



PRIME MINISTER'S  
OFFICE

# Revenue through responsible ownership

Government Resolution on the State Ownership Policy  
8 April 2020



Prime Minister's Office 2020

# Government Resolution on the State Ownership Policy 2 April 2020

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8 April 2020

Helsinki 2020

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# 1 Revenue through responsible ownership

As stated in the Government Programme, “the Government will continue with a long-term ownership policy that is dynamic and secures Finland’s strategic interests”. State ownership will be assessed from the perspectives of overall benefit to the national economy, development of the operations and value of state-owned companies, and the efficient allocation of resources. State ownership in different companies will be developed based on the objectives of each holding. Objectives can include strategic ownership, financial interests, and the advancement of growth, jobs and sustainable development by means of state ownership.”

All state-owned companies must base their operations on corporate social responsibility. Companies must take into account in their decision-making the economic factors and the social and environmental impacts of their activities.

The Government Resolution on the State Ownership Policy will direct the State’s actions in its capacity as a shareholder, and apply to all limited liability companies in which the State holds interests. Each individual ministry is required to comply with the Government Resolution on the State Ownership Policy, when determining its own positions on the various issues related to state ownership..

## Framework and principles of ownership steering

The corporate assets held by the State constitute an important part of the common national wealth.

As a shareholder, the State follows the general principles set out in this Government Resolution, which apply to all state-owned companies. Additionally, the size of the state’s interest in a given company affects the way in which the principles of ownership steering are applied in individual companies.

State ownership is based on strategic interests, financial interests or the need to fulfil a specific mission using the legal form of a limited liability company. Strategic interests may relate to national defence, the maintenance of emergency stocks of critical supplies or infrastructure, or the obligation to provide needed basic services. Special assignment companies serve a specific state-defined purpose, carrying out duties that are best organised in corporate form. The company-specific interests underlying state holdings shape the objectives for state ownership established for individual companies. Additionally, state-owned investment companies can promote domestic ownership, innovation and climate investments.

State ownership should be assessed from the perspectives of overall benefit to the national economy, development of the operations and value of state-owned companies, and the efficient allocation of resources.

The State manages its corporate interests by reconciling its own strategic objectives with legal requirements and the rights of other shareholders. In companies in which the State holds a non-controlling interest, it acts just like other owners using the leverage afforded by its holdings. Under the Limited Liability Companies Act, companies are liable to their owners, financially and otherwise.

Corporate assets generate revenue for the state budget. The expected returns are de-fined annually. Potential exits are planned in advance based on a careful consideration of the overall situation both from the company's and the State's perspective.

The reforms made to ownership steering structures over the past few decades have been designed to concentrate ownership steering of state-owned companies in the hands of the Ownership Steering Department in the Prime Minister's Office. This policy of separating ownership from regulation will be continued, and the position of the special assignment companies, in respect of which ownership steering is exercised by specific ministries, will be actively reviewed during the government term. At the same time, the Ownership Steering Department's role as a knowledge hub, coordinating the activities and support-ing the individual ministries, will be reinforced.

## 2 State's objectives as a shareholder

- In managing its corporate assets, the State seeks to maximise overall social and financial benefits
- Another objective is to diversify and reinforce the economy by promoting positive and sustainable structural change
- The State requires that companies pursue a predictable dividend policy with due regard to company needs and shareholder expectations
- As a rule, any capital injections are paid out of the state budget
- Aside from financial considerations, companies must take into account the social, regional and environmental impacts of their activities
- The State expects state-owned companies to lead the way in the transition to a carbon-neutral circular economy, digitalisation and responsibility

In managing its corporate assets, the State seeks to maximise overall social and financial benefits. The social benefits are derived from due consideration of the social factors within the ownership policy and steering as well as the successful accomplishment of the special assignments entrusted to companies. Responsible business is part of this overall social benefit, and the State expects companies to act responsibly. The financial benefit generated by companies consists of a long-term increase in value and dividends. With regard to the financial benefit, the objective is to achieve sustained profitable growth and an increase in shareholder value.

Aside from the assurance of the maintenance of emergency stocks of critical supplies, the State's strategic objective is to make use of the corporate assets to promote domestic ownership, diversify the economy, create innovations and support sustainable structural change. As a shareholder, the State monitors the companies' performance, paying attention to matters such as the extent and standard of RDI activities and the companies' ability to reinforce the business and service structure and corporate networks. The State's objective is to contribute to skills-based sustainable productivity growth, for instance by encouraging state-owned companies to lead the way in RDI activities.

As a long-term owner, the State is in a position to invest in future business and manage risk-taking more effectively than many other actors. State ownership may serve as an enabler in areas in which private capital fails to have full effect.

Increasingly, company value is generated in networks and ecosystems formed by several operators in interaction with global megatrends. The State expects its companies – according to their specific circumstances – to lead the way in the use of digitalisation and in the transition towards a carbon-neutral circular economy.

For special assignment companies, the States has established specific objectives related to certain services or tasks. Special legislation has been enacted concerning certain companies or services related to their field of activity. When objectives are established for special assignment companies, due consideration is given to the nature of the special assignment involved and the costs arising from it. Efficiency in the deployment of company balance sheets and the potential for disbursements to the State are assessed in light of these considerations. When a special assignment company acts responsibly and its financial position is sound, it is able to fulfil its mission efficiently in a sustained manner.

Companies entrusted with a special state-defined assignment may not distort competition in their respective fields. Special attention should be attached to this when such a company expands. In accordance with this policy of competitive neutrality, the companies' business conduct, financial structure and return targets must be comparable with those of peer companies engaged in the same line of business. The same principles also apply to state-owned holding companies operating in the investment and financial sector.

The State sets great store by predictable dividend policies that take into account both the company's financing needs and shareholder interests. As far as dividend policies are concerned, the State values a balance sheet structure comparable to peer companies in the sector involved, as steady a dividend stream as possible as well as a moderate net gearing ratio. When assessing dividend disbursements, the State weighs a wide range of circumstances affecting the company concerned.

As a rule, any capital injections are paid out of the state budget. If necessary, state-owned holding companies may be used for this purpose if this is justifiable for business or timetable reasons.



