



2017

Annual Review

YEAR 2017 AND SUSTAINABILITY

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## This is Finnvera

Finnvera is a specialised financing company owned by the State of Finland. Finnvera has official Export Credit Agency (ECA) status. We supplement the financial services offered by banks and other providers of financing. We help Finnish enterprises to succeed and boost their competitiveness.

Finnvera's operations are steered by the relevant legislation, international agreements, and the industrial and ownership policy goals determined by the State of Finland. The funds needed for granting credits are obtained from the international financial market.

By granting financing, we can participate in projects seen as having the potential for success. We provide financing for the start, growth and internationalisation of enterprises and for protection against export risks. No good project or investment should fail for lack of financing.

**"No good project or investment should fail for lack of financing."**

## Finnvera's operations create impacts

### Our vision is:

- The enterprises financed by us succeed!
- Our clients grow and become more international.
- We are an agile specialised financing company.
- We reform our operations bravely.

The spearhead of our strategy is impact. For us, impact means that our goal is to allocate the majority of our financing to growing and internationalising SMEs. We see to it that our export financing system is competitive.

**"We see to it that our export financing system is competitive."**

The pillars of our impact are customer experience, competent personnel, partner network, digitalisation and self-sustainability. With risk management, we seek to ensure self-sustainability in the long term.



## CEO's Review

The year 2017 was a year of good financial news, and Finnish enterprises were able to join the upturn in the international economy. In the important export sectors, especially in cruise shipping, telecommunications, energy and forestry sectors, the outlook is good.

At Finnvera, this could be seen as record-breaking demand for export credits and export credit guarantees. It was exceptional that in the EUR 22.2 billion exposure for large corporates' export credit guarantees and special guarantees, drawn guarantees and credits accounted for approximately EUR 9.0 billion. This means that more than half of the exposure was tenders or agreements that are related to future deliveries by export companies. Demand extending this far into the future has not been previously witnessed at Finnvera.

*"Demand extending this far into the future has not been previously witnessed at Finnvera."*

We have been able to respond to the increasing demand, thanks to the fact that in 2016, the State of Finland significantly raised our authorisation to grant export credit guarantees to EUR 27 billion and to finance export credits to EUR 22 billion. This action was taken in order to enable the foreseeable growth of export industry by means of financing.

We are grateful for these necessary measures that generate growth in Finland and jobs amounting to tens of thousands of person-years.

At the same time, the significance of risk management is further increasing. The Ministry of Economic Affairs and Employment commissioned an external assessment of Finnvera's risk management. The assessment was conducted by an international team of and published in March 2017. According to the assessment, our risk management is at an excellent level in international comparison. We constantly develop our risk management, and in the future, we will invest heavily in reinsurance and other risk transfer methods.

Throughout its history, Finnvera's export credit guarantee activities have been self-sustainable and our performance has been profitable, which has enabled us to accumulate approximately EUR 1.4 billion in buffer assets for potential future losses. In line with our goals, the result for the financial period 2017, EUR 107 million, showed a profit. This result improves our ability to cover current and future commitments.

### Financing spurs growth

Economic activity and investments picked up also in Finland; however, this did not directly lead to growth in Finnvera's SME and midcap financing. For its part, the European Fund for Strategic Investments (EFSI) replaces or complements our financing offering, and EFSI financing has proved to be easily found by Finnish enterprises. This is a good indication of corporate financing options becoming more versatile.

Finnvera encourages growth. In line with our strategy, we target our financing first and foremost at corporate changes – that is: setting up a company, growth, internationalisation and transfers of ownership – not at providing financing to established enterprises focusing on the domestic markets. Currently, 80 per cent of our financing is already allocated to our focus areas.

Transfers of ownership are known to have a dynamic impact, and an acquisition often spurs enterprises onto a growth track. Finnvera's and enterprise organisations' joint campaign to accelerate transfers of ownership continued in 2017. Finnvera was involved in financing approximately 1,000 transfers of ownership. This means that we acted as a provider of financing in roughly more than a third of the transfers of ownership that took place in Finland. This area gained a lot of visibility, which goes to show that the significance of company acquisitions for business life has been recognised.

### Responsible impact

According to our strategy, impact is one of the key indicators of our success. With our financing we enable the founding of companies that otherwise would not have been set up. Growing and internationalising enterprises create innovations, export products and networks that are important for the nation. Export companies get the chance to submit tenders on the same terms as the competitor countries' exporters.

The common denominator in impact is the fact that enterprises grow and become more international in a manner that would not have been possible without Finnvera.

The results of our impact study show that Finnvera has played an important role in the renewal of the Finnish shipbuilding industry. This, in turn, has been vitally important for many other industries and businesses that are dependent on the shipbuilding industry.

**"The common denominator in impact is the fact that enterprises grow and become more international in a manner that would not have been possible without Finnvera."**

Finnvera is a responsible provider of financing. In addition to supporting employment and economic growth in Finland, responsibility also has an international dimension. The environmental and social impact assessment of major export projects directed to different parts of the world is a more crucial part of the financing decision. Good governance and transparency are the starting points of Finnvera's operations. The foundation for corporate responsibility is recorded in

our Code of Conduct. We develop corporate responsibility also in cooperation with counterpart organisations in other countries.

### **Highlighting digitalisation and customer experience**

Digitalisation is a financing trend that affects us. Clients have increasing expectations with regard to fast service and the transparency of financing decisions. We have prepared a digital agenda, in which we define how we will create a good customer experience in electronic services in the future and how we will digitalise our operations to an appropriate extent.

In addition to digitalisation, customer experience is one of the cornerstones of our strategy. In 2017, we conducted an extensive client and stakeholder survey, the results of which we will utilise in the further development of our operations. We also continued to measure client satisfaction continuously.

An underlying factor for client satisfaction is the personnel's uncompromising commitment to their work, and I would like to thank all my colleagues at Finnvera for their excellent work in 2017. Many thanks also to our owner and our clients, partners and stakeholders for fruitful cooperation.

A new year opens up new opportunities for working together with Finnish enterprises to promote growth, internationalisation and successful exports.

**Pauli Heikkilä**  
CEO



## Operating environment

In 2017, Finland returned to economic growth after a period of 10 years. The Bank of Finland raised Finland's GDP growth forecast to more than 3 per cent for 2017 and to 2.5 per cent for 2018.

Globally, we are experiencing the final acceleration of the economic boom, which different forecasts predict to last for another two or three years. If development continues undisturbed, 2018 will still be a year of positive growth. However, looming ahead, there are the end of central bank driven stimulus and the tightening of fiscal policy, and it can be forecasted that the interest rate level will start rising in the coming years.

### Improved financing situation for SMEs

The situation for SMEs improved in 2017, for the third year in a row. Production volumes, order books and investments continued to grow. The profitability and capital adequacy of companies have also improved as a result of economic growth and an increasing number of enterprises will strive to manage on cash flow financing in the future.

The improved financial situation among enterprises has also alleviated the financing-related challenges facing SMEs. This became particularly clear from the second SME barometer survey of the year 2017, published in the autumn. As in the previous years, the survey was commissioned by Finnvera, the Federation of Finnish Enterprises and the Ministry of Economic Affairs and Employment. In the SME barometer survey, only 3 per cent of enterprises that had applied for financing reported having received a negative decision. In this respect, the situation in Finland is exceptionally good compared to some developed EU Member States, where 30–40 per cent of loan applications submitted by SMEs are rejected. Another indicator of the improvement of the financing situation is the fact that now only 9 per cent of SMEs listed financing among the top three obstacles to operational development. Also among companies strongly oriented towards growth, the availability of financing has improved significantly.

The offering on the financial market has become increasingly diversified, which has, for its part, improved the availability of financing. The non-banking providers of financing that operate in the market have increased their financing volumes, and many banks have started to use the European Investment Fund's risk-sharing guarantees. Market diversification has had an impact on the demand for Finnvera's financing solutions.

### Caution reigns in investments

In 2017, demand from SME and midcap enterprises for financing and their investments did not take as sharp an upturn as could have been expected in a market situation characterised by economic growth. After many years of slow growth, some of the enterprises are still cautious.

However, the responses given in the SME barometer survey of autumn 2017 indicate that especially SMEs that seek growth and internationalisation aim at the intensive development of their operations and intend to apply for financing for that purpose. The main uses of financing included growth financing, development projects, internationalisation of business operations and the need for working capital.

### Emerging growth in major export markets

At the end of 2017, Finnvera's exposure for export credit guarantees and guarantee applications encompassed 90 countries. The main country exposure is still the United States. Although the U.S. economy has developed favourably, the development has been more difficult to forecast. The United States has questioned the global free trade system, and plans for introducing import taxes have regularly come up as an obstacle to export trade.

The economy of Russia, a country important to Finnvera's exposure for export credit guarantees, took an upward turn, growing approximately 1.5 per cent annually. Russia's development is still overshadowed by the country's tense relations with the West. Western countries have continued with sanctions that restrict, among other things, the import of technology needed for oil production and impair the oil production outlook. Even though investments in the country's infrastructure and new industrial capacity are still cautious, imports into Russia increased clearly in 2017. The interest of Finnish enterprises in the market opportunities to be found in the neighbouring country increased, too. The fact that Finnvera's export financing takes risks for projects of various sizes has, for its part, enabled enterprises to increase exports to Russia.

In 2017, the Brazilian economy showed a slight upswing after decreasing by a total of 8 per cent during the two previous years. Growth is predicted to strengthen somewhat in the next few years when necessary structural reforms

have been carried out after political crises. Increased raw material prices and improved domestic demand also contribute to economic growth. The country has adopted a more favourable approach towards free trade. Brazilian institutions have proven to possess independent competence and the country's financial sector is relatively well regulated. Nevertheless, the legislative environment has posed challenges that have become concrete in connection with the debt restructuring of the teleoperator Oi, involving Finnvera's exposure.

### **Strong new markets in the east**

In Southeast Asia, economic growth in the Philippines, Indonesia and Vietnam continued at a level of more than 5 per cent in 2017. The countries aim to modernise their economic structures and to diversify their exports as well as to improve infrastructure and the living conditions of their citizens, which creates good export prospects for Finnish enterprises, too.

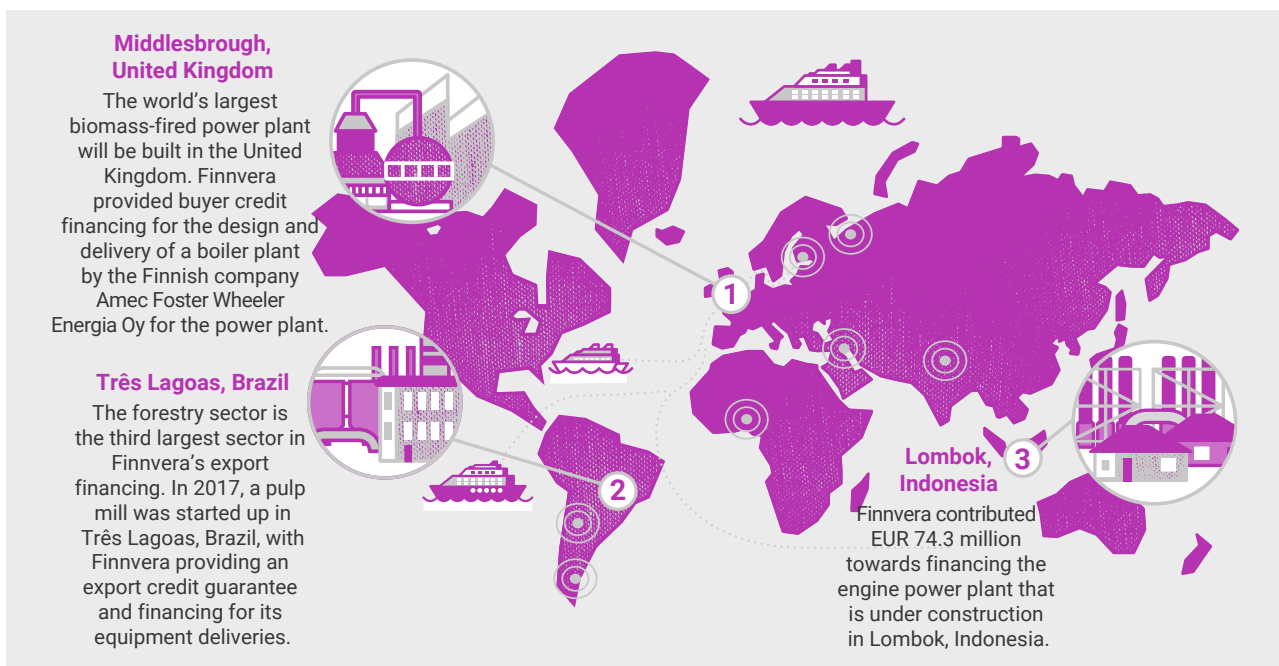
Indonesia, the largest economy in Southeast Asia and a G20 member, is the most important country in the region in terms of Finnvera's exposure for export credit guarantees. Exports from Finland to Indonesia increased in 2017, whereas exports to a more traditional export destination, Vietnam, decreased. Vietnam is a well-known development cooperation partner for Finland, so concessional credits that utilise development cooperation funds have been widely used in project financing. However, financing is gradually moving towards commercial financing. At one time, the Philippines was an important country of exports for Finland, and now, after years of decline, trade is again showing signs of growth.

The countries belong to the region's economic cooperation organisation ASEAN (Association of Southeast Asian Nations). The EU and ASEAN are seeking closer cooperation. Finnvera has good possibilities of granting export credit

guarantees to Finnish enterprises for all three countries, and the Team Finland cooperation has good prospects in Indonesia and Vietnam, countries with Finnish embassies and Business Finland operations.

In 2017, Finnvera granted, for the first time in many years, export credit guarantees for exports to Iran and exposure increased clearly during the year. Trade to Iran continued regardless of the fact that the United States has been reluctant to ratify the Iran Nuclear Treaty, which creates uncertainty. The Treaty is multinational and the EU, for instance, believes Iran is in compliance with it. Banks are still exercising caution with regard to trade with Iran and each trade transaction requires a great deal of effort from all parties. The situation in the entire Persian Gulf region became more unstable in 2017 as the relations between Saudi Arabia and Iran are poor and the situation in Qatar has created more tension. The region seems high-risk at the moment, which may decrease Finland's exports to the countries there.

The growth of China's economy strengthened further and economic growth is expected to continue at the 6 per cent level as the country moves from a growth model that is driven by investments and exports towards growth that is more services and consumption driven. China has adopted a new role internationally, advocating free trade and environmental values that are beneficial to it. China and Finland strengthened their economic relations in 2017 when President of China Xi Jinping visited Helsinki in April. Demand for Finnvera's financing for China has been low in proportion to the size of the market and has mainly been focused on short-term bank risk-taking, but especially demand related to corporate risk-taking in the wood processing sector took an upward turn in 2017. Finnvera's China-related demand is not expected to change significantly in 2018 but demand related to individual projects may increase somewhat.



