



State ownership and ownership steering in Finland

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THE STARTING POINT

- Finland is a small, open economy
- Owning companies is not one of the essential functions of the State
- The ultimate aim of the Government in the long run is to own no companies
- Still there are some state-owned companies in Finland



WHY IS THE STATE OF FINLAND OWNER IN COMPANIES ?



- **No** nationalized industries
 - **No** “investor portfolio”
1. The state has made investments to support industrialization of the country or specific regions
 - heavy industry
 2. Parts of the state organization have been turned into state enterprises, then incorporated, then listed
 - utilities
 3. The state has organized certain specific tasks in corporate form
 - Often 100 % owned, sometimes state monopolies
 4. State ownership as a consequence of the banking crisis in late -90´ s
 - financing, real estate



STATE CORPORATE OWNERSHIP IN FINLAND TODAY

- The State of Finland is a significant Shareholder in **60 Companies**
- All of the same corporate form under the Companies' Act



STATE CORPORATE OWNERSHIP IN FINLAND TODAY

- **40 Companies** operate under market terms in a competitive business environment
 - **14 Companies** of these 40 are stocklisted
 - 11 of these 14 are delegated to a Holding Company
 - value of the listed portfolio appr. 16 600 million Euros
 - this corresponds to appr. 10 % of the market value of all Companies listed at the Helsinki Exchanges
 - under the administration of the Ownership Steering Department
 - total of annual dividends € 800 – 1 000 mio
 - privatization revenues appr. € 16.000 mio since 1994



STATE CORPORATE OWNERSHIP IN FINLAND TODAY

- **20 Companies** perform special tasks of the State, often with a monopoly position
- Under the administration of several Ministries



LAWS AND DIRECTIONS CONCERNING STATE-OWNED COMPANIES

- Companies Act
- Securities Market Act
- Act on State Shareholdings
- Specific laws on Companies with Societal Tasks
- Decision in Principle of the Council of State concerning State Shareholdings
- Statements by the Cabinet Committee on Economic Policy
- OECD Guidelines on Corporate Governance of SOE's
- The Finnish Corporate Governance Code for Listed Companies



ACT ON STATE SHAREHOLDINGS 2007

- The Act defines the competence of the Government and the Parliament when the State either acquires or sells shares
- The Act clarifies the competence of the Government plenary session (Council of Ministers) and the Ministry responsible for ownership steering.
- The Act specifies provisions concerning the sale of shares and reorganisation of business activities.



STATE OWNERSHIP POLICY

- Promulgated in the Decision in Principle by the Council of State
- No specific regulation, ownership and management strictly separated
- No political involvement, no political recruitments, no politicians on boards
- Ownership steering of companies operating on market terms centralised
- Active and pragmatic, market-oriented policy
- As transparent as possible



POLICY TARGETS

- Companies operating on market terms
 - Good dividend yield and increase of value
 - Expected to be profitable
- Companies with special tasks
 - Good overall social and economic result
 - Expected to take care of certain policy tasks (gambling monopoly, alcohol retail monopoly)



STATE OWNERSHIP AND COMPANY BOARDS (1/2)

- State exercises its shareholder rights at the AGM in the appointment of board members and auditors. Does not interfere in the board decision making
- The board is responsible for
 - strategic guidance of the company
 - monitoring the management
 - appointment and dismissal of the CEO
- Board members shall have the necessary authority and competences
 - experience
 - expertise
 - diversified skills
 - ability to work as a team



STATE OWNERSHIP AND COMPANY BOARDS (2/2)

- Nomination committees of Shareholders make proposals to the AGM
- No political appointments
- Preferably no employee representation
- No executive directors
- Target: at least 40 % women
- The board shall be
 - accountable to the owners
 - act in the best interest of the company
 - treat all shareholders equally
- Remuneration of board members shall be sufficient to attract good candidates



OWNERSHIP STEERING DEPARTMENT PRINCIPAL TASKS

- Established through reorganisation in 2007
- Ownership steering of the 37 market oriented Companies and 3 Companies with special tasks
 - 11 listed companies delegated to Holding Company
 - creation and continuous update of ownership strategies
 - continuous follow-up and analysis of the performance
 - execution of all transactions affecting the ownership
 - representation at AGM's
 - selected Board memberships
- Semi-annual reporting to Cabinet of Ministers
- Annual reporting to Parliament
- Assisting other Ministries in ownership steering of Companies with special tasks



WHY PRIME MINISTER'S OFFICE?

- Primary concern: separation of ownership steering and regulation
 - OECD Guidelines I.A!
- Ministry of Trade and Industry used to have a central role but it was responsible for
 - general industrial policy
 - energy policy
 - competition policy
 - industrial innovations policy
 - etc.
- Ministry of Transport and Telecommunication is the regulator of telecoms, railways, postal services etc.
- Ministry of Finance is responsible for a.o. taxation
- The Prime Minister's office is a “neutral” Ministry, with no regulatory tasks



HOWEVER

- The Prime Minister is not, himself, responsible for Ownership Steering
- Another Minister, with no conflicting regulatory tasks, is to be appointed to the Prime Minister's Office with responsibility for Ownership Steering
- The first Minister “with two hats” was the Minister of Defence, now it is the Minister for International Development



WHAT HAVE WE ACCOMPLISHED

- Separation from regulation
- One single implementation of the State's ownership policy
- One single line of decision-making
- Independence from other state organisations
- Coherent ways of everyday work
- Improved grip in strategy planning
- Much improved corporate analysis
 - better tools
 - we do not have to ask the Banks so often
- Improved contact with top management of the Companies
- Improved credibility on the financial market as responsible owner



ESTABLISHMENT OF SOLIDIUM OY

- A holding company established in late 2008, operative in spring 2009
- Wholly state-owned special assignment company
- Solidium's Board of Directors hand-picked by the Minister
- Ownership steering in the Ownership Steering Department of the Prime Minister's Office
- At the outset state shares in eight non-strategic listed companies were transferred to Solidium
- Now owns shares in eleven listed companies



RATIONALE FOR SOLIDIUM

- Opening way to strengthen and to stabilise domestic ownership in companies with national interest
- An independent market-based operator, not an instrument of industrial policy
- A vehicle that can operate quickly and in a flexible manner
- Outside of the state budget economy
- Increase the value of its holdings
- Enhance co-operation with other large shareholders
- Distribute its net earnings as dividend to the state owner



For further information please visit our website

www.stateownership.fi

