

# Statement on the Corporate Governance and Steering System 2019



Finnvera's Statement on the Corporate Governance and Steering System has been drawn up in accordance with the Finnish Corporate Governance Code 2020 issued by the Securities Market Association, and with the provisions of the Securities Markets Act.



THE FINNVERA GROUP COMPLIES WITH GOOD CORPORATE GOVERNANCE, AND THE GOAL IS TO ENSURE TRANSPARENCY AT ALL LEVELS OF THE ORGANISATION.

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THE CODE OF CONDUCT RATIFIED BY THE BOARD OF DIRECTORS BRINGS TOGETHER BOTH ETHICAL PRINCIPLES AND LEGAL RULES.

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THE FINNVERA GROUP'S PARENT COMPANY IS FINNVERA PLC AND ITS SUBSIDIARIES ARE FINNISH EXPORT CREDIT LTD, ERDF-SEED FUND LTD AND VERAVENTURE LTD.

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## Statement on the Corporate Governance and Steering System

Finnvera's Statement on the Corporate Governance and Steering System has been drawn up in accordance with the Finnish Corporate Governance Code 2020 issued by the Securities Market Association, and with the provisions of the Securities Markets Act. The Finnish Corporate Governance Code is available on the website of the Securities Market Association, at [cgfinland.fi/en](http://cgfinland.fi/en).

Finnvera publishes the Statement on the Corporate Governance and Steering System as a separate statement in the Annual Report. The information about the salaries and fees for the financial period 2019 included in the Statement adheres to guidelines compliant with the Finnish Corporate Governance Code that entered into force in 2016.

Finnvera is a specialised financing company owned 100 per cent by the State of Finland. For this reason, Finnvera complies with the recommendations 1–4 of the Finnish Corporate Governance Code whenever appropriate and applicable.

Apart from the parent company, Finnvera plc, the Finnvera Group comprises Finnish Export Credit Ltd, which provides export credit financing and administers interest equalisation, ERDF-Seed Fund Ltd, which is engaged in venture capital investments, and Veraventure Ltd, which manages venture capital investments.

Finnvera's Statement on the Corporate Governance and Steering System includes a description of the principal features of the internal control and risk management systems pertaining to the financial reporting process.

The Audit Committee of Finnvera's Board of Directors has reviewed the statement, and Finnvera's auditor, KPMG Oy Ab, has checked that the statement has been issued and that its description of the principal features of the internal control and risk management systems pertaining to the financial reporting process is in agreement with the financial statements.

### Acts and rules governing the operations

Finnvera's operations are steered by the Limited Liability Companies Act (624/2006), the special legislation on Finnvera, the obligations laid down in international treaties, and the industrial and ownership policy goals

determined by the State. When performing public administrative tasks, Finnvera complies with the Administrative Procedure Act (434/2003).

Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions states that the Directive on credit institutions does not apply to Finnvera. In consequence, Finnvera adheres to the recommendations of the Financial Supervisory Authority, whenever applicable. On 19 December 2019, the Ministry of Economic Affairs and Employment issued an updated decision on the Financial Supervisory Authority's guidelines and regulations, which the ministry applies in the financial supervision of Finnvera.

However, when presenting reports and financial information, Finnvera – as an issuer of bonds – is bound by the guidelines of the Financial Supervisory Authority and the Securities Market Association, the Securities Markets Act (746/2012), the stock exchange rules (NASDAQ OMX Helsinki and London stock exchanges), and the decisions of the Ministry of Finance.

Finnvera draws up the consolidated financial statements, the parent company's financial statements, and the half-year reports in keeping with the International Financial Reporting Standards (IFRS). The notes to the consolidated financial statements and the parent company's financial statements also comply with Finnish accounting and corporate law.

The Finnvera Group's Annual Report, including the Report of the Board of Directors, the financial statements, the annual review, the corporate responsibility report and the Statement on the Corporate Governance and Steering System, is published in February. The half-year report for the period 1 January–30 June is published in August. The Annual Report and the half-year report are published in Finnish and English.

The auditor's task is, pursuant to the Auditing Act in force and in accordance with good auditing practice, to audit the company's financial statements, accounting records and governance, and to issue an auditor's report of the audit work conducted. In addition, it is the auditor's responsibility to read the Report of the Board of Directors and the Annual Report and consider, among other things, whether this other information is materially inconsistent with the financial statements. With respect to the Report of the Board of Directors, the auditor's responsibility also includes considering whether the Report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. Audit work encompasses the statutory auditing of subsidiaries belonging to the Finnvera Group.

### The goals of good corporate governance

The Finnvera Group complies with good corporate governance, and the goal is to ensure transparency at all levels of the organisation.

Finnvera's Board of Directors has approved the key policies, principles and guidelines that steer the company's operations.

Finnvera's operations are guided by the Code of Conduct ratified by the Board of Directors. The Code of Conduct brings together corporate responsibility, the ethical principles and legal rules. The Code of Conduct includes the general operating policy outlines and the financing principles followed by Finnvera, the points of departure concerning the confidentiality of our operations, and the principles applied to the work community.

The Code of Conduct is supplemented by Finnvera's ethical guidelines that consist of the principles of good governance, guidelines for ensuring impartiality in decision-making and in the preparation of matters, guidelines on non-disclosure and exchange of information, and guidelines on insider information. The Code of Conduct and the ethical guidelines apply to both Finnvera's employees and the members of the governing bodies.

