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How do Finnish Firms Maximise Shareholder Value? Descriptive Statistics on 20 Finnish Companies Listed on the OMXH

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From its origin in 1976 with Jensen and Meckling's *Theory of the Firm*, based on the *agency problem*, shareholder value maximisation became a corporate mantra, as the primary purpose of a company became maximising value for its shareholders. Shareholder value maximisation is strongly connected with *value creation*, with firms creating value for investors, and *value extraction*, with executives generating wealth for themselves. Upon the preliminary research of the topic in Finland, various academic sources and the Finnish Limited Liability Company Act stated that the primary purpose of a firm is to generate value for its shareholders from a long-term perspective, and not for short-term capital gains.

The present thesis forms around the hypothesis that Finnish firms aim at maximising shareholder value. It examines data from the 20 largest publicly traded companies in the Helsinki Stock Exchange (OMXH) during years 2012-2016 to view how firms seek at maximising shareholder value. The indicators looked upon for shareholder value maximisation are executive compensation (or CEO pay), shareholdings and stock options, dividends, share repurchases or buybacks, and the choice between dividends and share repurchases. The data and statistics are then compared with 20 U.S. publicly traded companies with correspondent market cap.

Empirical evidence has shown that while executive compensation within both Finnish and U.S. companies is strongly related to shareholder value maximisation within CEO variable pay (especially with Long-Term Incentives strongly tied to performance), in U.S. there is a higher ratio of variable pay if compared to fixed pay, while in Finland base salary represents a steady part of executive compensation. A strong dividend policy to maximise shareholder value by returning excess cash to shareholders, with an increase of dividends per share over time, was encountered in both Finnish and U.S. companies. Stock option plans are still widely used in U.S., while results have not shown significant evidence of stock options granted, or exercised, by the Finnish executives. While share repurchases are widely used in U.S. to return cash to shareholders, Finnish firms did not have a significant amount of share repurchases between 2012 and 2016, with dividends being the chosen method to reward shareholders and investors.

Keywords	Shareholder value maximisation, shareholder wealth, executive compensation, shareholdings, stock options, dividends, share repurchases

Contents

Appendices

List of Figures and Tables

1 Introduction

In a world controlled by the financial markets, which are playing a leading role, instead of an intermediary role, altering completely the characteristics of capitalism (quoting authors Aglietta and Reberioux, 2005), understanding how the shareholder value and the pressure of the financial markets can influence an economy is an ever-contemporary topic of discussion and analysis. Shareholder value, shareholder value maximisation or shareholder wealth maximisation implies that the ultimate purpose of a firm, and the measure of a firm's success, derives from the extent to which it increases profits for its shareholders. The shareholder value management philosophy originated from Jensen and Meckling's article *Theory of the Firm* in 1976, developed during the 1980s in the U.S., and was evangelised, then rejected (Denning 2015) by General Electric's CEO Jack Welch. It can be connected to *value creation* (for both shareholders and investors) or to *value extraction*. The latter has been subject of heavy criticism when leading to shareholder activism, resulting in executives enriching themselves through vast stock option programs, and companies focusing on short-term capital gains, or expectation of profits rather than actual profits. Risks connected with shareholder value activism have led to a new form of corporate malfeasance, to corporate scandals such as Enron and Freddie Mac, or stock market crashes such as the dot.com bubble.

Shareholder value has been a topic of my interest during my studies at Metropolia Business School since the first academic year. Although it has not been widely discussed as our degree program focuses more extensively into logistics and SCM, it has been brought to our attention during courses such as *Corporate Finance*, *Finance* and electives such as *Corporate Strategy* and *Global Political Economy*. It was during the latter elective course, when discussing the historical context and the economic consequences of the liberalization of the financial markets in U.S. and Europe, that I developed the interest and the idea of evaluating the shareholder value management philosophy within Finnish companies.

The concept of shareholder value was quite recent in Finland and the Nordic countries, if compared with U.S. While researching the topic of shareholder value in Finland, I have discovered that Finland has not an extensive literature, at least in English language. This

is also related to the fact that the financial deregulation and liberalisation in Finland, like in Sweden and earlier in Norway, took place only during the 1980s, opening capital accounts at the end of the 1980s. A massive over-lending boom followed through the 1990s, causing asset markets to rise more than consumer prices, and the bust that followed caused one of the most devastating economic crisis in the Nordics. During these years, the financial markets were reorganized, becoming more equity-financed oriented rather than debt-financed, with a recent growth of the stock markets, especially during the late 1990s (Hyytinen & Pajarinen 2001). I came across studies discussing the shifting of Finland over an Anglo-American corporate governance model, and most importantly, that "the purpose of a company is to generate profits for the shareholders, unless otherwise provided in the Articles of Association" as stated by section 1:5 of the Finnish Limited Liability Company Act. While this has been seen in Finland as a sign of *shareholder primacy*, never the less the purpose of a firm is to generate wealth for its shareholders from a long-term perspective, and not for short-term capital gains (Mähönen 2013).

Therefore, this thesis forms around the hypothesis that Finnish firms aim at maximising shareholder value. Its purpose is to answer the following question: is there any empirical evidence that supports the research questions that Finnish companies are aiming at *maximising shareholder value*? If so, *how do Finnish firms maximise shareholder value*? And furthermore, are firms' management and executives *creating value*, or *extracting value* for themselves? If so, to what extent? It will conduct a quantitative and qualitative analysis of the 20 largest market cap (at least €1 billion euros) Finnish firms listed in the OMXH Helsinki Stock Exchange. The indicators of shareholder value maximisation that will be discussed through empirical evidence are *executive compensation* or *CEO remuneration* (including remuneration components or CEO pay mix such as base salary, short term incentives, long-term incentives, most importantly, and benefits), *shareholdings* and *stock options*, *dividends*, *share repurchases* or *buybacks*, and a comparison between dividends and share repurchases. The data will range from years 2012-2016, and it will be compared to U.S. companies with correspondent market cap. It will attempt to show comparisons and differences on how Finnish and American firms maximise shareholder value through the enounced indicators.

Since most Finnish studies, or thesis, are focused on one of the ways companies aim to maximise shareholder value, this thesis will attempt to combine with descriptive statistics and empirical analysis the aforementioned indicators of shareholder value maximisation in a broader manner. Reason why this thesis does not represent only an experiment, but furthermore a hopeful reading of interest for students who have not been focusing on this particular topic during their academic years.

2 Literature review: shareholder value history

2.1 Why are academics still talking about shareholder value?

Vermaelen (2014) defines shareholder value as the present value of future expected cash flows over time, from now until infinity. The concept of creating value relies on the management's decisions to generate a Return on Investment (ROI), which if created over the long term can increase the share price and pay larger dividends to its shareholders (Stillman 2008; Vermaelen 2014). Shareholder value is correlated with the concepts of *value creation* and *value extraction*: their impact has been discussed considerably regarding the U.S. economy. The first one is concerned with the *retain-and-reinvest* approach utilized by most U.S. companies from World War II until the late 1970s. This approach consisted in firms investing their retained earnings to increase the company's capability, reward their employees, increasing their salaries, hiring more employees and contributing to a more "sustainable prosperity" (Lazonick 2014). The second approach is what drove the U.S. economy towards the *downsize-and-distribute* regime of cost reduction and distributing cash to shareholders, thus extracting value rather than creating value through stock based compensation, share repurchases, encouraging corporate raiders to target companies, and incentivising companies to maximise shareholder value and meeting Wall Street's expectations for higher quarterly Earnings per Share (EPS) (Lazonick 2014).

Shareholder value is commonly held as the *raison d'etre* of all companies (Vermaelen 2014). In the United States, this subject has been extensively discussed and it has been subject of heavy criticism. The shareholder value maximisation, if leading to a shareholder activism focused on short-term financial gains, has been and can be the cause of unrealistic expectations, leading to scandals such as Enron or Freddie Mac, where companies lied to make corporate earnings appear to rise at a constant rate

towards the infinite, reassuring the projections of securities analysts. They cooked the books (Enron), or under-reported earnings (Freddie Mac), creating a new form of corporate malfeasance in the 1990s (Dobbin & Zorn 2005). By focusing on expectations of profits rather than actual profits, firms prefer to look at the next quarter (or "meeting the quarterlies") rather than at a long-term strategy (Brooks 2014; Mizruchi & Kimeldorf 2005: 213). The economist John Kay states that the most profitable companies are not the most profit oriented: "shareholder value is an outcome, not a strategy" (Brooks 2014).

The concept of maximising shareholder value became a corporate mantra since Jensen and Meckling's article *Theory of the Firm* in 1976 (Martin 2010). Prior to that, Milton Friedman's article which appeared in the *New York Times* in 1970 was considered a political manifesto to achieve a vision of economic freedom: this vision aimed to combat the constrains of the capacity of capitalism by creating a managerial focus that would maximize shareholder value (Denning 2014). The shareholder value model developed with the 1980s-financial liberalisation, deregulation and freedom of capital markets in the United States during the Reagan administration, the weakening of strong labour union, regulations and the role of the state – anything that would be an unnecessary impediment to economic growth. Regan conducted an assault on labour and state and took the step of freeing up markets, implementing fiscal and tax policies to encourage investments. This view was at the foundation of neo-liberalism (Mizruchi & Kimeldorf 2005: 218).

In the United States, the shareholder value maximisation is at the heart of companies' management philosophy. The *Theory of the Firm* brought into mainstream the *agency theory*, or *agency problem*, which states that one party (the principal) would engage another party (the agent) to perform some services on their behalf, although the agent will not always act in the best interest of the principal. The goals of the principal and the agent are not always aligned. The agent might take some decisions that might benefit long term financial goals, but affect the short-term profitability of the company. The principal is not always aware of these decisions, and might instead prefer short term capital gains. The article explains this relationship with the principal as the shareholder, and the agent as the company (Luoma 2013).

The dawn of shareholder value or shareholder movement is also attributed to Jack Welch, the former CEO of General Electric (GE) from 1981 until 2001, who has been notorious not only for leaving an indelible financial mark on GE history (increased market value from $12billion USD to $280 billion USD, 600 acquisitions, shifting into emerging markets) but furthermore for his "rank and yank" policies, which became practice of other corporations. Most famously, by firing each year the bottom 10% of his managers, without taking into account absolute performance, and by rewarding the top 20% with bonuses and stock options. Welch became the most important figure of shareholder value movement in the 1980s, and owned $900 million USD of GE stock option upon stepping out of his CEO position (Denning 2015).

John Kay in a recent 2015 article *Shareholders Think They Own the Company – They Are Wrong*, takes the assumption that shareholders own the corporation and states that while they own the shares, this does not give them any right of possession or use. In fact, they have no more rights than any other customers to services of the business they "own", while even the right to appoint the board of directors is very theoretical, according to Kay. Therefore, to the following question "who owns the company?", Kay answers simply "no one". This right of ownership is spread over a large number of people, as someone can buy or sell shares, someone else can decide how the shares are voted, someone else benefits from the company's returns.

Moltz (1995: 791), states that shareholders do not identify themselves with the corporation they own. Most investors owning equity shares nowadays identify their ownership in a corporation only as an investment, and this is particularly related to companies with many shareholders. The more the volume of the traded stock of a company, the more liquid it becomes, and the more it resembles any other investment (Moltz 1995: 791). One can argue that an investor does not value the company at all, but only the liquidity it provides from its profit expectations and the stock prices.

The main debate lays in the shareholder versus stakeholder approach: people who own at least one share versus people who have an interest, claim or stake inside or outside an organization. The shareholder approach, which will be discussed on this thesis, is seen mostly in the U.S. United Kingdom, as both countries operate under common law. The stakeholder value approach, which advocates that the company should rather

balance the interest of employees and customers, it is seen mainly in countries that operate under civil law, including Germany, France and Japan. There has also been a debate whether balancing only the interests of the stakeholders should be the single governing objective of a company. It is rather impossible to satisfy the interest of all stakeholders, especially the ones external in a company. Stakeholders do not only include customers and suppliers, but furthermore governments, taxpayers, unions, community, even the natural environment (Jones 2012). Bringing all together the interests of a collective group and reach a common agreement is not always possible, therefore business decisions must consider each point of view (Mauboussin & Rappaport 2016). Finland operates under civil law, like Sweden: however, we will see how shareholders have been gaining importance during the past decades.

2.2 The integration of the Nordics financial markets and the Finnish banking crisis

In Finland, together with the other Nordic countries, the financial integration changed profoundly the economic landscape. The 1990s banking crisis was a devastating one that caused losses in output, employment and industrial production. No event in the entire post World War II could compare for similar magnitude; in terms of loss for society, it has been compared to the Great Depression of the 1930s. Finland, Norway and Sweden's economy evolved in similar ways during the last decades of the 20th century, and went through a period of financial deregulation and liberalization that opened their capital accounts at the end of the 1980s. This created a lending boom that channelled credits to the asset markets (mainly real estate and stock markets), causing them to rise more than consumer prices, and large and unexpected swings in real rate of interest (Jonung 2008: 564; Jonung, Kiander & Vartia 2009: 310). The financial system expanded in an extreme way, causing a massive over-lending, and the growth of asset prices was used as a collateral for debt. After the macroeconomic boom, first in the Norwegian and then in the Finnish and Swedish economies in 1988-1989, the bust followed, throwing the countries into a deep crisis (Jonung 2008: 565).

The stock markets of Finland and Sweden expanded due to the financial integration and opening, causing a rapid increase of foreign holdings of domestic stocks (Figure 1) (Jonung et al. 2009). This changed profoundly the corporate governance and created a higher enforcement in Nordics civic law. The development in corporate governance

included, most importantly, a steep reduction on creditor's rights and a higher level of investor's and shareholder's protection, on a timeframe between 1980 and 2000. During the improvement of the economic environment in the mid-1990s post crisis, the development of the stock markets that started in the 1980s continued. Equity issuance by the non-financial institution increased, and IPOs (Initial Public Offerings) restarted once the economy started improving. Between 1995 and 2000, 55 Finnish companies were listed. Stock markets in Finland and Sweden expanded as a result of the financial opening and integration, and this integration changed significantly the economic landscape of the Nordics (Hyytinen, Kuosa & Takalo 2003).

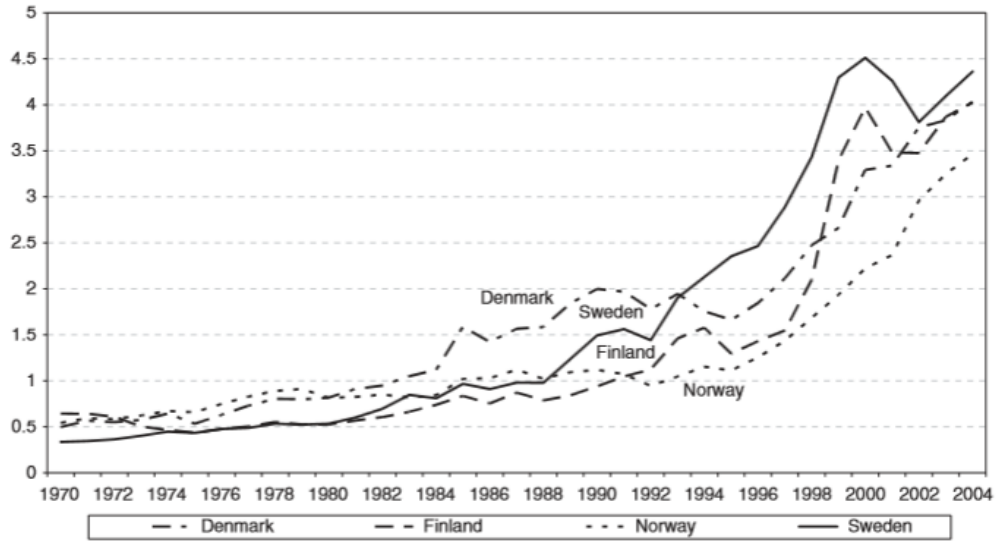

Figure 1. Financial openness in the Nordic Countries 1970-2004. Total foreign assets plus total foreign liabilities to GDP, per cent (Source: Jonung 2009; Philip Lane 2008).

All listed companies in Finland observe the Corporate Governance Code, also referred to as "the Code". This must be applied in accordance with the "comply or explain" principle. The company shall comply all recommendations of the code. In case it would depart from it, it needs to provide a good reason to do so, and according with the "comply or explain" principle, it must report which recommendations it is departing from and why the decision was made (Finnish Corporate Governance Code 2015: 10). Many important governance matters for publicly listed companies are also regulated by national provisions of the Securities Markets Act. Main provisions regard marketing securities, duties on publish prospectuses, transparencies, duties on disclosure during general meetings, proxy and flagging, takeover bids and the obligation to launch a bid (Mähönen 2013). The Finnish Corporate Governance Code harmonizes the procedures of the

publicly traded and listed companies, regarding both corporate governance and remuneration. It takes into account the views of both shareholders and investors with increased transparency between the two parties, the ability of both to evaluate the firms' practices, and an overview of what are the acceptable practices of Finnish listed companies (Finnish Corporate Governance Code 2015: 9).

The turnover of the Helsinki Stock Exchange grew significantly during the 1990s, although this had happened mainly because of Nokia, together with the number of listed firms increasing, especially in the late 1990s and 2000. This factor has contributed to the prevalence of option schemes (Mäkinen 2007: 35).

The Nordic capital markets have become increasingly integrated. A number of mergers across borders have taken place, creating large Pan-Nordic companies, in many cases with more than one listing in the stock exchange (i.e. Stora Enso, listed on both the Helsinki and Stockholm stock exchange) (Mähönen 2013). The Finnish stock market is 100% owned by the NASDAQ OMX, which consolidates the Nordic stock markets into the NASDAQ Nordic, except for the Oslo stock exchange. As result, listing rules and requirements have been currently on the process of harmonizing (Mähönen 2013). As mentioned, the foreign ownership of stock-listed companies has increased in the last decades, and now it represents over one third of the Nordic region as a whole. The Nordic countries have a remarkable number of international companies, which have attracted a large foreign ownership. However, the stock market is still relatively small, if compared with larger markets – if we consider that the total market cap of the whole Nordic Market is about half of the London Stock Exchange Main Market (Mähönen 2013).

Although Finland belongs to the Nordic legal family with features of common law and civil law, the traditional Nordic corporate governance has been influenced by the European harmonization in company and security law, which has decreased differences on corporate governance regulations among European countries (Mähönen 2013). Finland did not have fraud cases or scandals minimally comparable to Enron in U.S. or Parmalat in Italy. The only scandal registered in Finland concerned a non-listed company, the *Töölön Travel Agency* in 2010, where the Helsinki District Court imposed a sentence on the main owner of the bankrupt company for falsifying the books between 1992 and 2005 and for taking more than €450,000 in dividends. The quality of enforcement is high

in Nordic civil law countries, including Finland, especially after the 1990s banking crisis (Hyytinen, Kuosa & Takalo 2003; Mähönen 2013). Furthermore, the Finnish media is very alerted on economic crime (Mähönen 2013).

In 2005, according to the Federation of European Securities Exchange, foreign investors owned about 51% of all shares, 53% according to other sources (Jones et al. 2004: 6), although Finnish stock market was opened to foreign investors only since 1992. Today, foreigners are the prevalent ownership group. The concentration of ownership in Finland is very much less disperse if compared to U.S.: the Anglo-American corporate governance system is primarily based on disperse corporate ownership, with the management having control over the corporation, whereas in U.K. a corporation is controlled by the board of directors (Jakobsson & Korkeamäki 2015: 233).

In Finland, corporate law provides the Annual General Meeting (AGM) with a considerably larger and *ultimate* power over the corporation, and can replace the board at *any time*; government ownership has also still a very important role within Finnish publicly listed companies, among the highest in the Western countries (Jakobsson & Korkeamäki 2015: 233). The concentration of ownership in Finnish publicly listed traded companies is therefore more closely related to the European shareholder ownership model. Foreign ownership, according to Mäkinen, seems to be one of the causes of the transformation of the Finnish business towards a more open culture where shareholder value and wealth has been receiving high priority, as suggested by authors Tainio and Lilija (2003), quoted by Jones at al. (2004: 6). As U.S. and UK have a primary role in the financial markets, other European countries, including Finland, have been moving towards the Anglo-American governance system, as explained by Jakobsson and Korkeamäki (2015: 233).

3 Research question, analytical framework and methodology

During the literature review research for both the preliminary research and the thesis plan, I encountered a number of claims that resulted in the formulation of my hypothesis or research question, which formed the foundation for this experiment. The claims I came across when researching articles and case studies, supported by Mähönen (2013) and the Liability Company Act of 2006, were:

- Finland has been moving towards the Anglo-American corporate governance system.
- Section 1:5 of the Limited Liability Company Act states that the purpose of a company is to generate profits for the shareholders, unless otherwise provided in the Articles of Association.
- Although some Finnish scholars have seen this as a manifestation of shareholder primacy, the purpose of the business is to generate wealth for the shareholders from a long-term perspective, not by means of a factor of making short term or individual decisions.

These claims formed the basis for this experiment, where I formulate the hypothesis and the assumption that Finnish firms aim at maximising shareholder value and shareholder wealth. Although we have discovered during the literature review that the shareholder value concept is much more recent in Finland and the Nordic countries if compared with U.S., we will analyse the shareholder value management philosophy in Finland. We will compare it then with the American shareholder value maximisation model within statistics applied to theoretical framework. By these means, I will illustrate all the main indicators of shareholder value maximisation in a number of selected Finnish and American listed companies for the years 2012-2016, and support these indicators with empirical evidence.

3.1 Sample of studies companies

The 20 companies presented in this thesis that will be researched upon for my experiment and investigation will follow the satisfying criteria:

- Large cap (at least €1 billion euros)
- Listed in the OMX Helsinki stock exchange (some of the companies will be double listed)

The chosen samples of study companies are illustrated in Table 1, from the largest market cap, taken from the Kauppalehti website, on January 2017:

Table 1. Top 20 Finnish publicly traded companies by market cap (Source: Kauppalehti).

	Company	Market Cap, Million €	Sector
1	Nordea Bank AB	43699	Financial
2	Nokia Oyj	25142	Technology
3	Sampo Oyj	23352	Financial
4	Kone Oyj	22783	Industrials
5	Telia Company AB	16342	Telecommunications
6	Fortum Oyj	13459	Utilities
7	UPM-Kymmene Oyj	12756	Basic Materials
8	Neste Oyj	8661	Oil & Gas
9	Wärtsilä Oyj Abp	8521	Industrials
10	Stora Enso Oyj	8502	Basic Materials
11	Orion Oyj	6050	Health Care
12	Elisa Oyj	5294	Telecommunications
13	Nokian Renkaat Oyj	4783	Consumer Goods
14	Kesko Oyj	4626	Consumer Services
15	Metso Oyj	4199	Industrials
16	Huhtamäki Oyj	3686	Industrials
17	Outokumpu Oyj	3435	Basic Materials
18	SSAB	3193	Basic Materials
19	Amer Sports Oyj	2994	Consumer Goods
20	Cargotec Oyj	2848	Industrials

Since the nature of this thesis, I will not choose a specific industry to conduct my experiment. Therefore, the chosen 20 companies will operate in industries such as financial services, technologies, basic materials, healthcare, telecommunications, utilities, consumer services and consumer goods. Some of the companies have both A and B shares (SSAB, Kesko, Orion), and some have A and R shares (Stora Enso). Most of the sample companies have higher trading volumes if compared to the other investigated. Furthermore, as some of these companies operate in international markets or are registered and headquartered abroad (Nordea, until recent news), I believe they disclose and release a relevant amount on information concerning shareholder value maximisation.

3.2 Analytical approach

The most important work within this investigation will rely on seeking for indicators that the selected companies are aiming at maximising shareholder value. A claim or a fact is

not self-evident. The indicators will be analysed and discussed upon in quantitative methods, and within a certain extent, qualitative (what are the company saying on the annual reports? How do they say it?). In order to understand shareholder value maximisation and thus answer the research question, it is important to analyse its components and indicators. The research question "are Finnish firms maximising shareholder value?", and most importantly "*how do* Finnish firms maximise shareholder value?" does not necessarily have a straightforward answer, therefore understanding all its components is critical. Reason why the data collection on the following indicators has been conducted and results analysed, to show the relationship between the indicators and shareholder value or wealth maximisation.

Executive remuneration, *CEO compensation* or *CEO pay* is one of the main components and most important indicators of shareholder value maximisation. It is the mixture of fixed salaries, bonuses, variable pay components such as performance shares or stock or call options, disclosed on annual or financial reports, remuneration reports or proxy filings (in U.S.). Analysing executive compensation is crucial when discussing shareholder value, as there are indisputable links between CEO compensation and shareholder wealth maximisation (Murphy 2012). Compensation plans within publicly traded firms are designed to align the interests of executives (and the firms) with the ones of the shareholders through the use of Long-Term Incentives (LTIs). The purpose of LTIs to executives is to offer an equity-based compensation based on holding shares in the company. This is referred to as *pay for performance*.

When a CEO delivers an exceptional performance, the company's share price increases, thus increasing value for shareholders, and the CEO's variable pay and wealth in form of shares increases, thus maximising shareholder value and wealth for executives. Reason why, together with total, average and median compensation for the CEO collected during the years 2012-2016, data on executive compensation components, most importantly Long-Term Incentives (LTIs) is essential as it establishes a powerful link between CEO pay and shareholder wealth. The statistics on LTIs aim to show to what extent companies tie CEO pay to performance. Executive compensation has been one of the highest subjects of criticism on the debate of shareholder value maximisation, as discussed during the literature review.

Shareholdings and *stock options* are among the most important indicators of shareholder wealth maximisation within executive compensation. Executive compensation in terms of shareholder value maximisation needs to be analysed not only in terms of annual remuneration or its components, but furthermore from the portfolio of shares, restricted stock and stock options (Murphy 2012: 24). Direct stock ownership represents a strong link between CEO wealth and shareholder wealth, according to Jensen and Murphy (1990). The purpose of the CEO as a large shareholder of a company is to *hold shares* of a company, as the CEO wealth increases when the shares, and therefore the market value of the company increases.

Stock option programs give the right, but not the obligation, to buy or sell a security or an asset at an established price, called *exercise* or *strike* price, within a specified time called maturity (Tupala 2006: 10). Stock-based pay is a big component of executive compensation and shareholder value maximisation. Options can motivate employees to work harder to produce higher returns for the company, and if the company generates higher earnings, employees can exercise their options at higher stock prices, thus maximising shareholder wealth (Lazonick 2014). The growth of stock options as compensation method has generated public discussion, as some view it as a way for top executives to transfer excess wealth to themselves (Mäkinen 2007: 74). The data collected on CEO's shareholdings and exercised stock options between 2012 and 2016 intends to illustrate how the CEO wealth as shareholder is strongly correlated to the aggregated value of shareholdings (and the increase or decreases of shareholdings' market value over time using annual closing prices) and the wealth accumulated by the use of stock options. Stock options can be correlated to executives extracting value for themselves as shareholders, especially when exercising an option at an exercise price considerably lower than the share price.

Dividend payments is one of the two main ways a company rewards its shareholders within a publicly traded company's pay-out policy. Usually paid after-tax profits, they are a share of a profit that a company will pay at regular intervals (Picardo 2015). In Finland, usually dividends are paid once per year, unlike in U.S. where they are paid quarterly. The reason for collecting data on dividends relies severely on the research question: as the primary purpose of a company is to maximise shareholder value, the profit derived from dividend payments compensates the risk that investors undertake when deciding

upon investing in a certain firm (Brealey, Myers & Allen 2011). A company aiming at maximizing shareholder value through a stable dividend policy will most certainly increase dividends per share over time, to reward its shareholders. With dividends, firms maximise shareholder wealth, while investors maximise utility, according to Allen & Michaely (2004). The data collected on dividends between 2012 and 2016 will be looking at trends regarding dividends paid over the years, percentage of dividends paid over total net profits and most importantly increase of dividends per share during the analysed years, to tell us to what extent companies have been maximising shareholder value by returning excess cash to shareholders.

Stock repurchases/buybacks is the other main way to reward shareholders. Share repurchases are a very important indicator of shareholder value maximisation: among the biggest benefits, is that they will reduce the amount of outstanding shares in the market, which can increase the profitability of earnings per share (EPS), and improve performances such as Return on Equity (ROE) (Picardo 2015). This will most likely increase the share price over time, as companies can use share repurchases when they believe their stock is undervalued. Although this is not always the case, it is usually the reason why firms perform share repurchases. By increasing EPS and share price over time, firms maximise value and wealth for their shareholders. Therefore, the data collected on total share repurchases between 2012-2016 aims to show to what extent firms have chosen to maximise shareholder value with the use of share repurchases, and the possible reasons behind them. Firms do not necessarily communicate to shareholders the real reasons behind share repurchases, therefore we can make only theoretical assumptions during the empirical analysis, of why the firms use share repurchases to maximise shareholder value. Buybacks can be often pro-cyclical (companies use buybacks when they are holding cash), and within the U.S., are more often financed with debt and can be unannounced. In Finland, we will discover how buybacks are announced at the Annual General Meeting (AGM), and how companies are obliged to publish buybacks on daily basis.

The last indicator looked upon will be the choice between *dividends* and *share repurchases*, as they can form a significant combination that can boost shareholder returns. However, which one is better? This has been a subject of debate from the academics of the field. Depending on what the shareholder time horizon is, buybacks

are believed to have a short-term impact, while a longer-term advantage relies on dividend payments (Ritholtz 2015). The data collected on the 20 companies between 2012-2016 looks upon the comparison of which one of the two methods Finnish firms use to maximise shareholder value, whether it is done through dividends, share repurchases, or the combination of the two.

While discussing and analysing the main indicators of shareholder value maximisation, the following notions will be furthermore taken into consideration:

- Financial goals
- Profitability
- Share price
- *Reported* pay and *realized* pay
- Earnings per Share (EPS)
- Return on Equity (ROE)

We will evaluate which are the strongest indicators of shareholder value maximisation in Finland. We will comprehend if the evidence of the quantitative and (to a lesser extent) qualitative analysis within this thesis supports the research question or hypothesis, or whether it departs from the claim that Finnish firms' ultimate purpose is to maximise shareholder value.

