



Finnish Corporate Governance

Risto Murto, Varma

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VARMA

My background

- CEO of Varma Mutual Insurance Company
- Board Member in Sampo and Vice-Chair in Wärtsilä
- Previously Chair of University of Oulu, board member in Nokian Tyres, among others
- Memberships in Nomination Committees, currently chairing Terveystalo and member of YIT, Metso Outotec, Kojamo, Huhtamäki
- Chair of Security Market Association

List of Nomination Committees in which Varma participates

- Atrium Ljungberg AB, Fortum Oyj, Huhtamäki Oyj, Kojamo Oyj, Metso Outotec Oyj, Terveystalo Oyj, YIT Oyj, *Risto Murto*
- Elisa Oyj, Stockmann Oyj Abp, Wärtsilä Oyj , *Markus Aho*
- Aspo Oyj, Glaston Oyj, Outokumpu Oyj, Oriola Oyj, *Pekka Pajamo*
- Alma Media Oyj ,Atria Oyj, Componenta Oyj, Finnair Oyj, Neste Oyj, Raisio Oyj, Robit Oyj, *Timo Sallinen*
- HKScan Oyj, Tokmanni Group Oyj, Uponor Oyj, *Hanna Kaskela*
- Verkkokauppa.com, *Erkka Kohonen*

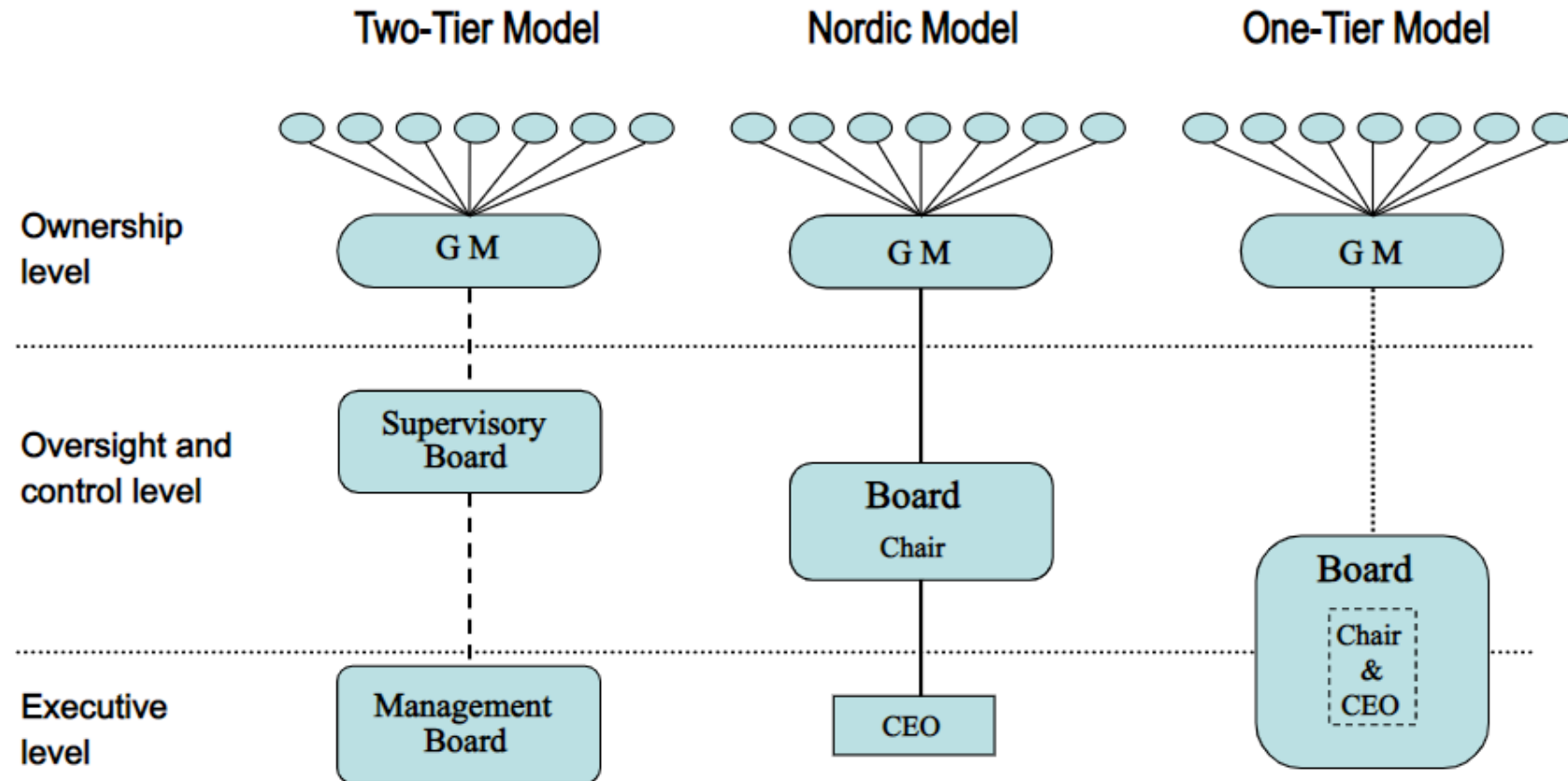
Nordic corporate governance – strong owners