1

**Três Lagoas, Brazil**

The forestry sector is the third largest sector in Finnvera's export financing, and typically forestry financing is related to the construction of pulp mills or to deliveries of forestry machines or cardboard manufacturing machines, for instance. More than 70 per cent of Finnvera's forestry-related exposure is in Latin America, and Brazil has the highest number of financing and guarantee projects. The second largest country exposure is Uruguay.

In 2017, a pulp mill was started up in Três Lagoas, Brazil, with Finnvera providing an export credit guarantee and financing for its equipment deliveries. The principal supplier of equipment is the Finnish company Andritz Oy. The value of the total investment exceeded USD 2 billion, of which the credit guaranteed by Finnvera amounts to little less than USD 400 million. The investment strengthens Fibria's position as the largest producer of eucalyptus pulp in the world.

From an environmental point of view, pulp mills are always Category A projects, for which the borrower must provide a report of the assessment of environmental and social impacts, information about hearing the local population and other parties involved as well as an environmental and social management plan, for instance. The basic and environmental information was published on Finnvera's website in March 2016, that is, before the guarantee agreement was signed.

2

**Middlesbrough, United Kingdom**

The world's largest power plant fuelled solely by biomass will be built near the town of Middlesbrough in the United Kingdom. Finnvera provided buyer credit financing <https://www.finnvera.fi/eng/finnvera/newsroom/articles/flexible-financing-solutions-increasingly-important-in-export-trade> for the design and delivery of a boiler plant by the Finnish company Amec Foster Wheeler Energia Oy for the power plant.

The construction of the power plant is estimated to cost approximately GBP 650 million (about EUR 750 million). Finnvera's share of the financing is roughly GBP 100 million (about EUR 115 million). Finnvera's participation in the project enabled long-term financing of 15 years. The project is a good example of a flexible financing solution tailored to local conditions and brought Finnvera the Deal of the Year award at the international Trade Finance Awards event in 2017.

The construction of the power plant is in progress, and the plant is scheduled to begin commercial operation at the start of 2020. The 299 MW power plant will be fuelled by wood pellets and chips.

From an environmental point of view, the power plant is a Category A project, for which the borrower must provide a report of the assessment of environmental and social impacts, information about hearing the local population and other parties involved as well as an environmental and social management plan, for instance. The basic and environmental information was published on Finnvera's website in 2015.

3

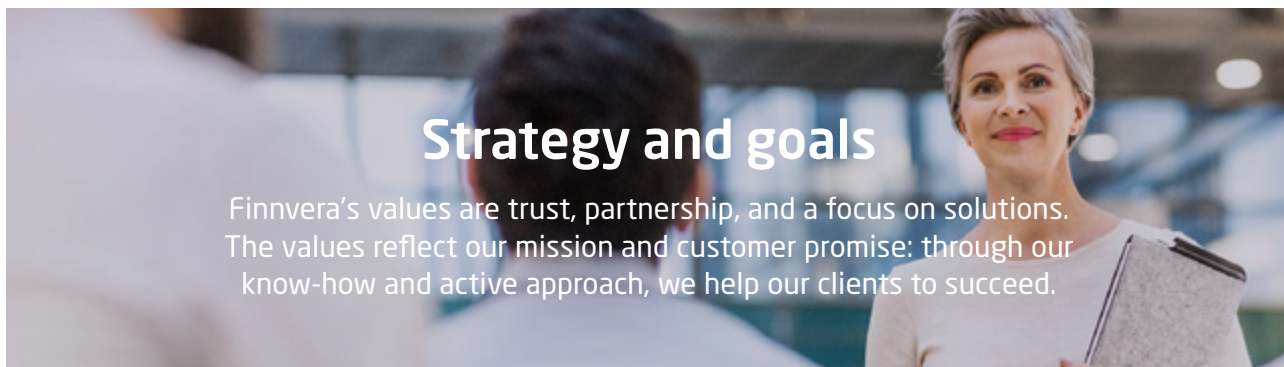
**Lombok, Indonesia**

A 135 MW gas-fired Flexicycle engine power plant is under construction in West Nusa Tenggara in Lombok, Indonesia, with Wärtsilä supplying the generator machinery, auxiliary equipment and related service deliveries and installation. Finnvera contributed EUR 74.3 million towards financing the power plant.

Environmental and social information about the project: Finnvera's project review was related to the new gas-fired engine power plant. In Finnvera's project review of environmental and social impacts, the most significant aspects were land acquisition for the power plant, employees' rights and working conditions as well as impacts on the marine ecosystem: the power plant is located by the sea and, for instance, the fuel for the gas-fired plant is transported by ships.

The basic information about the project was published on Finnvera's website in June 2017.



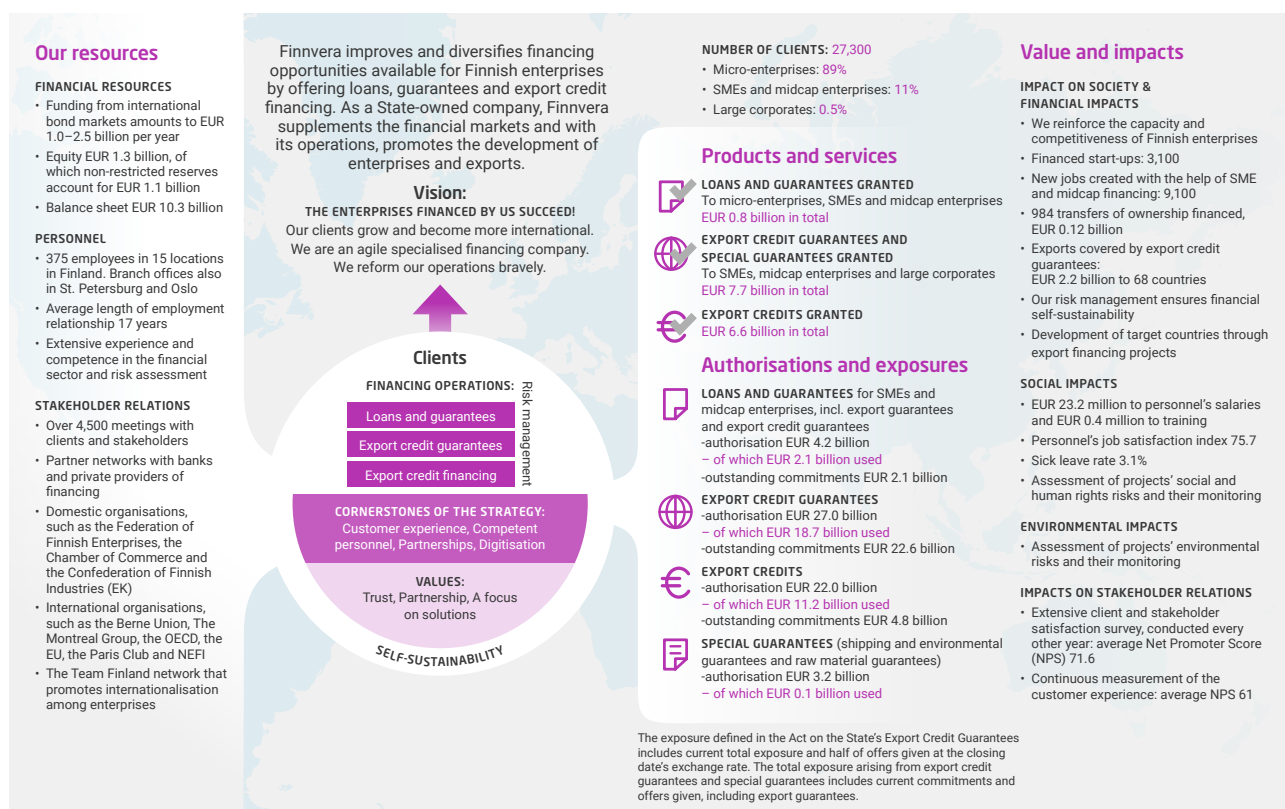


# Strategy and goals

Finnvera's values are trust, partnership, and a focus on solutions. The values reflect our mission and customer promise: through our know-how and active approach, we help our clients to succeed.

## How Finnvera creates value

Finnvera Group's operations are described in the value creation model which provides information about the company's most significant resources, business model and strategic foundation, and describes the key impacts of the company's operations on the surrounding society.



The goals for 2017 were guided by the strategic goals: customer experience, impact, and team play.

## Customer experience: Finnvera's clients are ready to recommend our services

The continuous measurement of the customer experience enables Finnvera to develop its services and practices. We conduct an online feedback survey for all clients after the financing decision or after the first meeting.

The extensive client and stakeholder satisfaction survey, conducted every other year among SMEs, large corporates, banks, financial institutions and other stakeholders, was carried out in January–February 2017. The total number of respondents exceeded 1,950.

The average Net Promoter Score (NPS) for our services was no less than 71.6. The highest NPS was reached among bank personnel working in the SME sector (81.9) and large corporates' stakeholders (80.6). Even at its lowest, among SMEs operating on the Finnish market, the NPS was 55.5.

The best ratings for the usefulness and the quality of our services came from small local enterprises and financier clients in large corporates. In addition, usefulness and quality ratings also improved among growing and internationalising enterprises. As for active approach and focus on solutions, Finnvera received the most positive ratings from financier and corporate clients in large corporates. Ratings related to understanding the client's business and sector were very positive.

In addition to providing insight into the customer experience, the survey gave a very encouraging picture of the significance of Finnvera's services. Large corporates' stakeholders were more convinced than others that Finnvera's export financing activities have promoted Finnish companies' exports and exerted a positive influence not only on employment in Finland but also on the Finnish subcontractors of the companies. Providers of financing who are located in Finland assessed that without Finnvera, export trade transactions would have been more limited in scope or would have failed entirely.

**81.9**

The highest NPS for Finnvera's services was 81.9.

### Impact: increasing visibility in exports and in transfers of ownership

We measure our impact on the basis of, for instance, how many new companies are set up, how the companies we provide financing for succeed in generating growth and jobs, and how we support the export activities of Finnish companies. The ceilings of Finnvera's export credits and export credit guarantees were raised twice during 2016, and the legislative amendments entered fully into force on 1 January 2017. The authorisation to grant export credit guarantees rose to EUR 27 billion, the authorisation for special risk taking to EUR 5 billion and the authorisation to finance export credits to EUR 22 billion. The authorisation to provide interest equalisation was also increased to EUR 22 billion. The decision to raise the ceilings proved to be well-founded, and the demand for Finnvera's export financing rose to a record-breaking level during the year. Finnvera granted export credit guarantees and special guarantees amounting to EUR 7.5 billion and export credits totalling EUR 6.6 billion.

At the same time, we worked to improve SMEs' export prerequisites and continued to launch new products, especially to accelerate small export trade transactions. The share of growing and internationalising enterprises out of all SME financing rose to 40 per cent (38%).

In 2017, Finnvera used EUR 0.9 billion to finance Finnish SMEs and midcap enterprises. Finnvera's financing contributed to the creation of an estimated 9,100 jobs.

The campaign to accelerate transfers of ownership was continued together with enterprise organisations. The goal is to spur enterprises onto a growth track. Finnvera was involved in financing approximately one thousand transfers of ownership, and it is estimated that the transfers of ownership carried out during the year have helped to create around 1,300 new jobs and over 1,300 maintained jobs. It is likely that the positive development will continue in the coming years.

### Team play: cooperation boosting internationalisation

After having moved under the same roof in the Ruoholahti district of Helsinki in 2016, the actors of the Team Finland network – Finnvera, Finpro, Tekes and Tesi – continued to cooperate on customer work and to seek synergy benefits. The news announced during the year included the merger of Finpro and Tekes and the creation of a new Business Finland organisation. The project to create a joint management system for customer data continued.

Finnvera's Regional Director Markus Laakkonen began an 18-month secondment in Oslo in spring 2017. The objective is to promote the trading of Finnish companies in Norway. At Finnvera, Finance Manager Heidi Nousiainen was appointed as the project manager in charge of coordinating the Team Finland cooperation.

The concrete Team Finland cooperation continued within the framework of the domestic service model. In the service model, the various Team Finland actors see to it that the client gets all the necessary services available through them. In 2017, the Team Finland service model was used to present in all 320 service proposals to potential growth companies. The number of service proposals submitted by Finnvera was 60.

### A look at 2018: impact spearheading the strategy

With continuous strategy work, Finnvera seeks to ensure agile renewal. The updated strategy extends up to the year 2021. Impact was highlighted as the spearhead of our strategy, and its cornerstones are customer experience, competent personnel, partnerships and, as a new feature, digitalisation.

Impact is monitored using the goals confirmed by Finnvera's Board of Directors:

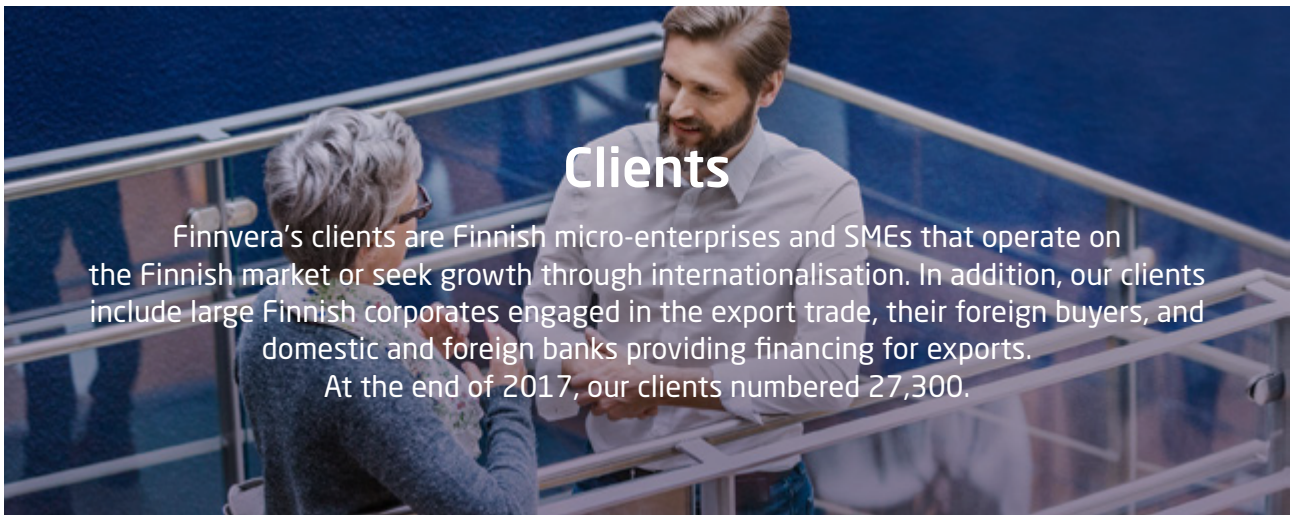
- 80 per cent of SME financing is allocated to start-ups, growing and internationalising enterprises, enterprises seeking change, and transfers of ownership.
- The export financing system is competitive when compared to the key competitor countries, especially Sweden and Germany.
- The number of enterprises using export financing services will increase by 30 per cent by 2021. To promote the achievement of this goal, the SME advisory service will be developed.
- Finnvera identifies market failure changes, wants to contribute to the better functionality of the financial markets, withdraws from transactions where commercial financing is available, and, on the other hand, creates new solutions when necessary.