When discussing shareholder value maximisation, there is a series of traditional accounting measures used by investors and analysts which can measure if a company is creating shareholder value for its investors. As shareholder value is strongly connected with financial performance, some of the most traditional accounting metrics to measure shareholder value are (mentioned above) Earnings Per Share (EPS) and Return on Equity (ROE). While these measures do not answer directly the research question, they are never the less important to understand the shareholder value maximisation philosophy, therefore they will be presented within an appendix when discussing share repurchases. Rather than looking for whole trends, we will look how average EPS and ROE by sector among the Finnish companies during 2012-2016 relates to shareholder value maximisation. Not all companies are presented, as some sectors had not sufficient companies within for a comparison, for instance consumer services (Kesko), oil and gas

(Neste), or sectors with only two companies offering no comparison (telecommunications, services).

The present thesis will offer furthermore a comparison with other studies, descriptive statistics and dissertations on the subject, with focus on executive compensation, stock options and share repurchases. The case studies will be collected largely from Finnish and U.S. authors, which were of absolute importance during the writing of this thesis.

3.3 Benchmarking/comparison with the U.S. shareholder value maximisation

As I have encountered during the preliminary literature research that Finland has been moving towards an Anglo-American corporate governance system, and that Finland has opened to financial liberalization more reliant on equity financing rather than debt financing, the data will be then compared/benchmarked with U.S. companies with correspondent market cap. After all, the shareholder value theory originated in the U.S., reason why a comparison with the American shareholder value maximisation seems more relevant than with another Nordic or European countries. The U.S. companies' data has been collected from a S&P 500 database available on SlickCharts and researched from the MarketWatch website, which contains a large database of companies listed on the New York Stock Exchange (NYSE), NASDAQ and Dow Jones. It is important to note that large market cap Finnish companies in U.S. would be considered mid-cap, considering the different level of market capitalization and the size of the stock market – as we have mentioned during the literature review on page 8. For instance, while in Finland a large cap listed company is considered at least €1 billion euros, in U.S. a small-cap company varies between $300 million and $2 billion USD.

By any means, while the 20 sample Finnish companies have been listed in order from the largest (Nordea) to the 20th largest (Cargotec), the top 20 U.S. market cap company within the S&P 500 would range from Apple with $790 Billion USD (€686 Billion) market cap, to Citigroup Inc with $181 Billion (€157 Billion). Therefore, seventeen of the 20 companies belong to the S&P 500 list, while the remaining three have been sourced from MarketWatch due to the inability to find a low correspondent market on the S&P 500 list cap for SSAB, Amer Sports and Cargotec (between €3.2 and €2.8 billion euros). Never the less, the market cap of the 20 U.S. companies have been sourced according to

corresponding market cap, thus creating a very balanced comparison (Table 2). Apart from Proofpoint, listed on NASDAQ, all the other companies are listed on the NYSE.

Table 2. U.S. Publicly traded companies with correspondent market cap in $USD (Source: SlickCharts).

	Company	Market Cap, Million $	Sector
1	Prudential Financial Inc	484200	Financial
2	Fidelity National Information Services Inc	28544	Technology
3	Hewlett Packard	27770	Technology
4	Delphi Automotive	24800	Consumer Goods
5	WEC Energy Group Inc	19950	Utilities
6	Mettler-Toledo International Inc	15640	Health Care
7	HCP Inc	15090	Financial
8	Xylem Inc	6680	Industrials Good
9	Pinnacle West Capital Corp	9620	Utilities
10	Marathon Oil Corp	9530	Basic Materials
11	Apartment Investment & Management Co	6810	Financial
12	Assurant Inc	5840	Financial
13	Michael Kors Holdings Ltd	5360	Consumer Goods
14	Newfield Exploration Co	5170	Basic Materials
15	FLIR Systems, Inc	4610	Technology
16	Chesapeake Energy Corp	4420	Basic Materials
17	AutoNation Inc	4290	Services
18	Proofpoint Inc	3760	Technology
19	Tribune Media	3600	Services
20	Dana Inc	3470	Consumer Goods

This thesis is focused on indicators within shareholder value maximisation, not on stock market returns, therefore not having all 20 companies listed on the S&P 500 does not represent an impediment within the thesis' scope or the quantitative analysis. The thesis will attempt to provide a clear comparison across all the enunciated indicators of shareholder value maximisation between Finland and U.S. However, it is important to remember that the scope and research question of the thesis is not a mere comparison between two models. The empirical evidence aims to answer the research question on how Finnish firms are aiming at maximizing shareholder value, what is the approach they use to maximise shareholder wealth and to return excess cash to their shareholders (is it through dividends or share repurchases) and if there is any evidence that supports the

claim that Finland has been moving towards an Anglo-American corporate governance and shareholder value model.

3.4 Sources of data collection for empirical evidence

The financial data for the 20 Finnish sample companies was researched upon and analysed based on the last five years' annual reports, financial statements, remuneration reports, for years 2012-2016. The reports included everything from financial data, to corporate governance statements, to investor relations announcements. Most of the data is also available on the companies' website under the sections *corporate governance*, *corporate governance reports, remuneration reports,* or *annual* or *financial reports*. A total of 100 annual reports/financial reports, plus 100 remuneration reports (when available) were looked into for data collection of executive compensation, shareholdings and stock options. Dividends and share repurchases data has been collected from both financial reports and investor relations sections on the companies' websites.

U.S. data on executive compensation, and its components such as stock and option awards has been collected from the 20 companies' annual proxy statements (or proxy filings, or Schedules 14A), which are requested by the United States Securities and Exchange Commission (SEC), and are widely available on the companies' website sections *investor relations* under *SEC Filings*, and on websites such as sec.gov and seekingalpha.com. Data such as dividends paid, dividends per share and share repurchases has been collected from the Morningstar website.

3.5 Methods used to store and analyse data

Excel was used for all the data storing and data collection, to create databases, tables and charts based on the analysed indicators, to run totals, averages (means), and medians. Most of the Excel tables, when seeking for indicators such as total executive compensation, total dividends paid, total share repurchases, are composed of 100 observations per table analysis (20 companies per 5 years). The table presented on Appendix 1 can give an example.

3.6 Thesis limitations

While covering a very broad subject such as shareholder value maximisation, this thesis has its limitations. As previously explained, the research question does not necessarily have a straightforward answer: looking at how firms maximise shareholder value is not a simple task to conduct and at times can leave with further questions, rather than merely conclusive answers. While the thesis wants to fully assesses the research question, it is important to remind that there is no absolute answer within shareholder value maximisation and its indicators. Many studies and analysts (Murphy and Conyon, Jensen and Murphy, Stern Stewart & Co) have often debated on the most prominent and relevant methods. There is not a perfect metric, or a universal one, to measure shareholder value maximisation (Leahy 2000). The concept of shareholder value was originated in 1976; since the *Theory of the Firm*, an immense amount of theoretical framework and case studies on shareholder value maximisation has been written, and several will be presented on this thesis to discuss indicators of shareholder value maximisation. Some analysts focus on dividends, some on stock option plans, some "fixates" on share repurchases (according to McKinsey, 2006) or "massively" on Earnings per Share (EPS) (Stewart, cited in De Wet 2014). "There is no silver bullet; each of these metrics is flawed somewhat", according to Jim McTaggart, value-based management pioneer and former Wells Fargo's vice president (Leahy 2000). Some of the traditional metrics have been often disputed as ineffective, depending on the sector (See Appendix 2).

Limitations have also been encountered when coming into conclusions when explaining differences between Finnish and U.S. companies within shareholder value indicators: for instance, why a company has been using stock option plans for CEOs or executives, or the reason why certain companies have gone through share repurchases programs. We can only make assumptions based on current observations during this thesis, theoretical framework connected to empirical data analysed for the years 2012-2016, for both Finland and the U.S. Furthermore, it is rather impossible to read front-to-back every single annual report, financial statement, corporate governance report, proxy filing or investor relations web page, together with analysing all share price data, stock returns, share issues (to measure the ratio between issued shares, outstanding shares and share repurchased), or exercised and sold options or shares (to see to what extent CEO wealth has been increasing), due to time, space constraints, and most importantly, availability of tools and resources.

Data collection, especially for Finnish companies, has been a long and at times difficult process, which required a considerable amount of time to be completed. There was not the possibility of using DataStream, Reuters, Bloomberg or other paid sources of data, usually available to financial institutions, or university portals containing this type of data. Researching data for U.S. companies has been a more at ease process, as websites such as Morningstar, Bloomberg and Reuters provide a variety of data such as executive compensation in all its components (such as share awards and restricted shares), share repurchases, dividends paid, shareholdings from CEO and executive management, and importantly, stock options exercised.

Therefore, when researching and collecting data, the question of how Finnish firms communicate to various shareholders/investors raised the following concern: while investors/shareholders demand accessibility of information in a quick manner, an investor needs to go into an array of financial statements, annual reports, remuneration reports and the investor relations in the website when researching information regarding executive compensation, especially vested stock and exercised stock options. In comparison, U.S. firms, as mandated by the SEC, are required to compile the proxy filings, in which information regarding executive compensation is categorized in a more linear way. For instance, the *summary compensation table* provided in the proxy filings provides a clear, concise account of exercised options and vested stocks and change in shareholdings, among others.

Furthermore, and most importantly, most listed U.S. companies provide only *reported* (or target) pay, not *realized* pay. While reported pay is what the CEO is granted during the fiscal year (as mandated by the SEC), but not what is necessarely earned, realized pay is what the CEO actually earns. According to an Equilar report (2016), only 13.7% of publicly traded companies in U.S. disclose both reported and realized pay. For instance, the value of stock awards are based on *grant date* fair values: never the less, stock awards have a value upon grant (Murphy 2012: 7). Therefore, when measuring executive compensation between the Finnish and U.S. publicly traded companies, this represented a limitation when comparing annual compensation, especially in terms of Long Term Incentives. While Finnish companies' annual and financial reports disclosed realized pay, U.S. companies disclosed, within the summary compensation tables, only

reported pay. When compensation is measured using grant-date values, Murphy (2012), calls it "grant-date" vs. "realized" pay.

4 Empirical analysis results: executive compensation, dividends, share repurchases, choice between dividends and share repurchases

4.1 Executive or CEO compensation

4.2 Theoretical framework

In order to understand how executive compensation relates, as one of the main indicators, to how firms maximise shareholder value and wealth, and the relationship between CEO pay, CEO wealth and shareholder wealth, it is important to explain executive compensation and its components first within its theoretical framework and thereafter within empirical evidence. Executive remuneration (or executive pay, or CEO compensation) is a complex and controversial subject. For several years, large attention from both the media and policymakers, but also academics, have emphasised the high level of pay awarded to U.S. executives, and probed if they are consistent with shareholders' interests (Conyon 2006: 25).

The standard economic theory of executive compensation is the *principal-agent* model (Conyon 2006: 25; Murphy 2012: 38). Deeply rooted, as most researches have shown, into *agency theory*, compensations plans are designed to align the interests of risk adverse self-interest CEOs with the ones of the shareholders (Murphy 2012: 24). The agency theory was largely responsible in the shifting of cash-based payments towards payments that rely predominantly on equity, linking payments closely to stock performance (Bower & Paine 2017). In the agency model, the shareholder decides upon the pay; in reality, the compensation committee of the board of directors decides on the pay on behalf of the shareholders. The principal (the shareholders), make an offer based on a contract to a CEO (agent). Shareholders motivate the CEO to maximise firm value, according to the contract approach to executive pay (Conyon 2006: 25). Therefore, most researches are focused in the relationship between the CEO compensation and the value of the firm (Murphy 2012).

Executive compensation has been for years closely related to the concept of chief executives extracting as much value for themselves, taking money from shareholders. Within shareholder value maximisation, this can be related to value extraction, rather than value creation. Especially when the money is meant for departing executives, this is clearly a zero-sum interaction (M.S. 2010). This is often referred to as "hoover up". A part of human behaviour is involved into hoover up resources as Kevin Drum puts it: a sales representative maxing out its expense accounts, or the use of political links to secure tax reliefs, subsidies, or the exploitation of natural resources (M.S. 2010). *The Economist* did an investigation back in 2007, when the financial crisis was about to break in, to illustrate the evidence of the increase ratio of executive compensation compared to median earnings, a ratio that has been peaking in the turn of the millennium, as shown in Figure 2 (Carr 2007).

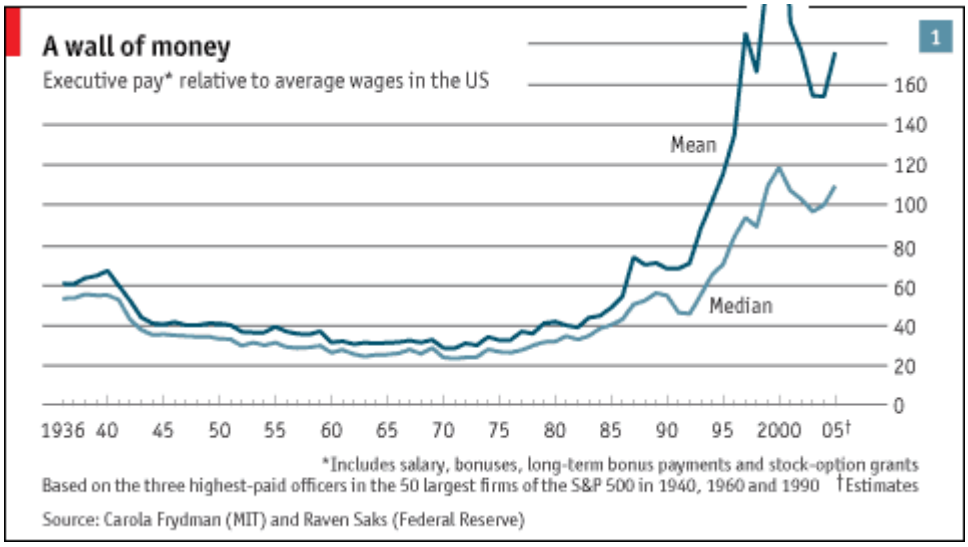

Figure 2. Executive pay relative to average wages in the U.S. (Source: The Economist 2010).

The Corporate Library, an American corporate-governance consultancy, identified 11 large companies in 2006 (large but poorly governed), including AT&T, Merck and Time Warner, where the chief executive had been paid at least $15 million a year for two consecutive years, although the company's shares had been underperforming. Home Depot's CEO Robert Nardelli had received $210 million USD pay-off when he was laid off, despite the company's shares had been falling during the six years' time he was in charge of the company (Carr 2007).

Executives receive their pay in various forms, and discussing and analysing them is critical, in order to understand executive compensation within shareholder value maximisation. The determinants and components of executive compensation can be categorized as follows:

- Fixed or base salary
- Short-term incentives (STIs)
- Long-term incentives (LTIs)
- Benefits (i.e. retirement pension)

STIs are also referred to as annual incentives, moreover referred to as performance bonuses: they are meant to compensate executives for achieving the firm's short-term goals. LTIs comprise, for instance in the median pay of the S&P 500, the largest component of executive pay, usually over 60%, according to the Center on Executive Compensation (2017). The scope of LTIs is to reward executives for achievements of the company's goals and objectives that aim at maximising shareholder value, according to the Center.

LTIs' earning opportunities are based on the company's financial performance and share price development, and are subject of approval from the Board of Directors. Programs include usually share based incentive plans, restricted share plans and stock options. Most of the equity-based compensations are measured on performance over a number of years (in Finland, the majority of plans have a length of 3 years). They focus on the long-term goals of the company, and are designed to improve employees' long-term performance and maximise shareholders' value. CEOs usually do not receive any pay until the end of the performance period (Center of Executive Compensation 2017; EY 2016). Employees must fulfil the requirements on their contribution to shareholder value increase. LTIs are therefore, and this will be evidenced during the empirical analysis, one of the most powerful links between executive compensation, shareholder wealth and shareholder value maximisation. LTIs goals can vary from company to company, however they are mostly focused on Total Shareholder Return (TSR), Earnings per Share (EPS) and other return measures. LTIs, alike STIs (or annual incentives), can encourage executives to deliver superior performance (Center on Executive Compensation 2017).

During the empirical evidence, we will pay special attention to this component when analysing executive compensation within the 20 Finnish and U.S. sample companies.

In U.S., any firm whose securities are registered under Section 12 of the Securities Exchange Act of 1934 is required by the U.S. Security Exchange Commission (SEC) to file a proxy statement, also known as a Form DEF 14A or Definitive Proxy Statement, that is soliciting shareholder votes. There is a series of information required in the statements a company is required to file with the SEC before soliciting shareholder vote (U.S. Securities and Exchange Commission 2011). Information that needs to be filled regarding executive compensation or CEO pay that is important for shareholders and investors includes a *summary compensation table*, exercised options and vested stocks.

An important distinction within CEO compensation needs to be understood, when dealing with executive pay in the U.S.: the difference between *reported pay* and *realized pay*, which has been already mentioned within the *thesis limitations* on the methodology section. Realized pay includes compensation that the CEO or executive has actually gained, or "harvested value from"; for instance, exercised stock options or sold performance shares. This can include also exercising stock options that may have been granted to the executive by the company years prior to the stock exercise. Reported pay is the first part of the remuneration lifecycle, comprising what is granted, but not earned, during the fiscal year (Equilar 2016). Realizable pay is at the middle at the compensation lifecycle, focusing at what the executive could earn (after grant, but before stocks or options have been vested or exercised), depending how the company will perform in accordance with shareholders' interest, or how the company's shares will perform in the market (ISS Corporate Services 2013). Reason why measuring executive pay can represent a difficult task and at time very confusing, according to Murphy (2012), among others.

In April 2015, the SEC proposed an amendment called *pay vs performance* mandated by Section 953 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to include both the *summary compensation table* (reported or target pay) and the realized pay, which the SEC defines as *actual pay* (Equilar 2016; Security and Exchange Commission 2015). According to an Equilar report called *2016 Compensation and Governance Outlook*, S&P 500 companies disclosing realized pay or actual pay in their

proxy filings increased from 1.7% in 2011, to 13.7% in 2015 (Equilar 2016). In Finland, the Securities Market Association demands all companies to publish a remuneration statement in accordance with the Finnish Corporate Governance Code (Securities Market Association 2011). Compensation earned for the year is furthermore disclosed within the companies' annual or financial reports.

Mäkinen (2007), on *CEO Compensation, Firm Size and Firm Performance,* has found out how CEO average compensation in Finland has increased from 1996 to 2002. The ratio between an average worker and a CEO is higher in U.S. than in Finland. As executive pay is considered to have a large impact on the company's performance and the overall economy, in Finland more and more regulations have been put into place regarding executive compensation. One of the many regulations affecting executive pay is, for instance, the already mentioned Finnish Corporate Governance Code, the multiple directives for remuneration within the financial sector, and the European Commission proposal for the Shareholders' Rights Directive. Regulations are targeting to increase transparency by requesting better disclosure of executive compensation (EY 2016: 5).

Regarding communicating remuneration statements to shareholders, there is a strict set of rules in place in Finland: all companies, according to the Finnish Governance Code, must follow a series of recommendations regarding remuneration. These include: remuneration committee (*Recommendation 17*), decision making relating to remuneration (*Recommendation 22*), remuneration and shareholdings of the Board of Directors (*Recommendation 23*), structure of the remuneration (*Recommendation 24*), and directives regarding the remuneration reporting, which includes decision making procedure concerning the remuneration, main principles and remuneration reporting (Finnish Corporate Governance Code 2015).

4.3 Measuring executive pay within shareholder value maximisation

But thereafter, how do we measure executive compensation when discussing shareholder value maximisation? Measuring and evaluating CEO compensation can be a quite difficult task for investors: we will highlight some of the most common ways to evaluate executive compensation.

Pay versus performance (or *pay for performance*) is one of the most popular ways to evaluate CEO compensation. Long-term incentives (LTIs) programmes within compensation are directly correlated to stock performance, which creates a close relationship between stock performance, CEO compensation and shareholder wealth. It is one of the most effective ways to determine if the executives are being overpaid. The most common used metric is comparing the change year after year in a stock price. If the change in the stock price outpaces the change in pay, then the executive is not overpaid (Kuepper 2017).

Peer comparison is another common way utilized to evaluate executive compensation, as it compares executive pay with the one of the same industry's peers. Market leaders' CEOs are commonly paid more than their counterparts within their industries, whereas the majority of executives' pay should be balanced with the one of their peers (Kuepper 2017).

Murphy (2012: 24) denotes the importance of the relationship between CEO and shareholder wealth based not from the current compensation, but from the CEOs' *portfolio* of stocks, restricted stocks, and stock options. According to Murphy, if executives would be paid simply on a base salary set at the commencement of each year, it would be rather easy comparing the salaries of executives identifying the highest pay, and to review among salaries across the years how the pay has been changing over time. For instance, to analyse what is the difference on salaries between executives and other employees paid in other occupations.

Jensen and Murphy (1990), in their Harvard Business Review article *CEO Incentives – It's Not How Much You Pay, But How*, denote how while the public focuses on "excessive pay", the biggest issue relies on how the CEOs are being paid, in order to find a link between executive compensation and shareholder wealth. While dismissing pay for performance, they claim *direct stock ownership* and the percentage of the company's outstanding shares the CEO owns as the most powerful link between shareholder wealth and executive wealth. If a CEO controls a significant amount of shares, an increase in the market value can have a significant feedback effect.

As far as pay for performance and peer comparison are very important metrics, this thesis is focused on finding empirical evidence if Finnish firms are maximising shareholder value, and to compare descriptive statistics of 20 Finnish publicly traded companies with 20 U.S. publicly traded firms. Therefore, I will not focus on peer comparison (by industry) as it is not relevant to answer the research question. Pay for performance has been previously examined by a large amount of studies, together with the ones researched by the student and written by Mäkinen (2007), Murphy (2012), among others, who have extensively examined the correlation between CEO pay and CEO performance. Never the less, we will view within the empirical data to what extent the *CEO pay is tied to performance* with the use of Long-Term Incentives, the component of variable pay that represents the strongest link between CEO compensation and shareholder value maximisation. Furthermore, we will explore within the quantitative analysis the balance between *fixed* and *variable* pay in annual compensation.

As explained during the methodology chapter, to understand CEO pay and its relationship with shareholder value maximisation fully, it is crucial to focus on the aggregate amount of shares, restricted stock, and stock options that the CEO owns in a company. Therefore, following Jensen and Murphy's argument, when analysing executive pay, together with annual compensation and its components, we will pay special attention to direct stock ownership and stock options to evaluate how Finnish firms aim at maximising shareholder value. We will look at the relation between CEO wealth and shareholder wealth, and to what extent CEOs are generating value for themselves.

4.4 Empirical analysis: evidence from Finland and U.S.

4.4.1 Executive compensation trends and components 2012-2016, Finland and U.S.

While showing with descriptive statistics the CEO pay within the 20 Finnish and U.S. firms to view trends over time during 2012-2016 in executive compensation, we are looking at the relationship between CEO pay and shareholder value maximisation: therefore, as explained during the methodology section, the comparison between executive compensation's components and the relationship between fixed and variable pay represents how firms maximise shareholder value through CEO pay. Within variable pay, Long-Term Incentives (LTIs) are the most important indicators of shareholder value maximisation.

When looking at the 20 sample Finnish firms, we can notice an increase in total executive compensation during 2012 and 2016 (Figure 3). The total compensation considers all the components of executive compensation: base salary, short term incentives (STI), long term incentives (LTI) and pensions and benefits, which will be analysed later in this chapter. Total executive compensation for the 20 Finnish companies amounted to €245.6 million euros during the five years' time.

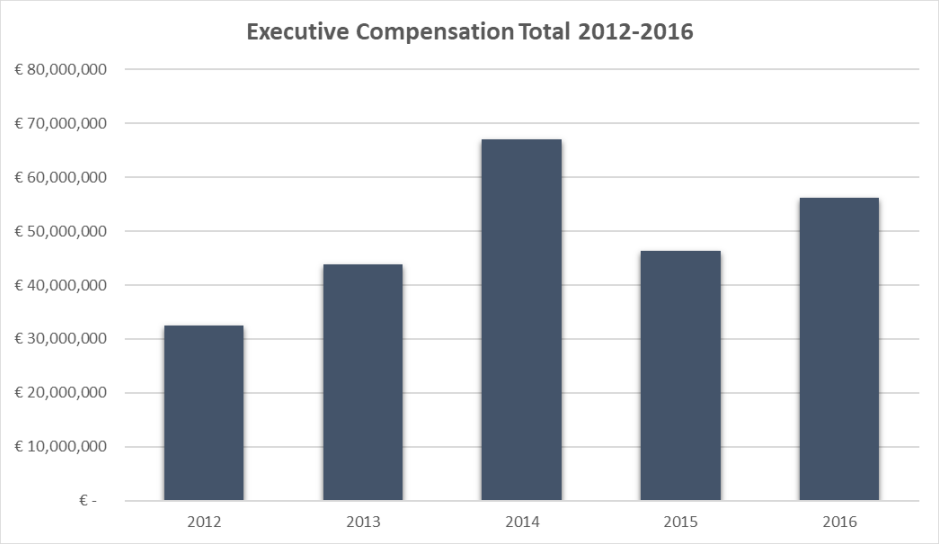

Figure 3. Total executive compensation for the 20 Finnish sample companies in 2012-2016.

The sudden increase of executive compensation of 2014 (Figure 3 and 4) is explained by a larger than expected pay off in Nokia of €25 million euros (as reviewed in Nokia's financial statement of 2014 and listed as *other compensation*), when Stephen Elop stepped out as the company's CEO after Microsoft's €5,44 billion euros buyout of Nokia's mobile phone business. This received much criticism, as under Elop's three year's tenure, Nokia's market value fell from €17 billion euros to €11 billion euros (Milne 2014).

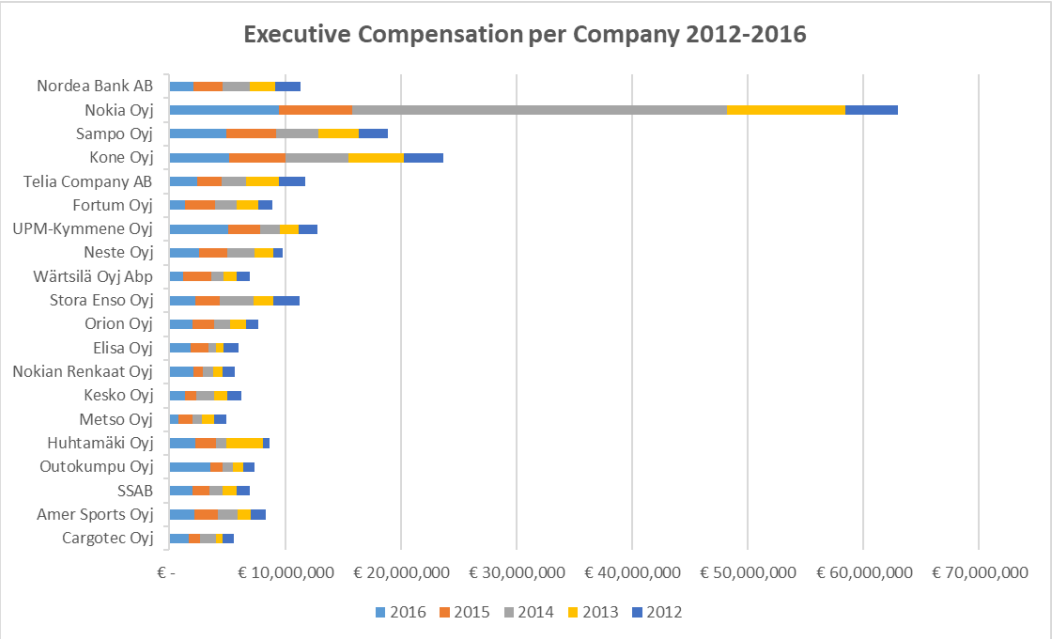

Figure 4. Executive compensation per company for the 20 Finnish companies, 2012-2016.

Average executive compensation has increased between 2012 and 2016 (Figure 3). Average executive compensation rose from €1,6 million in 2012 to €2million euros in 2013, €3,3 million euros in 2014 (due to Nokia's former CEO Steve Elop), €2,3 million euros in 2015 and €2,8 million euros in 2016. Median compensation increased from 2012 to 2016 by 78%: it has grown by 22.7% between 2012 and 2013, and by 29% between 2014 and 2015. In the years between 2013-2014 and 2015-2016, median increase has been lower at respectively 6,5% and 5,1% (Figure 5). A full table of total executive compensation for the 20 Finnish firms can be found on Appendix 3, section 1.

Table 3. Total, average, median and growth % in executive compensation for the 20 Finnish firms, 2012-2016.

TOT	€ 56,182,960	€ 46,225,925	€ 66,996,853	€ 43,710,187	€ 32,492,441
Year	2016	2015	2014	2013	2012
AVG	€ 2,809,148	€ 2,311,296	€ 3,349,843	€ 2,185,509	€ 1,624,622
Median	€ 2,154,465	€ 2,049,830	€ 1,584,778	€ 1,487,900	€ 1,212,287
Growth %	21.54%	-31.00%	53.28%	34.52%	

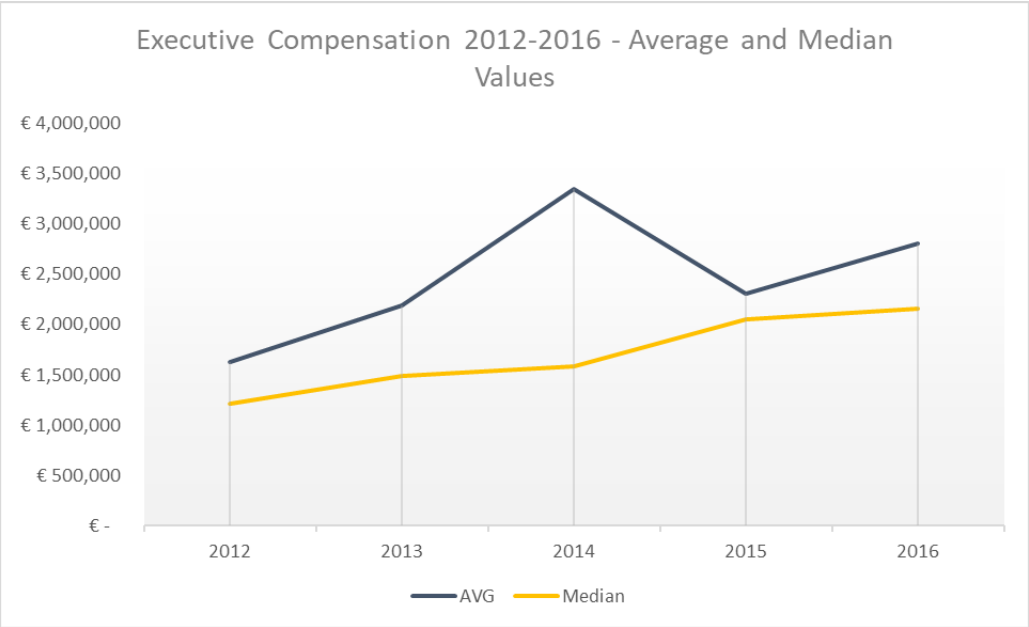

Figure 5. Average and median values for the 20 Finnish sample companies, 2012-2016.

