

**Finnvera  
Annual Review 2013**



# Contents

Finnvera in brief	4
Role and impact of operations	6
Strategy	12
Financial services	18
Loans	20
Domestic guarantees	21
Export credit guarantees and export credit financing	22
Venture capital investments	23
Advisers also serve regionally	24
Clients	25
Risk-taking	28
Project assessment	34
Turnaround	36
Acquisition of funds	39
Stakeholders	
Cooperation with stakeholders in Finland	40
International co-operation with stakeholders	45
CEO's review	48
Operating environment	51
Key figures	53
Business in 2013	54
Financing for SMEs	56
Export financing	63
Venture capital investments	73
Corporate responsibility	77
Review of corporate responsibility	79

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Materiality analysis	80
Financial responsibility	83
Social responsibility	87
Environmental responsibility	93
GRI index	98
<hr/>	
Introduction	109
<hr/>	
Operating principles	112
<hr/>	
Risk management	115
<hr/>	
Supervisory Board	117
<hr/>	
Board of Directors	118
<hr/>	
Management Group and Corporate Management Team	123
<hr/>	
Regional organisation	126

## Finnvera in brief

Finnvera plc is a specialised financing company, owned by the State of Finland, which supplements the financial services offered by the private sector. Finnvera has official Export Credit Agency (ECA) status.

We enhance the competitiveness of Finnish enterprises by offering loans, domestic guarantees, export credit guarantees and export credit funding as well as interest equalisation and venture capital investments. Our clients are enterprises just starting out and seeking profitable growth as well as those aiming to enter the foreign market or already operating abroad.

We do not issue grants or direct business subsidies; financing is granted for a consideration, and the fees payable by clients correspond to the risk involved. We can provide financing for projects that show opportunities for success.

We obtain the funds needed for credits from the financial market.

Finnvera's operations are steered by the relevant legislation, the obligations laid down in international treaties, and the industrial and ownership policy goals determined by the State.

## The Finnvera group

Export Financing

Finnish Export  
Credit Ltd

SME Financing

Venture Capital  
Investments

Seed Fund  
Vera Ltd  
Veraventure Ltd

Risk Management  
Communications  
and Marketing  
Administration  
Finances and IT

### SERVICE REGIONS

#### SOUTHERN FINLAND

Helsinki  
Lahti  
Lappeenranta

#### WESTERN FINLAND

Pori  
Seinäjoki  
Tampere  
Turku  
Vaasa

#### CENTRAL AND EASTERN FINLAND

Joensuu  
Jyväskylä  
Kuopio  
Mikkeli

#### NORTHERN FINLAND

Kajaani  
Oulu  
Rovaniemi

# Role and impact of operations

## Finnvera promotes enterprise

Through financing, Finnvera promotes SME operations, enterprise export projects and internationalisation, and the realisation of the government's regional policy goals.

The Ministry of Employment and the Economy monitors and supervises Finnvera and sets annual goals for its operations. When determining these goals, attention is paid to the Finnish Government Programme, the Ministry's corporate strategy, the policy objectives concerning the Ministry's branch of administration, and the goals of EU programmes.

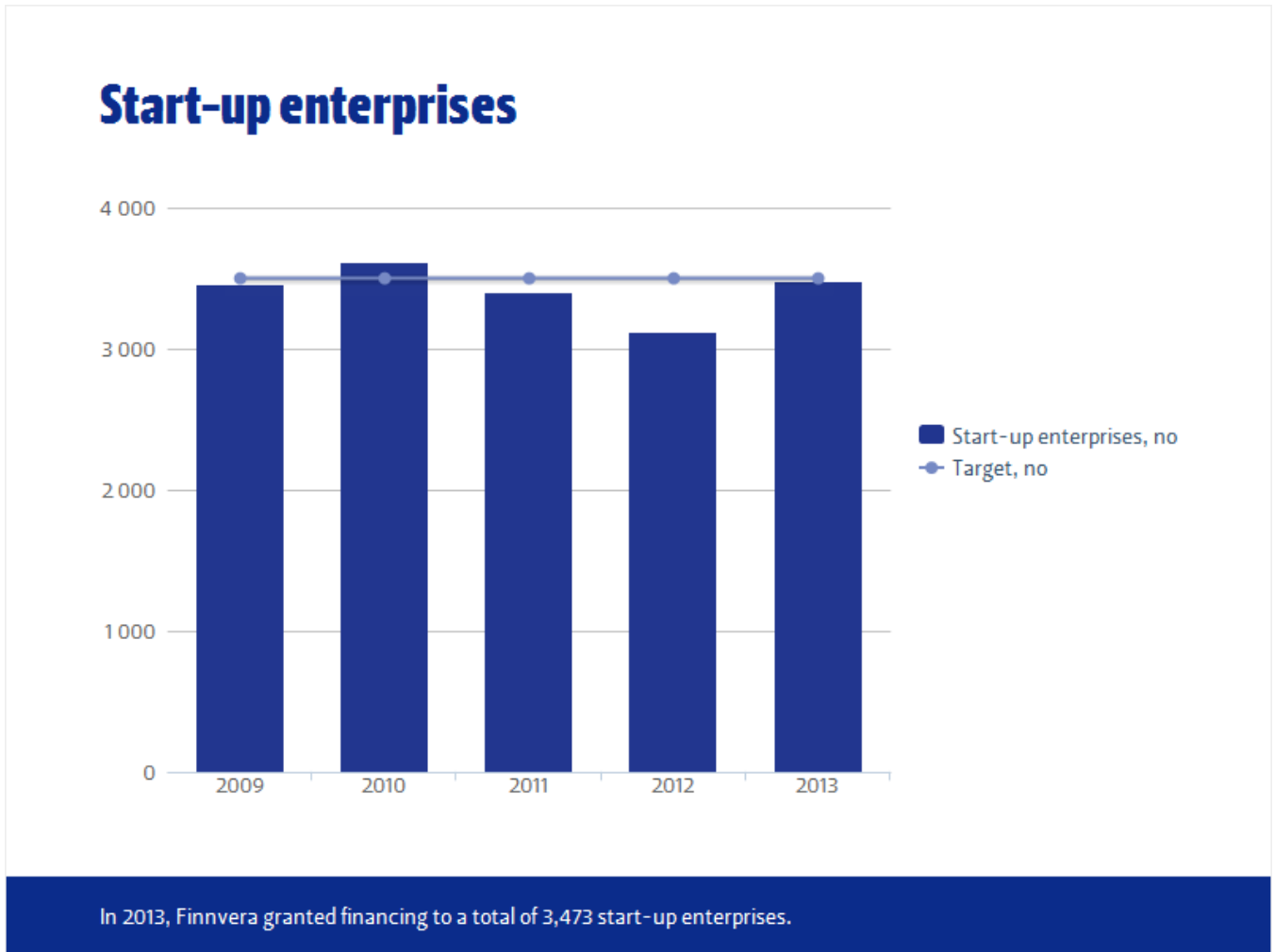
The goals set for 2013 emphasised aspects such as the financing of enterprises starting out and seeking growth by internationalisation as well as the development of export financing services.

The attainment of the goals is measured, for instance, by the percentage of SME financing granted by Finnvera to growth enterprises. In addition, the amount of financing aimed at areas assisted on regional policy grounds, the ratio between exports covered by export credit guarantees and Finland's total exports, and the number of new enterprises and new jobs created through financing by Finnvera are also monitored.

## Assistance in launching and expanding enterprise operations as well as in exports

In an uncertain economic climate, it may be more difficult for starting enterprises to obtain financing from the private financial market. Finnvera can take on more risks than private financial institutions, thereby promoting new enterprise. If Finnvera did not contribute to the financing of start-up enterprises, the consequence could be that fewer enterprises would be established or their growth and development would be considerably slower.

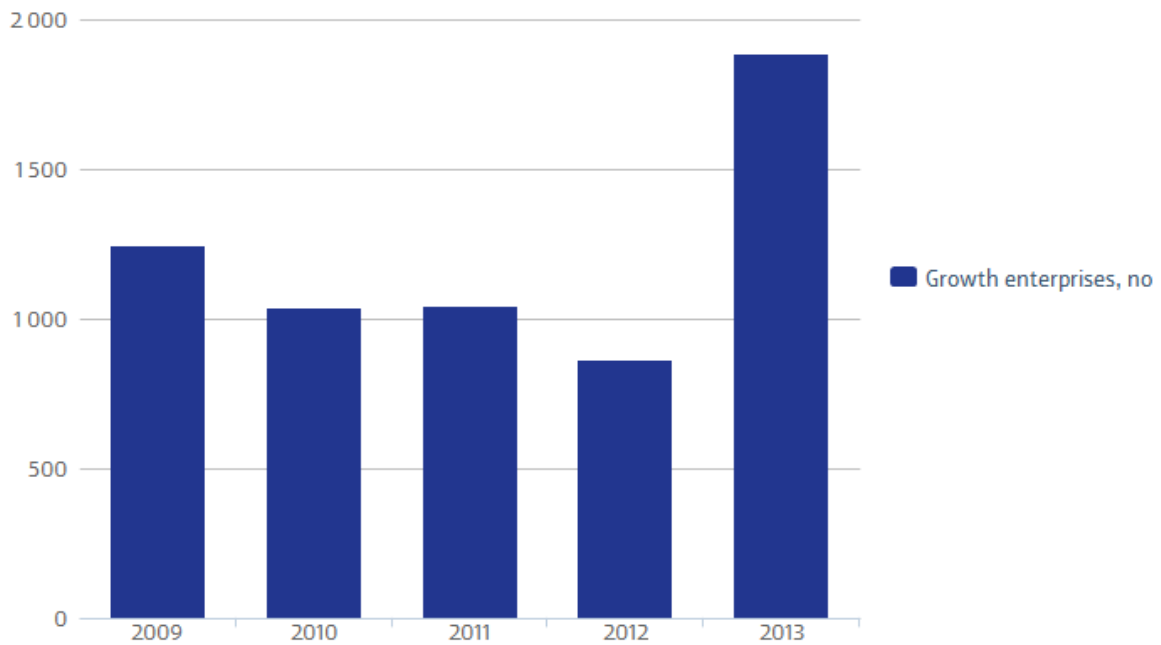
Every year, Finnvera participates in the financing of about 3,500 start-up enterprises. This represents approximately ten per cent of the companies established annually in Finland on average.



In venture capital investments, the goal is to create financing solutions that help early-stage enterprises, within a period of two to five years, to develop into companies that would also attract private investors and financiers. In the medium term, the aim is that start-ups will grow into medium-sized enterprises that contribute to the Finnish economy, for instance, as employers and future export companies.

Finnvera helps SMEs seeking growth through internationalisation to expand their growth by providing financing options for international trade and supporting investments. In the financing of internationalising enterprises, Finnvera can also assume more risk than is normally the case. In 2013, the amount of financing granted to growth enterprises accounted for 50 per cent of Finnvera’s SME financing.

## Growth enterprises



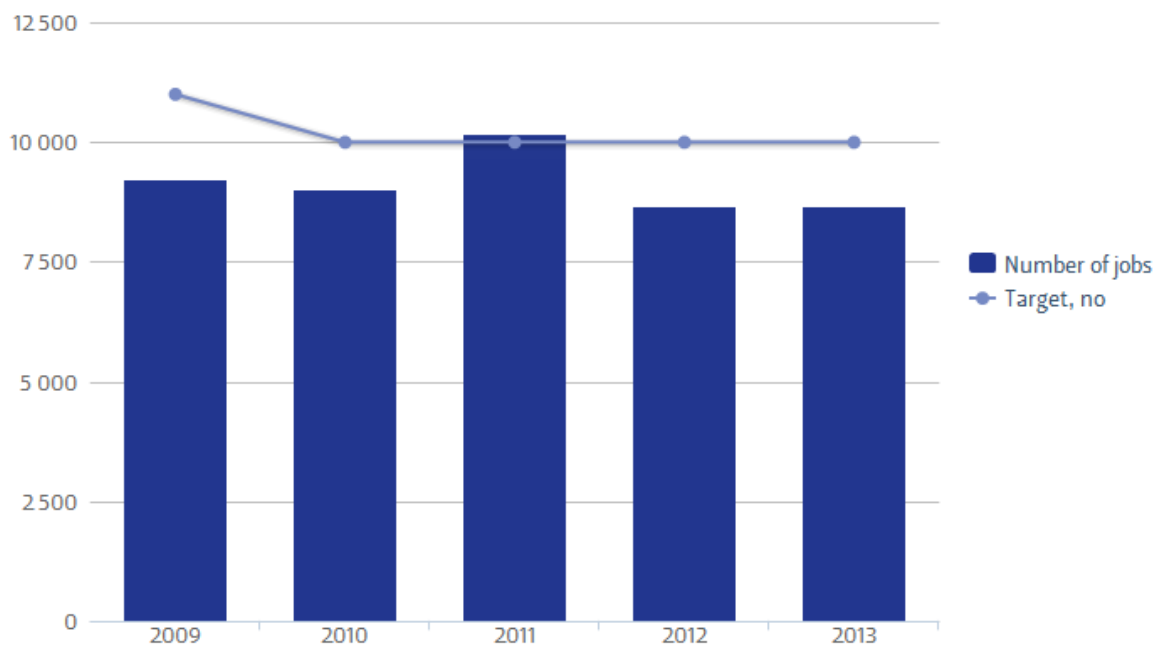
The turnover and/or exports of an enterprise seeking growth through internationalisation will increase 50 per cent by the year 2015. Due to a change in the definition of growth enterprise, the figure for 2013 is not fully comparable to previous years.

For Finnish SMEs concentrating on the domestic market, Finnvera provides opportunities to arrange financing especially in various situations of change, such as changes of ownership. Although these companies do not seek international growth, they play an important role in the Finnish economy, for instance, as employers. By means of financing, Finnvera also strives to alleviate the negative effects of regional restructuring and keep regions viable.

In co-operation with other actors, Finnvera also participates in the planning and implementation of measures to be taken in areas of abrupt structural change, such as when a major employer in the region shuts down its operations. In 2013, there were nine areas of abrupt structural change in Finland, and the financing granted by Finnvera to enterprises in these areas totalled EUR 67 million.



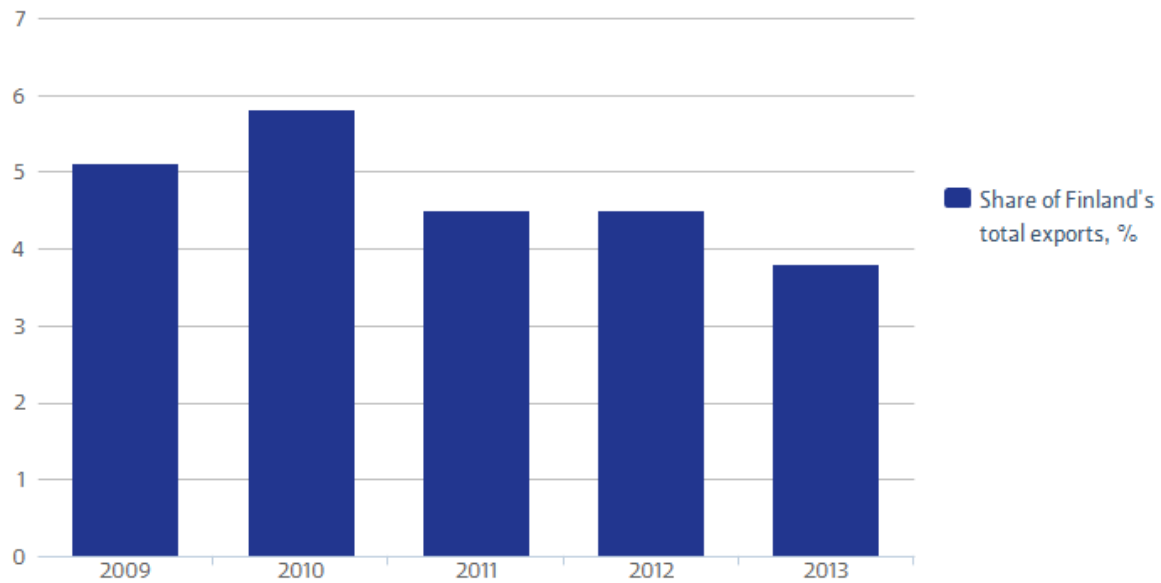
## Impact on employment



In 2013, Finnvera contributed, through its financing, to the creation of 8,663 new jobs in Finland.

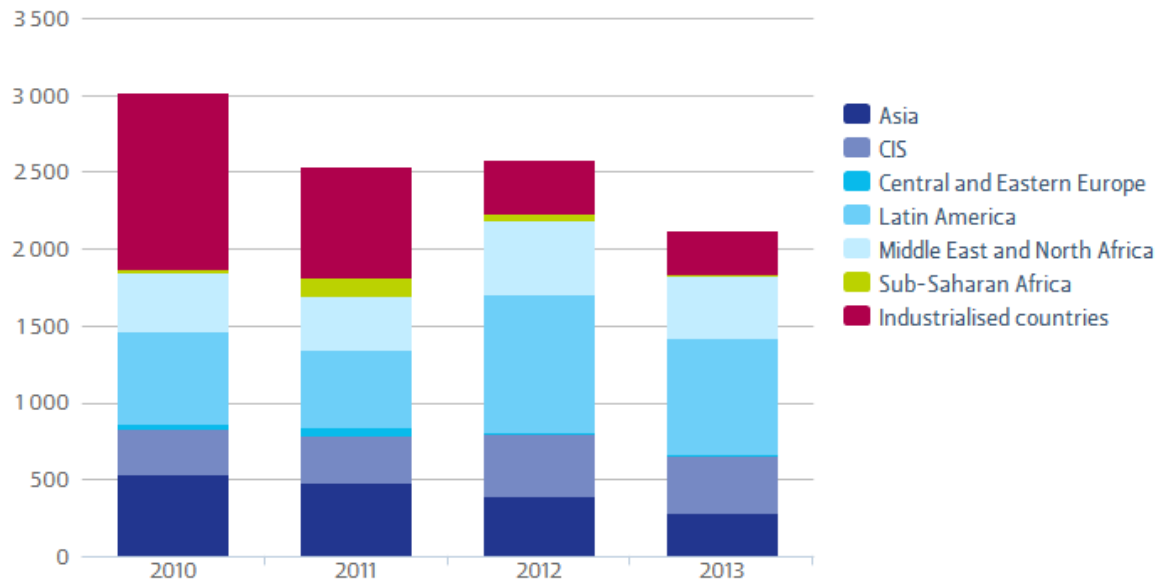
To be eligible for export credit guarantees, exports must meet the requirement of Finnish interest. This means that the export project is viewed from the perspective of the Finnish economy. The arrangement of financing may be a decisive factor in the completion of an export transaction. Export financing indirectly has a major impact on the Finnish economy and, in turn, the well-being of Finns.

## Exports covered by export credit guarantees: Share of Finland's total exports, %



The value of exports covered by Finnvera's export credit guarantees totalled EUR 8,151 million. This accounted for 3.8 per cent of Finland's total exports.

## Foreign risk-taking: Exports covered by guarantees, by region 31 Dec, MEUR



# Strategy

The Acts on Finnvera define the tasks whereby Finnvera influences the development of enterprise and employment in Finland. The industrial and ownership policy goals, confirmed by the Ministry of Employment and the Economy, apply to issues such as the focus and impact of operations, cost-effectiveness and capital adequacy.

Financing is grounded in the Acts and Decrees on Finnvera, the Government's commitment to compensate for some guarantee and credit losses, and in the credit and guarantee policy confirmed by Finnvera's Board of Directors.

**Finnvera's values, vision, strategy and operation system are derived from clients' needs for financing.**

Finnvera carries out its operations in accordance with the service practices defined for client segments and an ISO 9001 certified operating system. The operating system and its effectiveness are evaluated on a regular basis using both internal and external audits. The observations made during the audits help Finnvera to develop the operating system continuously and to address any anomalies.

In 2013, the Finnvera strategy was clarified to state that greater operational focus would be placed on the financing of enterprise growth, competitiveness and internationalisation as well as on improving the financing options for start-up enterprises.

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# Vision, values and strategy in brief

## Mission:

- ▶ By supplementing the financial market and providing financing, Finnvera promotes SME operations, enterprise export projects and internationalisation, and the realisation of the government's regional policy goals.

## Vision:

- ▶ Together with its partners, Finnvera contributes actively to the success of its clients by providing internationally competitive solutions for risk financing.

## Client promise:

- ▶ We help to make client success stories through our expertise and active involvement with the client.

## Values:

- ▶ Finnvera's value statement, An Expert Esteemed by Clients, characterises the company's mode of operations. The company's value base is grounded in trust, partnership and a focus on solutions.

## Finnvera 2018:

- ▶ Desired state: To be a provider of financing for growth, competitiveness and internationalisation whose know-how, services and team play ensure the best possible client experience in the reference group.

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# The strategy aims to achieve a better client experience, effectiveness and team play

## Client experience:

- ▶ We identify market failures and take various economic cycles into account.
- ▶ Our operations are clearly defined, solution-oriented and proactive.
- ▶ Our operations increase Finland's appeal as an operating environment.
- ▶ Our customer service is the best in the reference group.

## Effectiveness:

- ▶ Finnish enterprises progress, grow, internationalise and win markets.
- ▶ In restructuring, new features take shape faster than old ones are phased out.
- ▶ Enterprises have access to an internationally competitive selection of export financing instruments.
- ▶ The impacts on the economy and employment are substantial.

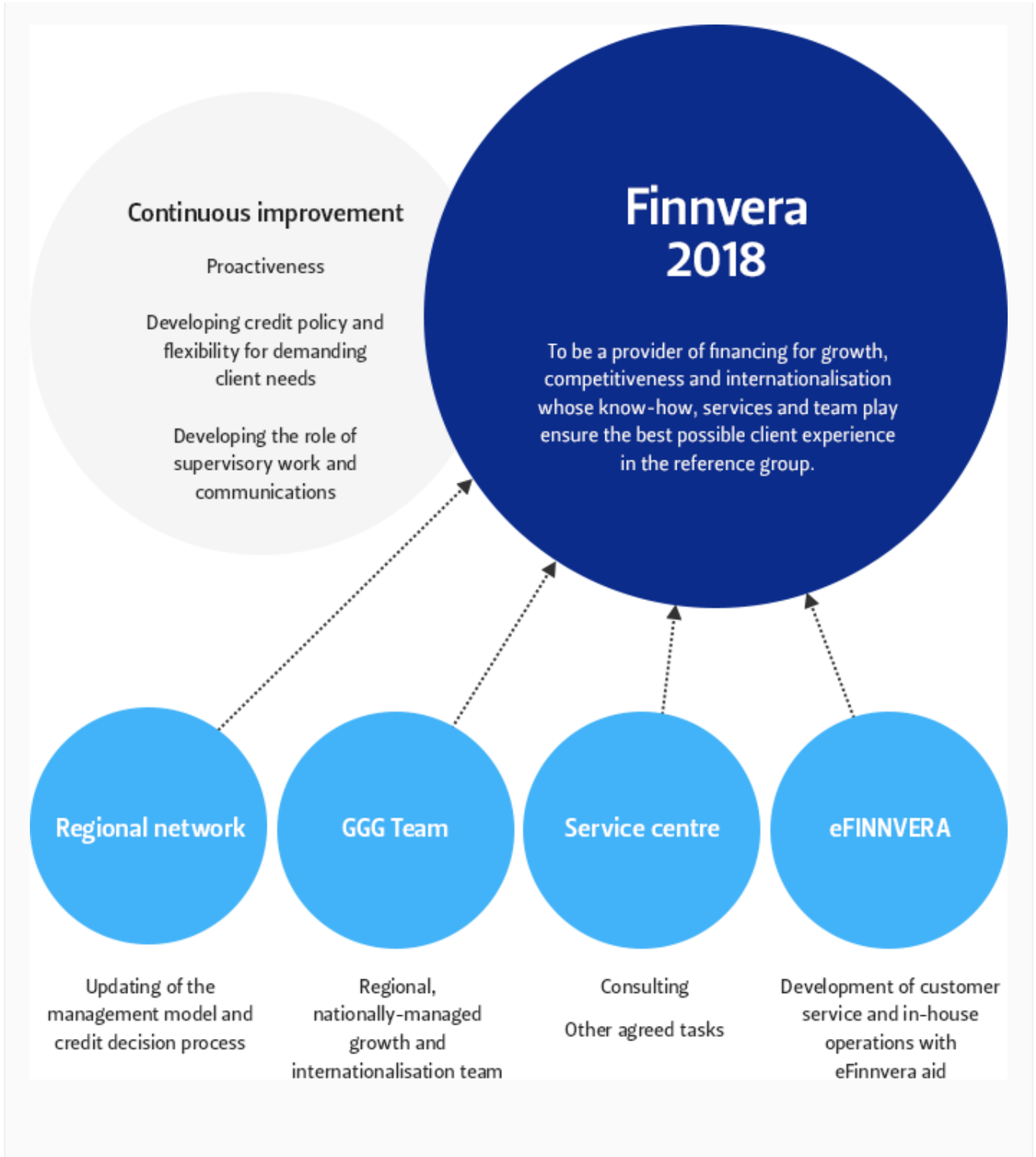
## Team play:

- ▶ A common goal, a single strategy.
- ▶ We take the initiative and give our all for the team.
- ▶ We raise productivity and customer satisfaction through efficient practices and online management.
- ▶ We ensure that our services are internationally competitive by constantly developing our organisation and personnel.