The principles of good governance include guidelines on the compliance with the legal principles decreed by the Administrative Procedure Act. These legal principles are service and publicity principles as well as the principles of equality, commitment to purpose, impartiality, proportionality, and protection of legitimate expectations.

The impartiality guidelines are meant to reinforce the objectivity in Finnvera's operations as well as the equal treatment of clients. The guidelines on non-disclosure and exchange of information define the points of departure for confidentiality in Finnvera's operations and steer the management of permissible exchange of information in an appropriate manner. The guidelines on insider information clarify the concept of insider information for Finnvera's employees so that they are prepared to identify in advance what type of information on client enterprises is classified as insider information and to prevent its misuse.

In 2019, Finnvera revised its environmental and social risk management policy for financing operations. Along with the reform, the assessment and management of impacts and risks in Finnvera's export credit guarantee transactions exceed the minimum level set by the OECD Common Approaches Recommendation.

In 2019, Finnvera also strengthened its anti-bribery policy. In addition, Finnvera decided to introduce a new policy identifying and recognising tax



havens and associated tax evasion risks. The purpose is to identify a tax haven ownership as set out in the EU or OECD so called black list relating to Finnvera's client enterprise or a foreign trade partner in export financing as well as the tax evasion and money laundering risk. Finnvera's Board of Directors approved the policies at the end of 2019, and they will be adopted during 2020. Further information about the policies in the Annual Review's [Responsible financing section](#).

### Ownership and ownership policy

Finnvera plc is a specialised financing company owned 100 per cent by the State of Finland.

The legislation on Finnvera defines the tasks whereby Finnvera influences the development of enterprise and employment in Finland. The Ministry of Economic Affairs and Employment supervises and monitors Finnvera's operations. As the body responsible for the ownership and industrial policy steering of Finnvera, the Innovations and Enterprise Financing Department of the ministry sets industrial and ownership policy goals for the company for a period of four years. Whenever necessary, the ministry revises these goals annually.

On the basis of the industrial policy goals confirmed by the Ministry of Economic Affairs and Employment, an assessment is made annually on how well Finnvera has succeeded – for instance, in correcting market failures in corporate financing and in promoting start-ups, transfers of ownership, employment, the growth of enterprises, internationalisation, and exports. In 2019, Finnvera's goals highlighted the financing of start-ups, the promotion of growth, internationalisation and exports, and the development of risk management and capital management calculation models.

The ownership policy goals, set by the Ministry of Economic Affairs and Employment, apply to the self-sustainability of the company's operations, risk management, and capital adequacy. Finnvera should conduct its business so that the income from the company's operations covers the expenses of the operations over a period exceeding a business cycle. The review period is 10 years for SME financing and 20 years for export financing. Finnvera should act efficiently and improve the productivity of work. The company's capital adequacy must be sufficient to ensure the ability to bear risks and to keep the costs of funding as reasonable as possible.

### Governing bodies of Finnvera

Responsibility for Finnvera's administration is vested in the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Chief Executive Officer.

#### GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders can make decisions on issues assigned to it by law and the Articles of Association. The General Meeting of Shareholders elects the members of the Supervisory Board and the Board of Directors, the Chairs and Vice Chairs of both bodies, and the auditors for a term of one year at a time.

The Annual General Meeting is held yearly, by the end of June.

#### SUPERVISORY BOARD

The Supervisory Board supervises the company's administration. It gives the Annual General Meeting its opinion on the financial statements and the auditor's report, and counsels on issues that concern considerable reduction or expansion of the company's operations or substantial reorganisation of the company. In addition, the Supervisory Board advises the Board of Directors on matters that have far-reaching consequences or are otherwise important as questions of principle.

The Supervisory Board consists of a minimum of eight and a maximum of eighteen members.

In 2019, the Supervisory Board had 18 members. The Supervisory Board met 7 times (7) in 2019. The average attendance rate at the Supervisory Board meetings was 91 per cent (92). The Annual General Meeting on 29 March 2019 decided on the following attendance allowances for the Supervisory Board: EUR 800 per meeting for the Chairman, EUR 600 per meeting for the Vice Chairman and EUR 500 per meeting for members.

#### BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and for the proper organisation of activities and approves the company's strategy and annual plans, the half-year reports, the Report of the Board of Directors and the financial statements, as well as the risk management principles.

The Board advances the company's development and ensures that the operations conform to law and meet the goals set by the owner. The Board ensures the supervision of accounting and asset management and

approves other matters of principle. The Board also decides important individual cases of financing.

The Board of Directors steers and supervises Finnvera's executive management and ensures the functioning of the management system. The Board decides on the appointment and dismissal of the company's Chief Executive Officer, Deputy to the CEO, and other members of the company's senior management as well as on their salaries and fees. The Board has appointed the Audit Committee and the Remuneration Committee from among its members to assist the Board in managing its tasks.

Separate agreement has been made on the division of operational duties and business-related decision-making between the Board of Directors, the Chief Executive Officer and other management.

Rules of procedure have been confirmed for the Board of Directors and its committees.