When comparing executive pay between Finland and U.S., various sources have evidenced that average CEO compensation in U.S. is $13.8 million USD per year (€11.6 million euros) for large-cap companies, according to Glassdoor. According to Stanford Business (2016), median CEO pay for $21 billion USD market cap firms is $10,6 million USD (€9.3 million euros). The comparison with executive pay data from the 20 U.S. companies between years 2012-2016, collected from companies', SEC filings, can show a significant difference in total CEO pay (Figure 6). Total executive compensation within the 20 U.S. companies amounted to a total of €861 million euros ($1 billion USD). Average and median CEO compensation in Finland and U.S. during 2012-2016 differed significantly, with respectively €2.4 and €1.4 million euros for the 20 Finnish companies, and €8.6 and €7.7 million euros ($10.2 and $9.1 USD) for the 20 U.S. companies (Figure 7).

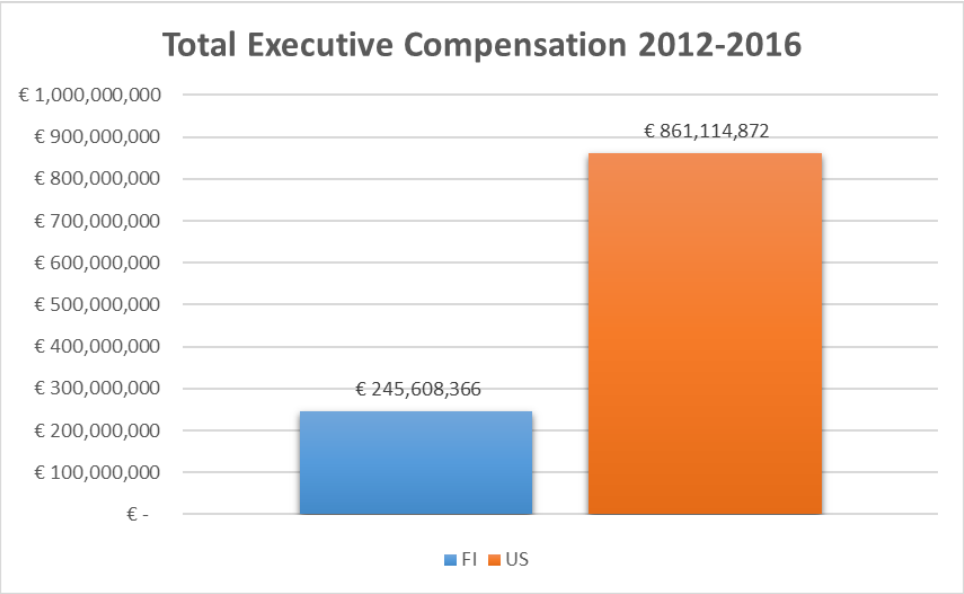

Figure 6. Total executive compensation for the 20 Finnish and U.S. companies, 2012-2016.

It is important to remind that when analysing executive compensation within the 20 U.S. companies, a review of the proxy filings has evidenced the fact (as mentioned within the *thesis limitations*) that most of the companies were only disclosing reported pay, therefore the pay that is actually realized (actual pay) especially regarding long-term incentives components, (therefore, stock and option awards), might not reflect the actual performance of the CEO. A full table of total executive compensation for the 20 U.S. companies can been found on Appendix 3, section 2.

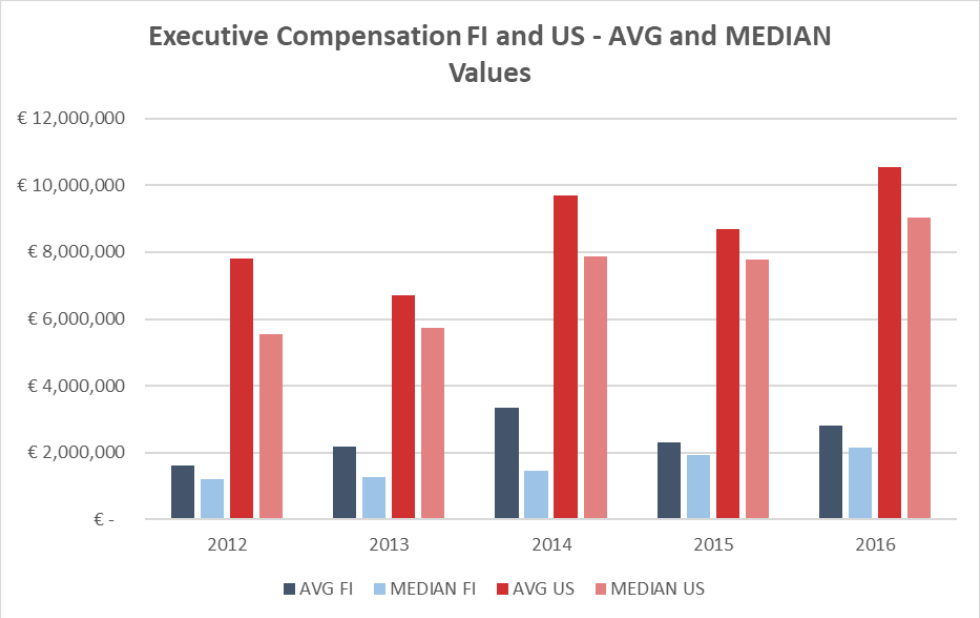

Figure 7. Average and median values for the 20 Finnish and U.S. companies, 2012-2016.

As previously explained, executive compensation components can tell us whether a company is seeking to maximise shareholder value with the mix of fixed and variable pay, most importantly, with the use of Long Term Incentives that correlate CEO pay to performance and to shareholder wealth. Regarding the components of executive pay in Finland, figure 8 shows the total compensation among the 20 Finnish firms by components of executive compensation, otherwise defined as *executive pay mix*: base salary, short-term incentives (STIs), long-term incentives (LTIs), and pension and benefits. In order to represent fairer values of executive compensation's components, the €25 million euros benefits paid to Nokia's CEO Elop in 2014 has not been accounted for.

Statistics suggest that while LTIs are the essential component of CEO pay within shareholder value maximisation, base salary within the 20 Finnish companies represents never the less a steady component of CEO pay. Therefore, when considering shareholder wealth, variable pay does not outpace fixed pay in the Finnish firms, which seems to suggest that while in U.S., as we will see, variable pay plays a higher role within shareholder value maximisation, in Finland this trend within CEO pay is more inclined towards a stable combination of fixed and variable pay.

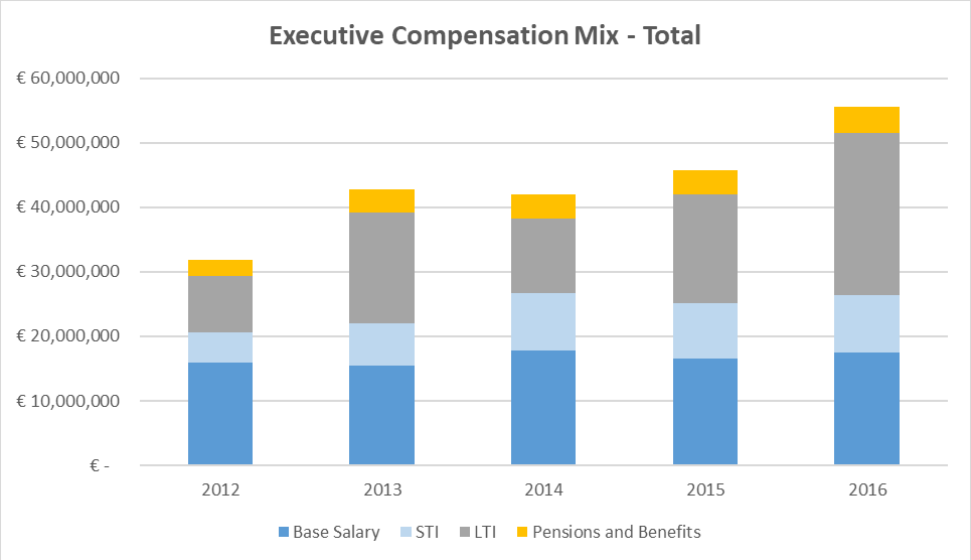

Figure 8. Executive compensation components or CEO pay mix for the 20 Finnish companies, 2012-2016.

Later in the empirical analysis, we will view in what forms of equity rewards the LTIs come when analysing the 20 Finnish firms. For instance, in 2016 Nokia paid only 11% of base salary within total compensation, while 79% of pay was in form of LTIs. In 2015, 84% of total compensation was based on at-risk pay tied to performance (Nokia 2015). Within the 20 Finnish firms Nokia was the company with the higher percentage of variable salary. The statistics and empirical evidence suggests that Long Term Incentives (LTIs) have decreased between 2012 and 2013, and then increased between 2015 and 2016. LTIs percentage growth has more than doubled between 2013 and 2016, which reflects the actual payments attributable of the vesting of share incentive plans. Median base salary decreased by 10% between 2012 and 2013, then increased by 16% between 2013 and 2014. 2015 and 2016 showed respectively a decrease of 2.8% and an increase of 3%. Short-term incentives (STIs) were at the highest during 2014 with an average value of around €500.000 euros and a median value of €395.000 euros, and during 2016 (average €474.000 euros, median in this case, greater at €559 euros due to excel data being "skewed to the left"). (Figure 9, Table 4).

Not all the 20 Finnish companies had LTIs for the group executive team (including the CEO). For instance, Telia Company's long-term incentive program (performance shares equal to 30% of annual salary) does not include the CEO and group executive management, but a maximum number of key employees (Telia Company 2017).

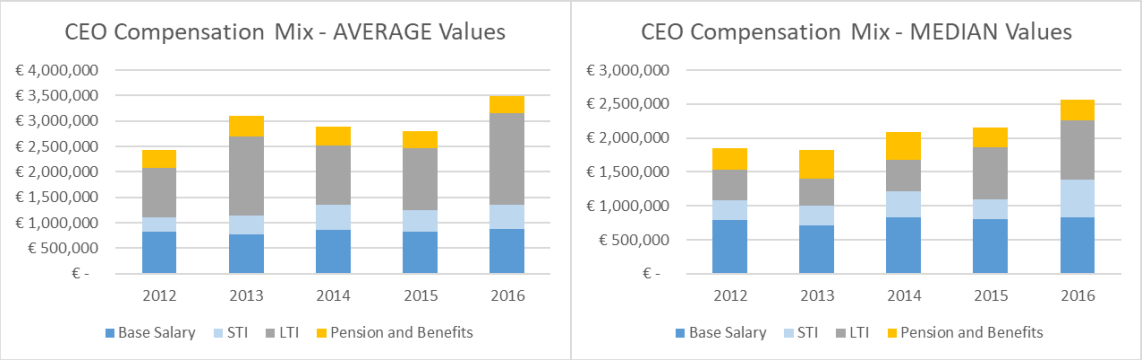

Figure 9. Average and median values of executive compensation components for the 20 Finnish companies, 2012-2016.

When comparing and benchmarking Finland with U.S. within CEO pay mix, we can again see a considerable difference among the two countries. To cite an example, the CEOs of

two similar market cap companies, Sampo (total net profits for 2012-2016: €7,7 billion euros) and Hewlett Packard (total net profits for 2012-2016 €5,5 billion euros), received highly different average compensation between 2012 and 2016. Total average compensation for Sampo's CEO amounted to €3,7 million euros, whereas Hewlett Packard's CEO received a total compensation of €18,5 million euros ($21,9 million USD). Regarding the CEO pay mix, Sampo's CEO received an average base salary of €900,000 euros (€760,000 euros Hewlett Packard) €400,000 euros average of STIs (€1,9 million euros), €2,4 million euros of LTIs (€14,8 million euros) and €634,000 euros of pensions and benefits (€231,000 euros) – see Appendix 3, section 3 and 4 for full tables of executive compensation components.

Table 4. Average and median values of executive compensation components for the 20 Finnish companies, 2012-2016.

AVERAGE Values	2016	2015	2014	2013	2012
Base Salary	€ 884,064	€ 829,845	€ 863,656	€ 771,593	€ 818,157
STI	€ 474,323	€ 427,010	€ 498,586	€ 370,489	€ 298,965
LTI	€ 1,793,918.00	€ 1,209,925.07	€ 1,149,208.70	€ 1,560,576.09	€ 961,839.67
Pension and Benefits	€ 344,258	€ 337,814	€ 2,829,599	€ 397,709	€ 355,542
MEDIAN Values	2016	2015	2014	2013	2012
Base Salary	€ 827,300	€ 803,400	€ 826,232	€ 711,134	€ 792,680
STI	€ 559,707.00	€ 292,191.00	€ 395,000.00	€ 294,498.00	€ 294,829.50
LTI	€ 871,803	€ 772,760	€ 453,760	€ 398,888	€ 450,546
Pension and Benefits	€ 308,388	€ 281,000	€ 414,118	€ 413,000	€ 316,698

These considerable differences can be seen especially within LTIs components of executive pay in Finland and U.S. When comparing total average LTIs within the 20 Finnish and U.S. companies, average total LTIs to the CEOs of the 20 U.S. companies between 2012 and 2016 surpassed the 20 Finnish firms by 425% (€5,6 million euros against €1,3 million euros). This can be reflected on both total and median values of executive compensation components (Figure 10 and 11). It must be highlighted again, that the amount represented in the proxy filings for the 20 U.S. companies corresponds to reported pay, not realized pay. When considering LTIs or equity incentive programs and equity based awards designed to maximise shareholder value, they are equally split between stocks and options among the 20 sample U.S. companies, whereas among the 20 Finnish firms they come in form of share performance or restricted share plans. Therefore, while the Finnish CEO's shareholder wealth is maximised through performance shares and restricted shares, in U.S. this comes with a more balanced combination of stock options, performance shares and restricted shares.

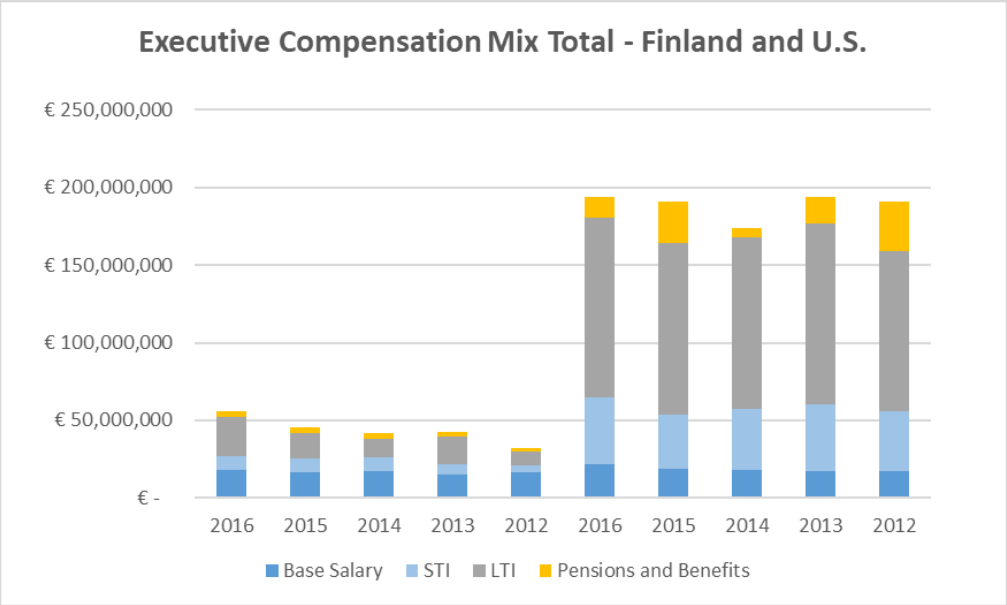

Figure 10. Executive compensation components, total, for the 20 Finnish and U.S. companies, 2012-2016.

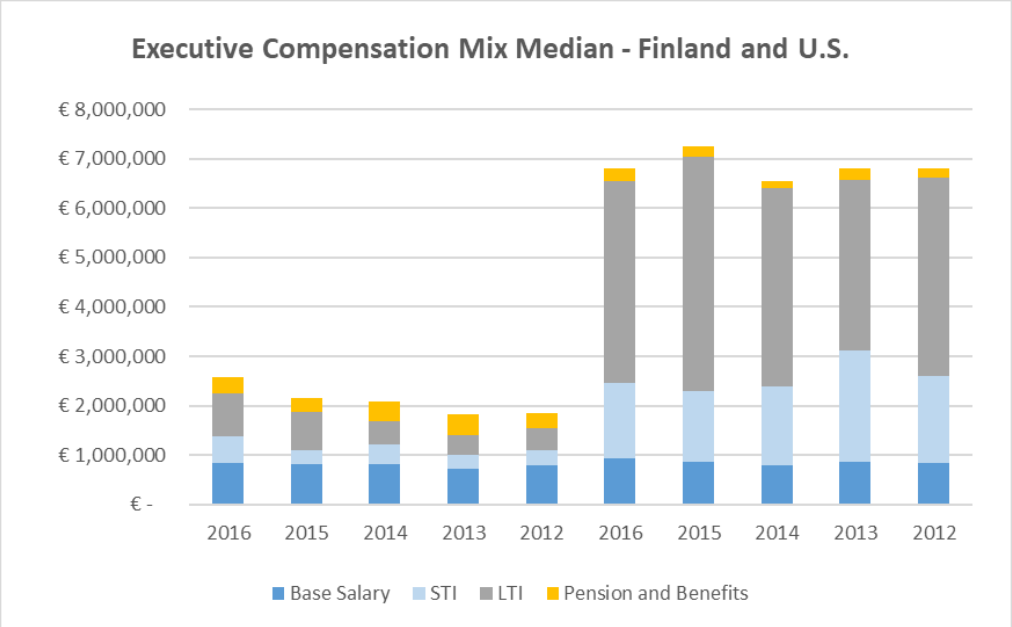

Figure 11. Median values of executive compensation components for the 20 Finnish and U.S. companies, 2012-2016.

Empirical evidence suggests that LTIs are an essential incentive for firms' executives in both countries to seek for shareholder value maximisation and to align the interests of

the key personnel with the ones of the shareholders. The importance of LTIs, and subsequently *pay for performance* as the reward metric for shareholder value maximisation, was furthermore encountered during the qualitative analysis when looking at both annual reports from Finnish companies and proxy filings from U.S. companies, and how Finnish firms communicate to key personnel and shareholders when referring to shareholder value maximisation. The long-term incentive plans are "designed to align the goals of shareholders and key personnel in increasing the value of the company", to "offer a competitive compensation that is based on holding shares in the company" (Elisa 2016: 114). "A significant portion of executive's compensation is at-risk pay tied to the performance of the company and aligned with the value delivered to shareholders (Nokia 2015: 94). A similar description of LTIs plans was encountered when reading the other companies annual reports or remuneration statements, very much in line with the proxy filings of the 20 U.S. companies "the majority of target total compensation for executives is performance-based as well as equity based to align their rewards with stockholder value" (Hewlett Packard 2016: 4).

However, findings have found significant differences not only in total and median values (Table 6), but furthermore on the relationship between fixed and variable pay, and this dichotomy can represent perhaps one of the main difference in shareholder value maximisation within executive compensation in Finland and U.S. While findings seem to suggest that, within the 20 Finnish companies, base salary is an important component of CEO fixed pay, representing about 39% of total CEO pay over the years 2012-2016, in U.S. base salary, thus fixed pay, represented an aggregate of only 10% of total CEO pay, according to the data collected from the 20 companies' proxy filings.

Table 6. Average and median values of executive compensation components for the 20 U.S. companies, 2012-2016 (in $USD and euros).

AVERAGE Values	2016	2015	2014	2013	2012
Base Salary	$ 1,150,389.10	$ 1,075,167.60	$ 1,047,493.40	$ 988,805.10	$ 1,050,148.68
STI	$ 2,970,561.59	$ 2,169,030.16	$ 2,268,890.15	$ 2,519,882.05	$ 2,487,682.67
LTI	$ 6,846,176.50	$ 6,501,231.80	$ 6,516,645.50	$ 7,206,805.00	$ 6,422,496.53
Pension and Benefits	$ 812,636.89	$ 1,549,753.50	$ 360,593.25	$ 1,042,187.95	$ 2,065,761.22
MEDIAN Values	2016	2015	2014	2013	2012
Base Salary	$ 1,075,000.00	$ 990,865.50	$ 907,588.00	$ 1,000,000.00	$ 975,000.00
STI	$ 1,962,000.00	$ 1,681,250.00	$ 1,869,652.50	$ 2,635,437.50	$ 2,040,000.00
LTI	$ 5,532,825.50	$ 6,255,872.00	$ 5,444,483.00	$ 4,500,018.00	$ 4,754,312.00
Pension and Benefits	$ 291,160.00	$ 230,939.50	$ 185,191.00	$ 275,334.00	$ 217,198.00

`	2016	2015	2014	2013	2012
Base Salary	€ 1,081,609	€ 925,074	€ 901,263	€ 850,768	€ 903,548
STI	€ 2,516,685	€ 1,866,234	€ 1,952,153	€ 2,168,107	€ 2,140,402
LTI	€ 5,805,042	€ 5,512,555	€ 5,525,625	€ 6,110,828	€ 5,445,794
Pension and Benefits	€ 699,193	€ 1,333,408	€ 310,254	€ 896,699	€ 1,777,381
MEDIAN Values	2016	2015	2014	2013	2012
Base Salary	€ 924,930	€ 852,541	€ 780,889	€ 860,400	€ 838,890
STI	€ 1,535,814	€ 1,446,548	€ 1,608,649	€ 2,267,531	€ 1,755,216
LTI	€ 4,691,420	€ 5,304,509	€ 4,616,512	€ 3,815,677	€ 4,031,299
Pension and Benefits	€ 250,514	€ 198,700	€ 159,338	€ 236,897	€ 186,877

U.S. firms seem more inclined towards equity incentive programs that tie CEO salary more closely to share performance when maximising shareholder value. The reasons behind the differences on annual LTIs between Finland and U.S., especially if compared to base salary, and the contrast between fixed and variable pay, could be due to various reasons: again, to the fact that in U.S. the proxy filings are only disclosing reported pay, not realised pay, and the differences within industry, company's size, stock price volatility, market size and price performance. More importantly, due to institutional ownership and more independent boards (Fernandes at al. 2012: 38). As previously explained on page 9, the concentration of ownership in Finland is very much less dispersed if compared to U.S.: the Anglo-American corporate governance system is primarily based on disperse corporate ownership, with the management having control over the corporation. As in U.S. there is more dispersed ownership, and less concentration of family-owned businesses, this can result in CEOs, executives (and top managers) being less dominated by a large block of internal shareholders, which could in return increase the use of equity-based compensation and tie the CEO very closely to performance, aligning the interest of CEO with the ones of the shareholders, thus increasing shareholder value maximisation. While Finland has been moving towards an Anglo-American corporate governance model, still the ownership is less dispersed, and a larger presence of family-owned businesses and larger insider shareholder groups could explain the more stable balance of fixed and variable pay, and especially the fact that LTIs do not outpace base salary as executive compensation components.

4.5 Stock options and shareholdings as shareholder wealth portfolio

As previously explained, in order to fully understand executive compensation within shareholder value maximisation, one has to look at the aggregate number of shares, restricted shares, and stock options held by the CEO: as claimed by Jensen and Murphy (1990), this factor represents the strongest relationship and correlation between executive compensation and shareholder wealth. We will analyse how the companies

taken into exam can maximise shareholder value of executives through the use of shareholdings and stock option plans.

4.5.1 Theoretical framework

As explained on page 13, stock options are derivative instruments that give the right, but not the obligation, to buy or sell a security or an asset at an established price. Stock options are valued as the economic cost for the company to grant an option to the employee: they represent the opportunity cost forgone by not selling the option in the open market (Conyon 2006: 26). Stock options came to importance during the 1980s and 1990s when firms had realized that by requesting executives and the management to invest their wealth in the company's equity (through share and stock options plans), they would have the same ultimate purpose of the shareholders – maximising share price (Wharton 2002).

Previous researches by Tehranian and Wegelein (1985), and De Fusco et al. (1990), have found a positive correlation between stock option plans and shareholder wealth. Yermack (1997), cited in Pasternack (2002: 1), explains that one reason is that stock options could encourage executives to make better decisions. The second reason is that these executives could have an influence upon the introduction of the stock option and might attempt to time the introduction to moments that precede positive news.

If the CEO is paid in shares, when the share price increases, the value of their shares also increases, and if the price decreases, the option value decreases accordingly, and therefore the CEO wealth as a shareholder (Conyon 2006: 27). If a CEO is granted stock options, the shares are not actually "owned" or "held" until the options are fully exercised by the CEO (at the predetermined *strike* price or *exercise* price). Executives or employees who have been granted stock option plans (ESOP), expect to profit by exercising the options at the strike price when the shares are trading at a price higher than the strike price, thus making profit (U.S. Securities and Exchange Commission 2014). If compared to base salaries or performance shares, stock option plans have no relation to firm performance (Conyon 2006). In the aftermath of the 2008 financial crisis, stock options and large bonuses have been held responsible for the companies' risky behaviour and short-term strategies: studies have found that stock options-based pay could

significantly increase the probability of earnings manipulation, shareholder lawsuits, and product safety problems. If executives' pay is based on a financial measure, executives will maximize their performance based on this measure (Cable & Vermeulen 2016).

Bergman and Jenter (2004, as quoted in Mäkinen 2007: 7), claim that stock options are used to compensate risk-adverse employees. In their view, risk-adverse employees have more optimistic expectations on stock price developments if compared to outside risk neutral-investors. Pasternack (2002), by analysing 80 stock option grants of publicly listed Finnish firms between 1994 and 1999, finds that ownership concentration and liquidity have a negative effect of stock options as part of a compensation scheme. CEO ownership and historical market returns are positively related to the possibility of adopting a stock option program. During the 1990s in U.S., stock options for CEOs more than tripled (adjusted to inflation). Thereafter, according to S&P 500, they remained mostly stagnant in the beginning of 2000s, and declined during the 2008-2009 after the financial crisis (Murphy 2012).

Jones et al. (2004), states that foreign ownership might influence the adoption of stock option schemes, and that if options would solve the principal agent problem, then foreign ownership would increase the probability of stock option schemes (Pasternack 2002). However, on *Essays on Stock Options Schemes and Executive Compensation*, Mäkinen finds no evidence that foreign ownership would support this hypothesis. Jones et al. (2007: 20) finds out how the adoption of stock options is a pro cyclical phenomenon. Stock market developments affect the use of stock options, and firms with higher market value per employee are more willing to use stock options compensation as it provides incentives at lower costs. The use of data from 1992 to 2003 assisted in analysing how market downturns and upturns can affect the use of stock options (Jones et al. 2004). By September of year 2000, 106 out of 157 companies listed in the Helsinki Stock Exchange had stock option programs, and the use of stock options in Finland was second after Great Britain (Baer 2000; Pasternack 2002).

In 2005, media attention and criticism came upon Fortum Oyj, which is a partly government owned company. The firm's option programs were heavily criticised for being too large (five different option plans) and for giving a significant amount of profit to executives. The Minister of Trade and Industry had to answer in lieu of accusations

towards the company's stock options, which were worth half a billion euros (Tupala 2006: 13). This can be related to the previously enounced concept of value extraction, instead of value creation, within shareholder value maximisation.

4.5.2 Empirical evidence

As previously explained, stock options are a component of LTIs (in form of derivatives), together with share performance compensation and restricted shares, forming a strong correlation between CEO compensation and shareholder wealth maximisation. The data collected, as mentioned on page 13, aims to show what is the aggregate wealth of the CEO between annual remuneration and value of shareholdings, showing the relationship between shareholder wealth and CEO wealth. The stock option data, especially within the value of exercised options, looks to what extent executives are covered by stock option programs, and how they can generate profit as shareholders from exercised options. When analysing stock options granted to the key personnel of the 20 analysed Finnish companies, the empirical evidence showed findings of only six Finnish firms, among the whole sample, granting stock options to the president and CEO. On the 100 observations analysed between 2012 and 2016, only 12 observations out of 100 found evidence of granted stock options from equity incentive programs. Only Nokia, UPM Kymmene, Stora Enso, Nokian Renkaat, Huhtamäki and Cargotec showed evidence of granted options. Most of the stock option programs terminated between 2012 and 2013.

In other companies, for instance Kone, the CEO and the executive management were not covered by stock option plans, whereas at Kesko the top management is not allowed to have share based programs and stock option plans at the same time. Within stock options granted in 2016 (but not exercised) by the CEO, empirical evidence has found only one case of the CEO been granted 60.000 options (Nokian Renkaat). In comparison, data on stock options exercised within the 20 U.S. companies evidenced 40 out of 100 observations of exercised stock options (Figure 12). 7 out of 20 executives did not exercise any stock options between 2012 and 2016 (See Appendix 4, section 1 and 2 for full table of stock options and shares vested by CEO for the 20 U.S. companies. As the results for the 20 Finnish companies were quite irrelevant, they have not been included).

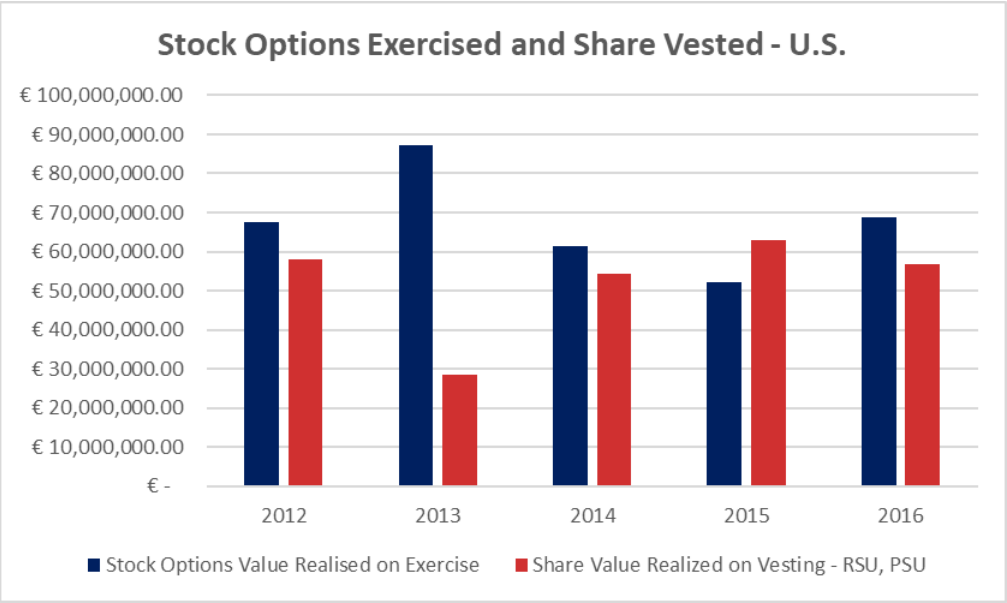

Figure 12. Exercised stock options and share vested (RSU and PSU) for the 20 U.S. companies, 2012-2016.