The pillars of impact include excellent customer experience. Our goal is that our Net Promoter Score (NPS) is at least 55. We see to it that our personnel's competence and skills related to the implementation of changes are at the top level.

We are a preferred partner, and our partner network, consisting of operators such as private providers of financing, Team Finland and the regions to be established in Finland in the future, yields significant benefits for enterprises.

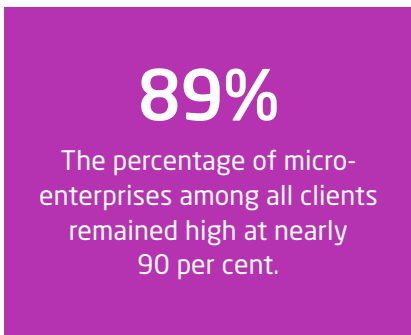
We are gradually digitalising our operations to an appropriate extent: to serve our clients and partners, and to improve the efficiency of our processes.

The strategy is based on risk management and self-sustainability.



**Clients**

Finnvera's clients are Finnish micro-enterprises and SMEs that operate on the Finnish market or seek growth through internationalisation. In addition, our clients include large Finnish corporates engaged in the export trade, their foreign buyers, and domestic and foreign banks providing financing for exports. At the end of 2017, our clients numbered 27,300.



**Micro-enterprises**

In all, 89 per cent of our clients were micro-enterprises. The fastest client turnover is in micro-financing, where the sums involved are the smallest and clients generally have one-off financing needs.

**Other SMEs and midcap enterprises**

11 per cent of our clients were other SMEs and midcap enterprises. Following the mandate received in 2016, our clientele has also included midcap companies that are larger than SMEs. Midcap companies that have been in business for over three years can apply for Finnvera's Growth Loan for their growth and internationalisation projects.

**Large corporates**

Of our clients, 0.5 per cent were large corporates but their share of financing is big. In 2017, demand for export financing services rose to a record-breaking level. Export financing services make export transactions possible and provide protection against the associated risks. We continued to accelerate smaller-scale export trade transactions with new products. Launched in 2017, the Receivables Purchase Guarantee is targeted at banks that provide financing for exporters' receivables. The more contracts Finnish export companies can win, the better it is for the Finnish economy.



## Financial services

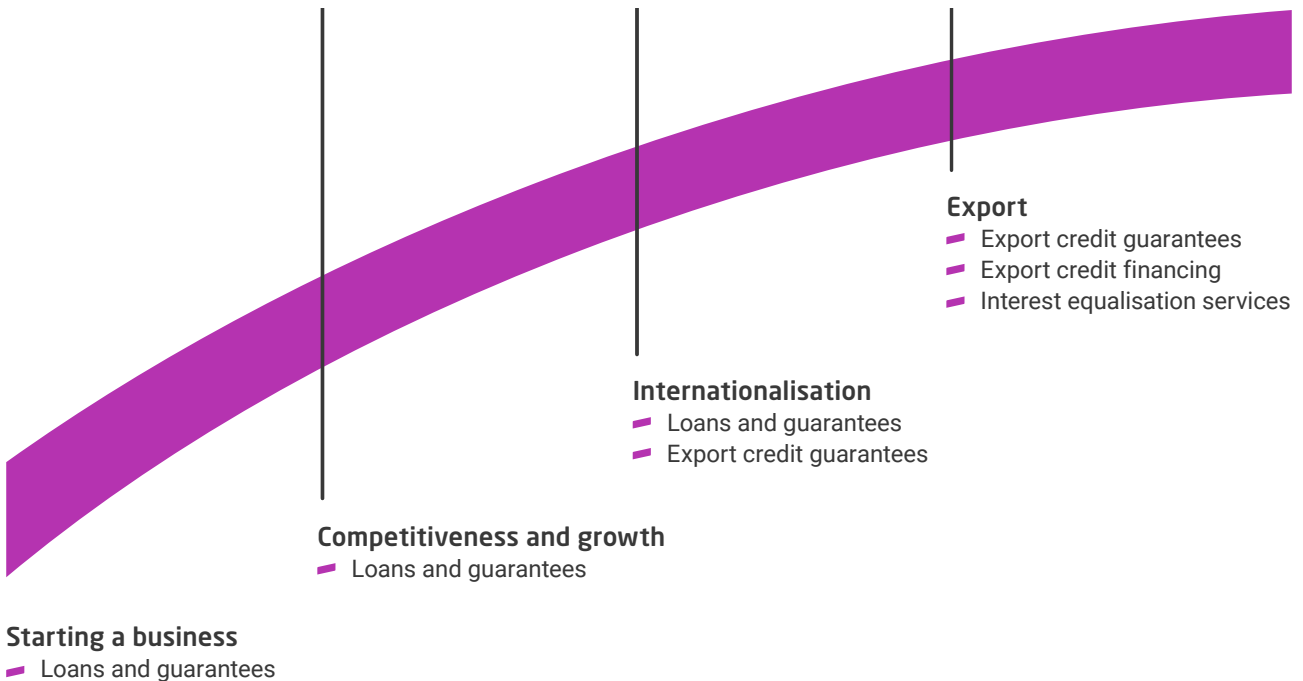
Finnvera can contribute to financing at various stages in the enterprise life cycle whenever prerequisites for success exist. It is important for us to ensure that profitable projects do not fail for lack of financing. Whether the enterprise is a start-up or a growth company entering the international market, or is already operating abroad, it can apply for a loan or a guarantee from us to finance its business.

### Starting a business

Finnvera can contribute to the financing of enterprise activities during the early stage by providing loans and guarantees when the business is seen as having the potential for success.

Finnvera's Start Guarantee helps start-ups and enterprises that have been in business for less than three years to obtain bank financing for various investment and working capital needs.

A business can also be started by buying an enterprise. In corporate reorganisations, we offer loans and guarantees for the payment of the transaction price or for investments or working capital.



### Competitiveness and growth

A growing company strengthening its competitiveness can apply for loans and guarantees from Finnvera for developing its operations, for investments or for growth.

Companies that have been in business for less than three years may be entitled to Finnvera's Start Guarantee. Companies that have been in business longer can apply for other guarantees and loans from Finnvera.

We can grant Growth Loans for financing major growth projects and corporate reorganisations undertaken by SMEs and midcap companies that have been in business for over three years. We can also subscribe bonds issued by enterprises provided that the enterprise's turnover does not exceed EUR 300 million.

### Internationalisation

A company aiming at international markets may apply for Finnvera's loans and guarantees for expanding its operations abroad.

The Internationalisation Loan provided by Finnvera is intended for financing a Finnish SME's business abroad and the Internationalisation Guarantee is intended as collateral for such financing. The intended use may be, for instance, investments, development or financing for growth for a Finnish SME's subsidiary, associated company or branch office that has been, or is planned to be, established abroad.

Finnvera also provides companies with solutions to cover payment risks in export trade and to ease financing problems. In 2017, Finnvera continued to expand its export trade product selection: in April 2017, it launched the Receivables Purchase Guarantee, suitable for short-term export trade transactions of under two million euros, to complement the Bill of Exchange Guarantee and the Export Receivables Loan that were introduced to the market a year earlier.

### Exports

Finnvera aims to ensure the competitiveness of Finnish enterprises in the export market so that they have equal opportunities to compete on the international market. Among Finnvera's diverse selection of export credit guarantees, exporters and financiers find solutions for covering payment risks in export trade and for easing financing problems.

Working together with Finnvera, Finnish Export Credit Ltd, a subsidiary of Finnvera, provides exporters and financial institutions with competitive export financing services, such as financing for export credits and interest equalisation. Export financing services facilitate export transactions benefiting Finns and provide protection against risks arising from exports.

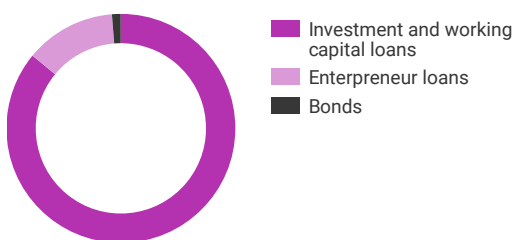
Further information on Finnvera's export credit guarantees and the criteria for granting them as well as on the financing of export credits and interest equalisation can be found on our website.

### Service network

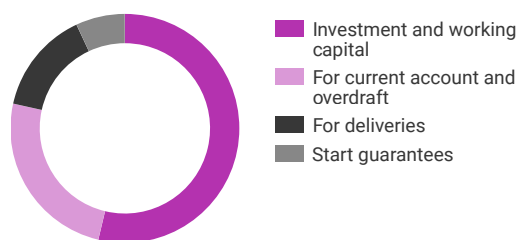
Finnvera serves its clients online and at 15 branch offices across Finland. In addition, Finnvera has representative offices in St. Petersburg and Oslo. They help Finnish enterprises seeking entry into local markets or operating there.

The nationally operating Growth and Internationalisation Team serves growing and internationalising enterprises in their financing needs. The experts of the Large Corporates business work in Helsinki. They serve large export companies operating in Finland and are responsible for Finnvera's foreign risk-taking.

**DOMESTIC LOANS GRANTED BY PRODUCT IN 2017**



**DOMESTIC GUARANTEES GRANTED BY PRODUCT IN 2017**



**12,000**

Finnvera receives nearly 12,000 new financing applications per year. On average, 80% of them are approved.

**107,000 €**

An average financing for SMEs and midcaps is EUR 107,000.

**15**

Finnvera serves its clients online and at 15 branch offices.



## Business operations

Finnvera reinforces the capacity and competitiveness of Finnish enterprises by offering loans, export credit guarantees and other guarantees. The goal is to shift the focus of financing to companies seeking for growth and internationalisation, enterprises seeking change, transfers of ownership, and start-ups. The year 2017 was characterised by the dramatic increase in the demand for export financing.

### Highlights in 2017

- The amount of SME and midcap financing granted totalled EUR 963 million.
- The campaign related to transfers of ownership continued. Finnvera was involved in financing nearly 1,000 transfers of ownership.
- Client satisfaction in the SME business operations as well as satisfaction among stakeholders and banks reached an all-time high.
- The raised authorisations to grant export financing were taken into use – growth of financing continued to be strong, as predicted.
- The acceleration of small-scale export trade transactions continued with new products.
- The amount of funding remained at approximately EUR 2 billion annually.

### SME and midcap financing

In 2017, the demand for Finnvera's SME and midcap financing was EUR 1.5 billion, at the same level as in the previous year. Finnvera granted a total of EUR 963 million in financing to SMEs and midcap enterprises, showing a year-on-year decrease of approximately seven per cent.

The slightly lower volumes of Finnvera's SME financing is partly explained by the fact that the European Fund for Strategic Investments (EFSI) replaces or complements Finnvera's financing offering, and EFSI financing has proved to be easily found by Finnish enterprises. The volume of loans guaranteed for banks by the European Investment Fund (EIF) increased, as did Finnvera's partial guarantees, growing to EUR 61 million. The utilisation of EFSI financing is a good example of the diversification of SME financing options.

All in all, Finnvera received approximately 18,700 financing applications, including applications for changes, from SMEs

and midcap enterprises. Of these, 11,800 were new financing applications, and roughly 80 per cent led to a positive decision. The share of rejected financing applications was slightly higher than in the previous year. The majority of the negative decisions were related to small start-ups that were assessed as having no potential to operate profitably.

The average SME and midcap financing amount without export guarantees and export credit guarantees is approximately EUR 107,000, which is in line with the corresponding figure for 2016.

### Emphasis on growth and internationalisation

Finnvera's goal is to shift the focus of financing to companies seeking for growth and internationalisation, enterprises seeking change, transfers of ownership, and start-ups. Work towards this goal has been successful. The above-mentioned enterprises' share of the financing granted has grown, and the relative share of financing granted to so-called established enterprises decreased from the previous year's 27 per cent to 20 per cent.

The share of companies seeking for growth and internationalisation was approximately 40 per cent (38%), or EUR 385 million. The investment activity of companies seeking for growth and internationalisation took an upward turn in 2016, after a long period of decline, and both the number of projects financed and the EUR amount of investments financed continued to increase in 2017. The euro-denominated share of investments in the overall projects financed increased to 19 per cent (17%), and in the number of projects nearly one in five projects financed includes investments. The increase in software and service concept exports can also be seen in the structure of investments—the share of intangible investments is growing in a trend-like manner.

**40%**

The share of financing of companies seeking for growth and internationalisation was 40 per cent.

**121 MEUR**

Finnvera was involved in financing nearly 1,000 transfers of ownership, with a total of EUR 121 million.

**30%**

One of the goals is to increase the number of enterprises using export financing services by 30 per cent by 2021.

In 2017, the Growth Loan, launched for SMEs' and midcap enterprises' growth and internationalisation projects and corporate reorganisations, was used, among other things, to carry out company acquisitions and corporate reorganisations and to start up foreign operations. Awareness of the Growth Loan has been increased through cooperation among banks and financing advisers. The aim is to further increase awareness in 2018. This is important as the junior loan market in Finland is relatively small and undeveloped.

In 2017, the value of guarantees granted to SMEs for exports totalled EUR 66 million, or 14 per cent less than the year before. One of the strategic goals is to increase the number of enterprises using export financing services by 30 per cent by 2021. To promote the achievement of the goal, Finnvera will start developing an export financing advisory service for SMEs in 2018. The role of advisory services will become more central in Finnvera's operations, as a continuation of the EU financing advisory service launched in 2017.

The outlook for the Finnish economy for 2018 is good. As growth continues, we assume that in the current year the demand for and granting of SME and midcap financing will remain at the same level as in 2017.

### Turning the spotlight on transfers of ownership

The programme to promote transfers of ownership continued actively. Finnvera plays a significant role in transfers of ownership, not only as an expert but also as a provider of financing: A total of EUR 121 million was granted as financing for transfers of ownership, and this financing contributed to the realisation of a transfer of ownership in 984 enterprises. Nationally, the amounts were nearly at the same level as in the previous year.

During the year, transfers of ownership were highlighted in the partner network of entrepreneurs and business life, and the message about the importance of transfers of ownership as drivers of corporate growth gained more visibility than before. According to Finnvera's estimate, the company

acquisitions it financed helped to maintain or create nearly 2,600 jobs, which means that the company acquisitions also have an impact on employment.

