

FINDIX

Report on the diversity of Finnish companies

FOREWORD

DIVERSITY AND INCLUSION IN ORGANISATIONS have recently risen to the headlines in the media and public discussion in Finland. Gender equality and employment opportunities for people with an immigrant background or for other minorities have been at the core of these discussions. Diversity refers to the diverse and pluralistic nature of the organization's staff, customers, and other stakeholders. Attributes of diversity include age, gender, disability, health, ethnic origin, citizenship, language, religion, belief and sexual orientation. These are also grounds for discrimination as defined by law, for which people cannot be placed in an unequal position as an employee or client. In the work community the dimensions of diversity also include differences in education, experience, skills, ways of working, personality and values.¹

PUBLIC DISCUSSION REGARDING DIVERSITY is very timely and important, as our labour market is undergoing a major structural change, and many sectors already have shortage of labour or at least shortage of right type of expertise. Jobs and employees do not meet in the best possible way, which inevitably impacts business performance of companies. In order to succeed in the global competition, Finnish companies will need more employees of different personalities and values, educational and professional backgrounds, knowledge of cultures, language skills and understanding of views of all ages and genders.

MANY COMPANIES HAVE BEGUN TO REALISE the benefits of a diverse and inclusive working environment both from business operational and corporate reputational point of view. Diversity is no longer seen merely as an act of corporate responsibility or as complying with the Finnish Non-discrimination Act. International studies have provided evidence that diversity is a business asset, specifically through increase in innovation and productivity.² On the other hand, diversity and inclusion are considered contributors to improved employer image and help in recruiting the best talent.³

IN FINLAND, THE BUSINESS' FOCUS REGARDING DIVERSITY has so far been very much on gender equality and female leadership. While this is issue is very important and deserves all possible attention, we realised there is very little information available regarding other diversity attributes, rendering fact-based comparison of companies in this regard extremely difficult.

1 Centre for Occupational Safety

2 Boston Consulting Group (2017): The Mix that Matters. Innovation through Diversity.

3 Deloitte & Female Quotient (2018): Shift/Forward. Redefining leadership.

TO ADDRESS THIS DILEMMA, we decided to put together all available information and create an index to measure the diversity of executive management, so that interested investors, employees, policy-makers and other stakeholders would have tools for better decision-making and for evaluating companies. We chose to focus on executive management because the data was collected from public sources, but also because talk about workplace diversity often focuses on employees but diversity of top management is not covered. However, executive management acts as an example within the organization and if diversity is to be promoted, it must also be implemented at the top management level.

SO, THIS IS THE FIRST FINDIX REPORT IN HISTORY – focusing on the diversity of Finnish companies. We hope it will provide you with useful and interesting information.

THIS REPORT CONTAINS introduction to the methodology as well as main results on general and variable-specific level. We also announce names of the top 8 companies in this report. Rest of the data can be ordered separately from *findix.fi*.

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Many companies have begun to realise the benefits of a diverse and inclusive working environment both from business and reputation point of view. Diversity is no longer seen merely as an act of corporate responsibility or complying with the Finnish Non-discrimination Act.

METHODOLOGY

Data

As our data sample, we selected the 200 largest Finnish companies from Talouselämä TE500-list published in June 2018. Since our focus was on diversity of Finnish companies, we chose the Boards and Executive teams of companies headquartered in Finland as our focus group. Consequently, 46 companies were dropped off of the original sample. In addition, we decided to exclude 16 local cooperatives and one subsidiary of a Finnish corporation.

We collected data of the remaining 137 companies from November 1st 2018 to January 31st 2019. We used corporate websites and annual reports as the main source of information. In some cases, we searched additional information from other public sources, such as Suomen Asiakastieto or Bloomberg, companies' own media releases and LinkedIn.

Of the 137 companies, 89 were eventually included in the analysis since some of the companies had limited information on the background of their Executive team and Board members. The list of companies included in the study can be found at *findix.fi*.

Scoring

As the basis for scoring, we adopted the Corporate Governance Code of the Securities Market Association, which came into effect in 2016, containing guidance for good corporate governance for listed companies. As our measurable variables, we selected factors that are mentioned in the governance code as factors promoting diversity: gender, age, international background, educational background, and professional background.

We employed a simple scoring system: the more diversity the management team and board had for each variable, the more points the company received. The scoring logic is different only in the case of gender, where the highest score was given to equal group composition.