## Evolution of Finnvera's strategy

The focal point of the world economy is increasingly shifting from developed countries to developing markets. Global competition is becoming tougher, making strategic choices and the ability to realise them absolutely crucial to an individual company's competitiveness.

In Europe, the banking market will continue to serve as the backbone of SME financing, even though, after the last decade, this market represents the "new normal" with regard, for example, to the price of financing. New forms of financing, such as investment funds and SME bonds, are being developed alongside the banking market.





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## Constant strategy work

Finnvera's strategy is updated annually. The process starts early in the year when the company's Board of Directors reviews the attainment of the goals set for the previous year and holds a preliminary discussion dealing with new goals. The background information needed for the work is obtained from environmental analyses, client enquiries and -expectations, personnel enquiries, monitoring of competitors' activities and from the [external evaluation](#) conducted on Finnvera most recently in 2012.

The Ministry of Employment and the Economy corporate strategy is completed annually at the end of February and forms the basis for Finnvera's strategy work. The divisions and units then derive their own annual goals from the company's goals. These are specified in the autumn, during annual planning and budgeting, taking into account the economic and ownership policy goals set by the Ministry of Employment and the Economy for Finnvera. Finnvera's Board of Directors confirms the strategy and annual goals in December.

## Implementation of our strategy for 2013

Around one out of every five Finnish enterprises with outside financing are clients of Finnvera. 3 473 enterprises started their operations with the help of financing from Finnvera, and 1 886 enterprises seeking growth through internationalisation received partial financing from Finnvera. In the financing of start-up and internationalising enterprises, Finnvera can assume more risk than is normally the case, as the State will compensate a higher percentage of the losses incurred than with other financing. Assuming greater risk can mean, for example, weaker collateral or a higher financing percentage.

Finnvera's financing includes State aid, and the intention is that Finnvera does not replace bank financing or compete with banks. In order to prevent the distortion of domestic competition, Finnvera makes every effort to avoid long-term client relationships where enterprises established on the domestic market are concerned, guiding them towards market financing.

As in competitor countries, Finnish export enterprises producing capital goods strive to win deals with comprehensive solutions, which involve the long-term financing required by foreign buyers. As in other countries, Finnvera ensures the competitiveness of these export enterprises by offering not only export credit guarantees, but also financing the export credits granted to foreign buyers by banks.

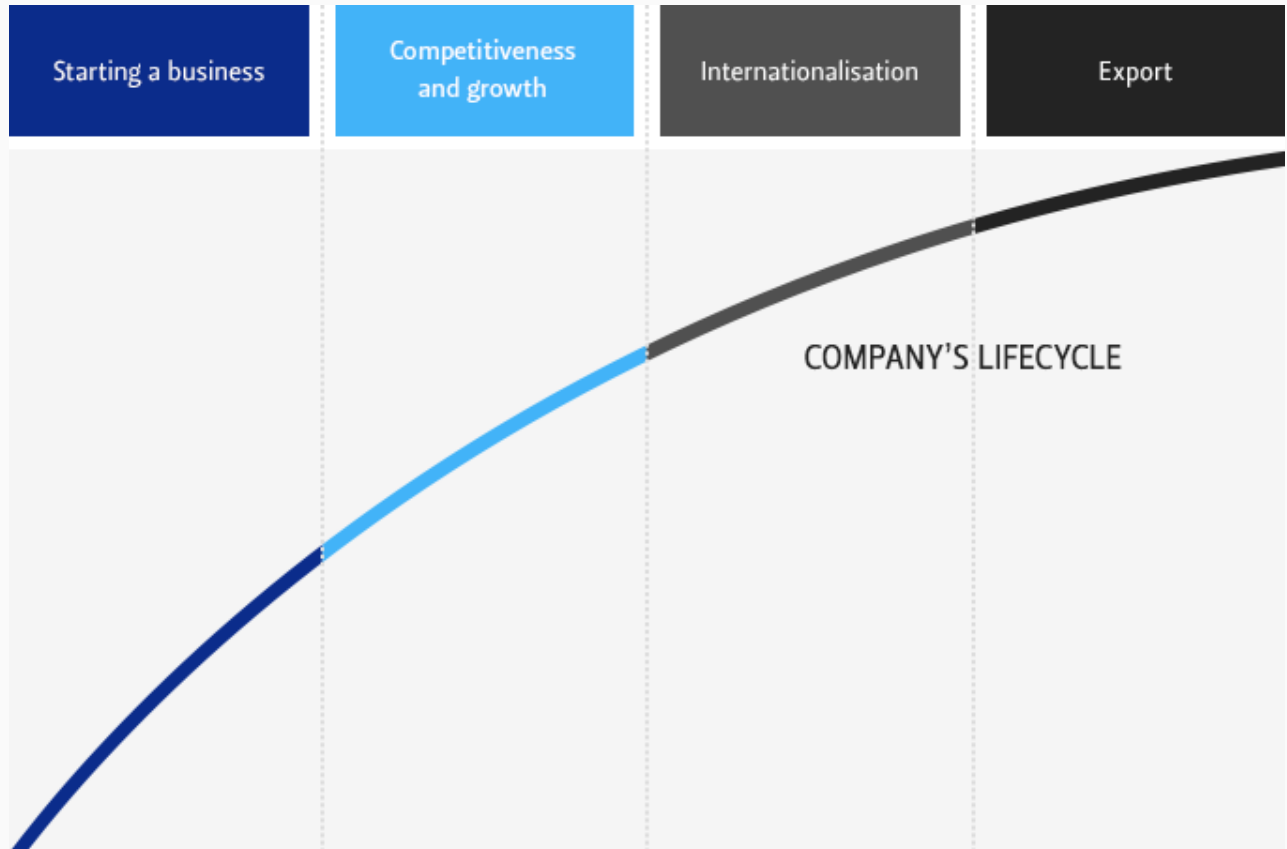
# Financial services

Finnvera can contribute to the financing of enterprises that are starting out, seeking growth, entering foreign markets or already operating abroad and that have the potential for profitable business. Finnvera's loans and guarantees are available for enterprises which have the potential for success. We want to be involved in start-up enterprises as well as various change situations where the aim is growth, internationalisation or reform, such as in a generational transfer or other company reorganisation. Financing is based on the assessment of the company's credit rating and risk sharing with other providers of financing.

Through its export financing services, Finnvera offers enterprises the opportunity to protect themselves against risks associated with the export trade. Finnish Export Credit Ltd, a subsidiary of Finnvera, provides financing for export credits and administers the interest equalisation system for officially supported export credits and domestic ship financing.

Finnvera makes venture capital investments through its subsidiaries Veraventure Ltd, Seed Fund Vera Ltd and, up until December 2013, Matkailunkehityksen Nordia Oy.

# A company's lifecycle and Finnvera's financial services



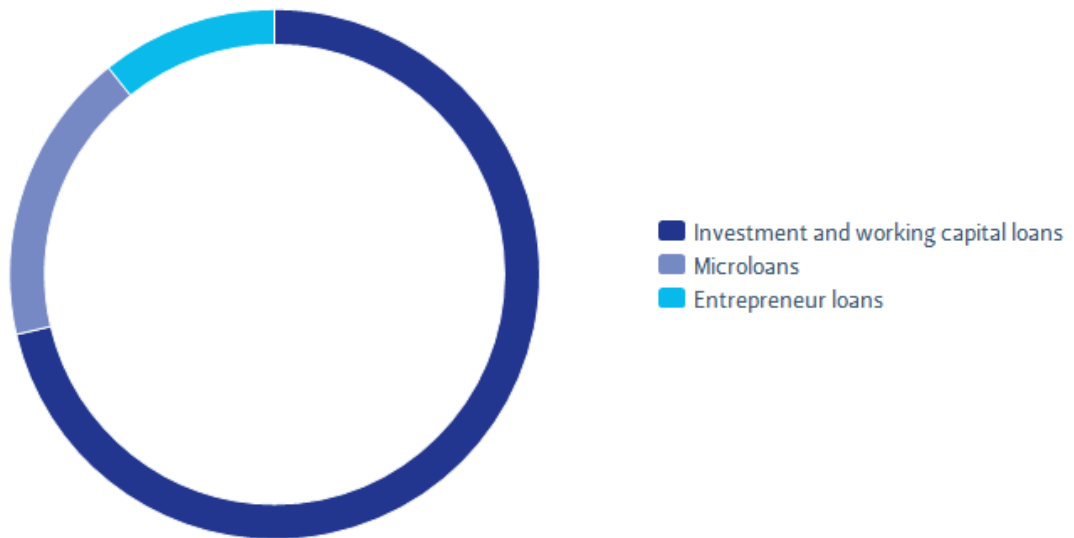
## PRODUCTS FOR EXAMPLE

<ul style="list-style-type: none"><li>▶ Loans and guarantess</li><li>▶ Venture capital investments</li></ul>	<ul style="list-style-type: none"><li>▶ Loans and guarantees</li></ul>	<ul style="list-style-type: none"><li>▶ Loans and guarantees</li><li>▶ Capital investments</li><li>▶ Export credit guarantees</li></ul>	<ul style="list-style-type: none"><li>▶ Export credit guarantees</li><li>▶ Export credit financing</li><li>▶ Interest equalisation services</li></ul>
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# Loans

Finnvera provides loans for various purposes: the establishment of a company, investments, growth and other development of operations.

## Loans granted in 2013 by product, MEUR

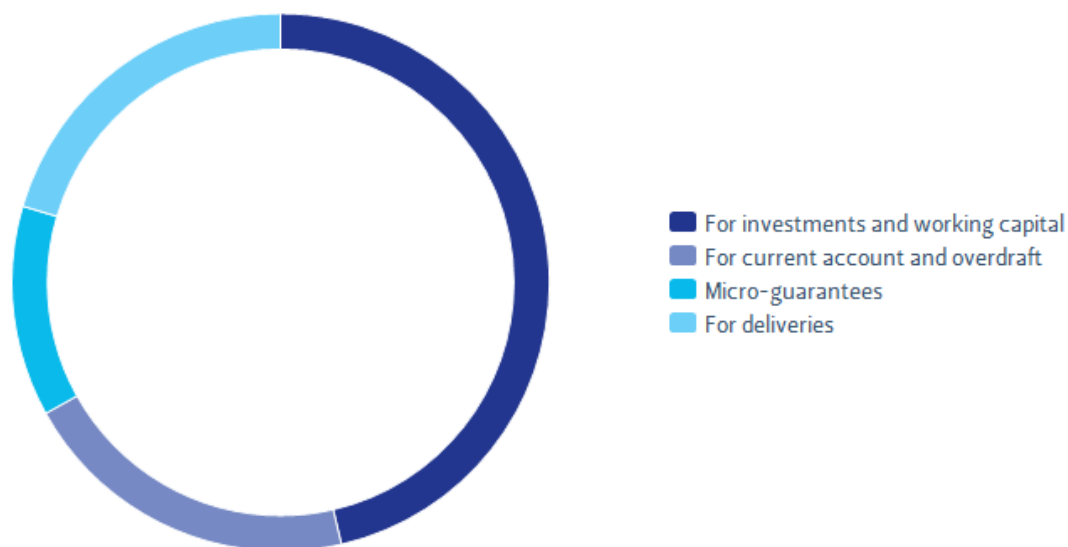


## Domestic guarantees

Finnvera can provide guarantees for various situations in a company's life, such as its establishment, investments, growth or trade.

An SME can use Finnvera's guarantees as security for credits granted by banks and financing or insurance companies as well as for other commitments.

### Guarantees granted in 2013 by product, MEUR



# Export credit guarantees and export credit financing

Finnvera's diverse selection of export credit guarantees provides exporters and financiers with solutions for covering payment risks in export trade and for easing financing problems.

## Venture capital investments

Public, early-stage venture capital investments are concentrated in the Finnvera Group. Finnvera makes direct investments in innovative early-stage enterprises and develops regional venture capital investment by investing in regional equity funds organised as limited companies and in Vigo accelerator funds.

In accordance with Ministry of Employment and the Economy policy, Finnvera will phase out its investment fund activities and Tekes has begun making preparations for launching these activities. Finnvera will continue its direct investment activities in early-stage, technology-intensive small enterprises with initial and follow-on investments until the end of 2017.

In venture capital investments, Finnvera's financing products are direct share capital investments and subordinated loans. The investments are made as minority investments. The fund's holdings range from 10 to 40 per cent. The maximum initial investment is EUR 500,000.

## Advisers also serve regionally

Finnvera has a network of 15 regional offices. Regional offices offer financing solutions in co-operation with other public and private providers of financing.

In micro-financing, Finnvera works in close co-operation with regional business advisory organisations, such as the Enterprise Agencies and municipal business companies.

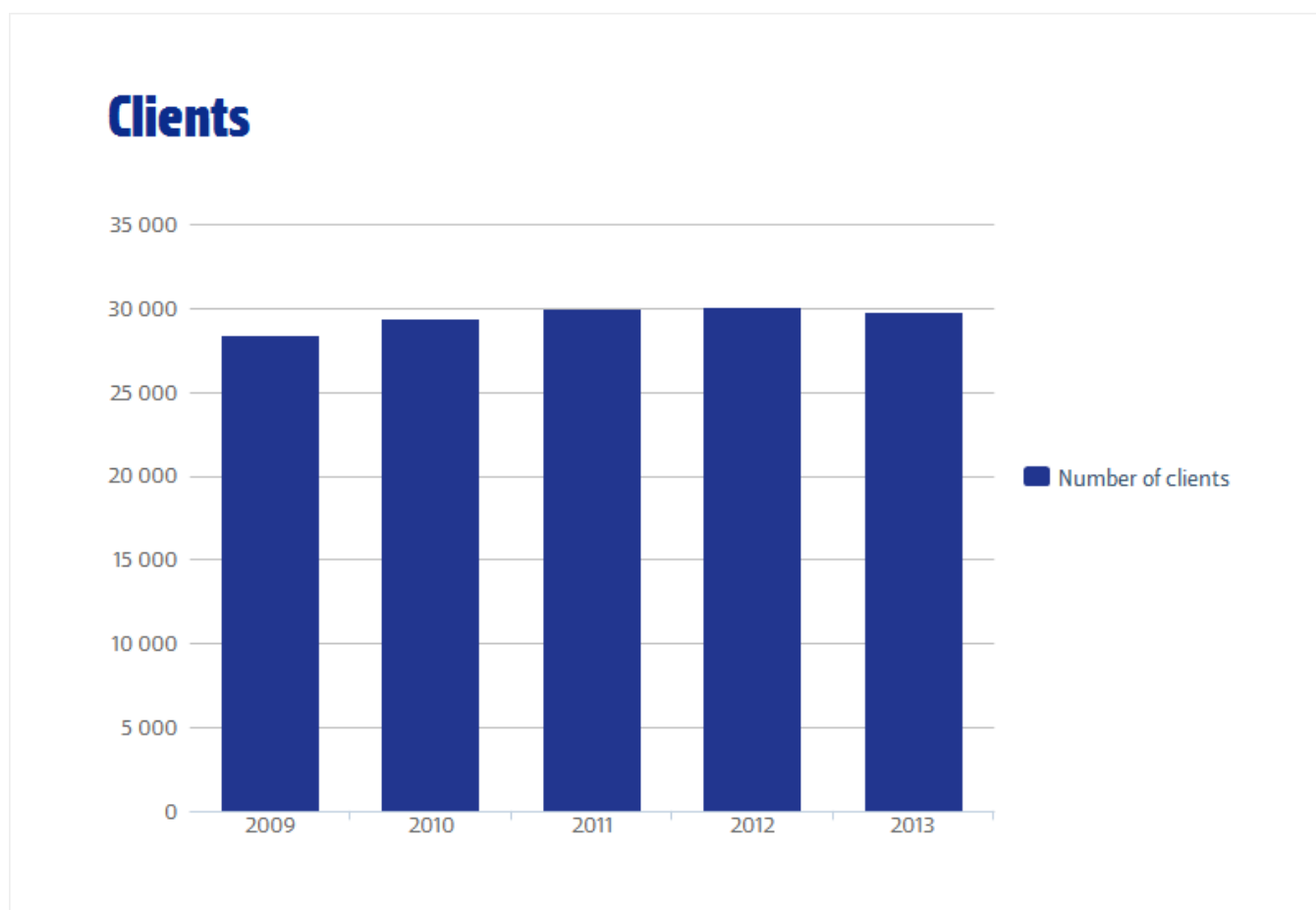
In 2013, these co-operation partners issued 1,102 statements on eligibility for financing, thus speeding up the processing of financing applications. Co-operation with banks in the financing of small enterprises was also active. In 2013, the volume of micro-guarantees granted by Finnvera to banks as security for their credits to small enterprises was 20 per cent over the previous year.

The Export Financing Unit serves large export companies operating in Finland and is responsible for Finnvera's foreign risk-taking. Together with Finnish and international financing providers, the Unit's advisers work in Helsinki and provide export financing services to export enterprises and their foreign buyer clients.



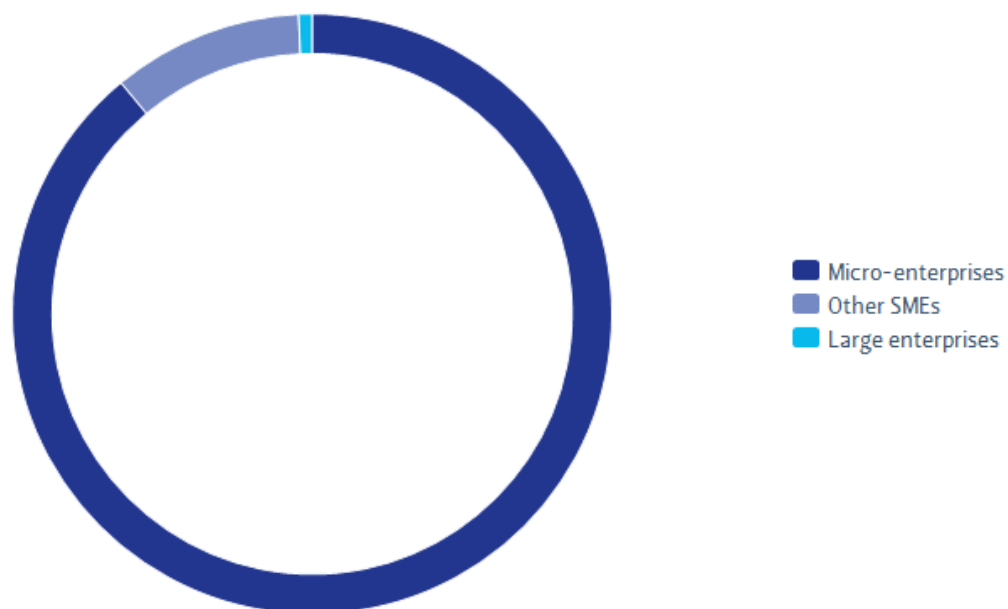
# Clients

The number of Finnvera clients remained at around the 30,000 mark, totalling 29,715 at the end of the year. Of these, 69 per cent were micro-enterprises, 10 per cent were other SMEs, just under 1 per cent were large enterprises and 20 per cent were entrepreneurs who had been granted, for example, an Entrepreneur Loan for investment in share capital or for their contribution to a partnership. The most significant increases in client numbers took place in the regions of Tampere, Jyväskylä, and Kuopio.



Finnvera's clients are both Finnish start-up micro-enterprises and SMEs operating on the Finnish market or seeking growth through internationalisation. The clients of the Export Financing Unit are large Finnish enterprises engaged in the export trade, their foreign buyers and domestic and foreign banks providing financing for exports.

## Clients by enterprise size 31 Dec 2013, %



Enterprises need outside financing for various situations, such as starting up a business, enhancing competitiveness, growth and internationalisation or export activities. Finnvera can participate in an enterprise's financial arrangements when the enterprise has the prerequisites for profitable business but is unable to obtain financing from the commercial market due to, for example, insufficient collateral. Export financing services enable export transactions and provide protection against the associated risks.

## Case

## Finnvera's financing gives Tamturbo's competitiveness a boost

Tampere-based Tamturbo has enhanced its operations and competitiveness thanks to Finnvera's financing. Finnvera's financing solutions have been applied in every phase of Tamturbo's operations.

Tamturbo manufactures direct drive oil-free air turbo compressors for use in demanding industrial applications. Tamturbo's customers outside the Nordic countries are existing compressor manufacturers, while in the Nordic countries its products are made available to end customers through a retail network. The company was founded in 2010, and Finnvera has been involved in its financing since the very beginning.

"Finnvera's financing has helped us in every phase of the business: from launching operations to product development and enhancing competitiveness," explains Managing Director Jaakko Säiläkivi.

A Finnvera Entrepreneur Loan, bridge financing for Tekes product development aid and venture capital investments through Finnvera subsidiary Seed Fund Vera, among other things, were used in developing the company's operations. Säiläkivi is satisfied with the co-operation.

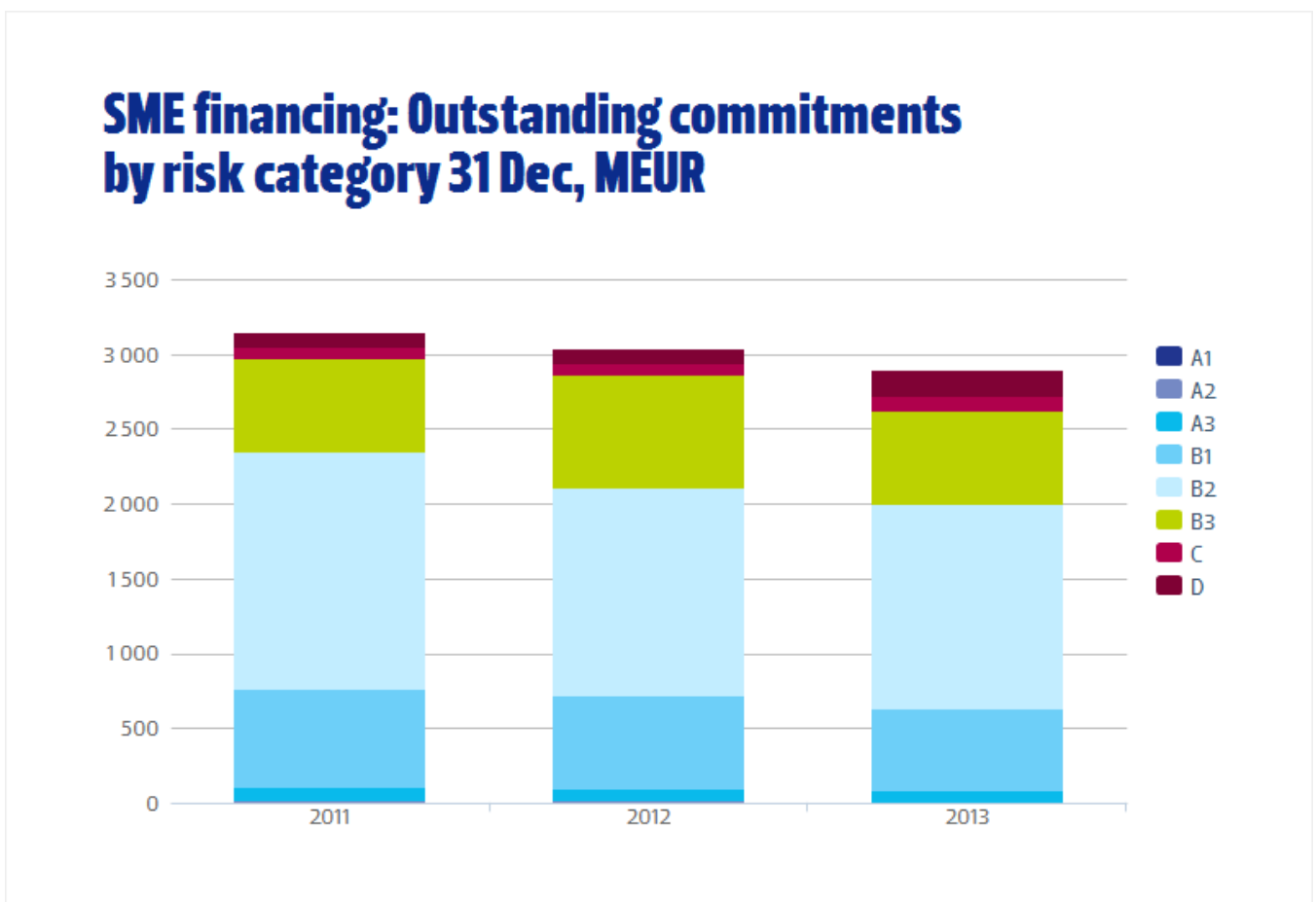
"The financing from Finnvera and Seed Fund Vera has had a major impact on the improvement of our company's operations and competitiveness. In the future, we will continue to use Finnvera's financing services, for instance by participating in the SME Export Finance Programme."