The campaign to accelerate transfers of ownership will be continued in 2018, too, and we believe that the financing for transfers of ownership will still remain at a high level.

### High customer experience scores

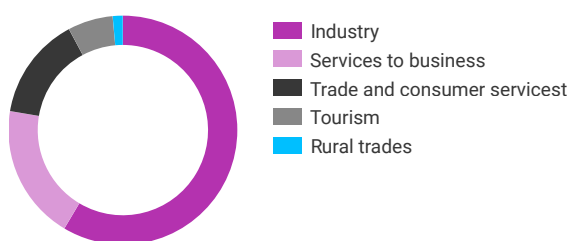
The continuous measurement of the customer experience launched in late 2016 was continued, and the monthly Net Promoter Scores (NPS) for SME and midcap financing services ranged from 53 to 70, with an average of 61. This is an indicator of very high client satisfaction. In spring 2017, we repeated the extensive client and stakeholder survey, which also yielded very high NPS ratings. Client enterprises gave us an NPS of 70, banks 65 and stakeholders 81. Client satisfaction is based on solid personnel satisfaction, evident from the personnel satisfaction survey.

The active approach could be seen in the approximately 6 per cent increase in our meetings with clients and stakeholders, totalling approximately 4,500 in 2017. During the year, we also launched a more comprehensive customer experience development project and created a customer policy that defines Finnvera's key client groups and how they are served. Our aim is to increase the number of client encounters also in contexts other than the processing of their financing applications. The goal is to make the use of our services smoother by introducing new financing solutions together with banks and by increasing the offering of electronic services to our clients, among other things. In late 2017, we launched a new client contact channel: chat.

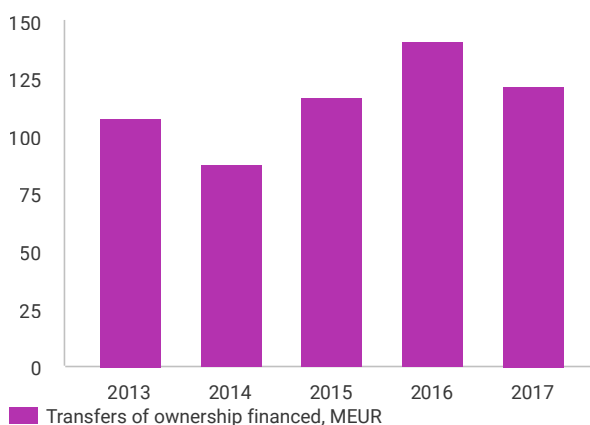
We believe that our increasingly active approach and the development measures we have initiated will lead to high NPS ratings in the future, too.

Team Finland service model coordination at Finnvera was strengthened, and during the year Finnvera made 60 service proposals within the network. The goal is to promote the growth and internationalisation of SMEs as well as to make services easier to find and access.

### SME AND MIDCAP FINANCING GRANTED BY SECTOR 2017



### TRANSFERS OF OWNERSHIP FINANCED

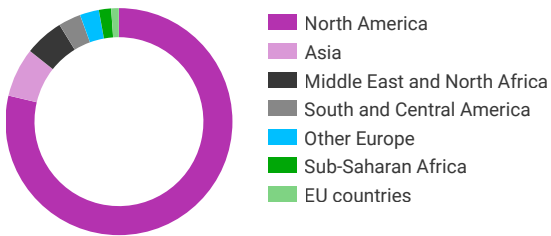


### Export financing

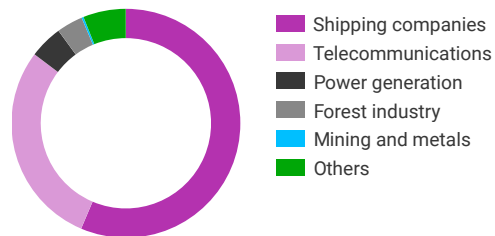
Finnvera's authorisations to grant export financing were raised as of the beginning of 2017, and the decision to raise the ceilings proved to be well-founded during the year. Demand for export financing grew as expected, and Finnvera granted export credit guarantees and special guarantees amounting to EUR 7.5 billion (EUR 4.2 billion), which is nearly 80 per cent more than during the previous year. The amount of export credits increased significantly, too: the export credits offered by Finnvera totalled EUR 6.6 billion (EUR 0.8 billion).

As an export credit agency, Finnvera plays a major role in financing projects when payment periods are long, and the significance of flexible financing solutions is further emphasised in export trade negotiations. Finnvera developed cooperation with other countries' export credit agencies and took part in carrying out the first joint financing arrangement with other export credit agencies. The arrangement was conducted with Export Development Canada (EDC) to facilitate Nokia's telecommunications equipment deliveries to the teleoperator Verizon in North America. This approximately EUR 1.3 billion financing arrangement is the largest telecommunications sector deal in which Finnvera has been involved.

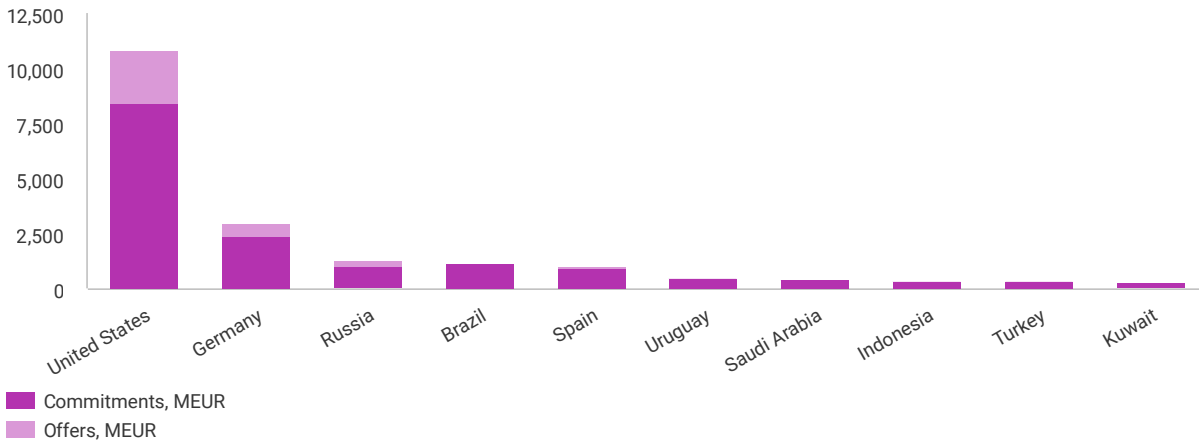
#### EXPORT CREDIT GUARANTEES THAT CAME INTO EFFECT IN 2017 BY REGION



#### EXPORT CREDIT GUARANTEES THAT CAME INTO EFFECT IN 2017 BY SECTOR



#### THE BIGGEST COUNTRY EXPOSURES ON 31 DEC 2017





Finnvera's export financing focuses especially on three sectors: telecommunications, cruise shipping, and forest industry. Measured in euros, the highest demand in 2017 was witnessed in cruise shipping and telecommunications. There is new demand for financing in the energy sector for Argentina and in the telecommunications sector for Nigeria, for instance.

**Impact can be seen in exporting companies and subcontracting network**

Major shipping orders focused on the United States and Finnvera contributed more than EUR 2.5 billion to financing the order for ships by the shipping company Royal Caribbean Cruises. This is the largest ship financing transaction that Finnvera has ever been involved in. At the same time, it is the largest individual financing project in Finnvera's history. Such projects are not only major financing and export projects but also have a significant impact on employment both for the exporting company and the subcontracting network. This enables many sea cluster companies to make investments and plan their operations over the long term. Finnvera was also involved in the financing arrangement that enabled Meyer's Turku Shipyard to make a significant crane investment.

Finnvera is involved in financing the entire value chain of enterprises that operate in the key sectors of Finnish export industry. An excellent example of the far-reaching impact of investments by large corporates is the Metsä Fibre's Äänekoski bioproduct mill inaugurated in 2017. Similarly, the enterprises of the Ostrobothnian energy cluster benefit from the export trade transactions of the leading companies.

**High-quality risk management**

Finnvera's risk management attracted more interest due to the raised financing authorisations. The Ministry of

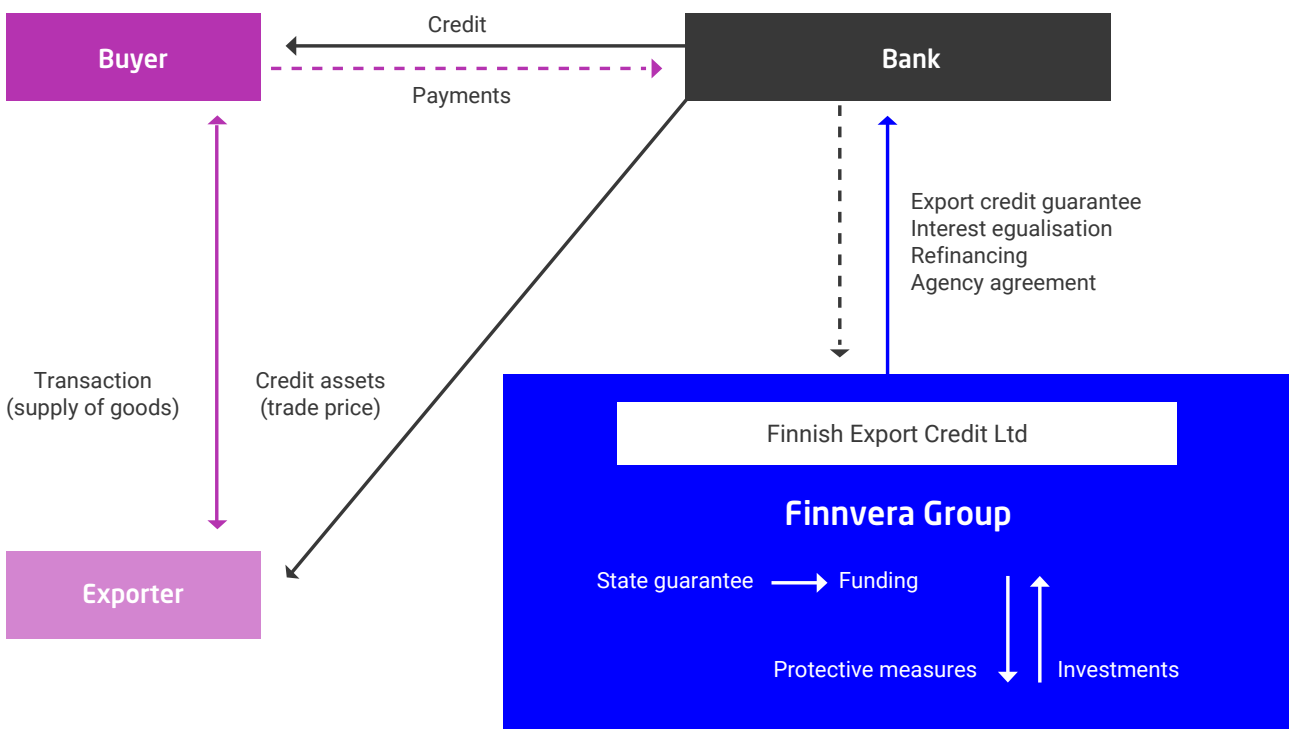
Economic Affairs and Employment commissioned an assessment on the rising demand for public export credits and export credit guarantees, on higher exposures and on the consequent risk to central government finances. The assessment was conducted by an independent, international team of consultants. The assessment published in March states that, owing to the structure of Finnish industry, exports are strongly concentrated in a few sectors, which underlines the importance of Finnvera's risk management system. According to the report, the export financing system implemented in Finland by Finnvera and Finnvera's risk management are at a high level in international comparison.

We constantly develop our risk management. As part of the company's risk management strategy, Finnvera revised its portfolio reinsurance for export credit guarantees. The renegotiated, more extensive portfolio reinsurance entered into force at the beginning of July and is tailored to take the special characteristics of export financing into account. Through reinsurance, Finnvera prepares for increased exposures and, in particular, strives to mitigate the concentration of risks in certain sectors. In the future, we will invest heavily in reinsurance and other risk transfer methods.

**Cooperation and an active approach towards stakeholders**

Risk mitigation also involves active cooperation with other countries' export credit agencies. In 2017, we carried out projects in which, together with Finnvera, export credit agencies from different countries took part in the buyer financing provided to globally operating Finnish export companies.

The Large Corporates unit continued to contact the clients of Finnish export companies and actively met both exporting clients and domestic and foreign providers of export



financing in order to help Finnish exporters to conclude trade agreements. The goal is to maintain the high level of client satisfaction in the future, too.

### **The acceleration of small-scale export trade transactions continued with new products**

Finnvera has promoted the financing of small-scale export trade transactions by concentrating on the development of trade financing instruments. In 2017, Finnvera introduced a new product, a Receivables Purchase Guarantee, to complement the Bill of Exchange Guarantee introduced to the market in the previous year. These products focus on transactions that do not exceed EUR 2 million. The Bill of Exchange Guarantee is suitable for individual capital goods transactions and the Receivables Purchase Guarantee for continuous exports with short payment terms. Both benefit exporters in that they receive the payment for the export trade transaction in cash terms when the bank discounts the bill of exchange or the accounts receivable while Finnvera carries the buyer-related credit risk.

The full potential of the new products has not yet been seen but their number and EUR amount is expected to remain rather restricted. Nevertheless, even the new trade financing products may be significant as individual trade transactions may be important for a Finnish export company.

Finnvera's traditional trade financing products are Credit Insurance that is granted to the exporter to cover the buyer risk and the Letter of Credit Guarantee that is granted to banks.

In Letter of Credit Guarantees, Finnvera carries risks related to foreign banks that open Letters of Credit when the banks that confirm Letters of Credit need risk sharing. The leading countries in the field of Letter of Credit Guarantees were Vietnam, Algeria, Nepal and Bangladesh, Nigeria, Indonesia and Iran.

For a long time, Credit Insurance has been linked with Finnvera's role in facilitating trade with Russia: approximately

one third of the credit limits granted in 2017 were related to Russian buyers. In terms of the number of Credit Insurance arrangements, the leading countries are Russia, Turkey, Ecuador, Ukraine, Uzbekistan and Belarus.

With Credit Insurance and Letter of Credit Guarantees, Finnvera complements the private market and is mainly involved in trade with politically risky countries; private credit insurance providers and banks take care of risk-taking for industrialised Western countries

### **Financing of export credits in cooperation with banks**

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 provides the client with a long-term export credit on OECD terms. The bank negotiates a credit agreement that meets the terms set by Finnvera and its subsidiary Finnish Export Credit Ltd, 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.

As a new financing instrument, Finnvera concluded the first Refinancing Guarantee Scheme with the Canadian company TD Securities and the French bank Natixis in 2017. Finnvera's Refinancing Guarantee, granted to institutional investors or credit institutions, can be used in diversifying the funding of export financing. It is an alternative method to finance export credits instead of or in addition to financing offered by Finnvera's subsidiary Finnish Export Credit.