We selected a five scale scoring system in order to better emphasize diversity and highlight the differences between companies. This decision was also based on the size of executive teams and boards. The average size of executive teams in our sample is 9 people and for boards the average size is 8 people. Hence, we considered the five scale scoring system appropriately ambitious for capturing the diversity of these groups.

The maximum score for the FINDIX points is 100, consisting of 50 Executive team points and 50 Board points. The scoring logic is described here:

1. GENDER DISTRIBUTION

f/m

0 - 10 % or over 90 % = **0 points**
11 - 20 % or 81 - 90 % = **2,5 points**
21 - 30 % or 71 - 80 % = **5 points**
31 - 40 % or 61 - 70 % = **7,5 points**
41 - 60 % = **10 points**

2. INTERNATIONAL BACKGROUND

by geographic areas excl. Nordic countries

3. AGE

by decades

4. EDUCATIONAL BACKGROUND

by degree

5. PROFESSIONAL BACKGROUND

by industry

1 = **0 points**
2 = **2,5 points**
3 = **5 points**
4 = **7,5 points**
5 or over = **10 points**

RESULTS

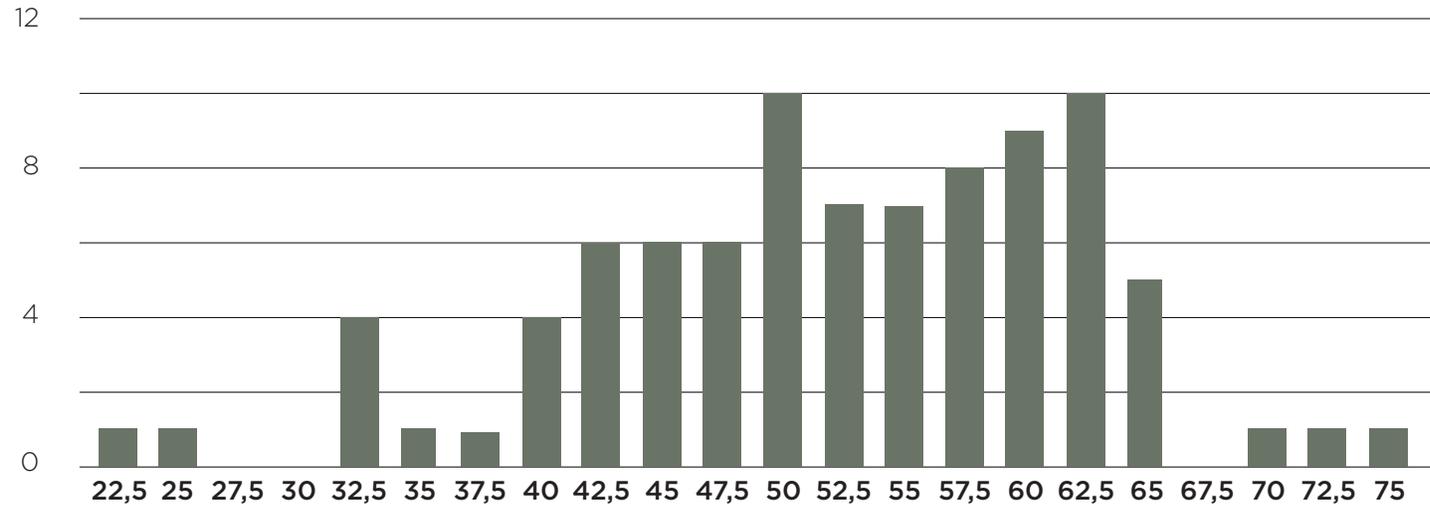
THE AVERAGE FINDIX SCORE was 52 points. A total of 48 companies (54%) scored more than 50 points. Six companies scored less than 35 points. The overall results indicate that the conversation on diversity is in its infancy and the opportunities of diversity and inclusion are still largely untapped.