# Risk-taking

Controlled risk-taking is an integral part of Finnvera’s operations. According to the goal of self-sustainability set for Finnvera’s operations, income received from commercial operations must, in the long run, cover both the company’s own operating expenses and the credit, guarantee and export credit guarantee losses for which it bears responsibility.

Ultimately, Finnvera operates under the aegis of the State and is capable of assuming greater risk than private financial institutions. The State compensates Finnvera for about half of the credit losses incurred in SME financing. Any losses resulting from these operations are covered from the fund for domestic operations on the balance sheet. As stipulated in a Government decision issued in 2012, the State would compensate 75 per cent of the losses incurred from financing granted to start-up and growth enterprises.

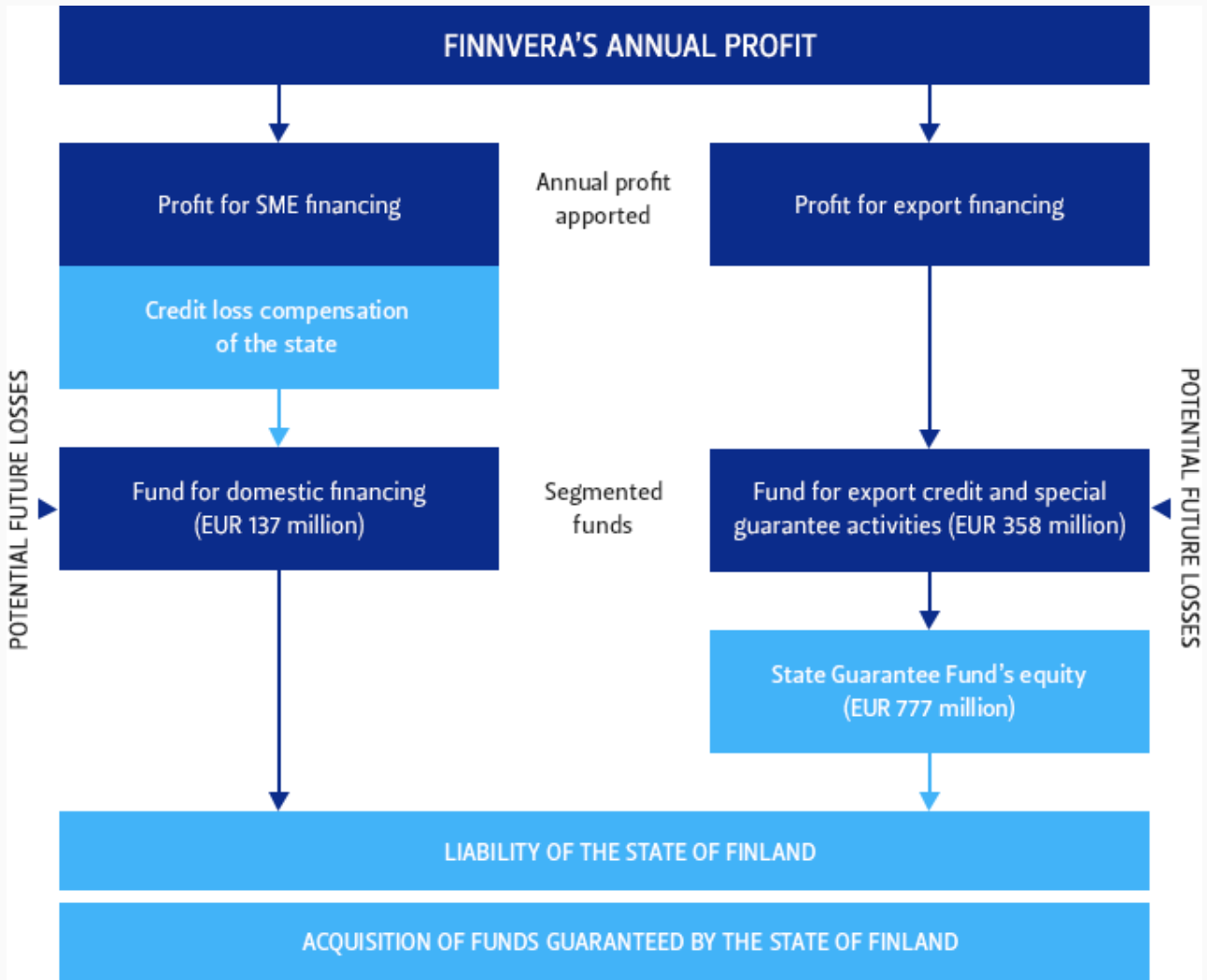
The risks involved in financing are shared between Finnvera and other providers of financing. Finnvera grants loans and guarantees almost always without securing collateral and bases its financing on the assessment of risks and the enterprise’s potential for success.



The financing offered by Finnvera is priced on the basis of the assessment of the borrower's business risks and the collateral available. In recent years, Finnvera has increased its risk-taking both in the financing of companies' domestic operations and in the financing of exports. The uncertain economy has somewhat weakened the client companies' financial situation, which is shown by an increase in the relative share of both non-performing receivables and arrears. Every year, Finnvera's materialised credit losses have been about 2 to 3.5 per cent of the outstanding commitments. In 2013, the credit and guarantee losses in SME financing and impairment losses on receivables totalled EUR 99 million (113 million).

Any losses from export financing are covered primarily from profits earned in previous financial years that have been transferred to the fund for export financing on Finnvera's balance sheet.

# Financial liability of the State of Finland for Finnvera's operations



In recent years, exports covered by Finnvera's export financing have accounted for an increasing share of all exports. Export credit guarantees are used to cover both political and commercial risks.

The pricing of export credit guarantees is based on the risk category reflecting the relevant credit risk. In 2013, exports covered by guarantees accounted for 3.8 per cent of total exports and 8.2 per cent of exports to countries with political risk. In 2013, losses and provisions for losses in export credit guarantee and special guarantee operations amounted to EUR 11 million (10 million).

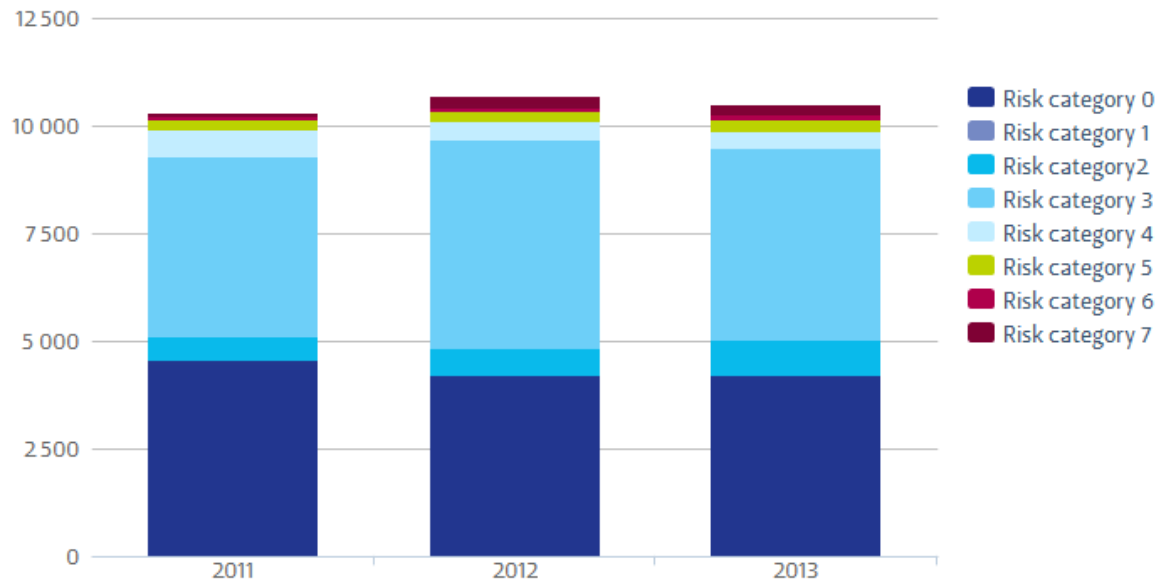
Economic growth dropped off throughout the world in 2013. The central banks of developed countries are still supporting economies through record low interest rates. In the summer, it was predicted that the American economy would rebound and the Federal Reserve would tighten its monetary policy. This resulted in a contraction of capital movement on emerging markets, thus putting pressure on national currencies. The currencies of several countries saw a drastic decline.

There were already signs of slowing economic growth on emerging markets in the most populous countries, i.e. China, India and Russia. Weak growth and high unemployment figures have kept inflation under control in developed countries, while there was some concern about deflation in the euro-zone.

The unrest in the Middle East and North Africa shows no signs of subsiding. The spread of political turbulence is still a threat. The risk categories of countries in the region dropped during the year: the country classification for politically chaotic Egypt dropped to Risk category 6 (6/7), as opposed to its rating in the years before the crisis (3/7).

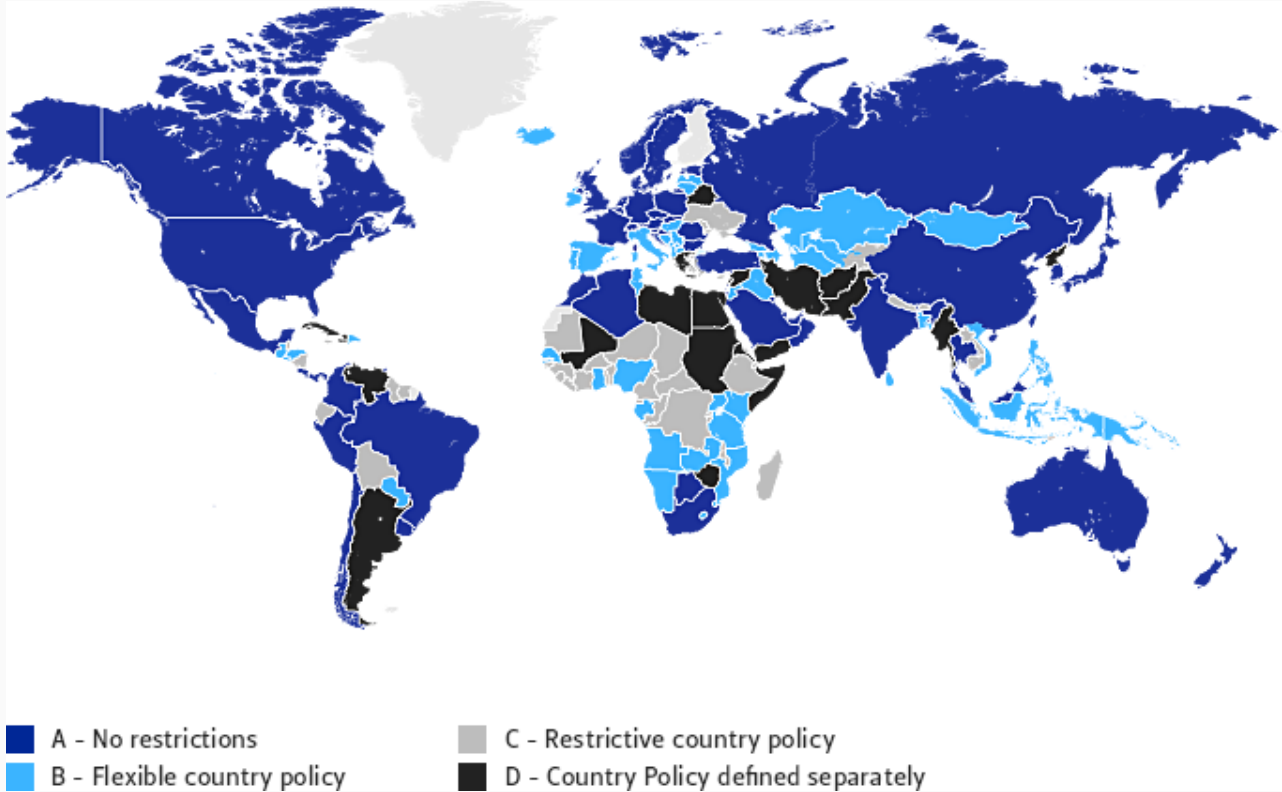
While the rest of the world suffered from weak economic growth, many African countries managed to turn their economies around, enjoying stronger growth. This growth is promoted by foreign investments as well as being released from decades of debt burden through debt rescheduling with public creditors.

## Foreign risk-taking: Outstanding commitments by country category 31 Dec, MEUR





## Finnvera's country classification on 31 Dec 2013



In Finnvera's country policy, countries are divided into four groups: A, B, C and D. Countries belonging to groups A and B have a wide range of guarantees available, whereas countries belonging to groups C and D are subject to restrictions on acceptable counterparties and payment periods.

# Project assessment

## Enterprise analysis is the cornerstone of SME credit risk management

In connection with each decision for financing, Finnvera assesses the applicant's prerequisites for profitable business. Opinions given by Finnvera's regional co-operation partners are used as help when assessing the business of small start-up enterprises.

Enterprise analysis entails a comprehensive investigation and understanding of the enterprise's business: confidential discussions between the entrepreneur and Finnvera on the enterprise's plans, current status, future expectations and financing needs.

This meeting, any other material available, and Finnvera's own knowledge of financing and the sector concerned help formulate an idea of both the preconditions for granting financing and the risks involved. Whenever necessary, Finnvera negotiates with other financiers in order to find the best possible overall solution for financing. A discussion is also held with the entrepreneur concerning what an increase in the subordinated loan capital means for the entrepreneur personally.

Enterprise analysis is one of the cornerstones of Finnvera's credit risk management. Its importance is emphasised particularly during economically challenging times.

The experience gained from enterprise analysis and numerous similar projects help in responding to difficult situations in a timely manner. The earlier an enterprise's business challenges are identified and addressed, the better the chances are for that enterprise to enjoy a profitable business in the future.

Some of the financing granted by Finnvera requires a personal guarantee from the entrepreneur and collateral from the enterprise. However, Finnvera does not base its financing decision on the collateral available from the enterprise, but rather an assessment of the enterprise's business potential.

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## **The country policy and country classification system form the basis for an overall assessment**

Finnvera makes an overall assessment of the risks included in the export transaction for which the guarantee is applied. Finnvera's country policy and the eight country risk categories (0–7) form the basis for project assessment. For the country policy, Finnvera analyses the business environment and financing sector in the buyer's country, the government's solvency and the associated risks.

For each project, the following factors are analysed: the financing structure; the creditworthiness of the borrower and/or buyer; and the factors arising from the host country and the operating environment.

The separately conducted environmental review focuses on the level of environmental protection measures associated with the project carried out in the host country and any risks that may be involved. The review is based on environmental studies conducted on the project. The project is benchmarked against the host country's national environmental norms and international standards.

# Turnaround

## Professional help also in difficult times

The monitoring of client companies' financial and operational situation is part of Finnvera's risk management. If financial problems are observed, these are discussed together with the client and other financiers. This is referred to as "turnaround".

Finnvera's aim is to respond to any weakening in the client enterprise's situation as early as possible for securing its own claims. If the enterprise's normal development measures do not produce the desired results, there is cause to consult outside professionals. Finnvera's in-house turnaround experts also help in finding assistance. In 2013, Finnvera put out a tender for providers of turnaround consulting services and LIBRs.

In the best of cases, turnaround means that the enterprise solves its financial difficulties and continues its operations profitably and competitively.

For Finnvera, successful turnaround means smaller credit losses. Rapid and expert turnaround is also good for society: it can help the company to avoid bankruptcy and loss of jobs.

It must be accepted, however, that not all enterprises can benefit from turnaround, especially if the problems have not been addressed early enough. In a difficult economic situation, it is particularly important to ensure that the company's own reporting is up to date, that it is reliable and that operations are predictable.

The extended economic downturn may have, for example, led to situations where the client enterprise is able to manage the interest of its loans but cannot make any investments, develop its operations or internationalise. The enterprise is also very susceptible to various external factors, such as a rise in interest rates. Attitude is key in a turnaround. Together with other providers of financing, Finnvera seeks financing solutions for enterprises wanting to advance, provided that the enterprise has secured its equity and the turnaround plan is realistic.

Enterprises are also expected to show their own initiative: the enterprise and its shareholders must be committed to the agreed measures. Turnaround is often done with the advice of competent, experienced consultants, experts in financial administration, and lawyers. Technically, turnaround can be implemented in three different ways:

- ▶ voluntary turnaround
- ▶ official restructuring as referred to in the Restructuring of Enterprises Act
- ▶ controlled bankruptcy.

Of these three, voluntary turnaround and restructuring are the most commonly used methods. In cases involving a controlled bankruptcy, an insolvency lawyer and Chief Restructuring Officer (CRO) form a natural working partnership. In major bankruptcy cases, it is typical for viable parts of the business to be realised. In such cases, the independent business opinion of a CRO concerning available financing is needed in addition to the legal counsel of a lawyer.

## Case

## Turnaround measures helped an export company seeking growth

The example company lost a large part of its turnover with the closure of two key customers, and turnover dropped to EUR 10 million. The company did not respond to the situation, attempting instead to adjust to the change in turnover.

However, insufficient monitoring systems and sales management led to a crisis situation, and the company filed for restructuring. Requirements on the expansion of ownership, development of Board functions and the use of a Chief Restructuring Officer were included in the company's restructuring programme.

The company suffered from a product selection that proved to be wrong for the company and it invested in new export opportunities. Once the monitoring systems started to produce the right data, there was a restoration of stakeholder trust and functional communication. Compliance with the restructuring programme got off to a good start and the company, which had been written-off, began to show a profit.

# Acquisition of funds

Finnvera's long-term acquisition of funds takes place by issuing bonds and other debt instruments on capital markets.

Finnvera obtains long-term financing primarily by issuing bonds under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. The loan programme received the highest possible credit rating from both Moody's and Standard & Poor's.

The loan programme enables a rapid response to Finnvera's funding needs and to changes on the market. In addition, the loan programme conforming to international capital market practices strengthens Finnvera's position among investors. The aim is to diversify the acquisition of funds between various currencies and investor sources.

In June, Finnvera issued a three-year floating rate loan of USD 300 million (approx. EUR 226 million) under the programme. In October, Finnvera launched a SEK 2 billion (approx. EUR 228 million) floating rate note, which will mature in just under five years.

Finnvera uses the funds acquired both for SME financing and for financing export credits. 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, interest and derivative products only for hedging purposes.

# Stakeholders

## Cooperation with stakeholders in Finland

Finnvera works in close co-operation with other public organisations providing enterprise services, such as within the Enterprise Finland and Growth Track (Kasvuväylä) service concepts. In addition to Finnvera, the service concepts include the Centres for Economic Development, Transport and the Environment (ELY Centres), Tekes, Finpro, Finnish Industry Investment and a few other actors. Co-operation is particularly close with private providers of financing, such as banks, non-life and pension insurance companies, and venture capital investors.

Finnvera has co-operation agreements with several organisations promoting enterprise, such as the Federation of Finnish Enterprises, the Finnish Family Firms Association, and Women's Enterprise Agency. The goal of co-operation is to increase awareness of Finnvera and to promote the acquisition of clients and demand for financing.

Finnvera's Regional Offices have their own regional committees consisting of business managers and representatives of organisations in the region. In addition, the Head Office and Export Financing have their own committees. The goal of committee work is to increase interaction between clients and Finnvera. The regional committees will be discontinued in 2014 and the Head Office committee will become the Finnvera committee. It will serve as an interactive channel between clients and Finnvera, representing its clientele and key stakeholders of all sizes, sectors and geographical expanse. Regional interaction with clients is being developed in other ways.

Finnvera also maintains open and active relations with the media and arranges meetings with representatives of the media both regionally and nationally.



## Finnvera's domestic stakeholders



## Close co-operation on events

In 2013, as part of Enterprise Finland, Finnvera participated in the Oma Yritys 2013 event. Finnvera also contributed to a conference for experts in enterprise and ownership arrangements, Omistajanvaihdos 2013, held in the autumn. Finnvera also participated in the Finnish Family Firms Association Perheyrittäjästapahtuma event at Finlandia Hall.

For several years, Finnvera has cooperated with the Federation of Finnish Enterprises and its regional and local organisations. The main event is the annual entrepreneur conference Valtakunnalliset Yrittäjäpäivät, in which Finnvera also participates as a co-operation partner. In 2013, the event was held in Lappeenranta. The internationalisation-related theme at the event was "Ylitä rajasi" ("Expand your horizons"), which drew over 1,500 participants.

Finnvera was also involved in the Federation of Finnish Enterprises "Ravistajat" ("Movers and shakers") campaign, which seeks Finnish enterprises making the biggest impact in their respective fields. A panel of experts will choose the top enterprise "mover and shaker" from ten finalists in the spring of 2014. Finnvera's representative on the panel is Senior Vice President Annamarja Paloheimo.

Finnvera participated as a partner in the Kauppalehti "Kasvajät" ("Growers") tour. In April-May, Finnvera's experts were involved in five events aimed at growth entrepreneurs held in various parts of Finland. The events drew a total of approximately 320 participants. The "Grower" of the year was DealDash, a combination of penny auction and online shop.

Finnvera's client and stakeholder survey was conducted again in 2013. On a scale of 1 to 5, Finnvera's overall grade given for the handling of co-operative relationships was 3.9 among SME financing stakeholders and 4 among export financing stakeholders.

## Information on enterprises' financing situation through co-operation

Finnvera, the Federation of Finnish Enterprises and the Ministry of Employment and the Economy determine the economic outlook of SMEs by conducting an SME Barometer Survey twice a year. The survey results published in 2013 measured SMEs' views of changes in economic factors impacting on their own business. The autumn survey results showed, among other things, that, despite the general economic slump, positive signs can be seen in industrial financing plans, which indicate that financing for expansion investments and development projects will be sought more frequently than before.

A survey on financing was carried out together with the Confederation of Finnish Industries, the Federation of Finnish Enterprises, the Bank of Finland, the Federation of Finnish Financial Services, and the Ministry of Employment and the Economy. It charted companies' experiences concerning the availability of funding and problems associated with funding.

## Team play as a part of Team Finland

Finnvera is part of the Team Finland network, which was launched at the beginning of 2013. The goal of the network is to promote Finland's external economic relations, the country brand, the internationalisation of its enterprises and foreign investments aimed at Finland. Finnvera's sister organisations, Tekes and Finpro, also work in close co-operation on Team Finland.

Under the rubric of Team Finland, Finnvera participated in, for example, the KIVINET ("Growth from internationalisation and exports") tour, which was held for the fifth time in 2013. Finnvera was also involved in the Team Finland booth at the Open Innovations Forum, which was held in Moscow in October-November.

## Case

## Finnvera involved in Slush

In November, Finnvera joined other members of Team Finland to participate in the Slush event, which was held in Helsinki. The growth enterprise event, which is aimed at start-ups and investors, drew over 5,000 participants. Finnvera employees presented information on financing opportunities to start-up and internationalising enterprises.



Prime Minister Jyrki Katainen visiting the Team Finland booth. Finnvera Communications Officer Jonna Myllykangas demonstrated how to use the Multitouch screen.

