



Ministerial Committee on Economic Policy, 15 September 2016

OPERATIONAL GUIDELINES GOVERNING SOLIDIUM

1. State's corporate holdings

Based on a resolution on State Ownership Policy, approved by the Government on 13 May 2016, the State seeks to maximise the overall financial and social benefit in the management of its corporate assets. The financial result is made up of the long-term development of the companies' value and the distribution of profits. 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 given time are applied to their activities.

2. Ownership premises

These operational guidelines governing the activities of Solidium are based on the following premises:

- Solidium is a Finnish anchor owner with ownership in companies of national importance.
- Solidium has both the right and the obligation to develop its holdings. Decisions on investment and divestment must be financially justified.
- Solidium shall, when so decided, be capable of providing capital to its portfolio companies and participating in their share issues or other financial arrangements in proportion to its holdings at the time.

Solidium does business according to financial criteria in such a manner that decisions are made by the company's Board of Directors on the basis of the latter's joint authority. The Board must keep the owner informed in the manner referred to in these guidelines.

If the State has a justified reason to allocate investments or duties to Solidium, which the company's Board does not regard as justified, the minister responsible for ownership steering may convene a General Meeting to decide on the basis of the policies of the Ministerial Committee on Economic Policy.

Solidium must take account of the returns expected by the State. Since the dividend income received by the company shall, as far as possible, be remitted to the State in full, its corporate governance must be cost efficiently managed.

3. Solidium's mission

Solidium is a limited company fully owned by the State of Finland. It mainly holds non-controlling interests in listed companies whose head offices are primarily located in Finland. Although Solidium focuses on listed companies, its policy also allows non-controlling interests in companies preparing their initial public offering.

Solidium is a national holding company that ensures, either by itself or with partners, that companies important to Finland are, to a sufficient extent, under Finnish ownership. The aim of Solidium's activities is to further the development and growth of the companies it owns through means associated with active ownership, with a view to outperforming benchmark companies.

Solidium may reduce its holdings, or increase them when necessary. Solidium's operating model is nevertheless based on a long-term ownership policy; the company does not therefore seek speculative, short-term holdings. The companies partially owned by Solidium are primarily individual interests. Hence, in the short term, they do not necessarily constitute an investment portfolio that has been carefully considered from a risk-return perspective. In the long term, however, attention should be paid to the risk-return ratio of the structure constituted by the holdings.

Solidium is a toolkit of the State, intended to strengthen and stabilise Finnish ownership of listed companies. To this end, the company may rearrange its interests in such a way as to be a shareholder in several companies and the objective of its holdings will be to establish stability rather than control. In such a case, the general aim would be a minimum of 10% and a maximum of 29.9% of the shareholding and votes.

Solidium is not an economic or industrial policy actor. Instead, the companies owned by Solidium shall play an important role in the Finnish economy as a whole. The active ownership practised by Solidium aims at the development of its companies and thereby making a positive contribution to the national economy, employment and companies' growth. Solidium shall take the national interest into consideration in its activities, but always act on market terms.

Most of the companies owned by Solidium are either highly international or becoming more international. Some investments in these companies and the capital assets thereof may thus focus on functions located abroad. In such cases, Solidium shall take account, in its own activities, of the international frame of reference of the companies it owns and participate, where necessary, in international expansion by the means at the shareholder's disposal.

Solidium shall contribute, through active participation with other important shareholders, in activities such as the companies' elections of board members and other issues important to the operation of companies belonging to shareholders.

4. Company's Board of Directors and its duties and powers

The company and decision-making bodies shall act in accordance with the provisions of the Limited Liability Companies Act, the decision-making powers specified in the Limited Liability Companies Act, and in compliance with the Articles of Association in force at any given time.

Solidium has a Board of Directors consisting of between five and seven members. According to Solidium's Articles of Association, the Board shall include a minimum of three and a maximum of eight members.

The Chair of the Board of Directors shall play a major role in the company. It is essential that he or she has long-standing experience of the work of a Chief Executive Officer in a listed company or a Managing Director in a similar environment, as well as solid experience of board work and also, preferably, experience of serving as a board chair.

The general guidelines governing the operations of Solidium may be further specified through decisions by the minister responsible for ownership steering, which shall be based on the policies of the Ministerial Committee on Economic Policy. Solidium's own operations and target companies within the framework enabled by the shareholding shall comply with the general ownership steering principles confirmed by the Government. The company's ownership behaviour shall comply with the national, recommended guidelines for good corporate governance. In all its activities, the company shall, without exception, comply with all regulations and best practices concerning securities markets.

As sole owner, the State may, if it so desires, hold Solidium's General Meeting in situations specified in the Limited Liability Companies Act and in the Articles of Association. The owner may also decide on a matter falling within the scope of the joint authority of the Board; correspondingly, the company has the right to refer such a matter to the owner, for the owner's consideration.

4.1. Dividend and disbursement policy As far as possible, the dividend income received by the company shall be remitted to the State in full, so that it can be managed cost efficiently. Funds resulting from the sale of shares shall mainly be used for new investments or to strengthen current shareholdings. The owner may also decide on disbursements that are higher or lower than this.

4.2. Corporate Governance: Solidium shall, to the extent enabled by the shareholding, comply in its capacity as an owner with the basic policies and remuneration.

4.3. Authority to borrow Solidium may operate in a more financially efficient way if its activities are based on investments partly made using loan capital. Solidium's debt-equity ratio may not exceed 40%. The company's Board of Directors shall seek the authorisation of the owner if the debt-equity ratio exceeds 20%.

