GOVERNMENT RESOLUTION
ON STATE-OWNERSHIP POLICY
13.5.2016

Making the balance sheet work – Growth-generating ownership policy

1. The role of the state owner in the national economy

The market capitalisation of state-owned companies in Finland is exceptionally high. According to the OECD, a comparison across Europe puts Finland at the top. There is a very diverse range of companies, and their paths to becoming state-owned companies have been many and varied. Many of these paths date back far in history, and the justifications for ownership no longer fully meet today's situation. There has been no owner-defined development path for state ownership, nor has there been a vision for the development of the companies. In practical terms, the expansion of state ownership has been dictated by necessity. Active development of ownership on the terms of the owner has not been carried out to a sufficient extent.

State ownership must be assessed from the perspectives of overall benefit to the national economy, development of the operations and value of the companies that are owned, and the efficient allocation of resources. In this assessment, it is appropriate not only to critically review the present position but also to consider in particular the changes and trends that are being felt across the entire world and thus in Finland too, and the new operating mechanisms emerging as a result from the perspectives of society, its citizens and various companies and organisations.

As considerable transformations are taking place, significant investments are needed to enable reform. State ownership is a tool that permits investments to be made and can ensure that the platform economy, for example, develops faster and enables more rapid development of new business.

State ownership may be particularly beneficial in the early stages of the emergence of new markets or when a sector is undergoing radical change, where experimentation with new methods and practices in the marketplace is needed. As the owner, the State can also influence the creation of business structures that have a chance of succeeding and of developing within the new kind of operating environment emerging from these radical changes and characterised by strong networking and global competition.

A justification for state ownership can be:

Natural monopoly or special assignment

In the case of a natural monopoly, the solution most efficient for the national economy is attained with a single actor. Due to the problems involved with regulation, the best monopoly solution is often a public monopoly. State-owned companies entrusted with special assignments have societal objectives related to some central function vital to society that is nevertheless most efficiently organised in a company form.

Financial interest

The State's property must be managed responsibly. A financial interest does not constitute permanent grounds for ownership. Instead, the capital committed to companies that are owned merely for a financial interest should be allocated at the best possible time to boost growth in the national economy more effectively. No limit is established by Parliament for the size of the holdings in companies of financial interest, and decisions regarding their ownership base may be made by the Government.

Strategic interest

State ownership is also justified in a situation where the State has a strategic interest related to the activities of the company. A strategic interest may relate to national defence, the security of supply, the maintenance of the infrastructure or the obligation to provide certain basic services. The strategic interest is defined by the ministries responsible for the related regulation.

Creation of something new

Active state-ownership policy can be used to support growth and employment, thus promoting the overall interests of society. Active ownership may be employed to contribute to the managed restructuring of Finnish business and industry and to support the development of society's activities and services, for example in the platform economy.

Defending Finnish ownership

The State, through its measures, aims to strengthen Finnish ownership. State ownership is one tool for securing Finnish ownership. Unlike investment activities, which characteristically pursue annual optimisation of revenue, this ownership aims at long-term growth of the company's value.

2. The State's goals as the owner

The Government Programme's vision for 2025 includes the following:

> "Finland is open and international, rich in languages and cultures. Finland's competitiveness is built on high expertise, sustainable development and open-minded innovations based on experimentation and digitalisation. We encourage renewal, creativity and interest in new ideas. Failure is acceptable and we learn from our mistakes.
>
> The public authorities make even difficult decisions together with Finnish people to ensure wellbeing. An open and positive attitude towards each other and the surrounding world makes Finland a unique, good country."

Attainment of the vision in the Government Programme requires that we ensure:

> state ownership becomes an active tool for renewal in society.

The implementation of the vision requires that we use state ownership steering as a means to improve the efficiency with which capital is used not only for activating existing ownership but also for creating new economic activity in Finland. A particular area of opportunity for the State in its capacity as an owner is the development of the platform economy. Investments in the platform economy may foster new private business and create opportunities for assuming a leading role in new areas. This, in turn, will contribute to the attainment of the Government's long-term employment objectives.

As an owner, the State seeks to maximise the overall financial and social benefit in the management of its assets. The financial result is made up of the long-term development of the companies' value and the distribution of profits combined with optimal efficiency in executing the special assignments. The social benefits are derived from due consideration of the social factors in the ownership policy and steering.

3. Changes necessary in the State's ownership strategy

The vision will not become reality by itself. The present way of doing things must be changed. The key to changing the strategy is the need to put the State's corporate assets, which are significant by European standards, to more efficient use, i.e. to make the balance sheet work. This requires changes in operating methods and structures. The key changes in the ownership steering strategy are:

Release capital for creating something new
Establish a business development company as a tool for renewal
An advisory council elected by Parliament to provide support in ownership steering
New ownership limit for securing strategic interest
Changes proposed to company-specific ownership limits
Corporate social responsibility as the core value of state-owned companies
Executive management and personnel of listed companies encouraged to engage in ownership
Executive severance packages to be reduced

Release capital for creating something new

As an owner and shareholder, the State should stake out evolutionary paths for the companies in which it holds interests in order to generate growth. Changes in ownership structure are also often needed. When it is no longer necessary, in terms of the economy as a whole, for the State to own a company to the present extent, capital can be released for creating something new. Renewal requires courage and also inevitably entails relinquishing something.

The State's corporate ownership balance sheet is so significant that the assets must be put to more efficient use to boost economic growth and employment. The premise for creating something new is the role of the State as an enabler. The decision to set out on something new always requires careful consideration and must underlie a sufficient decision-making threshold.

Using state ownership for creating something new is a workable solution only in particular cases. In certain cases the State, by means of public ownership or by creating new business, can reshape the marketplace, rectify market shortcomings or create growth for private business.

The aim in releasing capital is not the balancing of on-budget entities by reducing capital, but the reuse of the capital in order to attain faster growth more efficiently.

Establish a business development company as a tool for renewal

The task of the business development company will be to provide state-owned companies with an evolutionary path for their renewal and for the development of their ownership structure. The development company will be an actor such as Solidium Oy that is outside the on-budget entities. This arrangement makes it possible to use the released capital to generate new business, reinforce the capital base of the companies held in the development company's portfolio and implement corporate restructuring schemes more efficiently. The activities of the development company will not overlap with those of Finnish Industry Investment Ltd or Tekes Venture Capital Ltd, for example. Their tasks as economic and industry policy actors will remain unchanged.

