller than the decided maximum, the change may be notified for registration.

Section 9

Access of members, membership shareholders and investment shareholders to information

A member as well as a membership shareholder and an investment shareholder who, according to a decision referred to in section 6, subsection 2, has a subscription right to a membership share or investment share shall, before the beginning of the subscription period, be notified of the decision in the same manner as a notice of a general meeting is delivered. At the same time, the member, membership shareholder and investment shareholder shall be notified of how and when the member, membership shareholder and investment shareholder is to act in order to exercise the right.

The notification referred to in subsection 1 need not be made if:

- 1) the corresponding information is included in the notice of the general meeting deciding on the membership share or investment share issue or is available at the meeting deciding on the membership share or investment share issue and the member, membership shareholder or investment shareholder is present at the meeting; or
- 2) the corresponding information is published as referred to in chapter 4 of the Securities Markets Act (746/2012).

The contents of the membership share and investment share issue decision and the documents on the financial position of the cooperative referred to in chapter 5, section 23, subsection 2 shall be kept available for the members as well as membership shareholders and investment shareholders referred to in subsection 1 for the duration of the subscription period. However, this obligation does not exist if the cooperative has published a prospectus referred to in chapter 4 of the Securities Markets Act containing the corresponding information.

Chapter 4 of Securities Markets Act 746/2012 was repealed by Act 1228/2018.

Section 10

Subscription

The subscription for a membership share and an investment share shall be verifiable. The subscription shall indicate the subscriber, the membership share or investment share issue decision on which the subscription is based, and the membership shares or investment shares that are being subscribed for.

Section 11

Subscription price receivable

The cooperative shall not transfer or pledge its subscription price receivables. If the cooperative is declared bankrupt, the receivable belongs to the bankruptcy estate.

Unless otherwise provided in the membership share or investment share issue decision, the subscription price may be set off against a receivable from the cooperative only if the board of directors of the cooperative consents to the same.

Section 12

Payment in cash

The subscription price of an investment share paid in cash shall be paid into an account of the cooperative in a Finnish deposit bank or in a branch of a foreign credit institution licensed to accept deposits in Finland or into a comparable foreign account.

Section 13

Contribution in kind

If, instead of cash, the subscription price is paid in full or in part with a contribution in kind, the contribution shall at the time of transfer have a financial value to the cooperative at least equal to the price. A commitment to perform work or provide services may not be used as a contribution in kind.

The membership share or investment share issue decision shall specify the payment of the subscription price in kind. In addition, the decision shall contain an account specifying the contribution in kind and the price covered by it, and the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions of this subsection have not been complied with, the subscriber is obliged to prove that the contribution had a financial value to the cooperative equal to the subscription price. Any shortfall shall be paid to the cooperative in cash.

If the subscription price is paid in cash on condition that the cooperative is to acquire assets against consideration, the provisions on contributions in kind apply correspondingly to the acquisition.

Section 14

Consequences of late payment

The board of directors may declare that the right to a membership share or an investment share has been forfeited if the subscription price, together with any interest for late payment, has not been paid, although it has become due and the board of directors has not granted an extension to the subscriber. In this event, the board of directors may grant the subscription right to another or cancel the unpaid new membership share or investment share.

Anyone whose right to an investment share has been declared forfeited under subsection 1 is liable to compensate the cooperative, in addition to any collection fees, with one tenth (1/10) of the subscription price of the investment share.

Section 15

Registration of new investment shares

Subscribed new investment shares may be notified for registration once they have been fully paid for and any other terms of subscription have been met. In this event, the investment shares shall be notified for registration without undue delay and, if necessary, in several batches, taking due note of the rights of the investment shareholders on one hand and of the costs of notification to the cooperative on the other hand. When more than one year has elapsed from the beginning of the subscription period, the registration notification on new investment shares shall, in addition, be made without delay after the end of each financial period. When a new investment share is notified for registration, any increase of the investment share capital based on the subscription price of the investment share shall also be notified for registration.

The investment shares shall be notified for registration within five years of the investment share issue decision unless a shorter period has been provided in the investment share issue decision; failing this, the issue of the investment shares lapses.

A declaration by the members of the board of directors and the managing director to the effect that the provisions of this Act have been complied with in the issue of the investment shares shall be attached to the registration notification. A certificate by the auditors of the cooperative to the effect that the provisions of this Act on the payment for investment shares have been complied with shall also be attached to the registration notification. If, under the law or the rules, no auditor needs to be appointed for the cooperative, other evidence on the payment for investment shares shall be attached to the notification.

If an investment share has been paid for in kind, also an opinion by an auditor on the account referred to in section 13, subsection 2 and on whether the assets had a financial value to the cooperative at least equal to the price shall always be attached to the registration notification.

Section 16

Legal effects of registration of investment share issue against payment

A new investment share carries investment shareholder rights as of registration unless a later point in time is determined in the investment share issue decision. However, the investment shares carry investment shareholder rights no later than one year after the registration.

After the registration, the investment shareholder may not withdraw from the subscription by asserting that a condition relating to the subscription has not been met.

Section 17

Transfer of treasury investment shares and membership shares

In the issue of treasury investment shares, an investment share shall not be transferred until the transfer has been fully paid for. The possession of the membership share certificate or investment share certificate or the book entry shall not be transferred to the transferee before the said point in time.

Membership share issue and investment share issue without payment

Section 18

Contents of decision

A decision on a membership share issue or an investment share issue without payment shall specify:

- 1) the number or maximum number of membership shares and investment shares to be issued, broken down by membership share class and investment share class, and information on whether new membership shares and investment shares or treasury membership shares and investment shares are to be issued; and
- 2) who has the right to receive membership shares and investment shares and, in a directed membership share and investment share issue without payment, also the justification for the

existence of a very serious financial reason to derogate from the pre-emptive right of the members, membership shareholders and investment shareholders, as referred to in section 5, subsection 1.

Section 19

Registration of investment share issue without payment and its legal effects

A decision on an investment share issue without payment shall be notified for registration if new investment shares are issued in the investment share issue. The notification shall be made without delay after the decision on the investment share issue. If it becomes evident that new investment shares are to be issued in a number smaller than the decided maximum, the change may be notified for registration.

The investment shares shall be notified for registration without undue delay and, if necessary, in several batches, taking due note of the rights of the investment shareholders on one hand and of the costs of notification to the cooperative on the other hand.

A new investment share carries investment shareholder rights as of registration unless a later point in time is determined in the investment share issue decision. However, the investment shares carry investment shareholder rights no later than one year after the registration.

Section 20

Forfeiture of a membership share or investment share

If a condition for the receipt of a membership share or an investment share issued in a membership share issue or investment share issue without payment is the presentation of the membership share certificate or investment share certificate or a membership share issue coupon or investment share issue coupon or some other measure, and such a measure has not been taken within ten years from the membership share issue decision or the registration of the investment share issue decision, the general meeting may declare the right to the membership share or investment share and the respective shareholder rights to be forfeited. The provisions on treasury membership shares and investment shares apply to a forfeited membership share and investment share.

Section 21

Membership share and investment share issue to the cooperative without payment

The cooperative may decide on a membership share or investment share issue to the cooperative itself without payment so that the provisions on treasury membership shares and investment shares apply to the new membership shares issued in the membership share issue and the new investment shares registered in the investment share issue. The provisions on directed membership share and investment share issues do not apply to a membership share and investment share issue of this kind.

Chapter 10

Option rights and other special rights

Section 1

Right to issue special rights

If there is a serious financial reason for the cooperative to do so, the cooperative may, in a manner laid down in this chapter, issue *special rights* that entitle the holder to receive against payment new membership shares or investment shares or treasury membership shares or investment shares. The holder of the right may have the right to choose whether or not to subscribe for membership shares or investment shares (*option right*). The right may also be attached to a commitment to subscribe for a membership share or investment share.

A special right may be issued to a creditor of the cooperative with the condition that the receivable of the creditor is to be set off against the subscription price of the membership share or investment share.

Section 2

Decision-making

Decisions on the issue of special rights are made by the general meeting.

By a decision determining the maximum number of membership shares and investment shares to be issued, broken down by membership share class and investment share class, the general meeting may also authorise the board of directors to decide, in full or in some part, on an issue of special rights. The authorisation to issue rights entitling to investment shares shall be notified for

registration without undue delay and in any event no later than one month after the decision. Unless otherwise indicated in the authorisation, it remains in effect until further notice.

A general meeting decision referred to in subsection 1 or 2 shall be made by a qualified majority referred to in chapter 5, section 29. Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24.

Section 3

Contents of decision

A decision concerning the issue of special rights shall specify:

- 1) the membership shares and investment shares to which each special right pertains, and information on whether new membership shares and investment shares or treasury membership shares and investment shares are to be issued;
- 2) the number or maximum number of special rights issued;
- 3) who has the right to receive or subscribe for the special rights;
- 4) if the special rights are to be issued against consideration, their subscription prices or other consideration for them, the subscription period and the deadline for payment;
- 5) the subscription prices, subscription period and the deadline for payment for the membership shares and investment shares;
- 6) justification for the existence of the serious financial reason for the issue of the rights, as referred to in section 1, subsection 1, and justification for the determination of the subscription price or the other consideration for the rights and of the subscription price of the membership shares and investment shares; and
- 7) the status of the issued special rights in the issue of new membership shares and investment shares, in the increase or decrease of the subscription price of membership shares and investment shares, in the decrease of the number of membership shares and investment shares, in the issue of rights under this chapter in accordance with some other decision, in the distribution of cooperative assets in a manner referred to in chapter 16, section 1, subsection 1, in the reacquisition of special rights for the cooperative, in the merger of the cooperative with

another cooperative, in the demerger of the cooperative and in the change into another business form of the cooperative.

Unless otherwise provided in the decision, the provisions of chapter 20, section 14; chapter 21, section 14 and chapter 22, section 4 apply, in addition, to the right of the holder of the right to redemption in a merger or demerger.

Any subscription price of a special right is credited to the reserve for invested unrestricted equity unless it is provided in the decision that it is to be credited as an increase of the membership share capital or investment share capital.

Section 4

Registration of decision

A decision to issue special rights entitling to investment shares shall be notified for registration without undue delay and in any event no later than one month after the decision.

If it becomes evident that investment shares or special rights entitling to investment shares are to be issued in a number smaller than the maximum provided in the decision, the change may be notified for registration.

Section 5

Subscription for rights

The subscription for special rights shall be verifiable. The subscription shall indicate the subscriber, the cooperative decision on which the subscription is based and the rights to which the subscription pertains.

Section 6

Payment of consideration to a cooperative

The provisions of chapter 9, sections 11–13 and section 14, subsection 1 on subscription price receivables, payment in cash, contribution in kind and the consequences of late payment apply correspondingly to any payment to the cooperative of the subscription price or other consideration for a special right. In this event, the provisions of the said sections on the membership share and investment share issue decision apply to the decision referred to in section 3.

Section 7

Issue of membership shares and investment shares

In all other respects, the provisions of chapter 9, section 7 and sections 10–17 on the issue of membership shares and investment shares against payment apply to the issue of membership shares and investment shares. In this event, the provisions of the said sections on the membership share and investment share issue decision apply to the decision referred to in section 3.

The deadline for the registration of new investment shares provided in chapter 9, section 15, subsection 2 does not, however, apply the issue of investment shares under this chapter.

Chapter 11

Increase of membership share capital and investment share capital

Section 1

Means of increasing membership share capital and investment share capital

The membership share capital and investment share capital may be increased:

- 1) by crediting the subscription price paid for the membership shares, investment shares or option rights or other special rights in full or in part to the membership share capital or investment share capital as laid down chapters 9 and 10;
- 2) by transferring assets from reserves of unrestricted equity to the membership share capital or investment share capital or by transferring membership share capital or legal reserve to investment share capital (*increase from reserves*); or
- 3) by crediting to the membership share capital or investment share capital assets that are invested in the cooperative in a situation other than that referred to in paragraph 1 on the condition that the assets be credited to the membership share capital (*membership share capital investment*) or to the investment share capital (*investment share capital investment*).

Section 2

Increase from reserves

The decision on an increase from reserves is made by the general meeting.

By a decision determining the maximum amount of increase, the general meeting may also authorise the board of directors to decide on an increase from reserves. The authorisation for an investment share capital increase from reserves shall be notified for registration without undue delay and in any event no later than one month after the decision. Unless otherwise indicated in the authorisation, it remains in effect until further notice. A new authorisation supersedes an earlier one, unless otherwise decided.

The decision on an increase from reserves shall specify the amount of the increase and the assets to be used for the increase. Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24.

Section 3

Membership share and investment share capital investment

The decision to increase membership share capital or investment share capital on the basis of a membership share or investment share capital investment is made by the board of directors. The decision shall specify the amount of the increase and the investment on which the increase is based.

The provisions of chapter 9, sections 11–13 on the subscription price receivables, payment in cash and contribution in kind apply correspondingly to the payment of the investment. In this event, the provisions of the said sections on the membership share and investment share issue decision apply to the decision to increase membership share capital and investment share capital.

Section 4

Registration and legal effects of increase of investment share capital

Provisions on the notification of an investment share capital increase for registration in the event that the investment share capital is being increased by the subscription price of new shares are laid down in chapter 9, section 15.

An investment share capital increase other than one referred to in subsection 1 shall be notified for registration without delay once any payment has been received by the cooperative and once the other terms of the increase have been met. A declaration by the members of the board of directors and the managing director to the effect that the provisions of this Act have been complied with in the increasing of the investment share capital shall be attached to the registration notification. In an increase other than one from reserves, a certificate by the auditors of the

cooperative to the effect that the provisions of this Act on the payment of the investment share capital have been complied with shall also be attached to the registration notification. If, under the law or the rules, no auditor needs to be appointed for the cooperative, other evidence on the payment of the investment share capital shall be attached to the notification.

If the increase has been paid for in kind, an opinion by an auditor on the account referred to in chapter 9, section 13, subsection 2 and on whether the assets had a financial value for the cooperative at least equal to the price shall also always be attached to the registration notification.

The investment share capital is considered to have been increased once the increase has been registered. After registration, the payer of the increase may not withdraw from the legal transaction by asserting that a condition relating to the legal transaction has not been met.

Chapter 12

Subordinated loan

Section 1

Subordination and other terms of loan

The cooperative may take out a loan (*subordinated loan*), where:

- 1) the principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the cooperative;
- 2) the principal may be otherwise repaid and interest paid only to the extent that the sum total of the unrestricted equity and all of the subordinated loans of the cooperative at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements; and
- 3) the cooperative or its subsidiary shall not post security for the payment of the principal and interest.

The provisions on the unlawful distribution of assets laid down in chapter 16, section 4 and in the penal provision of chapter 27, section 1, paragraph 3 apply to the repayment of the principal, the payment of interest and the posting of security for a subordinated loan in violation of the provisions of subsection 1.

The provisions of this section do not apply to creditor protection referred to in chapter 18, section 2; chapter 20, section 6; chapter 21, section 6 or chapter 22, section 7. However, the amount due to the creditor of a subordinated loan may be paid or security posted only after the measure requiring creditor protection has been registered. With the consent of the creditor of the subordinated loan, the subordinated loan may be used for the payment of a membership share or investment share capital increase, converted into invested unrestricted equity or used to cover the loss of the cooperative.

Section 2

Other provisions on subordinated loan

A contract on a subordinated loan shall be concluded in writing. A change in the terms of the loan or the posting of security is invalid if it is contrary to section 1, subsection 1.

If interest due on a subordinated loan cannot be paid, the interest is deferred to be paid on the basis of the first such financial statements that allow for payment.

Subordinated loans have a mutually equal right to the assets of the cooperative unless otherwise agreed between the cooperative and the creditors of the subordinated loans.

Subordinated loans are shown on the cooperative balance sheet as a separate item.

A subordinated loan is not included in capital available for a refund of the subscription price of a membership share, supplementary membership share or investment share, unless otherwise provided in the terms of the loan.

Chapter 13

Extraordinary payment

Section 1

General provisions

The rules may provide that the general meeting may decide on the collection of extraordinary payments for a need stated in the rules and arising while the cooperative is in operation. In this event, the rules shall also specify the grounds for the payment obligation and the maximum amount of extraordinary payments that may be collected from a member during a financial period. An extraordinary payment is not refunded, unless otherwise provided in the rules.

An extraordinary payment shall be made in one or several instalments within the reasonable period set by the general meeting.

If the cooperative is placed into liquidation or declared bankrupt, the liquidators or the bankruptcy estate may collect extraordinary payments only if these were due for payment before the placing into liquidation or declaration of bankruptcy.

Section 2

New member

A new member is obliged to make an extraordinary payment if its payment period has not ended when the new member becomes a member.

Before a new member is admitted to the cooperative, the board of directors shall ensure that the applicant is informed of a payment referred to in subsection 1.

Section 3

End of membership

Notwithstanding the end of membership, a former member is obliged to make an extraordinary payment which is collected for the financial period underway when the membership ends or for an earlier financial period, where the decision to collect the extraordinary payment was made before the end of the membership.

If the right to a membership share has been transferred to another who has been admitted as a member on the basis of the application submitted within the period laid down chapter 3, section 1, subsection 4 and who is obliged under section 2 of this chapter to make an extraordinary payment, the former member or the deceased former member's death estate and the new member are jointly and severally obliged to make an extraordinary payment of this kind.

Chapter 14

Obligation to make additional payments

General provisions

Section 1

Obligation to make additional payments

The rules may provide that the members are liable for the debts of the cooperative in the event that the own assets of a cooperative that has been declared bankrupt or placed into liquidation are not sufficient for the repayment of the debts (*obligation to make additional payments*).

In this event, the rules shall specify the grounds for the obligation to make additional payments, whether the payment obligation is unlimited or limited, and the amount of a limited payment obligation.

The rules shall lay down the obligation to make additional payments on grounds that are the same for all members and specify the same amount of payment for each member or, if the obligation to make additional payments is based on the number of membership shares or some other basis of calculation, for each basic unit so determined.

Section 2

New member

A new member is obliged to make additional payments also in respect of debts that the cooperative had when the member joined it.

Before a new member is admitted to the cooperative, the board of directors shall ensure that the applicant is informed of the obligation to make additional payments laid down in the rules.

Section 3

End of membership

Notwithstanding the end of membership, a former member is obliged to make an additional payment if the cooperative is placed into liquidation or declared bankrupt within a year from the end of the financial period during which the membership ended.

The obligation to make additional payments does not apply to debt the grounds of which arise after the end of membership. If the legal successors of a deceased member have exercised the rights of the decedent in the cooperative in a manner referred to in chapter 3, section 5, the obligation to make additional payments also applies to debt incurring during the time the rights were being exercised. The liability of the legal successors pertaining to such debts is limited to the assets of the death estate.

The provisions of this chapter on a member obliged to make additional payments apply to former members obliged to make additional payments and to their legal successors.

Section 4

Set-off

A payment to be made on the basis of the obligation to make additional payments shall not be set off against a receivable that the member has from the cooperative.

Section 5

Retention of membership applications

If the members are obliged to make additional payments, the board of directors of the cooperative shall retain the accepted membership applications until the end of their membership. The board of directors shall retain the notices of withdrawal for three years.