According to the goal set by the company, the Board should have a suitable combination of continuity, experience, know-how and variety with respect to education and experience so that it can successfully complete its tasks at any given time. When the Board is elected, the goal is that the Board and its committees as a whole have sufficient know-how and experience in the sectors important for the company's operations.

When Board members are elected, attention is paid to the aspects of equality pertaining to State-owned companies.

The Board of Directors assesses the independence of its members annually and indicates which members are independent of the company and which members are independent of significant shareholders. All members are independent of the company. The members are independent of the company's sole shareholder, with the exception of First Vice Chairman Antti Neimala and Second Vice Chairman Terhi Järvikare who have an employment relationship with the State of Finland.

The Ministry of Economic Affairs and Employment is responsible for the ownership steering of Finnvera and for the proposal concerning the composition of the Board of Directors submitted to the General Meeting. The company strives to influence the proposal on the Board's composition so that the principles concerning variety are taken into account.

The plan for Board meetings is drawn up yearly. Besides the issues discussed at each specific meeting, the meeting plan includes issues discussed quarterly, semi-annually or annually, such as the financial statements, the half-year report, interim reports and the attainment

of strategic and annual targets, risk position reviews, measures to strengthen the credit policy and the asset management policy, the report on internal auditing, and certain specifically named themes, such as reviews of the Large Corporates and SME units as well as Finnvera's digitalisation project.

Finnvera's Board of Directors consists of at least six members and at most nine members. The General Meeting elects the members for a term of one year at a time. One Board member is elected among candidates named by the Ministry of Economic Affairs and Employment and one among candidates named by the Ministry of Finance.

In 2019, the Board had seven members, three of whom were women and four men. The Board met a total of 15 times (16) in 2019. The members' average attendance rate at the Board meetings was 92 per cent (95).

**Members on 31 December 2019**

**Chairman**

**Pentti Hakkarainen**

**(1958), M.Sc. (Econ.), LL.M. with court training, member of the European Central Bank's Banking Supervisory Board**

Pentti Hakkarainen has been the Chairman of Finnvera's Board of Directors since 2017 and is the Chairman of the Board's Remuneration Committee. Hakkarainen has been a full-time member of the European Central Bank's Banking Supervisory Board since 2017. He has worked as Finance Director at Outokumpu Corporation and as CEO both at OKOBANK plc and at Postipankki plc. Hakkarainen was a member of the Board of the Bank of Finland in 2002–2017 and Deputy Governor of the Bank of Finland and Chairman of the Board of the Financial Supervisory Authority in 2008–2017. Hakkarainen is the Chairman of the Board of Olvi plc and has previously chaired e.g. the IMF's Audit Committee, European System of Central Banks' Budget Committee (BUCOM) and Control Committee (COMCO).

**First Vice Chairman**

**Antti Neimala**

**(1963), LL.M. with court training, Director General of the Employment and Well-functioning Markets Department of the Ministry of Economic Affairs and Employment**

Antti Neimala has been a member of Finnvera's Board of Directors and a member of the Board's Remuneration Committee since 29 March 2019. Neimala has worked as Director General of the Employment and Well-functioning Markets Department of the Ministry of Economic Affairs and Employment since August 2018. Before that, he worked as Director General of the Finnish Competition and Consumer Authority and as Consumer Ombudsman. Neimala held the position of Vice Managing Director and other executive posts at the Federation of Finnish Enterprises in 2001–2004 and 2007–2017 and worked as Director of the SME Unit at the Confederation of Finnish Industries in 2010 and as Project Manager at the Ministry of Trade and Industry in 2004–2007.

**Second Vice Chairman**

**Terhi Järvikare**

**(1970), Lic.Sc. (Econ.), Director General of the Tax Department of the Ministry of Finance**

Terhi Järvikare has been a member of Finnvera's Board of Directors since 2017 and is a member of the Board's Audit Committee. She has worked as Director General of the Tax Department of the Ministry of Finance since 2015. In 2012–2015, Järvikare was Director, Taxation at Finland Chamber of Commerce. Before that, she worked in the Ministry of Finance: as a Ministerial Adviser in 2005–2012 and as a Senior Officer in 1996–2005.

**Ritva Laukkanen**

**(1954), M.Sc. (Econ.)**

Ritva Laukkanen has been a member of Finnvera's Board of Directors since 2017 and is the Chairman of the Board's Audit Committee. In 1990–2011, she held several executive posts at International Finance Corporation IFC, which is part