In the first phase, shares of the following companies will be transferred to the business development company:

- Neste Corporation (interest in excess of 33.4% of the shares)
- Posti Group Corporation (interest in excess of 50.1%)
- Vapo Oy (interest in excess of 33.4% of the shares)
- Altia Plc
- Ekokem Oy Ab
- Nordic Morning Plc
- Raskone Ltd
- Arctia Ltd (interest in excess of 50.1%)
- Kemijoki Oy

The holdings will be transferred to the business development company as a capital contribution.

Administratively, this activity will be kept closer to political decision-making than is the case with Solidium Oy. The governance model and decision-making mechanism of the business development company are described in chapters 5 and 6

Parliamentary Advisory Council to provide support in state-ownership steering

The State's ownership policy involves a long-term approach that calls for a parliamentary commitment spanning several electoral periods. The change now proposed regarding state ownership is great. To ensure managed implementation and reinforce the role of Parliament in this context, it is proposed that a Parliamentary Advisory Council be established in the Prime Minister's Office for this purpose. It would serve in an advisory capacity, reviewing the Government's ownership policy, evaluating the general principles of ownership steering and more generally determining the limits of changes in government holdings for which parliamentary authorisations are required. The Advisory Council would not be consulted in relation to the actual business in which the individual companies are engaged.

New ownership limit for securing strategic interest

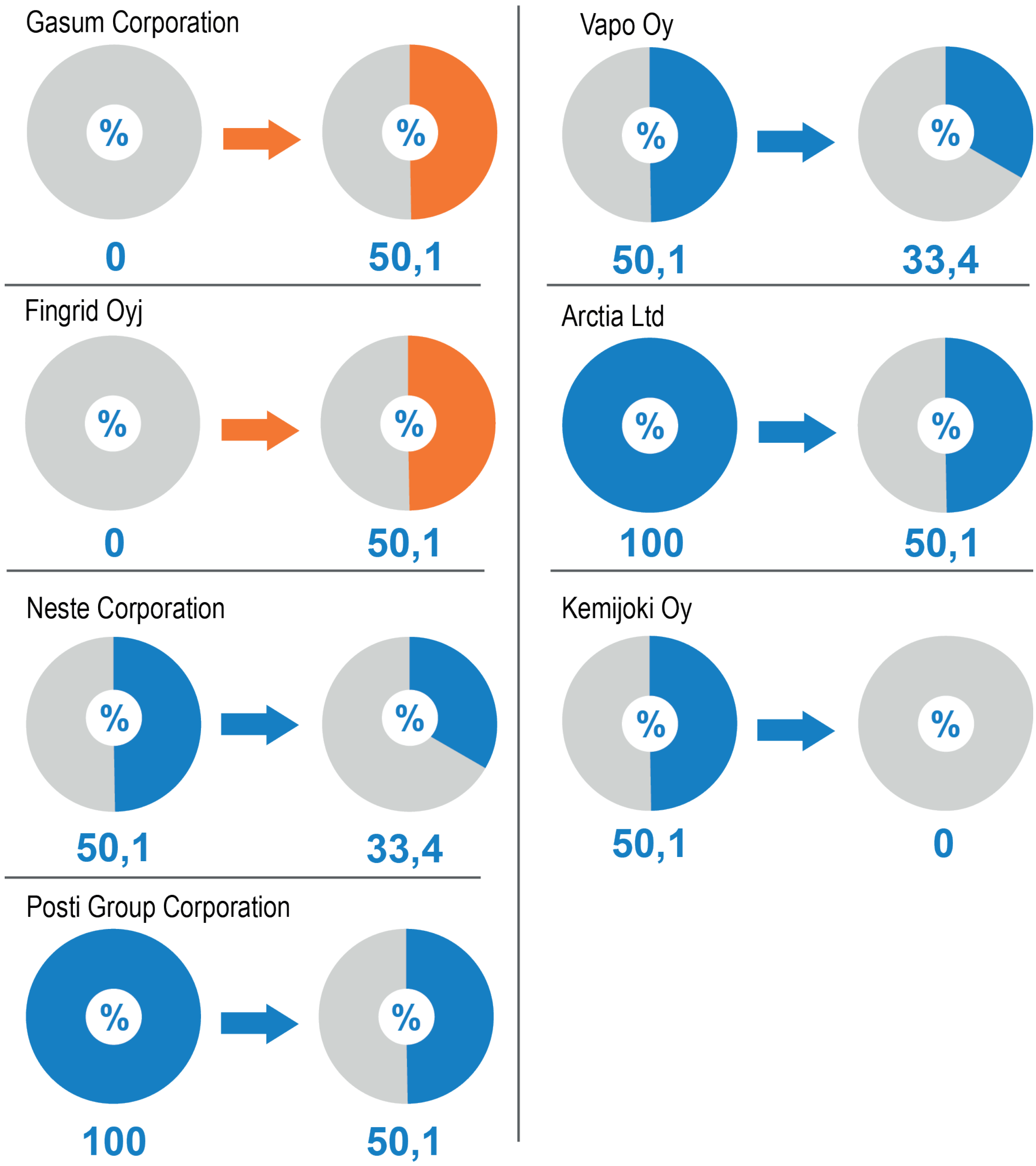
The State has major holdings in companies deemed to involve a specific strategic interest. To safeguard these interests, the State has opted either to own the entire share capital of these companies (100%) or to retain a controlling interest (50.1%). The limits of ownership and adjustments to these limits are determined by Parliament.

It is now proposed that the implementation of the lower limit of strategic interest be 33.4% instead of the present full ownership and majority interest. A shareholder whose votes cast or shares represented in a meeting exceed 1/3 has in practice the right of veto concerning the amendment of the articles of association, change of ownership stakes with respect to directed issue or other corresponding procedure, and concerning the merger, demerger and placing into liquidation of a company.

Changes to company-specific ownership limits

The company-specific limits of ownership are based on an assessment of the strategic importance of the companies. Appendix 1 describes the State interest in each company, its line of business, the ownership limit determined by Parliament and the specification of strategic interest.

The Government will propose to Parliament, in connection with the 2016 second supplementary budget hearing, the amendment of the ownership limits of the following companies:



The change of the ownership limit adopted by Parliament is not a decision to sell. The Government will decide separately on the possible sale of the interest in each company within the limits adopted by Parliament. With respect to Kemijoki Oy, a selling decision would require a shareholders' agreement.

In this context, the ministries responsible for ownership steering in respect of the various state-owned companies have been re-assessed. The goal is to boost the efficiency of ownership steering and to separate regulation and ownership steering as fully as possible.

In addition to the gambling company on which an earlier decision was made, ownership steering in respect of the following companies will, in future, be exercised by the Prime Minister's Office:

Finavia Corporation (from MTC)

Finnpilot Pilotage Ltd (from MTC)

Finnish Aviation Academy Ltd (from MEC)

The ownership steering of Finrail Oy is transferred from the Prime Minister’s Office to MTC.