- Strong general meetings powers
- Block owners
 - Finland: state
 - Sweden: families, spheres
 - Denmark: foundations
- Boards powerful
 - Shareholder based nomination committees
 - Owners in the boards

Case of Denmark

- Foundation-owned firms¹ are common in Northern Europe, where they include world-class companies such as Bertelsmann, Heineken, Ikea, and Robert Bosch. In Denmark, where they are particularly numerous, **industrial foundations control a quarter of the country's 100 largest corporations and 60 percent of its stock market capitalization.** These companies operate in a broad range of industries and include such internationally prominent companies as A. P. **Møller-Maersk** (the world's largest container shipping company), **Carlsberg** (the world's fourth largest brewery group), **Novo Nordisk** (the world's 16th largest pharmaceutical company, chosen by the Harvard Business Review as having the best-performing CEO in the world for 2015), and William Demant (one of the world's foremost producers of hearing aids, and European Company of the Year for 2003). *Source: Henry Hansmann, Steen Thomsen (2021)*

Different Corporate Governance Models





Source:
Lekvall 2008.

Uniper – Supervisory Board

- The shareholder representatives are Markus Rauramo, Dr. Bernhard Günther, Prof. Dr. Werner Brinker, Judith Buss, Esa Hyvärinen and Nora Steiner-Forsberg.
- The employee representatives are Harald Seegatz, Diana Kirschner, Holger Grzella, Victoria Kulambi, Magnus Notini and Immo Schlepper.
- 12 members, of which 6 shareholder representatives and 6 employee representatives
- Of 6 shareholder representatives 3 are from Fortum, which own around 75 % of the Company