Section 6

Notice of withdrawal by a member obliged to make additional payments

If the members are obliged to make additional payments, the notice of withdrawal shall be drawn up in two copies, one of which shall be returned to the member. The time of receipt of the notice by the board of directors or the person designated by the board of directors to receive such notices shall be entered on the copy to be returned.

Section 7

Amendment to obligation to make additional payments

If the rules are amended so as to decrease or abolish the obligation to make additional payments, it may, at the same time, be laid down that obligation to make additional payments still applies to debt the grounds for which arise before the amendment takes effect.

Section 8

Decision to collect additional payments in liquidation

If the members are obliged to make additional payments and it becomes evident during the liquidation of the cooperative that its liabilities exceed its assets and that the liabilities can be covered by way of collecting additional payments, the liquidators shall immediately convene the general meeting to decide on the collection of additional payments.

At the general meeting, the liquidators shall present a written report on the financial position of the cooperative, a list of the assets and liabilities and an allocation calculation of the additional payments to be collected based on the value included on the list. The assets shall be shown on the list also at their probable fair value, less the specific costs of disposal.

If the general meeting of the cooperative in liquidation does not decide to collect additional payments, the liquidators shall at once surrender the assets of the cooperative into bankruptcy. The assets of the cooperative shall be surrendered into bankruptcy also in the event that the full amount of the shortfall has not been paid in to the cooperative within 60 days of the general meeting that decided to collect the additional payments.

If the cooperative goes bankrupt after the general meeting has decided to collect additional payments, the implementation of the decision shall not be continued.

Section 9

Decision to collect additional payments in bankruptcy

If the assets of a bankrupt cooperative whose members are obliged to make additional payments are not sufficient for the repayment of its debts after the collection of definite receivables and the liquidation of other undisputed assets, the estate administration shall prepare an allocation calculation concerning the additional payments to be collected to cover the shortfall.

An allocation calculation prepared in bankruptcy shall be presented in the creditors' meeting convened as laid down in the Bankruptcy Act (120/2004). The members of the cooperative shall be called to the creditors' meeting in the same manner as the notice of the general meeting is delivered.

Section 10

Differentiated obligations to make additional payments

If the obligation to make additional payments is differentiated with regard to different commitments and the amount paid is insufficient for covering all the commitments, the payments collected are divided between the commitment groups on the basis of grounds laid down in the rules for the collection of additional payments.

Section 11

Unlimited obligation to make additional payments

If the obligation to make additional payments is unlimited, in an allocation executed under the provisions of this chapter the amount assigned as payable by a member is the amount calculated in accordance with the number of members among whom the allocation takes place. The rules may provide other grounds for allocation.

Section 12

Supplementation of obligation to make additional payments

In the allocation of additional payments referred to in sections 8 and 9, in addition to the amount required, a maximum of 25 per cent of the shortfall may, within the limits of the obligation to make additional payments, be allocated for payment at the same time.

Section 13

Objection to allocation calculation

A member may object to the decision of the general meeting on an allocation calculation referred to in section 8 by bringing an action against the cooperative. The action shall be filed within 30 days of the presentation of the calculation to the general meeting.

A member or a creditor may object to an allocation calculation referred to in section 9 by bringing an action against the estate administration. The action shall be filed within 30 days of the creditors' meeting to which the calculation was presented.

Enforcement of the obligation to make additional payments

Section 14

Collection of additional payments

As soon as the allocation calculation has been presented in accordance with section 8 or 9, the liquidators or the estate administration shall require that the members pay the amount allocated to them within 30 days of receipt of the request delivered to them in the same manner as the notice to the general meeting. On the request of the liquidators or the estate administration, the enforcement officer collects any unpaid amounts on the basis of the allocation calculation as laid down for the enforcement of a final judgment. Such collection may be carried out even if the calculation has been objected to, but the collected amount may in this event only be withdrawn against a pledge or security.

Section 15

Joint and several liability for obligation to make additional payments

If the enforcement official certifies that the amount payable on the basis of the allocation by a member cannot be collected immediately from the member, the liquidators or the estate administration shall allocate the shortfall to the other members within the limits of the obligation to make additional payments and shall collect it from them as laid down in section 14.

Section 16

Member's right of refund

If the general meeting has decided on the collection of additional payments as referred to in section 8 and a member has made additional payments to the cooperative exceeding the amount payable by the member in accordance with the allocation calculation, the cooperative shall refund the excess amount paid by the member from the assets that can be collected from the other members in accordance with the allocation calculation. If the cooperative has been declared bankrupt before the excess payment made by the member has been refunded, the amount shall be taken into account in the allocation calculation to be prepared in the bankruptcy and refunded from the assets collected on the basis of this allocation calculation. This, however, is subject to the condition that the amount paid in excess by the member can be refunded to the member without prejudicing the rights of the creditors.

Chapter 15 (357/2017)
(357/2017)

Chapter 15 was repealed by Act 357/2017.

PART IV
DISTRIBUTION OF COOPERATIVE'S ASSETS

Chapter 16
Distribution of assets

General provisions

Section 1
Methods of distribution of assets

The assets of a cooperative may be distributed to the members, membership shareholders and investment shareholders only as provided in this Act:

- 1) on the distribution of surplus and the distribution of assets from reserves of unrestricted equity;
- 2) in chapter 17 on the membership share price refund;
- 3) in chapter 18 on reductions of the membership share capital and investment share capital as well as of the legal reserve;
- 4) in chapter 4, section 6 and chapter 19 on the acquisition and redemption of treasury membership shares and investment shares; and
- 5) in chapter 23 on the dissolution and deregistration of the cooperative.

The cooperative may, in accordance with section 10 of this chapter, have some other purpose than the pursuit of economic activity to promote the financial management or business interests of its members. The provisions of this chapter on the distribution of surplus and other unrestricted equity to the members apply to donations specified in section 9.

Other transactions that reduce the assets of the cooperative or increase its liabilities without a sound business reason constitute unlawful distribution of assets.

Assets shall not be distributed before the cooperative has been registered.

Section 2

Solvency

Assets shall not be distributed if it is known or should be known at the time of the distribution decision that the cooperative is insolvent or that the distribution will cause the insolvency of the cooperative.

Section 3

Distribution based on financial statements

The distribution of assets shall be based on the latest adopted financial statements. If, under the law or the rules, an auditor shall be elected for the cooperative, the financial statements shall be audited. Any essential changes in the financial position of the cooperative after the completion of the financial statements shall be taken into account in the distribution.

Section 4

Refund obligation

Assets received from the cooperative in violation of the provisions of this Act or the rules shall be refunded if the recipient knew or should have known that the distribution was in violation of this Act or the rules. The amount to be refunded shall bear annual interest at the current reference rate referred to in section 12 of the Interest Act (633/1982).

Surplus and its distribution

Section 5

Right to surplus and surplus distribution criteria

Surplus may be distributed to the members, membership shareholders and investment shareholders only if so provided in the rules. If there are no provisions in the rules concerning the distribution criteria, the distribution takes place on the basis of the use of the services of the cooperative by the members.

Section 6 (1623/2015)

Amount to be distributed

Unless otherwise provided in section 2 on the solvency of the cooperative, the cooperative may distribute its unrestricted equity, less the amount to be transferred to the legal reserve and other assets that are to be left undistributed under the rules as well as the amount entered in the balance sheet as development expenditure in accordance with the Accounting Act.

One half of the surplus due to be distributed to a member or other membership shareholder is withheld so as to cover any amount unpaid for the member's membership share price, unless otherwise provided in the rules.

Section 7

Legal reserve

Subsection 1 was repealed by Act 186/2019.

The legal reserve may be reduced by a decision of the general meeting only as laid down in chapter 11, section 1, paragraph 2 and chapter 18, section 1.

Section 8

Decision-making

Decisions on the distribution of assets are made by the general meeting. Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24. The general meeting may decide to distribute assets in excess of what the board of directors has proposed or accepted only if it is under the obligation to do so under the rules.

By a decision determining the maximum amount of assets to be distributed, the general meeting may also authorise the board of directors to decide on the distribution of surplus or distribution of assets from reserves of unrestricted equity. The authorisation may remain in effect until the beginning of the next ordinary general meeting at most.

The decision shall specify the amount and type of assets to be distributed.

With the consent of all members, unrestricted equity may also be distributed in a manner other than that referred to in section 1, subsection 1, unless otherwise provided in the rules.

Other provisions on the distribution of assets

Section 9

Donations

The rules may permit donations for philanthropic or other corresponding purposes.

The general meeting may decide or authorise the board of directors or the supervisory board to decide on such a donation if the amount of the donation can be deemed reasonable in view of the purpose, the position of the cooperative and other circumstances. The rules may provide that the board of directors or the supervisory board may decide on such a donation.

Otherwise, the board of directors may use assets for such purposes if they are of minor significance considering the position of the cooperative.

Section 10

Other purpose of operations

If the cooperative has, in full or in part, a purpose other than the pursuit of economic activity to promote the financial management or business interests of its members, a provision to this effect shall be included in the rules. In this event, the rules shall contain provisions on the use of equity in situations referred to in section 1, subsection 1.

If, under the rules, the purpose of the cooperative is to generate profit, the provisions of this chapter on the distribution of surplus apply to the distribution of profit.

Section 11

Prohibition to finance treasury membership shares and investment shares

The cooperative shall not provide loans, assets or security for the purpose of a third party acquiring membership shares or investment shares in the cooperative or its parent corporation.

The provisions of subsection 1 do not apply to measures taken within the limits of the distributable assets and aiming for the acquisition of membership shares or investment shares for employees of the cooperative or of a corporation or an association that is a related party referred to in chapter 8, section 6, subsection 2.

Chapter 17

Membership share price refund upon end of membership and expiry of membership share

Section 1

Conditions for membership share price refund

The cooperative pays a member, other membership shareholder or other holder of rights carried by a membership share a refund of the subscription price of the membership share and any other amount provided in the rules (*membership share price refund*) as laid down in this section and in sections 2 and 3 when the membership share expires because:

- 1) the membership has ended;
- 2) the member or other membership shareholder has terminated the membership share; or
- 3) the transferee of the membership share has not been admitted as a member of the cooperative or as a membership shareholder.

The amount of membership share price refund is the proportion of equity available for refund calculated for the amount of subscription price paid and credited to the membership share capital. The maximum amount of refund is the amount paid for the subscription price. The rules may provide otherwise on the calculation of the amount of refund and on the maximum amount of refund.

The equity available for refund is calculated by adding to the membership share capital the surplus according to the balance sheet, any other unrestricted equity the use of which is not restricted in the rules, and any voluntary reserves and accelerated depreciation less any outstanding taxes.

The equity available for refund and the amount of refund are calculated on the basis of the financial statements prepared for the financial period during which the membership ended, the cooperative was notified of the death of the member, the membership share was terminated or the cooperative was notified of the transfer of the membership share to a party not admitted as a member or as a membership shareholder.

Section 2

Time of payment

The membership share price refund is paid after one year from the end of the financial period referred to in section 1, subsection 4 unless provisions on a longer or shorter time limit that is a minimum of six months from the end of the financial period are laid down in the rules. No interest is paid on the refund from the date on which the amount of refund can be withdrawn from the cooperative, unless otherwise provided in the rules or unless otherwise agreed.

If the rules provide for the payment of the refund to be deferred for more than a year from the end of the financial period, the rules shall also provide for the rights of former members and membership shareholders and holders of rights carried by membership shares in the cooperative during the period between the end of membership and membership shareholding and the payment. Notwithstanding the end of membership and membership shareholding, the provisions of chapter 5, section 14; chapter 6, section 1, subsection 2; and chapter 6, section 2, subsection 2 apply to former members and membership shareholders until the deferred refund has been paid.

If the rules provide for the deferral of the payment of refund, the rules may also provide that the amount of refund is calculated on the basis of financial statements later than financial statements referred to in section 1, subsection 4.

Section 3

Retroactive refund

Notwithstanding the provisions of section 1, the rules may provide that the right to refund is retained if the refund cannot be paid in full as laid down in sections 1 and 2 (*retroactive refund*). In this event, the rules shall specify the financial statement or statements based on which the amount of the retroactive refund is to be calculated, when the refund is to be paid and when the right to refund expires. In this event, the rules shall also lay down provisions on the rights of former members and membership shareholders in the cooperative after the payment of retroactive refund and the end of membership or expiry of membership share. Notwithstanding the end of membership, the provisions of chapter 5, section 14; chapter 6, section 1, subsection 2; and chapter 6, section 2, subsection 2 apply to former members and membership shareholders until the retroactive refund has been paid.

The amount of retroactive refund is calculated by deducting from the amount to be refunded for the membership share under this Act and the rules the amount previously refunded to the former

member or membership shareholder. The amount of the retroactive refund is always calculated on the basis of adopted financial statements and paid in compliance with sections 1, 2 and 4.

Section 4

Refund in liquidation, deregistration and bankruptcy

If the cooperative has been placed into liquidation or declared bankrupt or deregistered before the membership share price refund has taken place in accordance with sections 1–3, the provisions of chapter 23 on the dissolution of the cooperative apply to the refund.

Chapter 18

Reduction of membership share capital and investment share capital and legal reserve

Section 1

Decision-making

The general meeting may make a decision on the distribution of the membership share capital and investment share capital and the legal reserve, reductions of these in order to transfer assets to reserves of unrestricted equity or legal reserve, and the use of these to immediately cover such losses that cannot be covered from unrestricted equity (*loss coverage*).

The provisions of chapter 17, sections 1 and 2 on equity available for membership share price refund apply to equity available for the distribution of membership share capital. Equity is calculated on the basis of the financial statements prepared for the financial period during which the decision on the reduction is registered. The same applies to transfers to reserves of unrestricted equity.

A decision on a reduction may be made once the cooperative has been registered. A decision on the distribution of membership share capital and the transfer of membership share capital to reserves of unrestricted equity may only be made with the consent of the board of directors, unless otherwise provided in the rules.

The decision shall specify the amount or maximum amount of the reduction of membership share capital or investment share capital and the purpose referred to in subsection 1 for which the amount of reduction is intended. Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24.

Provisions on the implementation of an amendment to the rules concerning reduction are laid down in chapter 5, section 34. If membership share capital is reduced without amending the rules, the reduction takes effect when the decision is made. If membership share capital is reduced, without amending the rules, in order to distribute assets, the reduced amount may be paid in one year from the end of the financial period during which the decision on the reduction was made. The rules may provide for a longer or shorter time limit that is a minimum of six months from the end of the financial period.

Provisions on decision-making in respect of the acquisition and redemption of treasury membership shares and investment shares are laid down in chapter 19. Provisions on decision-making and creditor protection in respect of a merger, a demerger, a change of business form and the dissolution of the cooperative are laid down in chapters 20–23.

Section 2

Creditor protection

If membership share capital is reduced to cover losses or transferred to reserves of unrestricted equity, the cooperative may not refund or distribute an amount of surplus and other unrestricted equity corresponding to the reduction before one year has elapsed from the end of the financial period during which the amendment to the rules concerning the reduction was registered or the decision to reduce membership share capital was made without amending the rules. Surplus may, however, be distributed if the membership share capital, legal reserve or investment share capital has been increased in total by an amount at least equalling the amount of the reduction.

The creditors of the cooperative whose receivables have arisen before the issue of the public notice referred to in section 4 have the right to object to the reduction of the investment share capital and legal reserve. However, they do not have this right if the amount of the reduction is to be used for loss coverage or if the investment share capital or legal reserve is at the same time increased in total by an amount at least equalling the amount of the reduction.

If the investment share capital or legal reserve has been reduced for loss coverage, the unrestricted equity of the cooperative may be distributed to the investment shareholders during the three years following the registration of the reduction only in accordance with the creditor protection procedure laid down in sections 3–5. However, a creditor does not have the right to object to the distribution if the investment share capital and legal reserve have been increased in total by an amount at least equalling the amount of the reduction.

Section 3

Registration notification and application for a public notice

If the creditors have the right under section 2, subsection 2 to object to the reduction of the investment share capital or legal reserve, the cooperative shall notify the reduction for registration within one month of the decision to reduce the investment share capital and apply to the registration authority for the issue of a public notice referred to in section 4; failing this, the decision lapses.

Section 4

Public notice to creditors

Once the registration authority receives an application referred to in section 3, it shall issue a public notice to the cooperative's creditors referred to in section 2, subsection 2, specifying that they have the right to object to the reduction by so notifying the registration authority in writing no later than on the due date specified in the public notice. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

No later than one month before the due date, the cooperative shall send a written notification of the public notice to its known creditors referred to in section 2, subsection 2. A declaration by a member of the board of directors or the managing director on the sending of the notifications shall be delivered to the registration authority no later than on the due date.

The registration authority shall notify the cooperative about the objections filed with it without delay after the due date.

Section 5

Conditions for registration

The registration authority shall register the reduction of the investment share capital or legal reserve if no creditor has objected to the reduction or if it is affirmed by court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the reduction, the decision on the reduction of the investment share capital and legal reserve lapse in one month from the deadline. However, the registration authority shall defer the proceedings in the matter if the cooperative shows that it has, within one month of the deadline, filed an action for the affirmation that the creditor has received payment or full

security for the receivable or if the cooperative and the creditor together request that the proceedings be deferred.

The investment share capital and the legal reserve are considered to have been reduced when the reduction has been registered.

Section 6

Registration of other forms of reduction of investment share capital

A decision on the reduction of the investment share capital that the creditors cannot under section 2, subsection 2 object to shall be notified by the cooperative for registration within one month of the decision; failing this, the decision lapses. The investment share capital is considered to have been reduced when the reduction has been registered.

The reduction of the investment share capital and an increase of the investment share capital referred to in section 2, subsection 2 shall be notified for registration at the same time.

Section 7

Creditor protection in amendments to the rules

The rules may provide that the creditors of the cooperative, its members or membership shareholders or investment shareholders have the right, in the procedure under sections 3–5, to object to an amendment to a given provision of the rules or a derogation from such a provision. In this event, the provisions of sections 3–5 on the reduction of the investment share capital apply to the amendment to the rules or to the derogation from such a provision. However, the one-month deadline referred to in section 3 does not apply.

Chapter 19

Cooperative's treasury membership shares and investment shares

General provisions

Section 1

Acquisition, redemption and acceptance as pledge

The cooperative may decide in the manner laid down in this chapter:

1) to acquire its treasury membership shares and investment shares (*acquisition*);

- 2) that a member or other membership shareholder or investment shareholder shall transfer membership shares or investment shares to the cooperative free of charge or for consideration (*redemption*); and
- 3) to accept its treasury membership shares and investment shares as pledge.

If the acquisition or redemption proceeds by way of a reduction of the membership share capital or investment share capital, the provisions of chapter 18 shall also be complied with.

Section 2

Restrictions of scope

The provisions of this chapter on acquisition, redemption and acceptance as pledge do not apply when the cooperative:

- 1) acquires a business by way of merger, demerger or other transfer and thereby acquires its treasury membership shares or investment shares owned or held as pledge by the acquired business;
- 2) purchases in an auction its treasury membership share or investment share that has been subject to attachment to enforce the receivable of the cooperative; or
- 3) receives its treasury membership share or investment share for no consideration.