Members	Membership 2019	Attendance at meetings	Fees (EUR)
Chairman			
Sofia Vikman, Member of Parliament (National Coalition Party)	7 Oct.–31 Dec.	2/2	800
Antti Rantakangas, Member of Parliament (Centre Party)	1 Jan.–7 Oct.	5/5	4,800
First Vice Chairman			
Johannes Koskinen, Member of Parliament (Social Democratic Party of Finland)	7 Oct.–31 Dec.	2/2	600
Krista Kiuru, Member of Parliament (Social Democratic Party of Finland)	1 Jan.–5 June	3/3	2,400
Members:			
Pia Björkbacka, Adviser for International Affairs, Central Organisation of Finnish Trade Unions SAK	1 Jan.–31 Dec.	5/7	2,500
Eeva-Johanna Eloranta, Member of Parliament (Social Democratic Party of Finland)	1 Jan.–31 Dec.	7/7	3,500
Lasse Hautala, Member of Parliament (Centre Party)	1 Jan.–7 Oct.	5/5	3,000
Mari Holopainen, Member of Parliament (Green Party)	7 Oct.–31 Dec.	2/2	500
Laura Huhtasaari, Member of Parliament (Finns Party)	1 Jan.–30 June	3/4	2,000
Timo Kalli, Member of Parliament (Centre Party)	1 Jan.–7 Oct.	4/5	2,500
Anne Kalmari, Member of Parliament (Centre Party)	7 Oct.–31 Dec.	2/2	500
Pia Kauma, Member of Parliament (National Coalition Party)	1 Jan.–7 Oct.	5/5	3,000
Juho Kautto, Member of Parliament (Left Alliance)	7 Oct.–31 Dec.	2/2	500
Leila Kurki, Senior Adviser, Finnish Confederation of Professionals STTK	1 Jan.–31 Dec.	6/7	3,000
Anne Louhelainen, Member of Parliament (Blue Reform)	1 Jan.–7 Oct.	4/5	2,500
Kari Luoto, Managing Director, Finnish Grocery Trade Association	1 Jan.–31 Dec.	7/7	3,500
Veli-Matti Mattila, Director, Chief Economist, Finance Finland	1 Jan.–31 Dec.	7/7	3,500
Jaana Mönntti, Finance Manager, the personnel organisation Finnveran toimihenkilöt	29 Mar.–31 Dec.	5/5	2,000
Ville Niinistö, Member of Parliament (Green Party)	1 Jan.–7 Oct.	3/5	2,000
Carita Orlando, Managing Director, Women Entrepreneurs of Finland	1 Jan.–31 Dec.	7/7	3,500
Juha Pylväs, Member of Parliament (Centre Party)	7 Oct.–31 Dec.	2/2	500
Lulu Ranne, Member of Parliament (Finns Party)	7 Oct.–31 Dec.	2/2	500
Olli Rantanen, Team Manager, Domestic Financing, the personnel organisation Finnveran akavalaiset	1 Jan.–29 Mar.	2/2	1,500
Wille Rydman, Member of Parliament (National Coalition Party)	7 Oct.–31 Dec.	2/2	500
Timo Saranpää, Chairman, Finnish Business School Graduates	1 Jan.–29 Mar.	1/2	1,000
Joakim Strand, Member of Parliament (Swedish People's Party of Finland)	7 Oct.–31 Dec.	1/2	0
Eero Suutari, Member of Parliament (National Coalition Party)	1 Jan.–7 Oct.	4/5	2,500
Tommi Toivola, Director, Confederation of Finnish Industries EK	1 Jan.–31 Dec.	7/7	3,500
Anette Vaini-Antila, Second Vice Chairman, Finnish Business School Graduates	29 Mar.–31 Dec.	5/5	2,000
<b>Total remuneration for the members of the Supervisory Board</b>			<b>58,600</b>

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of the World Bank Group. Before IFC, Laukkanen worked for 10 years in various positions at American Scandinavian Banking Corporation in New York, as a director in corporate lending, for instance. She has held various board positions since 2012. Laukkanen chairs the Board of the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and is a member of the Board of AccessHolding Microfinance AG Berlin.

**Pekka Nuutila**  
(1956), forester

Pekka Nuutila has been a member of Finnvera's Board of Directors and a member of the Board's Audit Committee since 29 March 2019. Nuutila worked at Nordea Bank Finland Plc as Director of Finnish banking operations in 2008–2012 and as Deputy Director responsible for corporate banks in Finland in 2012–2018. Before that, he held various positions in Nordea and its predecessors. He has held various board positions since 1991. Nuutila has been a member of Kauppahuone Laakkonen Oy's Board of Directors since 2018 and the Chairman of Suomen Luotto-osuuskunta's Board of Directors since 2012. He was a member of Realia Group Oy's Board of Directors in 2003–2017, a member of Finland Chamber of Commerce's Board of Directors until 2014 and the Vice Chairman of Luottokunta's Board of Directors in 2009–2012.

**Pirkko Rantanen-Kervinen**  
(1949), B.Sc. (Econ.)

Pirkko Rantanen-Kervinen has been a member of Finnvera's Board of Directors since 2013 and is a member of the Board's Audit Committee. In 1974–2010, Rantanen-Kervinen held various executive posts at Saga Furs Oyj, most recently as CEO. Rantanen-Kervinen was a member of the Board of LocalTapiola Mutual Insurance Company until the end of 2018.

**Antti Zitting**  
(1956), M.Sc. (Tech.), Enterprise Counsellor

Antti Zitting has been a member of Finnvera's Board of Directors since 2015 and is a member of the Board's Remuneration Committee. Until 2014 he worked as an entrepreneur in Sacotec Components Oy and serves currently as Chairman of the Boards of the Sacotec companies. Zitting is also a member of the Boards of the following companies and organisations: The Finnish Olympic Committee, The International Basketball Federation FIBA, FIBA Europe, Sten&Co Oy Ab, Plastep Oy and Johnson Metall Oy Ab. In addition, Zitting was the Vice Chair of the Supervisory Board of the Employment Fund in 2019.

