Conclusions and recommendations of the National Audit Office

Company-specific ownership strategies of special assignment companies

The audited entities were the ministries and government agency involved in the ownership steering of state-owned special assignment companies. The audit assessed the ownership strategy work and other ownership steering of these authorities, particularly from the perspective of promoting the companies' special assignment. The audit also examined the implementation of the special assignment in the companies' business activities.

The state of Finland has holdings in 36 special assignment companies, 22 of which are wholly owned by the state (situation during the audit's information gathering phase September 2024 — May 2025). Ownership steering and ownership strategy work consist of managing and developing the state's corporate assets and is carried out as part of official duties. In 2023, the turnover of the special assignment companies totalled around EUR 8 billion, their combined balance sheet total was around EUR 80 billion, and they had in total around 14,000 employees.

The state's ownership in state-owned companies is based on financial interest, strategic interest or the performance of a special assignment in company form. A special assignment means that the company has a state-defined political or other mission related to business, industry or society, or some other special role. In special assignment companies, the main focus and interest of ownership is the performance of the special assignment, strategic-level societal impact targets and their cost-effective implementation.

In companies of financial interest, the state has purely an investor interest. Companies of strategic interest operate on commercial grounds, but in addition to investor interest, the state also has strategic interest in them. The latter may relate to, for example, national defence, security of supply, maintenance of infrastructure or the obligation to provide basic services.

The ministry's operating culture affects ownership steering

All ministries and agencies steering special assignment companies promote the implementation of the companies' special assignment through their ownership strategy work. There are some differences in how professional and systematic the work is and how effective the use of steering instruments is.

According to the Government Resolution on the State Ownership Policy, all ministries involved in ownership steering must define company-specific ownership strategies. The strategies must specify the owner's objectives and the priorities and measures of ownership steering. Based on the audit findings, the

authorities steering special assignment companies, together with the company, discuss and guide how the company carries out its special assignment in practice, the objectives set for the company and the key means for the company to achieve the objectives.

The key ownership steering instruments that the owner at least should use are the general meeting, board appointments, ownership strategy, monitoring of objectives and regular meetings with the company. The ministry or agency in charge of the ownership steering should also ensure that the company has its own risk management while the steering authority has its own for the corporate assets under its control and their management.

An important part of the ownership strategy work is confidential communication between the officials responsible for the ownership steering and the chairman of the board and the top management of the company. However, there is generally no detailed information available on the content of the communication. This makes it difficult to determine both the effects of the communication in individual cases and the influence that each participant has on the issues discussed.

The ownership steering and the ownership strategy work content and practices in each ministry are influenced by the assignments and operating environment of the companies but also by the operating culture of the steering ministry. In order to ensure continuity, the steering authorities should have an annual clock of ownership steering or some other established means of ensuring an adequate minimum level of steering.

One way of obliging the company’s board of directors to comply with the special assignments is to incorporate them in the Articles of Association, in which case they are legally binding on the company.

Company form does not guarantee efficient operations

The primary organisational form for the state's activities is the government agency, and as a rule, a public service or regulation is used for implementing a special assignment. In some cases, however, the most appropriate instrument can be business activities carried out as a limited liability company majority-owned by the state and the company's ownership steering. However, this requires both good ownership steering and good management of the company's business.

When the state's activities are incorporated, the limited liability company is often highlighted as an organisation model that is flexible and efficient. A limited liability company is an independent legal person with its own governing bodies and structures. This makes it a better organisational form than a government agency in a competitive situation and for profit-making. However, there is nothing that would automatically guarantee the superiority of the limited liability company model, especially since special assignment companies are not intended to make profit or compete in the market with private companies. This means that the link with competition in the market is weak.

The narrowing of Parliament's budgetary power must also be considered when entrusting activities to a special assignment company. When state funds or activities are transferred from on-budget entities to state-owned companies,

Parliament's budgetary power is narrowed, and part of its control and oversight power is transferred to the Government and the companies' own governing bodies.

Improved monitoring and transparency of the (business) activities are often highlighted when the transfer of activities or the establishment of activities in a separate limited liability company is justified. The information and transparency obtained from the activities tend to increase only for the company's management but usually not for Parliament, the rest of the central government and society.

A special assignment company may be funded from the budget

As regards revenues from the sales of services, it is noteworthy that with some special assignment companies, the majority of customers or even all customers are central government or general government actors. This applies particularly to companies operating as in-house entities. The turnover of these companies decreases when cuts and savings are implemented in the central government and government agencies no longer afford to make purchases from these companies. The companies' business and turnover are therefore indirectly linked with the central government's appropriations, and special assignment companies often cannot find new business outside their special assignment or their existing customers.

The essential difference between state-owned special assignment companies and companies of strategic interest is that a special assignment company can usually only carry out the special assignment defined for it, whereas in a company of strategic interest, the state owner's strategic interest may be related to only a certain part of the business, and it is possible for the company to increase its other commercial activities and revenues.

A special assignment company can also receive direct funding from the state budget, for example as a government grant or an appropriation for carrying out a task that is necessary for the state but unprofitable or associated with high risk.