Section 3

Other redemption situations

The provisions of this chapter on redemption do not apply to the redemption of investment shares referred to in chapter 20, section 14; chapter 21, section 14; and chapter 22, section 4.

The rules may provide in a manner referred to in chapter 4, sections 5 and 6 that a member, other membership shareholder or investment shareholder, the cooperative or another person has the right to redeem a membership share or investment share transferred to a new shareholder, and that the cooperative has the right or obligation to acquire or redeem shares as referred to in section 10 of this chapter.

Section 4

Retention, cancellation and transfer

Treasury membership shares and investment shares that have been acquired or redeemed or that have otherwise come to the possession of the cooperative may be retained by the cooperative, cancelled or transferred further.

Provisions on cancellation are laid down in section 12 and provisions on further transfer are laid down in chapter 9. Provisions on the obligation to transfer or to cancel treasury membership shares and investment shares acquired or redeemed in violation of the provisions of this Act are laid down in section 12, subsections 2 and 3 of this chapter.

Acquisition and redemption of treasury membership shares and investment shares

Section 5

General provisions on decision-making

Decisions on acquisition and redemption are made by the general meeting. Provisions on acquisition and redemption may be laid down in the rules.

By a decision of the general meeting, the board of directors may be authorised to decide on acquisition in full or for some part. The same applies to provisions of the rules on the acquisition and redemption of treasury investment shares. An authorisation provided by the general meeting may remain in effect for at most 18 months. Treasury membership shares and investment shares may be acquired on the basis of an authorisation only by using unrestricted equity. The decision and the provision of the rules shall specify the maximum number of membership shares and investment shares acquired, broken down by membership share class and investment share class, the period of validity of the authorisation, and the minimum and maximum amounts of consideration.

Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24. When the board of directors of a listed cooperative proposes the redemption of treasury membership shares or investment shares so that the membership share or investment share capital of the cooperative is thereby reduced, the notice of the general meeting shall specify the purpose of the redemption and the manner of reduction.

Section 6

Directed acquisition and directed redemption

Treasury membership shares and investment shares may also be acquired in a proportion other than that of the membership shares and investment shares held by the members and other membership shareholders and investment shareholders (*directed acquisition*) if there is a serious financial reason for the cooperative to do so or if grounds specified in the rules exist. When assessing the existence of a serious financial reason, special attention shall be paid to the relation between the consideration offered and the fair price of the membership share or investment share. The decision of the general meeting shall be made by a qualified majority referred to in chapter 5, section 29. The same applies to the granting of an authorisation to the board of directors where the right of the board of directors to decide on a directed acquisition is not excluded.

Treasury investment shares may be redeemed in a proportion other than that of the membership shares and investment shares held by the members and other membership shareholders and investment shareholders (*directed redemption*) only with the consent of all members, membership shareholders and investment shareholders, unless otherwise provided in the rules. However, a listed cooperative may decide by a qualified majority referred to in chapter 5, section 29 that investment shares are to be reverse split referred to in section 9 of this chapter. In addition, the rules may contain a redemption clause.

If the board of directors proposes that the general meeting decide on a directed acquisition, directed redemption or the authorisation for the board of directors to decide on an acquisition where the right of the board of directors to decide on a directed acquisition is not excluded, this shall be specified in the notice of the general meeting.

Section 7

Contents of the acquisition decision and redemption decision

An acquisition decision and a redemption decision shall specify:

- 1) whether the matter is of acquisition or redemption;
- 2) the number or maximum number of membership shares and investment shares referred to in the decision, broken down by membership share class and investment share class;
- 3) from whom the membership shares and investment shares are to be acquired or redeemed and, if necessary, the order in which the acquisition or redemption is to take place, and in a directed

acquisition the justification for the existence of the serious financial reason for a directed acquisition, as referred to in section 6 subsection 1, or of the grounds specified in the rules;

- 4) the period during which the membership shares and investment shares to be acquired are to be offered to the cooperative, or the date when the membership shares and investment shares are to be redeemed;
- 5) the consideration to be paid for the membership shares and investment shares and the grounds for the determination of the consideration and, if assets other than money are to be given as consideration, an account of the value of the said assets;
- 6) the date of payment of the consideration; and
- 7) the effects of the procedure on the equity of the cooperative.

Section 8

Access of members and other membership shareholders and investment shareholders to information

A member and other membership shareholder or investment shareholder who according to the acquisition decision has the right to sell membership shares or investment shares to the cooperative shall be notified of the decision in the same manner as notices of a general meeting are delivered before the beginning of the period during which the membership shares or investment shares are to be offered to the cooperative. At the same time, it shall be notified how and when the member and other membership shareholder or investment shareholder is to act in order to exercise the right.

The notification referred to in subsection 1 need not be made if:

- 1) the corresponding information is included in the notice of the general meeting deciding on the acquisition or is available at the meeting deciding on the acquisition and the member and other membership shareholder or investment shareholder is present at that meeting; or
- 2) the corresponding information is published as referred to in the Securities Markets Act.

The contents of the acquisition decision and the documents on the financial position of the cooperative referred to in chapter 5, section 23, subsection 2 shall be kept available for the members and other membership shareholders and investment shareholders referred to in

subsection 1 of this section for the duration of the period during which the membership shares or investment shares to be acquired are to be offered to the cooperative. However, this obligation does not apply if the cooperative has published an offer document referred to in chapter 11 of the Securities Markets Act, containing the corresponding information.

Section 9

Reverse membership share and investment share split in a listed cooperative

A listed cooperative may decide by a qualified majority referred to in chapter 5, section 29 to redeem a given proportion of the membership shares (*reverse membership share split*) or the investment shares (*reverse investment share split*) of all members and other membership shareholders and investment shareholders if the occurrence of membership share or investment share fractions is prevented in the redemption decision as follows:

- 1) the number of membership shares or investment shares to be redeemed in each membership share class or investment share class is an integer;
- 2) the number of membership shares or investment shares to be redeemed from each member and other membership shareholder or investment shareholder, for each membership share class or investment share class, is rounded up to the nearest integer, if necessary;
- 3) the cooperative sells without delay the surplus membership shares or investment shares that become redeemable because of the rounding referred to in paragraph 2 on a regulated market referred to in the Act on Trading in Financial Instruments or in a public auction on behalf of the members and other membership shareholders or investment shareholders referred to in paragraph 2;
- 4) the funds derived from the sale of the membership shares and investment shares referred to in paragraph 3 are paid out to the members and other membership shareholders or investment shareholders pro rata to the differences obtained by subtracting from the number of membership shares or investment shares redeemed the number that would be redeemed in the absence of rounding referred to in paragraph 2.

The funds derived from the sale of the membership shares and investment shares shall be paid out to the members and other membership shareholders and investment shareholders without delay. After the date of redemption, the funds shall bear interest at the current reference rate referred to in section 12 of the Interest Act. The cooperative shall deposit the funds derived from

the sale on an account in a deposit bank in Finland or in a branch of a foreign credit institution licensed to accept deposits in Finland or into a comparable foreign account, so that there is no risk of the funds being confused with the assets of the cooperative. In its books, the cooperative shall keep the funds separate from its assets.

A serious financial reason shall exist for a reverse membership share or investment share split. The decision on a reverse split shall not be made if the redemption according to the membership and shareholder register would result in the redemption of the entire membership or investment shareholding from more than one in a hundred (1/100) members and membership shareholders or investment shareholders. The provisions of section 6, subsection 3 apply to the notice of the general meeting.

Section 10

Terms of acquisition and redemption

The rules may provide that the cooperative has the right or the obligation to acquire or redeem its membership shares or investment shares. In this event, the rules shall provide:

- 1) whether the matter is of acquisition or redemption;
- 2) whether the cooperative has the right or the obligation to acquire or redeem;
- 3) which membership shares or investment shares the provision concerns and, if necessary, in which order the membership shares or investment shares are to be acquired or redeemed;
- 4) the procedure to be observed;
- 5) the consideration to be paid for the membership shares or investment shares or the basis for the calculation of the consideration; and
- 6) the assets that may be used for the payment of the consideration.

In a listed cooperative, decisions on the exercise of the redemption and acquisition right are made by the general meeting. The general meeting may authorise the board of directors to make a decision in this respect. The authorisation shall be notified for registration no later than one month after the decision. The authorisation may remain in effect for at most five years. In cooperatives other than listed cooperatives, decisions on acquisition and redemption may be made by the board of directors.

Section 11

Restrictions on acquisition and redemption

A cooperative shall not acquire or redeem all of its treasury membership shares.

Section 12

Cancellation and transfer of membership shares and investment shares in certain situations

The board of directors may decide to cancel the cooperative's treasury membership shares and investment shares. The cancellation of investment shares shall be notified for registration without delay. The investment shares are cancelled once the notification has been registered.

Treasury membership shares and investment shares acquired or redeemed in violation of the provisions of this Act shall be transferred without undue delay, and in any event no later than one year after the acquisition or redemption.

If the membership shares and investment shares have not been transferred within the period provided in subsection 2, they shall be cancelled.

Acceptance of treasury membership shares and investment shares as pledge and subscription for treasury membership shares and investment shares

Section 13

Treasury membership shares and investment shares as pledge

A cooperative may accept its treasury membership shares and investment shares as pledge. In a listed cooperative, the decision to accept as pledge is made in the same way as a decision on the acquisition of treasury membership shares and investment shares.

Besides the provisions of chapter 10 of the Code of Commerce, the provisions of chapter 9 of this Act on the transfer of treasury membership shares and investment shares apply to the sale of treasury membership shares and investment shares held as pledge.

Section 14

Subscription for treasury membership shares and investment shares and for membership shares and investment shares in a parent cooperative

A cooperative or its subsidiary shall not subscribe for membership shares or investment shares in the cooperative against consideration. If the cooperative has subscribed for its membership shares or investment shares in the context of incorporation, the signatories of the memorandum of association are deemed to have subscribed for the membership shares and investment shares. If the cooperative has subscribed for its membership shares or investment shares in a membership share or investment share issue against consideration, the members of the board of directors and the managing director are deemed to have subscribed for the membership shares and investment shares. If a subsidiary has subscribed for membership shares and investment shares in the parent cooperative, the members of the board of directors and the managing director of the parent cooperative and the persons in corresponding positions in the subsidiary are deemed to have subscribed for the membership shares and investment shares. The subscribers shall be jointly and severally liable for the payment of the subscription price. However, a person who proves that they objected to the subscription or did not know and should not have known of the subscription is not deemed to be a subscriber.

A subscriber who has subscribed for membership shares or investment shares in a cooperative in the subscriber's own name but on behalf of the cooperative or its subsidiary is deemed to have subscribed for the shares on the subscriber's own behalf.

Provisions on a membership share and investment share issue to the cooperative itself without payment are laid down in chapter 9, section 21.

PART V

CHANGES IN COOPERATIVE STRUCTURE AND DISSOLUTION OF COOPERATIVE

Chapter 20

Merger

Definition and implementation forms of merger

Section 1

Merger

A cooperative (*merging cooperative*) may merge into another cooperative (*acquiring cooperative*), in which event the assets and liabilities of the merging cooperative are transferred to the acquiring cooperative and the members and other membership shareholders and investment shareholders of the merging cooperative receive membership shares and investment shares in the acquiring cooperative as a merger consideration. The merger consideration may also consist of cash, other assets or commitments.

Section 2

Implementation forms of merger

A merger may occur so that:

- 1) one or several merging cooperatives merge into the acquiring cooperative (*absorption merger*);
or
- 2) at least two merging cooperatives merge by way of incorporating an acquiring cooperative together (*combination merger*).

A *subsidiary merger* means an absorption merger where the cooperatives and limited liability companies involved in the merger own all of the shares of the merging limited liability company and any option rights and other special rights entitling to shares. The same applies to the merger of a subsidiary cooperative into the parent cooperative if the subsidiary cooperative does not have any other members or membership shareholders and investment shareholders.

A *triangular merger* means an absorption merger where a party other than the acquiring cooperative provides a merger consideration.

In this chapter, *cooperatives involved in the merger* means the merging cooperative and the acquiring cooperative. The provisions of chapter 16 of the Limited Liability Companies Act (624/2006) on the subsidiary merger with regard to the merging subsidiary also apply to the merger of a subsidiary limited liability company through a subsidiary merger.

Draft terms of merger and auditor's opinion

Section 3

Draft terms of merger

The boards of directors of the cooperatives and limited liability companies involved in the merger shall draw up written draft terms of merger, which shall be dated and signed. In a triangular merger, the provider of the merger consideration shall also sign the draft terms of merger.

The draft terms of merger shall contain the following information:

- 1) the trade names of the cooperatives and limited liability companies involved in the merger and any other provider of a merger consideration, their business identity codes or other corresponding identifying information, and the places of their registered offices;
- 2) an account of the reasons for the merger;
- 3) in an absorption merger, a proposal for any amendment to the rules of the acquiring cooperative, and in a combination merger, a proposal for the rules of the cooperative to be incorporated and for how the members of the bodies of that cooperative are to be elected or appointed;
- 4) in an absorption merger, a proposal for the number of any membership shares and investment shares to be issued as a merger consideration, broken down by membership share class and investment share class, and whether new membership shares and investment shares or treasury membership shares and investment shares are to be issued, and in a combination merger, a proposal for the number of the membership shares and investment shares of the acquiring cooperative, broken down by membership share class and investment share class;
- 5) a proposal for any other merger consideration and, if that consideration consists of option rights or other special rights entitling to membership shares or investment shares, the terms of the same in accordance with chapter 10, section 3;

- 6) a proposal for the distribution of the merger consideration, the point in time of the payment of the consideration and the other terms relating to the provision of the consideration, and an account of the grounds for the same;
- 7) an account of or a proposal for the rights in the merger of the holders of option rights and other special rights entitling to membership shares or investment shares in the merging cooperative;
- 8) in an absorption merger, a proposal for any increase of the membership share and investment share capital of the acquiring cooperative, and in a combination merger, a proposal for the membership share and investment share capital of the acquiring cooperative;
- 9) an account of the assets, liabilities and equity of the merging cooperative or limited liability company and of the circumstances relevant to their valuation, of the intended effect of the merger on the balance sheet of the acquiring cooperative, and of the accounting treatments to be applied in the merger;
- 10) a proposal for the right of the cooperatives and limited liability companies involved in the merger to decide on arrangements beyond their normal business operations and affecting their respective equity or number of membership shares, investment shares or shares;
- 11) an account of subordinated loans whose creditors are entitled to object to the merger under section 6;
- 12) an account of the number of membership shares and investment shares in the acquiring cooperative and its parent cooperative held by the merging cooperative or limited liability company and its subsidiaries, and of the number of membership shares and investment shares in the merging cooperative or shares in the limited liability company held by the cooperative and limited liability companies involved in the merger;
- 13) an account of enterprise mortgages referred to in the Enterprise Mortgage Act (634/1984) pertaining to the assets of the cooperatives and limited liability companies involved in the merger;
- 14) an account of or a proposal for the special advantages and rights to be granted to the members of the supervisory board and the members of the board of directors of the cooperatives and limited liability companies involved in the merger, their managing directors, their auditors and the auditor issuing an opinion on the draft terms of merger;

15) a proposal for the intended date of registration of the implementation of the merger; and

16) a proposal for any other terms of the merger.

The provisions of subsection 2, paragraphs 4–8 and 10 do not apply to a subsidiary merger.

Section 4

Auditor's opinion

The boards of directors of the cooperatives and limited liability companies involved in the merger shall designate one or several auditors to issue an opinion on the draft terms of merger to each of the cooperatives and limited liability companies involved in the merger. The opinion shall contain an analysis of whether a true and fair view has been provided of the grounds for setting the merger consideration and of the distribution of the consideration. The opinion to be issued to the acquiring cooperative shall also specify whether the merger is conducive to compromising the repayment of the cooperative's debts.

If all members of the cooperatives involved in the merger consent to the same, or if the merger is a subsidiary merger, only an opinion as to whether the merger is conducive to compromising the repayment of the acquiring cooperative's debts is required.

Registration of the draft terms of merger and a public notice to creditors

Section 5

Registration of the draft terms of merger

The draft terms of merger shall be notified for registration within one month from the signing of the draft terms. The opinion referred to in section 4 is attached to the notification.

The notification is made by the cooperatives involved in the merger together. In a subsidiary merger, the notification is made by the parent cooperative.

The merger shall lapse if the notification is not made in time or if registration is refused.

Section 6

Public notice to creditors

The creditors of a merging cooperative or limited liability company whose receivables have arisen before the registration of the draft terms of merger have the right to object to the merger. A creditor whose receivable may, under the Act on the Collection of Taxes and Public Charges by Enforcement Measures (367/1961), be collected without a judgment or decision being required and whose receivable has arisen no later than on the due date referred to in subsection 2 likewise has the right to object to the merger.

On the application of a merging cooperative or limited liability company, the registration authority shall issue a public notice to the creditors referred to in subsection 1, specifying the right of the creditor to object to the merger by so notifying the registration authority in writing no later than on the due date specified in the public notice. The issue of the public notice shall be applied for within four months of the registration of the draft terms of merger; failing this, the merger shall lapse. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

On the application of the acquiring cooperative, a public notice shall likewise be issued to the creditors of the acquiring cooperative if the merger is, according to the opinion of an auditor referred to in section 4, conducive to compromising the repayment of the debts of the acquiring cooperative. In this event, the provisions of this chapter on the creditors of the merging cooperative apply to the creditors of the acquiring cooperative.

Section 7

Written notification by a cooperative and a limited liability company to creditors

No later than one month before the due date, the cooperative and the limited liability company shall send a written notification of the public notice to its known creditors referred to in section 6, subsection 1 whose receivables have arisen before the registration of the draft terms of merger. If a member or other membership shareholder of the merging cooperative has requested a refund under section 13 or an investment shareholder or a holder of an option right or other special right entitling to membership shares or investment shares has requested redemption under section 14, the rules or the terms of the right, the creditors shall be notified of the number of membership shares, investment shares and rights that have been requested to be refunded or redeemed. The notification may be sent only after the general meeting deciding on the merger has been held.

However, if all holders of the said rights have declared that they waive the right of redemption or if they otherwise do not have the right of redemption, the notification may be sent earlier.

Section 8

Restructuring of enterprises

Restructuring proceedings referred to in the Restructuring of Enterprises Act (47/1993) replace the public notice referred to in section 6, and a creditor has no right to object to the merger under this Act if all cooperatives and limited liability companies involved in the merger belong to the same group and the restructuring programme is approved for all of them at the same time.

The draft terms of merger and its attachments shall be appended to the proposed restructuring programme.

Merger decision

Section 9

Competent body and timing of decision

In the merging cooperative, the decision on the merger is made by the general meeting. However, in a subsidiary merger, the decision is made by the board of directors of the merging cooperative or limited liability company.