### 3 Corporate social responsibility and sustainability

- State-owned companies are required to integrate corporate social responsibility (CSR) into their business operations and pursue a goal-oriented CSR policy
- Companies need to recognise the impacts of their own operations on the climate, environment and biodiversity as well as establish ambitious goals in this respect compared with their peer companies
- State-owned companies are required to take into account the Government's objective of a carbon neutral Finland by 2035 and the goals of the Paris Climate Convention to limit the rise in global temperature to 1.5 degrees
- Human rights issues need to be considered transparently in both in-house activities and across supplier chains with due regard to the requirements imposed by the principles adopted by the UN
- Aggressive tax planning is not acceptable
- The shareholders must be informed of important findings, the measures taken and the attainment of major milestones

As a shareholder, the State expects companies to act responsibly and obligates boards of directors to assume liability and report to the annual general meetings of shareholders. A sustainable conduct of business is in the public interest and supports companies' long-term competitiveness while increasing shareholder value. The Ownership Steering Department in the Prime Minister's Office monitors companies' CSR performance and, if necessary, carries out analyses and studies in this field.

As a shareholder, the State requires that companies integrate corporate social responsibility and sustainability into their business operations and pursue a goal-oriented CSR policy. State-owned companies are expected to lead the way in corporate social responsibility and sustainability. When successful, responsible business offers new business opportunities that companies ought to seize.

To ensure proper CSR performance, long-term increase in value and competitiveness, the State expects the companies to analyse the impacts of climate change on their operations and give them due consideration in their strategies. At the same time, companies need to recognise the impacts of their own operations on the climate, environment and biodiversity as well as establish ambitious goals in this respect compared with their peer companies. State-owned companies are required to take into account the Government's objective of a carbon neutral Finland by 2035 and the goals of the Paris Climate Convention to limit the rise in global temperature to 1.5 degrees. The goals need to be attained with due regard to corporate social responsibility in a manner that improves

competitiveness. Additionally, the state ownership policy must address the development of biodiversity.

Companies are required to pursue a transparent human rights policy in their in-house activities and across supply chains, comply with the UN principles regarding enterprises and human rights as well as fulfil their duty of care in this respect. Stakeholders need to have access to a reliable channel of communication to bring any human and labour rights violations to the attention of the corporate management. For this purpose, companies must have in place either an in-house whistleblowing channel or other equivalent arrangements for reporting shortcomings or misuses confidentially and anonymously. If no such arrangement exists, it needs to be put in place promptly. Similarly, companies must prepare an anti-corruption and reporting procedure suitable for its line of business, in case such a procedure has not yet been created.

Companies need to recognise the CSR risks they are facing in their own operations and across value chains, and integrate CSR risks into their risk management regime. Responsibility for compliance with the principles of sound risk management and its organisation rests with the boards of directors. The boards and executive management must report any major findings to the shareholders.

Companies are to report on the impacts of climate change on their operations, the climate objectives and actions taken as well as on the attainment of other key CSR objectives and the measures taken, to the annual general meeting of shareholders (AGM). As a shareholder, the State requires that companies report on their CSR performance and sustainability in their annual or CSR reports.

Transparent tax reporting is an essential part of corporate social responsibility. Additionally, companies are expected to file country-by-country reports on their tax footprint so as to permit a reliable assessment of their tax responsibility. Basically, taxes are to be paid to the country to which they are due based on the business transacted.

Aggressive tax planning is not acceptable. According to the OECD definition, aggressive international tax planning means arrangements to shift profits away from jurisdictions where the activities creating the profits are taking place. The State will update its guidelines for country-by-country tax reporting for companies in which it holds a controlling interest in compliance with the guidelines issued by OECD.

The State expects companies to comply with internationally recognised CSR guidelines and principles, where applicable. These include the OECD's guidelines for multinational companies, the TCFD reporting framework for carbon-related risks, the Science Based Targets initiative, the UN Global Compact, the ISO 26000 Guidance on social responsibility and the UN principles concerning enterprises and human rights. Additionally, the State recommends that companies announce concrete commitments to sustainable development ([www.kestavakehitys.fi](http://www.kestavakehitys.fi)).

## 4 Decision-making and organisation of ownership steering

- Decision making in respect of state-owned companies is divided between the Government Plenary Session and the ministry responsible for ownership steering
- A key body in the preparation of decisions for presentation to the Government is the Ministerial Finance Committee
- The Prime Minister's Office is responsible for the consistency of the procedures followed in the exercise of ownership steering as well as for coordinating and overseeing inter-ministry cooperation
- Contacts with parliamentary groups are supported by the Parliamentary Ownership Policy Council

The highest decision-making powers in ownership policy matters are exercised by Parliament. The main principles of ownership policy are determined by the Government in its programme. The Government Resolution on the State Ownership Policy, in turn, sets out more detailed strategic outlines and provides a description of the procedures followed in ownership steering. Parliament, the Government and the Ownership Steering Department in the Prime Minister's Office operate within the mandates specified in the State Shareholdings and Ownership Steering Act.

Decision-making by the State in its capacity as a shareholder is based on the State Shareholdings and Ownership Steering Act (1368/2007 as amended). The act applies to the State's decision-making as a shareholder in all companies and does not stipulate any derogations from the provisions of the Limited Liability Companies Act or other corporate legislation. The differences in the exercise of ownership steering in respect of listed and non-listed companies are due to the securities market legislation.

In its ownership steering activities, the State abides by the division of responsibilities and duties between the corporate bodies and owners, as provided in the Limited Liability Companies Act. Additionally, the activities are governed by the Finnish Corporate Governance Code of the Securities Market Association and the OECD's corporate governance recommendations. Based on these guidelines, the owners, boards of directors and members of executive management have their own responsibilities, obligations and rights. As a rule, operative and business decisions are made by the company management and board of directors.

Under the law, the Government's decision-making powers in ownership steering matters is divided between the Government Plenary Session and the ministry responsible for ownership steering in respect of the company involved. Decisions on ownership steering matters falling within the mandate of the Government Plenary Session are first reviewed by the Ministerial Finance Committee, which is the central body in drafting proposals for

decision-making. The review by the Committee is based on an ownership-policy analysis carried out in support of decision-making as well as strategic deliberations.