**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee assists Finnvera's Board of Directors in ensuring that the company's accounting and supervision of asset management are

arranged appropriately and that internal control, risk management, internal auditing, and auditing of the accounts have been organised in accordance with laws, regulations and the operating principles confirmed by the Board of Directors. A plan is drawn up yearly for the Audit Committee's meetings.

The Audit Committee

- monitors the financial statements reporting process of the company and its subsidiaries
- assesses the process for compliance with laws, regulations and other rules
- monitors the efficiency of the company's and its subsidiaries' internal control and risk management systems
- monitors the efficiency of the company's internal auditing
- monitors the statutory auditing of the company's financial statements and the consolidated financial statements and assesses the independence of the statutory auditor and the auditing company and the quality and scope of ancillary services
- handles matters related to the supervision by the authorities.

The Audit Committee has at least three members. The Board of Directors selects the Audit Committee's members and chairman from among the Board members, for a term of one year at a time.

The Audit Committee elected after the Annual General Meeting of 2019 was comprised of Board Member Ritva Laukkanen (Chair), Second Vice Chairman Terhi Järvikare, Board Member Pekka Nuutila and Board Member Pirkko Rantanen-Kervinen.

In 2019, the Committee met 5 times (5) and the members' attendance rate was 95 per cent (95).

Apart from the Audit Committee, the Board of Directors and the executive management monitor the results of operations by means of regular reporting. Furthermore, they receive reports on risk management, evaluation of the quality system, internal auditing, and on the auditing of the accounts.

**REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS**

The Remuneration Committee assists Finnvera's Board of Directors in managing issues pertaining to the appointment, terms of employment and salaries of senior executives, and the rewards and incentive systems applied to the management and personnel. A plan is drawn up yearly for the Remuneration Committee's meetings.

Members on 31 December 2019	Membership 2019	Committee membership	Attendance at the Board of Directors	Attendance at the committee	Salaries and fees (EUR)
Chairman Pentti Hakkarainen	1 Jan.–31 Dec.	Remuneration Committee	15/15	8/8	29,500
First Vice Chairman Antti Neimala	29 Mar.–31 Dec.	Remuneration Committee	10/11	5/5	14,150
First Vice Chairman Tomi Lounema	1 Jan.–29 Mar.	Remuneration Committee	3/4	3/3	6,550
Second Vice Chairman Terhi Järvikare	1 Jan.–31 Dec.	Audit Committee	14/15	5/5	20,200
Kirsi Komi	1 Jan.–29 Mar.	Audit Committee	4/4	2/2	6,550
Ritva Laukkanen	1 Jan.–31 Dec.	Audit Committee 29 Mar.–31 Dec. Remuneration Committee 1 Jan.–29 Mar.	14/15	3/3 3/3	20,250
Pekka Nuutila	29 Mar.–31 Dec.	Audit Committee	11/11	2/3	12,300
Pirkko Rantanen-Kervinen	1 Jan.–31 Dec.	Audit Committee	13/15	5/5	17,900
Antti Zitting	1 Jan.–31 Dec.	Remuneration Committee 29 Mar.–31 Dec. Audit Committee 1 Jan.–29 Mar.	13/15	5/5 2/2	18,400
<b>Salaries and fees of the members of the Board of Directors, total</b>					<b>145,800</b>

The Remuneration Committee has at least three members. The Board of Directors selects the Remuneration Committee's members and chairman from among the Board members, for a term of one year at a time.

The Remuneration Committee elected after the Annual General Meeting of 2019 was comprised of Chairman of the Board Pentti Hakkarainen (Chair), First Vice Chairman Antti Neimala and Board Member Antti Zitting.

In 2019, the Remuneration Committee met 8 times (5) and the members' attendance rate was 100 per cent (100).

The Annual General Meeting on 29 March 2019 decided on the following remuneration payable to the Board of Directors: the monthly remuneration for the Chairman EUR 1,500, the monthly remuneration for the Vice Chairman EUR 850, the monthly remuneration for a member who acts as the Chairman of a Board committee EUR 850, the monthly remuneration for other members EUR 700, and the attendance allowance for Board and committee meetings EUR 500 per meeting.

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#### **CHIEF EXECUTIVE OFFICER, MANAGEMENT GROUP AND CORPORATE MANAGEMENT TEAM**

The Chief Executive Officer is responsible for the company's operational administration in keeping with the guidelines and regulations issued by the Board of Directors. In management of the tasks specified in the Limited Liability Companies Act, the Chief Executive Officer is assisted by the Management Group and the Corporate Management Team.

Pauli Heikkilä (1962), D.Sc. (Tech.), has served as Finnvera's Chief Executive Officer since 2005.

The management of Finnvera's operations is described in the management organisation approved in the company.

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#### **SUBSIDIARY FINNISH EXPORT CREDIT LTD'S GOVERNING BODIES**

Finnish Export Credit Ltd is a subsidiary owned 100 per cent by Finnvera plc. Responsibility for Finnish Export Credit Ltd's administration is vested in the General Meeting of Shareholders, the Board of Directors, and the Managing Director. In 2019 the Board of Directors had five members, one of whom was a woman, and four men. The Chairman of Finnish Export Credit Ltd's Board of Directors is Finnvera's CEO, D.Sc. (Tech.) Pauli Heikkilä and the Vice Chairman is Finnvera's Senior Vice President, Finance and Treasury, M.Sc. (Econ.),

Ulla Hagman. The members are Jussi Haarasilta, Finnvera's Senior Vice President, Large Corporates, LL.M., M.Sc. (Econ.), Olli Koski, Director, M.Soc. Sc., from the Ministry of Economic Affairs and Employment and Markku Puumalainen, Financial Counsellor, M.Soc.Sc., from the Ministry of Finance. Olli Koski resigned at the end of January 2020 after being nominated as State Secretary. Anita Muona, LL.M., has served as Finnish Export Credit Ltd's Chief Executive Officer since 2011. Finnish Export Credit Ltd has no personnel of its own, but its operations are managed by the parent company Finnvera plc according to an agreement between the companies.