This year the most FINDIX points were scored by:

STORA ENSO **75** | FINNAIR **72,5** | ROVIO ENTERTAINMENT **70**

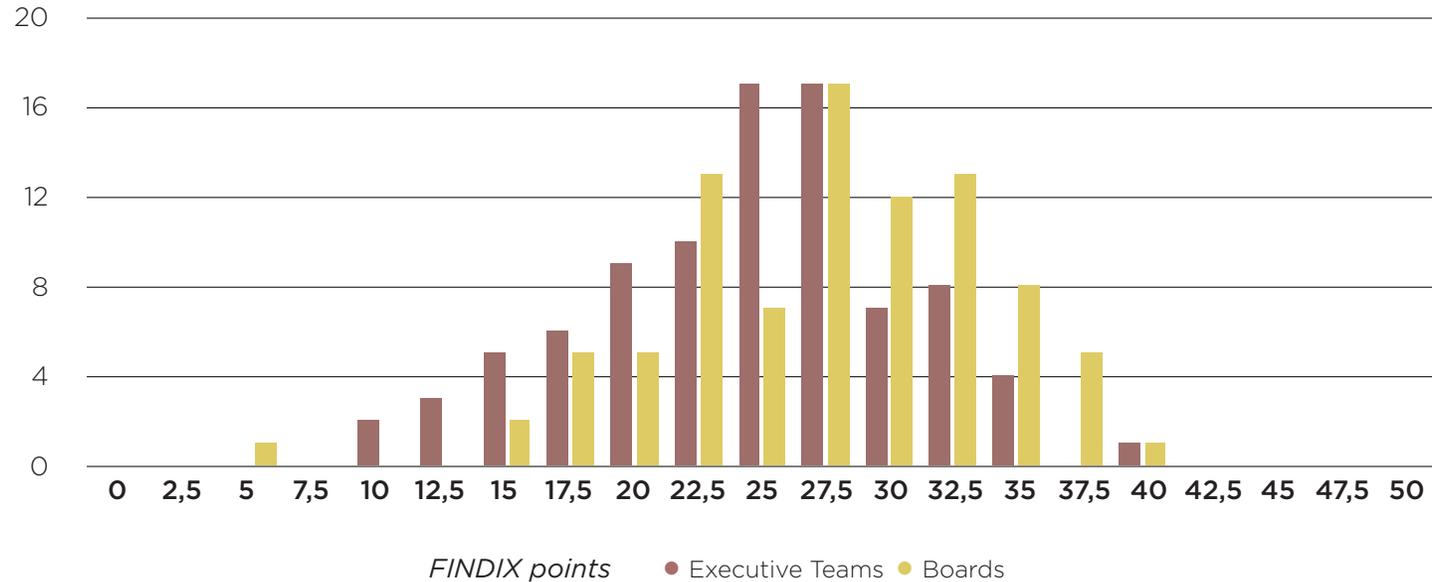
The next five companies, Oriola, Paulig, Stockmann, Terveystalo and Yleisradio, all scored 65 points.

NUMBER OF COMPANIES



FINDIX points ● Executive Teams and Boards

NUMBER OF COMPANIES



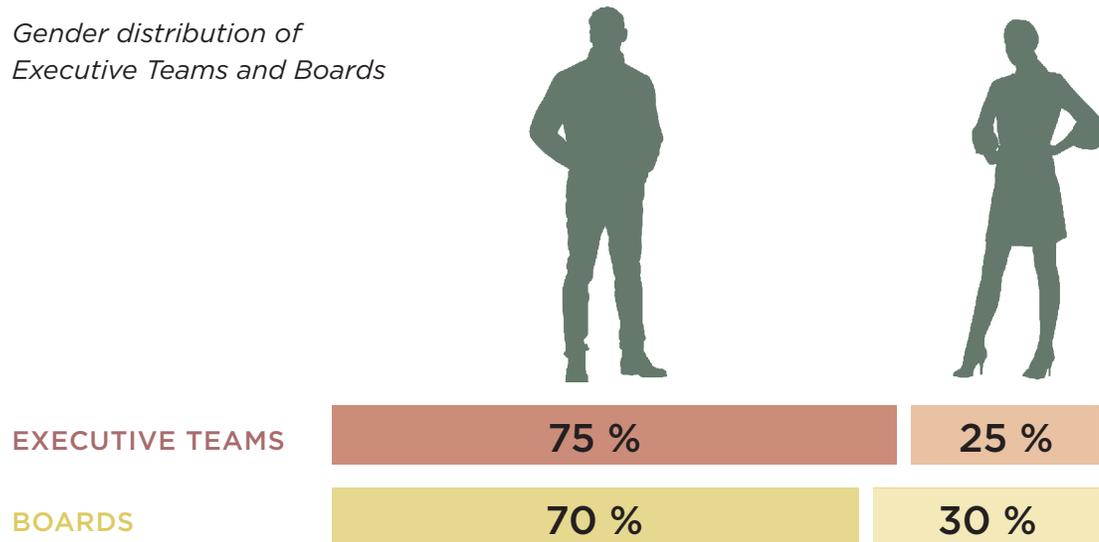
WHEN YOU LOOK AT EXECUTIVE TEAM AND BOARD POINTS SEPARATELY, few aspects in particular caught attention. The average score of Executive teams is 24.5 points (max. 50), while the Boards score on average 27.4 points (max. 50). The most significant difference is seen in the high-scoring end. The Boards of 39 companies scored more than 30 points, while only 20 of the Executive teams exceed that level. It can therefore be argued that the obligatory diversity policies and targets determining the composition of Boards have contributed positively to Board diversity.