Empirical evidence in among the 20 U.S. companies has found a total value of €337 million euros ($391 USD) of exercised stock options between 2012 and 2016, calculated as the effective exercise (therefore realized) date, not grant-date or target date. The highest year of exercised options among the 20 U.S. companies was 2013 with €87 million euros options exercised ($103 million USD), the lowest being €52 million euros ($61 million USD) in 2015, never the less a striking difference if compared with exercised options in Finland, whose empirical evidence does not show any comparable results within shareholder value maximisation of executives through stock option plans. Although no research was conducted on the exercise price of the options within the U.S. 20 executives, we might assume that shares were trading at a higher price than the exercise price, and that by selling the shares the CEOs could generate profit for themselves, thus maximising shareholder wealth (*value extraction*). The almost absence of stock options exercised, with only 12 observations, among 100, of stock options granted to the CEO of the 20 Finnish companies can indicate that stock options programs among executives are not recognised as one of the main indicators of shareholder value maximisation in Finland during 2012 and 2016. This can perhaps be related to differences in institutional ownership between Finland and U.S., with managers having more control within the firm in U.S., as encountered in studies by Fernandes et al. (2012) and Jakobsson and Korkeamäki (2015), and due to the criticism on stock option programs received by the media, and particularly to Fortum, in 2005. In U.S. stock option plans

and especially options exercised are still a common practice among CEOs and executives, although their use has declined in place of performance and restricted shares plans.

Regarding CEO shareholdings, whose direct ownership represents, according to Jensen and Murphy, the most powerful link between CEO wealth and shareholder wealth, in 2016 the CEOs of the 20 sample Finnish companies held shares for a total of about €66,1 million euros. Figure 13 shows executive compensation components (base salary, STIs, LTIs and pensions and benefits), together with the portfolio of shares by the CEO, thus representing the total wealth between fixed and variable pay and the wealth generated by the market value of shareholdings between 2012 and 2016. The CEO total shareholder wealth has increased not only by the increased number of shares, but most importantly by the share price development between 2012-2016.

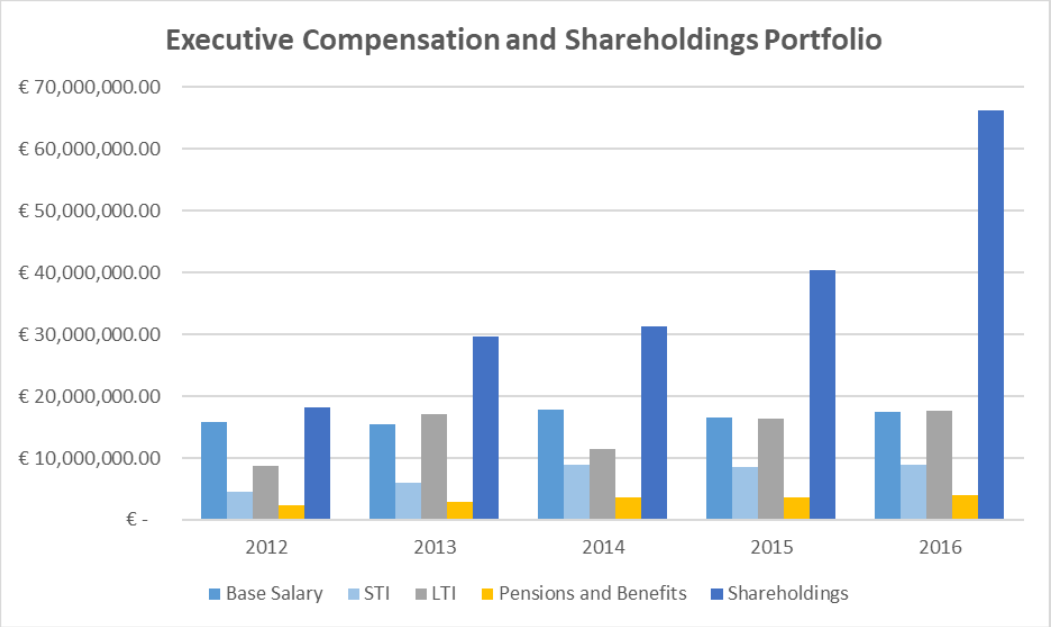

Figure 13. Executive compensation components and portfolio value of shareholdings for the 20 Finnish companies, 2012-2016.

The market value for CEOs' shareholdings have been calculated with annual closing prices from 2012 to 2016. Average shareholding values for the CEO was €6.4 million euros in 2016, while median value was €1.9 million euros (Figure 14). As according to Jensen and Murphy's argument regarding the "feedback effect", empirical evidence has

not found any case of an executive or CEO, within the 100 observations of the 20 Finnish firms, holding a significant amount of outstanding shares within the company.

The only exception encountered, outside the CEOs, was Antti Herlin, the chairman of KONE, the largest shareholder of the company with about 22% of the company's shares (70,561,608 class A shares and 45,184,977 class B shares, of which only the latter are listed in the OMXH). The total market value of Herlin's B shares in 2016 was €1.8 billion euros. In comparison, KONE's CEO Ehmrooth Henrik owned a market value shareholdings of €10 million euros (among the highest within the 20 sample companies). Average values of CEO shareholdings' portfolio market value was largely influenced by Sampo, KONE, UPM Kymmene and Nokia, therefore median values gives us a more accurate idea of CEO shareholdings' market value within the 20 Finnish companies. A full table of CEOs' shareholdings based on annual closing share prices during 2012-2016 can be found on Appendix 4, section 3.

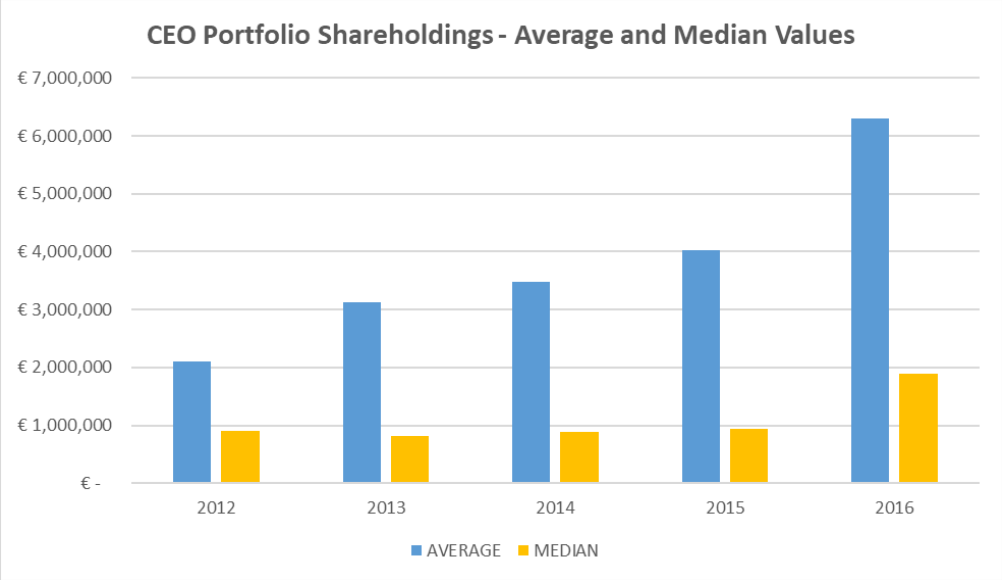

Figure 14. CEO portfolio shareholdings, average and median values for the 20 Finnish companies, 2012-2016.

Current CEO Shareholdings from the 20 sample U.S. companies, in comparison, totalled €241 million euros ($274 million USD), a significant difference from the Finnish companies (Figure 15). Average CEO shareholdings' market value, according to the 20 samples companies and the data collected from the Morning Star website, amounted to €12 million euros ($13.6 million USD), twice the average value among the 20 Finnish companies.

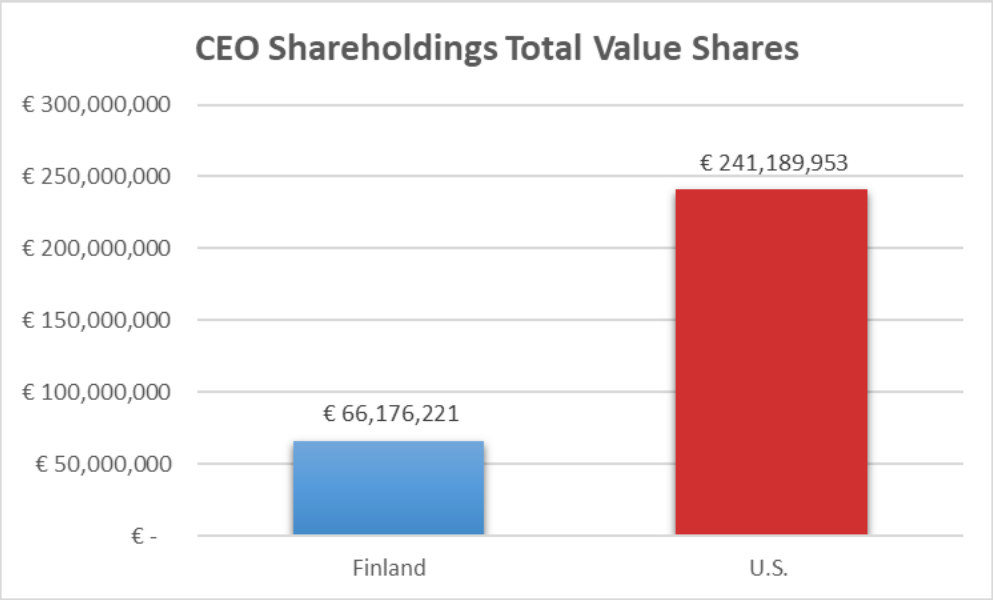

Figure 15. CEO shareholdings total market value, 20 Finnish and U.S. companies, 2012-2016.

Median shareholdings' value was €7.3 million euros ($8.3 million USD). Average and median values among the 20 U.S. companies are more balanced, if compared with the 20 Finnish firms (Figure 16).

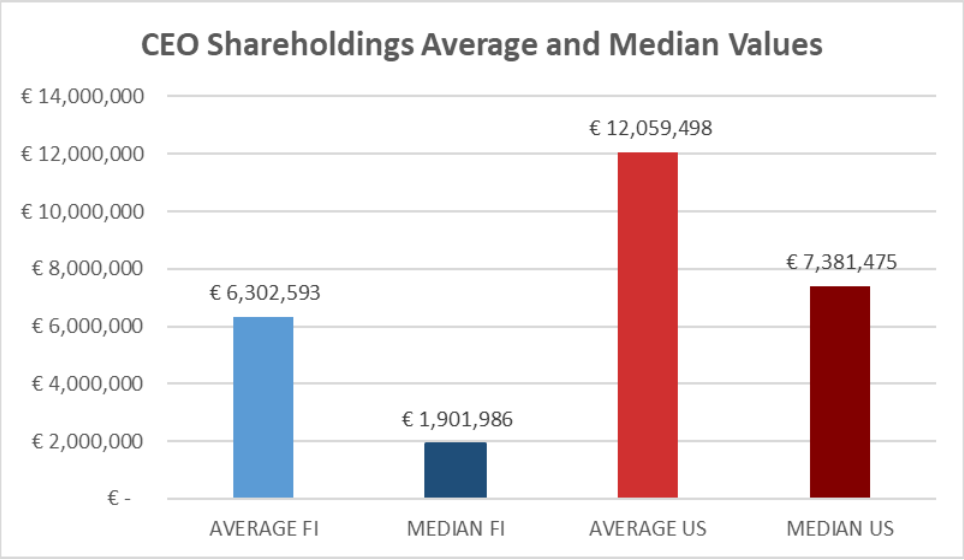

Figure 16. Average and median values of CEO shareholdings, 20 Finnish and U.S. companies, 2012-2016.

While stock options to executives of the 20 Finnish companies (confirmed not only by the absence of exercised options but furthermore by the absence of stock option plans to executives) seem not to be a common practice in Finland within shareholder value maximisation and linking shareholder wealth to executive compensation, Finnish CEO pay relies on a stable fixed pay (based mostly on base salary) and variable pay based on the pay for performance concept through LTIs (share-based incentive plans). Descriptive statistics have shown that total market value of shares held by the CEO amounted to €66,1 million euros, a rather low value if compared to the €241 million euros market value of U.S. CEO shareholdings. In the latter sample, empirical evidence shows a more balanced combination of stock options and shareholdings, while PSU (Performance Share Unit) and RSU (Restricted Stock Unit) seems to be delivered as part of long incentive programs in the U.S. within shareholder value maximisation.

As explained in the *thesis limitations*, we can only make assumptions on why in Finland and in U.S. the amount of shareholdings granted to the executives differ. Again, according to same sources (Fernandes at al. 2012), these differences can be related to institutional ownership and independency of the board. The authors explain how U.S. firms make higher use of stock options and restricted shares to executives, if compared to other countries – according to a 2012 study which compares U.S. firms to other 13 countries. Differences in corporate governance between Finland and U.S. might suggest that a more disperse ownership in U.S., and institutional owners, results in the higher adoption of stock option plans to the CEO: in this matter, shareholder value maximisation through stock options plans and shareholdings, together with value extraction from the exercise of stock options (executives generating wealth for themselves) is encountered to a higher level in the U.S. than in Finland.

4.6 Dividends

4.6.1 Theoretical framework

As part of the pay-out policy on shareholder value maximisation, dividends are one of the two main ways a company utilizes to return capital to their shareholders, as mentioned on page 13 – the other one being share repurchases. One of the claims supporting the research questions, stated by the Limited Liability Company Act, is that the purpose of a company is to generate profits for the shareholders, unless otherwise provided in the Articles of Association. The profit derived from dividend payments

compensates the risk that investors have to bear when deciding upon investing in a certain firm (Brealey, Myers & Allen 2011). Reason why dividends are a crucial indicator of shareholder value maximisation, as explained on the methodology section.
Previous studies on dividends have found several empirical observations: firstly, large and established firms usually pay out a significant percentage of their earnings to their shareholders in form of dividends - as we will evidence within larger Finnish companies. Secondly, dividends have been an historical predominant form of pay-out. This until the 1980s, where especially in U.S., most firms initiated cash payments to their shareholders with share repurchases, which were not a utilized form of pay-out before the 1980s (Allen & Michaely 2002: 4).

A company's dividend is decided by the board of directors, and the announcement of dividends states that payments will be distributed to the shareholders registered on a certain *record date* (Brealey, Myers & Allen 2011: 393). The challenge to firms and financial economists has been to develop a pay-out policy where companies can maximise shareholder wealth, and where investors can maximise utility (Allen & Michaely 2002: 4). Investors do certainly take comfort if a firm increases its dividends, and when the firm announces an increase, analysts up the forecasts on a company's earnings. It should not surprise then that an increase in dividends might be followed by an increase in stock price (Brealey, Myers & Allen 2011: 396). From an investor's point of view, investors are also seen as risk avoiders believing that dividends income is a stable and reliable source of investment (Gordon 1963, quoted in Lindeman 2016: 20).

Usually most of the U.S. companies pay a dividend regularly each quarter (Brealey et al. 2011: 393), while in Finland dividends are paid once per year. Dividends are double taxed in Finland (as in many other countries): a firm's profits are subject to a corporate tax of 20%, and if a company is distributing part of the profit as dividends to its shareholders, the dividends are subject to a capital gains tax which is usually 30% (Lindeman 2016: 28).

4.6.2 Empirical analysis: evidence from Finland

The data collected on dividends between 2012 and 2016 aims to show to what extent the 20 Finnish companies aimed at maximising value for their shareholders through

returning excess cash in form of dividends paid, and increasing dividends per share over time. With a strong dividend policy, as explained above, companies can maximise shareholder value and wealth, and investors can maximise utility. During years 2012-2016, the analysed Finnish companies paid a total of €42,3 billion euros in dividends, meaning that €42,3 billion euros was distributed in cash to return capital and reward the companies' shareholders. Analysing the total dividends paid during 2012-2016, we can notice that total dividends paid decreased between 2012 and 2013 by 7% (attributable mostly to Nokia not paying any dividends for the year), then increased by 17% in 2014, 16% in 2015 and 9% in 2016 (Figure 17). Total dividends paid increased, from 2012 to 2016, by 43%, from €6,1 billion euros in 2012 to €9,4 billion euros in 2016.

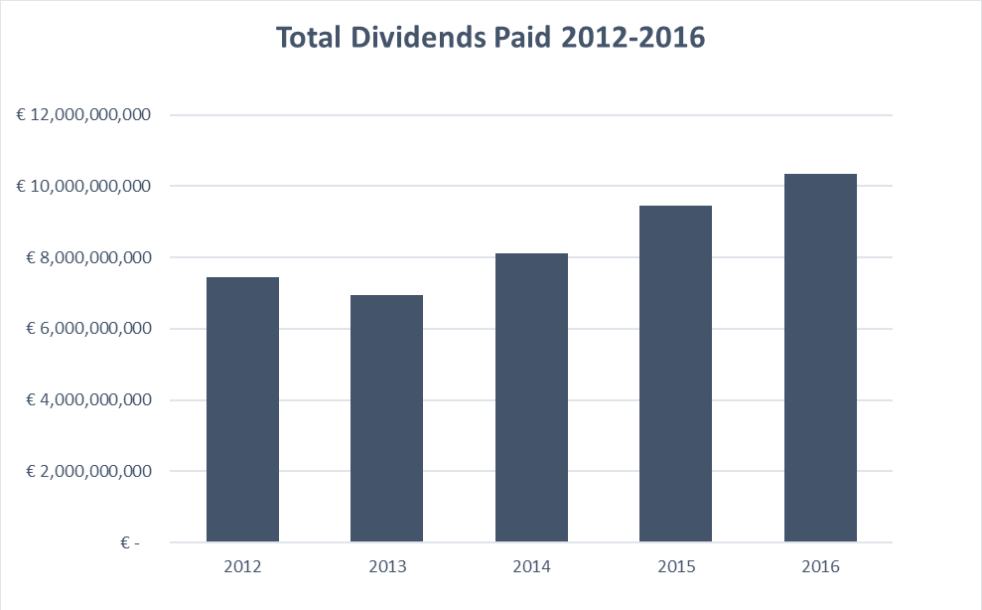

Fig 17. Total dividends paid for the 20 Finnish companies, 2012-2016.

Nordea is the company that paid the largest dividends to their shareholders with a total of €9.2 billion euros of dividends, and with a constant increase of dividends paid each year during 2012 and 2016 (Figure 18): the percentage growth of dividends paid by Nordea to its shareholders rose by 147% from 2012 to 2016, while average dividends paid grew by 26,2%. The second largest market cap company, Nokia, did not pay any dividends between 2013 and 2014 (due to a loss of €3,7 billion euros in net profits during 2012). Despite financial difficulties and drop in share price within the past years, the company paid €1,5 billion euros in dividends in 2016, an increase of almost 196% if compared to the €500 million euros paid in 2015. After Nordea, the second and third

company paying the largest dividends were respectively Telia and Sampo, with respectively €6,1 and €5,2 billion euros. However, Telia's dividends paid in 2016 decreased by 33%, while dividends paid in 2015, 2014 and 2013 did not increase. The company with the highest average increase in dividends paid between 2012-2016 was Neste with 33%, while Outokumpu was the only company not paying any dividends during the five years' time.

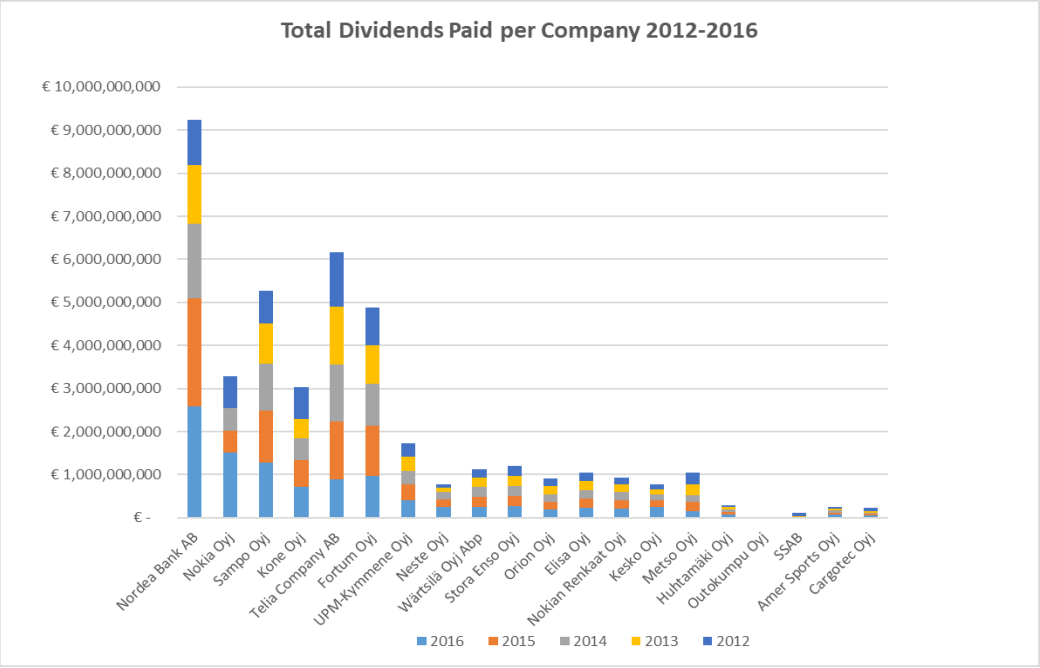

Figure 18. Dividends paid per company for the 20 Finnish companies, 2012-2016.

What is important to consider in regards of shareholder value maximisation, is particularly the dividends paid as a *percentage of a company's total net profits*. Of the total net profits of €57 billion euros over the years 2012-2016, €42 billion euros were returned and distributed to shareholders as dividends (Figure 19). If we compare the dividends paid as percentage of the company's net profits, companies have different dividends policies, as evidenced on their annual reports. Elisa for instance, follows a high and stable dividend policy (80% to 100% of previous year's net profits) and in 2016 distributed 92% of the previous year's net profits in dividends. Telia Company has a dividend policy of distributing a minimum of 80% of free cash flows from continuous operations in dividends. This varies among companies, depending on their dividend policy (Sampo distributes 50% of net profits, Neste at least 40%, Stora Enso 50%, as reported in the annual reports and investor relations).

Statistics have shown that the overall average value of dividends distributed compared to net profits was 49%, depending on the company's net profits for the year. Over the five years between 2012-2016, the 20 publicly traded companies have distributed a total of 73% of their net profits in dividends, as we can see on Table 7. This means that the remaining 27% was reinjected back into the business as retained earnings. This total 73% represents how companies return excess cash to their shareholders, thus rewarding investors and maximising shareholder value. Companies such as Telia Company, UPM Kymmene, Elisa and Kesko paid an average of respectively 103%, 88%, 108% and 84% of dividends compared to net profits between 2012 and 2016. While average dividends paid over the years 2012-2015 was 51%, median value was 64%. These values are heavily influenced by Nokia's results, as dividends compared to net profits have resulted to -189.7%, as the company has made heavy loss in 2012 with almost -€3.8 billion. Never the less, however a publicly traded company is making loss, investors are still expecting yearly dividends. Full tables of 100 observations of dividends paid and net profits for the 20 Finnish companies can be found on Appendix 5, section 1 and 2.

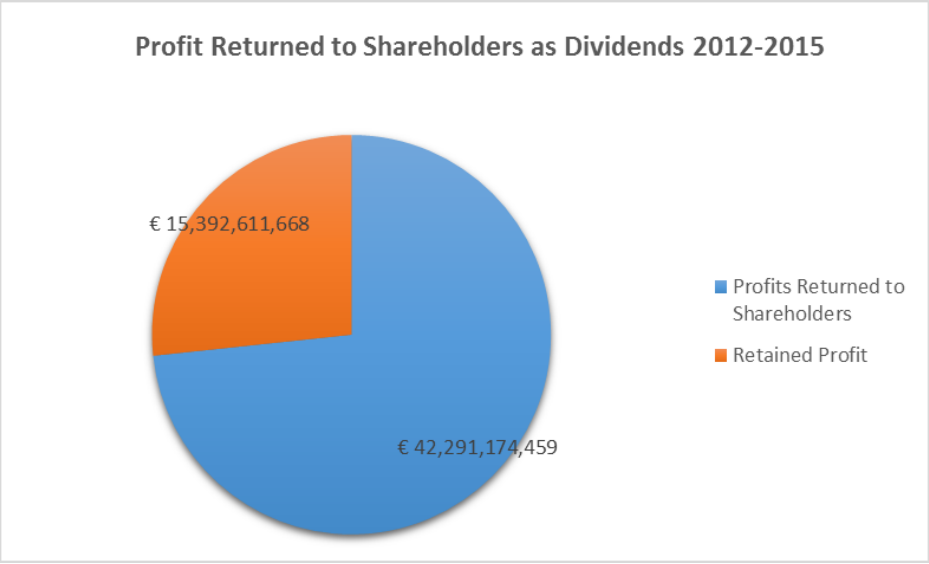

Figure 19. Profits returned to shareholders versus retained profits over net total profits for the 20 Finnish companies, 2012-2016.

If we view the total net profits among the 20 publicly Finnish listed firms, we can refer back to the theoretical framework that the 20 companies are using a high dividend policy. Total dividends paid during 2012-2016 shows that the 20 Finnish companies are aiming

at maximizing shareholder value through a high, stable and growing dividend policy. From an investor's point of view, and referring back to Gordon (1963), cited in Lindeman (2016), and Allen and Michaely (2002), this high dividend policy rewards and maximise shareholder value for the investors who bear the risk upon investing into the 20 Finnish firms.

Table 7. Dividends paid as percentage of net profit, for the 20 Finnish companies, 2012-2016.

Year	2016	2015	2014	2013	2012	TOT
Tot Net Income	€ 10,667,337,364	€ 16,152,247,723	€ 15,658,610,384	€ 8,558,415,658	€ 6,647,174,999	€ 57,683,786,127
Tot Dividends Paid	€ 10,338,559,235	€ 9,441,682,324	€ 8,111,169,160	€ 6,957,887,363	€ 7,441,876,377	€ 42,291,174,459
% of Dividends to Net Profit	97%	58%	52%	81%	112%	73%

When looking at dividends per share during 2012-2016, the average dividend per share decreased from 2012 to 2013, then increased from 2013 to 2016, with the highest increases between 2014-2015 at 11%, and 2015-2016 at 13% (Table 8). Average dividend per share among the 20 Finnish companies was €1.13 euros in 2016 (dividends paid on 2017). Median dividend has decreased during 2012 and 2014, and then increased through 2015 and 2016. Median dividend per share was €1.08 euros for the year 2016.

Table 8. Average, median, STDev and year growth of dividend per share for the 20 Finnish companies, 2012-2016.

Dividend per Share	2016	2015	2014	2013	2012
Average	1.13	1.00	0.91	0.89	0.90
Median	1.08	1.05	0.85	0.87	0.90
ST Deviation	0.63	0.52	0.49	0.49	0.56
AVG Growth %	13%	11%	1%	-1%	

Average, median values and standard deviation of dividends per share are represented graphically in Figure 20. Empirical evidence among the 20 companies has found out that within 100 observations, in 50 cases between 2012 and 2016 there has been an increase in dividends: for instance, Nordea's dividends per share increased from €0.26 to €0.64 in five years, Sampo's from €1.35 to €2.3 euros, and Kesko's from €1.2 to €2.5 euros (see Appendix 5, section 3 for a full table). Within 13 cases there has been no increase in dividends, and within 10 cases a decrease on dividends. Within 7 cases across three companies, Outokumpu, SSAB and Nokia, there were no dividends paid. Companies such

as Sampo, Nordea and Kesko seem to believe in a strong, increasing dividends policy as a way to maximise shareholder value over time.

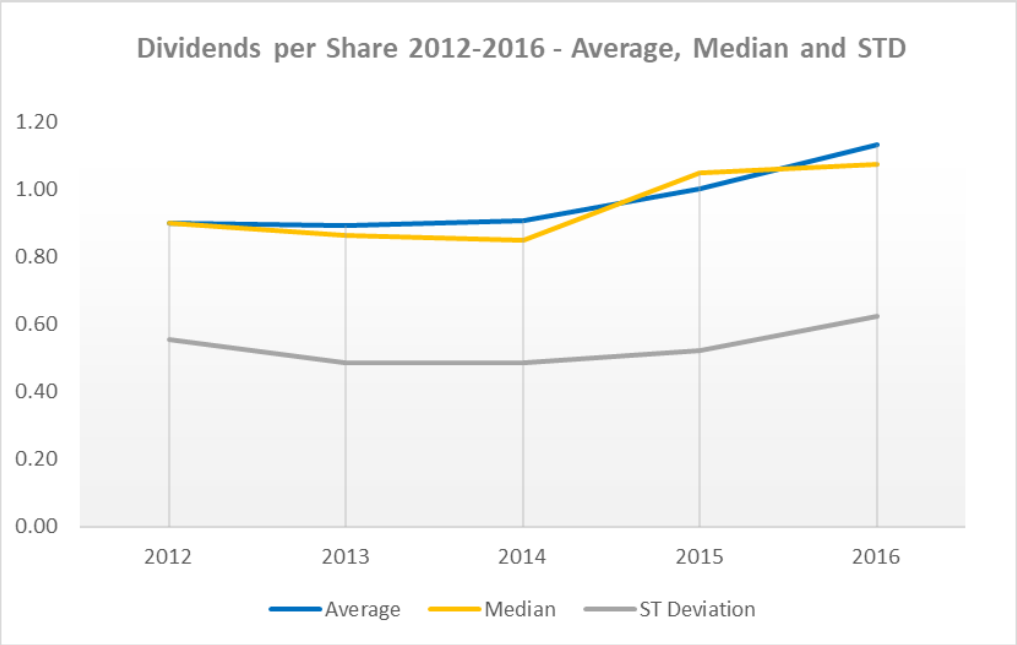

Figure 20. Average, median and standard deviation of dividends per share for the 20 Finnish companies, 2012-2016.