Limits have been established for minimum state ownership interests in state-owned companies. Parliamentary approval is required for any measures resulting in changes in state ownership beyond a pre-determined limit. The ownership interest limits are 100 per cent, 50.1 per cent, 33.4 per cent and 0 per cent.

The Ownership Steering Department in the Prime Minister's Office is responsible for the preparation of ownership steering policies, the consistency of ownership steering practices as well as ownership steering in respect of state-owned companies. For practical reasons, certain companies are ownership-steered directly by ministries. Even so, the Ownership Steering Department is still responsible for coordination in respect of these companies. Additionally, the Ownership Steering Department coordinates and oversees inter-ministry cooperation in ownership steering matters. This coordination responsibility covers, inter alia, board appointments, CSR and sustainability monitoring, recapitalisation and the establishment of new entities (companies, foundations, etc.) involving the use of state assets.

State-owned holding companies pursue the goals established by the State and operate in accordance with the practices defined in the guidelines. They carry out the ownership steering duties assigned to them and exercise shareholder control within this framework.

Solidium administers current shareholdings, sells or buys equities and acquires stakes in listed companies when such interests are deemed important to society. In Solidium-owned companies, the State has a financial interest as well as the interest of promoting domestic ownership. The governance model for Solidium Oy will not be revised.

Wholly state-owned companies may have a supervisory board and majority-owned companies an advisory committee appointed by the company itself. While supervisory boards address matters related to the administration of the company, they do not participate in decision-making for which the board of directors and chief executive officer are responsible, as provided in the Limited Liability Companies Act and required by good governance. As a shareholder, the State has adopted the position that if a company has a supervisory board or advisory committee, the staff must be represented. The possibility of converting supervisory boards into advisory committees will be considered during the term of the present Government.

The Parliamentary Ownership Policy Council is composed of the representatives of the parliamentary groups. The council is chaired by the Minister for Ownership Steering and it convenes four times a year. The council meetings address reporting on state holdings, social responsibility and sustainability, remuneration, the fields of activity state-owned companies are engaged in as well as other themes taken up by the council.

## 5 Tools and substance of ownership steering

- The State is an active and forward-looking shareholder with initiative, whose actions are based on financial analysis and strategic influence in the context of ownership steering
- Companies are required to discuss major issues with the leading shareholders
- As part of the management of its corporate assets, the State appoints its own representatives to board of directors
- Board selections ensure that the appointees understand the policy pursued by the State as a shareholder as well as the strategic objectives of each company, and make a genuine commitment to these objectives
- Board appointments increase diversity and introduce new skills and capabilities
- The State expects companies to pursue a proactive and sound human resources policy and recommends that staff is represented on the governing bodies of companies

The State is an active shareholder with initiative. The strategic influence exerted by the State in the context of ownership steering is based on financial analysis and careful preparation. On this basis, the State sets its goals as a company shareholder, exerts influence and takes positions on strategic and financial matters pertaining to the company.

The State's strategic ownership steering policies are reviewed throughout the government term and revised as appropriate. Changes can also be effected flexibly with regard to the minimum limits of corporate holdings and the ministries' responsibilities for individual companies.

The Ownership Steering Department in the Prime Minister's Office coordinates the analysis activities of all state-owned companies, including the special assignment companies steered by ministries. The ministries responsible for special assignment companies are to ensure that the Ownership Steering Department has access to sufficient information on each of these companies. Conversely, the responsible ministries have access to all the analysis and support services provided by the Ownership Steering Department.

Boards of directors and executive management are required to discuss important matters affecting the company's operations and shareholder value with the major shareholders. State-owned companies are expected to engage in a transparent exchange of information and dialogue with the State with due regard to the size of the interest held by the State. As an owner, the State engages in an active dialogue with the state-

owned companies within the limits imposed by law and with due regard to the other shareholders.

As an active shareholder, the State also looks after its corporate assets by appointing its own representatives familiar with the State's objectives to boards of directors. This is an integral part of the implementation of the State's ownership strategy in respect of individual companies, and effectively supports the attainment of its objectives. When public officials responsible for ownership steering are appointed to the boards of directors of state-owned companies, steps must be taken to ensure that such officials are not disqualified when preparing decisions affecting state ownership or exercising other shareholder control. If necessary, board memberships of public officials will be reviewed specifically.

As far as ownership steering is concerned, the company's main decision-making body is the board of directors. Key criteria for board membership include experience and expertise, the company's strategic position, assurance of the capacity for cooperation and diversity of competence, and compliance with the gender equality objectives established by the Government. The State ensures that the composition of the boards of directors is sufficiently balanced in terms of gender distribution. With regard to the board members appointed on the State's proposal, the goal is a term of five years, the maximum being seven years. However, an exception can be made to this general rule as result of changes in the company's strategy or operating environment, or in order to expand the board's range of expertise.

Board selections ensure that the appointees understand the policy pursued by the State as a shareholder as well as the strategic objectives of each company, and make a genuine commitment to these objectives. Responsibility for the selection process of state-appointed board members in companies ownership-steered by the Ownership Steering Department in the Prime Minister's Office rests with said department.

As far as the companies steered by the ministries are concerned, the responsible ministry coordinates the selection process. The Ownership Steering Department is responsible for the general development of the selection process and assists the ministries with the appointments. The State recommends that third-party experts are consulted in the selection of board members. The State's final position is always determined by the responsible minister. In listed companies, candidates for board membership are proposed by a nomination committee. Public officials are represented on the nomination committees of companies in which the State holds interests directly.

When board appointments are made, due consideration is given to the diversity of composition as well as the need for expertise in CSR matters and international business operations. The objective is to enable the boards of directors to gain a better understanding of the company's operating environment and its changes, thereby securing a sustained increase in shareholder value.

The State finds it important that the staff is duly represented and has a say in corporate governing bodies. As a shareholder, the State expects a transparent dialogue between management and staff, full compliance with the collective labour agreements and a proactive and sound human resources policy. Companies are required to ensure equal career advancement opportunities for all. The State recommends that staff be represented on the governing bodies of companies. If appropriate, boards of directors can invite members of staff to attend board meetings.