#### **Salaries and fees**

When remunerating its governing bodies, Finnvera applies the guidelines on remuneration issued by the Government's Ownership Steering Department. The fees paid to the governing bodies are approved by the General Meeting of Shareholders. The fees paid in 2019 totalled EUR 204,000.

The Board of Directors, upon the presentation of the Remuneration Committee, decides on the salaries and fees paid to the CEO, Deputy to the CEO and other executives appointed by the Board.

The salaries and fees paid to Finnvera's CEO in 2019 totalled EUR 410,000. The total remuneration includes the taxable value of the car benefit. The CEO has a notice period of six months. In addition, the CEO is entitled to a severance compensation corresponding to 18 months' pay if he is dismissed by the company. The salaries and fees paid to Finnvera's Deputy CEO Topi Vesteri in the period 1 January–31 August 2019, before his retirement, totalled EUR 229,000. No new Deputy CEO has been appointed for the company. On 20 June 2019, Jussi Haarasilta, Executive Vice President, Large Corporates, was appointed the new Deputy to the CEO. The salaries and fees paid to the Executive Vice President, Large Corporates, in the period 20 June–31 December 2019 totalled EUR 118,000.

The salaries and fees paid to the Managing Director of the subsidiary Finnish Export Credit Ltd were EUR 142,000. The salaries and fees paid to the Managing Director of the subsidiary Veraventure Ltd in the period 1 January–31 May 2019 amounted to EUR 97,000.

The salaries and fees paid to the rest of the members of the Management Group totalled EUR 977,000 in 2019. The supplementary pension contributions had an impact of EUR 122,000 on the company. Finnvera's Chief Executive Officer's supplementary pension accounted for EUR 46,000 of this.

The Management Group members' salaries are based on total remuneration. The total remuneration includes a phone benefit and it may include a car benefit, which is regarded as taxable income in full.

The Board of Directors has approved the principles of the Management Group's performance bonus system and the targets set for the system in 2019. The performance bonus system adheres to the guidelines that the State owner has issued on the executive management's remuneration.

The performance bonus system encompasses the CEO and the members of the Management Group.

A general prerequisite for paying a performance bonus is that the financial performance of the Group and the parent company for the period shows a profit when the performance bonuses paid are also taken into account. The maximum performance bonus is 15 per cent of the annual earnings when the so-called target level is reached, and 30 per cent of the annual earnings if the company's and the bonus recipient's performance has been exceptionally good.

The performance bonus is determined on the basis of the following three common areas and individual performance:

- Owner and impact
- Customer experience
- Digitalisation and productivity

The performance bonus paid for 2018 to the CEO and the other members of the Management Group was on average 13.5 per cent of the annual earnings. The performance bonus was paid in 2019. No decision has been made on the payment of a performance bonus for 2019.

Finnvera's personnel are covered by an incentive bonus system, the objective of which is to reward employees for exceptionally good work performance. The members of the Management Group are outside the scope of the incentive bonus system.

The CEO and one member of the Management Group are included in a defined contribution pension plan, in which supplementary pension can be withdrawn at the age of 63 years at the earliest. In addition, three other executives in Finnvera are included in a defined contribution pension plan. The Deputy CEO had a defined benefit pension plan for the period 1 January–31 August 2019, until his retirement.

[Read more >](#)

### Operating principles for internal control

Internal control is an integral element of the Finnvera Group's management. Its aim is to ensure the achievement of the goals defined by Finnvera and its subsidiaries. The Boards of Directors and senior executives of Finnvera and its subsidiaries are responsible for arranging and organising internal control, which is implemented by the entire organisation. Each supervisor is responsible for the functioning of internal control for their own area of responsibility.

Internal control is a continuous process. The control system supports the implementation of the Group's strategy and ensures for the management that the company's operations are efficient and profitable, that financial reporting is reliable, and that laws and other regulations pertaining to the operations are followed.

Finnvera's corporate culture, the ethical guidelines adopted by the Board of Directors, confidentiality regulations, the personnel's high professional standards, and the guidelines and practices agreed upon lay the foundation for the internal control environment throughout the whole Group. Operations are based on predetermined and planned processes and the associated approval procedures, reconciliations and other checks.

The daily operations are steered by an operating system conforming to the ISO 9001 standard. The operating system helps ensure the quality of Finnvera's services and the management of operational risks. At the same time, it provides a solid foundation for the completion of development projects. The operating system includes the descriptions of processes agreed specifically for the parent company and the subsidiaries, as well as operating instructions supplementing these processes. The operating system is implemented in the parent company through the Financing Solutions core process and through the supporting Strategic Management and Operational Support processes. The operating system also includes descriptions of processes agreed for the subsidiaries. The Financing Solutions process has two designated owners and owner teams (the owner teams for the Standardised and Highly Standardised Financing Solutions and the Tailored Financing Solutions processes) which are responsible for the development of the processes. For other processes, the owner is the Director of the unit in question. The certified operating system and processes are assessed annually by means of both internal and external audits.