In comparison, U.S. companies paid a total of €20.1 billion euros ($23.1 billion USD) in dividends between 2012 and 2016 (Figure 21). However, if we compare the net profits between Finnish companies during the five years (€57 billion euros) and U.S. companies (€26 billion euros), the ratio differs between respectively 73% and 77,2% as percentage of net profits returned to their shareholders in form of dividends. Although almost all the 20 Finnish companies, apart from Outokumpu with no dividends (and to a less extent, SSAB and Nokia), have paid dividends over 2012-2016, five of the 20 U.S. companies have paid no dividends during the same years (see Appendix 5, section 4 and 5 for a full table of dividends paid and net profits for the U.S. firms).

Results on total dividends paid showed that Finnish companies paid more than twice the amount of total dividends, if compared with the 20 U.S. companies. We will view on the next two chapters the reasons behind it, and which one is the preferred method for the U.S. companies to return capital to shareholders.

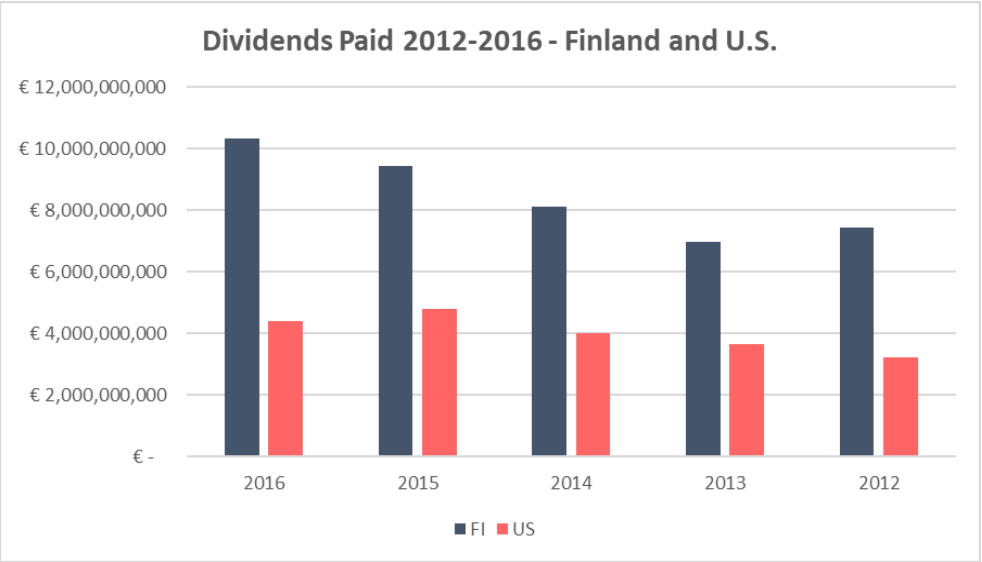

Figure 21. Total dividends paid for the 20 Finnish and U.S. companies, 2012-2016.

Average dividend per share of U.S. companies did not decrease during the five years' time, showing the highest increase between 2015 and 2016 at 16%, and between 2013 and 2014 at 12% (Figure 22, Table 10). See Appendix 5, section 6 for a full table.

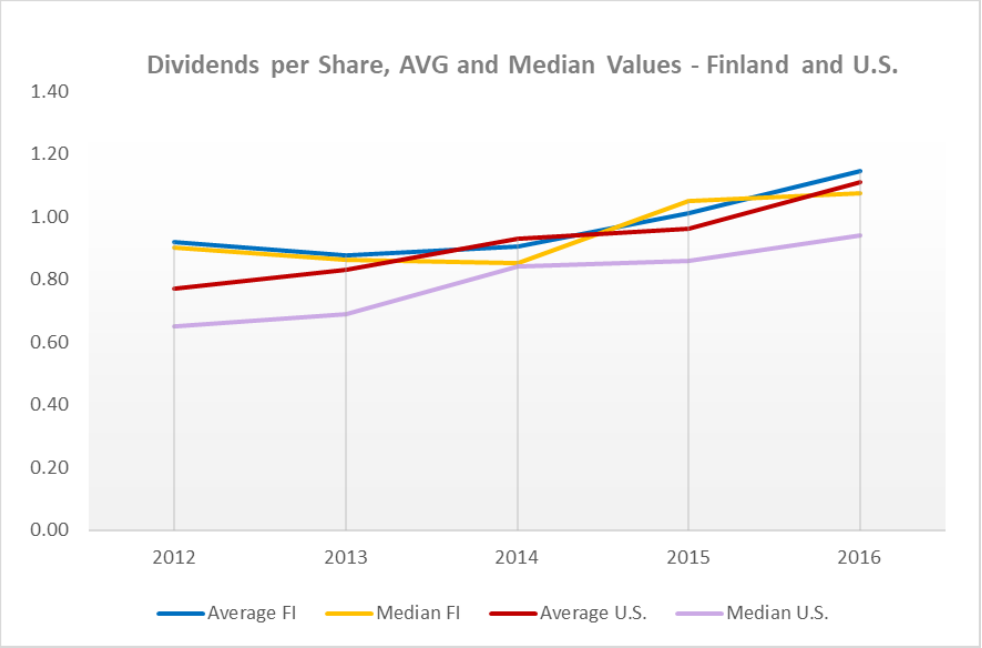

Figure 22. Average and median values of dividends per share for the 20 Finnish and U.S. companies, 2012-2016.

Table 10. Average and median values of dividends per share for the 20 U.S. companies, in USD and Euros, 2012-2016.

	2016	2015	2014	2013	2012
AVG _$ USD	1.29	1.12	1.08	0.97	0.90
Median $ USD	1.10	1.00	0.98	0.80	0.76
AVG € EUR	1.11	0.96	0.93	0.83	0.77
MEDIAN € EUR	0.94	0.86	0.84	0.69	0.65

The profit returned to shareholders as dividends compared to retained profit did not differ significantly from the 20 Finnish companies, when comparing it as percentage of total profit (Figure 23).

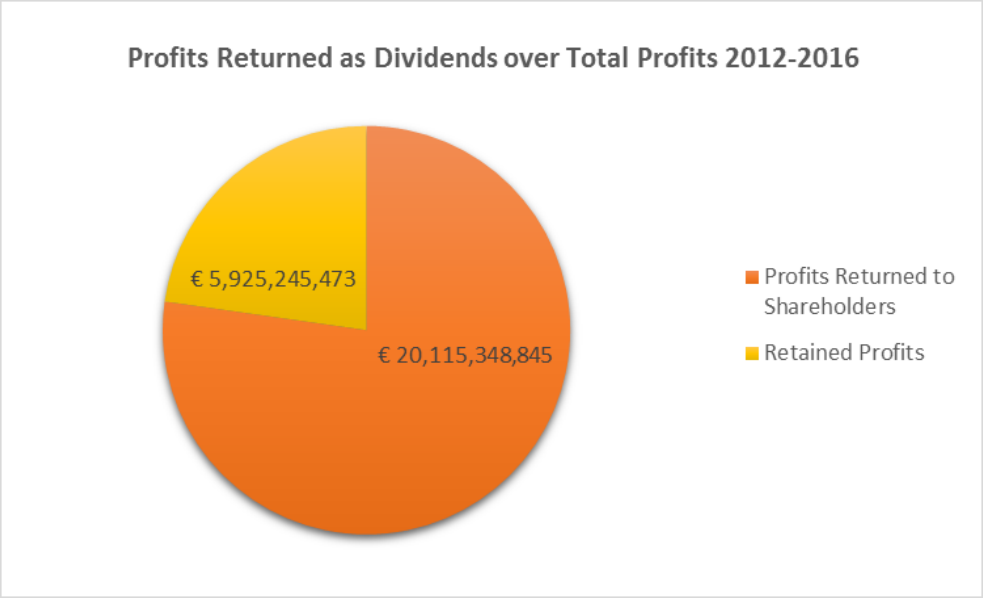

Figure 23. Profits returned to shareholders versus retained profits over net total profits for the 20 U.S. companies, 2012-2016.

Empirical evidence suggests that the 20 analysed Finnish companies are aiming to maintain a stable dividend policy, and paid a total of €42,3 billion euros in dividends, if compared to the €20,1 billion euros paid by the 20 U.S. companies – although results in net profits showed differences between the two samples. The quantitative analysis has shown that the Finnish companies are aiming at maximising shareholder value through a strong and stable dividend policy, increasing dividends per share over time and rewarding investors for bearing the risk when investing into Finnish companies. This is furthermore supported by the way companies communicate to shareholders. Most

companies, within the annual reports, openly communicate to shareholders how it is critical to maintain a stable dividend policy to maximise shareholder value over time:

> "Sampo is a dividend stock and increasing shareholder value is our main task." (Sampo 2013: 5).

> "Nordea has a market commitment of strong capital generation and efficiency, with return of excess capital to shareholders. The ambition is to achieve a yearly increase in the dividend per share." (Nordea 2016: 32).

> "The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend" (Fortum 2016: 28).

4.7 Share repurchases or buybacks

4.7.1 Theoretical framework

As previously mentioned, share repurchases or buybacks are one of the most important indicators that companies are seeking to maximise shareholder value, and they are closely associated as a mean of increasing shareholder wealth. In U.S. they have been popular for over 25 years, with the amount of cash used for repurchases almost doubled over the last decade (Keasler & Byerly 2015: 11). Once the shares are bought back, the number of outstanding shares of a company is reduced. There are several reasons why a company decides to perform share repurchases, which have been widely studied, while common knowledge of corporate finance links undervalued stock with share repurchases. Undervalued stock has been often mentioned as the most important reason. Due to asymmetric information between shareholders and managers, share repurchases announcements can reveal information that the management has concerning the value of the company (Smura 2007: 5). This reason is called *signalling* theory.

Jensen (1986), quoted by Dittmar (2000: 331), claims that firms repurchase stock to distribute excess cash. Repurchasing stocks, like paying dividends, is one method used to distribute excess cash to shareholders. This is also referred to as the *excess capital hypothesis*.

Share repurchases are a widely-used instrument for managing capital structure, which is very often connected to the use of stock options (Kivi 2006: 14). By performing stock repurchases, companies can prevent the *dilution* caused by using stock options in executive compensation: upon giving stock options to managers as a part of their remuneration, a company might acknowledge that at some period of time it could be accountable to provide shares to the managers that have exercised options. Moreover, Fenn and Liang (1997), and Jolls (1996), cited in Frilander (2013: 18), suggest that stock options tend to have exercise prices below the share market prices, therefore increasing the chance of dilution at maturity. Managers also incentivised the use of buybacks to preserve the value of executive stock options, since the cash outflow is matched by a proportionate reduction of shares outstanding, unlike dividends (Smura 2007: 8).

Therefore, the company would be left with the choice of either issuing new shares, which might imply having limited funds. Furthermore, the increased amount of outstanding shares could lead to a dilution of Earnings per Share (EPS, which is the earning of the companies divided by the total number of shares outstanding) and a lower market value, thus reducing shareholder wealth. Alternatively, the company could perform share repurchases. Together with increasing share price (and shareholder wealth), share repurchases have the effect of boosting EPS. CEOs are indeed compensated by EPS: however, even if a company is generating earnings growth every year, if it continues to issue new shares at a quicker or comparable rate, EPS will remain stagnant. In this case, investors do not reward the use of share repurchases (Kobayashi-Solomon 2015; Smura 2007: 21).

Another common reason for share repurchases is capital structure adjustments. A company's value is maximised by an optimal ratio between debt and equity, which reduces the weighted average cost of capital (WACC). As the primary purpose of a company is to maximise shareholder value, executives and managers make use of financial leverage to increase Return on Equity (ROE) by increasing the debt to equity ratio. This is done by either using excess cash or issue debt for share repurchases (Smura 2007: 6).

Share repurchases have been another matter of criticism within the "myth" of shareholder value. Lazonick (2014), stated that in the last three decades in U.S. trillions

of dollars that could have spent in research and innovation were used to buy back shares for what he calls "stock manipulation". During this timeframe, companies have gone further from the *retain and reinvest strategy* towards a *downsize and distribute* approach. This strategy affected stakeholders to an extent that income inequality and employment instability raised considerably (Larrabee 2014; Lazonick 2014). From 2003 until 2012, 449 companies listed in the S&P 500 Index used 54% of their earnings (a total of $2.4 trillion USD) to buy back their own shares. An additional 37% of their earnings was absorbed in dividends. The rest was left for investments or higher income for employees (Lazonick 2014).

According to a report from Goldman Sachs, 85,5% of S&P 500 companies perform routinely share repurchases (Kobayashi-Solomon 2015). On a larger scale, so many companies performing share repurchases as an alternative to increase capital budget can have a negative influence on business investment components of the aggregate demand within the economy, together with labour force (Keasler & Byerly 2015: 12). According to McKinsey (2006), markets have praised buybacks, making them a substitute in the actual improvements of a company's performance. However, the use of buybacks increases EPS compensation targets (which might become a fixation for managers) and boosting EPS in such way does not represent an increase of underlying performance or value. A company which fixates too insistently on buybacks might come at the opportunity cost of focusing on the long-term investments and on the health of the company.

In U.S., during an open market repurchase, which involves a gradual process of buying a small number of shares in the open market through a broker (the most conducted practice), a company does not have the commitment towards a repurchase. Furthermore, unlike a dividend payment, there is no expectation that the distribution will happen on regular basis (Dittmar 2000; Vermaelen 2017: 143). Finnish companies were allowed to conduct share repurchases only for less than twenty years. The first repurchases were dated back to 1998 (Smura 2007: 9). The regulations concerning share repurchases are much stricter in Finland if compared with U.S. Announcements are made when they call the annual meetings, and buybacks have to be authorized during the Annual General Meeting (AGM), as furthermore evidenced when analysing the companies' annual reports.

Karhunen (2002), cited in Smura (2007: 11), had presented a study where he concluded that share repurchases are conducted by companies with low debt ratios, high cash flows and high dividends. A previous study by Smura, *Share Repurchases in Finland: Descriptive Statistics from 2005 to 2007*, which analysed and collected data volumes of 1819 observations of share repurchases between January 2005 and September 2007 retrieved from the DataStream database, found that among the 33 corporations who used open-market share repurchases during that period, the total value amounted to more than €12 billion euros, with 98% of the total value coming from six companies, and Nokia's share repurchases only representing 88% of this value.

Smura denotes that foreign ownership is a fundamental factor behind share repurchases in Finland. In 2005, Nokia spent about €150 million euros in share repurchases, rather than dividends. The author concluded, while following the performance of four corporation with the most active share repurchases in 2005 and 2006, that results did not support the signalling theory, as returns were lower than market returns.

4.7.2 Empirical analysis: evidence from Finland

The trend on share repurchases in Finland between 2012-2016 does not dissociate significantly from Smura's study in 2005-2007. Upon gathering the data on the 20 Finnish firms during 2012-2016 to discuss how the companies are seeking to maximise shareholder value through share repurchases, results showed that there were only 31 observations among 100, between 2012 and 2016, where Finnish companies had conducted share repurchases. Total share repurchases amounted to €1.2 billion euros (Figure 24). Eight of the twenty Finnish firms did not perform any share repurchases between 2012 and 2016. Of these eight, two of them (Stora Enso and SSAB) did not resolve any authorization at the Annual General Meetings (AGM) during the years 2012-2016. The years 2012 and 2013 did not have a large amount of share repurchases, with Nokia not performing any share buybacks. The only company driving up the amount of share repurchases was KONE with about €37 million euros in 2012 and €62 million euros in 2013. An increase of buybacks can be seen in 2014, with Nokia repurchasing €426 million euros of its own shares. Most of the other share repurchases during 2014 were minor (KONE repurchased €32 million euros of shares). Therefore, the major driver for share repurchases in 2014 was again Nokia.

Share repurchases in 2015 and 2016 were again largely influenced by Nokia, with €170 million euros in 2015 and €230 million euros in 2016. The other companies were again in influent during these two years regarding the value of share repurchase, with the only exception of KONE, which repurchased respectively €71 million and €39 million euros of shares in 2015 and 2016. Many of the other share repurchases were connected to cover commitments under LTI programs and share based incentive programs. Nokia's share repurchases seems to be conducted for more than one reason: a look at the company's EPS has found that basic EPS was 0.07 at the end of 2013 and 0.73 at the end of 2014, which seems to suggest that Nokia's €1.25 billion euros buybacks conducted during 2014-2015 aimed to boost EPS and to reduce the number of outstanding shares on the market, to prevent the price from falling. Nokia's share price did not increase significantly: from €6.11 euros per share upon the commencement of the share repurchase program on July 2014, Nokia's share price annual closing was €6.56 euros at the end of the year.

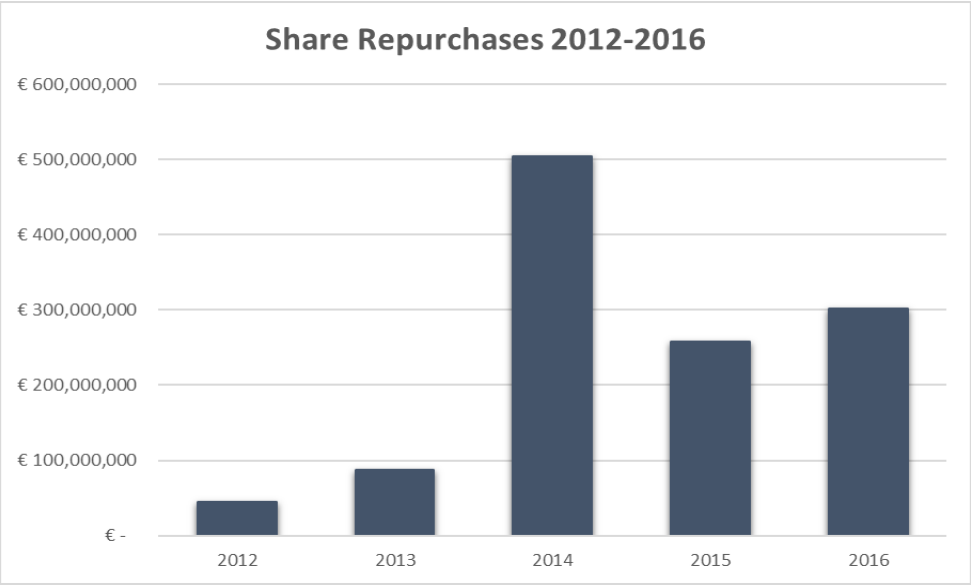

Figure 24. Total share repurchases for the 20 Finnish companies, 2012-2016.

The company has entered €1 billion euros share buyback program in June 2016, in line with the company's €7 billion euros capital structure optimization program (*capital structure adjustment* theory) (Nokia 2016). Nokia made no allusion that the share price was undervalued (*signalling* theory): the execution of buybacks commenced on November 2016, and is valid until November 2017, therefore we can evidence that Nokia

has already repurchased €230 million euros of the company's share buyback program. Some sources suggested that behind Nokia's aggressive share buybacks announced in June 2016 there was the patent war between Nokia and Apple, with Nokia's share price at 3-year low. Although Nokia has made no allusion on share price undervaluation, evidence seemed to suggest otherwise (Mueller 2017). Nokia's share price closed at €4.59 euros at the end of 2016, with negative EPS at -0.13, for the first time since 2012 (EPS at -0.16).

Overall, the value of share repurchased between 2012 and 2016 was largely in influent for most of the 20 Finnish companies, except for Nokia, with a total of €830 million euros, alone totalling 69% of total share repurchases within the 20 Finnish companies, and KONE with €243 million euros (Figure 25), representing 20% ot the total. The trend during 2012-2016 does not seem to dissociate largely from Smura's study during 2005-2007. We can notice that the two companies in the financial sector, Nokia and Sampo, did not perform any share repurchases between 2012-2016 (see Appendix 6, section 1 for a full table of share repurchases for the 20 Finnish companies).

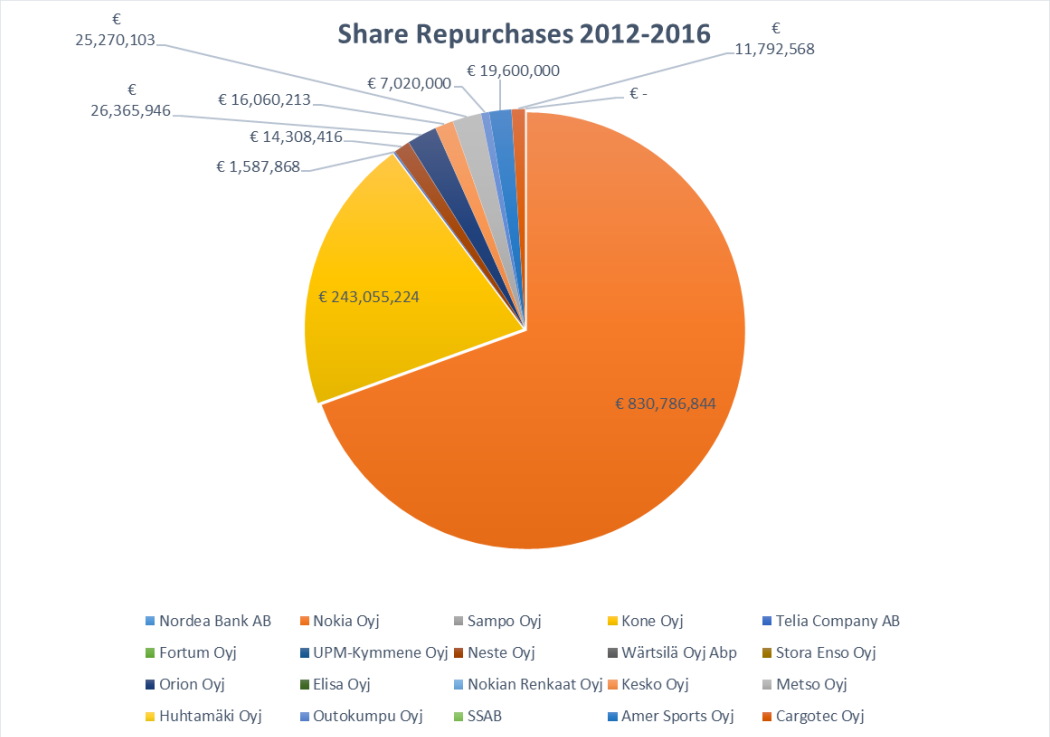

Figure 25. Share repurchases per company for the 20 Finnish companies, 2012-2016.

As denoted by Smura (2007) and Tomperi (2004), together with free cash flow and stock options, foreign ownership (in our case Nokia and Kone) seems to be also a characteristic of the buybacks to maximise shareholder value, denoted by this empirical evidence. If we compare the value of share repurchased between the Finnish and U.S. companies, we can notice significant differences in how firms return capital to their shareholders within shareholder value maximisation. In U.S., total buybacks between 2012 and 2016 among the 20 U.S. companies amounted to €24.5 billion euros, with most of the analysed companies conducting share repurchases during 2012-2016 within the 100 observations. Between the five years, in 34 cases there had been no share repurchases (Figure 26) (See Appendix 6, section 2 for a full table).

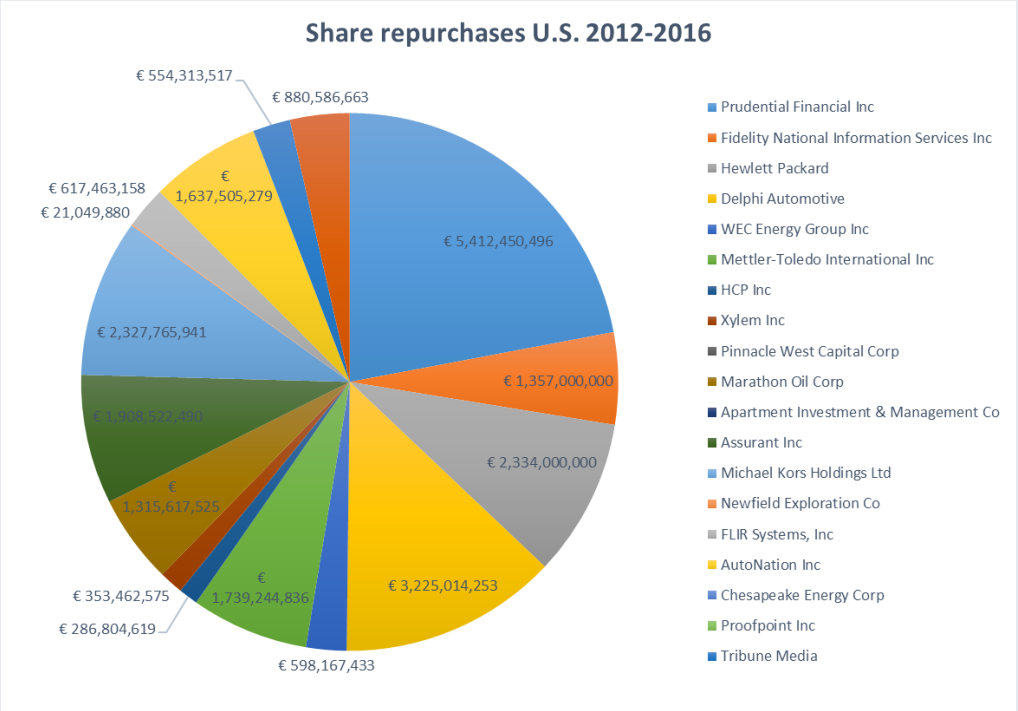

Figure 26. Share repurchases per company for the 20 U.S. companies, 2012-2016.

While the two Finnish companies in the financial sector, Nokia and Sampo, did not perform any share repurchases, three of the four U.S. companies within the same sector performed share repurchases: Prudential Financial performed the largest share repurchases between 2012 and 2016, totalling €5.4 billion euros ($6.3 billion USD).

Empirical evidence showed in stock option programs could suggest that U.S. firms might have entered more share buyback programs to prevent the dilution caused by stock

options, and to preserve their value – as U.S. stock options data illustrated a larger use of stock options programs for the CEO among the 20 U.S. companies. Within shareholder value maximisation, U.S. firms seem to focus on boosting EPS through share repurchases (and improving ROE), if compared to the 20 Finnish companies, which did not make a significant use of share repurchases during the same years. EPS within shareholder value maximisation, and its relationship with share repurchases, has been further discussed on Appendix 7. ROE as indicator of the firms' profitability has been discussed on the same appendix. When maximising shareholder value, empirical evidence on Appendix 7 could suggest that U.S. firms have higher EPS, perhaps due to the higher practice of share repurchases, when compared to the 20 Finnish companies (as explained on page 15, the statistics have been divided according to industry sectors). While this might correlate directly to share repurchases, furthermore focusing more on EPS seems to be part of shareholder value maximisation of U.S. companies. Authors such as De Wet (2014), acknolwedges the pupularity of EPS as earnings are the most important measure of performance to be reported to investors.

Regarding ROE as a traditional measurement of shareholder value maximisation for investors, Picardo (2015), as explained on page 14, suggests that one of the benefits of share repurchases is the improvement of ROE. When looking at the average ROE of Finnish and U.S. companies on the table within Appendix 7, share repurchase did not seem to have a significant influence on average ROE. In fact, firms that have not conducted any share repurchases (Michael Kors and Delphi Automotive within consumer goods, and Sampo and Apartment Investment within financial), performed better in terms of average ROE if compared to industry's peers during 2012-2016. Never the less, there was not a significant relationship between share repurchases and ROE during 2012-2016 when looking on how firms maximise shareholder value for investors through improved ROE, not to the same extent as the relationship encountered between share repurchases and EPS within Appendix 7.

Furthermore, important differences seem to be at the core of corporate governance and ownership among firms between the two countries. In U.S., not only buybacks can be unannounced and are more often financed with debt, but most importantly, the fact that they do not need to be approved by the shareholders seem to influence the increased practice, if compared to Finland where buybacks are subject of approval during the

Annual General Meeting (AGM). As mentioned on page 9 and suggested by Jakobsson and Korkeamäki (2015), corporate law provides the Annual General Meeting (AGM) with a considerably larger and ultimate power over the corporation, and the AGM can replace the board at any time. As managers do not have the same control within the firm as in U.S., this might explain the lesser use of share repurchases within the 20 Finnish firms.

4.8 Choice between dividends and share repurchases

As previously mentioned, dividends and share repurchases can form a significant combination that can boost shareholder returns and maximise shareholder wealth, and this has been a subject of debate from the academics of the field. While the dividend is paid after-tax and it represent a definite return, buybacks can represent an uncertain future return, which is tax deferred until the shares are sold (Picardo 2015). Depending on what the shareholder time horizon is, buybacks are believed to have a short-term impact, while a longer-term advantage relies on dividend payments. While buybacks are often believed to serve as a compensation for companies' insiders, dividends represent a real return of cash for shareholders (Ritholtz 2015). Share repurchases are usually more volatile than dividends (Allen & Michaely 2002).

Empirical evidence and statistics have shown that Finland did not have a significant amount of share repurchases between the years 2012-2016, and most of the share repurchases were conducted by Nokia and KONE. If we compare the trend over the years 2012-2016, dividends paid have totalled €42.3 billion euros, whereas share repurchases' value amounted to only €1 billion euros. Nokia seemed to conduct share repurchases over optimistic expectations to increase share price and EPS, as discussed on the previous chapter. Share repurchases have not been a popular method of returning cash, as denoted by a previous study (Smura 2007).

While in U.S. they have been gaining popularity after the 1980s, in Finland the first share repurchases were authorized in 1997. Perhaps the smaller size of the market and the inclination towards a stable dividend policy looking at long-term advantages for shareholders, rather than short-term gains (as Ritholtz suggests on the use of buybacks), can indicate how Finnish firms chose dividends towards share repurchases to maximise shareholder value. Furthermore, we have mentioned how the prior approval by the

Annual General Meeting and its control over the company might influence the use of share repurchases.

Although we did not take into analysis all the companies listed in the OMXH, we believe the 20 companies taken into exam, by being the largest market cap companies, are a good indicator of the choice of dividends over buybacks when returning cash to shareholders, within shareholder value maximisation. Empirical evidence suggested a different trend in the U.S. during 2012-2016, a more equal balance between share repurchases and dividends when distributing cash to the shareholders. Share repurchases, with €24.5 million euros, seems to be the first chosen method for distributing excess cash to shareholders during 2012-2016. Figure 27 shows a comparison on the choice between dividends and share repurchases among the Finnish and U.S. firms.