### **International cooperation**

Export credit guarantee activities are regulated by a number of international rules and agreements aimed at curbing competition based on export credit terms. Compliance with and development of these rules require close international cooperation from Finnvera.

## Funding

Finnvera funds its activities primarily by issuing notes under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland.

Finnvera funds its activities primarily by issuing notes under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. The notes have the same credit rating as the State of Finland: Aa1 from Moody's and AA+ from Standard & Poor's.

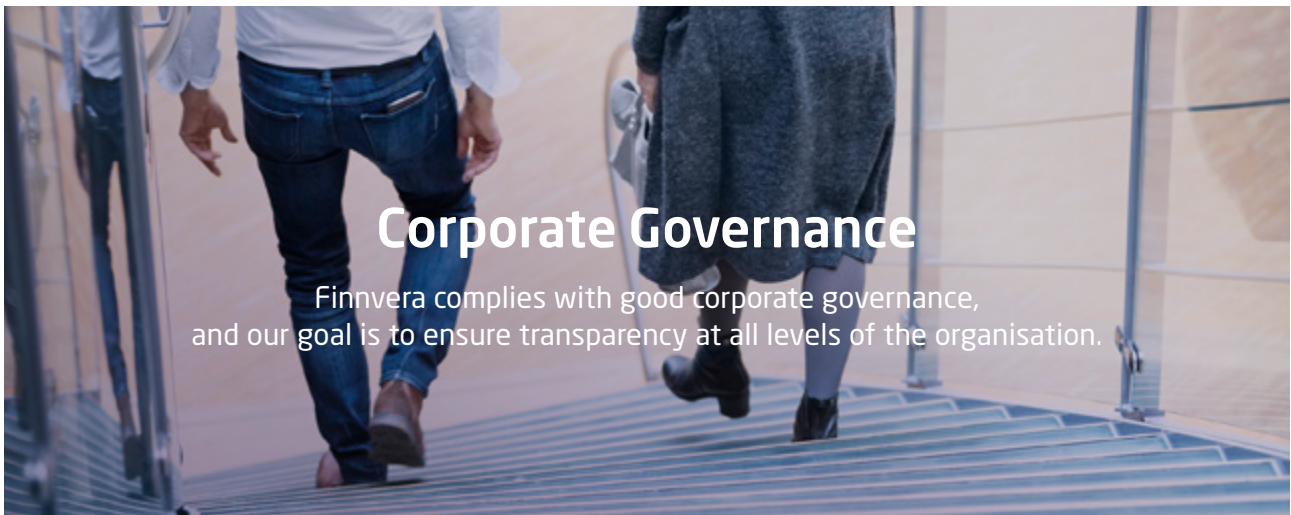
During the period under review, Finnvera issued EUR, USD and SEK bonds amounting to approximately EUR 2 billion. In May 2017, Finnvera issued a EUR 750 million bond, due in 2032, which is Finnvera's longest bond so far. In September 2017, Finnvera issued a USD 1 billion bond, due in 2020, which is Finnvera's largest USD bond to date.

Finnvera uses the funds acquired for financing export credits and for SME financing. By means of currency and interest rate swaps, Finnvera converts the funds acquired into euros or US dollars, depending on the final use of the funds. In the next few years, Finnvera's annual funding is estimated to amount to approximately EUR 2 billion. The amount of funding mainly depends on the demand for export credits and, as a result, it may deviate significantly from the estimate provided above.

## Key Figures

<b>Finnvera Group</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Key P&amp;L figures:</b>					
Net interest income, MEUR	46	50	56	52	56
Net fee and commission income, MEUR	127	144	141	137	134
Administrative expenses, MEUR	43	44	44	41	43
-Of which salaries including social security costs, MEUR	29	30	30	28	30
Impairment loss on financial assets	41	94	97	98	112
Credit loss compensation from the State, MEUR	23	28	83	64	48
Operating profit or loss, MEUR	109	69	114	101	75
Profit for the year, MEUR	107	70	111	100	75
<b>Key Balance sheet figures:</b>					
Loans and receivables from customers, MEUR	5,846	6,078	5,394	4,643	3,711
Investments, MEUR	3,084	2,082	2,059	1,065	522
Liabilities, MEUR	9,023	8,290	7,297	5,673	3,755
- of which debt securities in issue, MEUR	6,483	4,892	3,958	2,564	1,060
Shareholders' equity, MEUR	1,314	1,207	1,121	1,009	849
- of which non-restricted reserves, MEUR	1,062	955	871	756	595
Balance sheet total, MEUR	10,337	9,498	8,418	6,619	4,604
<b>Key ratios:</b>					
Return on equity, ROE, %	8.5	6.0	10.4	10.8	9.3
Return on assets, ROA, %	1.1	0.8	1.5	1.8	1.8
Equity ratio, %	12.7	12.7	13.3	15.2	18.4
Capital adequacy ratio, Tier 1, %	25.3	22.4	18.1	17.7	15.7
Expense-income ratio, %	27.2	27.0	28.3	25.9	27.0
Average number of employees <sup>1</sup>	383	398	404	401	415
<b>Finnvera plc, SMEs and midcaps; financing, exposures and effectiveness</b>					
Loans, guarantees and export credit guarantees offered, Billion EUR	1.0	1.0	1.1	1.0	0.8
Outstanding commitments, Billion EUR	2.5	2.6	2.7	2.8	3.0
Number of start-up enterprises financed	3,100	3,400	3,600	3,200	3,500
Number of new jobs created	9,100	8,700	8,600	8,100	8,700
<b>Finnvera plc, Large Corporates; financing and exposures</b>					
Export credit guarantees and special guarantees offered, Billion EUR	7.5	4.2	6.6	5.0	3.3
Outstanding commitments, Billion EUR	22.2	18.1	17.0	12.2	10.7
<b>Finnvera plc, clients</b>					
Figure of clients, SMEs and midcaps and Large Corporates together	27,300	27,700	28,400	28,800	29,700

<sup>1</sup> Based on monthly average for the whole period.



## Corporate Governance

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

At Finnvera, the goal of good governance is to ensure transparency throughout the organisation. Finnvera's Board of Directors approves the key policies, principles and guidelines that steer the company's operations.

Finnvera's operations are guided by the Code of Conduct ratified by the Board of Directors. The Code of Conduct brings together the legal rules and ethical principles to which we are committed and which we follow in all our operations.

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

### Operating principles

#### Policies observed by Finnvera

The key guidelines, principles and policies observed by Finnvera in its operations include the following:

- ownership policy
- country and guarantee policy
- credit policy
- environmental policy and publicity policy in export credit guarantee operations
- Code of Conduct
- risk management principles
- personnel policy outlines
- IT policy outlines
- communications policy outlines
- principles for cooperation agreements
- guidelines and procedures for procurement.

#### Finnvera's goals in 2017

The State of Finland owns the entire stock of Finnvera. The Innovations and Enterprise Financing Department of the Ministry of Economic Affairs and Employment is responsible for the ownership and industrial policy steering of Finnvera.

The Ministry of Economic Affairs and Employment monitors and supervises Finnvera's operations. The Ministry sets industrial and ownership policy goals for Finnvera for periods of four years. Whenever necessary, these goals are adjusted yearly. When these goals are determined, 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 goals set, an assessment is made of how well Finnvera has succeeded in promoting, for instance, enterprise, the growth and internationalisation of enterprises, and exports.

In 2017, out of the eight goals set by the Ministry of Economic Affairs and Employment, Finnvera reached six and two partially.

- Goal achieved    ● Goal partly achieved    ● Goal not achieved

Goal	
●	The financing granted to large corporates outside national assisted areas, excluding the compensation for losses, is at most 10 per cent of all financing granted by Finnvera. In this connection, large corporates mean enterprises that are larger than midcap companies.
●	Finnvera and the Ministry of Economic Affairs and Employment continue in cooperation to develop the system of financing exports and ships so that Finnish exporters have access to an export financing system with terms and instruments that are as competitive as possible.
●	Financing for the small export trade transactions of SMEs is developed. The piloting of new products was launched in 2016 and continued in 2017.
●	Finnvera gradually gives up venture capital investments in accordance with the policies and plans made by the ministry and Finnvera.
●	Finnvera seeks participation in the EIF's guarantee programme. Within the framework of this programme, Finnvera would grant credits to midcap and large corporates and would share the credit risk with the EIF. The programme will be adopted only if commercial banks do not do so. Finnvera makes a further analysis on participation in other EIF guarantee programmes.
●	Finnvera conducts its business so that the income from operations covers the expenses of operations over a period exceeding a business cycle. The review period is 10 years for SME financing and 20 years for export financing.
●	Finnvera develops its operations in accordance with the Government Programme and its implementation plan so that the necessary investments in the management of new tasks are made at the same time as the productivity of the main operational basic processes continues to be raised on average by 4 per cent annually.
●	Finnvera's capital adequacy ratio in domestic financing varies between 12 and 20 per cent. Capital adequacy (Tier 2) is calculated using the Basel III standard method. Finnvera looks into the adoption of the IRBA (internal ratings-based approach) risk weight calculation when calculating the capital adequacy of export financing.

## Risk management

### The importance of risk management and the areas of responsibility

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

Finnvera's Board of Directors and senior management are responsible for arranging and organising internal control and risk management.

As the business units and Group companies answer for the day-to-day management of business and for risk management measures, they also bear the primary responsibility for internal control and risk management. These risk management measures have been incorporated into the processes of the operating system and are implemented by the entire organisation.

Finnvera's risk control, compliance and other support operations, which are independent of the company's business operations, support the business units in their risk management and internal control. Risk Control is responsible for developing risk management methods, issuing guidelines for operations, monitoring the Group's risk position, and for reporting to the Board of Directors and to the executive management.

## Risk management procedures

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

Finnvera's risks can be grouped as follows:

- strategic risks
- credit and guarantee risks
- liquidity risks
- market risks
- operational risks.

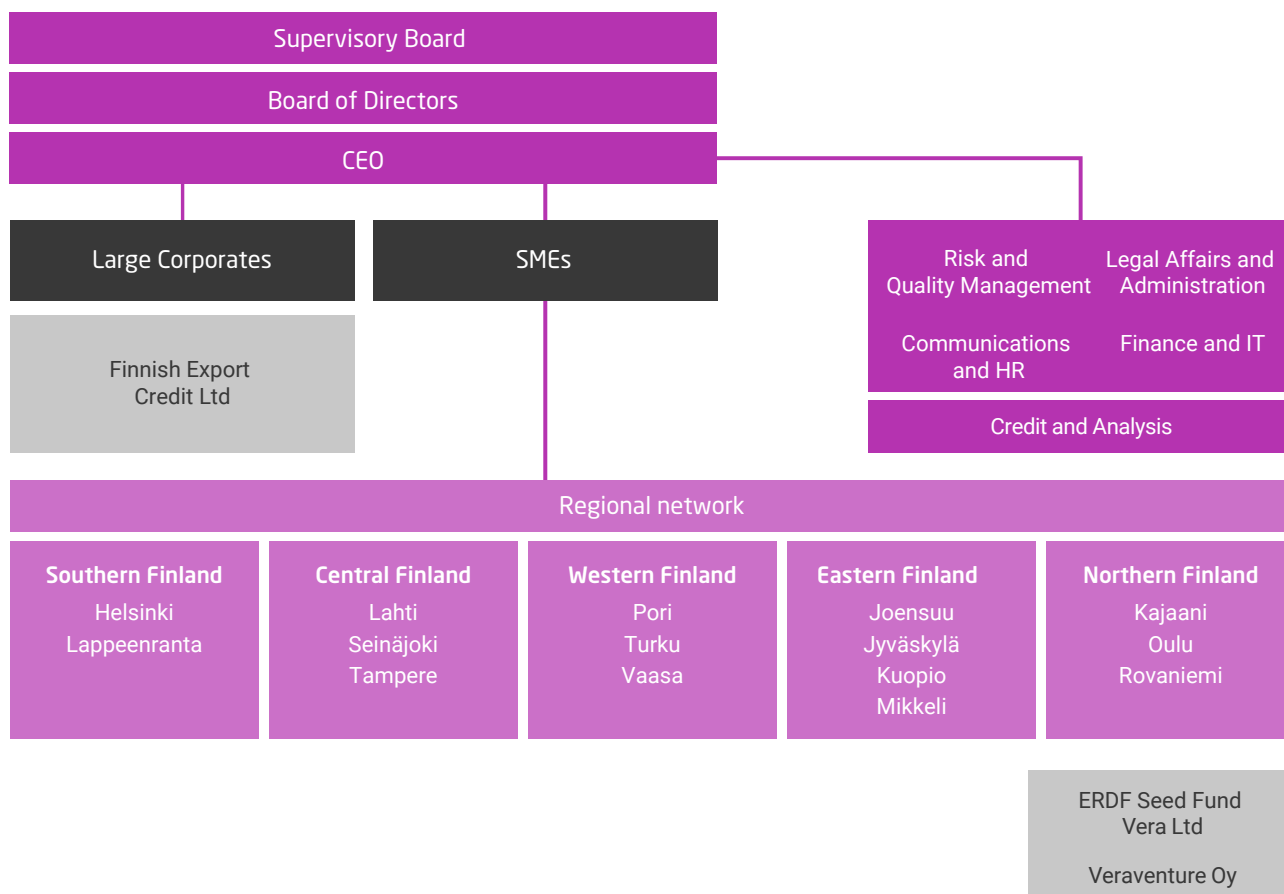
Risk appetite by risk type is defined so that the equities and other risk buffers available are at an adequate level in view of the risk level of the operations planned. With respect to credit risks, risk appetite depends on various factors, including allocation of operations to the strategic focus areas. The adequacy of equities is assessed regularly by using an internal process.

Operational risks pertaining to financial reporting are identified, assessed and controlled as part of operational risk management.

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

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

## Finnvera Group



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

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

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

**The 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 half-year reports and the annual 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 CEO and other members of the senior management. The Board has appointed the Inspection Committee and the Remuneration Committee from among its members to assist the Board in managing its tasks.

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

## Supervisory board on 31 december 2017

Finnvera's Supervisory Board consists of a minimum of eight and a maximum of eighteen members. The General Meeting elects the members as well as the Chairman and Vice Chairman. The Supervisory Board has a term of one year.

The fees paid to the members comply with the policy issued by the Government on fees paid to the governing bodies of State-owned companies. The fees paid in 2017 totalled EUR 54,000.