Companies are honing their digital skills as part of their business operations. The objective is to ensure that state-owned companies are duly prepared when a sizeable percentage of products and services are converted into digital form or provided in a digital environment. When doing so, companies need to make sure, as part of their risk management efforts, that their data security systems are able to quickly respond to any cyber threats.

As a shareholder, the State requires that risk management is duly organised in view of these needs, as provided in the Limited Liability Companies Act. The board of directors is responsible for putting in place a sound risk management regime and reporting to the meeting of shareholders when necessary.

## 6 Remuneration

- Remuneration must be fair and transparent
- Remuneration will become increasingly performance-based
- When new executive contracts are signed, the level of remuneration is to be considered with due care and revised down if appropriate
- Remuneration levels will be diversified to better reflect the nature of the operations of each state-owned company
- Social responsibility and sustainability must be included in the criteria for executive remuneration
- As a shareholder, the State expects companies to pursue an incentive rewards and remuneration policy in respect of the staff

This policy statement concerns the remuneration of the members of the board of directors, chief executive officer and management team and, where appropriate, the personnel of state-owned companies.

The size of the State's interest in the company involved has an impact on how closely these guidelines are expected to be followed. For wholly state-owned companies, this statement is binding in its entirety. In companies in which the State holds a controlling interest, the statement must be complied with unless otherwise required by the common interests of the shareholders. Any derogations from the policy by these companies must be communicated to the State in advance except for listed companies, which report on remuneration to all shareholders at the annual general meeting. For companies in which the State holds a non-controlling interest, this statement serves as an expression of the view of one major shareholder as to sound remuneration policies.

As a shareholder, the State requires that financial rewards are reasonable, fair and transparent. State-owned companies need to be able to hire executives and staff on competitive terms.

Executive and staff remuneration is a tool used by the board of directors for the purpose of achieving the objectives established for the company and increasing its value in the long term. A sound remuneration policy is based on financial performance and social responsibility indicators relevant to the company and steers operations in the preferred direction.

Executive remuneration must stand in a reasonable relation to the size, mission and market position of the company and the general level of executive remuneration.



Performance-based remuneration must be fair, and state-owned companies must, where appropriate, adopt an incentive pay structure to reward employees for sound financial or other work performance. The practical method of implementation of these guidelines will be assessed by the boards of directors of the individual companies.

As a shareholder, the State expects companies to incorporate CSR performance into the remuneration criteria. For wholly state-owned companies providing essential basic services for the citizens, it is recommended that the reward criteria also include indicators measuring customer satisfaction as well as the quality and availability of services. Similarly, the use of job satisfaction indicators is encouraged. Based on the foregoing, boards of directors are to optimise the pay structures by reconciling the various remuneration criteria with the company's position.

With regard to the salaries and incentive rewards to be determined for the senior management within the framework of this Government Resolution, the State's goal is that executive remuneration at state-owned companies is reasonable. This is the expectation for fixed salaries, in particular. If necessary, the highest fixed salaries will be revised down when new executive contracts are made. As a result, flexibility can be increased in variable remuneration.

The State encourages the executives of listed companies to personally invest in the equities of the companies that they manage.

This statement will not affect the board's statutory rights and obligations, or its liability in respect of other shareholders, investors and the company's contracting parties.

## **Remuneration of board members**

In remunerating members of boards of directors, the State follows the principles of transparency and fairness. The State must be able to appoint qualified persons to the boards of directors of state-owned companies with due regard to the different requirements imposed by the remuneration levels applied by individual companies. As in other remuneration contexts, the nature of the companies' operations should be reflected more directly in board fees.

When the compensation payable for board service is determined, account should be taken, *inter alia*, of the company's role in society, the market situation, the requirements imposed by the global aspects of board service and the need to increase shareholder value as well as the common interests of all shareholders. The State's position is that the compensation paid for board service does not constitute pension-accruing earned income.

In listed companies, share plans will be included in the general remuneration of board members. Board members of listed companies are urged to acquire and hold company shares for at the least the duration of board membership.

The Ownership Steering Department coordinates overall fee trends at the Government level. It is appropriate that board fees in state-owned companies are competitive and at par with peer companies.

## **Role of the board of directors**

The principles for the remuneration of executive management and employees is determined by boards of directors. As a shareholder, the State does not make decisions on remuneration. The authorisations to acquire and dispose of own shares by listed companies required for incentive share plans are approved by the general meetings of shareholders.

Responsibility for the preparation of remuneration systems must always rest with the chair of the board of directors and the remuneration committee, if any. The Ownership Steering Department finds it appropriate that boards of directors appoint a specific remuneration committee, when necessary, to prepare and submit proposals to the board for the remuneration policies to be followed by the company.

Boards of directors must see to it that companies disclose remuneration information in accordance with the Limited Liabilities Companies Act, the Securities Markets Act, the Corporate Governance Code of the Securities Market Association, and the directive on the exercise of certain rights of shareholders in listed companies.

The State expects boards of directors to explain the company's remuneration policy at the AGMs and justify the performance-based financial rewards paid to the chief executive officer, as well as provide a summary of the rewards paid to the members of the executive management team and the criteria applied to the remuneration of the personnel.

Boards of directors may prepare remuneration plans within the limits imposed by this statement. Aside from fixed salaries, companies may offer incentive rewards to both management and staff, which may consist of elements relevant to the company based on the board's best judgement.

## **Fixed total salary**

The fixed salary of the chief executive officer and the members of the executive teams must be defined in terms of total salaries that include all the benefits for which the employer incurs any expenses. The State's position, as a shareholder, is that supplementary pensions are not to be used as an incentive, but if there are other shareholders in the company, the decision on any such pensions is made by the board of directors. Any supplementary pension premiums exceeding the standard employment pension rates must be cash-based. Pension benefits must be based on the fixed monthly salary.

## **Variable remuneration**

The objectives underlying any incentive rewards paid on top of the fixed total salary must be demanding, and the management must be able to contribute to the attainment of these objectives through its own efforts.

Incentive plans should be unambiguous. If a company offers both short and long-term incentive plans, the board of directors must ensure that separate sets of indicators are applied.

Where appropriate, it is advisable to use incentive compensation plans for other personnel as well. As a rule, employees' incentive pay and remuneration systems should be linked to objectives that employees can actually help attain. Similarly, additional employee compensation should be considered when the company puts in a good financial performance.