Rolls Royce – the Board

Position	Board skills and competencies	Key external appointments
 ANITA FREW Chair of the Board Chair, Nominations & Governance Committee Appointed to the Board on 1 July 2021 and as Chair on 1 October 2021	Anita brings a wealth of extensive leadership and global experience from two decades of board appointments in industrial manufacturing and financial services companies, both in the UK and internationally. Together with her skills and reputation with investors and government institutions, her broad knowledge of strategic management across a range of sectors is invaluable to the Board and the Group as a whole.	Current – Croda International plc, chair – Prime Minister's Business Council, member Past – BHP Group plc, non-executive director (2015 to 2021)
 WARREN EAST CBE Chief Executive Appointed to the Board on 1 January 2014 and as Chief Executive on 3 July 2015	Warren is a chartered engineer and has an outstanding record as a chief executive. He has a deep understanding of technology and developing long-term partnerships. He has proven strategic and leadership skills in a global business and a strong record of value creation. Warren harnesses the Company's world-class engineering skills and its proud record of innovation and delivery.	Current – ASML Holdings N.V., member of the supervisory board Past – ARM Holdings plc, chief executive (2001 to 2013)
 PANOS KAKKOULIS Chief Financial Officer Appointed to the Board on 3 May 2021	Panos has over 30 years' experience working with a wide range of significant multinational corporations in a wide range of sectors, leading audits and advising on M&A transactions and turnarounds. Delivering significant transformation programmes throughout his career at Deloitte, he brings strong leadership and an appetite for innovation, collaboration and simplification.	Past – Deloitte LLP, various partner and leadership roles (1989 to 2019)
 PAUL ADAMS Independent Non-Executive Director Appointed to the Board on 11 March 2021	Paul has extensive industry experience, specifically in engine manufacturing. He has a passion for engineering and has broad, sector-specific operational and safety experience. His industry focus is undoubtedly a great asset to both our Safety, Ethics & Sustainability Committee and our Science & Technology Committee.	Current – Actara Resources, Inc., board member – OC Oerlikon Corporation AG, Pfaffikon, board member Past – Aerion Corporation, board member (2018 to 2021) – Precision Castparts, chief operating officer (2018 to 2018) – Pratt & Whitney, various executive roles (1999 to 2016)
 GEORGE CULMER Independent Non-Executive Director Appointed to the Board on 2 January 2020	George has a strong track record as a senior finance professional with significant experience gained in large, international, highly regulated groups and has proven business leadership credentials. With this experience, together with his strengths in change leadership and transformation gained from within complex groups, George makes a significant contribution to the Board.	Current – Aviva plc, chairman Past – Lloyds Banking Group plc, chief financial officer (2012 to 2019) – RSA Insurance Group plc, group financial officer (2004 to 2012)
 IRENE DORNER Independent Non-Executive Director Chair, Remuneration Committee Employee Champion Appointed to the Board on 27 July 2015	Irene draws on considerable risk management and human resources experience as Chair of the Remuneration Committee. As a passionate advocate of diversity and inclusion, Irene has embraced the role of Employee Champion and ensures the views of the workforce are properly reflected in the Board's discussions.	Current – Taylor Wimpey plc, chair – Control Risks Group, chair Past – AXA SA, director (2016 to 2021) – HSBC, various executive roles (1999 to 2014)