In the acquiring cooperative, the decision on the merger is made by the board of directors. If the acquiring cooperative has less than nine tenths (9/10) of the membership shares, investment shares and shares in the merging cooperative or limited liability company, the decision on the merger is, however, made by the general meeting if members with at least one twentieth (1/20) of the total number of votes held by all of the members so require. When calculating the total number of votes held by all of the members, the membership shares or investment shares belonging to the cooperative itself or to its subsidiary are not taken into account.

The general meeting that is to decide on the merger shall be held or the board of directors' decision on the merger shall be made within four months of the registration of the draft terms of merger; failing this, the merger shall lapse. In any event, the general meeting shall be held no later than one month before the due date referred to in section 6 unless all members and any other membership shareholders, investment shareholders, holders of option rights or other special

rights entitling to membership shares and investment shares have waived their right to request the refund or redemption.

The merger decision of the general meeting shall be made by a qualified majority referred to in chapter 5, section 29.

Section 10

Notice of general meeting and notice to other membership shareholders, investment shareholders and holders of option rights and other special rights (357/2017)

The notice of the general meeting that is to decide on the merger shall not be delivered before the draft terms of merger have been registered. Provisions on the notice period are laid down in chapter 5, section 21.

The merging cooperative shall, within the time limit referred to in chapter 5, section 21, also give notice of a membership share price refund referred to in section 13 of this chapter and of a right of redemption referred to in section 14 of this chapter to those membership shareholders, investment shareholders and holders of option rights or other special rights entitling to membership shares or investment shares who have the right to terminate a membership share or request redemption and whose addresses are known to the cooperative. If the addresses of all holders of rights entitling to refund or redemption are not known to the cooperative, the notice of the right of refund and redemption shall also be published in the Official Gazette within the same time limit.

If the acquiring cooperative has less than nine tenths (9/10) of the membership shares, investment shares and shares in the merging cooperative or limited liability company and the general meeting of the acquiring cooperative is not to be convened, a notice of the merger shall be delivered to the members in the same manner as a notice of a general meeting. When calculating the total number of votes held in the cooperative, the membership shares and investment shares belonging the cooperative itself or to its subsidiary are not taken into account. Within one month of the notice, a member may request in writing that the decision on the merger be made by the general meeting.

In the acquiring cooperative, the notice may be delivered within the time limit referred to in chapter 5, section 20, subsection 1 if the decision on the merger is made at the general meeting on the request of a member and if the time between the notice of the cooperative referred to in subsection 3 of this section and the general meeting, the last date for advance notices of

participation referred to in chapter 5, section 8 or the general meeting record date for cooperatives in the book-entry system referred to in chapter 5, section 7a is at least one month or a longer period determined in the rules. (357/2017)

Section 11

Keeping available and sending of documents and submission of new information

For at least one month before the general meeting that is to decide on the merger and as of the delivery of the notice referred to in section 10, subsection 3, the following documents shall be kept available to the members and other membership shareholders, investment shareholders, holders of option rights and other special rights entitling to membership shares or investment shares at the head office or on the website of each cooperative involved in the merger and made available at the general meeting:

- 1) the draft terms of merger;
- 2) the financial statements, management report and auditor's report of each cooperative and limited liability company involved in the merger for the latest completed financial period;
- 3) if more than six months have elapsed from the end of the latest financial period of a listed cooperative involved in the merger to the signing of the draft terms of merger, the financial statements, management report and auditor's report of each such cooperative dated no earlier than three months before the signing of the draft terms of merger, or an interim report referred to in chapter 2, section 5 of the Securities Markets Act for the first six or nine months following the latest financial period;
- 4) any decisions regarding the distribution of assets made by each cooperative and limited liability company involved in the merger after the end of the latest financial period;
- 5) the interim reports given by each cooperative and limited liability company involved in the merger since the end of the latest financial period;
- 6) an account of the board of directors of each cooperative and limited liability company involved in the merger on any events with an essential effect on the position of the cooperative or limited liability company that have occurred after the financial statements or interim report; and
- 7) for each cooperative and limited liability company involved in the merger, the auditor's opinion on the draft terms of merger referred to in section 4.

The documents referred to in subsection 1 shall without delay be sent to a member or other party specified in subsection 1 requesting them if the documents are not available for downloading and printing on the cooperative website.

In addition to the provisions of subsection 1, the cooperative shall notify the general meeting and a cooperative and limited liability company shall notify all the other cooperatives and limited liability companies involved in the merger of any events with an essential effect on the cooperative's or limited liability company's position coming to the attention of the cooperative or limited liability company before the decision on the merger is made.

In a triangular merger, the documents specified in chapter 5, section 23, subsection 2 concerning the provider of the merger consideration shall be kept available to the members. If there are no financial statements, an account of the financial position for the latest financial period or, in case there is no such account, for the past calendar year and for the subsequent period, shall be kept available.

Section 12

Legal effects of a merger decision

The merger decision of the merging cooperative replaces the measures concerning the merger consideration that establish a right in the merger consideration, as carried out by the merging cooperative's members, other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares. In a combination merger, the draft terms of merger also replace the memorandum of association of the acquiring cooperative.

If the merger is not approved unchanged in accordance with the draft terms of merger in each of the cooperatives involved in the merger, the merger shall lapse. The decision not to approve the merger or the lapse of the merger shall be notified for registration without delay.

Membership share price refund and redemption of investment shares, option rights and other special rights entitling to membership shares and investment shares

Section 13

Membership share price refund

Provisions on the right of a member of the merging cooperative and such other membership shareholder that has not supported the merger decision to receive a membership share price refund are laid down in chapter 5, section 35.

If the membership ends or the membership share is terminated later than 30 days after the merger decision, the provisions of chapter 17 and of the rules on the members and membership shares of the acquiring cooperative apply to the membership share price refund. The same applies to the refund when a member or other membership shareholder has supported the merger decision.

The acquiring cooperative is liable for the payment of the membership share price refunds. The merging cooperative shall without delay notify the acquiring cooperative of the amount of membership share price refunds.

Section 14

Redemption of investment shares, option rights and other special rights entitling to membership shares or investment shares

An investment shareholder or a holder of an option right or other special rights entitling to membership shares or investment shares in the merging cooperative may request the redemption of the holder's investment shares or rights, unless otherwise provided in the rules. Redemption shall be requested at the general meeting deciding on the merger or by verifiably submitting a request to this effect to the merging cooperative before the general meeting. Only those investment shares may be redeemed that have been notified to be entered in the membership and shareholder register by the general meeting or by the last date for advance notices of participation or, if the investment shares are incorporated in the book-entry system, in the book-entry account of the investment shareholder who requests redemption by the general meeting record date referred to in chapter 5, section 7a. In addition, this is subject to the condition that the party who requests redemption votes against the merger decision. Before a decision on the merger is made, the general meeting shall be notified of how many investment shares and rights are subject to redemption requests. (357/2017)

If no agreement is reached with the acquiring cooperative on the right of redemption of investment shares, option rights or other special rights entitling to investment shares or on the terms of the redemption, the matter shall be submitted to arbitration in accordance with the provisions of chapter 26, sections 4–8 on the resolution of redemption disputes. The investment shareholder or holder of a right shall initiate the proceedings no later than one month after the general meeting. Once the proceedings have been initiated, the investment shareholder and the holder of the right only have a right to the redemption price. If it is later determined in the redemption proceedings that they have no right of redemption, they have a right to the merger consideration in accordance with the draft terms of merger. If the merger lapses, the redemption proceedings shall also lapse.

The fair price of the investment share, option right or other special right entitling to investment shares at the time preceding the merger decision serves as the redemption price, unless otherwise provided in the rules. In the determination of the redemption price, any depreciating effect that the merger may have on the price of the merging cooperative's investment shares, option rights and other special rights entitling to investment shares is not taken into account. The redemption price shall bear annual interest between the merger decision and the payment of the redemption price at the current reference rate referred to in section 12 of the Interest Act.

The redemption price shall be paid within one month of the award or judgment becoming final, but in any event not before the registration of the implementation of the merger. Provisions on the depositing of the redemption price are laid down in chapter 26, section 9, subsections 1 and 2.

The acquiring cooperative is liable for the payment of the redemption price. The merging cooperative shall without delay notify the acquiring cooperative of any redemption requests.

Implementation and legal effects of a merger

Section 15

Notification of merger implementation

The cooperatives involved in the merger shall within six months of the merger decision notify the registration authority of the implementation of the merger; failing this, the merger shall lapse. The following information shall be attached to the notification:

- 1) a declaration of the members of the board of directors and the managing directors of each cooperative involved in the merger to the effect that the provisions of this Act have been complied with in the merger;
- 2) a certificate of an auditor to the effect that the acquiring cooperative will receive full consideration for the amount credited to its equity, and an opinion regarding the account in the draft terms of merger referred to in section 3, subsection 2, paragraph 9;
- 3) a certificate of a member of the board of directors or the managing director on the sending of the notifications referred to in section 7; and
- 4) the merger decisions made by the cooperatives involved in the merger.

In a subsidiary merger, the parent cooperative is responsible for submitting the notification. Notwithstanding the provisions of subsection 1, only a declaration by a member of the board of directors or the managing director of the parent cooperative to the effect that the provisions of this Act have been complied with in the merger, a certificate of the sending of the notifications referred to in section 7, and the merger decisions need to be attached to the notification.

Section 16

Conditions for registration

The registration authority shall register the merger if no creditor has objected to the merger or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the merger, the registration authority shall notify the cooperative of the same without delay after the due date. If a creditor objects, the merger shall lapse in one month after the due date. However, the registration authority shall defer the proceedings in the matter if the cooperative shows that it has, within one month of the deadline, filed an action for the affirmation that the creditor has received payment or full security for the receivable or if the cooperative and the creditor together request that the proceedings be deferred.

The merger may be implemented even if the merging cooperative has been placed into liquidation unless the distribution of the assets of the cooperative to the members, as referred to in chapter 23, section 15, has already begun.

If the assets of more than one of the cooperatives involved in the merger are subject to an enterprise mortgage referred to in the Enterprise Mortgage Act, the merger shall not be registered, unless, on application, an agreement on the order of precedence of the mortgages between the cooperatives and the mortgage holders is registered at the same time.

Section 17

Legal effects of a merger

The assets and liabilities of the merging cooperative are transferred to the acquiring cooperative without liquidation proceedings once the implementation of the merger has been registered. At the same time, the merging cooperative dissolves and, in a combination merger, the acquiring cooperative is established.

The assets and liabilities of the merging cooperative shall not be entered in the balance sheet of the acquiring cooperative at a value higher than their financial value to the acquiring cooperative. A commitment to perform work or services shall not be entered in the balance sheet in the context of a merger.

At the moment of registration of the implementation of the merger, the members of the merging cooperative become members of the acquiring cooperative and they as well as other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares and investment shares become entitled to the merger consideration in accordance with the draft terms of merger. The new membership shares and investment shares to be issued as a merger consideration carry membership shareholder and investment shareholder rights as of the moment of registration unless a later point in time is determined in the draft terms of merger. However, the membership shares and investment shares carry shareholder rights no later than one year after the registration. Membership shares and investment shares in the merging cooperative held by the acquiring cooperative or the merging cooperative do not carry a right to the merger consideration.

If the receipt of the merger consideration requires the presentation of the membership share certificate or other specific measures from the recipient, and the consideration is not claimed in this manner within ten years of the registration of the implementation of the merger, the general meeting of the acquiring cooperative may decide that the right to the merger consideration and the respective rights have been forfeited. The forfeited consideration devolves on the acquiring cooperative.

Section 18

Final accounts

The board of directors and managing director of the merging cooperative shall as soon as possible after the implementation of the merger draw up the financial statements and management report for the period not yet covered by financial statements submitted to the general meeting (*final accounts*). If the cooperative is under the law or the rules obliged to elect an auditor or operations inspector, the final accounts shall be given to the auditors and operations inspector, who shall issue their auditor's report or operations inspector's report on the final accounts within one month.

Upon completion of the measures referred to in subsection 1, the board of directors shall without delay call the members to a meeting to adopt the final accounts. The provisions on the general meeting apply to the meeting.

The provisions of chapter 8, section 10 on the registration of financial statements and management reports apply to the registration of the final accounts.

Section 19

Cancellation of a merger

Even if a merger has been registered, it shall be cancelled if the merger decision is invalid according to a final court judgment. The merging cooperative and the acquiring cooperative are jointly and severally liable for such obligations of the acquiring cooperative that have arisen after the registration of the merger but before the registration of the judgment.

Cross-border merger

Section 20

Definition and implementation forms of a cross-border merger

A cooperative may participate in a merger to be implemented in accordance with sections 1 and 2 also where a foreign cooperative is to merge into a Finnish cooperative or a Finnish cooperative is to merge into a foreign cooperative (*cross-border merger*). A foreign limited liability company specified in chapter 16, section 19, subsection 2 of the Limited Liability Companies Act which is wholly owned by the cooperative may also merge into the cooperative.

A cross-border merger may only be implemented in accordance with subsection 1 if the foreign cooperative is a cooperative comparable to a cooperative under Finnish law (*foreign cooperative*) and it:

- 1) has membership share capital or other comparable capital, has legal personality, possesses separate assets which alone serve to cover its liabilities and is subject under the national law governing it to comparable conditions concerning guarantees such as are provided for by Directive 2009/101/EC of the European Parliament and of the Council on coordination of safeguards which, for the protection of the interests of members and third parties, are required by member States of companies within the meaning of the second paragraph of Article 48 of the Treaty, with a view to making such safeguards equivalent (*Directive 2009/101/EC*) for the protection of the interests of shareholders, members and others; and
- 2) is registered in another state within the European Economic Area and is subject to the legislation of another state within the European Economic Area on the basis of its registered office, place of central administration or principal place of business.

In a cross-border combination merger, the acquiring cooperative may be registered in a state within the European Economic Area whose legislation is not applicable to a merging cooperative.

In this chapter, *cooperatives involved in a cross-border merger* means the merging and the acquiring cooperative and the foreign cooperative and the foreign limited liability company.

Directive 2009/101/EC of the European Parliament and of the Council was repealed by Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.

Section 21

Merger of a Finnish cooperative into a foreign parent

A Finnish cooperative may also merge into a foreign legal person holding all membership shares and investment shares in the cooperative, where the foreign legal person is comparable to a Finnish cooperative, cooperative bank, savings bank or mutual insurance company, is registered in another state within the European Economic Area and is subject to the legislation of another state within the European Economic Area.

The provisions of this chapter on cross-border mergers apply to the merging Finnish cooperative and the acquiring foreign legal person.

Section 22

Application of the provisions on mergers

The provisions of chapter 5 on the decisions of general meetings and on a member's extraordinary right to withdraw and a member's right to receive a membership price share refund as well as the provisions of sections 20–29 of this chapter apply to cross-border mergers.

Section 23

Draft terms of merger and an account of the board of directors

The cooperatives involved in a cross-border merger shall draw up draft terms of merger referred to in section 3 and in this section. On behalf of a foreign cooperative, the draft terms of merger are drawn up and signed by the competent body of the cooperative.

In addition to the information specified in section 3, subsection 2, the draft terms of merger shall contain the following information:

- 1) information on the corporate form of the cooperatives involved in the merger and of any provider of a merger consideration, and a proposal for the corporate form of a cooperative to be established by way of a combination merger;
- 2) information on the registers where the foreign cooperatives involved in the merger have been registered, and the contact details of the said registers;
- 3) in an absorption merger, the rules of the acquiring cooperative as they are to take effect as amended in the manner referred to in section 3, subsection 2, paragraph 3;
- 4) a proposal for the date from which the transactions by the cooperatives involved in the merger will be deemed, for accounting purposes, to have been entered into on behalf of the acquiring cooperative;
- 5) an account of the likely repercussions of the cross-border merger on employment;
- 6) an account of the procedures for the determination of detailed rules on the participation of employees in the formulation of employees' rights of participation in the acquiring cooperative;
and

7) an account of which financial statements of the cooperatives involved in the merger have been used in the determination of the terms of the merger.

The board of directors in each of the cooperatives involved in the merger shall draw up an account of the likely repercussions of the merger for the members, creditors and employees to the extent that these repercussions are not accounted for in the draft terms of merger.

Each of the cooperatives involved in the merger shall keep the account referred to in subsection 3 available to the members, creditors and employees' representatives or, if there are no such representatives, to the employees, and send the account to investment shareholders as provided in section 11.

If the cooperative receives an opinion on the account referred to in subsection 3 from employees' representatives, that opinion shall be attached to the account, kept available to the members and sent to the members as provided in section 11.

Section 24

Independent expert's opinion

The provisions of section 4 on the auditor's opinion apply to an opinion of an independent expert on the draft terms of a cross-border merger and on the Finnish cooperative involved in it.

The boards of directors or the corresponding competent bodies of the cooperatives involved in a cross-border merger may, however, together appoint one or several independent experts to issue a joint opinion on the draft terms of the cross-border merger to all of the cooperatives and limited liability companies involved in it. An independent expert, subject to the law of the Member State whose domestic legislation applies to a foreign cooperative involved in the merger, may also be appointed to issue a joint opinion.

Section 25

Registration of the draft terms of merger, public notice to creditors, merger decision, membership share price refund and redemption

The Finnish cooperatives involved in a cross-border merger shall notify the draft terms of merger for registration as provided in section 5. The opinion referred to in section 24 shall be attached to the registration notification.

Provisions on creditor protection in a Finnish cooperative are laid down in sections 6–8.

Provisions on the merger decision in a Finnish cooperative are laid down in chapter 5, sections 19, 21 and 22 and in sections 9–11 of this chapter. Provisions on the legal effects in a Finnish cooperative of a merger decision to be registered in Finland are laid down in section 12.

Provisions on membership share price refunds and on redemption of investment shares, option rights and other special rights entitling to membership shares or investment shares in the merging Finnish cooperative are laid down in sections 13 and 14.

Section 26

Implementation of a merger to be registered in Finland

If a Finnish cooperative is the acquiring cooperative in a cross-border merger, the cooperatives involved in the merger shall notify the merger for registration as laid down in section 15 within six months of the merger decision by the Finnish cooperatives involved in the merger and of the receipt by the other cooperatives involved in the merger of a certificate issued by the registration authority or other competent authority of the state whose legislation applies to a foreign cooperative involved in the merger, to the effect that the measures required for the merger have been carried out and the formalities completed.

The provisions of section 16 apply to the conditions for the registration of a merger referred to in this section. A further condition is that the foreign cooperatives involved in the merger accept the right of membership share price refund referred to in section 13 and the right of redemption referred to in section 14 and that the rules governing personnel representation have been laid down as provided in chapter 5a of the Act on Employee Involvement in European Companies and European Cooperative Societies as well as on Employer Obligations and Employee Involvement in Cross-Border Restructuring of Companies (758/2004), and that all cooperatives involved in the merger have accepted the draft terms of merger in the same form and the registration authority is provided with the certificates referred to in subsection 1. (1368/2021)

The registration authority shall without delay notify the registration of the merger to the foreign registration authority in whose register the merging foreign cooperative is registered.

Provisions on the final accounts regarding a merging Finnish cooperative are laid down in section 18.

