

## **A good governance model in special assignment companies and their ownership steering**

A company and its various units practise corporate governance, while the owners exercise ownership steering. Together these two form the framework of a good governance model. A good governance model is a precondition for profitable and effective operations over the long term.

In state majority-owned companies with special assignments, the state owner pursues social objectives. These companies either carry out certain duties assigned to them by the state or, because of an exemption granted to them, they do not primarily operate on market terms and their steering is first and foremost based on achieving objectives related to their special assignments. Ownership steering has been decentralised to six ministries with a key interest in the relevant sector and one agency. The Ownership Steering Department in the Prime Minister's Office, which handles centrally the ownership steering of state-owned companies operating on market terms, also exercises ownership steering in three special assignment companies with a state majority. Ownership steering refers to measures by which the owners, either directly or through their representatives, influence the operations and development of the company.

In addition to the units that exercise ownership steering, the audit also covered 18 state majority-owned special assignment companies, which in 2011 had a total turnover of approx. EUR 4 billion, a balance sheet total of about EUR 11.5 billion and some 7,000 employees. The state majority-owned special assignment companies and other state-owned assets are managed using the means and tools of ownership steering, in compliance with the principles set out in the State Ownership Policy. A new government usually approves the objectives and procedures of its ownership policy in the form of a government resolution. The most recent Government Resolution on State Ownership Policy was adopted by Prime Minister Katainen's government on 3 November 2011.

The conclusion of the audit was that the Government Resolution on State Ownership Policy has established its position in ownership steering. The principles and procedures of ownership steering outlined in the Government Resolution have been appropriately implemented. There are slight differences between the modes of monitoring and supervision car-

ried out by the ministries and agencies in charge of the steering as part of their ownership strategies and the company-specific ownership strategies do not always support the continuity of ownership strategy work and accountability in all parts. To eliminate this problem, the ownership strategy and any modifications made to it should be in writing, and the ownership strategy document should state who adopted the strategy or the modification and when.

Ownership steering exercised by the state is on a competent basis and the Government Resolution on State Ownership Policy has established itself as a recommendation that can be drawn upon in ownership steering and complied with in procedural matters. On the other hand, the setting up of working groups for the electoral period between the Department of Ownership Steering and ministries with a key interest in the relevant sector called for in the Resolution has progressed slowly. All ownership steering units have engaged in ownership strategy work, allowing them to take a stand on the strategic and financial issues of the companies when necessary.

As a whole, ownership steering is well-organised and it works appropriately. Contacts related to ownership steering between the ministries or agencies responsible for ownership steering and the relevant companies are on a regular and pragmatic basis and they are adapted to the issues and contexts in question. The ownership steering of special assignment companies presents few problems.

The company-specific ownership strategies do not always support all aspects of the continuity of ownership strategy work and accountability. The company-specific ownership strategy should be a key guidance tool that sums up the goals of ownership policy in concrete terms. On one hand, it guides the actions of the state owner and, and on the other, it is updated in response to changes in the operating environment and as a result of the actions of the state owner and the company. However, the Government Resolution on State Ownership Policy or other guidelines on ownership steering do not address the content or form of the ownership strategy work carried out by the ministry or agency responsible for the steering, or any needs to update the strategy.