Corporate social responsibility as the core value of state-owned companies

Values provide the foundation on which all decision-making is based. State-owned companies must set an example when it comes to value leadership and corporate social responsibility as part of the values determined for the company. Underlying this concept is the idea that the success of a company is largely determined by the success of the community in which it operates.

In a global economy, it is of great importance that state-owned companies adopt a long-term view in their efforts to enhance their competitiveness. Corporate social responsibility is an integral part of sustainable competitiveness. As a responsible corporate citizen, the company will contribute to the long-term development and renewal of society.

Corporate social responsibility should be reflected in, for example, the principle that taxes are paid to the country in which the profits are earned. Minimisation of taxes through the use of tax havens, for instance, is unacceptable.

Executive management and personnel of listed companie encouraged to engage in ownership

As a shareholder in listed companies, the State wishes to promote people’s capitalism by encouraging personnel to acquire shares in their employer companies. Similarly, the State urges the executives of listed companies to personally invest in the equities of the companies that they manage, for example in connection with recruitment and otherwise. This is a way of demonstrating commitment, an entrepreneurial spirit and confidence in the company’s growth and development.

Executive severance packages to be reduced

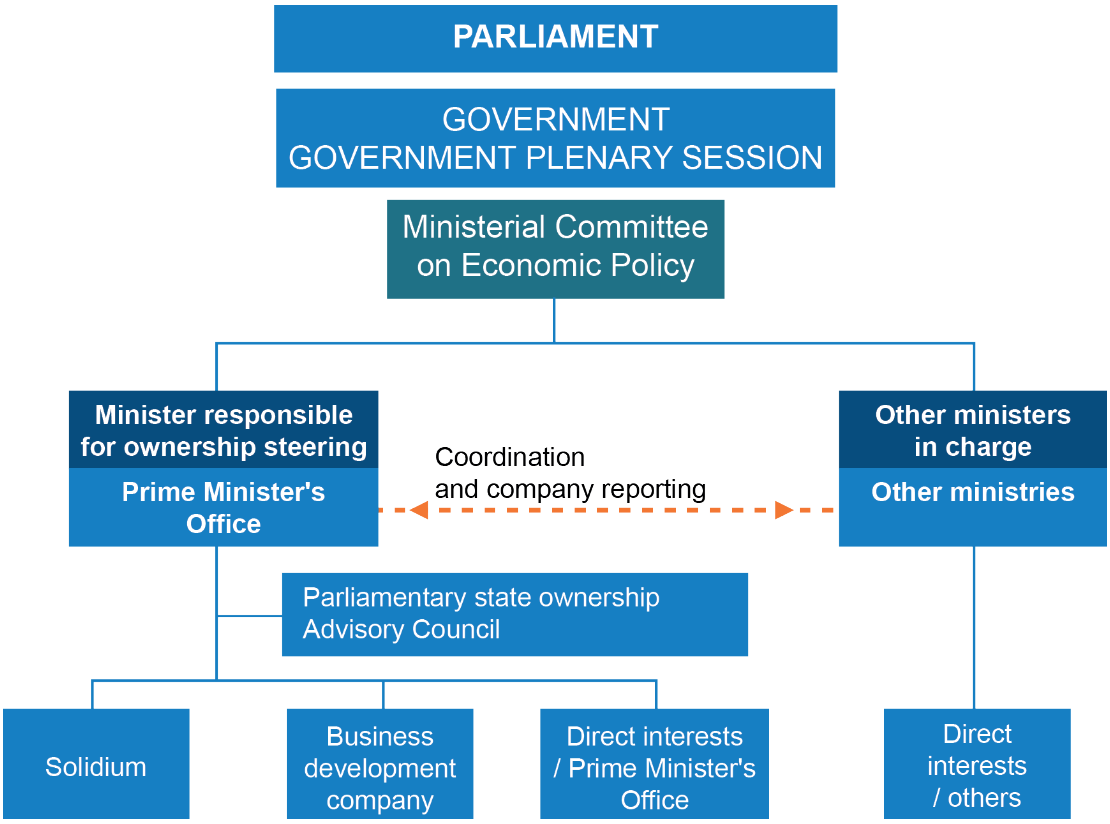
In the State’s view, the combined total of the severance package and pay for the notice period, in the case of future executive contracts of employment to be concluded by listed companies and comparable unlisted companies, should not exceed the total of 12 months’ regular pay. In unlisted companies, the remuneration should not exceed the total of 6 months’ regular pay.

4. Premise of the ownership steering

The State's actions as an owner are governed by the State Shareholdings and Ownership Steering Act (1368/2007, hereinafter 'Ownership Steering Act'). The Act applies to the activities of the State as an owner in all companies. The Act does not derogate from the provisions of the Limited Liability Companies Act or any other laws relating to companies. Differences between listed and unlisted companies in the context of ownership steering are due to the securities market legislation.

With regard to its ownership steering activities, the State adheres to the division of responsibilities and duties between a company's decision-making bodies and owners as provided in the Limited Liability Companies Act. The board of directors and members of the operating management have their own responsibilities, obligations and rights based on the Limited Liability Companies Act. In addition, good governance and the corporate governance recommendations valid at any time are applied to their activities.

5. Ownership steering: decision-making and organisation



The highest decision-making power on ownership steering policy is exercised by Parliament. The Government sets the key principles for ownership steering and ownership policy in the Government Programme. The government resolution on state ownership policy, in turn, provides guidelines for day-to-day ownership steering. Parliament and the Government work within the scope of the authority granted by the Ownership Steering Act.

Issues within the authority of Parliament and the Government and other significant decisions are subject to approval by the Ministerial Committee on Economic Policy. In addition, the Ministerial Committee on Economic Policy will issue guidelines and statements supplementing the resolution, when necessary. The State requires that companies in which it exercises control adhere to these statements and wishes that they are also applied in associated companies. A company's board of directors is responsible for the application of the guidelines and is responsible to the state owner for adherence to the guidelines.

The Ownership Steering Department at the Prime Minister's Office is responsible for the preparation of ownership steering policies and it coordinates collaboration between the ministries. Under all circumstances, decisions relating to ownership-policy decision-making are made by the minister responsible for ownership steering and the Government, while decisions relating to business operations are taken by the companies' own decision-making bodies.

