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Finnish Corporate Governance

Risto Murto, Varma
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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

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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*

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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

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Case of Denmark

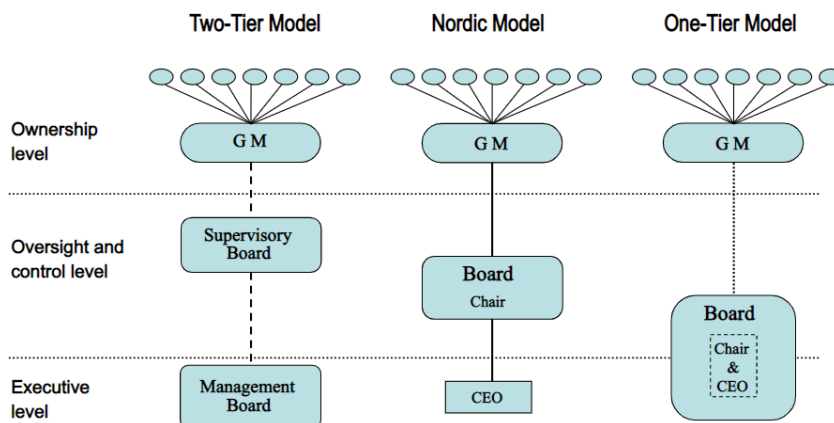
- Foundation-owned firms¹ are common in Northern Europe, where they include world-class companies such as Bertelsmann, Heineken, Ikea, and Robert Bosch. In Denmark, where they are particularly numerous, **industrial foundations control a quarter of the country's 100 largest corporations and 60 percent 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)*

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Different Corporate Governance Models



Source:
Lekvall 2008.

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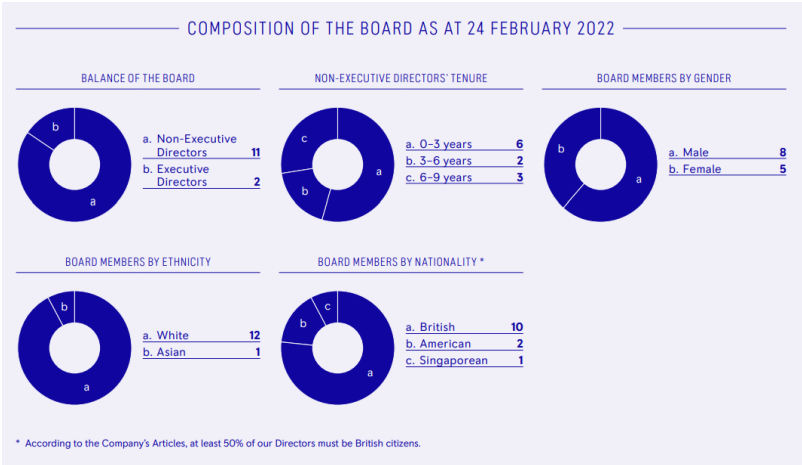
Rolls Royce - Board Committee Structure

Board committee membership (at 24 February 2022)	Nominations & Governance	Audit	Remuneration	Safety, Ethics & Sustainability	Science & Technology
Anita Frew					
Paul Adams					
George Culmer					
Irene Dörner					
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.

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Rolls Royce - Composition of the Board



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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 Forsell, Mr Tom Johnstone (Chair), Mr Risto Murto (Deputy Chair), Mr Mats Rahmström, and Ms Tina 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 Forsell 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 Forsell, Mr Tom Johnstone (Chair), Mr Risto Murto, Mr Mats Rahmström, and Mr Markus Rauramo (Deputy Chair).

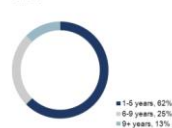
During 2021, Wärtsilä's Board of Directors held 10 meetings with an attendance rate of 100%. Major items on the agenda of the Board of Directors were the review of Wärtsilä's strategy and its implementation, its contribution to decarbonisation, as well as the financial development (e.g. growth, profitability 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.

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Gender diversity



Tenure



Nationality



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

Changes in Ownership

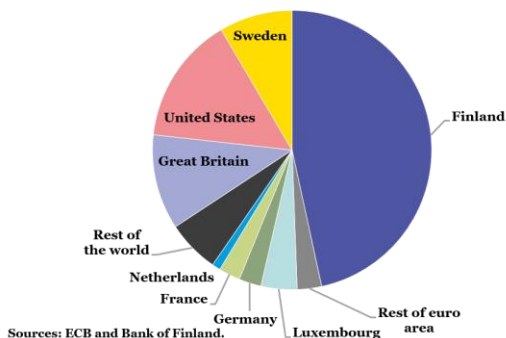
- Re-rise of state ownership
 - Solidium
 - Reintroduction of state presentation in the boards
- Rising professionalism of family owners
 - Family offices
- Looming alternative: private equity
- Proxy advisors

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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

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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.

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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.

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