## Co-operation with capital investors

At the beginning of 2013, business angel operations administered by Finnvera were transferred to the Finnish Business Angels Network (FiBAN), which was founded in 2011. To ensure the continuity of operations, Finnvera supported FiBAN in the development of business angel activities.

An event intended for Finnish and foreign investors, Enterprise Finland Venture Forum, was held in January. The main organiser was Technopolis plc. Tekes and Finnish Industry Investment joined Finnvera in organising the event. Approximately 40 venture capital investors were in attendance.

## International co-operation with stakeholders

Finnvera participates in international co-operation in its own sector, for instance, within the OECD and the EU, the Paris Club of public creditors, the Network of European Financial Institutions for SMEs (NEFI), and within the Berne Union, the international co-operation organisation for providers of insurance against political and credit risks.

In 2014 Pekka Karkovirta, Finnvera's Vice President of International Relations, was elected for his second term as Chairman of two working parties handling export credit issues within the OECD. The working parties discuss financing terms and handle topics such as environmental requirements for projects financed using export credits, anti-bribery measures, and conditions for sustainable lending.

### Co-operation between states

**WTO** – World Trade Organisation

**OECD** – The OECD Export Credit Group and the Participants to the Export Credit Arrangement

**EU** – The European Council Working Group on Export Credits: the Union's stands concerning work within the OECD

**Paris Club** – a cooperation forum for public creditors

## Co-operation between financial institutions

**BU** – International Union of Credit and Investment Insurers

**Bilateral cooperation with other insurance institutions** – reinsurance and cooperation agreements

**NEFI** – Network of European Financial Institutions for SMEs

**EMN** – European Microfinance Network

**EIF** – European Investment Fund

**EIB** – European Investment Bank

## Finland received special permission to insure short-term exports to Western developed countries

Issued on 6 March 2013, the special permission granted by the Commission allows Finnvera to insure short-term exports to EU Member States and certain other Western developed countries that have been rejected by private credit insurers. Insuring is possible when the applicant is an SME with a total annual export turnover of at most two million euros; or when credit insurance is sought for a single export transaction which has a risk period of at least 181 days and at most two years. The permission is valid until the end of 2015. Under certain conditions, Finnvera may insure exports to Greece until the end of 2014.

## Network of European Financial Institutions for SMEs (NEFI) promotes the availability of SME financing in Europe

The Network of European Financial Institutions for SMEs (NEFI) consists of public financing institutions from 17 EU Member States. The primary objective of NEFI is to promote the availability of SME financing in Europe. In 2013, NEFI operations focused on legal reforms for the 2014–2020 EU programme period. NEFI issued its statement on, among others, the legislative proposal for de minimis aid as well as the revision of guidelines

concerning rescue and restructuring aid for struggling enterprises. NEFI's objective is also to promote the exchange of information and best practices among European providers of financing for SMEs. In order to achieve this, NEFI's SME financing advisers meet regularly. In the autumn of 2013, Finnvera hosted a conference for NEFI experts in Helsinki.

## **Growing importance of international connections in Finnvera venture capital investment**

During the year under review, venture capital investment portfolio companies Powerkiss Oy, RapidBlue Solutions Oy and Sensinode Oy were sold to foreign buyers. Buyers have been interested in Finnish technology, investing in the development of their acquisitions. Foreign venture capital investors have also been active. Finnvera's portfolio companies have received investments from Germany, Switzerland, France, Belgium, Denmark, England, Estonia and the United States.

Business angel activities are also internationalising, with the portfolio companies receiving, among other things, their first angel investment from China. Foreign investments totalled approximately EUR 20 million.

Finnvera's venture capital investment portfolio companies and managers actively participated in various venture capital events in Europe and the United States. Finnvera is one of the founding members of the International Venture Club. The network is comprised of around 50 venture capitalist organisations across Europe and a number of large companies that sponsor the network's operations. Finnvera is also a member of the Nordic Seed Capital project, which works for closer co-operation between Nordic public investors. Finnvera is also a member of the Finnish Venture Capital Association (FVCA), the European Private Equity and Venture Capital Association (EVCA), and the European Business Angel Network (EBAN).

# CEO's review

## Out of the doldrums

Uncertainty in the world economy continued for its fifth year, but there were no more sudden ups or downs as there had been the year before. There were signs of recovery in the autumn, even though, for example, the autumn budget crisis in the United States and the failure to come up with any final solutions for the Euro crisis undermined confidence.

In Finland, the economic situation was still in the doldrums. This was affected by a lack of investments as well as a weakening of Finland's industrial structure and competitiveness, both of which were reflected in Finnish exports. In addition, constant co-determination negotiations had an impact on consumer confidence and, in particular, uncertainty in the trade sector. There were some small signs of recovery on the global market, which helped some Finnish companies to perform very well.

Financial markets have adapted to changes brought about by regulation, and bank financing still functions reasonably well in Finland. On the other hand, banks have altered their strategies, which can be seen in, for example, stricter security and self-financing requirements. The pricing of risks has also been examined. The result is that the margins of new bank credits have broadened.

## Demand focused on exports and small projects

The caution and anticipation caused by the general economic situation was reflected in the operations of companies and, through our clients, also our own operations. Changes in the banking sector could also be seen particularly in the demand for export financing, which remained high. Finnvera's current export liabilities have statutory maximum limits. Taking outstanding commitments into consideration, the demand for export guarantees and credits even exceeded the maximum limits in 2013.

SMEs needed above all working capital financing related to deliveries. Financing was also sought for the covering of existing losses. Finnvera can only respond to this if a bank is involved in the financing and the applicant enterprise is, if necessary, able to bolster its equity. The number of venture capital investment projects remained roughly on a par with that of the previous year, despite the fact that it had been announced that the venture capital activities would be transferred to Tekes.

In export financing, we were spared from any major losses, as the export credit agencies in other countries have also reported. Even though losses in SME financing were still heavy, we made fewer write-downs than in previous years. This shows that our portfolio is in better shape than before. As a result of this, the SME



financing result was positive, and the cumulative ten-year economic self-sustainability target set by Finnvera's owner was realised. Export financing has been economically self-sustainable for all of Finnvera's 15 years in operation.

## New tasks proposed for Finnvera

New tasks were assigned to Finnvera in the third supplementary budget of the year. The common goal of the changes is to improve the function of financial markets. The aim is to find new ways of diversifying financing options, such as by offering a bond as an alternative also for SMEs.

We made some refinements to our revised strategy last year. We focus on the financing of enterprises just starting out and those seeking growth through internationalisation, actively looking for new ways to find these enterprises. We also provide financing for enterprises on the domestic market, when our financing can help the enterprise enhance its competitiveness.

We are reforming our regional organisation so that we can more effectively meet the needs of our existing and future clients as well as the constantly changing challenges of our operating environment.

## Forward

The uncertainty of the economy still poses challenges to our client enterprises as well as our own operations. We want to reach both start-up enterprises and those which are competitive and internationalising, sharing the risks associated with financing with other financing providers. Not one feasible and profitable project should be left without financing.

I would like to thank all our clients, partners and stakeholders for their trust and constructive cooperation. Thanks also go to Finnvera's personnel, whose efforts help to write new Finnish success stories. Let's raise up the Finnish economy stronger together!

Pauli Heikkilä

**”We focus on the financing enterprises just starting out and those seeking growth through internationalisation, actively looking for new ways to find these enterprises.”**



# Operating environment

## Sluggish economic growth revived some

The world economy grew more slowly than expected in 2013. Despite a general uncertainty, there were some faint signs of recovery at the end of the year. Confidence was shaken by autumn budget problems in the United States and the drawing out of the European economic crisis.

Due to the industrial structure and a decline in competitiveness, the situation for Finland is not yet as promising. According to the Finnish Customs' Preliminary statistics on the foreign trade of goods, the export of Finnish goods saw a decline of two per cent in 2013. Exports to EU Member States increased somewhat, but decreased to countries outside the EU.

The economic situation posed challenges to both enterprises operating on the domestic market and export companies. Uncertainty in the global economy is dampening the desire to invest, make growth plans and take risks.

## Bank financing in Finland works reasonably well

Financial markets adjusted their operations to changes brought about by regulation and bank supervision. According to the SME barometer survey conducted in the autumn, the availability of financing as a whole was not compromised. However, over 40 per cent of the enterprises receiving financing that responded to the survey felt that the credit policies of financing providers were stricter and the financial market situation affected the terms of financing either very much or rather much. According to the survey, enterprises seeking financing were subject not only to stricter security requirements and an increase in the loan margin but also to a higher self-financing percentage. Nearly one out of every three enterprises, regardless of the sector, stated that the self-financing requirements were stricter.

According to Finnvera, bank financing in Finland is still functioning reasonably well, but bank collateral and self-financing requirements and financing prices have increased.

Public debate, particularly that concerning the poor availability of SME financing, further increases the feeling among businesses that investment conditions are less than ideal.

According to the Bank of Finland, although far more business loans were taken out than in the previous year, they still fell below the peak levels of 2010. Industrial enterprises took out one-quarter of all large business loans, while fewer small and medium-sized enterprise loans were taken out than in the previous year. This was also apparent at Finnvera, as enterprises exporting Finnish capital goods needed large export credit guarantees and credits for the long-term financing required of foreign buyers. A majority of the SME demand for financing involved relatively small working capital needs. There was also a great deal of restructuring related to existing financing.

# Key figures

<b>Finnvera Group</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net interest income and net fee and commission income, MEUR	189.8	174.6	157.9	154.2	136.1
Administrative expenses, MEUR	42.8	42.7	42.0	41.4	42.7
Write-down on receivables and guarantee losses, MEUR	111.6	125.0	87.3	74.6	96.4
Credit loss compensation from the State, MEUR	48.0	49.7	31.9	25.4	32.2
Operating profit or loss, MEUR	75.1	54.1	62.3	62.0	18.3
Profit for the year, MEUR	74.5	53.4	59.7	62.9	17.7
Return on equity, %	9.3	7.3	9.3	10.5	3.2
Return on assets, %	1.8	1.6	2.4	2.4	0.8
Equity ratio, %	18.4	20.3	24.7	23.8	22.4
Capital adequacy ratio, %	17.6	16.3	15.5	14.6	15.0
Expense-income ratio, %	27.0	27.6	29.2	30.4	32.3
Balance sheet total, MEUR	4,603.5	3,807.8	2,890.2	2,664.1	2,539.4
Shareholders' equity, MEUR	848.5	771.8	714.8	633.5	569.0
- of which unrestricted funds, MEUR	594.8	513.3	455.8	374.6	310.4
Personnel at year-end	399	411	413	418	432
<b>Finnvera plc, SME Financing</b>					
Financing granted, MEUR	756.5	853.4	977.0	913.7	1,194.7
Outstanding commitments as per the balance sheet at year's end					
Outstanding credits, MEUR	1,540.0	1,555.2	1,660.2	1,731.1	1,663.9
Outstanding guarantees, MEUR	1,046.9	1,068.1	1,092.8	1,065.3	1,007.0
Start-up enterprises	3,473	3,123	3,397	3,611	3,457
New jobs	8,663	8,660	10,159	8,994	9,214
<b>Finnvera plc, Export Financing</b>					
Export credit guarantees and special guarantees offered, MEUR	3,397.5	5,351.0	3,795.6	2,379.6	4,449.7
Guarantees that came into effect, MEUR	2,737.8	2,414.2	3,158.7	2,642.4	3,759.8
Total outstanding commitments, MEUR	11,003.5	11,203.4	10,365.2	8,930.2	9,665.0
<b>Finnvera plc, clients and personnel</b>					
Number of clients, SME Financing and Export Financing together	29,700	30,000	29,900	29,300	28,400
Personnel at year's end	382	393	391	397	411

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# Business in 2013

Uncertainty in the global economy dampened the wish to invest, plan for growth and take risks among SMEs. Public debate, particularly that concerning the poor availability of SME financing, further increased the feeling among businesses that investment conditions are less than ideal.

The demand for **SME financing** was moderate, falling just below the previous year's level. The total value of the projects for which financing was sought was EUR 1.8 billion. As in the previous year, demand was greatest for working capital. Repayments were deferred and a great deal of financing was rescheduled.

Finnvera granted domestic loans and guarantees to SMEs totalling EUR 756 million, which is 11 per cent less than in 2012. During the year under review, Finnvera was involved in the financing of 970 ownership arrangements (944), totalling nearly EUR 108 million (118).

The demand for guarantees for **export financing** increased over the previous year to EUR 8,447 million, or 21 per cent more than the year before (6,961). In addition to seasonal variation in competitive bidding for individual capital goods transactions, demand was also affected by the financial crisis of 2008 and the resulting increase in banking regulations, which still accelerated the need for banks to reduce their balance sheets and risk-weighted receivables. It was difficult to obtain large export credits without Finnvera's involvement, thus increasing the demand for both export credit guarantees and export credits. As in competitor countries, export enterprises strive to win deals with comprehensive solutions, which involve the long-term financing required by foreign buyers.

In addition to large capital goods transactions, there was also a demand for export credits in the financing of smaller transactions. This change was brought about by the long repayment periods for credits granted, particularly in the renewable energy sector.

The amount of export credit guarantees and special guarantees offered declined 36 per cent from the previous year, totalling EUR 3,398 million (5,351). Correspondingly, the amount of export guarantees dropped 12 per cent to EUR 70 million (80). Foreign risks accounted for 80 per cent of the export credit guarantees and special guarantees offered, or EUR 2,705 million. The bulk of this, or 34 per cent, was used for capital goods exports to industrialised countries, 24 per cent to the Middle East and North Africa, and 20 per cent to Asia.

The value of export credit guarantees that came into effect rose 13 per cent over the previous year to EUR 2,738 million (2,414). Guarantees come into effect when the export transactions have been concluded. Outstanding commitments were distributed among 85 countries. The largest individual commitments involved exports to the United States, Brazil and Russia. The outstanding commitments for export credit guarantees associated with transactions to Spain showed the greatest increase among individual countries.

Direct **venture capital investments** amounted to EUR 16 million (17), and they were offered to a total of 85

enterprises (76). During the year under review, a total of 19 initial investments (23) were made, totalling EUR 5 million (7). There were 66 follow-on investments (53) made, totalling EUR 11 million (10).

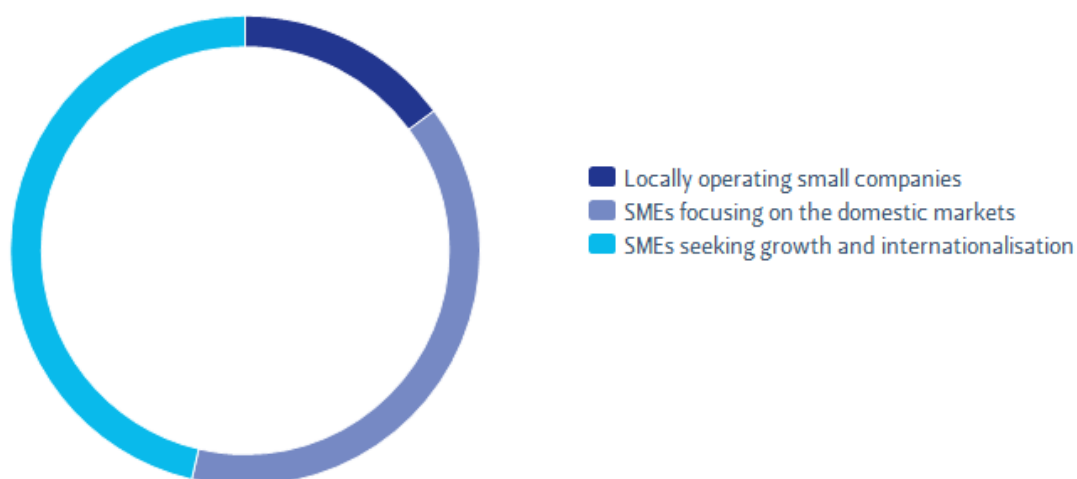
## Summary by business area

	Loans, domestic guarantees and export guarantees offered	Export credit guarantees offered	Total 1 Jan–31 Dec 2013	Outstanding commitments 31 Dec 2013	Clients 31 Dec 2013
	MEUR	MEUR	MEUR	MEUR	No
Locally operating small companies	112.4	0.4	112.7	344.3	18,838
SMEs focusing on the domestic markets	293.5	4.0	297.5	1,567.5	9,196
SMEs seeking growth through internationalisation	350.5	65.8	416.3	1,211.0	1,560
Export financing	0	3,327.4	3,327.4	10,651.9	121
<b>Total</b>	<b>756.5</b>	<b>3,397.5</b>	<b>4,154.0</b>	<b>13,774.7</b>	<b>29,715</b>

## Financing for SMEs

Finnvera's SME financing clients include local small enterprises, enterprises focusing on the domestic market and enterprises seeking growth through internationalisation.

### SME financing granted by business area 2013, MEUR



In SME financing, the financing needs are mainly associated with either investments or working capital. However, the need for financing varies and depends on the size of the enterprise and the project and the stage of the enterprise's life cycle.

A **starting enterprise** applies for financing for initial investments and for launching its operations, such as for the acquisition of the initial inventory or investments in furnishings. The average financing or guarantee for a bank loan granted by Finnvera to a starting enterprise is about EUR 20,000.

**Enterprises operating on the domestic market** also often seek financing for growth and investments or for various situations of change, such as changes of generation or other ownership arrangements.



A **growth enterprise** may need financing, for example, for:

- ▶ the procurement of machinery or equipment
- ▶ working capital, owing to factors such as seasonal variations and maintenance of a merchandise inventory
- ▶ the development of a product or service
- ▶ plans to enter the export market.

An **internationalising enterprise** needs to finance expansion outside Finland, for instance, through a company acquisition or by establishing a subsidiary, a joint venture or an office abroad. In addition to working capital, Finnvera provides financing for both pre- and post-delivery security associated with the export transactions of growing and internationalising enterprises.

The financing or guarantee offered by Finnvera for growth and internationalisation is on average EUR 800,000–900,000, but the needs vary from case to case. The largest commitments for clients may be several millions of euros.

**“We make every effort to ensure the availability of SME financing through our own operations, even in economically challenging times.”**

Annamarja Paloheimo, Senior Vice President



Finnvera shares risks with other providers of financing, and banks play an important role in financial arrangements. Before the financing decision, Finnvera conducts an enterprise analysis assessing the

enterprise's potential for success, business, competitiveness and the ability to manage its financial obligations. The financing decision and the decision on Finnvera's contribution is made on the basis of this analysis.

In 2013, approximately 2,600 applications were rejected. Applications may be rejected due to, for example, an insufficient share of the necessary self-financing, problems in the entrepreneur's or enterprise's credit history, a tough competitive situation in the respective sector or the fact that the enterprise is not considered to have the prerequisites for profitable business.

[Read more on project assessment at Finnvera.](#)

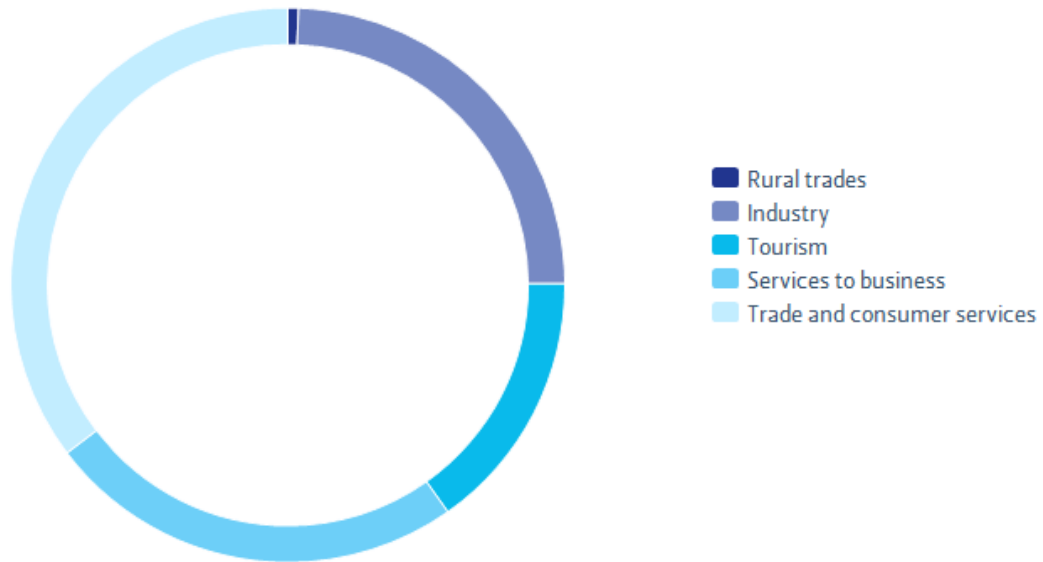
At the end of 2013, the outstanding commitments for SME financing totalled EUR 2.9 billion (3.0).

## **2013 marked by working capital financing and rescheduling of payments**

Despite the uncertain economic situation, the demand for SME financing in 2013 was moderate, even though there was a decline from the previous year. Most of the financing granted was used for working capital and for rescheduling payments. The volume of financing sought for investments and company reorganisations was less than in the previous year.

The value of financing granted to local small businesses in 2013 totalled EUR 112 million. This was a 9 per cent decrease from the previous year. The decrease was primarily due to lower demand for financing among start-ups, as the continued economic uncertainty and weaker consumer demand reduced the number of new enterprises established.

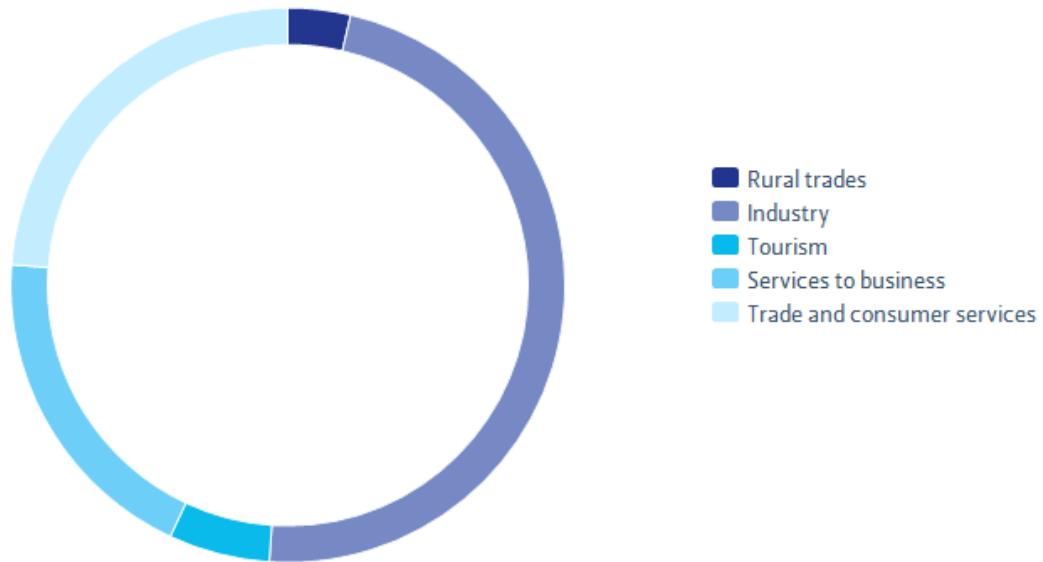
## Financing granted to local small enterprises in 2013, MEUR



Financing granted to enterprises operating on the domestic market in 2013 amounted to EUR 294 million, which represents a decrease of approximately 25 per cent compared to 2012.