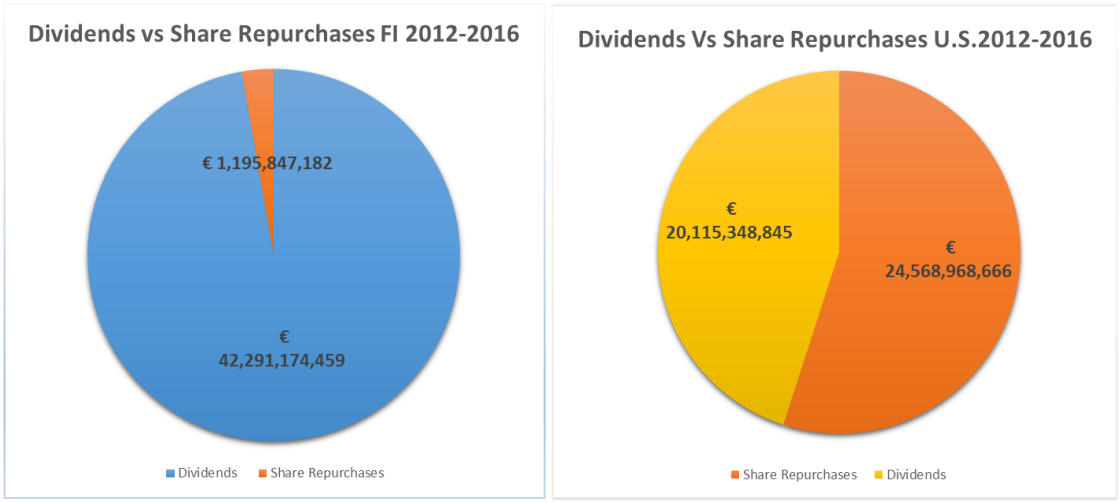

Figure 27. Total dividends paid versus share repurchases for the 20 Finnish and 20 U.S. companies, 2012-2016.

Again, mentioning Ritholtz, and by citing the criticism on the media over buybacks conducted by U.S. companies, an interest towards the short-term impact, the managerial control of the corporation, and the larger use of stock options, which might encourage the use of share repurchases in U.S., seems to be a more commong practice when maximising value for shareholders. By comparing dividends and share repurchases within all 40 companies (Figure 28), we can see how Finland is still anchored towards a strong dividend policy over share repurchases, when returning excess cash to shareholders.

Empirical evidence seems to suggest that within the five years, U.S. has a more balanced method of returning cash to shareholders, for instance in 2015, when a total of €10 billion euros (about $11.4 USD) was paid back to shareholders in form of €4.8 billion euros dividends ($5.4 billion USD) and €5.3 billion euros ($6 billion dollars) in form of share repurchases.

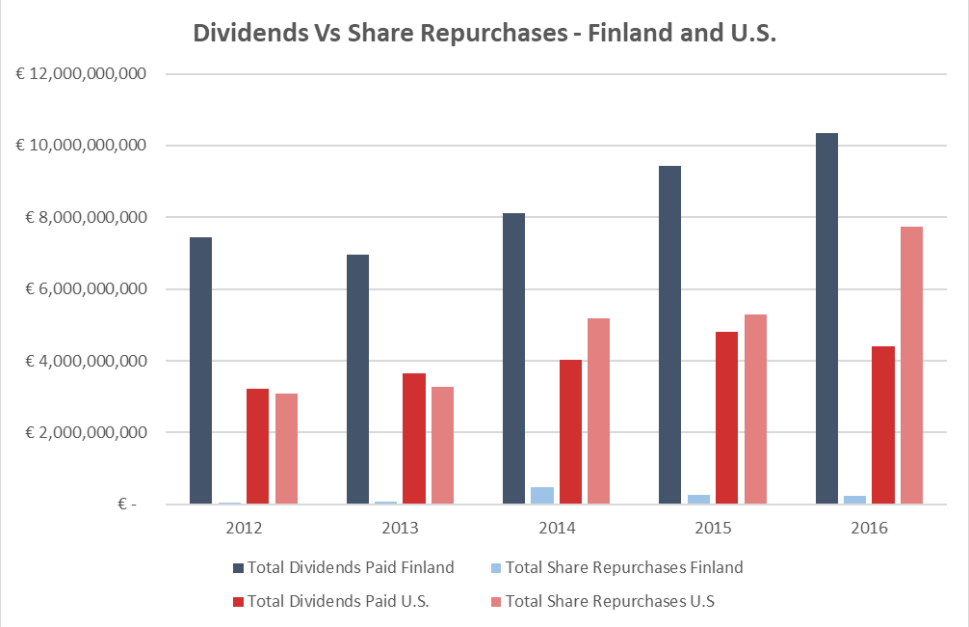

Figure 28. Total dividends paid versus share repurchases for the 20 Finnish and U.S. companies, 2012-2016.

This can be evidenced furthermore when looking at the whole S&P 500 companies regarding the trends of share repurchases gaining more popularity over dividends in U.S., a trend that has been increasing since the end of 2004, and gained popularity again after 2010 after the financial crisis of 2008 (Figure 29).

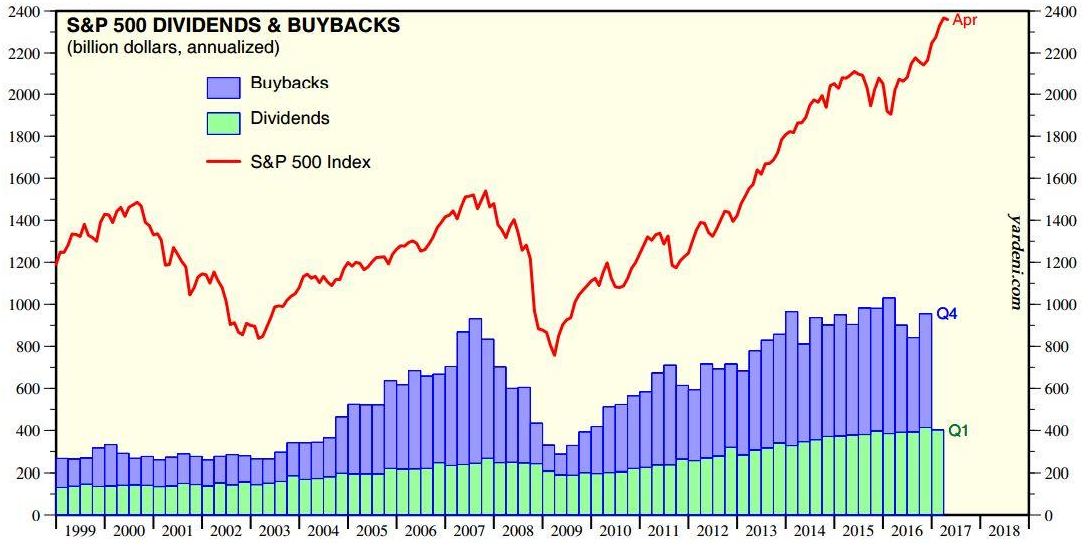

Figure 29. S&P 500 buybacks and dividends (Source: Standard & Poor's, 2017).

Empirical evidence in Finland showed an increase in aggregate and average dividends, and dividends paid over the years 2012-2016, which suggests that Finnish firms prefer to utilize dividends over buybacks to distribute excess cash to their shareholders as pay-out policy to maximise shareholder value over the long-term. This has been furthermore suggested by the qualitative analysis when looking at annual reports across the 20 Finnish firms, and when compared with the U.S. shareholder value model.

5 Conclusion

Within its limitations, this thesis has found sufficient empirical evidence that supports the initial research questions, hypothesis or claim that Finnish firms aim at maximising shareholder value. Shareholder value maximisation within the 20 Finnish companies is conducted mostly through a stable dividend policy, and an increase of dividends per share over time during 2012-2016. While long term incentives (LTIs) within executive compensation are considered an important part of CEO pay, base salary is still an important component of annual compensation, therefore variable pay does not outpace fixed pay. In the U.S., in contrast, annual CEO pay is tied to performance to a higher extent, and variable pay in forms of equity-based programs represents about 90% of CEO annual pay. Empirical evidence has not encountered significant stock option plans among executives, during 2012 and 2016: only six Finnish firms, among the 20 sample companies, have granted stock options (unexercised) to the president and CEO.

Furthermore, findings have shown that most companies have adopted no option plans for executives or top management between 2012 and 2016. Exercised options have shown significant difference when compared with U.S. firms' executives, whose total exercised stock options totalled €337 million euros ($391 USD) between 2012 and 2016. Share repurchases or buybacks as the other method to return capital to shareholders and maximise shareholder value are not widely conducted in Finland: share repurchases were largely influenced by Nokia and Kone, with respectively 69% and 20% of the total value of share repurchases between 2012-2016. Empirical evidence has shown that Finnish firms choose dividends, rather than buybacks, to reward their shareholders. The total value of share repurchases amount (€1 billion euros) was in influent when compared to U.S. companies (€24.5 billion euros, $29 billion USD), who chose rather a combination of dividends and share repurchases to return capital to shareholders.

While supporting the claim from Mähönen that Finland has been moving towards the Anglo-American corporate governance and thus shareholder model, empirical evidence has found however that significant differences exist between the shareholder value models in Finland and U.S., especially within average and median CEO pay, LTIs, stock option plans and the use of share repurchases versus dividends. One of the reasons behind differences of variable pay, most importantly LTIs, and the different balance between fixed and variable pay, can be related to the U.S. companies disclosing reported pay, rather than realized pay in the proxy filings. The other reasons, which could explain the higher level of stock option plans and restricted shares within executives in the U.S., when compared to Finland, could be related to the differences in market size, stock price volatility, and most importantly, differences in corporate governance and ownership between Finland and U.S. A more disperse ownership, institutional owners and independency of the board might results in higher adoption of stock option plans to the CEO in U.S., as explained during the empirical evidence.

The empirical data suggests furthermore that there seemed to be no indicators of corporate malfeasance within the Finnish firms, and value creation, more than value extraction (especially with the absence of massive use of stock options for short-term gains), seems to be at the core of shareholder value maximisation philosophy. The only subject of critique by the media seemed to be Elop's overcompensation upon his

departure from Nokia as CEO. The Liability Company Act and the Finnish Corporate Governance Code ensure that all rules are abided in accordance with the *comply or explain* principle, and that Finnish firms' executives are incentivised to pursue the company's goals and align their interests with the ones of the shareholders over a long-term perspective.

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Sample of Observations: Share Repurchases 2012-2016. The Red Circle Represents One Observation.

	Company	Market Cap, Million €	2016	2015	2014	2013	2012
1	Nordea Bank AB	43698.98	no share rep	no share rep	no share rep	no share rep	no share rep
2	Nokia Oyj	25141.72	€ 230,610,185	€ 173,450,200	€ 426,726,459	no share rep	no share rep
3	Sampo Oyj	23352	no share rep	no share rep	no share rep	no share rep	no share rep
4	Kone Oyj	22783.11	€ 39,255,224	€ 71,200,000	€ 32,800,000	€ 62,900,000	€ 36,900,000
5	Telia Company AB	16341.74	€ 474,255	€ 102,680	€ 604,900	€ 406,033	no share rep
6	Fortum Oyj	13458.76	no share rep	no share rep	no share rep	no share rep	no share rep
7	UPM-Kymmene Oyj	12756.28	no share rep	no share rep	no share rep	no share rep	no share rep
8	Neste Oyj	8661.32	no share rep	no share rep	€ 14,308,416	no share rep	no share rep
9	Wärtsilä Oyj Abp	8520.82	no share rep	no share rep	no share rep	no share rep	no share rep
10	Stora Enso Oyj	8501.66	no authorization	no authorization	no authorization	no authorization	no authorization
11	Orion Oyj	6050.48	€ 16,765,946	no share rep	no share rep	€ 9,600,000	no share rep
12	Elisa Oyj	5294.48	no share rep	no share rep	no share rep	no share rep	no share rep
13	Nokian Renkaat Oyj	4782.73	no share rep	no share rep	no share rep	no share rep	no authorization
14	Kesko Oyj	4626.01	no share rep	no share rep	€ 16,060,213	no share rep	no share rep
15	Metso Oyj	4199.23	no share rep	€ 8,312,138	no share rep	€ 9,540,417	€ 7,417,548
16	Huhtamäki Oyj	3686.48	no share rep	no share rep	no share rep	no share rep	no share rep
17	Outokumpu Oyj	3435.09	€ 7,020,000	no share rep	no share rep	no share rep	no share rep
18	SSAB	3193.37	no authorization	no authorization	no authorization	no authorization	no authorization
19	Amer Sports Oyj	2993.75	no share rep	€ 1,200,000	€ 13,000,000	€ 5,400,000	no share rep
20	Cargotec Oyj	2848.45	€ 7,575,505	€ 3,349,326	€ 867,737	no share rep	no share rep

Economic Value Added (EVA)

Some of the traditional performance evaluation methods, such as ROE or EPS, have been argued to be ineffective in sectors such as banking (Gounder et al. 2017), as they do not represent the true shareholder return. Firms can attempt a combination of the following metrics: economic profit, value creation, and total shareholder return (TSR) (Leahy 2000). Two more recent shareholder value measurement are Economic Value Added (EVA) and Market Value Added. EVA was developed by the management consulting firm Stern Stewart & Co., and named Economic Value Added (EVA): it is calculated as the difference between the Net Operating Profit After Tax (NOPAT) and the opportunity cost of invested capital. The opportunity cost is the result of multiplying the Weighted Average Cost of debt and equity Capital (WACC) and the amount of capital employed. Thus, the formula for EVA equals EVA = NOPAT – WACC*Capital (EVA, 2017). MVA shows the difference between the market value of a company and the capital investors contribute with (EVA.com 2016).

Executive Compensation: Total CEO Compensation for the 20 Finnish Companies 2012-2016.

Company	Market Cap, Million €	2016	2015	2014	2013	2012	Total
Nordea Bank AB	43698.98	€ 2,071,015	€ 2,522,179	€ 2,398,946	€ 2,187,895	€ 2,128,431	€ 11,308,466
Nokia Oyj	25141.72	€ 9,508,156	€ 6,306,325	€ 32,382,002	€ 10,276,496	€ 4,524,948	€ 62,997,927
Sampo Oyj	23352	€ 4,935,777	€ 4,290,223	€ 3,653,373	€ 3,529,957	€ 2,454,227	€ 18,863,557
Kone Oyj	22783.11	€ 5,138,675	€ 4,895,379	€ 5,475,548	€ 4,764,209	€ 3,440,163	€ 23,713,974
Telia Company AB	16341.74	€ 2,426,526	€ 2,112,310	€ 2,049,585	€ 2,846,376	€ 2,340,628	€ 11,775,424
Fortum Oyj	13458.76	€ 1,368,000	€ 2,572,000	€ 1,867,000	€ 1,855,000	€ 1,260,483	€ 8,922,483
UPM-Kymmene Oyj	12756.28	€ 5,065,000	€ 2,759,000	€ 1,706,000	€ 1,638,000	€ 1,603,000	€ 12,771,000
Neste Oyj	8661.32	€ 2,540,361	€ 2,447,137	€ 2,343,926	€ 1,618,218	€ 861,810	€ 9,811,452
Wärtsilä Oyj Abp	8520.82	€ 1,176,000	€ 2,447,000	€ 1,092,000	€ 1,098,000	€ 1,113,000	€ 6,926,000
Stora Enso Oyj	8501.66	€ 2,218,000	€ 2,158,000	€ 2,899,000	€ 1,747,000	€ 2,199,000	€ 11,221,000
Orion Oyj	6050.48	€ 1,978,463	€ 1,903,171	€ 1,365,906	€ 1,357,582	€ 1,040,065	€ 7,645,187
Elisa Oyj	5294.48	€ 1,855,036	€ 1,549,925	€ 618,982	€ 688,633	€ 1,227,796	€ 5,940,372
Nokian Renkaat Oyj	4782.73	€ 2,109,397	€ 787,942	€ 885,417	€ 824,717	€ 1,012,791	€ 5,620,264
Kesko Oyj	4626.01	€ 1,316,760	€ 1,018,525	€ 1,496,565	€ 1,196,323	€ 1,196,323	€ 6,224,496
Metso Oyj	4199.23	€ 743,861	€ 1,245,166	€ 799,516	€ 1,063,113	€ 1,070,761	€ 4,922,417
Huhtamäki Oyj	3686.48	€ 2,278,727	€ 1,758,040	€ 852,461	€ 3,213,900	€ 595,785	€ 8,698,913
Outokumpu Oyj	3435.09	€ 3,578,465	€ 1,049,475	€ 872,079	€ 912,540	€ 972,692	€ 7,385,251
SSAB	3193.37	€ 1,985,660	€ 1,446,540	€ 1,165,557	€ 1,186,370	€ 1,196,777	€ 6,980,904
Amer Sports Oyj	2993.75	€ 2,199,532	€ 1,987,351	€ 1,672,990	€ 1,137,108	€ 1,337,616	€ 8,334,597
Cargotec Oyj	2848.45	€ 1,689,549	€ 970,237	€ 1,400,000	€ 568,750	€ 916,145	€ 5,544,681
TOT		€ 56,182,960	€ 46,225,925	€ 66,996,853	€ 43,710,187	€ 32,492,441	€ 245,608,366

Executive Compensation: Total CEO Compensation for the 20 U.S. Companies 2012-2016 (in euros).

Company	Market Cap, Million $	2016	2015	2014	2013	2012	Tot
Prudential Financial Inc	484200	€ 21,537,738	€ 14,690,666	€ 33,026,206	€ 14,750,683	€ 27,044,060	€ 111,049,352
Fidelity National Information Services Inc	28544	€ 17,633,724	€ 11,406,471	€ 11,785,126	€ 10,434,584	€ 7,156,617	€ 58,416,522
Hewlett Packard	27770	€ 31,335,611	€ 15,098,063	€ 17,280,201	€ 15,545,393	€ 13,535,523	€ 92,794,791
Delphi Automotive	24800	€ 11,755,000	€ 10,742,343	€ 5,792,106	€ 5,916,031	€ 4,580,250	€ 38,785,730
WEC Energy Group Inc	19950	€ 10,131,659	€ 5,973,511	€ 5,731,488	€ 4,040,210	€ 4,726,067	€ 30,602,935
Mettler-Toledo International Inc	15640	€ 6,454,934	€ 5,840,626	€ 4,204,947	€ 4,548,641	€ 3,898,403	€ 24,947,552
HCP Inc	15090	€ 9,857,980	€ 6,058,692	€ 10,963,411	€ 7,396,187	€ 10,020,880	€ 44,297,150
Xylem Inc	6680	€ 6,502,017	€ 6,124,517	€ 7,246,989	€ 5,543,495	€ 5,266,186	€ 30,683,203
Pinnacle West Capital Corp	9620	€ 10,005,044	€ 8,224,398	€ 8,216,212	€ 7,173,792	€ 10,094,107	€ 43,713,554
Marathon Oil Corp	9530	€ 7,592,453	€ 9,932,480	€ 10,127,333	€ 9,484,218	€ 17,324,611	€ 54,461,095
Apartment Investment & Management Co	6810	€ 5,283,822	€ 7,872,263	€ 3,773,665	€ 4,422,539	€ 4,097,864	€ 25,450,153
Assurant Inc	5840	€ 6,870,683	€ 7,290,387	€ 2,606,156	€ 2,660,458	€ 2,405,550	€ 21,833,234
Michael Kors Holdings Ltd	5360	€ 13,273,142	€ 13,284,500	€ 11,942,767	€ 6,662,391	€ 12,081,992	€ 57,244,791
Newfield Exploration Co	5170	€ 8,672,673	€ 7,696,044	€ 5,891,191	€ 4,779,470	€ 4,668,441	€ 31,707,819
FLIR Systems, Inc	4610	€ 5,053,746	€ 7,232,084	€ 4,065,713	€ 2,784,602	€ 1,941,560	€ 21,077,704
Chesapeake Energy Corp	4420	€ 9,781,381	€ 8,933,261	€ 9,345,430	€ 5,536,336	€ 5,769,809	€ 39,366,217
AutoNation Inc	4290	€ 9,428,644	€ 8,611,109	€ 9,008,415	€ 5,336,684	€ 5,561,738	€ 37,946,589
Proofpoint Inc	3760	€ 4,484,781	€ 6,951,702	€ 5,156,350	€ 1,903,805	€ 981,456	€ 19,478,095
Tribune Media	3600	€ 6,743,580	€ 7,072,191	€ 20,180,962	€ 7,681,370	proxy not found	€ 41,678,104
Dana Inc	3470	€ 8,248,856	€ 4,644,984	€ 7,521,173	€ 7,656,979	€ 7,508,290	€ 35,580,281
Total		€ 210,647,466	€ 173,680,291	€ 193,865,841	€ 134,257,869	€ 148,663,405	€ 861,114,872

Executive Compensation: Executive Compensation Components, 20 Finnish Companies

Base Salary	2016	2015	2014	2013	2012
Nordea	€ 1,292,312.00	€ 1,259,252	€ 1,241,653	€ 1,274,970	€ 1,236,970
Nokia	€ 1,049,044	€ 1,000,000	€ 1,270,754	€ 1,105,171.00	€ 1,079,500
Sampo Oyj	€ 1,108,336	€ 856,961.00	€ 851,144	€ 902,961	€ 856,887
Kone Oyj	€ 750,000	€ 750,000	€ 922,500	€ 722,200	€ 722,200
Telia Company AB	€ 1,635,704	€ 1,500,656	€ 1,449,909	€ 569,240	€ 1,083,213
Fortum Oyj	€ 982,000	€ 956,000	€ 1,005,000	€ 795,000	979824
UPM-Kymmene Oyj	€ 1,049,000	€ 1,052,000	€ 1,052,000	€ 1,059,000	€ 1,059,000
Neste Oyj	€ 685,702	€ 667,623	€ 666,867	€ 700,067	€ 718,159
Wärtsilä Oyj Abp	€ 781,000	€ 878,000	€ 662,000	€ 660,000	€ 614,000
Stora Enso Oyj	€ 934,000	€ 932,000	€ 1,039,000	€ 1,148,000	€ 1,119,000
Orion Oyj	€ 468,720	€ 462,658	€ 452,622	€ 448,777	€ 441,149
Elisa Oyj	€ 546,781	€ 536,640	€ 19,130	€ 513,300	€ 531,143
Nokian Renkaat Oyj	€ 753,435	€ 687,942	€ 736,419	€ 659,388	€ 625,719
Kesko Oyj	€ 873,600	€ 856,800	€ 1,108,560	€ 898,560	€ 865,300
Metso Oyj	€ 610,136	€ 616,200	€ 553,200	€ 551,820	€ 551,820
Huhtamäki Oyj	€ 698,788	€ 673,963	€ 649,670	€ 625,955	€ 595,785
Outokumpu Oyj	€ 1,137,213	€ 634,888	€ 749,040	€ 755,040	€ 882,692
SSAB	€ 961,804	€ 967,829	€ 801,321	€ 832,541	€ 728,473
Amer Sports Oyj	€ 677,541	€ 682,397	€ 642,332	€ 641,113	€ 1,137,108
Cargotec Oyj	€ 686,168.00	€ 625,088.00	€ 1,400,000	€ 568,750	€ 535,200
TOT	€ 17,683,300	€ 16,598,911	€ 17,275,134	€ 15,433,866	€ 16,365,154
AVERAGE	€ 884,064	€ 829,845	€ 863,656	€ 771,593	€ 818,157
MEDIAN	€ 827,300	€ 803,400	€ 826,232	€ 711,134	€ 792,680

STI	2016	2015	2014	2013	2012
Nordea	€ 749,204.00	€ 1,182,649	€ 1,084,267	€ 831,280	
Nokia	€ 780,357.00	€ 1,922,125	€ 1,778,105	€ 769,217.00	
Sampo Oyj	€ 565,441	€ 472,262.00	€ 498,229	€ 288,996	€ 204,340
Kone Oyj	€ 600,000	€ 675,000	€ 1,334,950	€ 758,700	€ 686,480
Telia Company AB	€ 140,641	€ 15,224	€ 21,356	€ 580,076	€ 316,051
Fortum Oyj	€ 30,000	€ 36,000	€ 127,000	€ 22,000	280659
UPM-Kymmene Oyj	€ 888,000	€ 856,000	€ 627,000	€ 553,000	€ 508,000
Neste Oyj	€ 260,337	€ 221,501	€ 228,962	€ 143,651	€ 143,651
Wärtsilä Oyj Abp	€ 179,000	€ 369,000	€ 430,000	€ 300,000	€ 75,000
Stora Enso Oyj	€ 499,000	€ 232,000	€ 847,000	€ 186,000	€ 411,000
Orion Oyj	€ 614,189	€ 600,910	€ 554,765	€ 509,917	€ 407,214
Elisa Oyj	€ 360,392	€ 280,470	€ 84,461	€ 175,333	€ 199,066
Nokian Renkaat Oyj	€ 560,219	€ 100,000	€ 104,998	€ 165,329	€ 387,072
Kesko Oyj	€ 420,000	€ 140,000	€ 360,000	€ 360,000	€ 309,000
Metso Oyj	€ 133,725	€ 159,423	€ 64,400	€ 229,263	€ 218,452
Huhtamäki Oyj	€ 499,125	€ 271,373	€ 121,070	€ 397,098	
Outokumpu Oyj		€ 303,912	€ 123,039	€ 157,500	€ 90,000
SSAB	€ 579,151	€ 41,627			€ 166,508
Amer Sports Oyj	€ 593,648	€ 315,575	€ 584,953	€ 241,440	
Cargotec Oyj	€ 559,707.00	€ 345,149.00			€ 380,945
TOT	€ 9,012,136	€ 8,540,200	€ 8,974,555	€ 6,668,800	€ 4,783,438
AVERAGE	€ 474,323	€ 427,010	€ 498,586	€ 370,489	€ 298,965
MEDIAN	€ 559,707.00	€ 292,191.00	€ 395,000.00	€ 294,498.00	€ 294,829.50

LTI	2016	2015	2014	2013	2012
Nordea					€ 450,546.00
Nokia	€ 7,556,598	€ 3,335,352	€ 3,759,936	€ 7,583,351	€ 3,128,750
Sampo Oyj	€ 3,262,000	€ 2,961,000	€ 2,304,000	€ 2,338,000	€ 1,393,000
Kone Oyj	€ 3,527,900	€ 3,213,501	€ 3,218,098	€ 3,283,309	€ 2,031,483
Telia Company AB	not available	not available	not available	not available	not available
Fortum Oyj		€ 1,299,000	€ 235,000	€ 448,000	
UPM-Kymmene Oyj	€ 3,098,000	€ 824,000			
Neste Oyj	€ 630,226	€ 716,954	€ 803,897	€ 249,357	
Wärtsilä Oyj Abp	€ 216,000	€ 1,200,000	€ -	€ 138,000	€ 424,000
Stora Enso Oyj	€ 151,000	€ 371,000	€ 549,000	€ -	€ 239,000
Orion Oyj	€ 466,239	€ 433,758	€ 358,519	€ 398,888	€ 191,702
Elisa Oyj	€ 947,863	€ 732,815			€ 497,587
Nokian Renkaat Oyj	€ 795,743				
Kesko Oyj					
Metso Oyj		€ 469,543	€ 181,916	€ 282,030	€ 300,489
Huhtamäki Oyj	€ 1,080,814	€ 812,704	€ 81,721	€ 2,190,847	
Outokumpu Oyj	€ 2,441,252	€ 110,675			
SSAB					
Amer Sports Oyj	€ 497,543	€ 458,649		€ 254,555	
Cargotec Oyj	€ 443,674				
TOT	€ 25,114,852	€ 16,938,951	€ 11,492,087	€ 17,166,337	€ 8,656,557
AVERAGE	€ 1,793,918.00	€ 1,209,925.07	€ 1,149,208.70	€ 1,560,576.09	€ 961,839.67
MEDIAN	€ 871,803	€ 772,760	€ 453,760	€ 398,888	€ 450,546

Pensions and Benefits	2016	2015	2014	2013	2012
Nordea	€ 29,499	€ 80,278	€ 73,026	€ 81,645	€ 440,915
Nokia	€ 122,157	€ 145,658	€ 25,573,207	€ 818,757	€ 316,698
Sampo Oyj					
Kone Oyj	€ 260,775	€ 256,878			
Telia Company AB	€ 650,181	€ 596,430	€ 578,320	€ 748,268	€ 941,364
Fortum Oyj	€ 356,000	€ 281,000	€ 500,000	€ 590,000	
UPM-Kymmene Oyj	€ 30,000	€ 27,000	€ 27,000	€ 26,000	€ 36,000
Neste Oyj	€ 964,096	€ 841,059	€ 644,200	€ 525,143	
Wärtsilä Oyj Abp					
Stora Enso Oyj	€ 634,000	€ 623,000	€ 464,000	€ 413,000	€ 430,000
Orion Oyj	€ 429,315	€ 405,845			
Elisa Oyj					
Nokian Renkaat Oyj			€ 44,000		
Kesko Oyj	€ 23,160	€ 21,725	€ 28,005	€ 22,740	€ 22,023
Metso Oyj					
Huhtamäki Oyj					
Outokumpu Oyj	€ 187,213				
SSAB	€ 444,705	€ 437,084	€ 364,236	€ 353,830	€ 301,797
Amer Sports Oyj					
Cargotec Oyj					
TOT	€ 4,131,101	€ 3,715,957	€ 28,295,994	€ 3,579,383	€ 2,488,797
AVERAGE	€ 344,258	€ 337,814	€ 2,829,599	€ 397,709	€ 355,542
MEDIAN	€ 308,388	€ 281,000	€ 414,118	€ 413,000	€ 316,698