Section 27

Implementation of a merger to be registered in another state

If a Finnish cooperative is to merge into an acquiring foreign cooperative, the Finnish cooperatives involved in the merger shall within six months of the merger decision apply to the registration authority for permission to implement the merger; failing this, the merger shall lapse. The following documents shall be attached to the application: the merger decisions and a declaration by the members of the board of directors and the managing director of a Finnish cooperative to the effect that the provisions of this Act have been complied with in the merger, and a certificate by a member of the board of directors or the managing director on the sending of the notifications referred to in section 7. If a member or a membership shareholder, investment shareholder or a holder of an option right or other right entitling to membership shares or investment shares has requested a refund or redemption under section 13 or 14, this shall be notified to the registration authority in conjunction with the notification concerning implementation.

In a merger referred to in this section, the provisions of section 16 apply to the conditions for the granting of the permission. A further condition is that the foreign cooperatives involved in the merger accept the right of membership share price refund referred to in section 13 and the right of redemption referred to in section 14 of a member, membership shareholder, investment shareholder and holder of an option right and right entitling to membership shares or investment shares, and that the registration authority is provided with evidence of employee participation in the acquiring cooperative having been arranged in a manner corresponding to that provided in Article 16 of Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies (*Directive 2005/56/EC*). The decision of the registration authority on the permission shall be registered on the authority's own motion.

If the assets of a Finnish cooperative involved in a merger referred to in this section are subject to an enterprise mortgage referred to in the Enterprise Mortgage Act, the permission is subject to the condition that a registrable application is pending for the mortgage being transferred to be the liability of a branch to be established in Finland or that the mortgage has been cancelled.

The registration authority shall issue a certificate on the granting of the permission referred to in subsection 1 for the Finnish cooperatives involved in a cross-border merger. The certificate issued by the registration authority shall contain a statement to the effect that the Finnish cooperatives involved in the merger have carried out the measures required for the merger and completed the formalities required by law. The certificate shall specify any membership share price refund and redemption referred to in subsection 1 notified to the registration authority. The certificate shall be

submitted within six months of the issue of the certificate to the competent authority of the state whose legislation applies to the acquiring foreign cooperative; failing this, the certificate shall expire.

Upon notification by the registering foreign authority or other competent authority, the registration authority shall, without delay and on its own motion, deregister the merging Finnish cooperative.

Provisions on the final accounts regarding a merging Finnish cooperative are laid down in section 18.

Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies was repealed by Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.

Section 28

Legal effects of a merger

Provisions on the legal effects of a cross-border merger in a merger referred to in section 26 are laid down in section 17.

In a merger referred to in section 27, the assets and liabilities of the merging cooperative are transferred to the acquiring cooperative without liquidation proceedings once the merger takes effect in accordance with the legislation of the state whose legislation applies to the acquiring cooperative. At the same time, the merging Finnish cooperative is dissolved and the members as well as other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares become entitled to the merger consideration in accordance with the draft terms of merger. Treasury membership shares and investment shares held by the merging cooperative do not carry a right to the merger consideration.

Section 29

Validity of a cross-border merger

A cross-border merger may not be declared invalid or altered once it has taken effect in accordance with section 28.

Chapter 21

Demerger

Definition and implementation forms of demerger

Section 1

Demerger

A cooperative (*demerging cooperative*) may demerge so that the assets and liabilities of the demerging cooperative are transferred in full or in part to one or several cooperatives (*acquiring cooperative*) and so that the members and other membership shareholders and investment shareholders of the demerging cooperative receive membership shares and investment shares in the acquiring cooperative as a demerger consideration. The demerger consideration may also consist of cash, other assets or commitments.

Section 2

Implementation forms of demerger

A demerger may proceed so that:

- 1) all of the assets and liabilities of the demerging cooperative are transferred to two or more acquiring cooperatives and the demerging cooperative dissolves (*full demerger*); or
- 2) some of the assets and liabilities of the demerging cooperative are transferred to one or several acquiring cooperatives (*partial demerger*).

Demerger into an existing cooperative means a demerger where the acquiring cooperative has been incorporated before the implementation of the demerger, and *demerger into a cooperative to be incorporated* means a demerger where the acquiring cooperative is incorporated in the context of the demerger. A demerger may proceed into an existing cooperative and into a cooperative to be incorporated at the same time.

In this chapter, *cooperatives involved in a demerger* means the demerging cooperative and the acquiring cooperative.

Draft terms of demerger and auditor's opinion

Section 3

Draft terms of demerger

The boards of directors of the cooperatives involved in the demerger shall draw up written draft terms of demerger, which shall be dated and signed.

The draft terms of demerger shall contain the following information:

- 1) the trade names of the cooperatives involved in the demerger, their business identity codes or other corresponding identifying information, and the places of their registered offices;
- 2) an account of the reasons for the demerger;
- 3) in a demerger into an existing cooperative, a proposal for any amendment to the rules of the acquiring cooperative and, in a demerger into a cooperative to be incorporated, a proposal for the rules of that cooperative and for how the members of the bodies of that cooperative are to be elected or appointed;
- 4) in a demerger into an existing cooperative, a proposal for the number of any membership shares and investment shares to be issued as a demerger consideration, broken down by membership share class and investment share class, and whether new membership shares and investment shares or treasury membership shares and investment shares are to be issued, and in a demerger into a cooperative to be incorporated, a proposal for the number of membership shares and investment shares in that cooperative, broken down by membership share class and investment share class;
- 5) a proposal for any other demerger consideration and, if that consideration consists of option rights or other special rights entitling to membership shares or investment shares, the terms of the same in accordance with chapter 10, section 3;
- 6) a proposal for the distribution of the demerger consideration, the point in time of the payment of the consideration and the other terms of the provision of the consideration, and an account of the grounds for the same;

- 7) an account of or a proposal for the rights in the demerger of the holders of option rights and other special rights entitling to membership shares or investment shares in the demerging cooperative;
- 8) in a demerger into an existing cooperative, a proposal for any increase of the membership share and investment share capital of the acquiring cooperative and in a demerger into a cooperative to be incorporated, a proposal for the membership share and investment share capital of the acquiring cooperative;
- 9) an account of the assets, liabilities and equity of the demerging cooperative and of the circumstances relevant to their valuation, and a proposal for the division of the assets and liabilities of the demerging cooperative between each of the cooperatives involved in the demerger, the intended effect of the demerger on the balance sheet of the acquiring cooperative, and of the accounting treatments to be applied in the demerger;
- 10) a proposal for the reduction of the membership share capital in order to distribute assets to the acquiring cooperative or to members, to transfer assets to reserves of unrestricted equity or to immediately cover losses that cannot be covered from unrestricted equity;
- 11) a proposal for the right of the cooperatives involved in the demerger to decide on arrangements beyond their normal business operations that affect their equity or the number of their membership shares;
- 12) an account of subordinated loans whose creditors are entitled to object to the demerger in accordance with section 6;
- 13) an account of the number of membership shares and investment shares in the acquiring cooperative and its parent cooperative held by the demerging cooperative and its subsidiaries, and of the number of membership shares and investment shares in the demerging cooperative held by the cooperatives involved in the demerger;
- 14) an account of enterprise mortgages referred to in the Enterprise Mortgage Act pertaining to the assets of the cooperatives involved in the demerger;
- 15) an account of or a proposal for the special advantages and rights to be granted to the members of the supervisory board and members of the board of directors of the cooperatives

involved in the demerger, their managing directors, their auditors and the auditor issuing an opinion on the draft terms of demerger;

16) a proposal for the intended date of registration of the implementation of the demerger; and

17) a proposal for any other terms of the demerger.

If all the members and other membership shareholders and investment shareholders of the cooperatives involved in the demerger consent to the same, or if in the cooperatives to be incorporated in the demerger, all the membership shares and investment shares of every one of the acquiring cooperatives are given as the demerger consideration to the membership shareholders and investment shareholders of the demerging cooperative pro rata to their shareholdings, the draft terms of demerger need not include an account of the reasons for the demerger or of the grounds referred to in subsection 2, paragraph 6.

Section 4

Auditor's opinion

The boards of directors of the cooperatives involved in the demerger shall designate one or several auditors to issue an opinion on the draft terms of demerger to each of the cooperatives involved in the demerger. The opinion shall contain an analysis of whether a true and fair view has been provided in the draft terms of demerger of the grounds for setting the demerger consideration and of the distribution of the consideration. The opinion to be issued to the acquiring cooperative shall also specify whether the demerger is conducive to compromising the repayment of the cooperative's debts.

If all members of the cooperatives involved in the demerger consent to the same, only an opinion as to whether the demerger is conducive to compromising the repayment of the acquiring cooperative's debts is required. The opinion need not be given to the cooperatives to be incorporated in the demerger if all the membership shares and investment shares of each of the acquiring cooperatives are given as the demerger consideration to the members and other membership shareholders and investment shareholders of the demerging cooperative pro rata to their shareholdings.

Registration of the draft terms of demerger and a public notice to creditors

Section 5

Registration of the draft terms of demerger

The draft terms of demerger shall be notified for registration within one month of the signing of the draft terms. The opinion referred to in section 4 shall be attached to the notification.

The notification is made by the cooperatives involved in the demerger together.

The demerger shall lapse if the notification is not made in time or if registration is refused.

Section 6

Public notice to creditors

The creditors of the demerging cooperative whose receivables have arisen before the registration of the draft terms of demerger have the right to object to the demerger. A creditor whose receivable may, under the Act on the Collection of Taxes and Public Charges by Enforcement Measures, be collected without a judgment or decision being required and whose receivable has arisen no later than on the due date referred to in subsection 2 likewise has the right to object to the merger.

On the application of the demerging cooperative, the registration authority shall issue a public notice to the creditors referred to in subsection 1, specifying the right of the creditor to object to the demerger by so notifying the registration authority in writing no later than on the due date specified in the public notice. The issue of the public notice shall be applied for within four months of the registration of the draft terms of demerger; failing this, the demerger shall lapse. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

On the application of the acquiring cooperative, a public notice shall likewise be issued to the creditors of the acquiring cooperative if the demerger is, according to the opinion of an auditor referred to in section 4, conducive to compromising the repayment of the debts of the acquiring cooperative. In this event, the provisions of this chapter on the creditors of the demerging cooperative apply to the creditors of the acquiring cooperative.

Section 7

Cooperative's written notification to creditors

No later than one month before the due date, the cooperative shall send a written notification of the public notice to its known creditors referred to in section 6, subsection 1 whose receivables have arisen before the registration of the draft terms of demerger. If a member or other membership shareholder of the demerging cooperative has requested a refund under section 13 or if an investment shareholder or a holder of an option right or other special right entitling to membership shares or investment shares has requested redemption under section 14, the rules or the terms of the right, the creditors shall be notified of the number of membership shares and rights that have been requested to be refunded or redeemed. The notification may only be sent after the general meeting deciding on the demerger has been held. However, if all holders of the said rights have declared that they waive the right of redemption or if they otherwise do not have the right of redemption, the notification may be sent earlier.

Section 8

Restructuring of enterprises

Restructuring proceedings referred to in the Restructuring of Enterprises Act replace the public notice referred to in section 6, and a creditor has no right to object to the demerger under this Act if all cooperatives involved in the demerger belong to the same group and the restructuring programme is approved for all of them at the same time.

The draft terms of demerger and its attachments shall be appended to the proposed restructuring programme.

Demerger decision

Section 9

Competent body and timing of decision

In a demerging cooperative, the decision on the demerger is made by the general meeting as laid down in chapter 5. The decision on a demerger is, however, made by the board of directors of the demerging cooperative if the cooperatives involved in the demerger hold all the membership shares, investment shares and any option rights and other special rights entitling to membership shares and investment shares in the demerging cooperative.

In the acquiring cooperative, the decision on a demerger is made by the board of directors. If the acquiring cooperative has less than nine tenths (9/10) of the membership shares in the demerging cooperative, the demerger decision is, however, made by the general meeting if members with at least one twentieth (1/20), or a smaller share provided in the rules, of the total number of votes held by all of the members so request. When calculating the total number of votes held by all of the members, the membership shares and investment shares belonging the demerging cooperative itself or to its subsidiary are not taken into account.

The general meeting that is to decide on the demerger shall be held or the board of directors' decision on the demerger made within four months of the registration of the draft terms of demerger; failing this, the demerger shall lapse. In any event, the general meeting shall be held no later than one month before the due date referred to in section 6 unless all members and any holders of option rights and other special rights entitling to membership shares or investment shares have waived their right to request refund or redemption.

The demerger decision of the general meeting shall be made by a qualified majority referred to in chapter 5, section 29. If, in a demerger into a cooperative to be incorporated, a member of the demerging cooperative is not to receive the same proportionate shareholding and respective rights in the acquiring cooperative as the member has in the demerging cooperative, the decision may only be made with the consent of the said member.

Section 10

Notice of general meeting and notice to other membership shareholders, investment shareholders and holders of option rights and other special rights (357/2017)

The notice of the general meeting that is to decide on the demerger shall not be delivered before the draft terms of demerger have been registered. Provisions on the notice period are laid down in chapter 5, section 21.

The demerging cooperative shall, within the time limit referred to in chapter 5, section 21, also give notice of a membership share price refund referred to in section 13 of this chapter and of a right of redemption referred to in section 14 of this chapter to those membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares and investment shares who have the right to terminate a membership share or request redemption and whose addresses are known to the cooperative. If the addresses of all holders of rights entitling to refund or redemption are not known to the cooperative, the notice of

the right of refund and redemption shall also be published in the Official Gazette within the same time limit.

If the general meeting of the acquiring cooperative is not to be convened, a notice of the demerger shall be delivered to the members in the same manner as a notice of a general meeting. Within one month of the notice, a member may request in writing that the decision on the demerger be made by the general meeting.

In the acquiring cooperative, the notice may be delivered within the time limit referred to in chapter 5, section 20, subsection 1 if the decision on the demerger is made at the general meeting on the request of a member and if the time between the notice of the cooperative referred to in subsection 3 of this section and the general meeting, the last date for advance notices of participation referred to in chapter 5, section 8 or the general meeting record date for cooperatives in the book-entry system referred to in chapter 5, section 7a is at least one month or a longer period determined in the rules. (357/2017)

Section 11

Keeping available and sending of documents and submission of new information

For at least one month before the general meeting that is to decide on the demerger and as of the delivery of the notice referred to in section 10, subsection 3, the following documents shall be kept available to the members and other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares at the head office or on the website of each cooperative involved in the demerger and made available at the general meeting:

- 1) the draft terms of demerger;
- 2) the financial statements, management report and auditor's report of each cooperative involved in the demerger for the latest completed financial period;
- 3) if more than six months have elapsed from the end of the latest financial period of a listed cooperative involved in the demerger to the signing of the draft terms of demerger, the financial statements, management report and auditor's report of each such cooperative dated no earlier than three months before the signing of the draft terms of demerger, or an interim report referred to in chapter 2 section 5 of the Securities Markets Act, for the first six or nine months following the latest financial period;

- 4) any decisions regarding the distribution of assets made by each cooperative involved in the demerger after the end of the latest financial period regarding the distribution of assets;
- 5) the interim reports given by each cooperative involved in the demerger since the end of the latest financial period;
- 6) an account of the board of directors of each cooperative involved in the demerger on any events with an essential effect on the position of the cooperative that have occurred after the financial statements or the interim report; and
- 7) for each cooperative involved in the demerger, the auditor's opinion on the draft terms of demerger referred to in section 4.

If all the members and other membership shareholders and investment shareholders in the cooperatives involved in the demerger so consent or if, in a demerger into cooperatives to be incorporated, all the membership shares and investment shares of every one of the acquiring cooperatives are given as a demerger consideration to the members and other membership shareholders and investment shareholders of the demerging cooperative pro rata to their shareholdings, the provisions of subsection 1, paragraph 3 do not apply.

The documents referred to in subsection 1 shall without delay be sent to a member or other party specified in subsection 1 requesting them if the documents are not available for downloading and printing on the cooperative website.

In addition to the provisions of subsection 1, the cooperative shall notify the general meeting and all the other cooperatives involved in the demerger of any events with an essential effect on the cooperative's position coming to the attention of the cooperative before the decision on the merger is made.

Section 12

Legal effects of demerger decision

The demerger decision of the demerging cooperative replaces the measures concerning the demerger consideration that establish a right in the demerger consideration, as carried out by the demerging cooperative's members, other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares. In a demerger into a cooperative to be incorporated, the draft terms of demerger also replace the memorandum of association of the acquiring cooperative.

If the demerger is not approved unchanged in accordance with the draft terms of demerger in each of the cooperatives involved in the demerger, the demerger shall lapse. The decision not to approve the demerger or the lapse of the demerger shall be notified for registration without delay.

Membership share price refund as well as redemption of demerger consideration, option rights and other special rights entitling to membership shares or investment shares

Section 13

Membership share price refund

Provisions on the right of a member of the demerging cooperative and such other membership shareholder that has not supported the demerger decision to receive a membership share price refund are laid down in chapter 5, section 35.

If the membership ends or the membership share is terminated later than 30 days after the demerger decision, the provisions of chapter 17 and of the rules on the members and membership shares of the acquiring cooperative apply to the membership share price refund. The same applies to the refund when a member or other membership shareholder has supported the demerger decision.

The acquiring cooperative is liable for the payment of the membership share price refunds; a request for refund concerns the membership share in the demerging cooperative, for which the membership share of the acquiring cooperative would be correspondingly provided as demerger consideration. The demerging cooperative shall without delay notify the cooperative liable for the payment of the refund of any redemption requests.

Section 14

Redemption of investment shares, option rights and other special rights entitling to membership shares or investment shares

In a demerger into an existing cooperative, an investment shareholder in the demerging cooperative may request that the shareholder's demerger consideration be redeemed and a holder of option rights or other special rights entitling to membership shares or investment shares may request that the holder's rights be redeemed, unless otherwise provided in the rules. Redemption shall be requested at the general meeting deciding on the demerger or by verifiably submitting a request to this effect to the demerging cooperative before the general meeting. Only those

investment shares may be redeemed that have been notified to be entered into the membership and shareholder register by the general meeting or the last date for advance notices of participation or, if the investment shares are incorporated in the book-entry system, they have been entered into the book-entry account of the requester by the general meeting record date referred to in chapter 5, section 7a. In addition, this is subject to the condition that the party who requests redemption votes against the demerger decision. (357/2017)

Before a decision on the demerger is made, the general meeting shall be notified of how many membership shares and rights are subject to redemption requests.

If no agreement is reached with the acquiring cooperative on the right of redemption of the demerger consideration, option rights or other special rights entitling to membership shares or investment shares or on the terms of the redemption, the matter shall be submitted to arbitration in accordance with the provisions of chapter 26, sections 4–8 on the resolution of redemption disputes. The investment shareholder or holder of a right shall initiate the proceedings no later than one month after the general meeting. Once the proceedings have been initiated, the investment shareholder has a right to the redemption price instead of the demerger consideration. Once the proceedings have been initiated, the holder of an option right or other special right entitling to investment shares only has a right to the redemption price. If it is later determined in the redemption proceedings that the investment shareholder, option right holder or holder of other special right entitling to membership shares or investment shares has no right of redemption, the holder has a right to the demerger consideration in accordance with the draft terms of demerger. If the demerger lapses, the redemption proceedings shall also lapse.