### Chairman

Antti Rantakangas, Member of Parliament (Centre Party)

### Vice Chairman

Krista Kiuru, Member of Parliament (Social Democratic Party of Finland)

### Members:

**Pia Björkbacka**, Adviser for International Affairs, Central Organisation of Finnish Trade Unions SAK

**Eeva-Johanna Eloranta**, Member of Parliament (Social Democratic Party of Finland)

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

**Laura Huhtasaari**, Member of Parliament (The Finns Party)

**Timo Kalli**, Member of Parliament (Centre Party)

**Kari Kulmala**, Member of Parliament (Blue Reform)

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

**Kari Luoto**, Managing Director, Finnish Grocery Trade Association

**Veli-Matti Mattila**, Chief Economist, Federation of Finnish Financial Services

**Ville Niinistö**, Member of Parliament (Green Party)

**Carita Orlando**, Managing Director, ACC Orlando Oy

**Olli Rantanen**, Head of Legal Services, Domestic Financing, Finnveran Akavalaiset ry

**Eero Suutari**, Member of Parliament (National Coalition Party)

**Christel Tjeder**, Second Vice Chairman (Finnish Business School Graduates)

**Tommi Toivola**, Senior Adviser, Financing, Confederation of Finnish Industries EK

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



## Board of directors on 31 december 2017

Finnvera's Board of Directors consists of at least six members and at most nine members. The General Meeting elects the members for a term of one year at a time.

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 2017 consists of Kirsi Komi (Chair), Terhi Järvikare, Pirkko Rantanen-Kervinen and Antti Zitting.

The Remuneration Committee assists Finnvera's Board of Directors in managing issues pertaining to the appointment,

terms of employment and salaries of senior executives, and the rewards and incentive systems applied to the management and personnel. 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 2017 consists of Pentti Hakkarainen (Chair), Ritva Laukkanen and Pekka Timonen.

The fees paid to the Board members comply with the policy issued by the Government on fees paid to the governing bodies of State-owned companies. The fees paid in 2017 totalled EUR 149,800.



### Pentti Hakkarainen

**(1958), Chairman, M.Sc. (Econ.), LL.M. with court training**

Pentti Hakkarainen has been the Chairman of Finnvera's Board of Directors since 2017. He is also the Chairman of the Board of Olvi plc. He has worked as Finance Director at Outokumpu Corporation and as CEO both at OKOBANK plc and at Postipankki plc. Hakkarainen was Deputy Governor of the Bank of Finland and Chairman of the Board of the Financial Supervisory Authority in 2008–2017. He is a full-time member of the ECB's Banking Supervisory Board.



### Pekka Timonen

**(1960), First Vice Chairman, LL.D.**

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



### Terhi Järvikare

**(1970), Second Vice Chairman, Lic.Sc. (Econ.)**

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



### Kirsi Komi

**(1963), LL.M.**

Kirsi Komi has been a member of Finnvera's Board of Directors since 2013. She also has a seat on the Boards of the following companies: Humana AB, Metsä Board Corporation, Bittium Corporation, Citycon Oyj, Martela Corporation, Docrates Ltd (Chair) and the Finnish Red Cross Blood Service (Chair). In 2016 Komi chaired the Board of Directors of Veikkaus Ltd, and in 2011–2016 she served as Vice Chair on the Board of Directors of Patria Plc. In 1992–2010, Komi was employed by Nokia Corporation, first as a legal counsel, then as Vice President and Director, Legal Affairs at Nokia Networks, and most recently as Director of Legal Affairs and a member of the Executive Board at Nokia Siemens Networks.

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

Ritva Laukkanen has been a member of Finnvera's Board of Directors since 2017. She also chairs the Board of the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and is a member of the Board of AccessHolding AG, Berlin. In 1990–2011, Laukkanen held several executive posts at International Finance Corporation IFC, which is part of the World Bank Group. Before IFC, Laukkanen worked for 10 years in various positions at American Scandinavian Banking Corporation in New York, as a director in corporate lending, for instance.

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

Pirkko Rantanen-Kervinen has been a member of Finnvera's Board of Directors since 2013. She is also a member of the Board of LocalTapiola Mutual Insurance Company, and she chairs the Board of LocalTapiola Uusimaa. In 1974–2010, Rantanen-Kervinen held various executive posts at Saga Furs Oyj, most recently as CEO.

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

Antti Zitting has been a member of Finnvera's Board of Directors since 2015. Until 2014 he worked as an entrepreneur in Sacotec Components Oy and serves currently as Chairman of the Boards of the Sacotec companies. Zitting is also a member of the Boards of the following companies and organisations: The Finnish Olympic Committee; Sten&Co Oy Ab; TT Foundation; the Board for the Centenary of Finland's Independence 2017 – Finland 100 and Plastep Oy. In addition, he chairs the Board of the Technology Industries of Finland Centennial Foundation and the Finnish Basketball Association.

## Management group and corporate management team

The Chief Executive Officer is responsible for the company's operational administration in keeping with the guidelines and regulations issued by the Board of Directors.

In management of the tasks specified in the Limited Liability Companies Act, the Chief Executive Officer is assisted by the Management Group and the Corporate Management Team.

### Management Group on 31 December 2017

The Management Group discusses issues relating to Finnvera's strategy, the policy outlines for business and client work, and ownership steering.

The Management Group comprises the Chief Executive Officer, the Deputy CEO, the Executive Vice Presidents responsible for the financing of SMEs and large corporates, as well as the Senior Vice Presidents for Finance and IT, Legal Affairs and Administration, Corporate Communications and HR, and Risk and Quality Control.

#### **Pauli Heikkilä** (1962)

D.Sc. (Tech.)  
Chief Executive Officer

#### **Topi Vesteri** (1956)

LL.M. with court training  
Deputy CEO, Credit Decision Unit

#### **Jussi Haarasilta** (1973)

LL.M., M.Sc. (Econ.)  
Executive Vice President, Large Corporates

#### **Katja Keitaanniemi** (1973)

Lic.Sc. (Tech.)  
Executive Vice President, SMEs

#### **Ulla Hagman** (1969)

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

#### **Risto Huopaniemi** (1975)

LL.M.  
Senior Vice President, Legal Affairs and Administration

#### **Tarja Svartström** (1971)

M.Sc.  
Senior Vice President, Corporate Communications and HR

#### **Merja Välimäki** (1962)

M.Sc. (Econ.)  
Senior Vice President, Risk and Quality Control

## Corporate Management Team on 31 December 2017

The Corporate Management Team discusses matters that have a major impact on Finnvera's personnel. Besides the members of the Management Group, the Corporate Management Team included in 2017 the Managing Directors of Finnvera's subsidiaries and the representative of Eastern Finland region. The Corporate Management Team also includes representatives of the personnel organisations.

#### **Leo Houtsonen** (1958)

M.Sc. (Econ.)  
Managing Director, ERDF-Seed Fund Ltd and Veraventure Ltd

#### **Anita Muona** (1957)

LL.M.  
Managing Director, Finnish Export Credit Ltd

#### **Hannu Puhakka** (1959)

M.Sc. (Tech.)  
Regional Manager, Eastern Finland

#### **Sirpa Arpiainen** (1955)

MHT  
Adviser, Representative of the personnel organisation  
Erityisrahoituksen ammattilaiset ERA Pro

#### **Heikki Lähdesmäki** (1961)

M.Sc. (Econ.)  
Finance Manager, Representative of the personnel organisation Finnveran Akavalaiset

#### **Päivi Mylläri** (1965)

BBA  
Adviser, Recovery; Representative of the personnel organisation Finnveran toimihenkilöt

## Regional organisation

Finnvera's regional organisation changed on 1 April 2017 and now consists of five regions with a total of 15 branch offices. We serve our clients comprehensively throughout Finland.

### Southern Finland

Helsinki, Lappeenranta, Kotka  
Regional Director Mirjam Sarkki, M.Sc. (Econ.)

### Western Finland

Pori, Turku, Vaasa  
Regional Director Seija Pelkonen, M.Soc.Sc.

### Eastern Finland

Joensuu, Jyväskylä, Kuopio, Mikkeli  
Regional Director Mikko Vääntinen, Vocational Qualification in Business Administration

### Central Finland

Lahti, Seinäjoki, Tampere  
Regional Director Juha Ketola, M.Sc. (Tech.)

### Northern Finland

Kajaani, Oulu, Rovaniemi  
Regional Director Juuso Heinilä, M.Sc. (Tech.), M.Sc. (Econ.)

### Southern Finland

■ Helsinki, Lappeenranta

### Central Finland

■ Lahti, Seinäjoki, Tampere

### Western Finland

■ Pori, Turku, Vaasa

### Eastern Finland

■ Joensuu, Jyväskylä, Kuopio, Mikkeli

### Northern Finland

■ Kajaani, Oulu, Rovaniemi





## Highlights and development targets in 2017

### Highlights

- Excellent results in the client and stakeholder survey. According to the results, stakeholders are very willing to recommend Finnvera and its services.
- The best-ever result in the PeoplePower personnel survey. Finnvera was rated as one of the most inspiring places to work in the Suomen innostavimmat työpaikat survey, carried out among the enterprises that conducted Corporate Spirit's PeoplePower personnel survey.
- Finnvera hosted the annual meeting of The Montreal Group in Helsinki in June. The group is a global forum for national development banks focused on micro, small and medium-sized enterprises.

### Development targets

- The determination of skills needed for the future in order to ensure that Finnvera can better respond to changes in the world of financing, for instance, and that Finnvera has the best and most dedicated employees in the future, too.
- Digitalisation is a challenge for the entire financial sector, for which Finnvera prepares by creating a digital agenda and by getting ready for digitalising its operations to an appropriate extent.



## Corporate responsibility at Finnvera

At Finnvera, corporate responsibility is an integral part of everyday work. It is manifested as responsible conduct towards all of the company's stakeholders. Finnvera's corporate responsibility concentrates on four overarching themes: impact on society, impacts of Finnvera's own operations, responsible financing, and cooperation with stakeholders.

### Finnvera's role in society

- Finnvera has an important social role in facilitating and augmenting Finnish enterprise activities. Apart from the creation of new enterprises and jobs, Finnvera provides export solutions that contribute to the exports of Finnish know-how abroad. The core of Finnvera's impact on society is responsibility in daily operations.

### Impacts of own operations

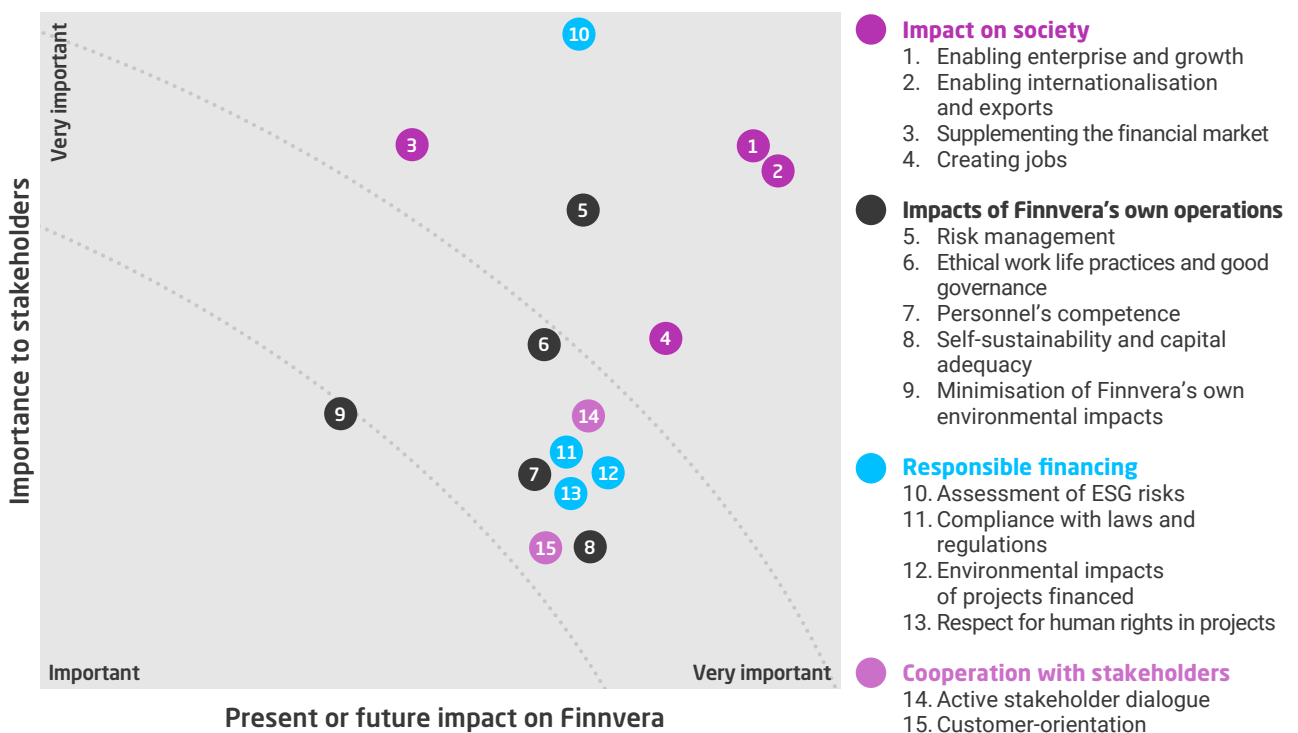
- Business principles steer operations. Finnvera strives to minimise the negative impacts of its operations on the surrounding society by means of effective risk management and by paying attention to its ecological footprint. Finnvera invests in developing its personnel's skills. This is an activity where employees themselves also play an important role.

### Responsible financing

- In domestic projects, Finnvera complies with both Finnish and EU law. When financing decisions are made concerning major projects carried out abroad, the environmental, social and governance (ESG) aspects of the projects are assessed according to international, generally recognised criteria.

### Cooperation with stakeholders

- Finnvera's network of stakeholders is wide and constantly evolving. It is characterised by an open and active approach. Finnvera cooperates with various organisations over a broad range in order to enable enterprise growth. We keep a close eye on similar organisations in other countries and develop our financial services in step with the changing needs of Finnish companies.



### The main topics of corporate responsibility

Under each overarching theme of responsibility, there are a number of corporate responsibility topics. Their importance to stakeholders and to business is illustrated by the enclosed materiality matrix for responsibility.

The responsibility materiality analysis was conducted by interviewing Finnvera's principal stakeholders. Based on the interviews, Finnvera's Management Group confirmed the company's corporate responsibility topics and prioritised them from the business perspective.

### Management of corporate responsibility

At Finnvera, responsibility for corporate responsibility is vested in the Board of Directors and the CEO; implementation is monitored by the Management Group. Practical activities are steered by the principles of corporate responsibility approved by Finnvera's Board of Directors:

- Corporate responsibility means operating responsibly in dealings 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.
- Corporate responsibility is grounded in the company's values and good governance. In practice, it is manifested as financial, social and environmental responsibility.
- The daily tools for acting responsibly include client-specific policies and guidelines that are kept up to date, and a certified operating system.