The State endorses incentive plans under which financial rewards are offered in the form of company shares. In the State's view, share plans should be formulated so as not to constitute pension-accruing earned income. The State does not approve of incentive schemes that include option plans or other instruments requiring the issue of new shares.

The maximum percentage of acceptable variable remuneration varies according to company category. Variable remuneration must contribute to revenue generation and encourage a lasting commitment with due regard to the requirements of the various sets of criteria. Incentive rewards must not exceed half of the following maximum amounts, while remuneration exceeding this level is only conceivable in case of extraordinary performance.

### **Listed companies and major non-listed commercial companies**

The total amount of result-based variable remuneration may not exceed 50 per cent of the fixed annual salary of the recipient. If the company or person involved has put in an extraordinary performance, the total maximum amount of all incentive rewards may not exceed 120 per cent of the fixed annual salary.

At the time of issuance of these guidelines, such companies are Altia Plc, Finnair Plc, Fortum Corporation, Neste Corporation, Nordic Morning Plc, Patria Plc, Posti Group Corporation and VR-Group Ltd.

### **Small and medium-size non-listed commercial companies**

The total amount of result-based variable remuneration may not exceed 40 per cent of the fixed annual salary of the recipient. If the company or person involved has put in an extraordinary performance, the total maximum amount of all incentive rewards may not exceed 80 per cent of the fixed annual salary.

At the time of issuance of these guidelines, such companies are Arctia Ltd, Boreal Plant Breeding Ltd, Finavia Corporation, Fingrid Oyj, Gasgrid Finland Oy, Gasum Corporation, Kemijoki Oy, Leijona Catering Oy, Motiva Oy, Suomen Lauttaliikenne Oy, Mint of Finland Ltd, Finnish Seed Potato Centre Ltd, Suomen Viljava Oy, Tapio Ltd and Vapo Oy.

### **Special assignment companies**

The total amount of result-based variable remuneration may not exceed 15 per cent of the fixed annual salary of the recipient. If the company or person involved has put in an extraordinary performance, the total maximum amount of all incentive rewards may not exceed 30 per cent of the fixed annual salary.

At the time of issuance of these guidelines, such companies are A-Kruunu Oy, Alko Inc., Business Finland Oy, Cinia Group Ltd, CSC-IT Center for Science Ltd, Asset Management Company Arsenal Ltd, Finnpiilot Pilotage Ltd, Finnvera plc, Gasonia Oy, Governia Oy, Hansel Ltd, HAUS Kehittämiskeskus Oy, Hevosopisto Oy, Municipality Finance Plc, Pohjolan Rautatiet Oy, Solidium Oy, SoteDigi Oy, STUK International Ltd, State Security Networks Ltd, Finnish Aviation Academy Ltd, Suomen Kaasuverkko Oy, Finnish Minerals Group, Finnish Industry Investment Ltd, VTT Technical Research Centre of Finland Ltd, Finnish Fund for Industrial Cooperation Ltd (Finnfund), Tietokarhu Oy, Traffic Management Finland Oy, State Business Development Company Vake Oy, Veikkaus Oy and Finnish Broadcasting Company Ltd.

When appropriate, companies are reassigned to a new remuneration category by the Ownership Steering Department in the Prime Minister's Office.

All remuneration schemes must be accompanied by conditions stipulating that they can, if necessary, be cancelled, postponed or adjusted by the unilateral decision of the board of directors. Company boards are urged to exercise these discretionary powers. Incentive rewards based on criteria other than financial performance may be justified when the company's interests so require. Decisions on this type of rewards are made by the board of directors as part of the total remuneration of the management and staff. Wholly state-owned companies are required to inform the State of such rewards in advance. Even these rewards must remain within the limits for variable remuneration defined above.

### **Retirement age, pay for the notice period and severance compensation**

The retirement age of the chief executive officer and members of the management team is determined by the employment pension legislation. In case of amendments to said legislation, the conditions are adjusted accordingly. Future executive contracts of employment to be concluded by listed companies and major non-listed commercial companies should not specify levels of compensation for the CEO and members of the management team where the pay for the notice period and severance package combined exceeds 12 months' regular pay. At other companies, the combined compensation payable

to the CEO and member of the management team should not exceed 6 month's fixed salary.

# ANNEX

**ANNEX 1** State's Ownership Interests and Parliamentary Authorisations  
on 12 February 2020

**ANNEX 2** Special assignments and strategic interests

## ANNEX 1

### STATE'S OWNERSHIP INTERESTS AND PARLIAMENTARY AUTHORISATIONS ON 12 FEBRUARY 2020

Listed companies	Ownership steering	Category	State interest	Lower limit for state interest
			%	%
Altia Plc <sup>1)</sup>	PMO	1a	36.2%	0.0%
Elisa Corporation	Solidium Oy	1a	10.0%	0.0%
Finnair Plc	PMO	1b	55.8%	50.1%
Fortum Corporation	PMO	1b	50.8%	50.1%
Kemira Oyj	Solidium Oy	1a	10.2%	0.0%
Konecranes Plc	Solidium Oy	1a	8.4%	0.0%
Metso Corporation	Solidium Oy	1a	14.9%	0.0%
Neste Corporation <sup>1)</sup>	PMO	1b	44.7%	33.4%
Nokia Plc	Solidium Oy	1a	3.9%	0.0%
Nokian Tyres plc	Solidium Oy	1a	5.0%	0.0%
Outokumpu Plc	Solidium Oy	1a	21.7%	0.0%
Outotec Plc	Solidium Oy	1a	14.9%	0.0%
Sampo plc	Solidium Oy	1a	8.0%	0.0%
SSAB	Solidium Oy	1a	12.6%	0.0%
Stora Enso Plc	Solidium Oy	1a	10.7%	0.0%
TietoEVERY Plc	Solidium Oy	1a	10.0%	0.0%
Valmet Plc	Solidium Oy	1a	11.1%	0.0%
<b>Total (qty)</b>		<b>17</b>		