Executive Compensation: Executive Compensation Components, 20 U.S. Companies

Base Salary	2016	2015	2014	2013	2012
Prudential Financial Inc	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000
Fidelity National Information Services Inc	$ 1,000,000	$ 1,000,000	$ 850,000	$ 1,000,000	$ 1,000,000
Hewlett Packard	$ 1,500,058	$ 1,500,058	$ 1,500,058	$ 1	$ 1
Delphi Automotive	$ 1,175,000	$ 1,066,667	$ 825,000	$ 1,248,142	$ 1,211,100
WEC Energy Group Inc	$ 941,667	$ 799,155	$ 774,000	$ 1,243,256	$ 1,209,393
Mettler-Toledo International Inc	$ 1,812,750	$ 917,715	$ 965,176	$ 965,176	$ 965,176
HCP Inc	$ 1,934,850	$ 800,000	$ 800,000	$ 196,970	$ 850,000
Xylem Inc	$ 975,384	$ 981,731	$ 711,538	$ 966,731	$ 935,000
Pinnacle West Capital Corp	$ 1,277,000	$ 1,277,000	$ 1,240,000	$ 1,203,000	$ 1,146,000
Marathon Oil Corp	$ 1,050,000	$ 1,050,000	$ 1,036,346	$ 392,307	$ 1,250,000
Apartment Investment & Management Co	$ 600,000	$ 600,000	$ 600,000	$ 600,000	$ 600,000
Assurant Inc	$ 955,000	$ 850,000	$ 598,750	$ 1,000,000	$ 975,000
Michael Kors Holdings Ltd	$ 1,000,000	$ 2,500,000	$ 2,500,000	$ 2,500,000	$ 2,500,000
Newfield Exploration Co	$ 850,000	$ 850,000	$ 850,000	$ 842,308	$ 788,463
FLIR Systems, Inc	$ 835,731	$ 831,731	$ 726,692	$ 538,462	$ 870,192
AutoNation Inc	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 1,150,000	$ 1,150,000
Chesapeake Energy Corp	$ 1,300,000	$ 1,348,462	$ 1,250,000	$ 1,622,634	$ 1,835,000
Proofpoint Inc	$ 450,342	$ 450,000	$ 450,000	$ 441,250	$ 317,500
Tribune Media	$ 1,600,000	$ 1,600,000	$ 1,597,308	$ 1,459,615	
Dana Inc	$ 1,100,000	$ 430,833	$ 1,025,000	$ 1,006,250	$ 950,000
TOT	$ 23,007,782	$ 21,503,352	$ 20,949,868	$ 19,776,102	$ 19,952,825
AVERAGE	$ 1,150,389	$ 1,075,168	$ 1,047,493	$ 988,805	$ 1,050,149
MEDIAN	$ 1,075,000	$ 990,866	$ 907,588	$ 1,000,000	$ 975,000

STI	2016	2015	2014	2013	2012
Prudential Financial Inc	$ 8,753,268.00	$ 9,273,192.00	$ 8,499,573.00	$ 8,499,573.00	$ 6,290,097.00
Fidelity National Information Services Inc	$ 11,219,250.00	$ 1,062,919.00	$ 1,886,745.00	$ 3,729,313.00	$ 3,949,636.00
Hewlett Packard	$ 3,081,189.00	$ 2,453,262.00	$ 4,314,000.00	$ 260,000.00	$ 1,686,915.00
Delphi Automotive	$ 1,962,000.00	$ 1,853,000.00	$ 1,180,875.00	$ 2,790,875.00	$ 1,494,000.00
WEC Energy Group Inc	$ 2,162,593.00	$ 1,680,500.00	$ 1,598,927.00	$ 3,097,587.00	$ 2,951,811.00
Mettler-Toledo International Inc		$ 665,802.00	$ 978,592.00	$ 452,185.00	$ 485,001.00
HCP Inc		$ 1,385,280.00	$ 2,400,000.00	$ 2,200,000.00	$ 2,000,000.00
Xylem Inc	$ 1,005,480.00	$ 843,960.00	$ 1,004,180.00	$ 330,000.00	$ 872,990.00
Pinnacle West Capital Corp	$ 2,066,186.00	$ 2,066,186.00	$ 1,852,560.00	$ 2,009,011.00	$ 1,795,782.00
Marathon Oil Corp	$ 1,312,500.00	$ 1,681,250.00	$ 2,206,250.00	$ 3,875,000.00	$ 3,250,000.00
Apartment Investment & Management Co	$ 1,469,640.00	$ 1,566,600.00	$ 1,339,485.00	$ 1,094,835.00	$ 1,217,685.00
Assurant Inc	$ 1,130,720.00	$ 2,080,800.00	$ 586,775.00	$ 2,480,000.00	$ 4,040,400.00
Michael Kors Holdings Ltd	$ 6,500,000.00	$ 5,000,000.00	$ 5,000,000.00	$ 5,000,000.00	$ 5,000,000.00
Newfield Exploration Co	$ 1,785,000.00	$ 1,800,000.00	$ 2,050,000.00	$ 600,000.00	$ 1,080,000.00
FLIR Systems, Inc	$ 440,800.00	$ 796,509.00	$ 706,115.00	$ 212,151.00	
AutoNation Inc	$ 2,024,250.00	$ 1,699,313.00	$ 2,082,375.00	$ 3,323,093.00	$ 3,163,567.00
Chesapeake Energy Corp	$ 2,589,571.00	$ 2,691,000.00	$ 2,720,625.00	$ 3,619,260.00	$ 3,179,625.00
Proofpoint Inc			$ 496,575.00	$ 344,442.00	$ 240,779.00
Tribune Media	$ 1,275,000.00	$ 1,500,000.00	$ 1,500,000.00	$ 3,250,000.00	
Dana Inc	$ 1,722,100.00	$ 1,112,000.00	$ 2,974,151.00	$ 3,230,316.00	$ 2,080,000.00
TOT	$ 50,499,547.00	$ 41,211,573.00	$ 45,377,803.00	$ 50,397,641.00	$ 44,778,288.00
AVERAGE	$ 2,970,561.59	$ 2,169,030.16	$ 2,268,890.15	$ 2,519,882.05	$ 2,487,682.67
MEDIAN	$ 1,962,000.00	$ 1,681,250.00	$ 1,869,652.50	$ 2,635,437.50	$ 2,040,000.00

LTI	2016	2015	2014	2013	2012
Prudential Financial Inc	$ 6,429,288.00	$ 6,473,625.00	$ 6,751,340.00	$ 6,751,340.00	$ 7,324,525.00
Fidelity National Information Services Inc	$ 7,499,967.00	$ 10,523,958.00	$ 10,285,028.00	$ 9,000,014.00	$ 7,498,963.00
Hewlett Packard	$ 30,699,583.00	$ 12,884,785.00	$ 13,502,712.00	$ 17,107,908.00	$ 13,454,325.00
Delphi Automotive	$ 7,044,063.00	$ 9,112,214.00	$ 3,938,805.00	$ 7,685,494.00	$ 9,190,800.00
WEC Energy Group Inc	$ 3,708,395.00	$ 3,244,717.00	$ 2,430,768.00	$ 5,171,466.00	$ 4,754,312.00
Mettler-Toledo International Inc	$ 1,199,870.00	$ 3,575,041.00	$ 3,371,905.00	$ 3,122,153.00	$ 2,799,930.00
HCP Inc	$ 3,634,580.00	$ 4,682,856.00	$ 9,214,476.00	$ 6,000,010.00	$ 8,937,433.00
Xylem Inc	$ 5,262,541.00	$ 4,999,981.00	$ 6,133,242.00	$ 4,500,018.00	$ 4,249,996.00
Pinnacle West Capital Corp	$ 4,400,029.00	$ 4,400,029.00	$ 4,199,976.00	$ 4,000,235.00	$ 7,100,295.00
Marathon Oil Corp	$ 5,803,110.00	$ 8,054,680.00	$ 7,768,139.00	$ 6,423,201.00	$ 7,567,552.00
Apartment Investment & Management Co	$ 3,925,697.00	$ 6,767,312.00	$ 2,342,345.00	$ 3,326,295.00	$ 2,834,825.00
Assurant Inc	$ 4,696,423.00	$ 3,822,671.00	$ 1,270,097.00	$ 3,250,333.00	$ 3,167,569.00
Michael Kors Holdings Ltd	$ 7,488,958.00	$ 7,499,939.00	$ 5,983,642.00		$ 6,666,909.00
Newfield Exploration Co	$ 7,165,038.00	$ 6,038,119.00	$ 3,734,242.00	$ 3,942,797.00	$ 3,126,708.00
FLIR Systems, Inc	$ 3,825,596.00	$ 4,080,036.00	$ 2,573,680.00	$ 2,718,655.00	$ 3,770,510.00
AutoNation Inc	$ 7,717,160.00	$ 7,074,586.00	$ 7,110,567.00	$ 3,323,093.00	$ 3,163,567.00
Chesapeake Energy Corp	$ 10,750,000.00	$ 10,750,030.00	$ 10,500,024.00	$ 41,072,763.00	$ 23,241,310.00
Proofpoint Inc	$ 4,639,660.00	$ 7,439,419.00	$ 4,905,324.00	$ 1,374,732.00	$ 555,325.00
Tribune Media	$ 4,803,093.00	$ 4,952,759.00	$ 19,901,616.00	$ 5,406,477.00	
Dana Inc	$ 6,230,479.00	$ 3,647,879.00	$ 4,414,982.00	$ 2,752,311.00	$ 2,622,580.00
TOT	$ 136,923,530.00	$ 130,024,636.00	$ 130,332,910.00	$ 136,929,295.00	$ 122,027,434.00
AVERAGE	$ 6,846,176.50	$ 6,501,231.80	$ 6,516,645.50	$ 7,206,805.00	$ 6,422,496.53
MEDIAN	€ 5,532,826	€ 6,255,872	€ 5,444,483	€ 4,500,018	€ 4,754,312

Pensions and Benefits	2016	2015	2014	2013	2012
Prudential Financial Inc	$ 90,615.00	$ 20,336,275.00	$ 90,374.00	$ 90,464.00	$ 15,679,033.00
Fidelity National Information Services Inc	$ 291,160.00	$ 366,625.00	$ 356,948.00	$ 414,754.00	$ 213,495.00
Hewlett Packard	$ 283,521.00	$ 297,441.00	$ 295,394.00	$ 275,334.00	$ 220,901.00
Delphi Automotive	$ 185,729.00	$ 164,438.00	$ 131,387.00	$ 293,538.00	$ 1,445,373.00
WEC Energy Group Inc	$ 4,690,324.00	$ 1,057,653.00	$ 1,703,550.00	$ 258,517.00	$ 4,162,462.00
Mettler-Toledo International Inc	$ 4,315,980.00	$ 1,515,228.00	$ -385,585.00	$ 503,718.00	$ 175,945.00
HCP Inc	$ 603,940.00	$ 10,600.00	$ 32,832.00	$ 281.00	$ 11,250.00
Xylem Inc	$ 138,660.00	$ 127,798.00	$ 378,909.00	$ 730,216.00	$ 142,473.00
Pinnacle West Capital Corp	$ 1,594,355.00	$ 1,594,355.00	$ 2,035,740.00	$ 1,047,236.00	$ 1,418,267.00
Marathon Oil Corp	$ 454,479.00	$ 490,911.00	$ 487,332.00	$ 77,399.00	$ 8,330,616.00
Apartment Investment & Management Co	$ 3,650.00	$ 3,835.00	$ 2,600.00		
Assurant Inc	$ 1,015,738.00	$ 1,520,754.00	$ 502,235.00	$ 359,259.00	$ 660,769.00
Michael Kors Holdings Ltd	$ 80,703.00	$ 82,618.00	$ 65,578.00	$ 64,145.00	$ 58,547.00
Newfield Exploration Co	$ 88,110.00	$ 86,526.00	$ 82,599.00	$ 64,208.00	$ 78,060.00
FLIR Systems, Inc	$ 635,643.00	$ 2,502,670.00	$ 609,520.00	$ 703,516.00	$ 34,411.00
AutoNation Inc		$ 114,905.00	$ 163,654.00	$ 164,951.00	$ 179,752.00
Chesapeake Energy Corp	$ 643,792.00	$ 628,523.00	$ 206,728.00	$ 12,585,388.00	$ 1,184,294.00
Proofpoint Inc	$ 342.00	$ 345.00	$ 300.00	$ 300.00	$ 300.00
Tribune Media	$ 10,600.00	$ 10,600.00	$ 10,400.00	$ 141,822.00	
Dana Inc	$ 312,760.00	$ 82,970.00	$ 441,370.00	$ 2,026,525.00	$ 3,187,754.00
TOT	$ 15,440,101.00	$ 30,995,070.00	$ 7,211,865.00	$ 19,801,571.00	$ 37,183,702.00
AVERAGE	$ 812,636.89	$ 1,549,753.50	$ 360,593.25	$ 1,042,187.95	$ 2,065,761.22
MEDIAN	$ 291,160.00	$ 230,939.50	$ 185,191.00	$ 275,334.00	$ 217,198.00

Stock Options and Shareholdings: Stock Options Exercised, U.S. Companies 2012-2016

Company	Market Cap, Million $	2016	2015	2014	2013	2012
Prudential Financial Inc	484200	€ 9,597,799.68	€ 550,510.19	€ 2,273,824.02	€ 8,775,481.92	
Fidelity National Information Services Inc	28544	€ 15,683,971.86		€ 17,560,675.70	€ 20,267,994.31	
Hewlett Packard	27770					
Delphi Automotive	24800					
WEC Energy Group Inc	19950	€ 6,184,874.27	€ 8,975,972	€ 9,427,819	€ 2,067,816.77	2185201.15
Mettler-Toledo International Inc	15640	€ 16,060,314.31	26640395.36	€ 16,235,139.00	€ 16,452,461.44	€ 5,060,376.08
HCP Inc	15090					€ 32,622,638.52
Xylem Inc	6680					
Pinnacle West Capital Corp	9620					
Marathon Oil Corp	9530					€ 9,653,110.93
Apartment Investment & Management Co	6810	€ 9,238,823.98	€ 4,600,851.87	€ 8,387,144.04		€ 7,670,893.65
Assurant Inc	5840				€ 2,628,173.84	€ 1,284,425.92
Michael Kors Holdings Ltd	5360				€ 32,180,296.50	no proxy filing
Newfield Exploration Co	5170					
FLIR Systems, Inc	4610	$ 1,296,069.71		€ 2,415,548.33		
AutoNation Inc	4420			€ 3,116,351.95	€ 4,726,628.60	€ 9,013,282.14
Chesapeake Energy Corp	4290					
Proofpoint Inc	3760	€ 10,771,763.56	€ 11,550,239.81	€ 2,020,501.65	?	?
Tribune Media	3600					
Dana Inc	3470					
Total		€ 68,833,617.37	€ 52,317,968.98	€ 61,437,004.16	€ 87,098,853.38	€ 67,489,928.39

Stock Options and Shareholdings: Shares Acquired on Vesting, RSU and PSU, 20 U.S. Companies 2012-2016.

Company	Market Cap, Million $	2016	2015	2014	2013	2012
Prudential Financial Inc	484200	€ 2,449,448.19	€ 6,259,011.89	€ 4,855,768.41	€ 4,050,044.81	€ 8,996,987.72
Fidelity National Information Services Inc	28544	€ 3,849,808.62	€ 5,411,461.48	€ 5,702,155.39	€ 4,663,310.90	€ 2,475,872.70
Hewlett Packard	27770	€ 4,759,980.99	€ 12,897,502.76	€ 10,779,212.91	€ 696,786.95	€ 73,812.00
Delphi Automotive	24800	€ 6,770,470.32	€ 9,161,612.54	€ 7,173,110.89	€ 408,661.65	€ 4,762,316.00
WEC Energy Group Inc	19950	€ 1,942,336.02	€ 2,062,221.58	€ 2,197,840.43	€ 2,607,642.98	€ 2,672,616.09
Mettler-Toledo International Inc	15640					
HCP Inc	15090	€ 160,497.31	€ 3,026,982.20	€ 2,893,255.37	€ 510,459.03	€ 15,364,450.24
Xylem Inc	6680	€ 755,194.68			€ 81,198.54	€ 516,590.24
Pinnacle West Capital Corp	9620	12048212.71	€ 6,304,666.91	4538604.5	€ 4,870,009.11	€ 2,967,293.66
Marathon Oil Corp	9530	€ 1,177,515.18	€ 135,355.56	€ 308,205.64		
Apartment Investment & Management Co	6810	€ 3,021,959.18	€ 3,618,553.73	€ 2,776,662.55	€ 2,054,099.41	€ 1,194,453.88
Assurant Inc	5840	€ 1,842,078.76	€ 1,304,935.28	€ 1,569,789.66	€ 3,059,279.89	€ 3,444,026.73
Michael Kors Holdings Ltd	5360	€ 2,082,456.48	€ 3,467,774.63	€ 2,946,893.57	€ 1,788,201.36	no proxy filing
Newfield Exploration Co	5170	€ 8,991,198.25	€ 3,940,531.79	€ 2,501,380.12	€ 1,555,696.30	€ 2,020,604.89
FLIR Systems, Inc	4610	€ 1,219,550.03	€ 960,264.16	€ 740,151.44	€ 200,880.19	€ 200,880.19
AutoNation Inc	4420					
Chesapeake Energy Corp	4290		€ 1,527,821.92	€ 1,202,440.11		€ 11,389,991.15
Proofpoint Inc	3760	€ 1,496,042.18	€ 645,300.07			
Tribune Media	3600	€ 2,778,940.89	€ 2,220,713.31	€ 2,533,389.59		
Dana Inc	3470	€ 1,290,592.41		€ 1,537,554.77	€ 2,059,182.65	€ 1,872,229.76
Total		€ 56,636,282.20	€ 62,944,709.81	€ 54,256,415.35	€ 28,605,453.77	€ 57,952,125.25

Stock Options and Shareholdings: CEO Shareholdings Market Value Portfolio, 20 Finnish Companies 2012-2016.

TOT Value Shares	Market Cap, Million €	2016	2015	2014	2013	2012
Nordea	43698.98	€ 2,526,060	€ 2,248,231	€ 1,812,040	€ 1,499,020	€ 1,171,981
Nokia	25141.72	€ 6,886,506	€ 196,165	€ 194,976		
Sampo Oyj	23352	€ 11,691,040	€ 11,834,365	€ 11,090,602	€ 9,598,357	€ 6,282,349
Kone Oyj	22783.11	€ 10,234,043	€ 6,070,281	€ 3,390,034	€ 2,456,455	€ 825,562
Telia Company AB	16341.74	€ 591,735	€ 577,080	€ 533,000	€ 515,140	€ 308,400
Fortum Oyj	13458.76	€ 795,938	€ 935,438	€ 272,910	€ 489,316	€ 250,181
UPM-Kymmene Oyj	12756.28	€ 7,096,854	€ 3,795,338	€ 2,659,714	€ 2,398,210	€ 1,720,540
Neste Oyj	8661.32	€ 1,852,631	€ 1,459,963	€ 881,412	€ 369,834	€ 205,020
Wärtsilä Oyj Abp	8520.82	€ 274,006	€ 139,938	€ 222,540	€ 214,620	€ 196,320
Stora Enso Oyj	8501.66	€ 937,217	€ 701,392	€ 2,525,270	€ 1,732,536	€ 1,350,951
Orion Oyj	6050.48	€ 3,489,729	€ 2,158,582	€ 1,353,415	€ 755,803	€ 992,555
Elisa Oyj	5294.48	€ 1,924,662	€ 1,082,352		€ 1,439,319	
Nokian Renkaat Oyj	4782.73	€ 916,740	162190			
Kesko Oyj	4626.01	€ 949,837	284564.67	887050.56	895146.8	489537.38
Metso Oyj	4199.23	€ 838,935	€ 640,810	€ 575,882	€ 636,127	€ 527,539
Huhtamäki Oyj	3686.48	€ 3,383,352	€ 2,680,000	€ 2,184,000	€ 3,840,035	€ 1,041,108
Outokumpu Oyj	3435.09	€ 4,967,219		190800	712000	1388000
SSAB	3193.37	€ 105,128	€ 37,012	€ 72,934	€ 74,456	€ 86,920
Amer Sports Oyj	2993.75	€ 4,835,280	€ 4,613,731	€ 2,406,511	€ 1,725,721	€ 1,033,425
Cargotec Oyj	2848.45	€ 1,879,311	€ 694,244		€ 310,270	
TOT Value Shares		€ 66,178,237	€ 40,313,691	€ 31,255,105	€ 29,664,379	€ 17,872,400
Year		2016	2015	2014	2013	2012
AVERAGE		€ 6,302,593	€ 4,031,268	€ 3,472,678	€ 3,122,460	€ 2,102,517
MEDIAN		€ 1,901,986	€ 935,438	€ 887,051	€ 825,475	€ 909,059

Dividends: Dividends Paid for the 20 Finnish Companies, 2012-2016.

Company	Market Cap, Million €	2016	2015	2014	2013	2012	Tot Dividends
Nordea Bank AB	43698.98	€ 2,584,000,000	€ 2,501,100,294	€ 1,733,603,282	€ 1,370,000,000	€ 1,048,000,000	€ 9,236,703,576
Nokia Oyj	25141.72	€ 1,515,000,000	€ 512,000,000	€ 511,000,000	-	€ 742,000,000	€ 3,280,000,000
Sampo Oyj	23352	€ 1,288,000,000	€ 1,204,000,000	€ 1,092,000,000	€ 924,000,000	€ 756,000,000	€ 5,264,000,000
Kone Oyj	22783.11	€ 718,241,556	€ 616,281,314	€ 512,492,200	€ 448,327,095	€ 741,008,828	€ 3,036,350,993
Telia Company AB	16341.74	€ 890,923,446	€ 1,336,385,169	€ 1,336,385,169	€ 1,336,385,169	€ 1,269,617,350	€ 6,169,696,303
Fortum Oyj	13458.76	€ 977,000,000	€ 1,155,000,000	€ 977,203,750	€ 888,000,000	€ 888,000,000	€ 4,885,203,750
UPM-Kymmene Oyj	12756.28	€ 400,000,000	€ 373,000,000	€ 319,000,000	€ 317,000,000	€ 315,000,000	€ 1,724,000,000
Neste Oyj	8661.32	€ 256,000,000	€ 166,000,000	€ 167,000,000	€ 97,000,000.00	€ 90,000,000.00	€ 776,000,000
Wärtsilä Oyj Abp	8520.82	€ 250,000,000	€ 237,000,000	€ 227,000,000	€ 207,000,000	€ 197,000,000	€ 1,118,000,000
Stora Enso Oyj	8501.66	€ 260,000,000	€ 237,000,000	€ 237,000,000	€ 237,000,000	€ 237,000,000	€ 1,208,000,000
Orion Oyj	6050.48	€ 183,600,000	€ 183,300,000	€ 176,100,000	€ 183,400,000	€ 183,200,000	€ 909,600,000
Elisa Oyj	5294.48	€ 223,200,000	€ 210,300,000	€ 206,700,000	€ 204,200,000	€ 203,500,000	€ 1,047,900,000
Nokian Renkaat Oyj	4782.73	€ 202,000,000	€ 193,500,000	€ 193,400,000	€ 191,900,000	€ 156,600,000	€ 937,400,000
Kesko Oyj	4626.01	€ 248,194,233	€ 148,715,547	€ 138,484,759	€ 122,400,000	€ 123,000,000	€ 780,794,539
Metso Oyj	4199.23	€ 157,000,000	€ 217,000,000	€ 150,000,000	€ 254,000,000	€ 277,000,000	€ 1,055,000,000
Huhtamäki Oyj	3686.48	€ 68,500,000	€ 62,200,000	€ 59,000,000	€ 57,700,000	€ 46,700,000	€ 294,100,000
Outokumpu Oyj	3435.09	-	-	-	-	-	€ -
SSAB	3193.37	no div proposed	no div proposed	-	€ 33,975,099	€ 67,950,199	€ 101,925,298
Amer Sports Oyj	2993.75	€ 64,700,000	€ 52,800,000	€ 47,200,000	€ 41,300,000	€ 38,900,000	€ 244,900,000
Cargotec Oyj	2848.45	€ 52,200,000	€ 36,100,000	€ 27,600,000	€ 44,300,000	€ 61,400,000	€ 221,600,000
Tot		€ 10,338,559,235	€ 9,441,682,324	€ 8,111,169,160	€ 6,957,887,363	€ 7,441,876,377	€ 42,291,174,459

Dividends: Net Profits for the 20 Finnish Companies 2012-2016.

Company	Market Cap, Million €	2016	2015	2014	2013	2012	Tot
Nordea Bank AB	43698.98	€ 3,766,000,000	€ 3,662,000,000	€ 3,320,000,000	€ 3,116,000,000	€ 3,126,000,000	€ 16,990,000,000
Nokia Oyj	25141.72	-€ 927,000,000	€ 246,800,000	€ 3,476,000,000	-€ 739,000,000	-€ 3,786,000,000	-€ 1,729,200,000
Sampo Oyj	23352	€ 1,650,000,000	€ 1,656,000,000	€ 1,540,000,000	€ 1,452,000,000	€ 1,410,000,000	€ 7,708,000,000
Kone Oyj	22783.11	€ 1,023,000,000	€ 1,053,000,000	€ 774,000,000	€ 713,000,000	€ 611,000,000	€ 4,174,000,000
Telia Company AB	16341.74	€ 383,940,682	€ 879,709,745	€ 1,491,936,700	€ 1,540,083,601	€ 2,045,831,830	€ 6,341,502,557
Fortum Oyj	13458.76	€ 504,000,000	€ 4,245,000,000	€ 3,428,000,000	€ 1,200,000,000	€ 1,420,000,000	€ 10,797,000,000
UPM-Kymmene Oyj	12756.28	€ 880,000,000	€ 916,000,000	€ 512,000,000	€ 335,000,000	-€ 1,122,000,000	€ 1,521,000,000
Neste Oyj	8661.32	€ 938,000,000	€ 558,000,000	€ 60,000,000	€ 524,000,000	€ 157,000,000	€ 2,237,000,000
Wärtsilä Oyj Abp	8520.82	€ 357,000,000	€ 451,000,000	€ 351,000,000	€ 393,000,000	€ 344,000,000	€ 1,896,000,000
Stora Enso Oyj	8501.66	€ 407,000,000	€ 783,000,000	€ 90,000,000	-€ 71,000,000	€ 490,000,000	€ 1,699,000,000
Orion Oyj	6050.48	€ 249,000,000	€ 208,000,000	€ 211,300,000	€ 206,200,000	€ 206,900,000	€ 1,081,400,000
Elisa Oyj	5294.48	€ 257,000,000	€ 244,000,000	€ 223,000,000	€ 196,600,000	€ 208,700,000	€ 1,129,300,000
Nokian Renkaat Oyj	4782.73	€ 251,800,000	€ 240,700,000	€ 208,400,000	€ 183,700,000	€ 330,900,000	€ 1,215,500,000
Kesko Oyj	4626.01	€ 113,800,000	€ 117,400,000	€ 108,000,000	€ 184,600,000	€ 135,800,000	€ 659,600,000
Metso Oyj	4199.23	€ 130,000,000	€ 442,000,000	€ 189,000,000	€ 295,000,000	€ 256,000,000	€ 1,312,000,000
Huhtamäki Oyj	3686.48	€ 191,500,000	€ 151,400,000	€ 131,500,000	€ 96,200,000	€ 124,100,000	€ 694,700,000
Outokumpu Oyj	3435.09	€ 144,000,000	€ 86,000,000	-€ 439,000,000	-€ 1,103,000,000	€ 540,000,000	-€ 772,000,000
SSAB	3193.37	€ 96,396,682	-€ 52,262,022	-€ 143,926,316	-€ 109,667,943	€ 1,543,169	-€ 207,916,430
Amer Sports Oyj	2993.75	€ 126,900,000	€ 121,600,000	€ 55,400,000	€ 90,300,000	€ 57,900,000	€ 452,100,000
Cargotec Oyj	2848.45	€ 125,000,000	€ 142,900,000	€ 72,000,000	€ 55,400,000	€ 89,500,000	€ 484,800,000
Tot		€ 10,667,337,364	€ 16,152,247,723	€ 15,658,610,384	€ 8,558,415,658	€ 6,647,174,999	€ 57,683,786,127

Dividends: Dividends per Share for the 20 Finnish Companies 2012-2016.

Company	Market Cap, Million €	2016	2015	2014	2013	2012
Nordea Bank AB	43698.98	0.64	0.62	0.43	0.34	0.26
Nokia Oyj	25141.72	0.26	0.14	0.37		0.2
Sampo Oyj	23352	2.3	2.15	1.95	1.65	1.35
Kone Oyj B Shares	22783.11	1.55	1.4	1.2	1	1.525
Telia Company AB	16341.74	0.31	0.31	0.31	0.29	0.29
Fortum Oyj	13458.76	1.1	1.1	1.3	1.1	1
UPM-Kymmene Oyj	12756.28	0.95	0.75	0.7	0.6	0.6
Neste Oyj	8661.32	1.3	1	0.65	0.65	0.38
Wärtsilä Oyj Abp	8520.82	1.20	1.15	1.05	1.00	0.90
Stora Enso Oyj	8501.66	0.37	0.33	0.3	0.3	0.3
Orion Oyj	6050.48	1.55	1.3	1.3	1.25	1.3
Elisa Oyj	5294.48	1.5	1.4	1.32	1.3	1.3
Nokian Renkaat Oyj	4782.73	1.53	1.45	1.45	1.45	1.2
Kesko Oyj	4626.01	2.5	1.5	1.4	1.2	1.2
Metso Oyj	4199.23	1.05	1.45	1	1.85	2.2
Huhtamäki Oyj	3686.48	0.73	0.66	0.6	0.57	0.56
Outokumpu Oyj	3435.09					
SSAB	3193.37				0.73	1.46
Amer Sports Oyj	2993.75	0.62	0.55	0.45	0.4	0.35
Cargotec Oyj B Shares	2848.45	0.95	0.8	0.55	0.42	0.72

Dividends: Dividends Paid for the 20 U.S. Companies 2012-2016

Company	Market Cap, Million $	2016	2015	2014	2013	2012	Total
Prudential Financial Inc	48420 USD	€ 1,140,200,851	€ 1,026,180,765	€ 900,758,672.10	€ 742,884,708.15	€ 673,595,579.53	€ 4,483,620,575.55
Fidelity National Information Services Inc	28544 B USD	€ 316,000,000	€ 267,000,000	€ 241,000,000	€ 224,000,000	€ 206,000,000	€ 1,254,000,000.00
Hewlett Packard	27.77B	€ 327,000,000					€ 327,000,000.00
Delphi Automotive	23 B USD	€ 278,000,000	€ 250,000,000	€ 264,000,000	€ 185,000,000	€ 41,222,646	€ 1,018,222,646.14
WEC Energy Group Inc	19 B USD	€ 548,173,486	€ 399,070,298	€ 308,731,307	€ 288,558,523	€ 242,073,411	€ 1,786,607,025.38
Mettler-Toledo International Inc	15.09 B USD						
HCP Inc	14.42 B USD	€ 859,536,783	€ 918,301,032	€ 878,832,507	€ 839,363,981	€ 758,672,773	€ 4,254,707,075.85
Xylem Inc	6.68 B USD	€ 98,232,775	€ 89,461,991	€ 82,445,364	€ 76,305,816	€ 65,780,876	€ 412,226,822.25
Pinnacle West Capital Corp	9.38 B USD	€ 240,319,467	€ 228,040,371	€ 216,638,352	€ 206,113,412	€ 197,342,629	€ 1,088,454,230.75
Marathon Oil Corp	9.53 B USD	€ 142,086,692	€ 403,456,041	€ 476,253,544	€ 445,555,801	€ 420,997,608	€ 1,888,349,686.00
Apartment Investment & Management Co		€ 189,448,924	€ 171,030,278	€ 139,455,458	€ 125,422,204	€ 123,668,047	€ 749,024,910.90
Assurant Inc	5111 B Eur	€ 109,634,794	€ 82,445,365	€ 67,535,033	€ 64,903,798	€ 60,518,406	€ 385,037,395.65
Michael Kors Holdings Ltd	5,5 B USD						
Newfield Exploration Co	5.17 B USD						
FLIR Systems, Inc	4610 B USD	€ 57,887,171	€ 53,501,779	€ 49,993,466	€ 44,730,996	€ 36,837,291	€ 242,950,702.95
AutoNation Inc							
Chesapeake Energy Corp	5.5 B USD		€ 253,475,643	€ 355,216,732	€ 354,339,653	€ 349,077,183	€ 1,312,109,211.60
Proofpoint Inc	3.76B USD						
Tribune Media	3.4B USD	€ 78,937,052	€ 631,496,412				€ 710,433,463.50
Dana Inc		€ 30,697,742	€ 32,451,899	€ 35,083,134	€ 50,870,544	€ 53,501,779	€ 202,605,098.85
Total		€ 4,416,155,736	€ 4,805,911,875	€ 4,015,943,568	€ 3,648,049,437	€ 3,229,288,230	€ 20,115,348,845.37

Dividends: Net Profits for the 20 U.S. Companies 2012-2016.