### Risk management

Risk management is an integral part of the company's internal control. Finnvera's Board of Directors confirms the principles of the Group's risk management and the risk appetite, on the basis of which the credit policy, credit decision-making powers and asset management policy are approved. Finnvera's internal control and the "three lines of defence" model define that the business units and support functions bear the primary responsibility for internal control and risk management.

Finnvera's risks can be grouped as follows:

1. Strategic risks
2. Credit risks
3. Liquidity risks
4. Market risks
5. Operational risks

Credit risk is the principal risk segment for the Finnvera Group. Other key risks are liquidity and market risks as well as operational risks associated with activities. Operational risks pertaining to financial reporting are identified, assessed and controlled as part of operational risk management.

The internal reporting system for risk management works at all levels of the Group. The parent company manages risks that have arisen in subsidiaries through ownership steering and by keeping all subsidiaries within the sphere of the risk management and internal auditing practised within the Group.

### Controlling the financial reporting process

The Finance and Treasury unit is responsible for financial reporting, its processes and development in accordance with the International Financial Reporting Standards and national rules and regulations valid at that moment. The operating policies and guidelines for Finnvera's financial operations ensure the management and control of financial operations and financial reporting. Financial processes, operations and reporting are developed regularly. Process descriptions have been drawn up for the main financial processes.

Detailed instructions have been compiled for activities associated with financial systems and financial reporting. These instructions set the standards for financial operations and financial reporting. The internal controls, reconciliations and checks included in these activities are a

central element of the range of functions ensuring the correctness, reliability and timeliness of monthly, quarterly and annual reporting. Named persons have been assigned responsibility for maintaining guidelines for financial reporting, which are available for everyone participating in financial reporting.

Utilisation of information technology and investing in the quality of operations play a central role in financial reporting systems.

Finance and Risk Control determine, together with the business operations, the criteria for calculating impairment losses and loss provisions. Risk Control is responsible for the determination of criteria for calculating capital adequacy.

### Risk Control function

Risk Control is independent of the business operations and supports them in the development and maintenance of risk management system and the monitoring of their functioning. The principal component tasks of Risk Control are maintenance of the risk control system, participation in the determination of policies and in the preparation of guidelines for operations, as well as monitoring and controlling the risk position realised, and the related reporting. Risk Control reports to the company's Management Group and, through the Audit Committee, to the Board of Directors.

The goal of Risk Control is, for its own part, to ensure prerequisites for implementing the company's strategy. The function is responsible for scenario and forecast calculations for capital adequacy and, when it comes to credit risk, for loss amounts, among other things.

### Compliance function

The purpose of Finnvera's Compliance function is to ensure that the organisation operates in accordance with rules and internal operating principles. Compliance is a function independent of the business operations that regularly reports on compliance control observations to the company's Management Group and to the Board's Audit Committee.

The Compliance function assists the organisation's management and other functions in managing the risks associated with non-compliance of rules. To this end, the Compliance function provides proactive legal monitoring, control and consulting. The added value produced by the Compliance function is not limited to the management of the legal risk. It also increases the transparency of operations, thereby helping to sustain the trust of the owner, clients and markets.



### The State's responsibility for Finnvera's commitments

Finnvera's objective is to ensure that, in the long term, the expenses incurred in the company's operations can be covered by the income received from operations. If the Government decides to support some of Finnvera's activities separately, the necessary appropriations are included in the State Budget. For instance, the State has made a commitment to Finnvera concerning compensation for the parent company's credit and guarantee losses.

The State's commitments enable Finnvera to take higher risks in domestic operations than those taken by commercial financial institutions. In addition, the Government is entitled to grant State guarantees as security for domestic and foreign loans taken by Finnvera.

The annual profits from domestic financing and export financing are transferred to two separate reserves on Finnvera's balance sheet: the reserve for domestic operations and the reserve for export credit guarantee and special guarantee operations. Losses from domestic operations are covered from the reserve for domestic operations, while losses from export credit guarantees and special guarantees are covered from the reserve for export operations. There is no cross-subsidy between the reserves. At the end of the year, before transfers, the assets of the reserves totalled EUR 1,000 million.

The State's responsibility for export credit guarantees and special guarantees is determined by the Act on the State Guarantee Fund (444/1998). If the losses incurred by these operations cannot be covered by the assets in the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet, the losses will be covered by the State Guarantee Fund's assets that are supplemented, if necessary, with appropriations included in the State Budget.

Moreover, Finnvera's balance sheet includes a reserve for venture capital investments, under non-restricted equity. This reserve is used for monitoring the assets from the European Regional Development Fund (ERDF) allocated to venture capital investments.

### Funding

Finnvera's long-term acquisition of funds takes place primarily by issuing bonds under the Euro Medium Term Note (EMTN) programme of EUR 15.0 billion. The programme is guaranteed by the State of Finland. Both Moody's and Fitch have rated the loan programme. The rating given by Moody's to Finnvera is Aa1 and that given by Fitch is AA+.