In the case of commercially operating companies of strategic interest and financial interest, ownership steering and related regulation are kept separate from each other. In future, the State will exercise its shareholder control through the Government in four ways:

1 Solidium Oy will be responsible for the steering of listed companies where the State has a minority interest.

2 The relinquishment of shares of state-owned companies of financial interest or strategic interest, authorised by Parliament, will be steered through the business development company to be established.

3 The Prime Minister’s Office will be responsible for the ownership steering of commercially operating state-owned companies of strategic interest and state-owned special assignment companies with commercial interests, unless otherwise specified.

4 State special assignment companies charged with tasks central to securing society’s key functions and operating without commercial interests are steered directly by the ministry concerned.

Solidium will continue to hold a certain number of the current shares, it may decrease and increase their number and buy new shares in listed companies, as considered important for society. In companies owned by Solidium, the State has not only financial interests but also the interest of defending Finnish ownership. The governance model of Solidium Oy will not be changed.

A Parliamentary Advisory Council is to be set up in connection with the Prime Minister’s Office. The Advisory Council will serve in an advisory capacity, reviewing, for example, the Government’s ownership policy, evaluating the general principles of ownership steering and more generally determining the limits of changes in government holdings for which parliamentary authorisations are required. The duties of the Advisory Council will be specified later, and in any event in a manner that places company-specific matters outside the Council’s remit.

The fully state-owned companies may include a supervisory board, and state majority-owned companies an advisory council. Companies in which the State holds a minority interest will not, as a rule, have either body. Exceptions to this principle may be made only when the company’s interest so requires. The members of supervisory boards and councils will receive attendance fees.

Solidium	Business development company	Prime Minister's Office
Elisa Corporation	Altia Plc	Arctia Ltd (50.1%)
Kemira Oyj	Arctia Ltd (49.9%)	Boreal Plant Breeding Ltd
Metso Oyj	Ekokem Corporation	**Finavia Corporation***
Outokumpu Oyj	Kemijoki Oy	Finnair Plc
Outotec Oyj	Neste Corporation (16.7%)	**Finnpilot Pilotage Ltd***
Sampo Plc	Nordic Morning Plc	Fortum Corporation
SSAB	Posti Group Corporation (49.9%)	Gasum Corporation
Stora Enso Oyj	Raskone Ltd	Leijona Catering Oy
Talvivaara Mining Company Plc	Vapo Oy	Meritaito Ltd
Telia Company Ab		Motiva Oy
Tieto Corporation		Neste Corporation (33.4%)
Valmet Corporation		Patria Plc
		Posti Group Corporation (50.1%)
		Finnish Aviation Academy Ltd*
		Suomen Lauttaliikenne Oy
		Finnish Seed Potato Centre Ltd
		Suomen Viljava Oy
		Tapio Oy
		New gambling company*
		VR

*transferred from the ministries

6. Governance model of the business development company

The Government will make the strategic decisions on the ownership and development of the business development company's corporate assets. The division of responsibilities between the owner and the business development company's board of directors is provided for in the articles of association of the business development company and in the operational guidelines given to the company. The minister responsible for state ownership steering and the government plenary session will set the principles concerning the business development company's decisions and will decide on the authority of the board of directors of the business development company to increase and decrease ownership, approve the change of voting rights or create new business.

The task of the business development company is to make the capital invested by the State in the companies circulate more actively. The business development company may make investments in business deemed important for business restructuring and the overall development of society. Business purchases or sales of considerable quantity or significance will be discussed in the Ministerial Committee on Economic Policy. The business development company's decisions on corporate ownership will be made by the minister responsible for ownership steering and the government plenary session.

The cash flows of the purchases and sales of the business development company are outside the on-budget entities. The State budget provides for the required return of sales income to the State as returns of capital, dividends or in another suitable form and for the share remaining with the business development company for new investment activities. A new company established by the business development company or an investment in a company may remain in the ownership of the business development company if the aim is to give up or reduce the State's ownership after the development stage. If the business development company establishes or invests in a new state-owned company entrusted with special State assignments, this can be transferred as dividends or return of capital straight to the state ownership steering.

Appointment to the board of directors of the business development company will be based on personal expertise and in accordance with Government's objectives for gender equality. The minister responsible for ownership steering will provide the guidelines for appointing the board of directors of the business development company.

The business development company's decisions and authorisations on corporate ownership will be prepared and presented for the decision of the minister responsible for ownership steering and the government plenary session by the Prime Minister's Office. Correspondingly, matters regarding the ownership steering of the business development company and the companies owned by the business development company through which the State as a shareholder influences the companies' management and operating principles (including appointments to the board of directors) will be prepared and presented for decision-making by the Prime Minister's Office.

Governance model of the business development company

Parliament	• State Shareholdings and Ownership Steering Act • Parliamentary authorisation for shareholding • Budget decisions
Government plenary session Broad-based issues and important matters of principle	• Government resolution on state ownership policy • General principles and guidelines regarding the state ownership policy and ownership steering • Appointment of the Advisory Council for state ownership steering • Authorisation to the business development company for buying and selling shares and changing voting rights (including share issues and other recapitalisation) and for starting new business

Ministerial Committee on Economic Policy	• Preliminarily discusses important matters that are to be decided on by the government plenary session
	• Preliminarily discusses matters decided by the minister in charge, such as:
	    • Company-specific operational guidelines to be given to the business development company
	    • Selection of members to the board of directors of the business development company

Minister in charge	• Decisions on state shareholdings if the matter does not belong to the government plenary session • Ownership steering of the business development company, its general meetings and their preparation • Appointments to the board of directors of the business development company and portfolio companies • Transfer of a decision on a matter falling within the authority of the business development company to be done by the Government

Board of directors of the business development company	• Proposals to the Government on the increase and decrease of holdings, on the decrease of voting rights and on new business • Dividend and capital return proposals and borrowing authorisations to the Government • The company's decision-making (execution) regarding the above matters • Deciding on the organisation of the business development company together with the managing director

Parliamentary Advisory Council on state ownership steering
 	
Advice to the Government
	• Discusses, in an advisory capacity:
	  • the operating policy of the State's corporate holdings
	  • the principles of ownership steering
	  • the limits of parliamentary authorisation

The aim is to make the necessary amendments to the State Shareholdings and Ownership Steering Act. The act would provide for the authority of Parliament and the Government when acquiring and relinquishing control that the State has, and for the division of authority between the government plenary session and the ministry responsible for ownership steering and for the control of the ownership management companies.