In special assignment companies and their ownership steering, special attention must be paid to cost-effectiveness. This is because it is often not possible to redirect and expand the company's operations to more profitable services and thereby to increase its revenues, but it is necessary to ensure profitability.

It is difficult to measure success in a special assignment

According to the Government Resolution on the State Ownership Policy, growth in the shareholder value and the societal performance of special assignment companies are measured not only by the achievement of financial targets but also by efficient and cost-effective implementation of the special assignments in accordance with targets. Measuring effectiveness and the benefits achieved is therefore essential for assessing success in the assignments.

Based on the audit, the assessment of strategic-level societal impact targets and the development of indicators should be continued in all ministries responsible for ownership steering. The definition of indicators often requires

company-specific tailoring. As effectiveness cannot usually be crystallised into a quantitative indicator, it is also important to describe it in words and with qualitative indicators.

On the other hand, there are established and generally used quantitative indicators for the profitability and economic efficiency, i.e. cost-effectiveness, of limited liability companies. When interpreting these indicators, it is important, in the case of special assignment companies, to consider that the owner has set the companies the primary objective of producing benefits for others rather than the company itself or for its owner as monetary returns. Financial indicators do not disclose the effectiveness of a special assignment company in the same manner as they do with a profit-making company. Nor do the indicator values usually change so rapidly that quarterly reporting would be necessary.

In terms of profitability, special assignment companies usually strive for a break-even result and a moderate return on product sales. Several companies operate in a market where there is little or no competition. When the market is not driving the companies towards cost-effectiveness, it is important to monitor it in ownership steering.

Ownership risk may increase beyond the loss of capital

Through special assignment companies, the state aims to ensure that the central government's tasks are performed appropriately and cost-effectively and that the tasks that are essential to the functioning of society as a whole are carried out. The purpose of these companies is often to meet needs for services for which no market-based providers have emerged and the production of which is considered to be of national importance. Therefore, it is important that the implementation of a special assignment is ensured through appropriate ownership steering.

From the state owner's perspective, the limited liability company form per se is part of the owner's risk management, as the maximum risk is the capital invested in the company, unless the state has expressly provided the company with other guarantees or securities. However, in a special assignment company, traditional ownership risk may expand and become a state risk affecting a given policy area or society as a whole. If the implementation of a special assignment is considered to be essential or even vital, it is almost impossible for the state to allow the special assignment to suddenly cease or to change the company's assignment unexpectedly.

Human resources policy can hardly be seen in ownership strategies

According to the Government Resolution on the State Ownership Policy, the state as a shareholder expects companies to have a sound human resources policy that is based on dialogue. However, this principle can hardly be seen in the company-specific ownership strategies. The authorities responsible for ownership steering and the companies share in general the view that HR policy is a matter for the company itself and there is no reason to include it in the ownership strategy.

However, the companies are required to follow the principles set out in the resolution regarding human resources policy.

The National Audit Office considers that, although the practical implementation of HR policy is a matter for the company itself, the achievement of the target of “sound human resources policy” must be a matter of interest and monitoring for the owner. HR policy principles have been partially addressed in other steering documents, in dialogue with the companies and in the companies' management. There are differences between the steering ministries and between the special assignment companies in how the ownership policy principles are reflected in practice. As regards human resources policy, the audit found no problems or differing views between the companies and the authorities responsible for ownership steering.

Recommendations of the National Audit Office

1. It should be kept in mind across the entire government that before taking a decision to establish a special assignment company, which narrows Parliament's budgetary power, it must always be analysed whether the service in question is of national importance but not available on a market basis. It must also be taken into consideration that the state's primary organisational form for service provision is the government agency and that the most appropriate manner to carry out a special assignment can also be through a public service or regulation or by utilising an existing state-owned or private company.
2. All ministries responsible for ownership steering should continue to develop indicators and qualitative assessments of the effectiveness and success of the implementation of the company's special assignment. The Government Ownership Steering Department of the Prime Minister's Office should bear overall responsibility for advancing and coordinating the development work. The definition of indicators often requires company-specific tailoring.
3. The Government Ownership Steering Department of the Prime Minister's Office should, from time to time, examine whether the current categorisation of state-owned companies into companies of financial interest, companies of strategic interest and special assignment companies is functional and appropriate in view of the corporate assets and ownership steering. In the case of special assignment companies, it should be critically assessed whether the national importance of the company's operations or their critical nature for society is such that a special assignment is genuinely concerned instead of a general, non-commercial activity carried out by the state. The ministry responsible for the company's ownership steering and the sectoral ministry are responsible for assessing the societal significance of the special assignments of each special assignment company.
4. The work carried out by the staff is essential to the company's success and the performance of the special assignments. Therefore, all ministries involved in ownership steering should, in their ownership strategy work, highlight the owner's will regarding the desired state of human resources policy. This helps to ensure that the principle concerning human resources policy set out in the

Government Resolution on the State Ownership Policy and its concrete manifestations and implementation are addressed in the dialogue between the steering authority and the company.