The redemption price of the demerger consideration due to an investment share in the demerging cooperative is the part of its fair price at the time preceding the demerger decision that corresponds to the demerger into an existing cooperative, unless otherwise provided in the rules. The fair price of the option right or other special right entitling to membership shares or investment shares at the time preceding the demerger decision serves as its redemption price, unless otherwise provided in the rules. In the determination of the redemption price, any depreciating effect that the demerger may have on the price of the demerging cooperative's investment shares, option rights or other special rights entitling to membership shares or investment shares is not taken into account. The redemption price shall bear annual interest between the demerger decision and the payment of the redemption price at the current reference rate referred to in section 12 of the Interest Act.

The redemption price shall be paid within one month of the award or judgment becoming final, but in any event not before the registration of the implementation of the demerger. Provisions on the depositing of the redemption price are laid down in chapter 26, section 9, subsections 1 and 2.

The acquiring cooperative that provided the demerger consideration that has been redeemed is liable for the payment of the redemption price. The cooperatives involved in the demerger are jointly and severally liable for the payment of the redemption price of option rights and other special rights entitling to membership shares or investment shares. The demerging cooperative shall without delay notify the cooperative liable for the payment of the redemption price of any redemption requests.

Implementation and legal effects of a demerger

Section 15

Notification of demerger implementation

The cooperatives involved in a demerger shall within six months of the demerger decision notify the registration authority of the implementation of the demerger; failing this, the demerger shall lapse. The following information shall be attached to the notification:

- 1) a declaration of the members of the board of directors and the managing directors of each cooperative involved in the demerger to the effect that the provisions of this Act have been complied with in the demerger;
- 2) a certificate of an auditor to the effect that the acquiring cooperative will receive full consideration for the amount credited to its equity, and an opinion regarding the account in the draft terms of demerger referred to in section 3, subsection 2, paragraph 9;
- 3) a certificate of a member of the board of directors or the managing director on the sending of the notifications referred to in section 7; and
- 4) the demerger decisions made by the cooperatives involved in the demerger.

Section 16

Conditions for registration

The registration authority shall register the demerger if no creditor has objected to the demerger or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the demerger, the registration authority shall notify the cooperative of the same without delay after the due date. If a creditor objects, the demerger shall lapse in one month after the due date. However, the registration authority shall defer the proceedings in the matter if the cooperative shows that it has, within one month of the deadline, filed an action for the affirmation that the creditor has received payment or full security for the receivable or if the cooperative and the creditor together request that the proceedings be deferred.

The demerger may be implemented even if the demerging cooperative has been placed into liquidation unless the distribution of the assets of the cooperative to the members, as referred to in chapter 23, section 15, has already begun.

If the assets of a demerging cooperative are subject to an enterprise mortgage referred to in the Enterprise Mortgage Act, the demerger shall not be registered unless, on application, an agreement on the order of precedence of the mortgages between the demerging cooperative and mortgage holders is registered at the same time. Moreover, if the acquiring existing cooperative has an enterprise mortgage referred to in the Enterprise Mortgage Act and the enterprise mortgage of the demerging cooperative is transferred to it, the demerger shall not be registered unless, on application, an agreement on the order of precedence of the mortgages between the demerging and acquiring cooperatives and the mortgage holders is registered at the same time.

Section 17

Legal effects of a demerger

The assets and liabilities of the demerging cooperative are transferred to the acquiring cooperatives without liquidation proceedings once the implementation of the demerger has been registered. However, in a partial demerger, only the assets and liabilities divided by way of the draft terms of demerger are transferred. At the same time, the demerging cooperative dissolves in a full demerger and, in a demerger into a cooperative to be incorporated, the acquiring cooperative is established.

The assets and liabilities of the demerging cooperative shall not be entered into the balance sheet of the acquiring cooperative at a value higher than their financial value to the acquiring cooperative. A commitment to perform work or provide services shall not be entered into the balance sheet in the context of a demerger.

At the moment of registration of the implementation of the demerger, the members of the demerging cooperative become members of the acquiring cooperative and they as well as other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares become entitled to the demerger consideration in accordance with the draft terms of demerger. The new membership shares and investment shares to be issued as a demerger consideration carry membership shareholder and investment shareholder rights as of the moment of registration unless a later point in time is determined in the draft terms of demerger. However, the membership shares and investment shares carry shareholder rights no later than one year after the registration. Membership shares and investment shares in the demerging cooperative held by the acquiring cooperative or the demerging cooperative do not carry a right to the demerger consideration.

If the receipt of the demerger consideration requires the presentation of the membership share certificate or other specific measures from the recipient, and the consideration is not claimed in this manner within ten years of the registration of the implementation of the demerger, the general meeting of the acquiring cooperative may decide that the right to the demerger consideration and the respective rights have been forfeited. The forfeited consideration devolves on the acquiring cooperative.

If, in a full demerger, assets that have not been divided by way of the draft terms of demerger appear, they belong to the acquiring cooperatives in the same proportions as the net assets of the demerging cooperative are divided by way of the draft terms of demerger, unless otherwise provided in the draft terms of demerger.

The cooperatives involved in the demerger are jointly and severally liable for the liabilities of the demerging cooperative that have arisen before the implementation of the demerger has been registered. However, the liabilities of the demerging cooperative that according to the draft terms of demerger devolve on another cooperative are borne by a cooperative only to the maximum amount of the net assets remaining with or transferred to it. A creditor may request the repayment of a receivable specified in the draft terms of demerger on the basis of the joint and several liability only after it has been determined that no payment is forthcoming from the debtor or from security. Provisions on the liability to pay the membership share price refund are laid down in

section 13, subsection 3, and provisions on the payment of the redemption price of demerger consideration for investment shares, option rights and other special rights entitling to membership shares or investment shares are laid down in section 14, subsection 6.

Section 18

Final accounts

In a full demerger, the board of directors and managing director of the demerging cooperative shall, as soon as possible after the implementation of the demerger, draw up the financial statements and management report for the period not yet covered by financial statements submitted to the general meeting (*final accounts*). If the cooperative is under the law or the rules obliged to elect an auditor or operations inspector, the final accounts shall be given to the auditors and operations inspectors, who shall issue their auditor's report or operations inspector's report on the final accounts within one month.

Upon having received the auditor's report, the board of directors shall without delay call the members to a meeting to adopt the final accounts. The provisions on the general meeting apply to the meeting.

The provisions of chapter 8, section 10 on the registration of financial statements and management reports apply to the registration of the final accounts.

Section 19

Cancellation of a demerger

Even if a demerger has been registered, it shall be cancelled if the demerger decision is invalid according to a final court judgment. The demerging cooperative and the acquiring cooperative are jointly and severally liable for such obligations of the acquiring cooperative that have arisen after the registration of the demerger but before the registration of the judgment.

Cross-border demerger

Section 20

Definition and implementation forms of cross-border demerger

A cooperative may participate in a demerger to be implemented in accordance with sections 1 and 2 also where a foreign cooperative is to demerge into a Finnish cooperative or a Finnish cooperative is to demerge into a foreign cooperative (*cross-border demerger*).

A cross-border demerger may only be implemented in accordance with subsection 1 if the foreign cooperative is a cooperative comparable to a cooperative under Finnish law (*foreign cooperative*) and it:

- 1) has membership share capital or other comparable capital, has legal personality, possesses separate assets which alone serve to cover its liabilities and is subject under the national law governing it to comparable conditions concerning guarantees such as are provided for by Directive 2009/101/EC for the protection of the interests of shareholders, members and others; and
- 2) is registered in another state within the European Economic Area and is subject to the legislation of another state within the European Economic Area on the basis of its registered office, place of central administration or principal place of business.

In this chapter, *cooperatives involved in a cross-border demerger* means the demerging and the acquiring cooperative and the foreign cooperative.

Directive 2009/101/EC of the European Parliament and of the Council was repealed by Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.

Section 21

Application of provisions on demergers

The provisions of chapter 5 on decisions of general meetings and on a member's extraordinary right to withdraw and a member's right to receive a membership share price refund as well as the provisions of sections 20–28 of this chapter apply to cross-border demergers.

Section 22

Draft terms of demerger and an account by the board of directors

The cooperatives involved in a cross-border demerger shall draw up draft terms of demerger referred to in section 3 and in this section. On behalf of a foreign cooperative, the draft terms of demerger are drawn up and signed by the competent body of the cooperative.

In addition to the information specified in section 3, subsection 2, the draft terms of demerger shall contain the following information:

- 1) information on the cooperative form of the cooperatives involved in the demerger and a proposal for the cooperative form of the cooperative to be established by way of a demerger;
- 2) information on the registers where the foreign cooperatives involved in the demerger have been registered, and the contact details of the said registers;
- 3) in a demerger into an existing cooperative, the rules of the acquiring cooperative as they are to take effect as amended in the manner referred to in section 3, subsection 2, paragraph 3;
- 4) a proposal for the date from which the transactions of the cooperatives involved in the demerger will be treated for accounting purposes as being those of the acquiring cooperative;
- 5) an account of the likely repercussions of the cross-border demerger on employment;
- 6) an account of the procedures for the determination of detailed rules on the participation of employees in the formulation of employees' rights of participation in the acquiring cooperative;
- 7) an account of how the financial statements of the cooperatives involved in the demerger have been used in the determination of the terms of the demerger; and
- 8) an account of how the demerger is to be implemented and a proposal for the measures for securing the equal treatment of the members in a situation where the demerger cannot take effect in some state in the manner referred to in section 26, subsection 6.

The board of directors in each of the cooperatives involved in the demerger shall draw up an account of the likely repercussions of the demerger for the members, creditors and employees to the extent that these repercussions are not accounted for in the draft terms of demerger.

Each of the cooperatives involved in the demerger shall keep the account referred to in subsection 3 available to the members, creditors and employees' representatives or, if there are no such representatives, to the employees, and send the account to members as provided in section 11.

If the cooperative receives an opinion on the account referred to in subsection 3 from employees' representatives, that opinion shall be attached to the account, kept available to the members and sent to the members as provided in section 11.

Section 23

Independent expert's opinion

The provisions of section 4 on the opinion of an auditor apply to the opinion of an independent expert on the draft terms of a cross-border demerger and on the Finnish cooperative involved in it.

The boards of directors or the corresponding competent bodies of the cooperatives involved in a cross-border demerger may, however, together appoint one or several independent experts to issue a joint opinion on the draft terms of the cross-border demerger to all of the cooperatives involved in it. An independent expert, subject to the law of the Member State whose domestic legislation applies to a foreign cooperative involved in the demerger, may also be appointed to issue a joint opinion.

Section 24

Registration of the draft terms of demerger, public notice to creditors, demerger decision, refund and redemption

The Finnish cooperatives involved in a cross-border demerger shall notify the draft terms of demerger for registration as provided in section 5 on the registration of the draft terms. The opinion referred to in section 23 shall be attached to the registration notification.

Provisions on creditor protection in a Finnish cooperative are laid down in sections 6–8.

Provisions on the demerger decision in a Finnish cooperative are laid down in chapter 5, sections 19, 21 and 22 and in sections 9–11 of this chapter. Provisions on the legal effects on a Finnish cooperative of a demerger decision to be registered in Finland are laid down in section 12.

Provisions on the membership share price refund and on redemption of investment shares, option rights and other special rights entitling to membership shares or investment shares in the demerging Finnish cooperative are laid down in sections 13 and 14.

Section 25

Implementation of a demerger to be registered in Finland

If a Finnish cooperative is the acquiring cooperative in a cross-border demerger, the cooperatives involved in the demerger shall notify the demerger for registration as laid down in section 15 within six months of the demerger decision by the Finnish cooperatives involved in the demerger and of the receipt by the other cooperatives involved in the demerger of a certificate issued by the registration authority or other competent authority of the state whose legislation applies to a foreign cooperative involved in the demerger, to the effect that the measures required for the demerger have been carried out and the formalities completed. The implementation notice shall, in addition, be accompanied by a declaration by the members of the board of directors and of the managing director of the acquiring Finnish cooperative involved in the demerger to the effect that, in accordance with the draft terms of demerger, the assets of the demerging cooperative will fall into the ownership of the acquiring Finnish cooperative no later than at the moment when the implementation of the demerger is registered in Finland.

The provisions of section 16 apply to the conditions for the registration of a demerger referred to in this section. A further condition is that the foreign cooperatives involved in the demerger accept the right of refund referred to in section 13 and the right of redemption referred to in section 14 of members as well as other membership shareholders and investment shareholders, holders of option rights and holders of other rights entitling to membership shares or investment shares, and that the rules governing personnel representation have been laid down as provided in chapter 5a of the Act on Employee Involvement in European Companies and European Cooperative Societies as well as on Employer Obligations and Employee Involvement in Cross-Border Restructuring of Companies, and that all cooperatives involved in the demerger have accepted the draft terms of demerger in the same form and the registration authority is provided with the certificates referred to in subsection 1. (1368/2021)

The registration authority shall, without delay and on its own motion, notify the registration of the demerger to the foreign registration authority in whose register the demerging foreign cooperative is registered.

Provisions on the final accounts regarding a demerging Finnish cooperative are laid down in section 18.

Section 26

Implementation of a demerger to be registered in another state

If a Finnish cooperative is to demerge into an acquiring foreign cooperative, the Finnish cooperatives involved in the demerger shall within six months of the demerger decision apply to the registration authority for permission to implement the demerger; failing this, the demerger shall lapse. The following documents shall be attached to the application: the demerger decisions and a declaration by the members of the board of directors and the managing director of a Finnish cooperative to the effect that the provisions of this Act have been complied with in the demerger, and a certificate by a member of the board of directors or the managing director on the sending of the notifications referred to in section 7. If a member or a membership shareholder, investment shareholder or a holder of an option right or other right entitling to membership shares or investment shares has requested a refund or redemption under section 13 or 14, this shall be notified to the registration authority in conjunction with the notification concerning implementation.

In a demerger referred to in this section, provisions of section 16 apply to the conditions for the granting of the permission. A further condition is that the foreign cooperatives involved in the demerger accept the right of refund referred to in section 13 and the right of redemption referred to in section 14 of a member, membership shareholder, investment shareholder and holder of an option right and other right entitling to membership shares or investment shares, and that the registration authority is provided with evidence of employee participation in the acquiring cooperative having been arranged in a manner corresponding to that provided in Article 16 of Directive 2005/56/EC. The decision of the registration authority on the permission shall be registered on the authority's own motion.

If the assets of a Finnish cooperative involved in a demerger referred to in this section are subject to an enterprise mortgage referred to in the Enterprise Mortgage Act, the permission is subject to the condition that a registrable application is pending for the mortgage being transferred to be the liability of a branch to be established in Finland or that the mortgage has been cancelled.

The registration authority shall issue a certificate on the granting of the permission referred to in subsection 1 for the Finnish cooperatives involved in a cross-border demerger. The certificate issued by the registration authority contains a statement to the effect that the Finnish cooperatives involved in the demerger have carried out the measures required for the demerger and completed the formalities required by law. The certificate shall specify any membership share price refund and redemption referred to in subsection 1 notified to the registration authority. The certificate

shall be submitted within six months of the issue of the certificate to the competent authority of the state whose legislation applies to the acquiring foreign cooperative; failing this, the certificate shall expire.

Upon notification by the registering foreign authority or on the basis of other reliable evidence, the registration authority shall, without delay and on its own motion, in a full demerger, deregister the demerging Finnish cooperative, and in a partial demerger, register the demerger.

If a full demerger or a partial demerger takes place by stages owing to the fact that the demerger takes effect at different times according to the legislation of different states applied to the acquiring cooperatives, the demerger is deemed a partial demerger for the parts already in effect. The same provision applies if the implementation of the demerger is precluded in some state even though it has taken effect or will take effect in another state in accordance with the draft terms of demerger.

Provisions on the final accounts regarding a demerging Finnish cooperative are laid down in section 18.

Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies was repealed by Directive (EU) 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law.

Section 27

Legal effects of a cross-border demerger

Provisions on the legal effects of a cross-border demerger in a demerger referred to in section 25 are laid down in section 17.

In a demerger referred to in section 26, the assets and liabilities of the demerging cooperative are transferred to the acquiring cooperative without liquidation proceedings once the demerger takes effect in accordance with the legislation of the state whose legislation applies to the acquiring cooperative. At the same time, the members as well as other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares in the demerging cooperative become entitled to the demerger consideration in accordance with the draft terms of demerger. However, in a partial demerger, only the assets and liabilities divided by way of the draft terms of demerger are transferred. Section 17, subsections 5 and 6 apply to the joint and several liability of the

cooperatives involved in the demerger and to the distribution of assets not specified in the draft terms of a full demerger. In a full demerger, the demerging cooperative dissolves once the demerger has taken effect in respect to all of the acquiring cooperatives.

Section 28

Validity of a cross-border demerger

A cross-border demerger may not be declared invalid or altered once it has taken effect in accordance with section 27.

Chapter 22

Change of business form

Section 1

Change of business form

A cooperative may be changed into a limited liability company so that the members and other membership shareholders and investment shareholders of the cooperative receive all of the shares of the limited liability company as a consideration.

A cooperative with at least two members may be changed into a general partnership or a limited partnership so that the members of the cooperative become partners in the general or limited partnership.

The sole member of a cooperative, who is a natural person resident in the European Economic Area, may carry on with the operations of the cooperative as a private entrepreneur.

Section 2

Decision to change a cooperative into a limited liability company

The decision on a change of business form referred to in section 1, subsection 1 is made by the general meeting as laid down in chapter 5.

The decision replaces the memorandum of association of the limited liability company. The decision shall contain the following information:

- 1) the articles of association of the limited liability company;

- 2) the membership shares and investment shares to be issued to members and other membership shareholders and investment shareholders;
- 3) the share capital and other equity of the limited liability company;
- 4) the number of shares, broken down by share class, in the limited liability company given as a consideration and, if the consideration consists of option rights or other special rights entitling to shares, the terms of the same in accordance with chapter 10, section 3 of the Limited Liability Companies Act;
- 5) the distribution of the consideration among members and other membership shareholders and investment shareholders as well as holders of option rights and other special rights entitling to membership shares or investment shares;
- 6) the names of the members of the first board of directors of the limited liability company as well as the members of the supervisory board, the managing director, auditors and operations inspectors if the limited liability company has such a body; and
- 7) the financial period of the limited liability company if not provided in the articles of association.

The provisions of chapter 2, section 6 of the Limited Liability Companies Act on contribution in kind apply to the share capital of the limited liability company and the information provided about it in the decision.

If the cooperative is changed into a public company, the provisions of chapter 19, section 1, subsection 2 of the Limited Liability Companies Act apply in addition.