Looking from industry sector point of view, the chemicals and plastics industry (average 61.5) as well as the forest industry (57.5) scored highest, while the electronics industry (42.5) scored the weakest points. However, it is worth mentioning that the variation was significant within the industries. For example, the highest score in forest industry was 75 and lowest 32.5. The retail industry was also scattered, highest score being 65 and the weakest 22.5.

RESULTS BREAKDOWN BY VARIABLE

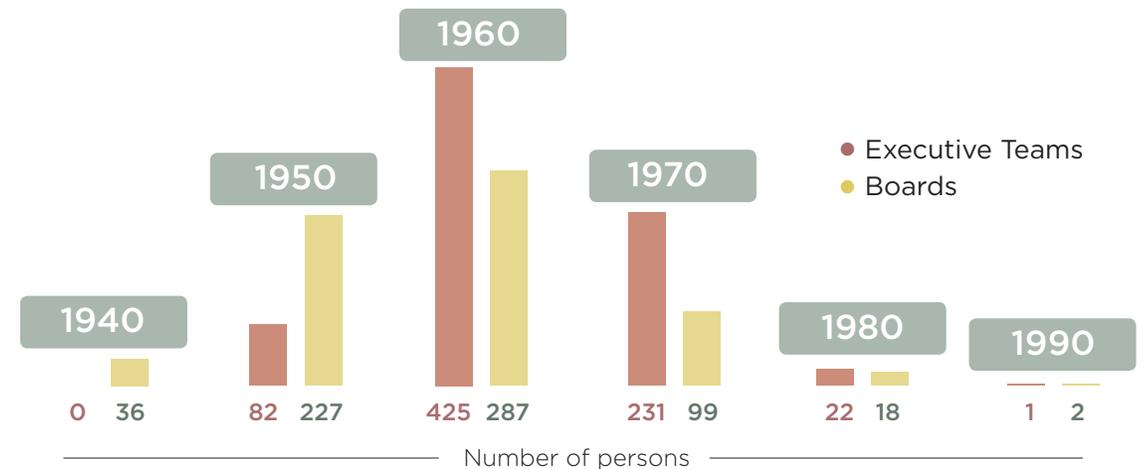
Our findings on gender balance in executive management are in line with findings from other studies and surveys. There are still relatively few women in the Executive teams or Boards of large Finnish companies. However, the distribution of points is interesting. The most common score for the Executive team was 2.5 / 10 (where the less represented gender comprises 11-20%). For Boards the situation is significantly better, where the most common score was 7.5 / 10 (less represented gender comprises 31-40%). This supports our earlier observation on the positive impact of Board diversity policies and targets, especially regarding gender equality.