Non-listed commercial companies	Ownership steering	Category	State interest	Lower limit for state interest
			%	%
Arctia Ltd	PMO	1b	100.0%	50.1%
Boreal Plant Breeding Ltd	PMO	1b	60.8%	50.1%
Finavia Corporation	PMO	1b	100.0%	100.0%
Fingrid Oyj <sup>2)</sup>	MoF	1b	28.2%	50.1%
Gasgrid Finland Oy <sup>3)</sup>	MoF	1b	100.0%	50.1%
Gasum Oy <sup>4)</sup>	PMO	1b	100.0%	50.1%
Kemijoki Oy Ltd <sup>5)</sup>	PMO	1a	50.1%	0.0%
Leijona Catering Oy	PMO	1b	100.0%	100.0%
Motiva Oy	PMO	1b	100.0%	100.0%
Nordic Morning Group Plc <sup>1)</sup>	PMO	1a	100.0%	0.0%
Patria Plc	PMO	1b	50.1%	50.1%
Posti Group Corporation <sup>1)</sup>	PMO	1b	100.0%	50.1%
Suomen Lauttaliikenne Oy	PMO	1b	100.0%	100.0%
Mint of Finland Ltd	PMO	1a	100.0%	50.1%
Finnish Seed Potato Centre Ltd	PMO	1b	22.0%	0.0%
Suomen Viljava Oy	PMO	1b	100.0%	100.0%
Tapio Ltd	PMO	1b	100.0%	100.0%
Vapo Oy <sup>1)</sup>	PMO	1b	50.1%	33.4%
VR-Group Ltd	PMO	1b	100.0%	100.0%
<b>Total (qty)</b>		<b>19</b>		
<b>Commercial companies in total</b>		<b>36</b>		

1) On 5 December 2018, approximately 8.3% of Neste Corporation's shares, 49.9% of Posti Group Corporation's shares, 16.7% of Vapo Oy's shares and all Nordic Morning Plc's shares were transferred to Vake by a Government decision. On 7 February, 36.2% of Altia Plc's shares were transferred to Vake. The Prime Minister's Office will continue to be in charge of ownership steering.

2) National Emergency Supply Agency 24.9%

3) MoF 26.5% of shares and 50.2% of voting rights, Suomen Kaasuverkko Oy 73.5% of shares and 49.8% of voting rights. The State holds 100% of the shares in Suomen Kaasuverkko Oy.

4) Prime Minister's Office 26.5% of shares and 50.2% of voting rights, Gasonia Oy 73.5% of shares and 49.8% of voting rights

5) Changes in ownership subject to approval of the shareholder agreement.

Companies entrusted with special state assignments	Ownership steering	Category	State interest %	Lower limit for state interest %
A-Kruunu Oy	ME	2	100.0%	100.0%
Alko Inc	MSAH	2	100.0%	100.0%
Asset Management Company Arsenal Ltd <sup>6)</sup>	MoF	2	100.0%	100.0%
Business Finland Oy <sup>7)</sup>	MEAE	2	100.0%	100.0%
Cinia Group Ltd	MTC	2	77.5%	50.1%
CSC-IT Center for Science Ltd	MEC	2	70.0%	50.1%
Finnpilot Pilotage Ltd	PMO	2	100.0%	100.0%
Finnvera plc	MEAE	2	100.0%	100.0%
Gasonia Oy	PMO	2	99.0%	0.0%
Governia Oy	PMO	2	100.0%	100.0%
Hansel Ltd	MoF	2	65.0%	50.1%
HAUS Finnish Institute of Public Management Ltd	MoF	2	100.0%	100.0%
Hevosopisto Oy	MEC	2	25.0%	0.0%
Municipality Finance Plc	PMO	2	16.0%	0.0%
Pohjolan Rautatiet Oy	MTC	2	100.0%	100.0%
Solidium Oy	PMO	2	100.0%	100.0%
SoteDigi Oy	MoF	2	100.0%	100.0%
STUK International Ltd	MSAH	2	100.0%	100.0%
Suomen Erillisverkot Oy	PMO	2	100.0%	100.0%
Finnish Aviation Academy Ltd	PMO	2	49.5%	0.0%
Suomen Kaasuverkko Oy	MoF	2	100.0%	100.0%
Finnish Minerals Group Ltd	MEAE	2	100.0%	0.0%
Finnish Industry Investment Ltd	MEAE	2	100.0%	100.0%
VTT Technical Research Centre of Finland Ltd	MEAE	2	100.0%	100.0%
Finnish Fund for Industrial Cooperation Ltd (Finnfund)	MFA	2	93.4%	50.1%
Tietokarhu Oy <sup>8)</sup>	MoF	2	20.0%	50.1%
Traffic Management Finland Oy	MTC	2	100.0%	100.0%
State Business Development Company Vake Oy	PMO	2	100.0%	100.0%
Veikkaus Oy	PMO	2	100.0%	100.0%
Finnish Broadcasting Company Ltd	MTC	2	100.0%	100.0%
<b>Total (qty)</b>		<b>30</b>		
<b>All companies (qty)</b>		<b>6+</b>		

<sup>6)</sup> In receivership

<sup>7)</sup> Ownership steering by Business Finland

<sup>8)</sup> State's share of votes 80%

MTC = Ministry of Transport and Communications

MEC = Ministry of Education and Culture

MSAH = Ministry of Social Affairs and Health

MEAE = Ministry of Economic Affairs and Employment

MFA Ministry for Foreign Affairs

MoF = Ministry of Finance

PMO = Ownership Steering Department in the Prime Minister's Office

ME = Ministry of the Environment

**Company category 1 a:** The State has exclusively, or almost exclusively, a strong investor interest in the company. When control is exercised through ownership, due consideration must be given to the control or influence associated with the State's holdings as well as the owner's risk and involvement in decision-making based on such holdings.

**Company category 1b:** Aside from a strong investor interest, the companies in this category involve strategic interests that make it advisable for the State to remain a strong shareholder or take other steps to secure such strategic interests in case its holdings are decreased or relinquished.

**Company category 2:** As a shareholder, the State has a special interest in the companies included in this category related to regulation or statutory duties; these companies have a state-defined political or other mission related to business and industry or society, or they play some other special role.





## APPENDIX 2

# Special assignments and strategic interests

## Special assignments

The special assignments and their definitions are determined by the ministry responsible for ownership steering in respect of the company involved.