Company	Market Cap, Million $	2016	2015	2014	2013	2012	Total Net Profits
Prudential Financial Inc	484200	€ 3,831,074,859	€ 4,948,471,692	€ 1,211,244,135	-€ 585,010,744	€ 411,349,384	€ 9,817,129,325
Fidelity National Information Services Inc	28544	€ 496,481,808	€ 552,423,420	€ 593,505,542	€ 430,925,231	€ 404,332,763	€ 2,477,668,764
Hewlett Packard	27770	€ 1,102,486,515	€ 1,271,762,487	€ 1,184,931,807	€ 1,063,018,024	€ 944,612,551	€ 5,566,811,384
Delphi Automotive	24800	€ 1,096,160,464	€ 1,264,465,134	€ 1,178,132,687	€ 1,056,918,443	€ 939,192,379	€ 5,534,869,107
WEC Energy Group Inc	19950	€ 819,722,225	€ 558,108,749	€ 512,762,413	€ 503,169,919	€ 476,136,526	€ 2,869,899,832
Mettler-Toledo International Inc	15640	€ 336,797,790	€ 309,608,385	€ 296,452,221	€ 268,385,739	€ 255,229,575	€ 1,466,473,710
HCP Inc	15090	€ 547,644,210	-€ 487,473,110	€ 804,025,416	€ 846,755,617	€ 726,413,418	€ 2,437,365,551
Xylem Inc	6680	€ 228,040,170	€ 298,206,376	€ 295,575,144	€ 199,973,688	€ 260,492,041	€ 1,282,287,418
Pinnacle West Capital Corp	9620	€ 385,443,855	€ 381,083,630	€ 347,073,878	€ 354,050,238	€ 333,121,159	€ 1,800,772,760
Marathon Oil Corp	9530	-€ 1,866,176,129	-€ 1,921,987,004	€ 2,656,248,826	€ 1,528,694,745	€ 1,379,575,063	€ 1,776,355,502
Apartment Investment & Management Co	6810	€ 374,979,316	€ 217,139,185	€ 269,461,880	€ 180,513,298	€ 115,109,929	€ 1,157,203,609
Assurant Inc	5840	€ 492,705,380	€ 123,830,379	€ 410,733,157	€ 426,429,966	€ 422,069,741	€ 1,875,768,623
Michael Kors Holdings Ltd	5360	€ 482,240,840.76	€ 731,645,687.88	€ 768,271,574.52	€ 576,421,692.12	€ 347,073,878.16	€ 2,905,653,673
Newfield Exploration Co	5170	-€ 1,072,615,251.60	-€ 2,931,815,021.04	€ 784,840,428.00	€ 128,190,603.24	-€ 1,032,501,185.28	-€ 4,123,900,427
FLIR Systems, Inc	4610	€ 145,631,501.64	€ 211,034,870.64	€ 174,408,984.00	€ 154,351,950.84	€ 193,593,972.24	€ 879,021,279
Chesapeake Energy Corp	4420	€ 375,851,360.52	€ 386,315,899.56	€ 365,386,821.48	€ 327,016,845.00	€ 275,566,194.72	€ 1,730,137,121
AutoNation Inc	4290	-€ 3,837,869,692.92	-€ 12,805,979,650.20	€ 1,671,710,111.64	€ 631,360,522.08	-€ 670,602,543.48	-€ 15,011,381,253
Proofpoint Inc	3760	-€ 96,796,986	-€ 92,436,762	-€ 55,810,875	-€ 24,417,258	-€ 17,440,898	-€ 286,902,779
Tribune Media	3600	€ 12,208,629	-€ 279,054,374	€ 415,965,427	€ 211,034,871	€ 75,867,908	€ 436,022,460
Dana Inc	3470	€ 558,108,749	€ 138,655,142	€ 278,182,329	€ 212,778,960	€ 261,613,476	€ 1,449,338,657
Total		€ 4,412,119,612	-€ 7,125,994,883	€ 14,163,101,907	€ 8,490,562,350	€ 6,100,805,333	€ 26,040,594,318

Dividends: Dividends per Share for the 20 U.S. Companies 2012-2016 (in USD)

Company	Market Cap, Million $	2016	2015	2014	2013	2012
Prudential Financial Inc	484200	2.8	2.44	2.17	1.73	1.6
Fidelity National Information Services Inc	28544	1.04	1.04	0.96	0.88	0.8
Hewlett Packard	27770	0.49	0.67	0.61	0.55	0.5
Delphi Automotive	24800	1.16	1	1	0.68	
WEC Energy Group Inc	19950	1.98	1.54	1.56	1.45	1.2
Mettler-Toledo International Inc	15640					
HCP Inc	15090	2.1	2.26	2.18	2.1	2
Xylem Inc	6680	0.62	0.56	0.51	0.47	0.4
Pinnacle West Capital Corp	9620	2.53	2.41	2.3	2.2	2.12
Marathon Oil Corp	9530	0.2	0.68	0.8	0.72	0.68
Apartment Investment & Management Co	6810	1.32	1.18	1.04	0.96	0.76
Assurant Inc	5840	2.03	1.37	1.06	0.96	0.81
Michael Kors Holdings Ltd	5360					
Newfield Exploration Co	5170					
FLIR Systems, Inc	4610	0.48	0.44	0.4	0.36	0.28
AutoNation Inc	4420					
Chesapeake Energy Corp	4290		0.17	0.35	0.35	0.35
Proofpoint Inc	3760					
Tribune Media	3600	1	0.75			
Dana Inc	3470	0.24	0.23	0.2	0.2	0.2

Share Repurchases: Share Repurchases for the 20 Finnish Companies 2012-2016

Company	Market Cap, Million €	2016	2015	2014	2013	2012	Total
Nordea Bank AB	43698.98	no share rep	no share rep	no share rep	no share rep	no share rep	
Nokia Oyj	25141.72	€ 230,610,185	€ 173,450,200	€ 426,726,459	no share rep	no share rep	€ 830,786,844
Sampo Oyj	23352	no share rep	no share rep	no share rep	no share rep	no share rep	
Kone Oyj	22783.11	€ 39,255,224	€ 71,200,000	€ 32,800,000	€ 62,900,000	€ 36,900,000	€ 243,055,224
Telia Company AB	16341.74	€ 474,255	€ 102,680	€ 604,900	€ 406,033	no share rep	€ 1,587,868
Fortum Oyj	13458.76	no share rep	no share rep	no share rep	no share rep	no share rep	
UPM-Kymmene Oyj	12756.28	no share rep	no share rep	no share rep	no share rep	no share rep	
Neste Oyj	8661.32	no share rep	no share rep	€ 14,308,416	no share rep	no share rep	€ 14,308,416
Wärtsilä Oyj Abp	8520.82	no share rep	no share rep	no share rep	no share rep	no share rep	
Stora Enso Oyj	8501.66	no authorization	no authorization	no authorization	no authorization	no authorization	
Orion Oyj	6050.48	€ 16,765,946	no share rep	no share rep	€ 9,600,000	no share rep	€ 26,365,946
Elisa Oyj	5294.48	no share rep	no share rep	no share rep	no share rep	no share rep	
Nokian Renkaat Oyj	4782.73	no share rep	no share rep	no share rep	no share rep	no authorization	
Kesko Oyj	4626.01	no share rep	no share rep	€ 16,060,213	no share rep	no share rep	€ 16,060,213
Metso Oyj	4199.23	no share rep	€ 8,312,138	no share rep	€ 9,540,417	€ 7,417,548	€ 25,270,103
Huhtamäki Oyj	3686.48	no share rep	no share rep	no share rep	no share rep	no share rep	
Outokumpu Oyj	3435.09	€ 7,020,000	no share rep	no share rep	no share rep	no share rep	€ 7,020,000
SSAB	3193.37	no authorization	no authorization	no authorization	no authorization	no authorization	
Amer Sports Oyj	2993.75	no share rep	€ 1,200,000	€ 13,000,000	€ 5,400,000	no share rep	€ 19,600,000
Cargotec Oyj	2848.45	€ 7,575,505	€ 3,349,326	€ 867,737	no share rep	no share rep	€ 11,792,568
Total		€ 301,701,115	€ 257,614,344	€ 504,367,725	€ 87,846,450	€ 44,317,548	€ 1,195,847,182

Share Repurchases: Share Repurchases for the 20 U.S. Companies 2012-2016 (in Euros)

Company	Market Cap, Million $	2016	2015	2014	2013	2012	Total
Prudential Financial Inc	484200	€ 1,858,529,023	€ 1,459,458,374	€ 877,078,350	€ 647,283,822	€ 570,100,927	€ 5,412,450,496
Fidelity National Information Services Inc	28544	€ 35,000,000	no share rep	€ 457,000,000	€ 417,000,000	€ 448,000,000	€ 1,357,000,000
Hewlett Packard	27770	€ 2,334,000,000	no share rep	no share rep	no share rep	no share rep	€ 2,334,000,000
Delphi Automotive	24800	€ 556,067,184	€ 1,016,532,912	€ 898,127,439	€ 400,824,453	€ 353,462,264	€ 3,225,014,253
WEC Energy Group Inc	19950	€ 94,724,461	€ 65,780,876	€ 107,880,637	€ 195,588,472	€ 134,192,987	€ 598,167,433
Mettler-Toledo International Inc	15640	€ 438,538,789	€ 434,153,401	€ 363,110,117	€ 258,737,885	€ 244,704,644	€ 1,739,244,836
HCP Inc	15090	€ 7,893,705	€ 7,893,705.00	€ 11,402,018	no share rep	€ 259,615,191	€ 286,804,619
Xylem Inc	6680	€ 3,508,313	€ 156,997,025	€ 117,528,499	€ 64,026,720	€ 11,402,019	€ 353,462,575
Pinnacle West Capital Corp	9620	no share rep	no share rep	no share rep	no share rep	no share rep	
Marathon Oil Corp	9530	no share rep	no share rep	€ 877,078,350	€ 438,539,175	no share rep	€ 1,315,617,525
Apartment Investment & Management Co	6810	no share rep	no share rep	no share rep	no share rep	no share rep	
Assurant Inc	5840	€ 756,918,616	€ 256,983,957	€ 188,571,845	€ 344,691,792	€ 361,356,280	€ 1,908,522,490
Michael Kors Holdings Ltd	5360	€ 881,463,742	€ 1,010,394,259	€ 434,153,783	€ 1,754,157	no share rep	€ 2,327,765,941
Newfield Exploration Co	5170	no share rep	no share rep	€ 9,647,862	€ 5,262,470	€ 6,139,548	€ 21,049,880
FLIR Systems, Inc	4610	€ 57,887,171	€ 107,880,637	€ 121,913,891	€ 142,086,693	€ 187,694,767	€ 617,463,158
AutoNation Inc	4420	€ 437,662,097	€ 207,867,569	€ 428,014,235	€ 58,764,249	€ 505,197,130	€ 1,637,505,279
Chesapeake Energy Corp	4290	no share rep	no share rep	no share rep	no share rep	no share rep	
Proofpoint Inc	3760	no share rep	no share rep	no share rep	no share rep	no share rep	
Tribune Media	3600	€ 203,482,177	€ 298,206,639	€ 52,624,701	no share rep	no share rep	€ 554,313,517
Dana Inc	3470	€ 71,043,346.35	€ 272,771,366.85	€ 228,040,371.00	€ 295,575,403.95	€ 13,156,175.25	€ 880,586,663
Total Share Repurchases		€ 7,736,718,624	€ 5,294,920,720	€ 5,172,172,098	€ 3,270,135,291	€ 3,095,021,932	€ 24,568,968,666

Earnings Per Share (EPS) and Return on Equity (ROE)

Earnings per Share (EPS) is a financial ratio counting the net earnings against the total outstanding shares over a period of time. If a company has a higher ratio of EPS, this indicates that the company is able to generate valid returns. The common formula for EPS is calculated as Net Income-Preferred Dividends/Shares Outstanding. EPS is most valuable when utilised to compare two companies of the same industry and similar size: a higher EPS ratio indicates better profitability (CFI 2017). When considering basic and diluted EPS, diluted EPS accounts for stock options, warrants and convertibles that affect the shares outstanding when they are exercised.

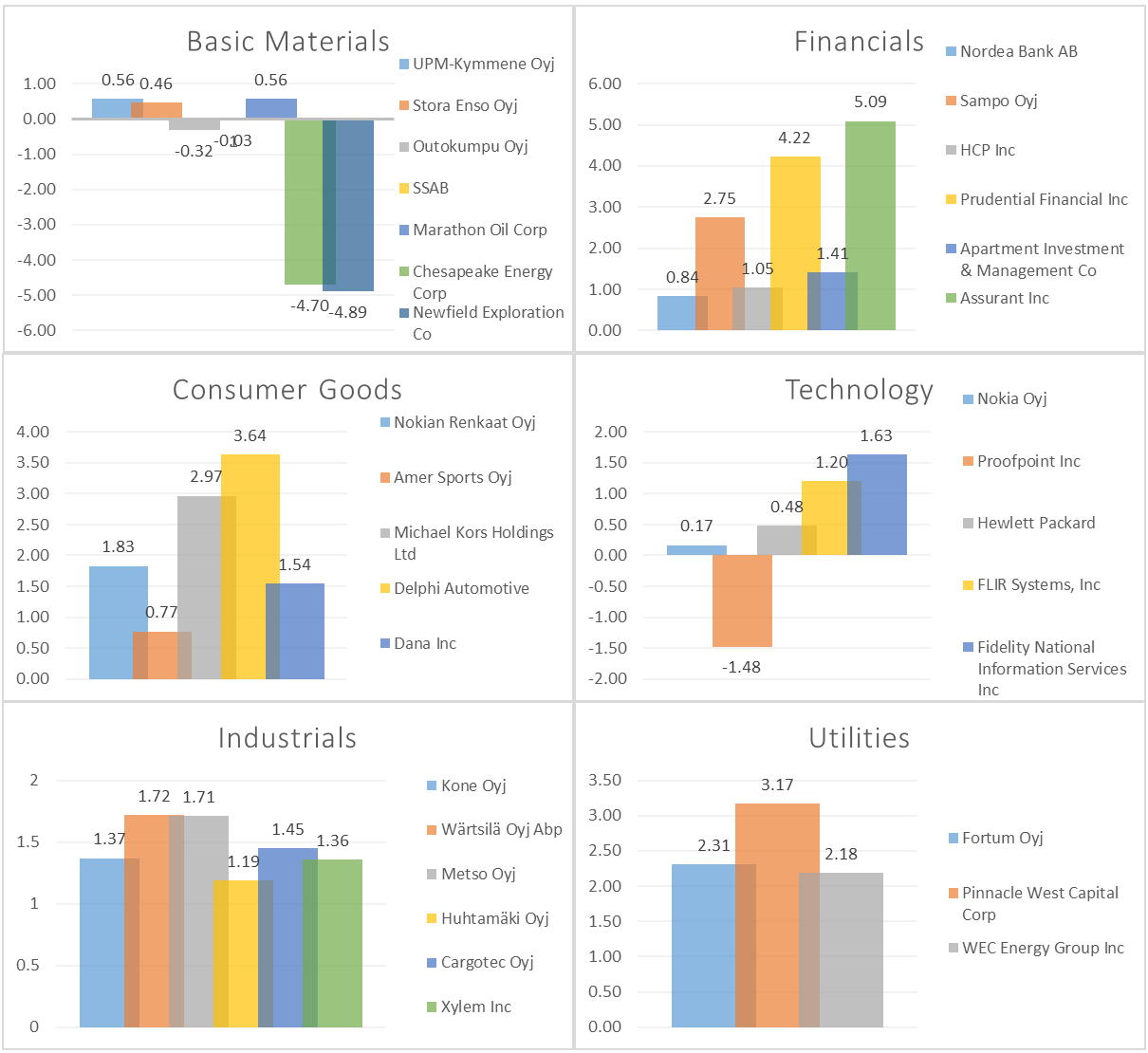

Figure 30. Average EPS (Basic) for 2012-2016 within Six Sectors, Finland and U.S.

As EPS alone, or an average trend among the 20 Finnish and U.S. companies will not give us a good indicator in terms of profitability, we will compare it among companies within the same industry. Figure 30 represents average values of basic EPS comparing the Finnish and U.S. analysed companies.

Obviously, the amount of outstanding shares influences the calculation of EPS. From this figure, we can evidence that some of the U.S. companies across the six sectors have higher EPS when compared to Finnish companies: within financials, Assurant Inc (€5.09) Prudential Financial (€4.22 euros) before Sampo (€2.75 euros). Within consumer goods, Dephi Automotive (€3.64 euros) and Michael Kors (€2.97 euros). Within utilities, Pinnacle West Capital (€3.17 euros). If we consider the higher practice of share repurchases in U.S., this might seem to have boosted some of the companies' EPS: for instance, Assurant Inc's €756 million euros share repurchases in 2016 increased 2015's EPS of €1.77 to €7.84 euros, whereas Prudential Financial's EPS had a negative -€1.32 euros in 2013, then increased to €10.51 euros in 2015 (€1.4 euros billion share repurchases) and amounted to €8.37 euros in 2016 (€1.5 billion euros share repurchases).

Focusing massively on EPS means "asking for trouble" (Stewart, cited in De Wet 2014). While in U.S. EPS seems to be still a widely used metric to measure the financial performance of a firm (as we have evidenced the 20 U.S. firms having general higher EPS) Martin et al. (2011), reminds how Enron's fixation with EPS (together with dishonest accounting practices) led to the demise of the U.S. corporation. Maboussin, De Wet suggests (2014), defines that a company that bases its decisions focusing exclusively on EPS destroys shareholder value. EPS does not account for the cost of equity: Penman, cited in De Vet (2014), suggests that companies can simply increase EPS by increasing their borrowing. Therefore, when measuring shareholder value, an investor/shareholder should combine EPS with Return on Equity (ROE), as another traditional measurement metric for shareholder value.

Return on Equity (ROE) is a measure to evaluate the profitability of a company in relation to the book value of the shareholder equity. Calculated as Net Income/Shareholder's Equity, ROE considers how a business is utilizing investments to grow. The higher the ROE, the better and more efficiently a company is using the capital from shareholders to generate profits and grow. Most importantly, ROE is a ratio of profitability from an investor's point of view. A good return on equity is considered above 15 or 20%. ROE

ratio needs to be compared with ratios of other companies within the same sector on industry, to show some utility for investors and shareholders. The average ROE between 2012-2016 has been calculated to present a comparison between companies to show the firms that make better use of shareholders' capital (Figure 31).

Figure 31. Average ROE% for 2012-2016 within Six Sectors, Finland and U.S.

The figure evidences that the industries with the highest ROE were consumer goods with Delphi Automotive's average of 52.9%, industrials (Kone at 39.3%) and financials (Apartment Investment with 22.9%, Sampo with 16.2%). Basic materials and technology showed some significant negative ratio from Proofpoint (-235% average), while Nokia performed at the lowest with 5.4%, if compared to its peer U.S. companies with positive ROE. The healthcare sector performed well (not included in the chart as there were only

two companies) with Orion and Mettler-Toledo, with respectively 40% and 48.4%. Overall, Finnish companies performed better within financials (average ROE 13.9% against 10.8%), and industrials (20.6%, albeit 13.9% was an average of the only U.S. company, Xylem), whereas U.S. companies showed significant higher performance on consumers goods with 42.1% average if compared to 14.6% of Finnish companies. Basic materials (-0.5% and -33.8%) and technology sectors (5.4% and -52.1%) showed the lowest ROE. Never the less, an investor would choose Apartment Investment and Sampo (financials), Delphi Automotive and Michael Kors (Consumer Goods), Kone (Industrials), Mettler-Toledo and/or Orion (pharmaceuticals), and Fortum (utilities) when choosing companies that maximise shareholder value through higher ROE. According to authors such as Picardo (2015), one of the benefits of share repurchases is the improvement of the firms' ROE. A look into the companies' ROE presented in the table within the same appendix tells us that, however, some of the companies with highest ROE (Sampo, Apartment Investment), did not perform any share repurchases during 2012-2016, whereas among consumer goods, companies such as Delphi Automotive and Michael Kors had higher ROE among their peers, perhaps due to share repurchases of respectively €3.2 billion and €2.3 billion euros. Therefore, empirical evidence (as the full table of ROE indicates, two pages below) did not find any significant relationship between share repurchases and ROE during 2012-2016 (within the thesis' limitations), if compared to the relationship, within the same years, of share repurchases and EPS.

Earnings per Share (EPS) 2012-2016, Finnish and U.S. Companies (EPS for U.S. Companies in Euros)

Industry	Company	2016	2015	2014	2013	2012	AVG EPS
Basic Materials	UPM-Kymmene Oyj	1.65	1.72	0.96	0.63	-2.14	0.56
Basic Materials	Stora Enso Oyj	0.59	1.02	0.13	-0.07	0.61	0.46
Basic Materials	Outokumpu Oyj	0.35	0.23	-1.24	-0.48	-0.46	-0.32
Basic Materials	SSAB	0.11	-0.07	-0.34	-0.34	0.5	-0.03
Basic Materials	Marathon Oil Corp	-2.22	-2.77	3.8	2.11	1.9	0.56
Basic Materials	Chesapeake Energy Corp	-5.48	-19.05	1.64	0.62	-1.24	-4.70
Basic Materials	Newfield Exploration Co	-5.4	-17.99	5.6	0.80	-7.47	-4.89
Financials	Nordea Bank AB	0.93	0.91	0.83	0.77	0.78	0.84
Financials	Sampo Oyj	2.95	2.96	2.75	2.59	2.51	2.75
Financials	HCP Inc	1.14	-1.03	1.71	1.81	1.61	1.05
Financials	Prudential Financial Inc	8.37	10.51	2.74	-1.32	0.81	4.22
Financials	Apartment Investment & Management Co	2.28	1.29	1.75	1.19	0.52	1.41
Financials	Assurant Inc	7.84	1.77	5.54	5.42	4.88	5.09
Consumer Goods	Nokian Renkaat Oyj	1.87	1.8	1.56	1.39	2.52	1.83
Consumer Goods	Amer Sports Oyj	1.08	1.04	0.47	0.77	0.48	0.77
Consumer Goods	Michael Kors Holdings Ltd	2.83	3.82	3.69	2.78	1.72	2.97
Consumer Goods	Delphi Automotive	3.91	4.31	3.82	3.31	2.84	3.64
Consumer Goods	Dana Inc	3.72	0.85	1.67	-0.08	1.55	1.54
Health Care	Orion Oyj	1.77	1.48	1.5	1.46	1.47	1.54
Health Care	Mettler-Toledo International Inc	12.31	10.83	9.95	8.68	7.96	9.95
Technology	Nokia Oyj	-0.13	0.32	0.73	0.07	-0.16	0.17
Technology	Proofpoint Inc	-2.26	-2.28	-1.46	-0.67	-0.72	-1.48
Technology	Hewlett Packard	1.22	2.13	2.26	2.24	-5.44	0.48
Technology	FLIR Systems, Inc	1.04	1.47	1.21	1.05	1.25	1.20
Technology	Fidelity National Information Services Inc	1.48	1.89	2.02	1.44	1.34	1.63
Industrials	Kone Oyj	2.00	2.01	1.47	1.47	1.37	1.66
Industrials	Wärtsilä Oyj Abp	1.79	2.25	1.76	1.98	1.72	1.90
Industrials	Metso Oyj	0.87	2.95	1.25	1.59	1.71	1.67
Industrials	Huhtamäki Oyj	1.83	1.65	1.24	1.17	1.19	1.42
Industrials	Cargotec Oyj	1.95	2.21	1.11	0.89	1.45	1.52
Industrials	Xylem Inc	1.23	1.6	1.56	1.04	1.36	1.36
Oil & Gas	Neste Oyj	3.67	2.18	0.22	2.04	0.61	1.74
Consumer Services	Kesko Oyj	0.99	1.03	0.97	1.75	1.27	1.20
Telecommunications	Telia Company AB	0.39	0.21	0.35	0.36	0.47	0.36
Telecommunications	Elisa Oyj	1.61	1.52	1.41	1.25	1.33	1.42
Utilities	Fortum Oyj	0.56	4.66	3.55	1.3	1.5	2.31
Utilities	Pinnacle West Capital Corp	3.37	3.35	3.05	3.13	2.96	3.17
Utilities	WEC Energy Group Inc	2.53	2	2.22	2.16	2.01	2.18
Services	Tribune Media	0.14	-2.87	4.04	2.06		0.84
Services	AutoNation Inc	3.55	3.34	3.03	2.62	2.17	2.94

Return on Equity (ROE) 2012-2016, Finnish and U.S. Companies

Industry	Company	2016	2015	2014	2013	2012	AVG ROE %
Basic Materials	UPM-Kymmene Oyj	10.9	11.90	6.90	4.50	neg	8.6
Basic Materials	Stora Enso Oyj	7.2	14.6	1.7	-1.3	8.3	6.1
Basic Materials	Outokumpu Oyj	6.4	3.9	-21.8	-41.4	-21.4	-14.9
Basic Materials	SSAB	2	-1	-4	-4		-1.8
Basic Materials	Marathon Oil Corp	-11.86	-11.14	15.09	9.32	8.93	2.1
Basic Materials	Chesapeake Energy Corp		-230.02	9.51	3.73	-7.21	-56.0
Basic Materials	Newfield Exploration Co	-106.17	-127.54	26.28	5.13	-35.34	-47.5
Financials	Nordea Bank AB	11.5	12.3	11.6	11	11.6	11.6
Financials	Sampo Oyj	15	14	18.1	13.8	19.9	16.2
Financials	HCP Inc	8.42	-5.58	8.57	9.11	8.42	5.8
Financials	Prudential Financial Inc	9.96	13.49	3.84	-1.81	1.24	5.3
Financials	Apartment Investment & Management Co	26.68	18.84	30.94	23.32	14.96	22.9
Financials	Assurant Inc	13.11	2.92	9.4	9.76	9.47	8.9
Nokian Renkaat Oyj	Consumer Goods	18.7	19.6	16	13	25.2	18.5
Amer Sports Oyj	Consumer Goods	13	13.6	6.9	12.1	7.5	10.6
Michael Kors Holdings	Consumer Goods	39.61	43.54	46.37	52.89	43.38	45.2
Delphi Automotive	Consumer Goods	54.05	60.92	49.84	46.12	53.41	52.9
Dana Inc	Consumer Goods	67.9	17.59	30.94	-1.28	25.94	28.2
Health Care	Orion Oyj	40.3	37.5	41	40	41	40.0
Health Care	Mettler-Toledo International Inc	75.71	54.28	40.88	34.74	36.17	48.4
Technology	Nokia Oyj	-5.01	25.8	45.92	-8.47	-31.16	5.4
Technology	Proofpoint Inc	-211.21	-182.2	-96.14	-49.62	-639.05	-235.6
Technology	Hewlett Packard	20.91	16.71	18.57	20.57	-41.43	7.1
Technology	FLIR Systems, Inc	10.01	14.83	12.43	11.02	13.99	12.5
Technology	Fidelity National Information Services Inc	5.96	7.95	10.34	7.46	7.02	7.7
Industrials	Kone Oyj	38.1	45.4	40.9	40.1	32.1	39.3
Industrials	Wärtsilä Oyj Abp			18	21.4	20.1	19.8
Industrials	Metso Oyj	9	33.1	15.7	19	19.8	19.3
Industrials	Huhtamäki Oyj	15.8	15.8	16.1	18.1	17.7	16.7
Industrials	Cargotec Oyj	9.1	11.2	5.9	4.5	7.5	7.6
Industrials	Xylem Inc	12.17	16.15	15.43	10.57	15.23	13.9
Oil & Gas	Neste Oyj	28.1	19.7	2.1	19.2	6.3	15.1
Consumer Services	Kesko Oyj	9.8	8.2	7.6	7.7	6.9	8.0
Telecommunications	Telia Company AB	4.5	9.3	15	15.9	20.5	13.0
Telecommunications	Elisa Oyj	27.1	27	25.6	22.9	24.7	25.5
Utilities	Fortum Oyj	3.7	33.4	30	12	14.6	18.7
Utilities	Pinnacle West Capital Corp	9.77	9.29	9.94	9.79		9.7
Utilities	WEC Energy Group Inc	9.74	13.55	13.7	13.39		12.6
Services	Tribune Media	-7.1	9.1	4.32			2.1
Services	AutoNation Inc	20.02	20.26	19.99	17.66		19.5