Section 3

Proposal for a change of a cooperative into a limited liability company

If the consent of all members and membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares and investment shares is not obtained for a decision referred to in section 1, subsection 1, the proposal of the board of directors of the cooperative for a decision to change the business form to the general meeting shall contain:

- 1) the trade name, business identity code and place of registered office of the cooperative to be changed into a limited liability company;

- 2) an account for the reason for the change of business form;
- 3) a proposal for the articles of association of the limited liability company and for how the members of the bodies of the limited liability company are to be elected or appointed;
- 4) a proposal for the number of shares in the limited liability company, broken down by share class;
- 5) a proposal for any other consideration and, if that consideration consists of option rights or other special rights entitling to shares, the terms of the same in accordance with chapter 10, section 3 of the Limited Liability Companies Act;
- 6) a proposal for the distribution of the consideration and an account of its grounds;
- 7) an account of or a proposal for the rights in the change of business form of the holders of option rights or other special rights entitling to membership shares or investment shares in the cooperative;
- 8) a proposal for the share capital and other equity of the limited liability company;
- 9) an account of the assets, liabilities and equity of the cooperative and of the circumstances relevant to their valuation, and the intended effect of the change of business form on the balance sheet of the limited liability company;
- 10) an account of subordinated loans whose creditors are entitled to object to the change of business form in accordance with section 4;
- 11) an account of or proposal for the special advantages and rights to be granted to a member of the supervisory board and board of directors, managing director and auditor of the cooperative;
- 12) a proposal for the intended date of registration of the implementation of the change of business form;
- 13) a proposal for any other terms of the change of business form.

The board of directors of the cooperative shall designate one or several auditors to issue an opinion on the proposal. The opinion is not required if all members as well as membership shareholders and investment shareholders consent to that. The provisions of chapter 20, section 4, subsection 1 apply to the opinion.

In the case referred to in subsection 1, the provisions of chapter 20, section 11 apply to the documents to be kept available to members as well as other membership shareholders and investment shareholders and to the keeping available and sending of documents.

Section 4

End of membership and right of redemption

A member of a cooperative changing into a limited liability company that has not supported the decision concerning the change has the right to withdraw from the cooperative as provided in chapter 5, section 35.

If the membership ends later than 30 days after the decision of the general meeting concerning the change of business form, the former member has the right to receive a consideration in accordance with the approved plan concerning the change.

An investment shareholder, holder of an option right or other special right entitling to membership shares or investment shares in the cooperative may request the redemption of the holder's right as laid down in chapter 20, section 14 on the right of redemption in a merger.

Section 5

Decision to change a cooperative into general partnership, limited partnership or private entrepreneur

The decision on a change of business form referred to in section 1, subsections 2 and 3 may only be made with the consent of all members and membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares and investment shares.

The decision on a change of business form referred to in section 1, subsection 2 shall contain the partnership contract for the general or limited partnership.

The decision on a change of business form referred to in section 1, subsection 3 shall specify the trade name of the private entrepreneur.

Section 6

Registration of decision

The cooperative shall notify the decision on the change of business form referred to in section 1 for registration within one month of the decision and apply for the issue of a public notice in accordance with section 7 from the registration authority; failing this, the decision shall lapse. If the cooperative applies for the issue of a public notice before the registration of the decision, the proposal referred to in section 3 shall be notified for registration at the same time.

Section 7

Public notice to creditors

On receipt of an application referred to in section 6, the registration authority shall issue a public notice to those creditors of the cooperative whose receivables have arisen before the issue of the public notice. In a change of business form referred to in section 1, subsection 1, the public notice shall be issued to the creditors of the cooperative only where:

- 1) the total of the restricted equity of the limited liability company to be registered is less than the equity of the cooperative less the surplus and other unrestricted equity;
- 2) the cooperative provides membership share price refunds under section 4 by a greater amount or earlier than what is laid down on a refund in chapter 17, sections 1–3; or
- 3) the rules of the cooperative lay down provisions on the obligation of members to make additional payments.

The notice shall specify that the creditor has the right to object to the change of business form by so notifying the registration authority in writing no later than on the due date specified in the notice. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date and register the notice on its own motion.

No later than one month before the due date, the cooperative shall send a written notification of the public notice to its known creditors referred to in subsection 1. A declaration by a member of the board of directors or the managing director on the sending of the notifications shall be delivered to the registration authority no later than on the due date.

The registration authority shall notify the cooperative about the objections filed with it without delay after the due date.

Section 8

Conditions for and legal effects of registration

The registration authority shall register the change of business form referred to in section 1 if no creditor has objected to the change or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivable.

If a creditor has objected to the change of business form, the change shall lapse in one month from the due date. However, the registration authority shall defer the proceedings in the matter if the cooperative shows that it has, within one month of the deadline, filed an action for the affirmation that the creditor has received payment or full security for the receivable or if the cooperative and the creditor together request that the proceedings be deferred.

The business form may be changed notwithstanding of the cooperative being placed into liquidation unless the distribution of the assets of the cooperative to the members and other membership shareholders and investment shareholders in the manner referred to in 23, section 15 has already begun.

The change of business form takes effect upon registration. At the same time, the right to a membership share price refund referred to in section 4 arises and any obligation of members to make additional payments laid down in the rules ends.

Upon the registration of the change of business form, the members and other membership shareholders, investment shareholders and holders of option rights and other special rights entitling to membership shares or investment shares in the cooperative become entitled to a consideration.

When a cooperative is changed into a limited liability company and the consent of all members as well as other membership shareholders, investment shareholders, holders of option rights and other special rights entitling to membership shares or investment shares has not been obtained, the board of directors and the managing director of the cooperative shall at the meeting of the members of the cooperative provide accounts to which the provisions of chapter 20, section 18 on the final accounts of a merging cooperative apply.

Section 9

Change of a cooperative into a limited liability housing company or a limited liability joint-stock property company

If the purpose of the cooperative laid down in the rules is to own and control at least one such building or its part in which at least half of the combined floor area of the unit or units is reserved under the rules as units possessed by members and other membership shareholders and investment shareholders, the cooperative may change into a limited liability housing company or a limited liability joint-stock property company so that the members and other membership shareholders and investment shareholders receive all of the shares of the limited liability company as a consideration.

The provisions on a change of a cooperative into a limited liability company laid down in this chapter also apply to a change of a cooperative into a limited liability housing company or a limited liability joint-stock property company. The decision on the change referred to in section 2 and the proposal for a decision referred to in section 3 shall, in addition, contain the information specified in chapter 1, section 13 of the Limited Liability Housing Companies Act (1599/2009) on the articles of association and in chapter 12, section 2 of the said Act on the memorandum of association.

Chapter 23

Dissolution of a cooperative

General provisions

Section 1

Dissolution

A cooperative is dissolved in compliance with the provisions of this chapter on liquidation.

A bankrupt cooperative is deemed to have dissolved if, at the termination of the bankruptcy, there are no more assets or a determination on the use of the assets has been made in the context of the bankruptcy.

A cooperative may also dissolve as a result of a merger or demerger. Provisions on a merger are laid down in chapter 20 of this Act and on a demerger in chapter 21 of this Act.

Section 2

Deregistration

Instead of placing a cooperation into liquidation, the registration authority shall deregister the cooperative if its assets are not adequate for covering the costs of liquidation, or if there is no information on the assets and unless a member, creditor or another party undertakes to bear the costs of the liquidation.

Decision-making

Section 3

Cooperative's decision on liquidation and application for deregistration

A decision on the placing of the cooperative into liquidation is made by the general meeting. The decision shall be made by a qualified majority referred to chapter 5, section 29. The general meeting may also decide on submitting an application to the registration authority concerning the placing of the cooperative into liquidation or the deregistration of the cooperative.

Provisions on the notice of the general meeting and on the meeting documents, keeping them available and sending them are laid down in chapter 5, sections 19–24. The notice of the general meeting that is to decide on liquidation shall be sent no earlier than two months and, unless a longer period has been provided in the rules, no later than one month before the general meeting, the last date for advance notices of participation referred to in chapter 5, section 8, or the general meeting record date for cooperatives in the book-entry system referred to in chapter 5, section 7a. In a listed cooperative, however, the notice may be delivered three months before the above-mentioned date at the earliest. In addition to the provisions of the rules, the notice shall be sent in writing to all members whose addresses are known to the cooperative. (357/2017)

Section 4

Order of liquidation or deregistration

The registration authority shall issue an order of the liquidation or deregistration of the cooperative if:

- 1) the cooperative has no registered and competent board of directors;

- 2) the cooperative has no registered representative as referred to in section 6 of the Freedom of Enterprise Act (122/1919);
- 3) regardless of a request by the registration authority, the cooperative has not notified its financial statements for registration within one year of the end of the financial period in accordance with chapter 8, section 10;
- 4) the cooperative has been declared bankrupt, but the bankruptcy has lapsed for lack of funds; or
- 5) the cooperative has applied for an order of liquidation or deregistration.

The order shall be issued unless it is proved before the issue of the order that the grounds for the same no longer exist.

Section 5

Request to make corrections

In the situations referred to in section 4, subsection 1, paragraphs 1–3, the registration authority shall take appropriate measures to request the cooperative to correct the shortcomings in its register information. If no correction is made, the request shall be sent to the cooperative in writing, backed by a threat of the cooperative being placed into liquidation or deregistered unless the shortcomings are corrected within the time limit specified in the request. The request shall be published in the Official Gazette no later than three months before the expiry of the time limit. At the same time, those members, other membership shareholders and investment shareholders and creditors wishing to comment on the liquidation or deregistration shall be advised to file their comments in writing within the time limit. The matter may be decided even if no proof is available of the cooperative having received the request.

The registration authority shall, on its own motion, register the published request referred to in subsection 1.

Section 6

Right of initiative

The matter of liquidation or deregistration referred to in section 4 may be initiated by the board of directors, a member of the board of directors, the managing director, an auditor, a member, a creditor or another whose rights may depend on appropriate registration or the placing of the

cooperative into liquidation. The registration authority may take the matter up also on its own motion.

Liquidation

Section 7

Purpose of liquidation

The purpose of liquidation is to ascertain the financial position of the cooperative, to convert the requisite amount of assets into cash, to repay the cooperative's debts and to return the surplus to the members or others as provided in the rules. The general meeting may in accordance with section 19 decide to terminate the liquidation and continue the operations of the cooperative and make any other decisions necessary in this respect.

If the assets of a cooperative in liquidation are not adequate for the repayment of the cooperative's debts, the liquidators shall apply for the bankruptcy of the cooperative.

Section 8

Beginning of liquidation

Liquidation begins when the decision to this effect is made unless the general meeting designates a later date for the beginning of the liquidation.

Section 9

Choice of liquidators, their appointment and duties

When the decision on liquidation is made, one or several liquidators shall be elected at the same time to replace the board of directors and any managing director and supervisory board. Unless otherwise provided in this chapter, the provisions of this Act on the board of directors and the members of the board of directors apply to the liquidators. The decision revokes the authorisations given to other designated individuals to represent the cooperative, as referred to in chapter 6, section 27, unless otherwise determined in the decision.

The liquidators manage the affairs of the cooperative during the liquidation. They shall, as soon as possible, convert into cash a sufficient amount of the assets of the cooperative so that the liquidation can proceed and repay the debts of the cooperative. The business operations of the

cooperative may be continued only to a degree called for by an appropriate liquidation process. The term of the liquidators is indefinite.

The registration authority shall appoint a competent liquidator for a cooperative that has none. The application for the appointment of the liquidator may be made by a person whose rights may depend on the cooperative having a representative. If the assets of the cooperative are not adequate for covering the costs of liquidation or if there is no information on the assets of the cooperative, and unless a member, creditor or another party undertakes to bear the costs of liquidation, the registration authority shall deregister the cooperative instead of appointing a liquidator.

Section 10

Registration of liquidation and liquidators

The liquidation and the liquidators shall be registered. Once the general meeting has decided on the liquidation and chosen the liquidators, the liquidators shall without delay notify the decision for registration.

Section 11

Financial statements for the period preceding liquidation

If necessary, the liquidators shall draw up financial statements for any period preceding liquidation for which no financial statements have yet been submitted to the general meeting. If, under the law or the rules, the cooperative is obliged to elect an auditor or an operations inspector, the financial statements and management report shall be audited as laid down in chapter 7. The members of the board of directors and the managing director shall contribute to the drawing up of the financial statements in exchange for reasonable remuneration.

Section 12

General meeting during liquidation

The provisions of this Act on general meetings apply to the general meeting of a cooperative in liquidation, unless otherwise provided in this chapter.

The term of the delegates of a cooperative in liquidation continues until the termination of liquidation. However, a meeting of the delegates may decide that the election of the delegates is carried out in accordance with the rules also while the cooperative is in liquidation.

Section 13

Financial statements, management report, audit, operations inspection and special audit

The liquidators shall draw up, for each financial period, financial statements and a management report, which shall be submitted to the ordinary general meeting for adoption.

The duties of the auditors and operations inspectors are not terminated when the cooperative is placed into liquidation. The provisions of chapter 7 on audit, operations inspection and special audit apply during liquidation. The auditor's report and the operations inspector's report shall contain a statement as to whether the liquidation has been unduly protracted and as to whether the liquidators have otherwise proceeded in an appropriate manner.

Section 14

Public summons to creditors

The liquidators shall apply for a public summons to the creditors of the cooperative. The public summons is applied for from the registration authority, which registers the summons on its own motion. In other respects, the provisions of the Act on Public Summonses (729/2003) apply to the summons.

Section 15

Repayment of debts, distribution of assets and objection to distribution

Once the due date of the public summons to the creditors of the cooperative has passed and all of the known debts of the cooperative have been repaid, the liquidators shall distribute the net assets of the cooperative. If a debt is disputed, not yet due or otherwise not repayable, the necessary funds shall be set aside and the remainder distributed. Members and others entitled to a share in the distribution have the right to receive a share of the net assets of the cooperative, as referred to in subsections 2 and 3, pro rata to their membership shares, investment shares or other rights. Members and others entitled to a share in the distribution may be paid an advance of their share in the distribution against the posting of full security.

The share in the distribution of the net assets allocated to a membership share or investment share is at the maximum the amount of subscription price paid to the cooperative and entered in the membership share capital or investment share capital. The net assets remaining after the total

amount of shares in the distribution of membership shares and investment shares are distributed to the members pro rata to the number of members.

The rules may provide otherwise on the calculation of the share in the distribution and on those entitled to a share in the distribution as well as on the use of net assets for a purpose laid down in the rules or decided by the general meeting.

If a member or anyone else entitled to a share in the distribution wishes to object to the distribution, the action against the cooperative shall be filed within three months of the final accounts being presented to the general meeting.

If a member or anyone else entitled to a share in the distribution has not claimed the share within five years of the final accounts being presented to the general meeting, the share in the distribution is forfeited. Provisions on procedure in the event that funds appear to the cooperative after it has dissolved are laid down in section 19.

Section 16

Final accounts

After having completed their tasks, the liquidators shall, without undue delay, present final accounts of their administration by drawing up a report of the entirety of the liquidation process. The report shall contain an account of the distribution of the assets of the cooperative. The financial statements, management reports and any auditor's reports from the liquidation period shall be attached to the report. If the cooperative is under the law or the rules obliged to elect an auditor or operations inspector, the report and its attachments shall be given to the auditors and operations inspectors, who shall issue their auditor's report or operations inspector's report on the final accounts and the administration during liquidation within one month.

Upon completion of the measures referred to in subsection 1, the liquidators shall without delay call the members to a general meeting to inspect the final accounts. The provisions of chapter 5, sections 19–24 apply to the notice of the meeting and on the meeting documents, keeping them available and sending them, with the exception that the final accounts are governed by the provisions on financial statements. The final accounts shall be submitted for registration as laid down in chapter 8, section 10.

Section 17

Dissolution

The cooperative is deemed to have dissolved once the liquidators have presented the final accounts to the general meeting. The liquidators shall without delay notify the dissolution for registration.

Once dissolved, the cooperative cannot acquire rights or make commitments. Measures taken on behalf of the cooperative that has dissolved are at the joint and several responsibility of those who decided on the measures and those who carried them out. However, the liquidators may take measures to begin liquidation proceedings or apply for the bankruptcy of the cooperative. A party contracting with a cooperative that has dissolved may withdraw from the contract if that party did not know of the dissolution.

Section 18

Continued liquidation and post-liquidation

The liquidation shall be continued if new assets appear after the dissolution of the cooperative, an action is brought against the cooperative or liquidation measures are otherwise necessary. The liquidators shall without delay notify the continuation of the liquidation for registration. The notice of the first general meeting of the continued liquidation shall be delivered as provided in the rules. In addition, a written notice shall be sent to all members whose addresses are known to the cooperative.

However, if the continuation of the liquidation is not to be deemed necessary, the liquidators may take the measures required under the circumstances. The liquidators shall draw up a report of their measures and deliver it to the members and others entitled to a share in the distribution. An insignificant share in the distribution may be remitted to the State.

The liquidation shall not be continued if the assets of the cooperative are not adequate for covering the costs of liquidation or there is no information on the assets unless a member, a creditor or another party undertakes to bear the costs of the liquidation.

Section 19

Termination of liquidation and continuation of operations

If the general meeting has decided on the liquidation of the cooperative, the general meeting may decide by a qualified majority referred to in chapter 5, section 29 that the liquidation be

terminated and the operations of the cooperative continued. If the liquidation is based on a provision of the rules, the decision on the continuation of operations may not be made before the provision has been amended. However, the liquidation shall not be terminated if a share in the distribution referred to in section 15 has already been remitted to a member or another.

Once the decision on the termination of the liquidation has been made, management shall be appointed for the cooperative in accordance with this Act and the rules.

The decision on the termination of the liquidation and the appointment of the management shall be notified for registration without delay once the management has been appointed. The public summons to the creditors of the cooperative shall lapse when the termination of the liquidation has been registered. The liquidators shall present final accounts of their measures in accordance with section 16.

Deregistration

Section 20

Date of deregistration

A cooperative has been deregistered once the decision to this effect has been entered in the register.

Section 21

Representation of a deregistered cooperative

If necessary, a deregistered cooperative is represented by one or several representatives. The representatives are elected and dismissed in a members' meeting to which the provisions on a general meeting apply. Provisions on the competence of the representatives to act on behalf of the cooperative are laid down in section 22. In other respects, the provisions on liquidators apply to the representatives.

If a deregistered cooperative has no representative, the provisions of chapter 26, section 10, subsection 2 apply to the service of summonses and other notices.

Section 22

Legal status of a deregistered cooperative

The provisions of section 17, subsection 2 on a dissolved cooperative apply to a deregistered cooperative. However, the representatives referred to in section 21, subsection 1 act as the representatives of the cooperative.

Notwithstanding subsection 1, the representatives of a deregistered cooperative may take measures that are necessary for the repayment of the cooperative's debts or the preservation of the value of the cooperative's assets. Where necessary, entries shall be made in the cooperative books on measures taken on behalf of the cooperative. Provisions on the effects of deregistration on the validity of an enterprise mortgage are laid down in the Enterprise Mortgage Act.

Assets of a deregistered cooperative may not be distributed to members or others entitled to a share in the distribution without liquidation proceedings. However, in five years from the deregistration, the representatives of the cooperative may distribute to the members or others entitled to a share in the distribution their shares of the assets of the cooperative if the assets do not exceed EUR 8,000 and if the cooperative has no known liabilities. Those receiving assets are liable for the payment of the debts of the cooperative up to the amount that they have received.