7. Ownership steering means and content

Ownership steering will be based on independent owner-strategic influence and financial analysis, as well as preparation based on these two. Based on these, the State will comment on the company's strategic and financial matters, when necessary. The State will be an active owner. Through appointments to the boards of directors, it can be ensured that the state owner's goals are attained in the best possible way. When appointing public servants in charge of state ownership steering as members of the boards of directors of state-owned companies, it must be ensured that this will not result in the public servants being rendered disqualified to prepare decisions regarding the State's corporate holdings or other issues relating to exercise of ownership control and steering.

The company's board of directors and the management will be responsible for discussing with the significant shareholders matters related to the development of the shareholder value or otherwise important matters concerning the shareholders. The State as an owner will carry out active dialogue with the companies within the framework of legislation and with due consideration to the other shareholders.

The decision-making body central for ownership steering is the company's board of directors. Key criteria in proposing candidates for board membership include experience and expertise, assurance of the capacity for cooperation and diversity of competence, and compliance with the gender equality objectives established by the Government. The State will take steps to ensure equal representation of both sexes on the boards of state-owned companies. With board members appointed on proposal by the State, the preferred duration of the term is five to seven years.

The board appointments will be based on the company's needs. The Ownership Steering Department will be responsible for the separately specified selection process of the board members appointed on proposal by the State, which may rely on external expertise if necessary. The minister responsible for ownership steering always has the final decision-making power.

The common goal in the arrangement of the companies' administration and decision-making is the development and maintenance of good governance. The boards of directors of the companies are required, where applicable, to take into account the Finnish Corporate Governance Code of the Securities Market Association for listed companies and the OECD corporate governance recommendations.

The State considers it important that representation of the personnel and sufficient possibilities for the personnel to influence matters in the company's administrative bodies are secured in a way that enables local agreement. Further, it is considered important that state-owned companies set an example on local agreement. The state owner requires open interaction between the personnel and the management, adherence to labour market agreements and continuous, active development of personnel policy. The companies must ensure that representatives of both sexes have equal opportunities for career development.

8. Economic goals set for the operations of the companies

The goal of commercially operating companies must be activity based on profitable growth, which increases the shareholder value over a long period of time.

While the special assignment companies pursue certain societal interests defined by the State in its capacity as the owner, their financial operations can also be governed by business principles. When the objectives are established for state-owned companies entrusted with special State assignments, due consideration must be given to the nature of the special assignment involved and the associated costs. A number of these companies are governed by specific statutes that partly define the management of the state ownership policy and ownership steering.

In both commercial and special assignment companies, the result of the company is the responsibility of the management and the board, who make operating decisions within the framework of the Limited Liability Companies Act and the articles of association.

The companies' dividend payment and policy are of key importance to the State. The State values a dividend policy that is proactive and considers the company's financing needs and the shareholders' interests. The premise for this is a balance sheet structure that is comparable within the sector, a relatively even dividend flow where possible, and comparable net gearing.

Companies operating commercially and in a competitive operating environment must work under the same conditions as their competitors so that their ownership does not cause distortions in competition. In accordance with this goal of competition neutrality, state-owned companies and other companies active in the same sector must have operating principles, a financing structure and profit goals that are comparable.

9. Remuneration

Management and personnel remuneration serve as a tool for the company's board of directors in the attempt to attain the company's goals and long-term growth in its value. The Ministerial Committee on Economic Policy has outlined the remuneration for the management of state-owned companies in a separate statement. The new statement is included in this resolution on ownership policy and is presented in Appendix 2.

10. Corporate social responsibility

The state owner wishes to promote responsible business activity through ownership means, as it supports the building of the company's reputation and the growth of the shareholder value over a long period of time.

A statement on corporate social responsibility is included in this resolution on ownership policy and is presented in Appendix 3.

Appendices

Appendix 1: Company classification and strategic interests
Appendix 2: Remuneration
Appendix 3: Corporate social responsibility

Appendix 1

State shareholdings, parliamentary authorisations and the ministry responsible for ownership steering

Solidium	Ownership steering	State's present shareholding	Minimum level of shareholding
Elisa Corporation	PMO/Solidium	10.0%	0%
Kemira Oyj	PMO/Solidium	16.7%	0%
Metso Corporation	PMO/Solidium	14.9%	0%
Outokumpu Oyj	PMO/Solidium	26.2%	0%
Outotec Oyj	PMO/Solidium	14.9%	0%
Sampo Plc	PMO/Solidium	11.9%	0%
SSAB	PMO/Solidium	17.1%	0%
Stora Enso Oyj	PMO/Solidium	12.3%	0%
Talvivaara Mining Company Plc	PMO/Solidium	15.1%	0%
Telia Company Ab	PMO/Solidium	3.2%	0%
Tieto Corporation	PMO/Solidium	10.0%	0%
Valmet Corporation	PMO/Solidium	11.1%	0%
Total (12)			

Business development company	Ownership steering	State's present shareholding	Minimum level of shareholding
Altia Plc	PMO/Business development company	100%	0%
Arctia Ltd (50.1% directly at PMO)	PMO/Business development company	49.9%	0%
Ekokem Corporation	PMO/Business development company	34.1%	0%
Kemijoki Oy	PMO/Business development company	50.1%	0%
Neste Corporation (33.4% directly at PMO)	PMO/Business development company	16.7%	0%
Nordic Morning Plc	PMO/Business development company	100%	0 %
Posti Group Corporation (50.1 % directly at PMO)	PMO/Business development company	49.9%	0%
Raskone Ltd	PMO/Business development company	100%	0%
Vapo Oy (33.4% directly at PMO)	PMO/Business development company	50.1%	0%
Total (9)			

Prime Minister's Office	Ownership steering	State's present shareholding	Minimum level of shareholding
Arctia Ltd (49.9% in the business development company)	PMO	50.1%	50.1%
Art and Design City Helsinki Oy Ab[1)]	PMO	35.2%	0%
Boreal Plant Breeding Ltd	PMO	60.8%	50.1%
Finavia Corporation	PMO	100%	100%
Finnair Plc	PMO	55.8%	50.1%
Fortum Corporation	PMO	50.8%	50.1%
Gasum Corporation	PMO	100%	50.1%
Leijona Catering Oy	PMO	100%	100%
Meritaito Ltd	PMO	100%	100%
Motiva Oy	PMO	100%	100%
Neste Corporation (16.7% in the business development company)	PMO	33.4%	33.4%
Posti Group Corporation (49.9% in the business development company)	PMO	50.1%	50.1%
Patria Plc	PMO	100%	50.1%
Suomen Lauttaliikenne Oy	PMO	100%	100%
Mint of Finland Ltd	PMO	100%	50.1%
Finnish Seed Potato Centre Ltd	PMO	22.0%	0%
Suomen Viljava Oy	PMO	100%	100%
Tapio Oy	PMO	100%	100%
Vapo (16.7 % in the business development company)	PMO	33.4%	33.4%
VR-Group Ltd	PMO	100%	100%
Total (20)			

