



Russian Corporate Governance Roundtable Meeting

Moscow, 27 – 28 October 2008

Meeting co-hosted by the Ministry for Economic Development, Russia



OWNERSHIP STEERING
GOVERNMENT OFFICE

Russian Corporate Governance Roundtable Meeting Moscow, 27. October 2008



The organisation of the Ownership Function within Government Administration

Recent experience in Finland

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OWNERSHIP STEERING
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STATE CORPORATE OWNERSHIP IN FINLAND

- The State of Finland is a significant Shareholder in **52 Companies**
- **36 Companies** operate under market terms in a competitive business environment
 - **11 Companies** of these 36 are stocklisted
 - value of the listed portfolio appr. 18 000 million Euros
 - this corresponds to appr. 9 % of the market value of all Companies listed at the Helsinki Exchanges
- **16 Companies** perform special tasks of the State, often with a monopoly position



ORGANISATION UNTIL 30th APRIL 2007

	Companies working under market terms	Companies with special tasks	Total
Ministry of Trade and Industry	20	2	22
Ministry of Finance	9	5	14
Ministry of Transport and Communication	4	1	5
Ministry of Education		5	5
Ministry of Interior		1	1
Ministry of Social Affairs and Health		1	1
Ministry of Foreign Affairs		1	1
Ministry of Agriculture and Forestry	3		3
Ministry of Environment	1		1
TOTAL	37	16	53



ORGANISATION TODAY

	Companies working under market terms	Companies with special tasks	Total
Prime Minister's Office	36	1	37
Ministry of Employment and the Economy		2	2
Ministry of Finance		4	4
Ministry of Transport and Communication		1	1
Ministry of Education		5	5
Ministry of the Interior		1	1
Ministry of Social Affairs and Health		1	1
Ministry of Foreign Affairs		1	1
Total	36	16	52



OWNERSHIP STEERING DEPARTMENT OF THE PRIME MINISTER'S OFFICE

- Director General
- 4 Senior Financial Counsellors responsible for ownership strategies
- 1 Senior Financial Counsellor + 6 analysts responsible for company analysis and follow-up
- 2 IR specialists, legal counsel, 4 administrative staff
- total 19 persons
- independent premises, separate from other government functions



OWNERSHIP STEERING DEPARTMENT PRINCIPAL TASKS

- ownership steering of the 36 market oriented Companies
 - creation and continuous update of ownership strategies
 - continuous follow-up and analysis of the performance of the Companies
 - execution of privatisation and other transactions affecting the ownership
 - representation at AGM's
 - selected Board memberships
- reporting to Cabinet of Ministers
- reporting to Parliament
- assisting other Ministries in ownership steering of Companies with special tasks



WHY PRIME MINISTER'S OFFICE?

- Primary concern: separation of ownership steering and regulation
 - OECD Guidelines I.A!
- Ministry of Trade and Industry used to have a central role but it is responsible for
 - general industrial policy
 - energy policy
 - competition policy
 - industrial innovations policy
 - etc.
- Ministry of Transport and Telecommunication is the regulator of telecoms, railways, postal services etc.
- Ministry of Finance is responsible for a.o. taxation
- The Prime Minister's office is a "neutral" Ministry, with no regulatory tasks



HOWEVER

- The Prime Minister is not, himself, responsible for Ownership Steering
- Another Minister, with no conflicting regulatory tasks, is to be appointed to the Prime Minister's Office with responsibility for Ownership Steering
- In the present Cabinet this Minister “with two hats” is the Minister of Defence
- After next elections the Ministers might agree on another division of labour



WHAT HAVE WE ACCOMPLISHED

- Separation from regulation
- One single implementation of the State's ownership policy
- One single line of decision-making
- Independence from other state organisations
- Coherent ways of everyday work
- Improved grip in strategy planning
- Much improved corporate analysis
 - better tools
 - we do not have to ask the Banks so often
- Improved contact with top management of the Companies
- Improved credibility on the financial market as responsible owner



NEXT STEP

Decision by the Council of Ministers 21.10.2008

- The Government will establish a Holding Company
- Subject to parliamentary approval
- The State-owned Shares in eight listed Companies will be transferred to this Holding Company
 - total value close to € 6 000 million
 - non-strategic holdings
 - State ownership < 50 % in all Companies
- The Holding Company will remain under the administration of the Ownership Steering Department but
 - with own independent Board of Directors and
 - Managing Director
- The Holding Company will stay outside the budget economy
 - it may retain proceeds from sales
 - it may retain dividend income from Shares owned
 - it may borrow
 - → it will be able to buy
 - it will pay annual dividends to the State