### Measuring the success of corporate responsibility

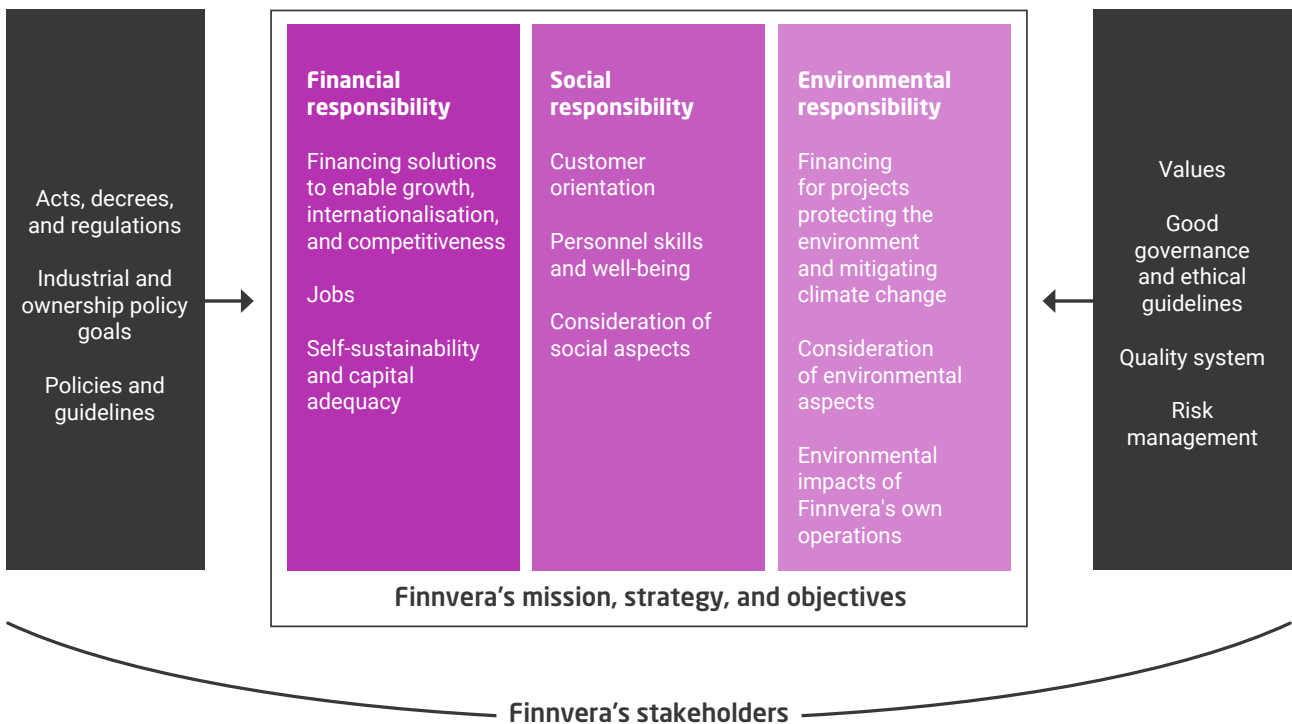
Success in responsibility can be measured by the impacts of financing and by Finnvera's economic sustainability.

Finnvera also measures the success of stakeholder interaction by means of the client and stakeholder survey every other year and supplemented with event surveys. The continuous measurement of the customer experience was launched in autumn 2016. A personnel satisfaction survey is conducted every year.

### Whistleblowing offers a chance to report suspicions

Finnvera's website has an anonymous whistleblowing channel, through which both Finnvera's employees and persons outside the organisation can report any suspicions of potential misconduct and policy violations to the organisation's management. Finnvera processes reports about potential misconduct confidentially, involving only a limited number of Finnvera officials.

In 2017, no reports were received through the channel.





## Finnvera's role in society

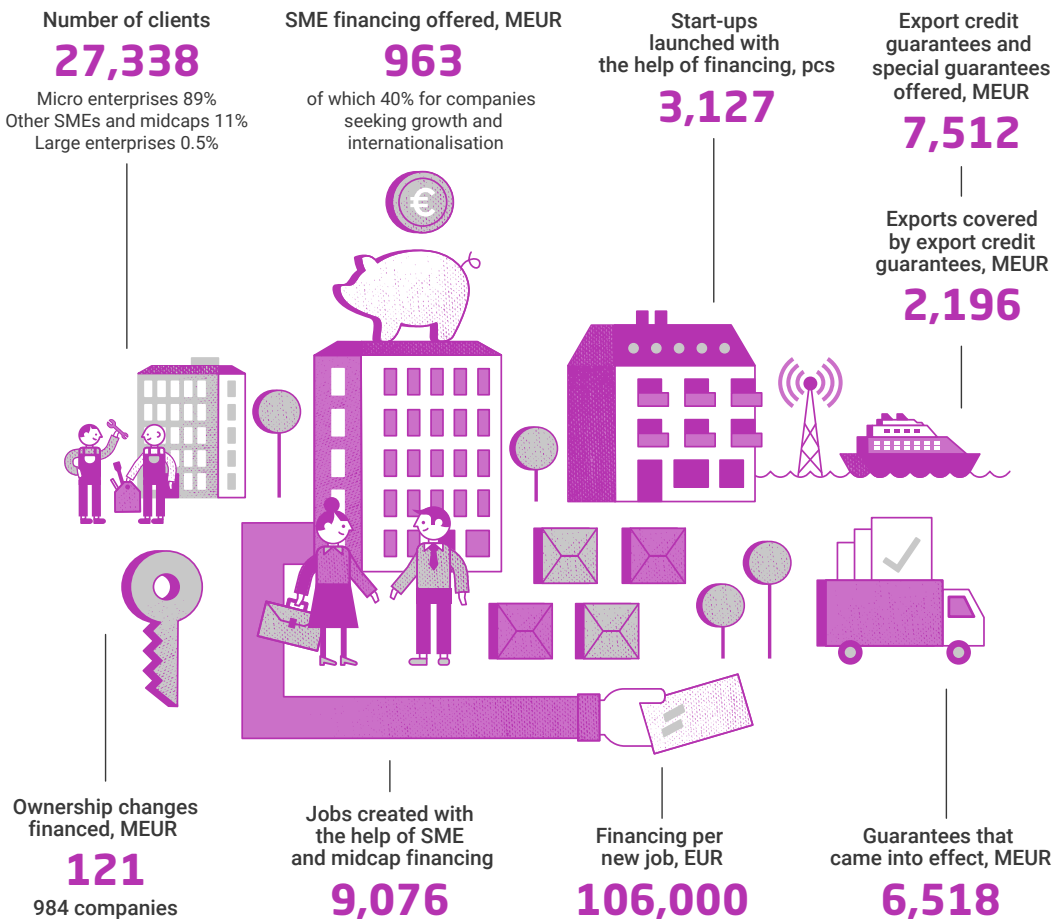
Finnvera has an important social role in facilitating and augmenting enterprise activities. Finnvera reinforces the capacity and competitiveness of Finnish enterprises. As a promoter of exports, Finnvera wants to offer Finnish companies the same starting points as those offered by export credit agencies of competitor countries in their own countries.

The main indicators of impacts include the number of new enterprises and jobs created by means of financing and the ratio of exports covered by export credit guarantees to Finland's total exports. Finnvera's new value creation model provides a comprehensive overview of the financial, society-related, social and environmental impacts of Finnvera's operations, along with key indicators.

Other indicators of Finnvera's impacts are the volume of SME and midcap financing and the financed transfers of ownership. The central issue in pursuing impacts on society is responsibility as an element of daily work. Provision of

financing for economically viable business and meticulous risk assessment in financing decisions lay the foundation for everything else.

*"Provision of financing for economically viable business and meticulous risk assessment in financing decisions lay the foundation for everything else."*





## Self-sustainability and capital adequacy as cornerstones

According to the goal of self-sustainability set for Finnvera's activities, the company's income from business operations must be sufficient in the long term to cover its operating expenses and its share of any credit and guarantee losses incurred.

The State of Finland covers some of Finnvera's credit and guarantee losses. This enables Finnvera to take greater risks in its financing operations than other providers of financing.

Self-sustainability in Finnvera's SME financing has been attained over a 12-year period when the cumulative result is

calculated up to the end of December 2017. Export financing has been economically self-sustainable for all of Finnvera's 19 years of operation. If the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, for its last years of operation is taken into account when reviewing the self-sustainability of export financing, economic self-sustainability is also realised over a 22-year period.

Finnvera's capital adequacy must be sufficient to ensure the company's ability to bear risks and to keep the costs of funding reasonable. Finnvera's capital adequacy must be at least 12 per cent. At the end of 2017, the capital adequacy for domestic operations was 25.3 per cent (22.4%).

### KEY INDICATORS FOR FINANCIAL RESPONSIBILITY

<b>Finnvera Group, MEUR</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>			
- Net interest income, and fee and commission income and expenses	173.5	194.2	197.3
<b>Subsidies and compensation for losses</b>			
- Interest subsidies passed on to clients	0.8	1.5	3.4
- Compensation for credit and guarantee losses	22.8	28.3	82.6
<b>Impairment loss on financial assets</b>	41.4	94.0	97.2
<b>Administrative expenses</b>			
- Personnel expenses	28.7	29.9	30.4
- Other administrative expenses	14.4	14.1	13.6
<b>Amortization and other operating expenses</b>	4.5	6.7	5.7



## Impacts of Finnvera's own operations: Personnel and the environment

Finnvera's investments in the development of operations and the personnel's well-being bore fruit. The results of the personnel survey were excellent, and Finnvera was also rated as one of the most inspiring places to work in Finland. Training and the development of management were continued during the year in order to ensure that operations adhere to the operating principles.

### Dedicated and satisfied personnel

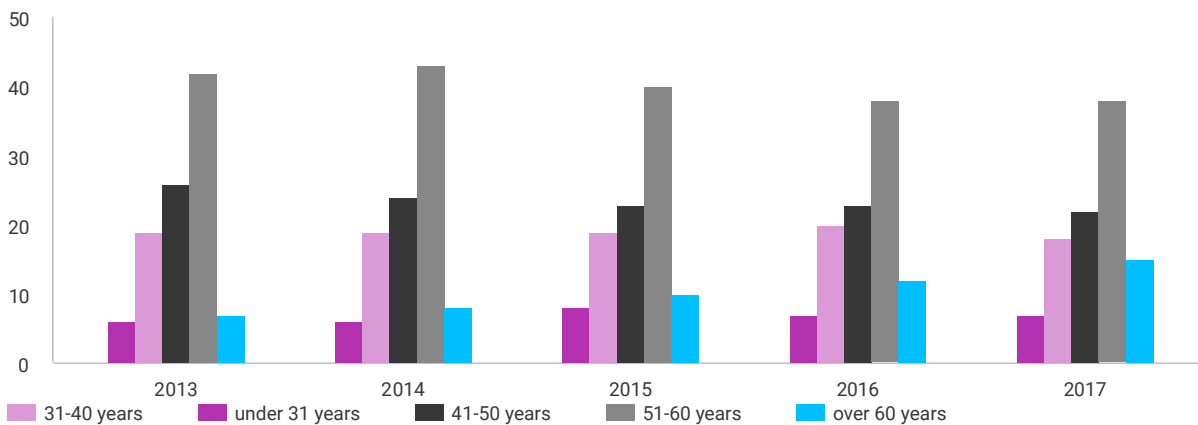
At the end of the year 2017, Finnvera Group had 375 employees, of whom 354 held a permanent post. There were no significant changes in the number of employees compared to 2016.

Finnvera measures its employees' well-being and satisfaction by conducting a PeoplePower personnel survey annually. In all, 90.7 per cent (87%) of Finnvera employees responded to the survey in 2017, and the job satisfaction index reached an all-time high, 75.7.

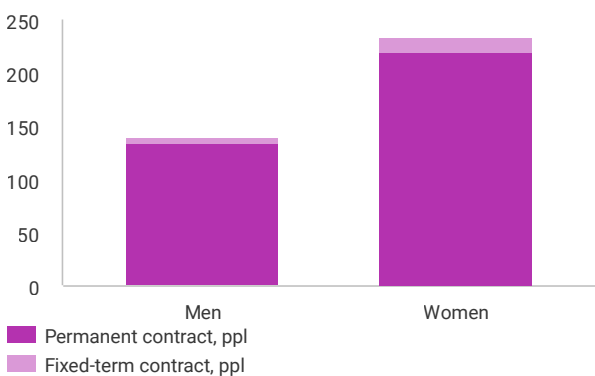
This result is all the more valuable when one considers that Finnvera has gone through several years of major transformation that have included changes in the organisation and the operating premises.

The results did not reveal any clear areas of improvement that would concern the entire company. Team-specific areas of improvement were discussed within teams, and improvement plans were created for them.

### PERSONNEL AGE DISTRIBUTION (%)



### TYPE OF EMPLOYMENT CONTRACT



### PERSONNEL TURNOVER

	Men	Women	Total
<b>Incoming</b>			
Under 30 years	0.6	0.6	1.1
30-50 years	0.9	1.1	2.0
Over 50 years	0.3	0.6	0.9
<b>Total</b>	<b>1.7</b>	<b>2.3</b>	<b>4.0</b>
<b>Outgoing</b>			
Under 30 years	0,0	0,0	0,0
30-50 years	0.3	0,6	0.9
Over 50 years	2,0	2,3	4.3
<b>Total</b>	<b>2.3</b>	<b>2,9</b>	<b>5.1</b>

### Development of personnel and management

Finnvera emphasises employees' own responsibility for their development. In skills development, Finnvera adheres to the 70-20-10 principle, with the main emphasis on on-the-job learning.

The effects of investments in supervisory work could be clearly seen in the personnel survey results, and these efforts were carried on also in 2017. In the development of management, the focus during the year was on virtual management.

The entire Finnvera personnel (2017: 96.9%) had target-setting and performance review discussions during the year.

It was decided that the content of the Code of Conduct, published at the end of 2016, would be included in each Finnvera employee's training calendar, and during the year 2017, recap training on the Code of Conduct's key themes was organised for the entire personnel. The recap training will be continued as an annual activity, and getting to know the Code of Conduct will be part of the induction of new employees.

In addition, personnel development continued with, among other things, presentation skills coaching, language training and courses related to IT and information security. Approximately one hundred account managers were also provided with communications training in so-called "Asva" arenas. In 2017, the number of training hours per person was 7.4 (11.7).

Finnvera employees have an opportunity of flexible working, and teleworking is possible for two days a week.

At Finnvera, remuneration is based on the classification of job requirements. Employees are encompassed by a comprehensive incentive pay scheme for all personnel. The executive management has its own rewards system.

### Looking after well-being at work

When looking after well-being at work, the focus is on preventive activities, which has been taken into account in supervisor training. Indeed, the occupational health care provider especially acknowledged supervisors in 2017 for their active and caring attitude and sufficiently early intervention. The company also uses an official early intervention model that enables the company to react if an employee has a lot of absences.