### Ministry of Transport and Communications

#### TRAFFIC MANAGEMENT FINLAND OY

**State ownership interest:** 100%

**Special assignment:**

*To provide, maintain and develop the traffic control and management services required by society, the authorities and businesses in order to ensure the smooth flow and safety of traffic as well as guarantee the performance of traffic control and management in case of disruptions and emergency conditions. Additionally, traffic control and management services are provided to meet the needs of the national defence and security authorities to the extent they require such assistance for the performance of their statutory duties. The company collects, manages and harnesses traffic control data and makes it available to other actors on an equal basis.*

#### FINNISH BROADCASTING COMPANY LTD

**State ownership interest:** 99.98%

**Special assignment:**

*To make versatile and comprehensive public service television and radio programmes including related additional services available to all citizens through public communications networks on equal terms.*

#### POHJOLAN RAUTATIET OY

**State ownership interest:** 100%

**Special assignment:**

*To promote major rail traffic investments and develop railway operations on a broad front.*

### Ministry of Education and Culture

#### CSC - IT CENTER FOR SCIENCE LTD

**State ownership interest:** 70%

**Special assignment:**

*To maintain and develop a centralised IT infrastructure for the provision of nationwide IT services.*

#### HEVOSOPISTO OY

**State ownership interest:** 25%

**Special assignment:**

*To operate a vocational equestrian college and national coaching centre for equestrian sports.*



## Ministry of Social Affairs and Health

### ALKO INC

**State ownership interest:** 100%

**Special assignment:**

*Special assignment defined in section 23 of the Alcohol Act (1102/2017): Mitigation of alcohol-related problems.*

### STUK INTERNATIONAL LTD

**State ownership interest:** 100%

**Special assignment:**

*The objective of the sale of commercial services is to generate revenue for the company's owner, the State of Finland, and enhance the expertise of the Finnish Radiation and Nuclear Safety Authority.*

## Ministry of Economic Affairs and Employment

### FINNVERA PLC

**State ownership interest:** 100%

**Special assignment:**

*Finnvera is a state-owned specialised financing company and the official Export Credit Agency (ECA) of Finland.*

### FINNISH MINERALS GROUP LTD

**State ownership interest:** 100%

**Special assignment:**

*Development and ownership of the battery and mining industry.*

### FINNISH INDUSTRY INVESTMENT LTD

**State ownership interest:** 100%

**Special assignment:**

*To develop the capital investment market, promote the restructuring of business and industry and create growth companies.*

### VTT TECHNICAL RESEARCH CENTRE OF FINLAND LTD

**State ownership interest:** 100%

**Special assignment:**

*To promote the renewal of the economy, support the planning and implementation of social policy and commercialise research.*

## Ministry for Foreign Affairs

### FINNISH FUND FOR INDUSTRIAL COOPERATION LTD (FINNFUND)

**State ownership interest:** 94.1%

**Special assignment:**

*Finnfund promotes economic and social development in the target countries by funding private sector projects.*



## Prime Minister's Office

### FINNPILOT PILOTAGE LTD

**State ownership interest:** 100%

**Special assignment:**

*To provide pilotage services and discharge related duties specified in the Finnish Pilotage Act in the water areas defined in said act.*

### GASONIA OY

**State ownership interest:** 99%

**Special assignment:**

*To engage in special ownership arrangements related to the State's gas business.*

### GOVERNIA GROUP

**State ownership interest:** 100%

**Special assignment:**

*To serve as a state investment company that can be used for special ownership restructuring purposes.*

### MUNICIPALITY FINANCE PLC

**State ownership interest:** 16%

**Special assignment:**

*To secure affordable funding for state-subsidised new residential construction and renovations.*

### SUOMEN ERILLISVERKOT OY (incl. State Security Networks Ltd)

**State ownership interest:** 100%

**Special assignment:**

*Construction and operation of communications networks used by central and local government authorities that are critical to the nation's security as well as other security networks and the provision of related services. The special assignment is based on the Act on the Operation of the Government Security Networks and the Act on Electronic Communication Services.*

### FINNISH AVIATION ACADEMY LTD

**State ownership interest:** 49.5%

**Special assignment:**

*To operate an institute of education providing aviation training.*

### STATE BUSINESS DEVELOPMENT COMPANY VAKE OY

**State ownership interest:** 100%

**Special assignment:**

Defined in the company guidelines

### VEIKKAUS OY

**State ownership interest:** 100%

**Special assignment:**

Defined in the Lotteries Act

### SOLIDIUM OY

**State ownership interest:** 100%

**Special assignment:**

*To reinforce and consolidate domestic ownership in listed companies of national significance, and increase the financial value of assets in the long term.*



## Ministry of Finance

### HANSEL LTD

**State ownership interest:** 65%

**Special assignment:**

*Hansel Ltd is a joint procurement unit whose mission is to improve productivity in public administration and lead the way in efficient and responsible public purchasing.*

### HAUS FINNISH INSTITUTE OF PUBLIC MANAGEMENT LTD

**State ownership interest:** 100%

**Special assignment:**

*Provision of training and development services for the renewal of administrative management and expertise.*

### SOTEDIGI OY (AUXILIARY NAME VIMANA OY)

**State ownership interest:** 100%

**Special assignment:**

*Development of national digital solutions for improving the productivity and impact of social and healthcare services, rescue services and other fields of activity; support for harnessing the support services for national e-government services; and promotion of the ICT integration and interoperability, knowledge-based management as well as the implementation and further digitalisation of customer-responsive and cost-effective solutions.*

### SUOMEN KAASUVERKKO OY

**State ownership interest:** 100%

**Special assignment:**

*To engage in special ownership arrangements related to the State's gas networks.*

### TIETOKARHU OY

**State ownership interest:** 20% (80% of votes)

**Special assignment:**

*Tietokarhu Oy is responsible, for its own part, for the data systems of the Finnish Tax Administration to enable timely and error-free collection of taxes. Tietokarhu Oy's special assignment will come to an end when the Tax Administration adopts its new data systems at the end of 2020.*

## Ministry of the Environment

### A-KRUUNU OY

**State ownership interest:** 100%

**Special assignment:**

*To construct affordable rental housing in major population centres.*



## **Strategic interests**

Ownership steering in respect of strategic interests is exercised by the Ownership Steering Department in the Prime Minister's Office. Preparations related to these interests are carried out in consultation with individual ministries.