Special assignment company	Ownership steering	State's present shareholding	Minimum level of shareholding
A-Kruunu Oy	ME	100%	100%
Alko Inc	MSAH	100%	100%
Asset Management Company Arsenal Ltd[1)]	MF	100%	0%
CSC - IT Center for Science Ltd	MEC	100%	100%
Fingrid Oyj	MF	53.1% [2)]	50.1%
Finnpilot Pilotage Ltd	PMO	100%	100%
Finnvera Plc	Ministry of Employment and the Economy	100%	100%
Finpro Oy	Ministry of Employment and the Economy	100%	100%

Finrail Oy	MTC	100%	100%
Gasonia Oy	PMO	100%	100%
Governia Oy	PMO	100%	100%
Hansel Ltd	MF	100%	100%
HAUS Kehittämiskeskus Oy	MF	100%	100%
Horse Institute Ltd	MEC	25.0%	0%
Business development company	PMO	100%	100%
Municipality Finance Plc	ME	16.0%	0%
Gambling company (to be established)	PMO	100%	100%
Solidium Oy	PMO	100%	100%
Suomen Erillisverkot Oy	PMO	100%	100%
Finnish Aviation Academy Ltd	PMO	49.5%	0%
Finnish Industry Investment Ltd	Ministry of Employment and the Economy	100%	100%
Suomen Yliopisto-kiinteistöt Oy	MF	33.3%	0%
VTT Technical Research Centre of Finland Ltd	Ministry of Employment and the Economy	100%	100%
Finnish Fund for Industrial Cooperation Ltd	MFA	90.4%	50.1%
Terrafame Group Ltd	Ministry of Employment and the Economy	100%	0%
Tietokarhu Oy	MF	20.0% [3]	0%
Veikkaus Oy	MEC	100%	100%
Yleisradio Oy	MTC	100%	100%
Total (28)			

All total (65)

[1] In liquidation
[2] The State's share of votes 70.9%
[3] The 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
MEE Ministry of Employment and the Economy
MFA Ministry for Foreign Affairs
MoF Ministry of Finance
PMO Ownership Steering Department, Prime Minister's Office
MoE Ministry of the Environment

Ministry in charge of strategic interest

Ministry of Transport and Communications

ARCTIA LTD

State shareholding: 100%
Industry sector: provision of icebreaking, offshore and oil spill prevention and response services
Definition of strategic interest:
"The strategic interest is to secure winter navigation that meets the transport needs of Finnish business and industry."

FINNAIR PLC

State shareholding: 55.8%
Industry sector: airline
"Further development of Finland's position as a hub of international aviation."

MERITAITO LTD

State shareholding: 100%
Industry sector: maintaining and improving waterways
Definition of strategic interest (Ministry of Defence):
"The strategic interest is to provide hydrographic survey services related to the preparation and readiness of the Navy under all circumstances."

POSTI GROUP CORPORATION

State shareholding: 100%
Industry sector: messaging (including postal services) and logistics
"Provision of postal services throughout Finland"

SUOMEN LAUTTALIIKENNE OY

State shareholding: 100%
Industry sector: ferry and water transport services
Definition of strategic interest:
"To secure cable ferry and ferry services as part of the public road network."

VR-GROUP LTD

State shareholding: 100%
Industry sector: railway transport including track construction and maintenance
"To secure the continuity of sufficient railway transport."

Ministry in charge of strategic interest

Ministry of Agriculture and Forestry

BOREAL PLANT BREEDING LTD

State shareholding: 60.8%
Industry sector: plant breeding
Definition of strategic interest:
"The strategic interest is to secure the breeding of plant varieties suitable for the northern climate required for the functioning of the markets, retaining the ownership of the breeding material. The availability of the varieties is also important for security of supply."

FINNISH SEED POTATO CENTRE LTD

State shareholding: 22%

Industry sector: cleaning and maintenance of the seed material of potato varieties, production of basic and certified seed potato, packaging and marketing, representation and breeding of potato varieties

Definition of strategic interest:

“The strategic interest is the promotion of plant health and maintenance of security of supply by producing healthy seed potato material suitable for Finland’s conditions.”

SUOMEN VILJAVA OY

State shareholding: 100%

Industry sector: warehousing and handling services of corn and other products

Definition of strategic interest:

“The strategic interest is to secure the funtioning of the markets of warehousing and handling of corn in a competition-neutral way and the non-disturbance of tasks related to the security of supply of the food chain and the EU’s intervention activities.”

TAPIO OY

S**tate shareholding:** 100%

Industry sector: provision of services in the fields of bioeconomy and forestry; (expert services on forestry and bioeconomy, forestry publishing and seed production for forest trees). The company is an ‘in-house actor’. The strategic interest is related to the seed production of forest trees, which is carried out by Tapio Silva Oy, a wholly owned subsidiary of Tapio Oy.

Definition of strategic interest:

“The strategic interest is to secure seed material of forest trees suitable for Finnish conditions and of high quality, for the use of forestry, so as to consider the long-term security of supply.”

Ministry in charge of strategic interest

Ministry of Defence

LEIJONA CATERING OY

State shareholding: 100%

Industry sector: provision of catering services and other related business

Definition of strategic interest:

“The strategic interest is to secure the operation of the Defence Forces by producing the required catering services under all circumstances.”

PATRIA PLC

State shareholding: 100.0%

Industry sector: production catering to defence equipment industry and other production serving the defence capacity and carrying out business related to them or suitable in connection with them

Definition of strategic interest:

“The strategic interest is to secure the operation of the Defence Forces by producing necessary defence supplies and services under all circumstances.”

Ministry in charge of strategic interest

Ministry of Employment and the Economy

FINGRID OYJ

State shareholding: 53.1% (67.7%, if the State Pension Fund interest purchase of 2014 is included)
Industry sector: main grid business conforming to the Electricity Market Act and the related system responsibility
The ministry responsible for ownership steering: Ministry of Finance
Definition of strategic interest:
"The strategic interest is to secure the transfer of electricity and the functioning and non-disturbance of the electric system under all circumstances."

FORTUM CORPORATION

State shareholding: 50.8% (listed)
Industry sector: production, procurement, transfer, distribution and sale of electricity, heat and gas
Definition of strategic interest:
"The strategic interest is to secure the sufficiency of electricity production also under exceptional circumstances."

GASUM CORPORATION

State shareholding: 100.0%
Industry sector: procurement, transport, distribution and sale of natural gas and business aiming to increase the use of natural gas
Definition of strategic interest:
"The strategic interest is to secure the functioning of the gas transfer and gas system under all circumstances."