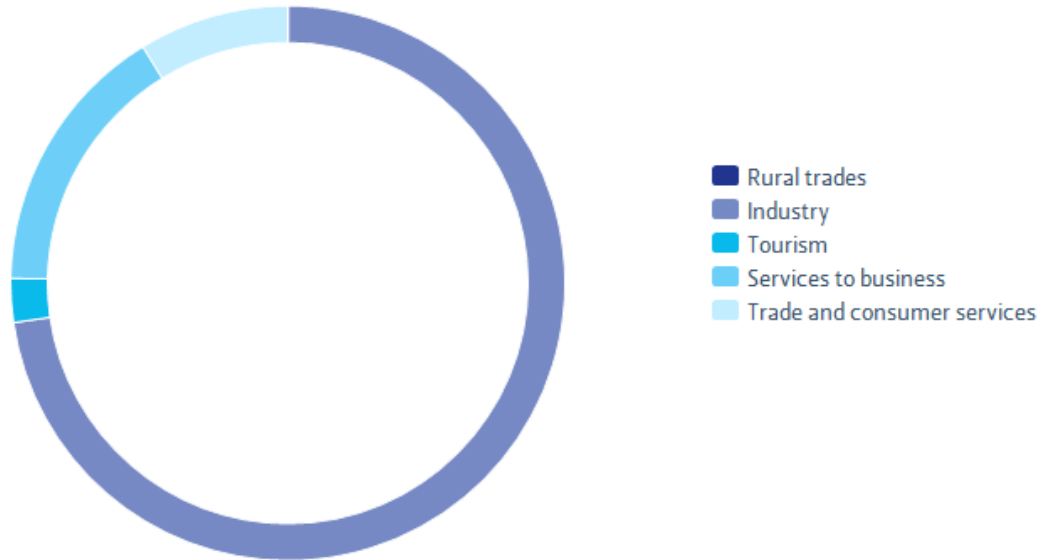
During 2013, Finland had a total of nine areas of abrupt structural change. Together with other public and private actors, Finnvera provided a total of EUR 67 million for these areas.

## Financing granted to enterprises operating on the domestic market in 2013, MEUR



Financing for growth and internationalisation granted in 2013 totalled EUR 351 million. This represented a 4 per cent increase compared to 2012.

## Financing granted for growth and internationalisation by business area in 2013, MEUR



The consequences of the financial crisis that began in 2008 were still felt among the clientele of Finnvera's SME financing, with 481 client enterprises (438) declaring bankruptcy during 2013.

Finnvera's SME Export Finance Programme, which was launched in 2012, continued its operations. The aim of the programme is to improve enterprise expertise in the financing of exports, with approximately 100 Finnish enterprises participating in the programme by the end of the year. The programme, launched in close cooperation with banks operating in Finland, focuses on concrete export projects and their financing solutions.

## Case

## Viola Systems found the right instruments for export financing

Viola Systems' EUR 5 million turnover comes almost entirely from exports. The company participated in Finnvera's SME Export Finance Programme.

"We've been carrying out projects in India for quite some time, and the projects have been handled exceedingly well there. But, we still needed to set up a direct delivery arrangement with a certain major client, to whom we also had to be able to offer sensible payment terms," explains Viola Systems CEO **Jyrki Penttonen**. This is where Finnvera and its SME Export Finance Programme came in. Working together with advisers, it was determined how the expansion of the company's business in India could be promoted by means of financing. Penttonen was satisfied with the progress made:

"We joined the SME Export Financing Programme in the early autumn and, by the end of that same autumn, we had already reached an agreement on financing arrangements with Finnvera and the bank. Participation in the programme offered us concrete benefits because it helped us to find the right instruments for financing."

## Towards better customer service

In the latter half of 2013, the Unit of Financing for SMEs and Internationalisation prepared for the elimination of interest subsidies as of the beginning of 2014 and launched a customer service restructuring project. Its purpose is to further improve Finnvera's customer service in accordance with its strategic goals.

## Export financing

The purpose of Finnvera's export financing is to promote Finnish companies' opportunities to engage in export trade. Finnvera offers export companies and export financiers internationally competitive services: export credit guarantees to cover export and project risks, the financing of export credits, interest equalisation, and export credit insurance for exports with a short repayment period. The guarantees can be used to minimise political and commercial risks associated with exports, thereby improving the financing options available for export transactions.

Export credits and export credit guarantees are subject to international regulations. The OECD Arrangement sets guidelines for officially supported export credits that have a repayment term of two years or longer. The guidelines concern, for instance, the share of cash payment and the repayment period. Separate regulations have been set for certain sectors and projects, such as ship and renewable energy sector credits. Finnvera can only grant export credit guarantees for creditworthy projects. The creditworthiness of the buyers and the buyers' country is determined in each case. Another precondition is that the transaction to be financed benefits the Finnish economy.

The export credit guarantees granted by Finnvera do not include financial support. Clients pay a premium that is based on the creditworthiness of the project and on the risk period.

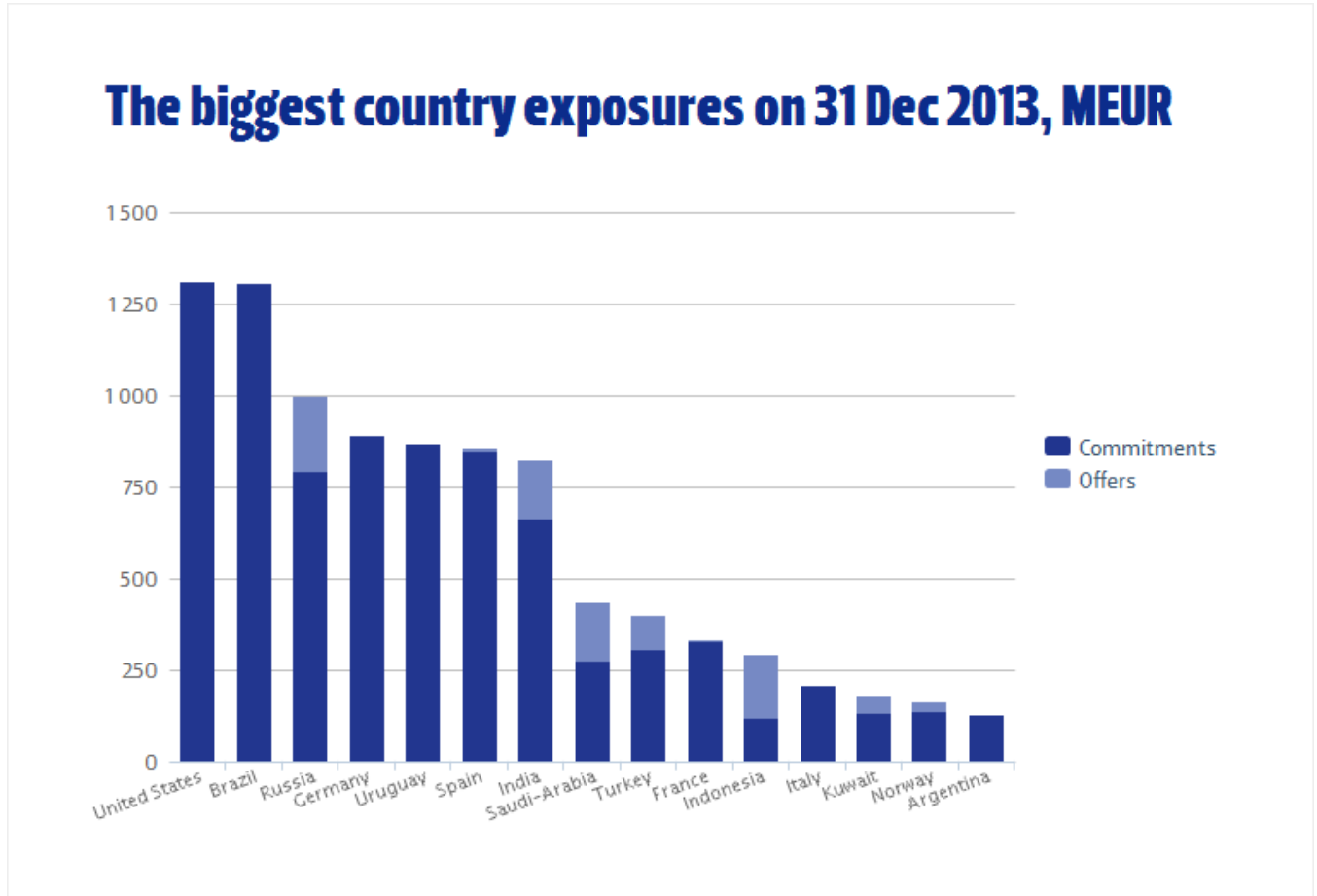
Finnvera's subsidiary, Finnish Export Credit Ltd, is able to offer fixed-rate or floating-rate financing for export and ship credits based on Finnvera's acquisition of funds.

In addition, Finnish Export Credit manages the interest equalisation system for officially supported export credits, which improves the opportunities of financial institutions to arrange long-term and fixed-rate financing for exports. The bank serving as the arranger of the export credit finances the credit and signs an interest equalisation agreement with Finnish Export Credit.

The clients of export financing operate in many business sectors. They include all major Finnish exporters of capital goods and a large number of smaller companies. At the end of 2013, outstanding commitments for Finnvera's export credit guarantees and special guarantees totalled EUR 10.9 billion, which represents a 2 per cent decrease from the previous year. The outstanding commitments for 2013 are more than twice those of 2007. This increase is the result of the international financial market crisis, bank regulations and

tougher international competition between exporters.

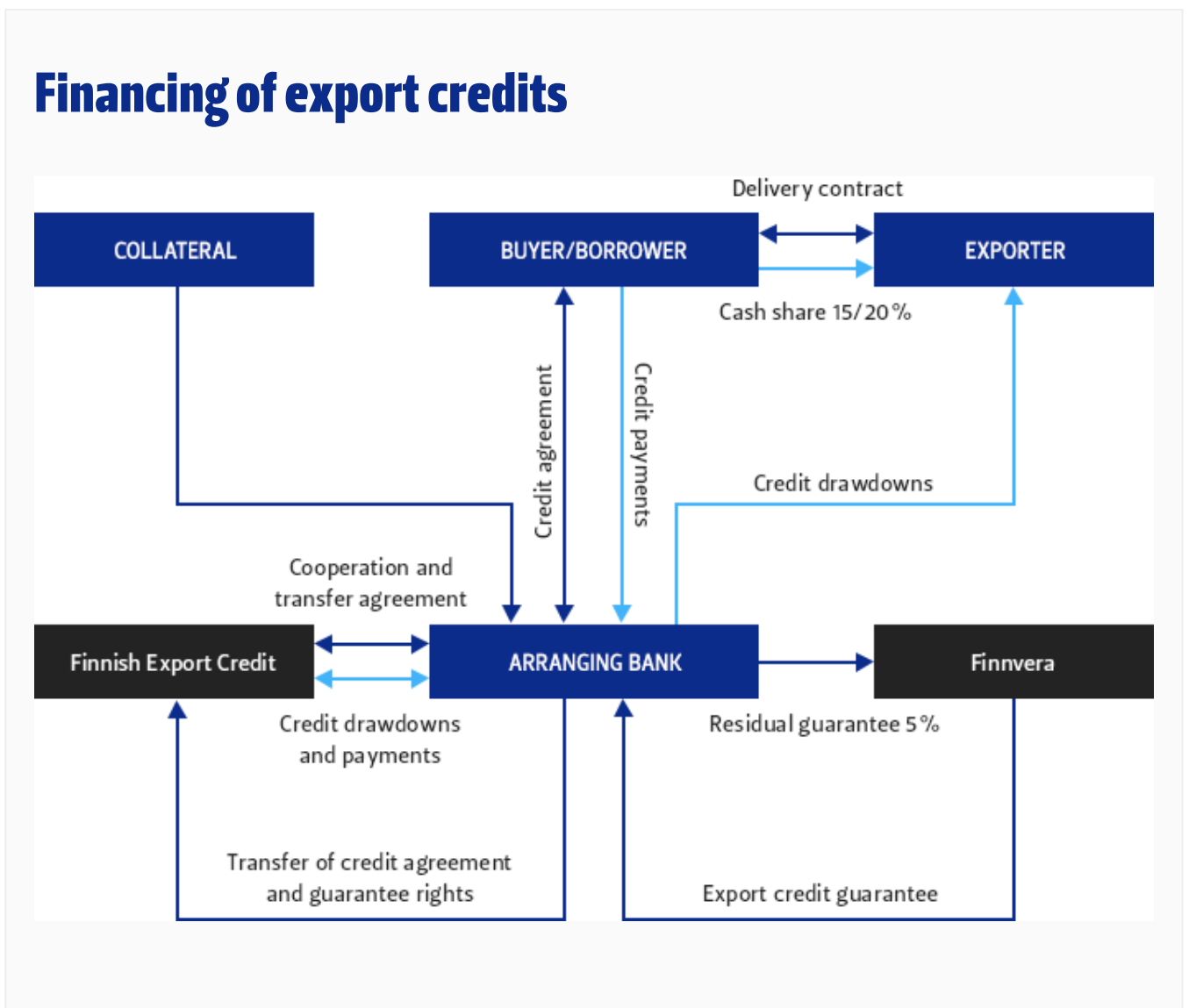
Finnvera and Finnish Export Credit Ltd are Finland’s official Export Credit Agencies (ECA).





# Finnvera and banks cooperate in the financing of export credits

Export credit financing facilitates the arrangement of financing for foreign customers who purchase Finnish capital goods. Banks play a key role in arranging financing for export transactions: the bank selected by the buyer arranges a long-term export credit on OECD terms to the client. The bank negotiates a credit agreement that meets the terms of Finnvera and Finnish Export Credit and manages the credit. The bank transfers the export credit to Finnish Export Credit for financing. Finnvera’s Buyer Credit Guarantee is always a prerequisite for the financing.



- ▶ The application for financing an export credit must always be submitted before the delivery contract is signed.
- ▶ The exporter signs a delivery contract with a foreign buyer.
- ▶ In the export credit arrangement, the buyer is a borrower. The buyer selects the bank that arranges the credit and they sign a credit agreement. The bank negotiates a credit agreement that meets the terms of Finnvera and Finnish Export Credit and manages the credit.
- ▶ The bank and Finnish Export Credit make a cooperation agreement, and the bank transfers the credit to Finnish Export Credit for financing.
- ▶ Finnvera grants a guarantee to the bank that arranged the credit. Finnvera makes the guarantee decision according to its normal risk-taking criteria, with the maximum guarantee being 95 per cent of the total credit, while the bank bears 5 per cent of the risk.
- ▶ The bank that arranged the credit gives Finnvera a residual guarantee corresponding to its share of the risk. The bank transfers its right to an indemnity under the Buyer Credit Guarantee to Finnish Export Credit, which has Finnvera's guarantee for the credit.
- ▶ Drawdowns and repayments of the credit go through the arranging bank between the borrower and Finnish Export Credit.

## Case

## Finnvera guarantees and Finnish Export Credit finances an export credit facility for Saudi Arabia

Finnvera guarantees a buyer credit that is used to finance deliveries of telecommunications equipment from Nokia Solutions and Networks to Etihad Etisalat Company (“Mobily”) in Saudi Arabia.

The guaranteed credit is at most USD 325 million. Finnvera’s guarantee covers 95 per cent of the credit. The holder of Finnvera’s guarantee is Deutsche Bank. Finnish Export Credit finances the credit arranged for the buyer by Deutsche Bank and Crédit Agricole Corporate and Investment Bank.

Mobily is Saudi Arabia’s second largest telecommunications operator, with a market share of 40 per cent. Mobily was established in 2004. Its strategic owner, with a share of 27.4 per cent, is Emirates Telecommunications Corp. (“Etisalat”), one of the largest telecommunications operators in the Persian Gulf region.



Nokia Solutions and Networks deliver telecommunications equipment to the Etihad Etisalat Company. The signing ceremony for the export credit arrangements is shown above. From the left: Anita Muona, Managing Director of Finnish Export Credit, Khalid Omar Al Kaf, CEO and Managing Director of Etihad Etisalat Company, and Rajeev Suri, CEO of NSN.

## Demand remained high

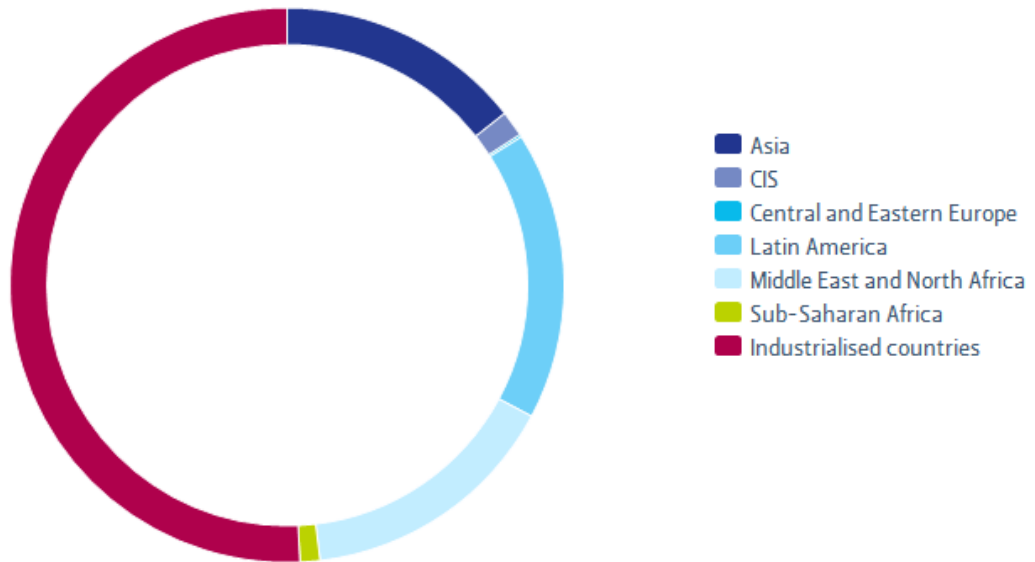
In export financing, international problems associated with the availability of long-term financing kept the number of applications for export financing received high in 2013. The greatest demand was recorded for export projects where the repayment period is over seven years. However, only some of the planned export transactions actually materialise in the end.

Offers given for export credit guarantees and special guarantees in 2013 totalled EUR 3.4 billion (5.3), which was 36 per cent less than in the previous year.

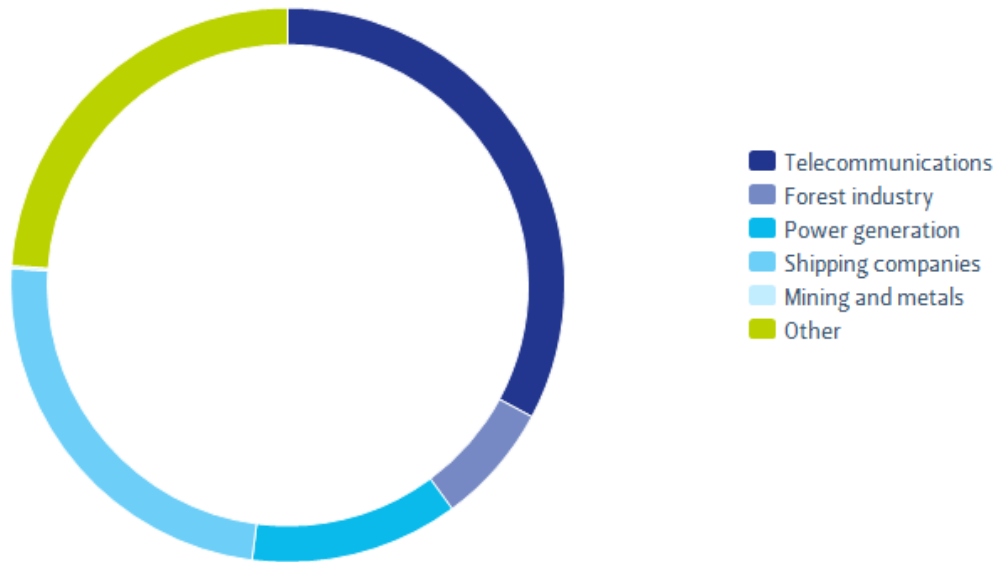
In total, 70 per cent of the guarantees offered concerned the traditional sectors of Finnish capital goods exports, such as the telecommunications, energy, forest and shipbuilding industries. The share for the Middle East and North Africa increased the most, accounting for a total of 24 per cent of the offers made. In addition to Finland, the most guarantees were offered for exports to Spain and Saudi Arabia.

The value of guarantees that came into effect in 2013 totalled EUR 2.7 billion (2.4), most of which (74 per cent) involved foreign risk-taking. Compared to the previous year, no significant changes in the number or size of projects or in the clientele occurred.

## Export credit guarantees that came into effect in 2013 by region, MEUR



## Export credit guarantees that came into effect in 2013 by sector, MEUR



## Decades-old receivables collected

In proportion to the large number of outstanding commitments, the losses incurred in export financing during the period under review were at a low level.

The bankruptcy estate of Wärtsilä Marine, which went bankrupt in 1989, was finally settled in November 2013, a full 24 years and one month after the company filed for bankruptcy. Finnvera manages the liability for export credit guarantees and state guarantees of its predecessor, the Finnish Guarantee Board, which in turn was preceded by the Export Guarantee Board and State Guarantee Board. These guarantees were valid on 31 December 1998 and were transferred to the State Guarantee Fund. Receivables from the Wärtsilä Marine bankruptcy estate totalling EUR 9 million were paid to the State Guarantee Fund after the estate was settled in 2013.

The result of an unbalanced clearing trade, a debt of approximately EUR 1 billion was left for the Finnish State to collect after the collapse of the Soviet Union in 1992. Approximately EUR 600 million of the debt was covered by export guarantees. Some of the debt was settled by debt conversion agreements between the two countries, while some was covered by a cash payment made to Finland by Russia. Of the remaining EUR 23 million conversions, EUR 19 million comprised the delivery of goods and EUR 4 million was paid in cash to Finland by Russia in November of 2013. Finnvera handled the matter on behalf of the State Guarantee Fund.

**”We review the economic self-sustainability of export financing over a 20-year period. Settling the bankruptcy of Wärtsilä Marine took over 24 years and collection of the Soviet Union’s debt 21 years. These show that the review period is justified.”**



Topi Vesteri, Executive Vice President

## **Finnvera and Finnish Export Credit merged operations**

Finnvera’s mission is to provide Finnish export enterprises with competitive export financing services. This requires the continuous development of operations. In export financing, the focus for 2013 was on merging the operations of Finnvera and Finnish Export Credit.

Key competitor countries were continuously monitored by comparing Finnvera’s services with equivalent systems used in the competitor countries.

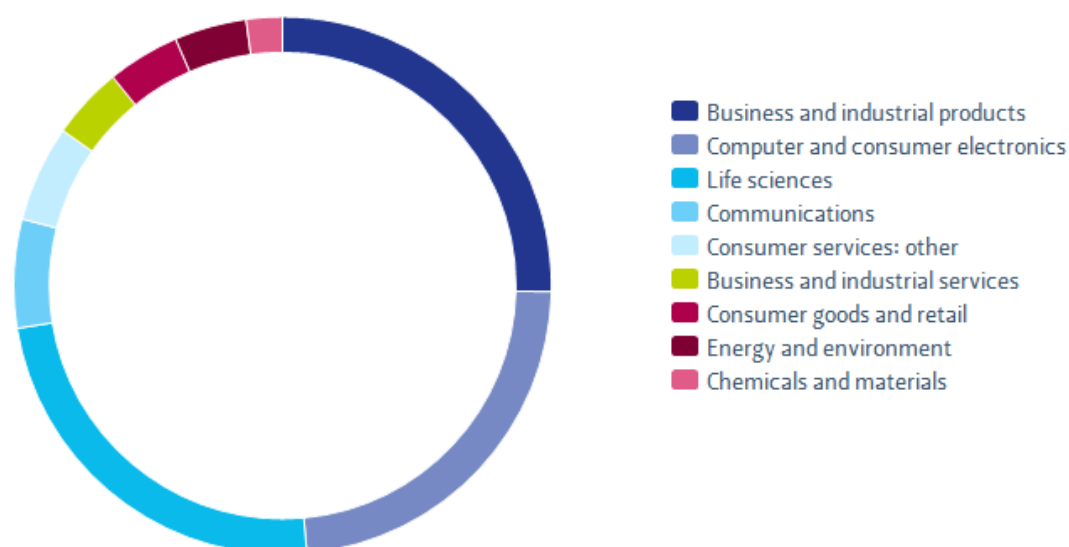


## Venture capital investments

Finnvera's venture capital investments facilitate, initiate and accelerate the growth and internationalisation of early-stage enterprises by building the equity of portfolio enterprises. Investments are made in technology enterprises as well as technology-intensive or innovative service providers that have the prerequisites to become international growth enterprises.

Finnvera's operations aim for the active increase of shareholder value, and Finnvera participates in, among others, the Boards of portfolio companies. Finnvera serves as a minority shareholder in its investments and other financing providers are also always involved in the financing round. During the period 2006–2013, Finnvera made direct venture capital investments in a total of 215 portfolio enterprises. Finnvera's target companies raised new private capital for total amount of EUR 50 million in 2013.

