



Operational guidelines of the State Business Development Company (Vake Oy)

The Companies' Act, the Securities Market Act, and the State Shareholdings and Ownership Steering Act apply to the State Business Development Company (a.k.a. business development company). These operational guidelines provide detailed instructions on the business development company's operations and its decision-making principles.

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

As an owner, the State should use its ownership as a means of creating active renewal in society. The State's capital assets in corporate ownership are so significant that the assets must be put to more efficient use to boost economic growth and employment. The use of capital will be stepped up by means of State ownership steering not only to activate current assets but also to generate new economic activity in Finland.

The premise for creating something new is the role of the State as an enabler in situations where a market-based solution would be insufficient. In this respect, the platform economy, in particular, provides opportunities for state-owned companies. By making investments in the platform, the State helps the economy develop faster and enables more rapid development of new business. This, in turn, will help achieve the Government's long-term employment objectives.

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. 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. 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.

The division of responsibilities between the owner and the board of directors of the State Business Development Company is specified in its articles of association and in the operational guidelines given to the company.

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

- Neste Ltd and Vapo Ltd, amounting to 16.7%. These shares will be transferred to the company in early 2017, as soon as the new State Shareholdings and Ownership Steering Act has been amended, a new limit of 33.4% for ownership has been set, and Parliament's approval has been secured for the transfer of shares.

- 49.9% of the shares of Posti Group Ltd; 49.9% of those of Arctia Ltd; and 50.1% of those of Kemijoki Ltd; and 100% of the shares of Raskone Ltd, Altia Ltd and Nordic Morning Oyj. (Ekokem Ltd's 34.1% share of ownership was transferred to Vake Ltd in late August 2016, after which the shares were sold to Fortum Ltd under commercial terms previously agreed.)

A prerequisite for all transfers is that the auditors have approved the value of assets being transferred as a capital contribution and that the companies being transferred have no agreements with external parties preventing said transfers.

3. Purpose of the business development company

The purpose 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. The task of the business development company is also to provide state-owned companies with an evolutionary path for their renewal and for the development of their ownership structure. The activities of the development company do not overlap with those of Finnish Industry Investment Ltd, Tekes Venture Capital Ltd or Solidium Oy.

The business development company is tasked with seeking growth in the value of the companies it owns. It must also be prepared to release in a controlled manner the shares it holds in companies. 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.

4. The company's position in government decision-making

The Government makes the decisions on the ownership and development of the business development company's corporate assets.

The government in plenary session sets the general principles and operational guidelines for the business development company's decisions on state ownership policy and ownership steering.

The Prime Minister's Office submits the following matters involving the business development company for the government plenary session's consideration and decision-making:

- Increase or decrease shares
- Changes to voting rights
- Creating new business (including establishment of companies)
- Capital investments and investments in shares by the business development company

The board of the business development company prepares and presents all proposals for decision-making by the Prime Minister's Office. The board of the business development company drafts dividend and capital return proposals to the owner and borrowing authorisations to the Government. All matters submitted for decision-making by the Government plenary session are first handled by the Ministerial Committee on Economic Policy.

5. Composition of the board of the company

When engaged in active operations, the business development company has a board of directors consisting of six members. Appointment to the board of directors of the business development company is based on personal expertise and on the Government's objectives for gender equality. Unlike other state-owned companies, the Ministerial Committee on Economic Policy prepares the appointment of the board members of the business development company. The minister responsible for ownership steering has decisive influence in appointing the board of directors of the business development company.

A key criterion in proposing candidates for board membership is wide-ranging expertise. The board members may have experience in the business sector, societal opinion-forming, public administration or research. When appointing external experts, consideration must be taken of their ability to bring forth ideas for projects of social significance, particularly with respect to the platform economy, including the assessment of such ideas. Decisions on the remuneration of the members of the board of directors are taken by the general meeting of the business development company.

6. Governance and resources of the business development company

The business development company's organisation must be as slim as possible. Financial administration services shall be purchased as an outsourced service. The business development company shall rely on the expertise of the Ownership Steering Department at the Prime Minister's Office in the steering and preparation of decisions related to the companies under the business development company's ownership. The resources of the Government Ownership Steering Department can also be applied to other work undertaken by the business development company. The Government Ownership Steering Department of the Prime Minister's Office shall be in charge of the ownership steering of companies owned by the business development company. Ownership steering of the business development company itself shall be kept separate from ownership steering of the business development company's corporate ownership.

Temporary resourcing needs may emerge if the business development company makes investments in new companies or new business activities are established. In such cases, adequate human resources shall be allocated to each project separately without hiring resources directly into the business development company.

New operative management staff is hired for a company as necessary, but only when the scope of operations becomes so extensive that resources for coordination become necessary.

7. Investments and principles for profit released to income by the business development company

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 relinquish or reduce the State's ownership after the development stage. Where necessary, parts of the ownership of the business development company can be transferred under the direct control of the State.

Decisions on dividends and return of sales within the scope of on-budget entities and on the share remaining with the business development company for new investment activities are always taken annually on a case-by-case basis in the national Budget.

8. Financial reporting to the owner

The Government Ownership Steering Department drafts reports on the business development company's developments and its corporate ownership developments. For this purpose, the business development company shall submit the necessary information to the Government Ownership Steering Department. The reports are annexed to the normal biannual financial reports published by the Ministerial Committee on Economic Policy, with reports on major events being submitted separately.

Besides ordinary basic financial information, reporting serves to supply the owner with information enabling it to review compliance with strategic terms and conditions.

Such reporting includes the following:

- Company-specific profit and loss statement and balance sheet
- Accumulated sales revenues and profits
- Investments made
- Ownership developments
- Company-specific comments and views

The Government Ownership Steering Department of the Prime Minister's Office proposes that

- **The Ministerial Committee on Economic Policy support the approval of the operational guidelines of the State Business Development Company (Vake Oy).**

A decision on the approval of the operational guidelines be made by Government in plenary session.