MOTIVA OY

State shareholding: 100%
Industry sector: provision of consultation, communication and training services related to energy saving and the promotion of the use of renewable energy sources, as well as national and international project activity
Definition of strategic interest:
"The strategic interest is to secure neutral expert services for the promotion of energy efficiency, renewable energy and resource efficiency."

NESTE CORPORATION

State shareholding: 50.1% (listed)
Industry sector: production of oil and gas, oil, energy and chemical industry and trade
Definition of strategic interest:
"The strategic interest is to secure nationwide fuel supply with due regard to security of supply considerations."

VAPO OY

State shareholding: 50.1%
Industry sector: peat industry, production and trade of energy, growth platforms and refined peat products
Definition of strategic interest:
"The strategic interest is to secure the availability of Finnish fuel for energy production under all circumstances."

Ministry in charge of strategic interest

Ministry of Finance

MINT OF FINLAND LTD

State shareholding: 100%
Industry sector: metal engineering industry
The State no longer has a strategic interest in the company.

Appendix 2

Remuneration

Significant changes

The companies will describe their remuneration policy at their annual general meetings and justify the realised performance bonuses	The management and personnel of listed companies are encouraged to buy shares in their own company
The total amount of variable remuneration has a maximum limit within which the company's board of directors decides on the short-term and long-term remuneration schemes	Executive severance packages will be reduced

Management and personnel remuneration is a tool of the company's board of directors that is used to seek growth in the company's value. When the company's management and personnel are remunerated for attaining goals that increase the company's value over a long period of time, their interest is aligned with the owner's interest. Well-planned remuneration is based on indicators relevant to the company and guides the activities in the desired direction.

State-owned companies must be able to hire management and personnel under competitive terms. State ownership cannot establish different rights or benefits for companies, nor can it impose extra requirements or restrictions compared to private actors. As an owner, the State always requires remuneration to be reasonable and fair.

This statement describes the State owner's framework for good remuneration policy. The statement applies to agreements concluded after its issuance.

This statement will not affect the board of directors' statutory obligations or its liability in respect of other shareholders, investors and the company's contracting parties. Thus, the significance of the statement varies according to the type of company involved:

In wholly state-owned companies, no exception may be made to this statement without the owner's prior approval.

Unlisted state majority-owned companies must follow the statement unless otherwise required by the common interest of shareholders.

In listed state majority-owned companies, boards of directors are required to take this statement into account within the framework established by the Limited Liability Companies Act, the Securities Market Act and the Finnish Corporate Governance Code issued by the Securities Market Association and included in the regulations of the Helsinki Stock Exchange.

For unlisted state associated companies and in listed associated companies under the ownership of Solidium Oy, this statement reflects the views of one major owner regarding fair and acceptable remuneration. The boards of directors of these companies will consider the statement as such.

The subsidiary or associated company of a special assignment company may meet the prerequisites for a commercial company, which can be taken into account in the remuneration policy.

The parties responsible for ownership steering of special assignment companies must see to it that the companies under their ownership steering adhere to these remuneration guidelines.

Role of the company's board of directors

The remuneration policy for the company's management and personnel is designed by the company's board of directors. As an owner, the State does not make decisions on remuneration. Authorisations to buy and relinquish the company's own shares necessary for share bonus plans are to be approved by annual general meetings.

Responsibility for the preparation of remuneration schemes must always rest with the chairman of the board of directors and the remunerations committee, if any. The premise for the decision-making is that only board members independent of the company may participate in decision-making on remuneration.

It is the responsibility of the companies' boards of directors that the companies publish the remuneration information according to the Limited Liability Companies Act and the Securities Market Act and the Finnish Corporate Governance Code of the Securities Market Association for listed companies.

The state owner expects that the boards of directors of the companies describe the company-specific remuneration policy in the annual general meetings and justify the managing director's realised performance bonus, as well as the performance bonus of the management group as a whole. The state owner requires that if a state majority-owned company has subsidiaries in which it maintains a majority interest, the remuneration of the management of these subsidiaries must be reported in the same way in the general meeting of the company directly owned by the State.

Within the framework of this statement, the board of directors of the company may create remuneration schemes for the company. In addition to fixed salary, the companies may use both management and personnel performance bonuses, which may be comprised of elements suitable for the needs of the company according to the best understanding of the board of directors.

The state owner considers it favourable that the company's board of directors takes into consideration key corporate social responsibility elements when establishing the remuneration criteria. When making decisions on remuneration, the board of directors must also take into consideration the effect of the decisions on the reputation of the company.

Remuneration of a company's board of directors

In the remuneration of the members of the board of directors, the State will adhere to the principles of openness, equity and market consistency. The State must be able to appoint competent people to the boards of directors of state-owned companies. When deciding on the remuneration of board members, the requirements imposed by the company's market situation and the international nature of the work carried out in the board and the requirement of increasing the shareholder value must be taken into account. In the State's view, the remuneration paid for board work is not pensionable income.

Fixed total salary

The fixed salary of the managing director and the members of the executive teams must be defined in terms of a total salary that includes all the benefits for which the employer incurs any expenses. Equipment and devices necessary in the work, such as information and communications devices and connections, are not considered to be part of remuneration and the expenses for these are not part of the total salary.

As an owner, the State's position is that supplementary pensions are not to be used as a form of remuneration. If the company has other owners, the company's board of directors will decide on supplementary pension. The supplementary pension payment that may exceed the level referred to in the Employees Pensions Act must be on a cash basis. The pension benefits must be based on the fixed monthly salary.

Variable remuneration

The goals that are the basis of performance bonuses to be paid in addition to the fixed total salary must be demanding and the beneficiary must be able to influence the attainment of the goal with his or her own contribution. According to the State's view, the aim in preparing share bonus plans must be such that they do not constitute pensionable work income.

Similarly, the State urges the executives of listed companies to personally invest in the equities of the companies that they manage, for example in connection with recruitment and otherwise. The State considers favourably remuneration plans where part of the bonus is paid as shares of the company. The State does not approve remuneration schemes that include stock options or other instruments that require the issue of new shares.

The maximum amount of variable salary that is considered acceptable varies by company group. Variable remuneration must also support long-term commitment.

Listed companies and comparable unlisted companies

The total amount of variable remuneration in line with the goals is at most 50% of the beneficiary's fixed annual salary each year. If the performance of the company and the beneficiary is exceptionally good, the total maximum amount of the payable remuneration may annually be at most 120% of the fixed annual salary.