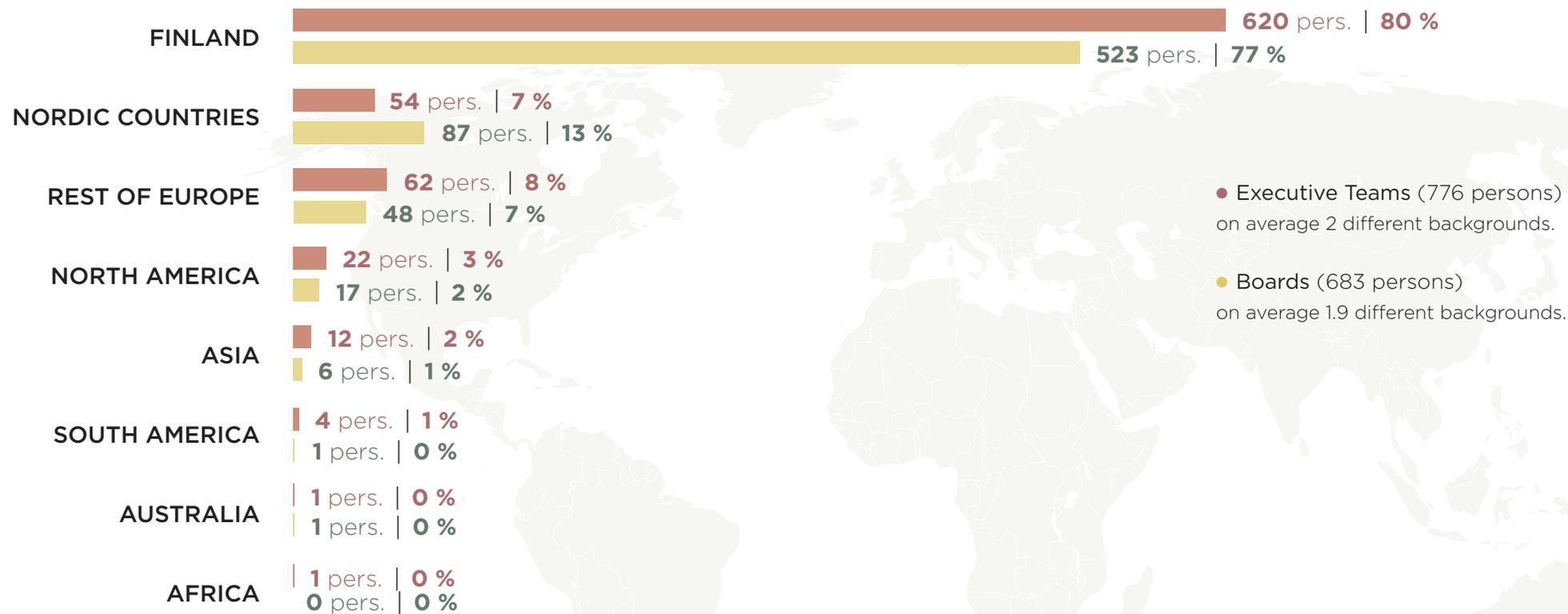
Gender distribution of Executive Teams and Boards



AGE ACCUMULATED very similar points for both the executive team and the Board, and the most common score for both groups was 5 (i.e. members born in three different decades). The most interesting observation is related to the decades represented. For both board as well as executive team members, the 1960s represented the most common birth decade. However, for the second and third most common birth decade, the results are completely opposite. 34% of board members are born in the 1950s, while only 11% of the executive team members are born in the 50s. On the other hand, almost one third of the executive seats are held by members born in the 1970s, but only 15% of the board seats are held by that age group.

Age distribution of Executive Teams and Boards:

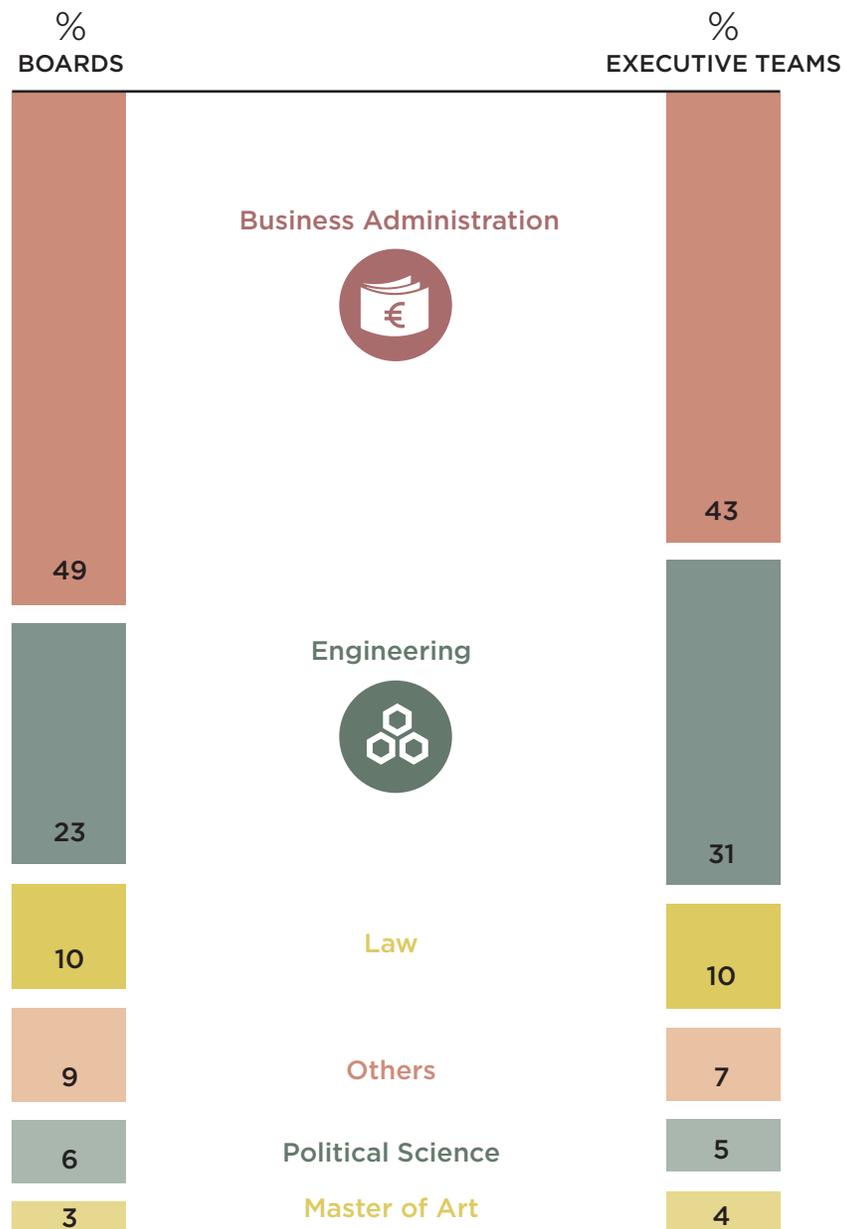




INTERNATIONAL BACKGROUND generated the least points throughout the analysis. For both the executive team and the board, the most common score was zero. This means that the members of these groups are all of the same geographical background, in this case Finland. Looking more closely at the results from a geographical point of view, it is clear that at present the other Nordic countries and Europe are the main source of international views both for the executive teams and the boards, while other continents have a marginal

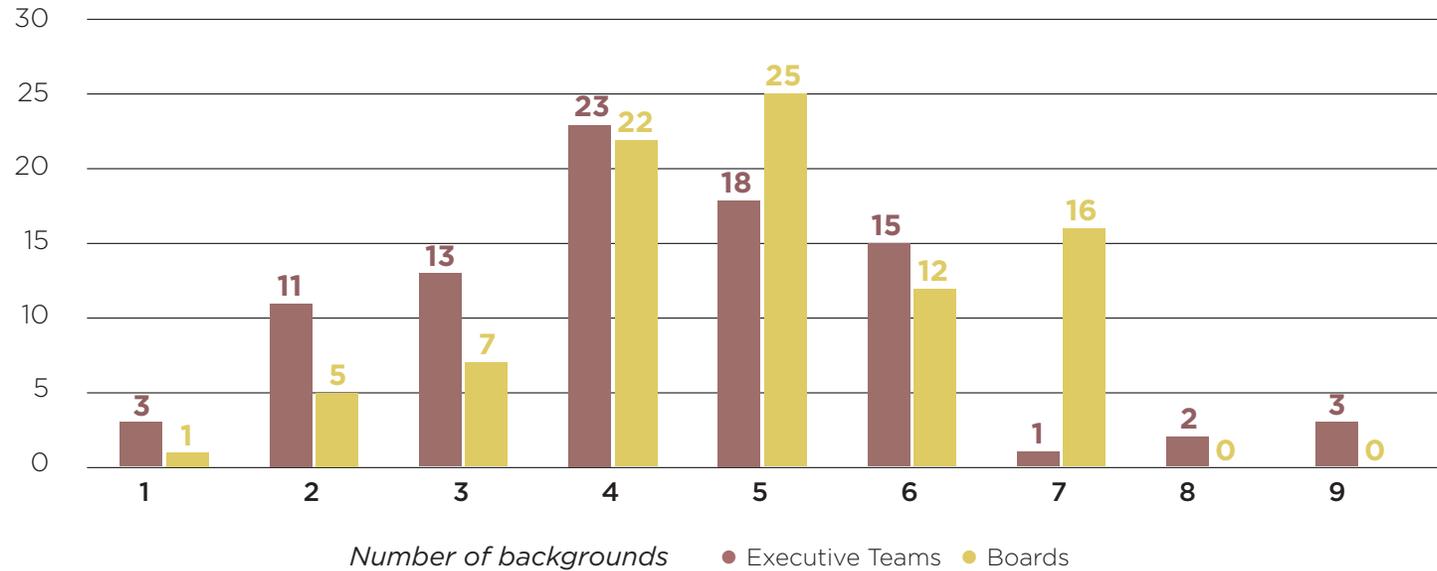
role. It can of course be argued that this result is well aligned with the share of foreign citizens in the Finnish population, but in constantly globalising world, being equipped with global mindset will most likely become a game changer in the success of Finnish companies.