Position	Board skills and competencies	Key external appointments
 LORD JITESH GADHIA Independent Non-Executive Director To be appointed to the Board and a member of the Nominations & Governance and Remuneration Committees on 1 April 2022. To be appointed Chair of the Remuneration Committee on 12 May 2022	Jitesh brings a wealth of complex advisory and transactional experience to the Board, having spent nearly 25 years in the banking and private equity sector. He has extensive remuneration experience, earned from both listed companies and UK Government Investments and UK Financial Investments, where he played a key role in compensation discussions about the Government's investments in some of the UK's biggest companies. This, together with his broad industry experience, will be an asset to the Board and the Remuneration Committee.	Current – Taylor Wimpey plc, non-executive director – Comparex Market Limited, non-executive director – Accord Healthcare Limited, non-executive director Past – UK Government Investments, non-executive director (2014 to 2022) – Blackstone Group, senior managing director (2010 to 2015)
 BEVERLY GOULET Independent Non-Executive Director Rolls-Royce North America Holdings, Inc., board member Employee Champion, North America Appointed to the Board on 3 July 2017	Having spent a considerable amount of her career in the airline industry, Bev brings valuable knowledge and operational experience to the Board. She has significant expertise in finance, treasury, strategy, legal and governance matters. She has the expertise and experience to be able to confidently contribute to decision-making and actively take part in developing and strengthening our businesses.	Current – Atlas Air Worldwide Holdings, Inc., non-executive director – Xenia Hotels & Resorts, Inc., non-executive director Past – American Airlines, Inc., various executive roles (1993 to 2017)
 LEE HSIEN YANG Independent Non-Executive Director Employee Champion, Asia Appointed to the Board on 1 January 2014	A Singaporean national, Hsien Yang combines a strong background in engineering with extensive international business and management experience in our most important growth markets. Throughout his varied career history, Hsien Yang has gained significant industrial and financial skills which have proved invaluable in his current committee memberships.	Current – Pacific Broadband Satellite Ltd, non-executive board director – INSEAD South East Asia Council, president Past – Civil Aviation Authority of Singapore, chairman (2009 to 2018)
 NICK LUFF Independent Non-Executive Director Chair, Audit Committee Appointed to the Board on 3 May 2018	Nick is an experienced finance executive having been chief financial officer of a number of listed companies across a variety of industries. He has broad financial skills and a track record of driving business performance. His extensive non-executive and audit committee experience, together with both financial and accounting expertise and a passion for engineering, is crucial in his role as Chair of the Audit Committee and is invaluable to the Board.	Current – RELX plc, chief financial officer Past – Lloyds Banking Group plc, non-executive director (2013 to 2017) – QuinnetIQ Group plc, non-executive director (2004 to 2010)
 MIKE MANLEY Independent Non-Executive Director Appointed to the Board on 1 July 2021	Mike has extensive international experience having led businesses in Europe, Asia and the US. Moreover, his expertise from the automobile industry and insights into electrification and power management will serve as an asset to the Board and the Science & Technology Committee.	Current – AutoNation, Inc., chief executive officer and director Past – Stellantis NV, head of Americas (2021) – Daimler Chrysler, various executive roles (2000 to 2021)
 WENDY MARS Independent Non-Executive Director Appointed to the Board on 8 December 2021	Wendy brings insight across hardware, software and services with technological transformation of complex global organisations at her core. Wendy remains connected to both the need to foster innovation in a technology company as well as the implementation challenges. Technology can play a significant role in helping businesses to achieve their sustainability objectives; Wendy will bring this experience to the Board.	Current – Cisco Systems, Inc., president Europe, Middle East, Africa & Russia region (EMEAR) Past – ThruPoint, Inc., various executive roles (1996 to 2007)

Position	Board skills and competencies	Key external appointments
 SIR KEVIN SMITH Senior Independent Director Chair, Science & Technology Committee Appointed to the Board on 1 November 2015	Sir Kevin has extensive industrial leadership experience and a deep knowledge of global engineering and manufacturing businesses, as well as the aerospace industry. As Chair of the Science & Technology Committee, Sir Kevin has been able to draw on his extensive experience and make a significant contribution to development and growth of key strategies.	Current – L.E.K. Consulting LLC, European advisory board member Past – Unitas Capital PTE LTD, partner & chairman (2012 to 2015) – GKN plc, group chief executive (2003 to 2011)
 DAME ANGELA STRANK Independent Non-Executive Director Chair, Safety, Ethics & Sustainability Committee Appointed to the Board on 1 May 2020	Dame Angela brings a wealth of corporate experience to the Board as well as a passion for sustainability and corporate ethics, having actively worked in climate research and pioneering women in STEM careers. As Chair of the Safety, Ethics & Sustainability Committee, Dame Angela draws on her experience as a member of three other listed companies' sustainability committees which is invaluable to the Group as it develops its sustainability strategy.	Current – Mondi plc, non-executive director – SSE plc, non-executive director – Severn Trent plc, non-executive director Past – BP p.l.c., various executive roles (1982 to 2020)
 PAMELA COLES Chief Governance Officer Appointed on 1 October 2014	Pamela is an expert in corporate governance and company law with a pragmatic approach to how the governance team supports the business. Pamela is instrumental in supporting the Chair and the Non-Executive Directors to build strong relationships with the Executive Team and has been able to offer advice and guidance on a wide range of topics.	Current – E-Act, non-executive director