### Early-stage portfolio companies by sector, 31 Dec 2013, %



Finnvera also makes investments in regional, privately-administered funds and Vigo accelerator funds. In 2013, Finnvera made an investment decision for four new Vigo accelerator funds. At the end of 2013, Finnvera had fund investments in a total of 13 regional and five accelerator funds. Through its fund

investments, Finnvera was indirectly a shareholder in some 160 Finnish SMEs at the end of 2013.

Finnvera's cumulative investments in portfolio companies are slightly over EUR 100 million. Private investors have made investments in the same portfolio companies that exceed EUR 200 million.

At the beginning of 2013, the business angel operations administered by Finnvera were transferred to the Finnish Business Angels Network (FiBAN), which was founded by Finnish business angels in 2011. To ensure the continuity of operations, Finnvera has supported FiBAN in the development of business angel activities. In addition to FiBAN's own project flow, FiBAN is also offered investment opportunities from Finnvera's project flow, the project flow from Vigo accelerators and the Tekes Young Innovative Companies programme.

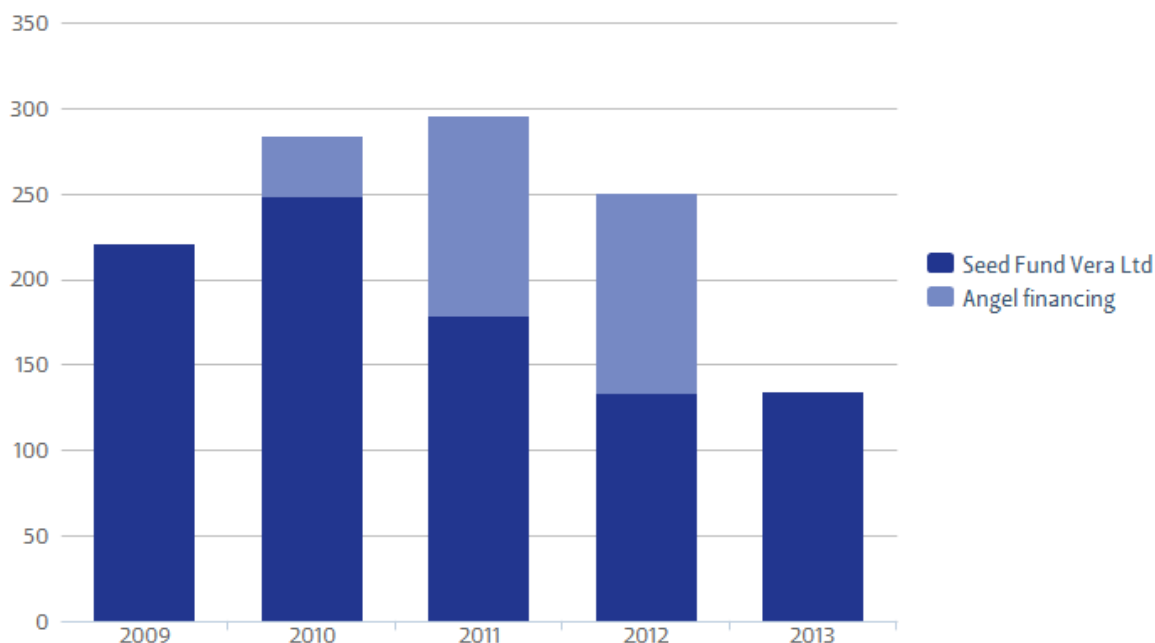
In 2013, business angels invested a total of EUR 12 million in Finnvera's portfolio companies.

Finnvera makes venture capital investments through its subsidiaries Veraventure Ltd (100 per cent ownership) and Seed Fund Vera Ltd (93,31 per cent). In line with the division of labour concerning venture capital investments and as part of the restructuring in progress, Finnvera's Board of Directors decided to discontinue its involvement in venture capital investment altogether. As part of this new arrangement, Finnvera's shares in Matkailunkehitys Nordia Oy were sold off in December 2013.

## Number of venture capital investments increased

The demand for venture capital investment financing has remained high since the beginning of operations in 2005. In 2013, a total of 134 enterprises sought investments (133 in 2012, excluding applications channelled directly to business angels).

## Direct investment project stream, number of projects



The number of investments made increased slightly over that of the previous year, with 85 direct venture capital investments made (76). The value of investments made fell slightly below the previous year, amounting to EUR 16 million (17). Of the projects financed, 19 (23) were initial investments totalling EUR 5 million (7). There were 66 (53) follow-on investments made, totalling EUR 11 million (10).

Finnvera subsidiary Seed Fund Vera Ltd was chosen as the “Best Early Stage Fund of the Year” for 2013 by the European Trade Association for Business Angels, Seed Funds and other Early Stage Market Players (EBAN).

In 2013, there were 17 full or partial exits, where the portfolio company was sold either to an industrial buyer or another venture capital investor. Eight companies filed for bankruptcy.

Finnvera capitalised Seed Fund Vera Ltd with EUR 10 million received from the government's supplementary budget in 2013.

## **Investment in early stage companies remains active**

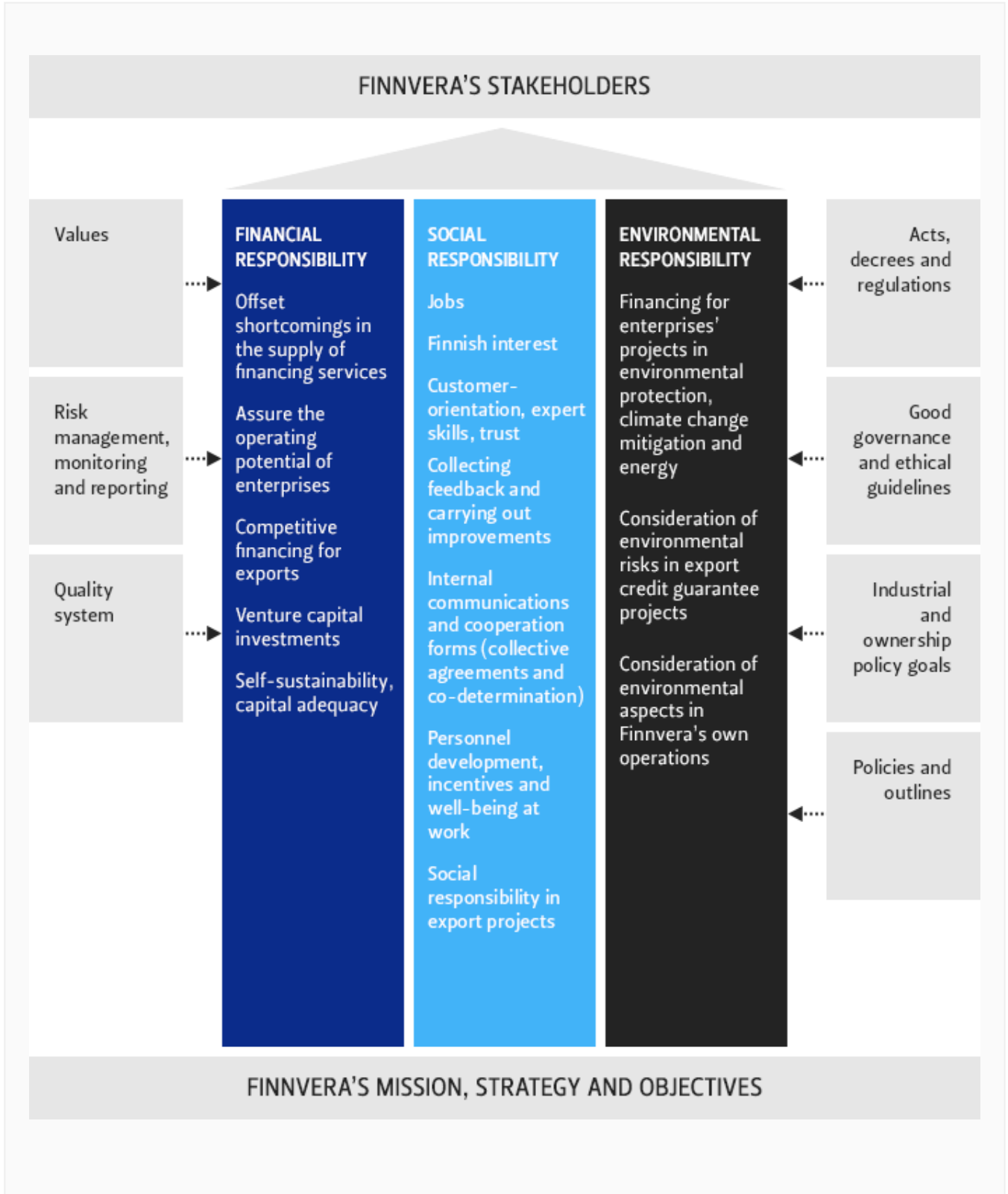
In accordance with a policy decision made in autumn 2012, Finnvera's early stage fund investment activities will be gradually transferred to Tekes. Finnvera's shares in the Vigo accelerator funds will be transferred during 2014 to a venture capital investment company managed by Tekes. Finnvera is having talks about the sale of its holdings in funds organised as limited companies to private parties.

Finnvera will continue its direct investments in early-stage, technology-intensive small enterprises by making initial and follow-on investments until the end of 2017.

# Corporate responsibility

The principles of corporate responsibility approved by Finnvera's Board of Directors:

- ▶ For Finnvera, corporate responsibility means adherence to responsible modes of operation in its contacts with all stakeholders.
- ▶ Finnvera carries out its mission and strategy in accordance with the laws, regulations and industrial and ownership policy goals guiding the company's operations.
- ▶ Finnvera's corporate responsibility rests on the foundation of the company's values and good governance. In practice, it is manifested as financial, social and environmental responsibility.
- ▶ The daily tools for acting responsibly at Finnvera include theme-specific policies and guidelines and an operating system that is kept up to date.



## Review of corporate responsibility

For Finnvera, corporate responsibility means adherence to laws, international agreements and responsible modes of operation in its contacts with all clients and stakeholders. Through our operations, we have an impact on the establishment, growth, competitiveness and internationalisation of Finnish enterprises.

By means of financing and in co-operation with other financiers, we contribute to the creation of opportunities for enterprises to succeed. On the other hand, as a public player we must take care to ensure that our financing does not distort competition between companies.

Finnvera's operations as a whole have a broad impact on Finnish enterprise and employment, and thereby on all aspects of society.

Together with our co-operation partners, we are promoting financing expertise in exports through the SME Export Finance Programme, which was launched last year. This year, we will launch a new service aimed at growing SMEs together with Tekes and Finpro. Our goal is that growth enterprises can reach the services provided by three actors with a single application.

## Operations are based on controlled risk-taking

Responsible project assessment and controlled risk-taking are the cornerstones of our financial activities. We are involved with major projects being carried out in Finland and all over the world. We assess the environmental and social risks of projects as well as their chances of financial success. Naturally, we comply fully with all national and international regulations applicable to our operations.

The outstanding commitments for export financing are EUR 10.9 billion and for SME financing over EUR 2.9 billion. The projects are realised in various operating environments, and inevitably some of the risks are realised as losses. Our personnel are required to assess an extremely wide variety of projects, which is why the development of our own operations and the skills of our people are the keys to our success.

Pauli Heikkilä, CEO

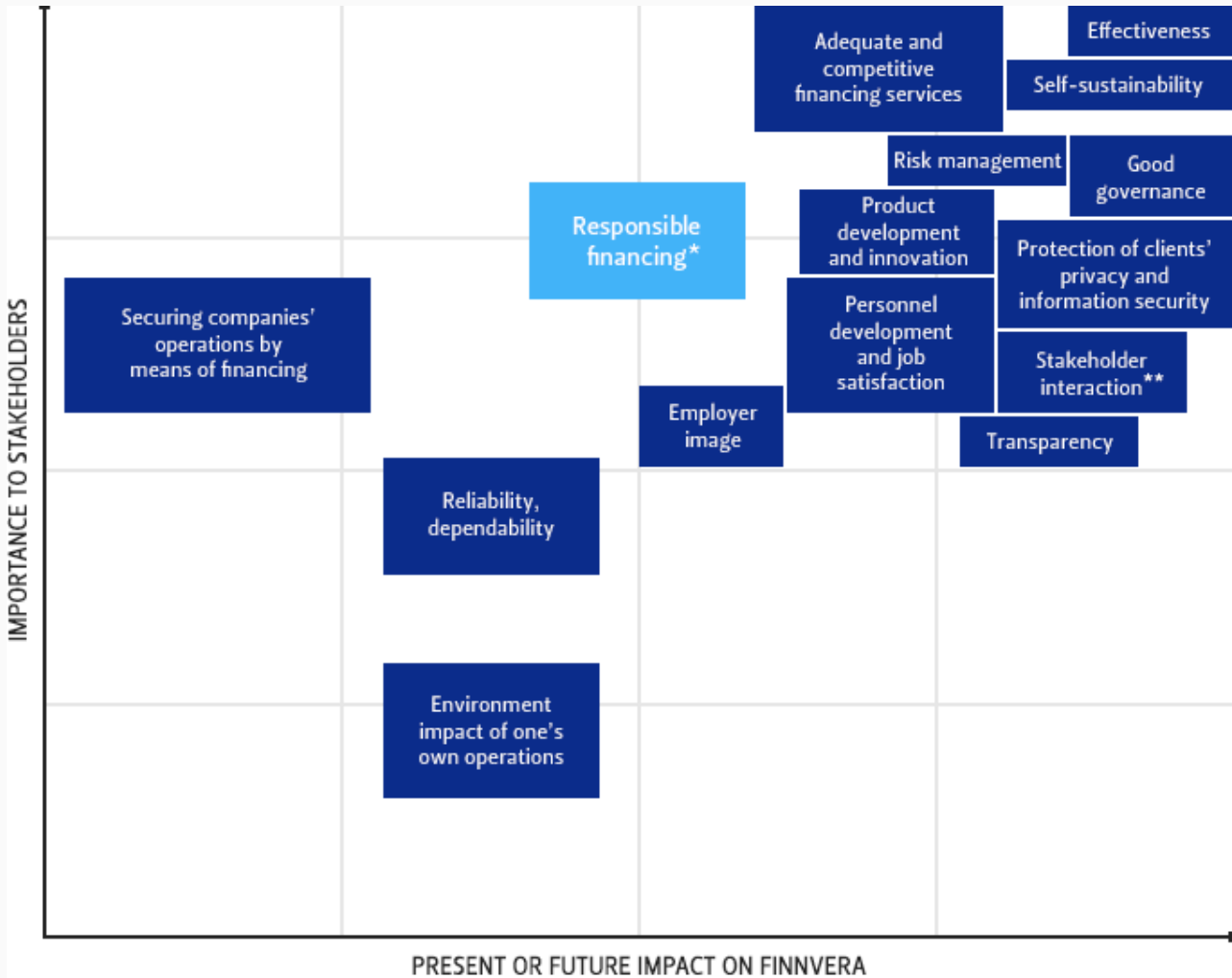
## Materiality analysis

Finnvera has defined the key corporate responsibility issues associated with stakeholders' expectations and their impact on Finnvera's business. An evaluation was conducted in order to identify these aspects. The evaluation was based on feedback from client and stakeholder surveys, interviews of the Chairman of the Board of Directors and the senior management, and on the findings of a workshop that brought together experts from various units in Finnvera. PwC's experts specialised in corporate responsibility assisted in the evaluation.

On the basis of this evaluation, the most important issues for stakeholders and the company's development are grouped in Finnvera's materiality matrix



# The materiality matrix of Finnvera's corporate responsibility



\* Ethical and moral operating principles, careful project assessment, specification of Finnvera's ESG criteria, OECD rules, fair business practices, and anti-bribery principles.

\*\* Communication to stakeholders, transparency, cooperation.

## Case

## Seinäjoki University of Applied Sciences (SeAMK) study: Implementing and succeeding in business transfer – Buyers' and successors' perspective

Corporate and business acquisitions are an excellent way both to become an entrepreneur and to grow an already existing business. As much as 83 per cent of buyers and successors consider their business transfers successful, which is considerably more than a general opinion on the success of business transfers and corporate acquisitions. These were the findings of a study done at the Seinäjoki University of Applied Sciences.

**"Finnvera's financing is emphasised in the research results. It largely depends on Finnvera whether or not business transfers are carried out in regions. Finnvera plays a key role in the financing of business transfers throughout Finland."**

Adjunct Professor Elina Varamäki (D.Sc.), Seinäjoki University of Applied Sciences

## Financial responsibility

Finnvera bases its operations on the principle of financial responsibility. With its services, the Finnvera Group offsets shortcomings in the supply of financial services and strengthens the operating potential and competitiveness of Finnish enterprises by providing loans, domestic guarantees, export credit guarantees, export credit financing, interest equalisation, and venture capital investments.

Through the Ministry of Employment and the Economy, Finnvera's owner – the State of Finland – sets goals for the company each year. Finnvera's success in promoting new enterprise, the growth and internationalisation of enterprises, and exports is measured and evaluated.

By implementing its basic mission and by managing its own business responsibly, Finnvera has an impact on the development of the entire Finnish economy.

- ▶ Each year, Finnvera co-finances about 3,500 start-up enterprises, which corresponds on average to about ten per cent of the enterprises established in Finland annually.
- ▶ Each year, Finnvera finances on average 20–30 domestic SMEs that are expanding their operations abroad. The active targeting of financing at enterprises seeking growth through internationalisation contributes to the growth of the Finnish economy.
- ▶ Finnvera's services improve the financing options available for Finnish SMEs operating on the domestic market and undergoing situations of change. These enterprises are important for the Finnish economy, for instance, as employers.
- ▶ Finnvera uses SME financing to slow down and alleviate the negative effects of regional restructuring and to create new business faster than it is phased out.
- ▶ The exports covered by Finnvera's guarantees account for approximately four per cent of Finland's total exports. Companies have access to an internationally competitive selection of financial instruments. Export financing is also indirectly important for the Finnish economy and, in turn, the well-being of Finns.
- ▶ The goal of venture capital investments is, over the medium term, to turn innovative start-ups into companies that help support the Finnish economy, for instance, as employers and future export companies.

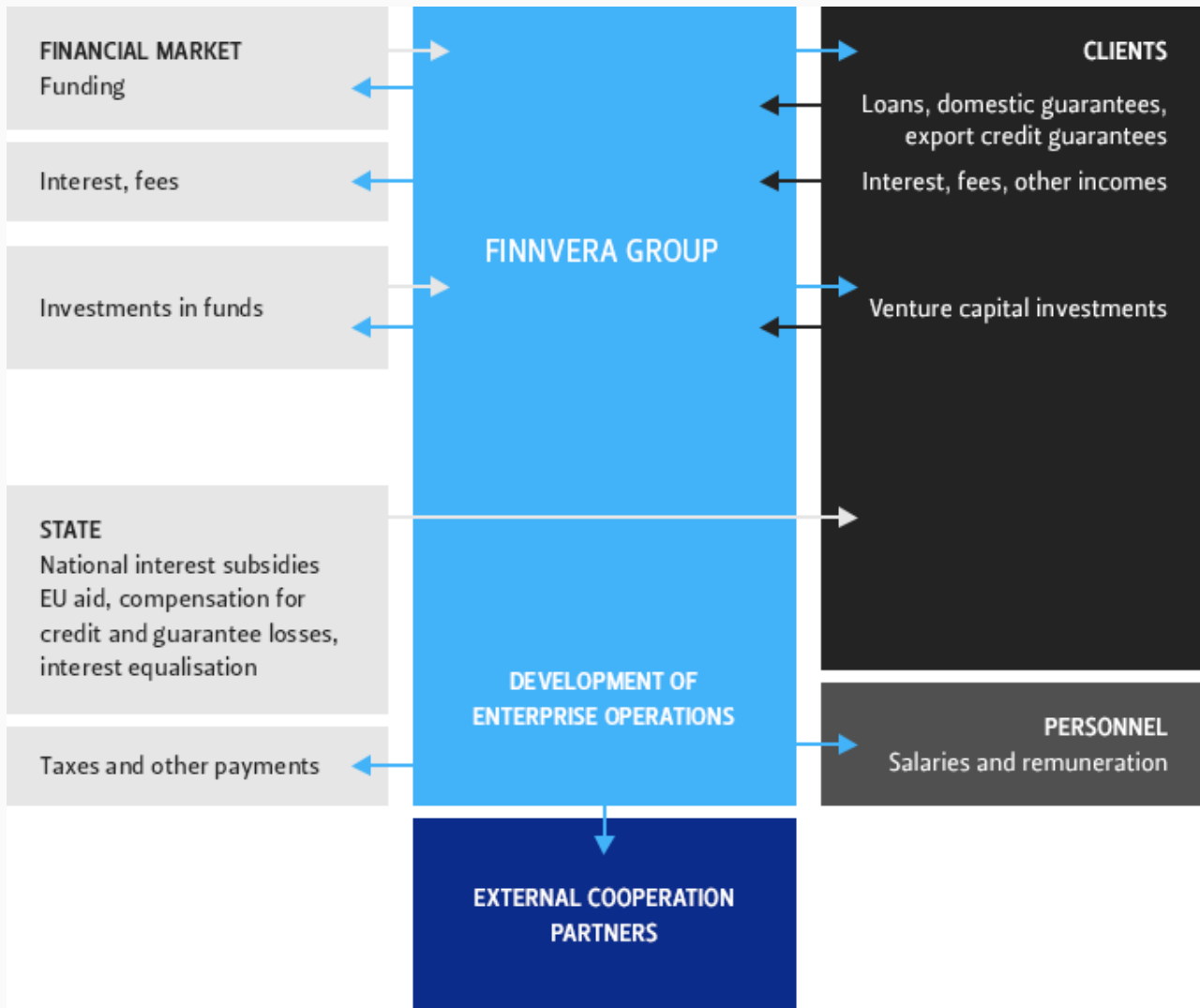
Read more on the impact of Finnvera's operations.

## Impact of Finnvera's operations

	2013	2012	2011	2010	2009
<b>SME-financing</b>					
Loans, domestic guarantees and export guarantees granted, MEUR	756.5	853.4	977.0	913.7	1,194.7
- Financing for assisted areas	323.4	337.4	407.5	403.8	476.2
Number of starting enterprises	3,473	3,123	3,397	3,611	3,457
Number of new jobs	8,663	8,660	10,159	8,994	9,214
Financing / new job, EUR 1,000	87	99	96	102	130
<b>Financing of exports</b>					
Export credit guarantees and special guarantees offered, MEUR					
- SMEs	78.3	60.4	79.1	100.3	79.6
- Major companies	3,319.2	5,290.5	3,716.6	2,279.3	4,370.2
Total	3,397.5	5,351.0	3,795.7	2,379.6	4,449.7
- of which foreign risk	2,705.0	3,746.8	3,705.7	1,899.6	4,127.8
Guarantees that came into effect, MEUR					
- SMEs	80.3	31.9	42.8	79.7	73.8
- Major companies	2,657.5	2,382.4	3,115.9	2,562.8	3,686.0
Total	2,737.8	2,414.2	3,158.7	2,642.4	3,759.8
- of which foreign risk	2,028.8	2,127.2	2,883.7	2,642.4	2,446.6
Exports covered by export credit guarantees, %					
- Share of Finland's total exports	3.8	4.5	4.5	5.8	5.1
- Share of exports to countries with political risk	8.2	9.7	8.2	9.5	8.0
<b>Number of clients</b>	<b>29,700</b>	<b>30,000</b>	<b>29,900</b>	<b>29,300</b>	<b>28,400</b>

## Financial impacts and indicators

In addition to its primary operations, Finnvera also has indirect economic impacts on the society around it.