When necessary, the Ownership Steering Department of the Prime Minister's

Office will identify the unlisted companies that are comparable to listed companies. At the time of issuing these guidelines, such companies are Altia Plc, Ekokem Corporation, Nordic Morning Plc, Patria Plc and Posti Group Corporation.

Commercially operating unlisted companies

The total amount of variable remuneration in line with the goals is at most 40% of the beneficiary's fixed annual salary each year. If the performance of the company and the beneficiary is exceptionally good, the total maximum amount of the payable remuneration may annually be at most 80% of the fixed annual salary.

Special assignment companies

The total amount of variable remuneration in line with the goals is at most 15% of the beneficiary's fixed annual salary each year. If the performance of the company and the beneficiary is exceptionally good, the total maximum amount of the payable remuneration may annually be at most 30% of the fixed salary.

When necessary, the Ownership Steering Department of the Prime Minister's Office will identify the special assignment companies comparable to unlisted commercially operating companies. At the time of issuance of these guidelines, such companies are Alko Inc, Finavia Corporation and the gambling company to be established.

All extra bonuses must be accompanied by conditions stipulating that, with a unilateral decision of the board of directors, they can be cancelled, delayed or adjusted if necessary.

Extra bonuses not based on performance may be justifiable in exceptional change and crisis situations if the company's interest requires that. However, the maximum amounts of performance bonus may not be exceeded as a result of such rewards. The company's board of directors will decide on such remuneration as part of the total remuneration of the management and personnel according to the interest of the company.

Rewarding must be accomplished fairly so that in addition to the management the rest of the company's personnel will also be rewarded either through personnel funds or otherwise.

The remuneration policy in the subsidiaries and associated companies of state-owned companies implements the principles of this statement, considering the company-specific needs in the decision-making, for example with respect to commercial aspects or a special assignment.

The managing director's severance packages are reduced

The pensionable age to be agreed in the director agreement must conform to the earnings-related pension legislation.

The terms on the termination and cancellation of agreement agreed upon in the director agreement must be reasonable. The State considers favourably a situation where the severance package never exceeds the fixed compensation conforming to the length of the non-competition restriction that may be agreed upon.

In the State's view, future executive contracts of employment to be concluded by listed companies and comparable unlisted companies should not specify levels of compensation where the pay for the notice period and the severance package combined exceeds the regular 12 months' pay. In unlisted companies, the compensation should not exceed the fixed salary of 6 months.

When necessary, the Ownership Steering Department of the Prime Minister's Office will identify the unlisted companies that are comparable to listed companies. At the time of issuing these guidelines, such companies are Altia Plc, Ekokem Corporation, Nordic Morning Plc, Patria Plc and Posti Group Corporation.

Appendix 3

Corporate social responsibility as the core value of all state-owned companies

Significant changes

New, separate statement on corporate social responsibility	Companies to report on their country-specific tax footprint, aggressive tax planning is not accepted
Companies to report to the annual general meetings on the attainment of measurable corporate social responsibility goals	

Values provide the foundation on which all decision-making is based. State-owned companies must set an example when it comes to value leadership and corporate social responsibility as part of the values determined for the company. Underlying this concept is the idea that the success of a company is largely determined by the success of the community in which it operates.

In a global economy, it is of great importance that state-owned companies adopt a long-term view in their efforts to enhance their competitiveness. Corporate social responsibility is an integral part of sustainable competitiveness. As a responsible corporate citizen, the company contributes to the long-term development and renewal of society.

In its decision-making, a company must take into account the economic factors and the social and environmental impacts of its activities. Representation of the personnel in the company's administrative bodies must be secured in a way that enables company-level agreement.

Adherence to the operating principles defined on the basis of sustainable development is monitored and, when necessary, corrective action is taken. The companies must be able to serve as good corporate citizens in all countries where they operate.

Requirements for companies

As an owner, the State expects companies to closely integrate corporate social responsibility into their business operations and efficient CSR management based on the identification of the issues essential to the company. The company's board of directors is responsible for organising the CSR management and for integrating it into the company's business operations.

Wholly state-owned and state majority-owned companies will, at their annual general meetings, report on the attainment of the measurable corporate responsibility goals they have set, on the measures taken to attain these goals and on the goals set for the following years. Similarly, the state owner requires the companies to report on corporate social responsibility in their annual reports. This reporting should be made a more integral part of the other business reporting of the companies.

As part of the corporate social responsibility reporting, the state owner requires that the companies report on their tax footprint on a country-specific basis. The basic principle is that taxes are paid to the state to which they are due based on the business transacted. Aggressive tax planning is not accepted. Aggressive tax planning refers to the use of artificial functions or structures that aim at completely tax-free situations, or to transfer mispricing, where profits are shifted into countries with low tax rates in violation of the valid transfer price provisions.

On 1 October 2014, the Ownership Steering Department issued guidelines for state majority-owned companies for reporting taxes country-by-country. Uniform guidelines for tax reporting will be prepared under the supervision of the Ownership Steering Department for all state-owned companies, taking into account the requirements of the European Commission.

The companies must take human rights into account in a responsible and transparent way in both their own activities and in their subcontracting chains in accordance with the UN Guiding Principles on Business and Human Rights. Interest groups must have a reliable way to bring any possible violations of human rights to the company management's attention.

As part of the identification of issues essential to the company, the companies must identify the corporate social responsibility risks both in their own activities and in their value chain and incorporate these risks into their risk management system.

In the best case scenario, responsible business operations will open new business opportunities that the companies should make use of.

Best practices

The state owner considers it favourable that companies utilise internationally recognised guidelines and principles for corporate social responsibility in their activities. These include, for example, the OECD Guidelines for Multinational Enterprises, the UN Global Compact initiative, the ISO 26000 Social Responsibility Guidance Standard and the UN Guiding Principles on Business and Human Rights.

To implement the UN Agenda for Sustainable Development (Agenda 2030), the Finnish Government is preparing a national action plan for sustainable development. Society's Commitment to Sustainable Development is one of the means of implementing the action plan and constitutes Finland's national policy for sustainable development, while also serving as a practical tool. The State considers it favourable that the companies utilise Society's Commitment to Sustainable Development and establish their own commitments as appropriate with regard to their business needs and requirements (*ym.fi/sitoumus2050*, *vnk.fi/kestavakehitys*, *kestavakehitys.fi*).

The action plan for sustainable development includes eight shared objectives, which are equal prospects for wellbeing, a participatory society for citizens, sustainable work, sustainable local communities, a carbon-neutral society, a resource-wise economy, lifestyles that respect the carrying capacity of nature, and decision-making that respects nature.