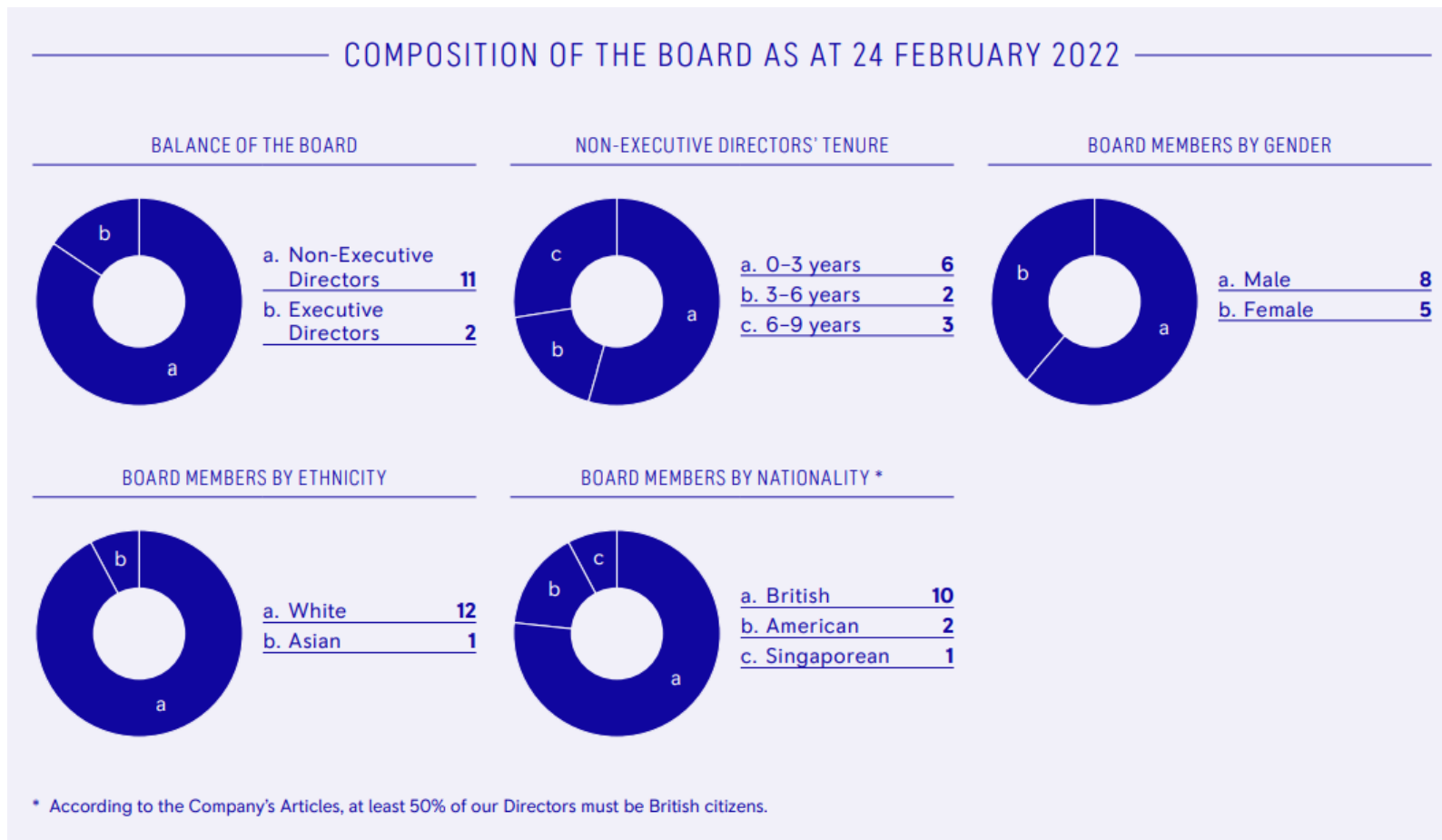
Rolls Royce - Board Committee Structure

Board committee membership (at 24 February 2022)