## Key indicators for financial responsibility

MEUR	2013	2012
<b>Revenue</b>		
- Net interest income, and fee and commission income and expenses	184.0	170.0
<b>Subsidies and compensation for losses</b>		
- Interest subsidies passed on to clients and other interest subsidies	8.7	12.2
- Compensation for credit and guarantee losses	48.0	49.7
<b>Impairment losses on receivables, guarantee losses</b>	109.9	123.4
<b>Operating expenses</b>		
- Personnel expenses	27.7	28.0
- Other administrative expenses	11.7	11.8
<b>Other business expenses</b>	6.6	6.5

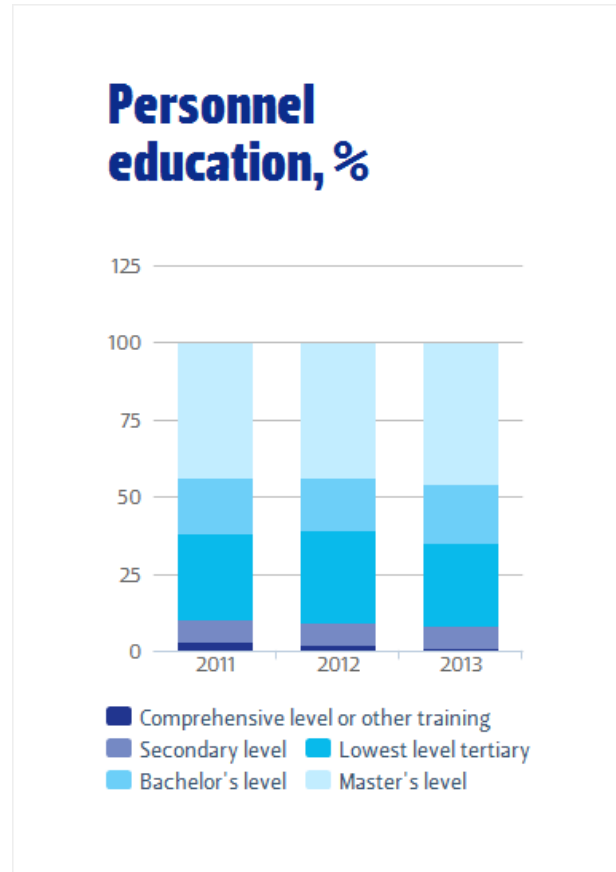
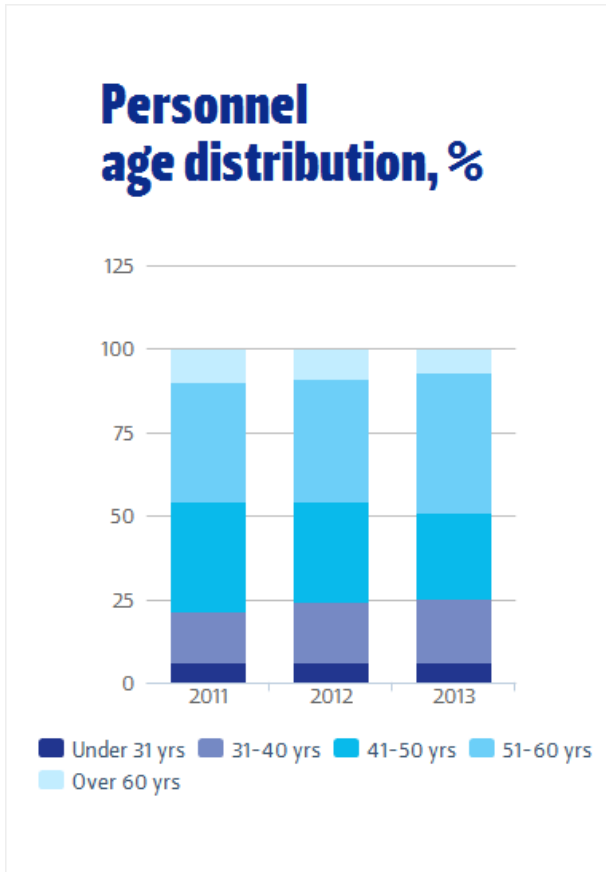
## Economic self-sustainability and capital adequacy achieved

According to the goal of self-sustainability set for Finnvera, the company's income from operations must be sufficient in the long term to cover its operating expenses and its share of any credit and guarantee losses incurred. In 2013, SME financing achieved the self-sustainability goal in a ten-year reference period. Export financing has also been self-sustainable for all 15 years of Finnvera's operations. If the Finnish Guarantee Board's payment-based result from its last operating years is taken into account when examining the economic self-sustainability of export financing, economic self-sustainability is also realised over a 20-year period.

Finnvera's capital adequacy must be sufficient in order to ensure the company's ability to bear risks and to keep the costs of funding as reasonable as possible. The company must plan its operations so that it can maintain a capital adequacy ratio of at least 12 per cent. At the end of 2013, the capital adequacy of the Finnvera Group was 17.6 per cent. The year before, the corresponding figure was 15.9 per cent.

# Social responsibility

The bases for personnel management at Finnvera are mutual trust, commitment to joint goals, co-operation, and ensuring high-level expertise.



In 2013, Finnvera participated in the “Responsible Summer Job” campaign organised by the Finnish Children and Youth Foundation (FCYF). The goal of the campaign was to promote the development of a responsible summer employment culture in Finland, giving youths access to gainful employment.

## Personnel involved in the decision-making process

Finnvera's approach is characterised by genuine interaction, consulting the personnel and involving them in decision-making. Finnvera's terms of employment are laid down in a company-specific labour agreement signed by employers' association and three employees' associations. The agreement is based on what is known as a continuous negotiation process.

Employees have one representative on Finnvera's Supervisory Board and three representatives on the Corporate Management Team. The Corporate Management Team addresses all issues having a broad impact on the personnel. The elected representatives of personnel groups also participate in the preparation of these issues. The Co-determination Committee handles issues that have an impact on personnel.

## Job requirements are assessed annually

Each person's salary is based on job requirements and on personal work performance. Job requirements are assessed in an interactive process in co-operation with elected officials, supervisors and personnel representatives. An extensive assessment of new and changed job requirements was conducted in 2013. In the update project, the principles and methods of requirement assessment were presented and concretised for both supervisors and other personnel by holding a number of meetings and ensuring supervisors' commitment to conveying the message. Job requirements will continue to be updated on an annual basis.

**An extensive assessment of new and changed job requirements was conducted in 2013.**

Personal work performance is evaluated during performance discussions held yearly between the employee and the supervisor. A matrix developed specifically for the evaluation of performance and skills and adopted in 2011 is used as help in the evaluation process.

The pay brackets for the job requirement categories and the ways in which earnings trends are monitored both internally and in relation to the external pay markets are agreed through the pay system. The goal of the pay policy is to keep salaries close to the median for the financial sector.

One-off bonuses are used to reward exceptionally good work performance, participation in various projects, training or otherwise exemplary conduct. In 2013, bonuses were also used in the transition to longer-term job rotation. About one per cent of the total amount of wages and salaries is budgeted for



bonuses. The maximum bonus that can be paid to an individual employee in a calendar year corresponds to the person's four-week salary.

## **Skills developed through training and job rotation**

Development and training at the Group level strive to strengthen Finnvera's core competences as defined by the Management Group and the Board of Directors. The internal, examination-type training programmes created for the largest professional groups were concluded in 2013. About 60 per cent of Finnvera employees came under the scope of these programmes.

The programmes tailored for various professional groups enhance competence and the management of common practices. They also provide Finnvera's experts with the opportunity to develop as in-house trainers. In addition to in-house training, the personnel have the opportunity to participate in professional training arranged by outside operators.

The number of person-days spent for in-house training totalled about 950 in 2013.

Thanks to the expert exchange programme agreed with Tekes, experts employed by one organisation can work in the other organisations for a fixed period.



## Ensuring personnel well-being is one of our strengths

Finnvera monitors the job satisfaction of its employees by means of an annual personnel survey. In 2013, 91.2 per cent of all Finnvera employees responded to the survey. The key indicators used in the survey are various indices measuring personnel commitment, management and performance.

Statistically, all Finnvera indices are far above the norms for Finnish experts used by research institutes. Compared to other expert organisations, Finnvera's greatest strength is looking after the well-being of its employees. Finnvera's commitment index was 74.7, leadership index 71.9 and performance index 71.4. The personnel engagement index was 79.1. The engagement index indicates how dedicated the employees are to their work, the organisation and its values as well as how prepared the employees are to put in an extra effort to achieve company goals, whenever necessary.

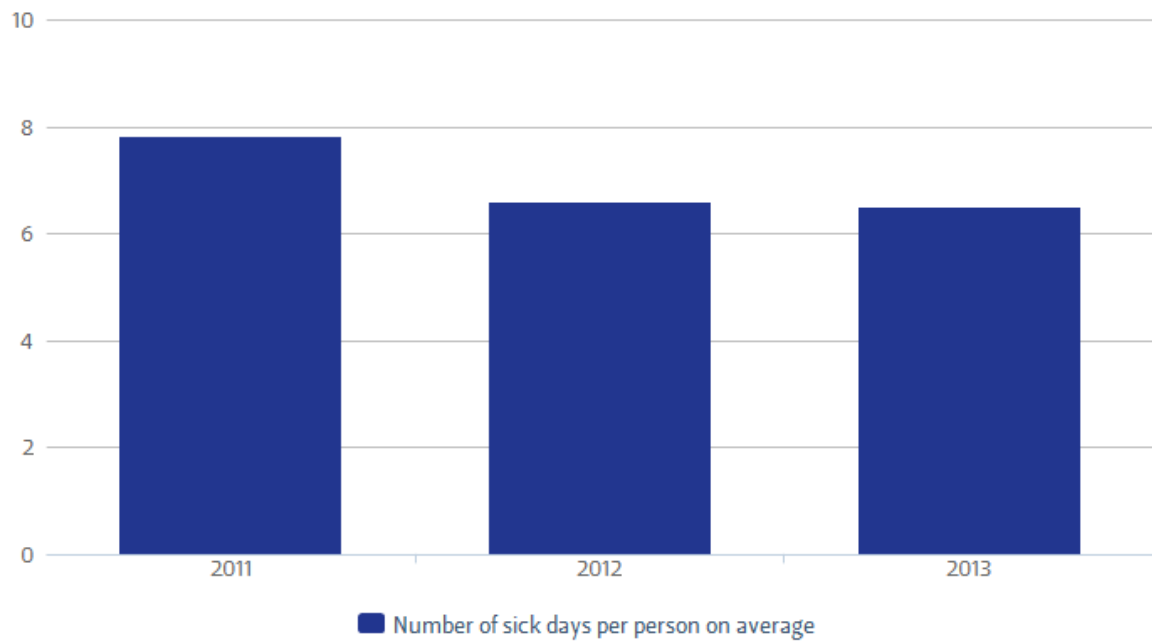
Index	2013	2012	Expert norm 2013
Commitment index	74.7	75.2	68.4
Leadership index	71.9	72.1	66.0
Performance index	71.4	72.2	61.2
Engagement index	79.1	78.6	72.5

Working methods are constantly under development at Finnvera. Every effort is made to strengthen motivation by applying a delegating and open approach to management and by encouraging personnel participation. Constant development of professional skills and opportunities for learning and renewal improve coping at work. A balanced division between work and leisure and first-rate occupational health care services also support well-being at work.

The personnel's state of health is evaluated by means of regular follow-up checks, by charting and monitoring the health, health behaviour, work ability and functional capacity of each individual, and by means of information obtained through medical care. Preventive measures include ergonomic checks of work stations.

Working hours are kept as flexible as possible, and all personnel are entitled to flexitime.

## Absences due to illness



# Environmental responsibility

## Finnvera participates in the financing of energy projects that promote environmental protection and curb climate change

Projects curbing climate change and other environmental protection projects offer growth potential for Finnish SMEs that have solid know-how, for instance, in the sectors of renewable energy or waste processing. Aside from domestic demand, these sectors offer Finnish SMEs promising internationalisation and export opportunities. From the perspective of the national economy, the promotion of business in these fields is vital, as the cleantech sector is thought to be one of the most important growth industries in Finland today.

One of Finnvera's key strategic and ownership policy goals is to use means of financing to promote the use of clean, renewable sources of energy in order to curb climate change.

The purpose is also to participate in projects that conserve energy and help realise the implementation of environmental protection investments.

Together with other providers of financing, Finnvera participates in the financing of environmental projects having the prerequisites for profitable business. In this way, Finnvera wants to use financing to promote the development, growth and internationalisation of the Finnish environment industry. In addition to projects associated with renewable energy generation implemented in Finland, Finnvera has granted financing for a few projects where companies have exported environmental technology. In addition to loans intended for SMEs, Finnvera can grant Environmental Guarantees to large enterprises. These are suited not only for environmental investments but also for renewable energy investments and projects enhancing energy efficiency.

Finnvera's financing of renewable energy and environmental enterprise projects increased on the previous year. This change stems primarily from the fact that, as opposed to previously, the category also included

the procurement and delivery of machinery and equipment by enterprises operating in the above-mentioned sectors. The financing demand for these projects is expected to rise even further once the general economic situation has improved.

Finnvera wants to be involved in the financing of environmental enterprises and cleantech projects. The enterprises in these fields are usually starting up, growing and internationalising, and Finnvera can assume more risk in financing them. This can mean, for example, taking on a larger share of the financing.

## Environmental and social aspects of projects taken into consideration in export financing

In export financing, the environmental impact of projects to be guaranteed\* is considered as part of the overall risk assessment. The location of the project, the level of the project's environmental impact, and whether the environmental issues involve financial risks or risks to reputation are determined in the assessment.

As tools, export financing uses environmental policy and the system for environmental impact assessment. In developing these tools, both the principles of the Act on the State's Export Credit Guarantees and the OECD recommendations on the environment and export credits have been taken into account. The principles applying to export credit agencies in OECD countries guarantee a level playing field for exporters.

The project policy specifies which guarantee applications fall within the scope of environmental review. The scope of the review is based on the importance of potential adverse environmental and social impacts. Project classes \*\* A, B, C and "Non-project" describe the intensity of impacts (Category A having the greatest impact).

\*) According to Finnvera's project policy, a project means realisation of a construction, plant or design, other interference with the natural environment or landscape, including the exploitation of natural resources in the ground. New plants and major expansions or modifications of existing plants are projects.

\*\* ) Environmental categories of projects: A – potentially significant adverse environmental impacts; B – less adverse environmental impacts than those of Category A; C – no adverse environmental impacts or they are minimal; "Non-project" – e.g. a supply of spare parts or a replacement investment that does not increase production capacity, emissions or the use of raw materials.

## Wider scope of assessments for export projects

On 28 June 2012, the OECD Council adopted the updated Recommendation on the environment. In addition to environmental impacts, the review and assessment of projects supported by means of export credit

guarantees and export credits pay increasing attention to the social impacts of projects, i.e. impacts on workers and local communities.

Finnvera has updated its own environmental policy on export financing to be compatible with the new Recommendation. The new policy has been applied since the beginning of 2013.

Every effort is made to pay greater attention to the project's social and human rights impacts when conducting an assessment. These include such factors as working conditions and workplace rights, the health and safety of workers and people living in the area affected by the project, the acquisition of land and the forced relocation possibly resulting from this, indigenous peoples, cultural heritage and whether the project involves forced labour or the use of child labour.

As an element of the new Recommendation, the OECD countries also exchange information on the greenhouse gas emissions of projects. The long-term goal is to develop a common and uniform method for calculating and reporting the carbon footprint of projects that is suited to the export credit environment.

The environmental reviews of export financing are based on environmental studies conducted on the projects elsewhere. Applicants for guarantees supply this information to Finnvera. During the assessment, it is determined whether the projects meet the expectations set by the host country and by international environmental standards.

With the consent of the parties concerned, Finnvera publishes environmental information on the projects. Some data on projects in Category A are already disclosed before a guarantee is granted. Information is also given on some guarantees that have come into effect.

### [Project policy](#)

### [Projects in Category A](#)

### [Guaranteed transactions](#)

Finnvera monitors the environmental aspects of certain projects during their realisation and operation until the credit associated with the export credit guarantee has been repaid. The aspects monitored may include the following: emissions into the air and into water and their environmental impacts; the state of groundwater; noise; the environmental sustainability of raw material acquisitions for the project; the state of the management systems implemented; occupational accidents; and public debate on the environmental aspects of the project.

## **Pledge campaign accelerates environmental business**

Finnvera promises to co-finance environmental business that has potential for profitability and promotes enterprises' sustainable growth, internationalisation and exports. The pledge is part of a challenge campaign, launched by the Ministry of Employment and the Economy and Tekes, inviting various organisations in summer 2012 to make concrete pledges describing how they undertake to promote Finland's pioneering work in environmental business that contributes to sustainable economic growth.

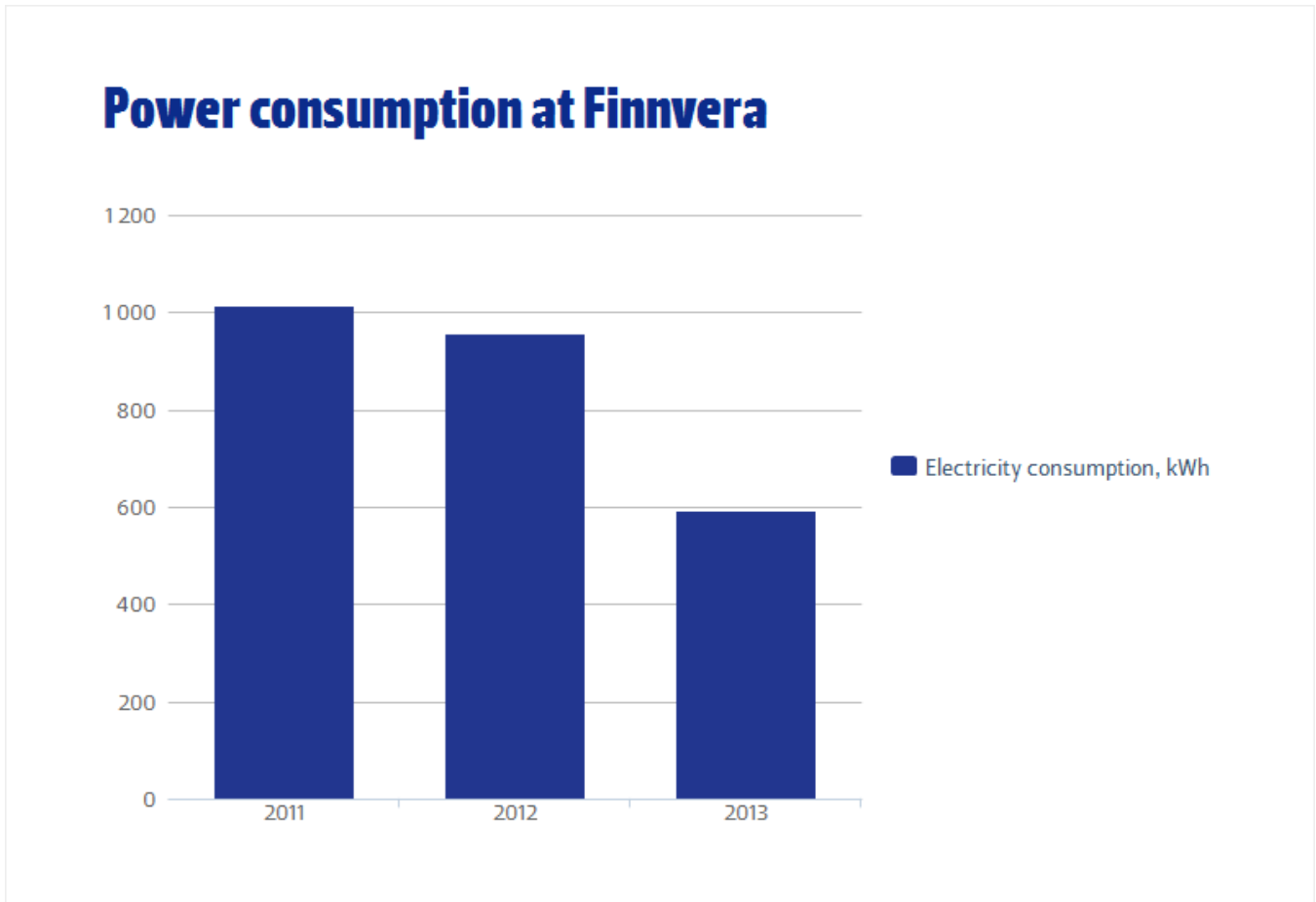
Finnvera has offered a variety of financing solutions to enterprises in the field, actively participated in industry events, and presented information on financing opportunities for cleantech enterprises, providers of financing and industry organisations. In addition, Finnvera, the Ministry of Employment and the Economy, ELY Centres, Tekes and Finpro have expanded their mutual dialogue so that more comprehensive service entities can be offered to environmental enterprises. Co-operation will be expanded further; at the same time, Finnvera pledges to continue the financing of enterprises in these fields that possess the prerequisites for profitable business.

## **Consideration of environmental issues at Finnvera**

Environmental issues have also been taken into account in Finnvera's own operations. Finnvera's new headquarters in Kuopio have been let under a Green Lease whereby environmentally responsible operations can reduce the rent. All of Finnvera's 15 offices have video conferencing equipment which is used often as an alternative to travelling. This reduces the carbon dioxide emissions resulting from Finnvera's operations.

Procurements are made under the Hansel framework agreement, tendering for which takes environmental issues into consideration. The sorting of waste has been made more efficient and recycling has been increased. Paper consumption is reduced by using electronic documents and through document management.











The decrease in electricity consumption was mostly affected by Finnvera's move to new facilities in Kuopio.











## GRI index








PricewaterhouseCoopers Oy has assessed that the reporting in 2012 meets the requirements of GRI application level C. The reporting for 2013 corresponds to that of the previous year; thus, according to our own assessment, we comply with the requirements of level C.