As defined in the Act on Finnvera, the outstanding principal of State-guaranteed loans cannot exceed the equivalent of EUR 15.0 billion. At the end of 2019, the principal of the loans guaranteed by the State totalled EUR 9.7 billion (EUR 8.7 billion).

Finnvera uses the funds acquired both for financing export credits and for SME and midcap financing. By means of currency and interest rate swaps, Finnvera converts the funds acquired into euros or US dollars, depending on the final use of the funds. Finnvera trades in currency and interest derivative products only for hedging purposes.

### Communications

Finnvera's external financial communications is based on a separate set of guidelines where the main principles are: relevant information, correctly, promptly, simultaneously and available to all.

In keeping with the guidelines, the Chief Executive Officer is responsible for Finnvera's financial communications. The Finance and Treasury unit is responsible for the generation of financial information. The information is published by the Corporate Communications and HR unit.

### Related party transactions

Finnvera complies with legislation associated with related party transactions and ensures, in accordance with the legislation, that the requirements set for monitoring, assessing, making decisions on and disclosing related party transactions are met.

Finnvera has determined its related parties and the company's Legal Affairs and Administration unit maintains a list of individuals and organisations that are regarded as related parties. Finnvera maintains up-to-date guidelines on the regulation associated with related parties and its monitoring. In addition to procedural guidelines on determining related parties and disclosing information, the guidelines include internal guidelines on related party transactions. The general guideline is that Finnvera refrains from making investments in a company that is its related party according to the Market Abuse Regulation (MAR).

As a rule, Finnvera does not enter into business transactions with individuals regarded as related parties, that is: the company's management and its related parties. If, in exceptional cases, such a business transaction was deemed possible, the decision on this would be made for the company by the Board of Directors on the basis of diligent and impartial preparation.

Transactions between Finnvera and its State owner as well as business transactions within the Finnvera Group are based on special legislation, which defines the procedures to be applied in addition to the Limited Liability Companies Act. If an unusual business transaction in the State group or within the Finnvera Group, outside Finnvera's scope of business operations, was deemed possible, the decision on this would be made for the company by the Board of Directors or the General Meeting of Shareholders on the basis of diligent and impartial preparation.

Finnvera reports on material related party transactions and loans and receivables annually on its financial statements in accordance with accounting regulations. In the financial statements, related parties include the following: the parent company, its subsidiaries; the Ministry of Economic Affairs and Employment; the Ministry of Finance; and companies outside the Finnvera Group where the State holds the majority of shares and where the Ministry of Economic Affairs and Employment exercises ownership steering. Related parties also include the members of the Supervisory Board and the Board of Directors, the Chief Executive Officer, and other members of the Management Group.

### Internal auditing

Internal auditing supports Finnvera and its executive management in meeting goals by providing a systematic approach for evaluating and developing the functioning and efficiency of the organisation's risk management, control, and managerial and governance processes. Internal auditing consists of independent and objective assessment, assurance and consulting activities, aimed at the creation of added value for the organisation and the enhancement of the organisation's operations.

Finnvera's internal auditing is a function independent of the business operations that audits the sufficiency and efficiency of the internal control system, risk management and administration and management processes. The Board of Directors appoints the person responsible for internal auditing, releases them, and decides on their terms of employment and remuneration. The Board of Directors also approves the action plan for internal auditing annually. Internal auditing reports regularly on audit results and observations to the Audit Committee of the Board of Directors. Auditing is done in keeping with the international professional standards applied in the sector.

## External auditing

Finnvera has a minimum of one and a maximum of two auditors, depending on the decision made by the General Meeting of Shareholders. The auditors must be public accountants or accounting firms authorised by Finland Chamber of Commerce.

In competitive bidding arranged in 2019, the Finnvera Group selected KPMG Oy Ab to serve as its auditor. The auditor with the main responsibility is elected annually by the General Meeting. The Annual General Meeting of 2019 elected KPMG Oy Ab to serve as Finnvera's auditor. The auditor with the main responsibility is Marcus Tötterman, Authorised Public Accountant.

Once every quarter, the auditor participates in the meetings of the Audit Committee of the Board of Directors and draws up a separate semi-annual report to the Board and to its Audit Committee. In addition, the auditor's report is submitted to the Supervisory Board.

The Financial Supervisory Authority monitors Finnvera's bond issues. In other respects, Finnvera's finances are supervised by the Ministry of Economic Affairs and Employment's Unit for Internal Audit, applying the standards of the Financial Supervisory Authority. Realisation of the industrial and ownership policy goals set by the Ministry of Economic Affairs and Employment for Finnvera is monitored by the Ministry's Innovations and Enterprise Financing Department, which receives quarterly reports on the attainment of the goals from Finnvera.

The fees paid by the Finnvera Group to the auditors in 2019 totalled EUR 91,000. In addition, the auditing company was paid EUR 73,000 for advisory services.

The Report of the Board of Directors and the financial statements for 2019 can be found on Finnvera's [website](#).



Finnvera improves and diversifies financing opportunities available for Finnish enterprises by offering loans, guarantees and export credit financing. As a State-owned company, Finnvera supplements the financial market and with its operations, promotes the development of enterprises and exports.

[finnvera.fi](https://finnvera.fi)

 **FINNVERA**