	Nominations & Governance	Audit	Remuneration	Safety, Ethics & Sustainability	Science & Technology
Anita Frew					
Paul Adams					
George Culmer					
Irene Dorner					
Beverly Goulet					
Lee Hsien Yang					
Nick Luff					
Mike Manley					
Wendy Mars					
Sir Kevin Smith					
Dame Angela Strank					

■ indicates that the Director is Chair of the Board or Committee.
 □ indicates that the Director is a member of the Committee.
 □ indicates that the Director is not a member of the Committee.

Rolls Royce - Composition of the Board



Wärtsilä – Board of Directors

BOARD OF DIRECTORS IN 2021

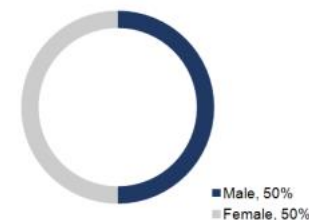
As of 4 March 2021, the Board comprised the following eight members: Ms Maarit Aarni-Sirviö, Ms Karen Bomba, Ms Karin Falk, Mr Johan Forssell, Mr Tom Johnstone (Chair), Mr Risto Murto (Deputy Chair), Mr Mats Rahmström, and Ms Tiina Tuomela.

All eight Board members were determined to be independent of the company. Six members were determined to be independent of significant shareholders. Mr Tom Johnstone was determined to be dependent of significant shareholders due to his position in the board of Investor AB. Mr Johan Forssell was determined to be dependent of significant shareholders due to his position as the President and CEO of Investor AB.

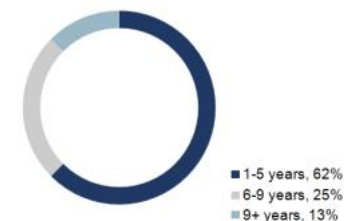
Until 4 March 2021, the Board comprised the following eight members: Ms Maarit Aarni-Sirviö, Ms Karen Bomba, Ms Karin Falk, Mr Johan Forssell, Mr Tom Johnstone (Chair), Mr Risto Murto, Mr Mats Rahmström, and Mr Markus Rauramo (Deputy Chair).

During 2021, Wärtsilä's Board of Directors held 10 meetings with an attendance rate of 100%. Major items on the agenda of the Board of Directors were the review of Wärtsilä's strategy and its implementation, its contribution to decarbonisation, as well as the financial development (e.g. growth, profitability and cash flow) of the company. The implications of the Covid-19 pandemic on the company's business operations and operating environment continued to be in focus. Other areas of importance included sustainability, technological developments, and the development of human resources and talent.