### GRI comparison of Finnvera's reporting








-  Yes  
 Partly









	GRI CONTENT	INCLUDED	PAGE	PAGE	REMARKS
<b>1</b>	<b>Strategy and Analysis</b>				
1.1	CEO's statement		Chief Executive Officer's Review	Review of corporate responsibility	
1.2	Key impacts, risks and opportunities		Vision, values and strategy	Finnvera's role and the impact of its activities	
<b>2</b>	<b>Organizational Profile</b>				
2.1	Name of the organization		Statement on the Corporate Governance and Steering System		
2.2	Primary brands, products and services		Finnvera in brief	Financial services	
2.3	Operational structure incl. main divisions, operating companies, subsidiaries, joint ventures		Finnvera in brief		
2.4	Location of organization's headquarters		Contact details		








2.5	Number of countries and names of countries with major operations or that are relevant to sustainability issues		Financial services	
2.6	Nature of ownership and legal form		Statement on the Corporate Governance and Steering System	
2.7	Markets served (geographic breakdown, sectors served, types of customers/beneficiaries)		Finnvera's role and the impact of its activities	Clients
2.8	Scale of the reporting organization (Number of employees, net sales, total capitalization by debt and equity, quantity of products/services provided)		Key figures	
2.9	Significant changes regarding size, structure or ownership (location of, or changes in operations, incl. facility openings, closings, and expansions; and changes in share capital structure)			No significant changes during the reporting period.
2.10	Awards received in the reporting period		Venture capital investments	Early Stage Fund of the Year prize by European Business Angels
<b>3</b>	<b>Reporting Principles</b>			
	<b>Report Profile</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided		About the annual report	
3.2	Date of most recent report		About the annual report	
3.3	Reporting cycle (annual, biennial, etc.)		About the annual report	
3.4	Contact point for questions regarding the report or its content		About the annual report	
	<b>Report scope and boundary</b>			

3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)		Materiality matrix	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)		About the annual report	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)		About the annual report	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations		About the annual report	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).			No changes in the information reported earlier.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			No significant changes in the scope, boundary, or measurement methods applied in the report.
<b>GRI content index</b>				
3.12	Table identifying the location of the Standard Disclosures in the report.			
<b>4</b>	<b>Governance, Commitments and Engagement</b>			
	<b>Governance</b>			



4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		Statement on the Corporate Governance and Steering System	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		Board of Directors	The Chairman of the Board of Directors is independent of the executive management.
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members		Board of Directors	All Board members are independent.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		Statement on the Corporate Governance and Steering System	Social responsibility
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		Statement on the Corporate Governance and Steering System	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		Corporate governance	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		Statement on the Corporate Governance and Steering System	








4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		Vision, values and strategy	Corporate governance
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		Corporate responsibility	Corporate governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.			The Board of Directors evaluates its own performance annually.
<b>Commitments to External Initiatives</b>				
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations		Stakeholders	
<b>Stakeholder Engagement</b>				
4.14	List of stakeholder groups engaged by the organization		Stakeholders	
4.15	Basis for identification and selection of stakeholders with whom to engage		Corporate responsibility	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		Stakeholders	
<b>Economic Performance Indicators</b>				









	Management approach to economic responsibility		Risk management	Goals and how they were attained
<b>Economic Performance</b>				
EC1*	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments		Financial impacts and indicators	
EC2*	Financial implications, risks and opportunities due to climate change		Environmental responsibility	
EC3*	Coverage of defined benefit plan obligations		Notes to the Financial Statements	Statement on the Corporate Governance and Steering System
EC4*	Significant subsidies received from government		Financial Statements	(Link to the Financial Statements: Compensation for credit and guarantee losses paid by the State and interest rate subsidies received from the State and used directly to reduce clients' financing costs.)
<b>Indirect Economic Impacts</b>				
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		Financial responsibility	
<b>Environmental Performance Indicators</b>				
	Management approach to environmental responsibility		Environmental responsibility	
<b>Energy</b>				
EN4*	Indirect energy consumption by primary source		Environmental responsibility	

EN7	Initiatives to reduce indirect energy consumption and reductions achieved		Environmental responsibility	
<b>Emissions, Effluents and Waste</b>				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		Environmental responsibility	
<b>Compliance</b>				
EN28*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations			No fines or sanctions during the reporting period.
<b>Social Performance Indicators</b>				
<b>Labor Practices and Decent Work</b>				
	Management approach to labor practices and decent work		Social responsibility	
<b>Employment</b>				
LA1*	Total workforce by employment type, employment contract and region		Report of the Board of Directors	
<b>Labor/Management Relations</b>				
LA4*	Percentage of employees covered by collective bargaining agreements.		Social responsibility	94% of employees are covered by collective bargaining agreements.
LA5*	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.			Finnvera complies with the Finnish co-determination legislation.
<b>Occupational Health and Safety</b>				



LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.		Finnvera has an occupational safety and health organisation set up in accordance with the Act on Occupational Safety and Health Enforcement. It draws up the action plan for occupational safety and health. The employer is represented by the occupational safety and health manager and the employees by the elected occupational safety and health representatives and deputy representatives. The Occupational Safety and Health Act is applied to all employees and, according to the general provisions, the employer is required to take care of the safety and health of its employees while at work by taking the necessary measures.
LA7*	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		Social responsibility

LA8*	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		Personnel well-being	
<b>Training and Education</b>				
LA10*	Average hours of training per year per employee by employee category.		Social responsibility	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		Social responsibility	
LA12	Percentage of employees receiving regular performance and career development reviews.		Social responsibility	The entire personnel is encompassed by performance and career development reviews.
<b>Human Rights</b>				
<b>Non-discrimination</b>				
HR4*	Incidents of discrimination and actions taken			No cases of discrimination during the reporting period.
<b>Society</b>				
	Management approach to society		Corporate governance	Goals and how they were attained
<b>Community</b>				
S01*	Nature, scope, and effectiveness of any programs and practices that assess and manage impacts of operations on communities (incl. entering, operating, and exiting)		Environmental responsibility	
<b>Corruption</b>				

S04*	Actions taken in response to incidents of corruption				No cases of corruption during the reporting period.
<b>Public Policy</b>					
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions				Finnvera does not give contributions or donations to political parties or politicians.
S07	Number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes				No legal actions during the reporting period.
<b>Compliance</b>					
S08*	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations				No fines or sanctions during the reporting period.
<b>GRI indicators for the financing sector</b>					
Management approach to products and services in the financing sector					
FS2	Procedures for assessing and screening environmental and social risks in business lines		Environmental responsibility	Monitoring and reporting	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions		Environmental responsibility		
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities		Environmental responsibility		
<b>Portfolio</b>					
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector		Business in 2013		

FS8

Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose

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Environmental  
responsibility

# Introduction

## Goal: operational transparency

The State of Finland owns the entire stock of Finnvera. The Enterprise and Innovation Department of the Ministry of Employment and the Economy is responsible for the ownership and industrial policy steering of Finnvera.

The goal of good corporate governance, as practised by Finnvera, is to ensure transparency throughout the organisation. Finnvera's Board of Directors approves the main principles and guidelines steering the operations. The principles for good practices, confirmed by the Board of Directors, guide the personnel so that their actions help solidify Finnvera's role as a specialised financing company and as an expert esteemed by clients.

The principles of disqualification and guidelines on insider information are part of Finnvera's ethical guidelines.

[Statement on the Corporate Governance and Steering System](#)

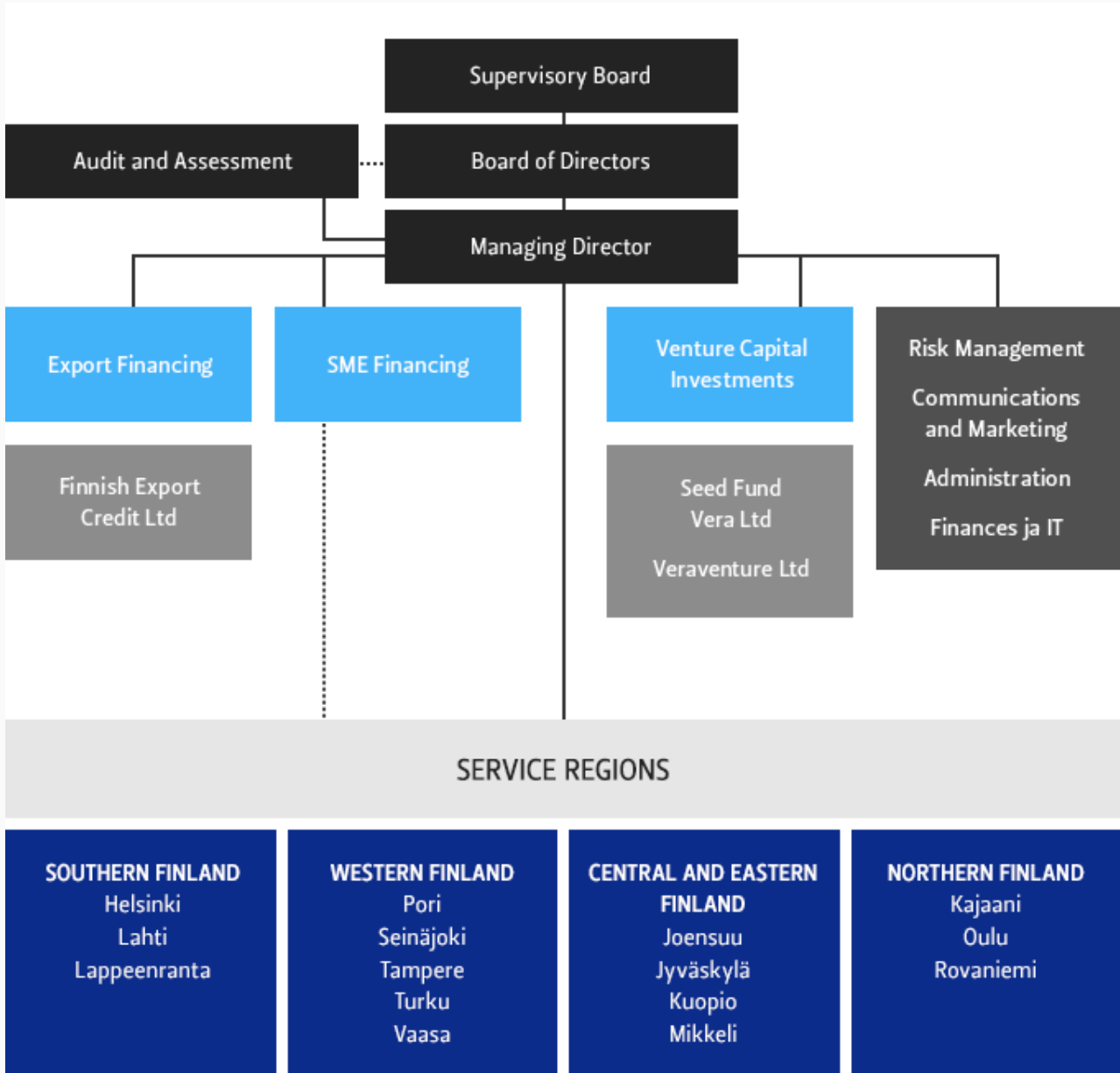
[Principles of good conduct](#)

[Guidelines for Ensuring Impartiality](#)

[Guidelines on Insider Information](#)

The corporate organs responsible for Finnvera's administration and operations are the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Managing Director.

# Finnvera group



The **General Meeting of Shareholders** can decide on issues assigned to it by law and the Articles of Association. The General Meeting elects the members and deputy members of the Supervisory Board and the Board of Directors, and the Chairs and Vice Chairs of both bodies.

The **Supervisory Board** supervises the company's administration. It gives the Annual General Meeting its opinion on the financial statements and the auditors' report, and decides on issues that concern considerable reduction or expansion of the company's operations or substantial reorganisation of the company. The Supervisory Board also issues guidelines to the Board of Directors concerning far-reaching or principally important matters.

The **Board of Directors** is responsible for the company's administration and for the proper organisation of activities. The Board approves the company's strategy and annual plans, the interim reports 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 also decides important individual cases of financing. The Board supervises and monitors the company's executive management and appoints and dismisses the company's CEO and other members of the upper management. The Board appoints the Inspection Committee and Remuneration Committee, which assist the Board in managing issues pertaining to the respective appointments.

The **CEO** 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 CEO is assisted by the Management Group and the Corporate Management Team.

# Operating principles

## Policies observed by Finnvera

The main guidelines, principles and policies observed by Finnvera in its activities are:

- ▶ ownership policy
- ▶ country and guarantee policy
- ▶ credit policy
- ▶ risk management principles
- ▶ environmental policy and publicity policy in export credit guarantee operations
- ▶ personnel policy outlines
- ▶ ethical guidelines
- ▶ IT policy guidelines
- ▶ communications policy guidelines
- ▶ principles for co-operation agreements
- ▶ guidelines and procedures for procurement.




## In 2013, Finnvera achieved most of its goals







The Ministry of Employment and the Economy monitors and supervises Finnvera's operations and sets industrial and ownership policy goals for it. When determining these goals, attention is paid to the Finnish Government Programme, the Ministry's corporate strategy, the policy objectives concerning the Ministry's branch of administration, and the goals of EU programmes.

On the basis of the industrial and ownership policy goals set, an assessment is made on how well Finnvera has succeeded in promoting, for instance, enterprise, employment, the growth and internationalisation of enterprises, and exports.








# We achieved the common goals set by the Ministry of Employment and the Economy

-  Goal achieved
-  Goal almost achieved
-  Goal not achieved

TARGET	GOAL	
Promotion of growth enterprise	A 50 per cent increase in the turnover and exports of the client enterprises of Finpro, Finnvera and Tekes that seek growth through internationalisation takes place from 2011 to 2015. The three actors co-operate in the annual monitoring of turnover and exports for the respective client segment.	
	Finnvera contributes actively to the provision of the Growth Track service for clients and participates in the Enterprise Finland investor event.	
The Ministry's corporate client strategy and measures for developing common activities	Together with other actors, Finnvera forms a concrete plan on the implementation of a service model for corporate clients based on the Ministry's current corporate client strategy and the Growth Track service. Finnvera implements the Team Finland operating model in co-operation with other actors.	
Venture capital investments	Finnvera successfully completes the transfer of venture capital investment operations for start-up enterprises to Tekes, continuing to make fund investments and direct investments in target enterprises through Veraventure and Seed Fund Vera until venture capital investment operations are underway at Tekes.	
Dealing with abrupt structural changes	Feasible projects are financed in areas and sectors affected by abrupt structural change.	
Clean energy	Finnvera allocates funding for environmental business projects that promote the use of clean, renewable energy and/or simultaneously promote Finland's energy self-sufficiency.	

**WE ACHIEVED THE SEPARATE GOALS SET FOR FINNVERA**

Allocation of financing to SMEs starting up and seeking growth through internationalisation	In 2013, Finnvera actively allocates financing to SMEs starting up and seeking growth through internationalisation, increasing the risk assumed. The share of client enterprises seeking growth through internationalisation reaches 50 per cent in 2013.	
The impact of Finnvera's operations on the internationalisation and exports of enterprises	In accordance with the principles of key economic policies or competitiveness, Finnvera increases its risk-taking in export credit guarantee operations based on the goal set in the Government Programme and in a manner permitted under an amendment to the Act on the State's Export Credit Guarantees. Finnvera's export and ship credit scheme, which is based on the acquisition of funds, is running smoothly. The company continues development of the export financing system with the Ministry of Employment and the Economy so that Finnish exporters would have access to as competitive export financing system as possible.	
Large enterprises (domestic operations)	The financing granted to large enterprises outside national assisted areas, excluding the compensation for losses, can be at most 10 per cent of all financing granted by Finnvera plc.	
<b>WE ACHIEVED ALMOST ALL OF THE OWNERSHIP POLICY GOALS</b>		
Effectiveness of Finnvera's operations	Finnvera is running efficiently. Finnvera develops work productivity metrics and, based on them, improves work productivity by 3 per cent in 2013.	
The Finnvera Group's capital adequacy	The capital adequacy ratio of the Finnvera Group is 12–20 per cent.	

# Risk management

## Role and responsibilities

Risk management is of central importance for the maintenance of Finnvera's ability to take risks and for the attainment of economic objectives in the long run. For its part, the goal of risk management is to ensure prerequisites for implementing the company's strategy.

Finnvera's Board of Directors and the top management are responsible for arranging and organising internal control and risk management. The Board of Directors approves decision-making powers, the principles of risk management and the outlines for risk-taking. The Board and its Inspection Committee monitor the execution of risk management through regular quarterly reporting.

Working independently of Finnvera's business areas, the Risk Management Unit is responsible for the development of policy, methods and guidelines for risk management, and for the monitoring of company's risk standing. The Risk Management Unit reports to the Chief Executive Officer. Internal auditing monitors and ensures that the guidelines approved by the Board of Directors are followed. The practical measures regarding risk management are part of the day-to-day management and are implemented by the entire Finnvera organisation and the Group companies.

The Risk Management Unit is also responsible for co-ordinating the development and maintenance of the risk classification systems and for monitoring the functionality of the classification systems.

## Process and risk classification

Finnvera's Board of Directors confirms the principles of the Group's risk management, strategy of risk-taking, policies to be observed, outlines of risk-taking, and decision-making powers.

Finnvera's risks can be grouped as follows:

- ▶ Risks pertaining to credits, export credit guarantees and guarantees
- ▶ Operational risks
- ▶ Financing and market risks
- ▶ Other risks.

Operational risks pertaining to financial reporting are identified, assessed and controlled as part of operational risk management. Utilisation of information technology and investing in the quality of operations play a central role in financial reporting systems.

The internal reporting system for risk management works at all levels of the Group. The parent company manages risks 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.

# Supervisory Board

Finnvera's Supervisory Board consists of a minimum of eight and a maximum of eighteen members. The General Meeting elects the members, who have a term of office of one year.

The fees paid to the members of the Supervisory Board are in agreement with the recommendation issued by the Ministry of Employment and the Economy on fees paid to the administrative bodies of State-owned companies. The fees paid in 2013 totalled EUR 62,600.

## Members on 31 December 2013

Chairman

**Johannes Koskinen**, Member of Parliament (Social Democratic Party)

Vice Chairman

**Lauri Heikkilä**, Member of Parliament (The Finns Party)

## Members

**Paula Aikio-Tallgren**, Entrepreneur, Virvatuli-Valaisimet Oy

**Kaija Erjanti**, Head of Financial Markets, Federation of Finnish Financial Services

**Helena Hakkarainen**, Finance Manager, Finnvera plc

**Lasse Hautala**, Member of Parliament (Centre Party)

**Miapetra Kumpula-Natri**, Member of Parliament (Social Democratic Party)

**Leila Kurki**, Senior Adviser, Finnish Confederation of Professionals STTK

**Esko Kurvinen**, Member of Parliament (National Coalition Party)

**Kasper Launis**, Chairman, Finnish Association of Business School Graduates – SEFE

**Anna Lavikkala**, Labour Market Director, Federation of Finnish Commerce

**Jari Myllykoski**, Member of Parliament (The Left Alliance)

**Lea Mäkipää**, Member of Parliament (The Finns Party)

**Antti Rantakangas**, Member of Parliament (Centre Party)

**Osmo Soininvaara**, Member of Parliament (The Greens of Finland)

**Timo Vallittu**, Chairman, Industrial Union TEAM

**Sofia Vikman**, Member of Parliament (National Coalition Party)

**Antti Zitting**, Chairman of the Board of Directors, Sacotec Components Oy

# Board of Directors

Finnvera's Board of Directors is comprised of a minimum of six members and a maximum of nine members. The General Meeting elects the members for a term of one year at a time.

The Inspection Committee of the Board of Directors assists the Board in its supervisory tasks. The Board of Directors selects the Inspection Committee's members and chairman from among the Board members, for a term of one year at a time. The Inspection Committee elected after the Annual General Meeting of 2013 is comprised of Kirsi Komi (Chair), Risto Paaermaa, Pirkko Rantanen-Kervinen and Marianna Uotinen.

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 company management and personnel. 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 2013 is comprised of Markku Pohjola (Chairman), Vesa Luhtanen and Pekka Timonen.

The fees paid to the members of the Board of Directors are in agreement with the recommendation issued by the Ministry of Employment and the Economy on fees paid to the administrative bodies of State-owned companies. The fees paid in 2013 totalled EUR 184,300.

## Members on 31 December 2013

### **MARKKU POHJOLA** **(1948)** **B.Sc. (Econ.)**

Chairman

Markku Pohjola has been a Board member and Chairman since 30 March 2012. He is also Chairman of the Board of Tieto Corporation and a member of the Onvest Oy Board of Directors. Between 1972 and 2008, Pohjola held executive posts in Nordea and its predecessor banks, most recently as Deputy Group CEO and Country Senior Executive of Nordea in Finland.



### **PEKKA TIMONEN** **(1960)** **Doctor of Law**

First Vice Chairman

Pekka Timonen has been a Finnvera Board member since 2013. He was a researcher and teacher at the University of Helsinki in 1984–2001, served as a consulting official in ownership steering affairs for the Ministry of Trade and Industry in 2001–2007, was Director General of the Ownership Steering Department at the Prime Minister's Office in 2007–2012 and Director General of the Labour and Trade Department, at the Ministry of Employment and the Economy since the start of 2013.



## **MARIANNA UOTINEN** **(1957)** **Master of Laws**

Second Vice Chairman

Marianna Uotinen has been a Board member since April of 2013. She has served as a Specialist Counsel for Financial Markets Regulation at the Ministry of Finance since 2007. She held advisory and supervisory positions related to financing and the securities market at Nordea in 1985–2001 and Nokia Corporation in 2001–2006.



## **KIRSI KOMI** **(1963)** **LL.M.**

Kirsi Komi has served on Finnvera's Board of Directors since April of 2013. Komi also sits on the Boards of the following companies: Metsä Board plc, Citycon plc, Martela plc, Patria plc (Vice Chairman), Docrates plc (Chairman) and Finnish Red Cross Blood Service (Chairman). During the period 1992–2010, Komi served as an attorney with the Nokia Corporation and then Vice President and Director, Legal Affairs at Nokia Networks. Her most recent position was with Nokia Siemens Networks as Director of Legal Affairs and member of the Executive Board.





## **VESA LUHTANEN**

### **(1961)**

### **BScBA**

Vesa Luhtanen has been a Finnvera Board member since April of 2013. He also sits on the Boards of the following organisations: Lahden Teollisuusseura (Chairman), PHP Liiketoiminta Oyj and PHP Holding Oy, Tekstiili- ja muotialat TMA, Design Foundation Finland (Chairman) and The Federation of Finnish Textile and Clothing Industries Finatex. Luhtanen serves as CEO of the L-Fashion Group and is a fourth-generation entrepreneur.



## **RISTO PAAERMAA**

### **(1946)**

### **LL.Lic.**

Risto Paaermaa has been on the Finnvera Board since 2012. He also sits on the Boards of the following organisations: Juho Vainio Foundation (Chairman) and Oy Langh Ship Ab. Paaermaa served as Director in the Enterprise and Innovation Department of the Ministry of Employment and the Economy until 30 November 2012. Starting in 1972, he held various posts in the Ministry for Foreign Affairs, the Ministry of Trade and Industry, the Ministry of Transport and Communications and the Ministry of Employment and the Economy. In 1987–1989 he served in the Permanent Delegation of Finland to the OECD in Paris.



**PIRKKO RANTANEN-  
KERVINEN**  
**(1949)**  
**B.Sc. (Econ.)**



Pirkko Rantanen-Kervinen has been a Board member since April of 2013. She is also Member of the Board of Raisio plc and Chairman of the Board of LocalTapiola Uusimaa Mutual Insurance Company. During the period 1974–2010, Rantanen-Kervinen served at various levels of management with Saga Furs plc, most recently as Managing Director.

# Management Group and Corporate Management Team

## Management Group

Finnvera's Management Group is comprised of the Chief Executive Officer, the Executive Vice President, the Senior Vice President for SME Financing, the Managing Director of the subsidiary engaged in venture capital investment, the General Counsel for Administration, the Senior Vice Presidents for Finances and Communications, and the Vice Presidents of the Service Regions. The Management Group discusses issues relating to the strategy, business, policy outlines for client work, and ownership steering. The Management Group meets once a month.

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 CEO is assisted by the Management Group and the Corporate Management Team.

## Members

**Pauli Heikkilä** (1962)  
D.Sc. (Tech.)  
Chief Executive Officer

**Topi Vesteri** (1956)  
LL.M.  
Executive Vice President, Export Financing

**Annamarja Paloheimo** (1964)  
LL.M. (Amsterdam)  
Senior Vice President, Financing for SMEs and Internationalisation

**Leo Houtsonen** (1958)  
M.Sc. (Econ.)  
Managing Director, Venture Capital Investments

**Ulla Hagman** (1969)

M.Sc. (Econ.)  
Senior Vice President, Finances and IT

**Risto Huopaniemi (1975)**  
LL.M.  
Senior Vice President, Administration

**Tarja Svartström (1971)**  
M.Sc.  
Senior Vice President, Corporate Communications and Marketing

**John Erickson (1956)**  
M.A.  
Vice President, Western Finland

**Pentti Kinnunen (1954)**  
M.Sc. (Econ.)  
Vice President, Northern Finland

**Hannu Puhakka (1959)**  
M.Sc. (Tech.)  
Vice President, Central and Eastern Finland

**Kari Villikka (1955)**  
M.Sc. (Tech.)  
Vice President, Southern Finland

## Corporate Management Team

The Corporate Management Team assists the Chief Executive Officer in the management of the tasks specified in the Limited Liability Companies Act and discusses matters that have a major impact on Finnvera's personnel. In addition to the members of the Management Group, the Corporate Management Team includes the Managing Director of Finnish Export Credit Ltd. The Corporate Management Team also includes representatives from personnel organisations. The Corporate Management Team meets every second month.

## Members

**Heikki Lähdesmäki (1961)**  
M.Sc. (Econ.)

**Finance Manager****Anita Muona (1957)**

LL.M. (Helsinki)

Managing Director, Finnish Export Credit Ltd

**Ilse Salonen (1959)**

BBA

Finance Assistant

**Tuija Saari (1952)**

LL.M.

Liaison Officer

# Regional organisation

Finnvera's regional organisation is divided into four service regions. The Vice Presidents of service regions also act as Directors of Regional Offices in their own regions.

## Service Region for Southern Finland

Vice President **Kari Villikka**, M.Sc. (Tech.), Helsinki

Directors of Regional Offices:

**Markus Laakkonen**, LL.M., Lappeenranta

**Pasi Pirinen**, M.Sc. (Tech.), Lahti

## Service Region for Central and Eastern Finland

Vice President **Hannu Puhakka**, M.Sc. (Tech.), Joensuu

Directors of Regional Offices:

**Tarja Tikkanen**, LL.M. (until 15 October 2013),

**Kimmo Korhonen**, LL.M. (Acting Director as of 1 September 2013), Kuopio

**Jukka-Pekka Jordan**, M.Sc. (Econ.), Mikkeli

**Asko Saarinen**, M.Sc. (Tech.), eMBA, Jyväskylä

## Service Region for Western Finland

Vice President **John Erickson**, M.A., Vaasa

Directors of Regional Offices:

**Kari Hytönen**, M.Sc., Seinäjoki

**Juha Ketola**, M.Sc. (Tech.), Tampere

**Pia Kiuru**, M.Sc. (Econ.), Pori

**Seija Pelkonen**, M.Soc.Sc., Turku

# Service Region for Northern Finland

Vice President **Pentti Kinnunen**, M.Sc. (Econ.), Oulu

Directors of Regional Offices:

**Pauli Piilma**, LL.M., Kajaani

**Kari Tuominen**, M.Sc. (Econ.), Rovaniemi