If, after deregistration, liquidation measures are required, the registration authority shall order the cooperative into liquidation on the application of the party to whose rights the matter pertains. However, no such order is issued if the assets of the cooperative are not adequate for covering the costs of liquidation or there is no information on the assets unless a member, a creditor or another party undertakes to bear the costs of liquidation.

Equity shortfall, restructuring and bankruptcy

Section 23

Equity shortfall

If the board of directors of the cooperative notices that the cooperative has negative equity, the board of directors shall without delay make a registration notification on the loss of membership share capital. The register entry on the loss of membership share capital and investment share capital may be removed on the basis of a registration notification made by the cooperative if the equity of the cooperative, according to the balance sheet and the other information referred to in subsection 2, as attached to the registration notification, is more than one half of the total amount

of membership share capital and investment share capital. If the cooperative is under the law or the rules obliged to elect an auditor or operations inspector, the balance sheet and the other information shall be inspected by the auditor or the operations inspector.

In the calculation of equity under subsection 1, a subordinated loan referred to in chapter 12 is considered as equity. In addition, the compound difference between the actual and planned depreciation of the assets of the cooperative (*accelerated depreciation*) and the voluntary provisions made by the cooperative are taken into account as additions to equity. If the probable fair value of the assets of the cooperative is otherwise than temporarily notably higher than its book value, also the difference between the probable fair value and the book value may be taken into account as an addition to equity. Special caution shall be exercised in the additions to equity as referred to above; such additions shall be explained and justified in the management report or, under chapter 8, section 5, subsection 1, in the notes to the balance sheet.

If the board of directors of a listed cooperative notices that the equity of the cooperative is less than half of the total amount of membership share capital and investment share capital, the board of directors shall without delay draw up financial statements and management report in order to ascertain the financial position of the cooperative. If, according to the balance sheet, the equity of the cooperative is less than half of the total amount of membership share capital and investment share capital, the board of directors shall without delay convene a general meeting to decide on any measures to remedy the financial position of the cooperative. The general meeting shall be held within three months of the date of the financial statements. Provisions on keeping the financial statements and management report available and their delivery to the members are laid down in chapter 5, sections 23 and 24.

Section 24 (388/2022)

Restructuring of enterprises

An application for the commencement of restructuring proceedings referred to in the Restructuring of Enterprises Act may be filed based on a decision of the board of directors. The board of directors may also refer the matter to the general meeting for decision, or the members may unanimously make the decision.

Section 25

Bankruptcy

The assets of the cooperative may be surrendered into bankruptcy by the decision of the board of directors or, if the cooperative is in liquidation, by the decision of the liquidators. While in bankruptcy, the cooperative as the bankrupt debtor is represented by the board of directors and the managing director or by the liquidators elected before the bankruptcy. New members of the board of directors or liquidators may be elected while the cooperative is in bankruptcy.

If no assets are left at the conclusion of the bankruptcy or if determination on the use of the remaining assets has been made in the bankruptcy, the cooperative is deemed to have dissolved once the final accounts in the bankruptcy have been approved.

If, at the conclusion of the bankruptcy, assets other than those determined to be used in the bankruptcy remain, and the cooperative was not in liquidation when its assets were surrendered into bankruptcy, the board of directors shall without delay convene a general meeting to decide whether to continue the operations of the cooperative or to place it into liquidation. If the general meeting decides that the operations of the cooperative be continued, the board of directors shall without delay notify the same for registration. If the cooperative was in liquidation when it was declared bankrupt, the provisions of section 18 are observed.

If the bankruptcy of the cooperative has been concluded and assets appear for the cooperative, the provisions of chapter 19 of the Bankruptcy Act on belated scrutiny are observed. If assets remain after the conclusion of the bankruptcy, the procedure in accordance with the provisions of subsection 3 is applicable.

PART VI

SANCTIONS AND REMEDIES

Chapter 24

Objections to decisions

Section 1

Objection to a decision by the general meeting

A member may object to a decision by the general meeting by pursuing an action against the cooperative, if:

- 1) the procedural provisions of this Act or the rules have been breached and the breach may have had an effect on the contents of the decision or otherwise on the rights of a member; or
- 2) the decision is otherwise contrary to this Act or the rules.

The action of objection shall be brought within three months of the decision. If no action has been brought in time, the decision is deemed valid.

A membership shareholder and an investment shareholder may object to a decision of the general meeting as laid down in subsections 1 and 2. The rules may restrict the right of a membership shareholder and an investment shareholder to object with regard to decisions other than those referred to in chapter 5, section 32.

Section 2

Void decision by the general meeting

A decision by the general meeting referred to in section 1, subsection 1 is void if:

- 1) no notice of the general meeting has been delivered or the provisions on the notice have been materially breached;
- 2) the decision requires the consent of all or certain members under chapter 5 and such consent has not been obtained;
- 3) the decision is clearly contrary to the principle of equal treatment referred to in chapter 1, section 7, and the consent of the member has not been obtained; or
- 4) under the law, the decision should not have been made even with the consent of all members.

The provisions on the bringing of an action of objection in time laid down in section 1, subsection 2 do not apply to a void decision. However, an action related to a merger decision or demerger decision or a decision on a change of business form may not be brought once six months have elapsed from the registration of the merger, demerger or change of business form.

Section 3

Decision of the board of directors comparable to a void decision by the general meeting

If a decision in a matter within the competence of the general meeting, made by the board of directors on authorisation, is as laid down section 2, subsection 1, paragraphs 2–4, the provisions on a corresponding decision by the general meeting apply to the decision.

Section 4

Contents and effects of a judgment

A judgment issued on an action of objection may render the decision invalid or amend the decision as requested by the plaintiff. At the request of the plaintiff, the cooperative may at the same time be prohibited from implementing the invalid decision. The decision may be amended only if the court can ascertain what the correct contents of the decision should have been.

A judgment rendering a decision of the general meeting invalid or amending the decision also has an effect in relation to the members, membership shareholders and investment shareholders who have not joined in the action.

Chapter 25

Damages

Section 1

Management's liability for damages

A member of the board of directors, a member of the supervisory board and the managing director is liable to compensate for any injury or damage that they have, in violation of the duty of care referred to in chapter 1, section 8, while in office, intentionally or through negligence caused to the cooperative.

A member of the board of directors, a member of the supervisory board and the managing director is likewise liable to compensate for any injury or damage that they have, by violating other provisions of this Act or the rules, while in office, intentionally or through negligence caused to the cooperative, a member or another person.

If the injury or damage has been caused by violating this Act in some other manner than by merely violating the principles referred to in chapter 1, or if the injury or damage has been caused

by violating the provisions of the rules, it is deemed to have been caused through negligence unless the person liable proves that they have acted with due care. The same applies to injury or damage that has been caused by an act to the benefit of a related party referred to in chapter 8, section 6, subsection 2.

Section 2

Liability for damages of a cooperative member, delegate, membership shareholder and investment shareholder

A member is liable to compensate for any injury or damage that the member, by contributing to a violation of this Act or the rules, has intentionally or through negligence caused to the cooperative, another member or another person. The same applies to the delegates.

Injury or damage that has been caused by an act to the benefit of a related party referred to in chapter 8, section 6, subsection 2 is deemed to have been caused through negligence unless the member proves that the member has acted with due care. The same applies to injury or damage caused by a delegate.

The provisions of this Act on the liability for damages of a member of the cooperative apply to the liability for damages of a delegate and a membership shareholder and an investment shareholder.

Section 3

Liability for damages of the chairperson of the general meeting and the meeting of delegates

The chairperson of the general meeting is liable to compensate for any injury or damage that the chairperson has, by violating the provisions of this Act or the rules, while in office, intentionally or through negligence caused to the cooperative, a member or another person. The same applies to the liability of the chairperson of a meeting of the delegates.

Section 4

Liability for damages of auditors and operations inspectors

Provisions on the auditor's liability for damages are laid down in chapter 10, section 9 of the Auditing Act. (624/2016)

An operations inspector is liable to compensate for any injury or damage that the operations inspector has, intentionally or through negligence, caused to the cooperative while performing

their duties. The operations inspector shall also compensate for any injury or damage that the operations inspector has, by violating other provisions of this Act or the rules, while in office, intentionally or through negligence caused to the cooperative, a member or another person.

If the injury or damage has been caused by violating this Act in some other manner than by merely violating the principles referred to in chapter 1 or if the injury or damage has been caused by violating the provisions of the rules, it is deemed to have been caused through negligence unless the person liable proves that they have acted with due care.

Section 5

Adjustment and allocation of liability

Provisions on the adjustment of the damages and the allocation of liability between two or more liable persons are laid down in chapters 2 and 6 of the Tort Liability Act (412/1974).

Section 6

Decision-making in a cooperative

In accordance with chapter 6, section 2 of this Act, the board of directors makes the decisions on matters relating to the right of the cooperative to damages under sections 1–3 and section 4, subsection 2 of this chapter or under chapter 10, section 9 of the Auditing Act. However, these matters may also be decided by the general meeting. (624/2016)

A decision of the general meeting on the discharge of a member of the board of directors, a member of the supervisory board or the managing director from liability is not binding if the general meeting has not been given essentially correct and adequate information about the decision or measure underlying the liability for damages. A decision on discharge from liability is not binding on the bankruptcy estate of the cooperative or the administrator referred to in the Restructuring of Enterprises Act if the cooperative is declared bankrupt or if restructuring proceedings are begun upon an application filed within two years of the decision.

Section 7

Right of a cooperative member, delegate, membership shareholder and investment shareholder to pursue an action on behalf of cooperative

One or several members have the right to pursue an action in their own name for the collection of damages to the cooperative under sections 1–3 or under chapter 10, section 9 of the Auditing Act

if it is probable at the time of filing of the action that the cooperative will not make a claim for damages and: (624/2016)

- 1) the plaintiffs hold at least one fourth (1/4), or a smaller share provided in the rules, of the total number of votes held in the cooperative at that moment; or
- 2) it is proven that the non-enforcement of the claim for damages would be contrary to the principle of equal treatment laid down in chapter 1, section 7.

The cooperative shall be given an opportunity to be heard in the case unless this is manifestly unnecessary. The members pursuing the action shall bear the legal costs themselves, but they have the right to be reimbursed for the same by the cooperative to the extent that the funds accruing to the cooperative by means of the legal proceedings suffice for the same.

If the person liable for damages has been discharged from liability by a decision of the general meeting, the action shall be brought within three months of the decision. However, if a proposal for a special audit has been made and seconded as laid down in chapter 7, section 15 in the same general meeting, the action may in any event be brought within three months of the report of the special audit being presented to the general meeting or the application for the appointment of a special auditor being rejected.

A member does not have the right to damages for injury or damage caused to the cooperative.

The provisions of subsections 1–4 on the member’s right apply to the right of a delegate to pursue an action and to receive damages. The provisions of subsection 1, paragraph 2 and subsections 2–4 on the member’s right apply to the right of a membership shareholder and an investment shareholder to pursue an action and to receive damages.

Section 8

Limitation of the right of action

An action that is to be pursued under this chapter or under chapter 10, section 9 of the Auditing Act and that is based on an act that is not punishable under law shall be brought within the following time limits: (624/2016)

- 1) against a member of the board of directors, a member of the supervisory board or the managing director within five years of the end of the financial period during which the decision underlying the action was made or the measure underlying the action was taken;

- 2) against an auditor or an operations inspector within five years of the presentation of the auditor's report, operations inspector's report, opinion or certificate underlying the action; and
- 3) against a cooperative member or delegate, membership shareholder, investment shareholder or the chairperson of a general meeting or a meeting of the delegates within five years of the decision or measure underlying the action.

Section 9

Mandatory provisions

The right of the cooperative to damages under this chapter or under chapter 10, section 9 of the Auditing Act may not be restricted by provisions of the rules if the injury or damage has been caused: (624/2016)

- 1) by a violation of provisions that cannot be derogated from under the rules; or
- 2) otherwise intentionally or through gross negligence.

The right of the cooperative to damages may be otherwise restricted under the rules only with the consent of all members, membership shareholders and investment shareholders.

The right of a member, membership shareholder or investment shareholder or another person to damages or to pursue an action under this chapter or under chapter 10, section 9 of the Auditing Act may not be restricted by provisions of the rules. (624/2016)

Chapter 26

Dispute resolution

Judicial proceedings in court

Section 1

Competent courts

Notwithstanding the provisions of chapter 10 of the Code of Judicial Procedure on jurisdiction in civil matters, a matter pertaining to the application of this Act may also be examined by the district court with jurisdiction for the place where the cooperative has its registered office.

Section 2

Matters to be considered urgently

A matter pertaining to a payment or full security, where the judgment is a condition for registration under chapter 18, section 5; chapter 20, section 16; chapter 21, section 16; or chapter 22, section 8, shall be considered urgently.

An action of objection to a decision referred to in chapter 24 shall be considered urgently.

Arbitration

Section 3

Arbitration on the basis of rules

A provision in the rules on the referral of disputes to arbitration is binding on the cooperative, the members, the board of directors, the supervisory board, the members of the board of directors, the members of the supervisory board, the managing director and the auditors as well as the operations inspector in the same manner as an arbitration agreement as laid down in the Arbitration Act (967/1992). A provision in the rules on the referral to arbitration of disputes on the redemption right or redemption price under a redemption clause referred to in chapter 4, section 5 or 6 of this Act is likewise binding on the parties to such a dispute.

However, a provision in the rules referred to in subsection 1 applies only to actions where the cause has arisen after the registration of the provision.

Section 4

Statutory arbitration

Disputes on the redemption right and the amount of redemption price referred to in chapter 20, section 14; chapter 21, section 14; and chapter 22, section 4 shall be referred to arbitration as laid down in sections 4–8 of this chapter.

Unless otherwise provided in this section, the Arbitration Act shall be observed.

Section 5

Initiation of statutory arbitration proceedings

On the application of a party to the dispute, the Redemption Committee of the Finland Chamber of Commerce appoints the requisite number of impartial and independent arbitrators with the expertise required for the task and, if several arbitrators are appointed, designates a chairperson from among them. The application shall contain the details of the applicant's redemption request and the grounds for the same.

The arbitration proceedings become pending once the application or a copy of it is served on the opposing party.

Section 6

Costs of statutory arbitration

The redeemer bears the costs of the arbitration unless the arbitrators for a special reason deem that it is reasonable to order otherwise.

Section 7

Other provisions on statutory arbitration

During arbitration, service of notices shall be effected on, and a copy of the arbitral award delivered to, the persons who have exercised the right to be heard before the arbitral tribunal or otherwise registered for the said purpose.

The arbitrators shall notify the arbitral award for registration within two weeks of its delivery. The registration notification shall contain a declaration that copies of the award have been delivered in accordance with subsection 1. If the arbitral award has not been duly notified for registration within the specified time limit, the notification may also be effected by a party to the dispute.

Section 8

Request for review of an arbitral award based on statutory arbitration

A party that is dissatisfied with the arbitral award may request a review of the award, by appeal, at the district court with jurisdiction for the place where the cooperative has its registered office. The provisions of chapter 8 of the Code of Judicial Procedure on the consideration of petitionary matters apply to the consideration of a request for review in a district court. The appeal document,

to which a copy of the arbitral award shall be attached, shall be filed with the district court within 60 days from the registration of the award.

A review of a district court decision on the matter may be requested, by appeal, at the Supreme Court, if the Supreme Court grants leave to appeal under chapter 30, section 3 of the Code of Judicial Procedure. The provisions of chapter 30 of the Code of Judicial Procedure on requesting a review in matters considered by a court of appeal as a court of second instance shall be observed when requesting for a review. In this event, the provisions on a court of appeal apply to the district court.

If no review is requested in respect of the arbitral award, the provisions of chapter 2, section 19 of Enforcement Act (705/2007) apply to the enforcement of the award.

Section 9

Payment of redemption price and transfer of rights

The redemption price in a statutory arbitration referred to in section 4 shall be paid within one month of the award or judgment on the redemption becoming final. An investment share is transferred to the redeemer once the redemption price has been paid.

The redemption price may be paid by depositing it with the regional state administrative agency of the place where the cooperative has its registered office, as provided in the Act on the Deposit of Cash, Book Entries, Securities or Instruments in Payment of Debts or for Release from Other Liabilities (281/1931), provided that the conditions for deposit are met in accordance with section 1 of the said Act. In this event, the redeemer shall not reserve the right to recover the redemption price.

Once a deposit referred to in subsection 2 has been made, the possession of the investment share certificate relating to the investment share only entitles to the redemption price. The redeemer has the right to receive a new investment share certificate to replace one issued earlier; the new certificate shall bear a mention that it replaces an earlier one. If the earlier investment share certificate is subsequently given to the redeemer, it shall be cancelled.

Other provisions

Section 10

Service of notices on a cooperative

Summonses and other notices are deemed to have been served on a cooperative once they have been served on a member of the board of directors, the managing director or another person who under this Act is entitled to represent the cooperative either alone or together with another person.

If none of the representatives of the cooperative referred to in subsection 1 has been entered in the Trade Register, the service may be effected by delivering the documents to a person in the service of the cooperative or, if no such person can be found, to the police of the place where the cooperative has its registered office in compliance, in addition, with chapter 11, section 7, subsections 2–4 of the Code of Judicial Procedure.

Section 11

Official notice of decisions

If a decision pertains to a circumstance to be entered in the Trade Register, the court or the arbitral tribunal shall, without undue delay, notify the registration authority of the decision. A court shall likewise give official notice of its decision becoming final.

Chapter 27

Penal provisions

Section 1

Cooperative law offence

A person who intentionally

- 1) violates the provisions on the drawing up of an opinion of an auditor referred to in chapter 20, section 4, chapter 21, section 4 or chapter 22, section 3,
- 2) acts as a front for another person in order to circumvent voting restrictions provided in this Act or the rules, or

3) violates the protection of the members, membership shareholders, investment shareholders or the creditors by distributing the assets of the cooperative in breach of the provisions of this Act

shall, unless the act is of minor significance or unless a more severe punishment for the act is provided elsewhere by law, be sentenced for a *cooperative law offence* to a fine or to imprisonment for at most one year.

Section 2

Cooperative law violation

A person who intentionally

- 1) fails to keep a membership and shareholder register in the manner required under chapter 4, section 14 or to keep it available in the manner required under chapter 4, section 16, subsection 1, (357/2017)
- 2) violates a provision of chapter 5, section 25, subsection 4 or chapter 5, section 41, subsection 1 on the keeping available of the minutes of the general meeting or a meeting of the delegates, or
- 3) violates the provisions of this Act on the drawing up of the financial statements, the management report or consolidated financial statements, or on the submission of final accounts relating to the merger, demerger, change into a limited liability company or liquidation of a cooperative

shall, unless the act is of minor significance or unless a more severe punishment for the act is provided elsewhere by law, be sentenced for a *cooperative law violation* to a fine.

A person who through gross negligence acts in the manner referred to in subsection 1, paragraph 3 shall also be sentenced for a cooperative law violation.

PART VII

MISCELLANEOUS PROVISIONS

Chapter 28

Entry into force

Section 1

Provision on entry into force

This Act enters into force as separately provided by an act.