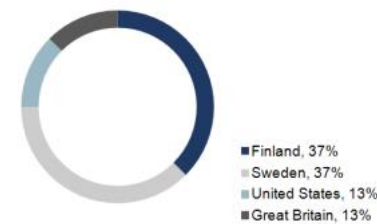
Gender diversity



Tenure



Nationality



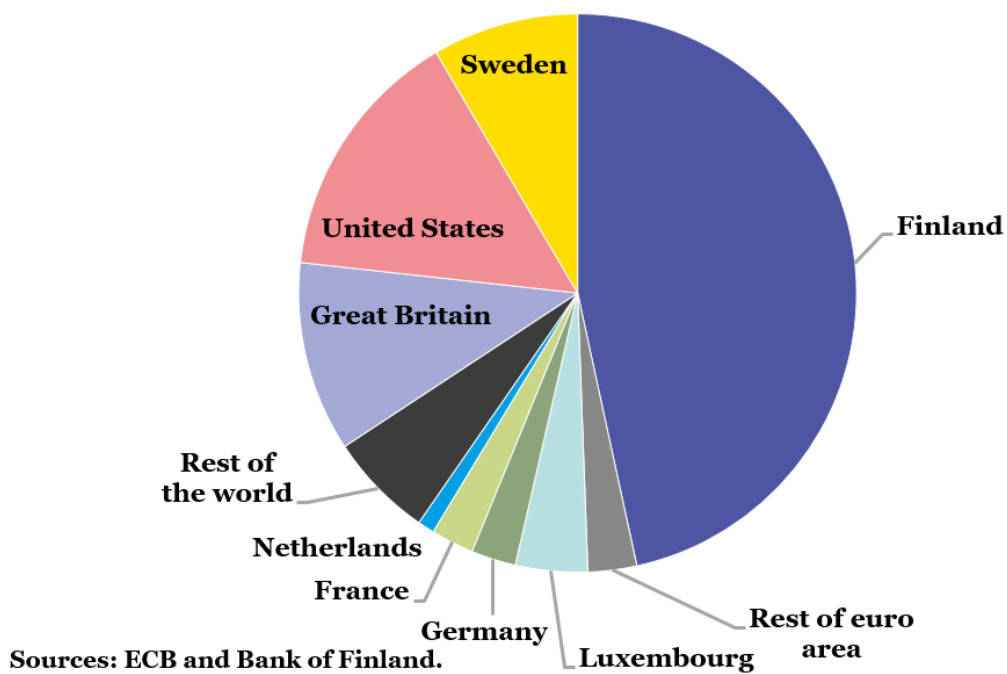
Applicable to the Board of Directors elected by the Annual General Meeting 2021

Changes in Ownership

- Re-rise of state ownership
 - Solidium
 - Reintroduction of state presentation in the boards
- Rising professionalism of family owners
 - Family offices
- Looming alternative: private equity
- Proxy advisors

Money speaks English

At the end of June, the largest foreign holdings of Finnish equities were based in the United States



Source: Bank of Finland

BlackRock's voting guidelines, example

- In Sweden, and increasingly in Finland, nominating committees are made up of representatives of three to five of the largest shareholders and the board chair. BlackRock will generally support of the adoption of this approach, provided that the nominating committee's guidelines make clear that it must act in the interests of all shareholders. BlackRock may vote against the principles of establishment of a nominating committee, and may vote against the proposal to appoint and / or elect a nominating committee, **if a member of the executive management is a member of the committee, the board chair is also the chair of the nominating committee, and / or if more than one member is dependent on a major shareholder.** It is BlackRock policy not to nominate a representative to the nomination committee where BlackRock is one of the largest investors by virtue of investing on behalf of its clients. **BlackRock believes that directors should be elected annually on an individual basis.** In Sweden and Finland, the election of board members is usually done through a bundled proposal. In the case of bundled elections, BlackRock will consider voting against the entire slate of directors if the names and details of any director have not been disclosed, if the board and / or its committees are not majority independent, and / or if there are concerns with a board member's capabilities or performance.

BlackRock voting 2020 – Fortum AGM

Rationale for BlackRock vote

Item 9: Approve Discharge of Board and President (AGAINST)

We believe that the board's decision to significantly increase the carbon intensity of the portfolio with the phased acquisition of Uniper is at odds with the direction of travel in the industry and the goals of the Paris Agreement, and brings uncertainties about the future financial risk profile of the company. The decision by the board to significantly increase its exposure to coal energy generation calls into question the board's integration of climate risks into its corporate strategy. Our vote against the discharge reflects these concerns.

Coal fired power generation is significantly carbon intensive, becoming less and less economically viable, and highly exposed to regulation because of its environmental impacts. With the acceleration of the global energy transition, we do not believe that the long-term economic or investment rationale justifies continued investment in this sector.