* According to Statistics Finland 4,5% of Finland's population are foreign citizens.



MORE THAN 70% OF THE MEMBERS OF BOTH THE EXECUTIVE TEAMS AND BOARDS have degree either in Business Administration or Engineering. The third most common degree is law, bringing these three educational backgrounds into a significant role in governance of Finnish companies. In Finland, traditionally, a lot of emphasis has been placed on the educational background when recruiting new employees. However, multidisciplinary expertise, as well as the ability to take different perspectives in solving problems, are often raised as important factors in successful teams. It remains to be seen whether the share of other educational backgrounds will increase in the future and multidisciplinary approaches gain more weight in the executive teams and boards of Finnish companies.

NUMBER OF COMPANIES



PROFESSIONAL BACKGROUND generated the most points for both the executive teams as well as the boards. The most common score for both groups was 10, meaning that the members had experience in at least five different industries providing an excellent starting point for comprehensive strategic and operational decision-making.

CLOSING WORDS

RESULTS OF THE STUDY show that there are only few companies in Finland where the composition of both the executive team as well as the board is diverse. Most of the companies are still on the starting line when considering diversity. This is the first FINDIX report in history giving a good baseline review and benchmark for future studies. Diversity is a source of cultural richness but it is also a clear competitive asset. Hopefully next year, we will be able to get new companies to go beyond 70 points.

BASED ON THE RESULTS OF THE 2019 FINDIX REPORT, it can be said that the typical manager of a Finnish company is a man born in the 1960s. He has a degree in economics and is a member of the Executive team with professional background from 4-5 different industries. The board professional differs only in age, as he is more likely to be born in the early 1960s or even in the 1950s.

BASED ON THE RESULTS, the size of the company or the industry has no significant impact on the level of diversity. This becomes clear when looking at the list of the eight best companies. However, it was surprising that the scope of international business operations is not directly reflected in the international background of executive team or board members. In order to succeed in the tightening global competition, corporate executives and boards need to sufficient understanding of different customer groups, social phenomena, and the globalising world. Diversity of executive management and the organization as a whole provides an excellent opportunity for developing the needed competitive advantage.

WE ALSO HAVE LARGE NUMBER of companies that do not disclose the background, or even the names, of executive team and board members. Disclosing this information is not obligatory for example for cooperatives or family owned companies, so these companies are fully compliant with norms and regulation. However, big companies play a significant role in Finnish society, so we encourage companies to disclose even a bit more than required to enhance transparency regarding executive teams and boards.

AS SAID IN THE BEGINNING, diversity is an important and very timely topic. Reviewing executive teams and boards from a diversity perspective is particularly significant, both as concrete evidence of how diverse the organisation is at all levels but also symbolically. The more examples people see on how one can reach the top of the Finnish business world irrespective of gender, nationality, skin colour, sexual orientation or educational background, the more committed they will be to contribute to the success stories of Finnish companies.

FROM NOW ON, FINDIX WILL BE PUBLISHED ANNUALLY, allowing us to better analyse and compare how diversity looks like in Finnish companies. Our goal is to provide useful information to management, investors, employees, policy makers and other stakeholders. In the future, we will hopefully be able to include the diversity of employees as well as possible comparative information on the correlation between the company's financial success and diversity.



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