### **Ministry of Transport and Communications**

#### ARCTIA LTD

**State ownership interest:** 100%

**Field of activity:** ice-breaking, provision of offshore and oil spill containment services

**Definition of strategic interest:**

*To ensure winter navigation capabilities in order to serve the needs of Finnish business and industry and provide hydrographic surveying services necessary for the maintenance of naval preparedness under all conditions.*

#### FINAVIA CORPORATION

**State ownership interest:** 100%

**Field of activity:** Finavia's line of business covers airport operations and related services as well as other business activities related to airports and air transport.

**Definition of strategic interest:**

*To ensure domestic and international air transport connections by maintaining and developing Finland's airport network.*

#### FINNAIR PLC (listed)

**State ownership interest:** 55.8%

**Field of activity:** airline company

**Definition of strategic interest:**

*To develop Finland as a hub of international air traffic.*

#### POSTI GROUP CORPORATION

**State ownership interest:** 100%

**Field of activity:** conveyance of information (incl. postal services) and logistics

**Definition of strategic interest:**

*To provide postal services throughout Finland.*

#### SUOMEN LAUTTALIKENNE OY

**State ownership interest:** 100%

**Field of activity:** ferry and waterborne transport services

**Definition of strategic interest:**

*To secure cable and other ferry services as part of Finland's public road network.*

#### VR-GROUP LTD

**State ownership interest:** 100%

**Field of activity:** railway and road transport including track construction and maintenance

**Definition of strategic interest:**

*Ensuring the continuity of the necessary rail transports.*



## Ministry of Agriculture and Forestry

### BOREAL PLANT BREEDING LTD

**State ownership interest:** 60.8%

**Field of activity:** plant breeding

**Definition of strategic interest:**

*To ensure the continued breeding of production plant species suitable for the northern climate necessary for the proper functioning of the market and retention of ownership of the material being bred. Availability of the necessary species is also important to the maintenance of emergency stocks of critical supplies.*

### FINNISH SEED POTATO CENTRE LTD

**State ownership interest:** 22%

**Field of activity:** cleaning and maintenance of seed material as well as the production, packaging and marketing of basic and certified seed grades

**Definition of strategic interest:**

*To promote plant health and maintain security of supply by providing seed potato material that is healthy and suitable for Finnish conditions.*

### SUOMEN VILJAVA OY

**State ownership interest:** 100%

**Field of activity:** handling and storage services for cereals and other products

**Definition of strategic interest:**

*To ensure the functioning of the cereal storage and handling market in a manner that is neutral in terms of competition and to secure the undisturbed execution of tasks related to the supply security of the food chain and EU intervention operations.*

### TAPIO LTD

**State ownership interest:** 100%

**Field of activity:** Provision of bio-economy and forest management services; (expert services in forest management and bio-economy, publishing of forest-related literature and production of forest tree seeds).

The company is an 'in-house operator'. The strategic interest is related to the production of forest tree seeds carried out by Tapio Ltd's wholly owned subsidiary Tapio Palvelut Oy.

**Definition of strategic interest:**

*To ensure the availability of high quality forest seed material suitable for Finnish conditions for forest management purposes with due regard to the need to ensure long-term security of supply.*

## Ministry of Defence

### LEIJONA CATERING OY

**State ownership interest:** 100%

**Field of activity:** provision of catering services including other related business operations

**Definition of strategic interest:**

*To secure the operations of the Defence Forces by providing essential food services under all conditions.*



#### PATRIA PLC

**State ownership interest:** 50.1%

**Field of activity:** defence materiel manufacturing and other production supporting national preparedness as well as engagement in related or compatible business activities

**Definition of strategic interest:**

*To secure the operation of the Defence Forces by producing essential military materiel and services under all conditions.*

#### Ministry of Economic Affairs and Employment

#### FINGRID OYJ

**State ownership interest:** 28.2% (National Emergency Supply Agency 24.9%)

**Field of activity:** operation of the national grid as provided in the Electricity Markets Act and related system responsibility

**Definition of strategic interest:**

*To secure the performance and trouble-free operation of electricity transmission and the power system under all conditions.*

#### FORTUM CORPORATION

**State ownership interest:** 50.8% (listed)

**Field of activity:** generation, purchase, transmission, distribution and sale of electricity, heat and gas

**Definition of strategic interest:**

*To secure adequate supply of electricity also under emergency conditions.*

#### GASGRID FINLAND OY

**State ownership interest:** 100.0% (26.5% of shares and 50.2% of voting rights held directly by the State, the rest through Suomen Kaasuverkko Oy)

**Field of activity:** operation of the national transmission network as provided in the Natural Gas Markets Act and related system responsibility

**Definition of strategic interest:**

*To secure the performance and trouble-free operation of gas transmission and the gas distribution system under all conditions.*

#### GASUM CORPORATION

**State ownership interest:** 100.0% (26.5% of shares and 50.2% of voting rights held directly by the State, the rest through Gasonia Oy)

**Field of activity:** purchase, production, sale and distribution of gas as well as purchase and sale of electricity

**Definition of strategic interest:**

*To secure the supply of methane-based industrial raw materials and fuels for energy production with due regard to the maintenance of emergency stocks of critical supplies.*

#### MOTIVA OY

**State ownership interest:** 100%

**Field of activity:** provision of consultation, development, communications and training services as well as national and international project activities designed to promote sustainable development

**Definition of strategic interest:**

*To ensure impartial expert and project management services for promoting energy efficiency, renewable energy and resource efficiency.*



#### NESTE CORPORATION

**State ownership interest:** 44.7% (listed)

**Field of activity:** production of oil and gas; oil, energy and chemical industry, including trading

**Definition of strategic interest:**

*To secure nationwide fuel supply with due regard to the maintenance of emergency stocks of critical supplies.*

#### VAPO OY

**State ownership interest:** 50.1%

**Field of activity:** peat industry, production and sale of energy, growth media and processed peat products

**Definition of strategic interest:**

*To ensure the availability of domestic fuels for energy production under all circumstances with due regard to the maintenance of emergency stocks of critical supplies.*