Finnvera provides its personnel with comprehensive occupational health care services. Returning to work is supported by means of flexible practices after periods of part-time sick leave. In 2017, the sick leave rate decreased to 3.1 (3.5%).

Finnvera took part in the Duunikunto programme, organised by the morning show on the Finnish TV channel MTV. The theme of this well-being programme was well-being at work and coping with workload. Finnvera's participant in the programme was Team Leader Leena Waarna, and the entire

company accepted the challenge of working while standing up for at least half an hour every day.

### Principles of human resource management

Finnvera's human resource management is guided by several processes and policies that enable the well-being, equal treatment and development of the personnel. Finnvera has policies for recruitment, induction, rewarding, working hours and job rotation, for instance. In addition, the company has a centralised training plan. Matters related to the equality and diversity policy are regularly discussed with the occupational safety and health committee and the employees' representatives.

Finnvera upholds open dialogue between the management and personnel in various ways, such as personnel information sessions and blogs.

During the year, the clarification of human resource management cooperation was continued with other Team Finland actors. The year's activities included, for instance, joint training events and purchases, and some of the induction processes were shared, too.

Finnvera has its own collective labour agreement that encompasses three personnel organisations. The organisations' representatives participate in the meetings of the Corporate Management Team and in events held by supervisors, where they have the opportunity to present the personnel's views.

"Finnvera upholds open dialogue between the management and personnel in various ways, such as personnel information sessions and blogs."

### Development plans for 2018

Personnel work development measures in 2018 will focus especially on the development of the Talent Management process and the employer image.

As the world of financing is changing, Finnvera must understand what this change means for skills development. Personnel development measures must be planned accordingly.

The competition for the most talented employees is fierce, and Finnvera will begin systematic work to develop its employer image. Finnvera wants to attract the best and most dedicated employees in the future, too, in order to implement Finnvera's strategy of enabling the success of the enterprises it finances.

**375**

At the end of 2017, Finnvera had 375 employees, of whom 354 held a permanent post.

**7.4**

In 2017, the number of training hours per person was 7.4.

**3.1**

In 2017, the sick leave rate decreased to 3.1% (3.5%).

## Environmental impacts and purchasing

### Moderate environmental impacts

Due to the nature of Finnvera's operations, the company's direct environmental impacts are moderate and mainly related to energy consumption and commuting.

Video and telephone conferences have replaced trips, and increased digitalisation has reduced paper consumption. In addition, the sorting of waste is a daily routine at Finnvera.

"Video and telephone conferences have replaced trips, and digitalisation has reduced paper consumption."

### Purchasing costs decreased

Finnvera purchases external services mostly from about 200, primarily Finnish, suppliers. The purchases pertain to real estate services, training, travel, information services

and publications, office supplies, occupational health and consultants' services.

The purchasing costs for 2017 were approximately EUR 14 million (2016: EUR 15 million), due to lower premises-related costs.

Cooperation with the Team Finland actors, launched in 2016, still continues, and cooperation is carried out when there are similar purchasing needs.

Whenever possible, Finnvera also uses the framework agreements of Hansel, the government's central purchasing body, that cover travel agency services, for instance. In these agreements, environmental responsibility issues, among other things, have already been considered.

**14 MEUR**

The purchasing costs for 2017 were approximately EUR 14 million (15).



## Responsible financing

Finnvera provides loans and guarantees for domestic projects, and grants guarantees for the exports of Finnish companies and export credits for financing foreign buyers. In the assessment of projects carried out abroad, the social and environmental impact assessment plays an important role. When assessing projects abroad, Finnvera adheres to international standards and guidelines. Domestic projects are assessed on the basis of the laws of Finland and the EU.

### General principles of responsible financing

Finnvera's Code of Conduct steers all activities. Financing operations are based on the provision of financing for economically viable business and meticulous risk assessment when making financing decisions. The overall financing responsibility is steered, among others, by the following principles:

- Financing decisions are based on criteria for assessing profitable business; these criteria are defined in advance.
- In order to avoid conflicts of interest and to ensure impartiality, Finnvera observes the disqualification provisions laid down in the Administrative Procedure Act.
- In its financing activities, Finnvera complies with the obligation to know its customers, the intention being to combat money laundering and the financing of terrorism.
- It is strictly prohibited to receive or offer any financial or other benefit if it is likely to undermine confidence in the party concerned or in the impartiality of Finnvera's actions.

### Principles steering the financing of projects carried out abroad

In export financing, Finnvera complies with the OECD Arrangement on Officially Supported Export Credits and with the standards and guidelines published by the International Finance Corporation (IFC) of the World Bank Group.

The social and environmental impact assessment is steered by the Recommendation of the OECD Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Framework Convention on Climate Change.

Finnvera complies with the guidelines and criteria published by the OECD, which also strive to ensure that export credit agencies' project reviews, definitions and conditions are applied consistently among providers of export financing.

*"In its export financing operations, Finnvera complies with several international rules and its own project policy, among other regulations."*

Finnvera has a project policy that is used to examine the environmental and social impacts of projects. Thanks to the policy updated in 2016, increased attention is now paid to human rights. Another clear change was the inclusion of guarantees granted to shipping companies and shipyards within the scope of the project policy. In addition, all power plant projects that use fossil fuels must report their greenhouse gas emissions to the OECD.

In its anti-bribery measures, Finnvera follows the recommendations issued by the OECD Export Credit Group. Moreover, Finnvera has its own anti-bribery policy that is in agreement with responsible export credit guarantee and credit operations. This means that, for each project, Finnvera requests financiers and exporters to sign a declaration that they have not participated in bribery. In 2017, Finnvera also updated its Know Your Customer policy that will enter into force at the beginning of 2018.

Finnvera complies with the OECD's principles of sustainable lending when granting export credit guarantees and export credits for the poorest countries.

### Assessment of the social and environmental risks of projects carried out abroad

In projects carried out abroad, if Finnvera's liabilities for guarantees exceed EUR 10 million and the loan repayment period is more than two years, the project always undergoes an assessment of the environmental and social risks. A risk assessment is also conducted for projects under EUR 10 million if the project is considered to involve significant potential environmental or human rights risks.

In general, Finnvera's project review encompasses the whole project even when export financing is granted, for instance, for an individual delivery of equipment.

Projects are divided into four categories: A, B, C and non-project. In Category A, the applicant must provide Finnvera with an external party's report of the assessment of

environmental and social impacts, and impacts are reviewed more extensively – the project may be, for instance, a pulp mill, a mine or a power plant. In Category B, the information required is more limited. No background studies are needed for Category C and non-projects. In 2017, ten Category A and Category B project reviews were conducted.

Granting financing for Category A projects requires that the information on environmental and social impacts is published 30 days before Finnvera signs the agreement on export financing. This allows stakeholders, at their discretion, to submit comments before the actual decisions are made.

**Consideration of social impacts in projects**

Social impacts refer to the project’s impacts on local communities and on persons involved in the construction and operation of the project. Social impacts include the human rights aspects associated with the project.

The impacts may relate, for instance, to the working conditions and rights of workers, the health and safety of local communities, the acquisition of land and forced relocation, the rights of indigenous peoples, and cultural heritage. Project-specific human rights factors are forced labour, child labour, and occupational health and safety issues threatening human life.

The impacts on working conditions, local communities and workers are weighed for all projects that are assessed. Human rights risks are assessed even for modernisation projects of existing plants, for instance.

In 2017, Finnvera established a separate Human Rights Adviser position in the Country and Environmental Risk Management Team in the Large Corporates unit.

**Monitoring of projects**

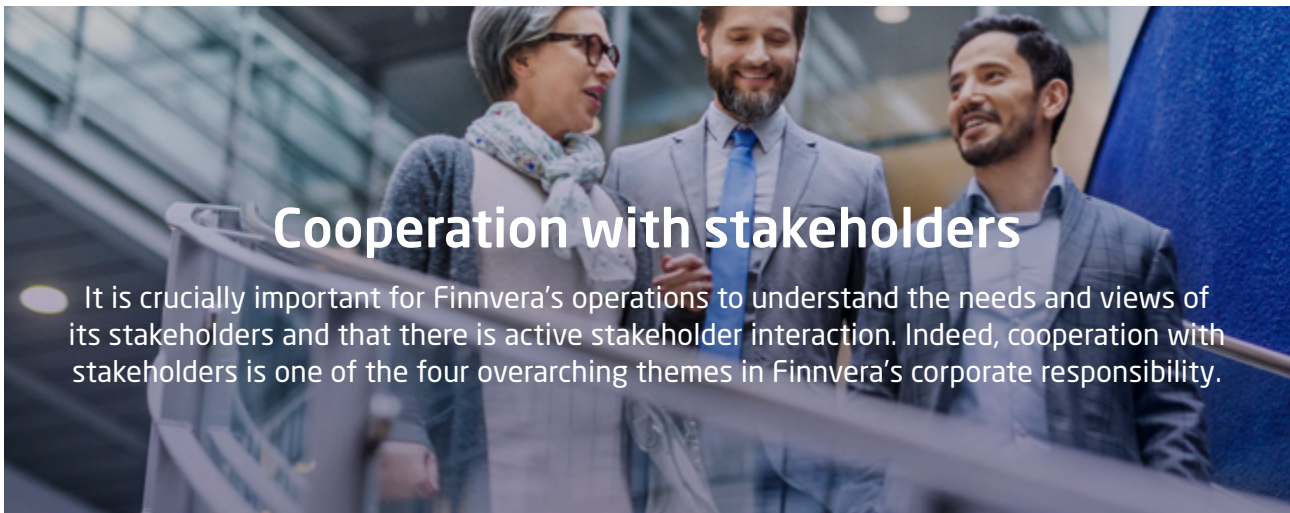
The impacts of projects can also be monitored during the progress of the projects. Category A and Category B projects are monitored until the end of the loan repayment period.

During their construction and production stages, several major projects are monitored by external consultants. If shortcomings are discovered during the project, the corrective action plan defined in the loan agreement terms is drawn up and monitoring will continue. Additionally, the parties implementing the projects are often required to report annually to Finnvera. If the various parties cannot agree on how the shortcomings should be corrected, the last resort is to terminate the loan agreement.

“The impacts of projects can also be monitored during the progress of the projects.”

**10**

In 2017, ten project reviews of environmental and social risks were conducted.



## Cooperation with stakeholders

It is crucially important for Finnvera's operations to understand the needs and views of its stakeholders and that there is active stakeholder interaction. Indeed, cooperation with stakeholders is one of the four overarching themes in Finnvera's corporate responsibility.

Finnvera's principal stakeholders are clients, banks, domestic and international organisations, personnel, owners and cooperation partners, including other Team Finland organisations.

Finnvera is a State-owned specialised financing company under the auspices of the Ministry of Economic Affairs and Employment. There is active dialogue with the Ministry of Economic Affairs and Employment, and cooperation is close also with the Ministry for Foreign Affairs and the Ministry of Finance.

The company, at both executive and regional levels, meets its domestic stakeholders actively. Furthermore, Finnvera participates in international cooperation in its own sector abroad.

### Active interaction with stakeholders in 2017

#### Clients

It is very important for Finnvera to understand the needs of clients. In addition to the client and stakeholder survey, customer satisfaction is also monitored by measuring the customer experience.

#### Client and stakeholder survey

In the client and stakeholder survey of 2017, a total of 1,950 respondents expressed their views on Finnvera's operations. The survey looks into the clients' satisfaction with Finnvera's operations and service, their impressions and views on the significance of Finnvera's operations, as well as experiences of various Finnvera service channels.

The Net Promoter Score (NPS) indices of different target groups were excellent, even over 80, which indicates that stakeholders are very willing to recommend Finnvera and its services. The NPS index of local enterprises focusing on the domestic markets was lower than those of other stakeholders; however, even their index was good.

The benefits of service provision were estimated to be at the same good level as before. As for active approach and focus on solutions, Finnvera received the most positive ratings from financing clients in large corporates.

#### Customer experience measurement

In customer experience measurement, customer satisfaction is measured either immediately after the first meeting or after the financing decision. The target for the measurement result is set at the excellent score of 55, and the results even exceeded this.

The Finnvera Committee and the Export Finance Committee (in Finnish) serve as an interaction channel between clients and Finnvera. In 2017, SMEs' need to hedge against export trade financing risks came up in the Committee, and Finnvera will address this need in 2018.

Daily discussions with clients are open and diverse. The channels include, for instance, the website, social media, the newsletter and the stakeholder magazine.

#### Banks

Banks are important cooperation partners for Finnvera, as financial solutions are nearly always offered to clients in cooperation with the bank. With banks, the goal is to act as an active and consistent co-financier supplementing the financial market.

Close cooperation with banks continued in 2017 in Finnvera's regional network. In addition to client-related work, cooperation with banks encompassed events and webinars focusing on different themes, such as the financing of transfers of ownership. Communications cooperation with banks was also promoted in bringing up financing opportunities available for enterprises.

#### Domestic organisations and cooperation partners

In Finland, organisations promote Finnvera's recognisability, acquisition of clients and demand for financing. These organisations include the Federation of Finnish Enterprises, the Chamber of Commerce and the Confederation of Finnish Industries (EK). Through them, Finnvera is also informed of the various client groups' situation, and constant dialogue is conducted to improve the financing options available to enterprises.

A visible campaign that was continued in 2017 was the acceleration of transfers of ownership together with enterprise organisations. The internationalisation of SMEs and export trade were highlighted on the Pk-yritykset maailmalle tour, organised as part of Team Finland cooperation.

With the help of cooperation partners, client enterprises are provided with comprehensive services for many different needs. Through Team Finland, a company seeking growth or internationalisation gets all the public services it needs for financing, subsidies and advice. The number of joint Team Finland service proposals in 2017 was 320.

### Joint events in 2017

- The Growth Open business competition in cooperation with various companies and organisations. The largest sparring programme for enterprise growth in Finland, and free of charge, Growth Open supports the growth and internationalisation of SMEs across Finland and in various sectors.
- A conference focusing on transfer of ownership with, for instance, the Federation of Finnish Enterprises and the Confederation of Finnish Industries (EK).
- The Yrittäjöpäivät event for entrepreneurs and the Kunnallisjohdon seminaari event for municipal managers in cooperation with the Federation of Finnish Enterprises.
- The Pk-yritykset maailmalle tour visiting 10 locations, together with Team Finland, the Federation of Finnish Enterprises and the Chamber of Commerce.

### International organisations and cooperation

Dialogue with international organisations provides the opportunity to network, share expertise and bring Finland's views to decision-making.

Through the Ministry of Economic Affairs and Employment, Finnvera participates in international cooperation 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), The Montreal Group and within the Berne Union, the international cooperation organisation for export credit agencies, with Deputy CEO Topi Vesteri of Finnvera serving as President of the Berne Union.

Pekka Karkovirta, Vice President, International Relations, acted as Chairman of the Participants to the OECD Arrangement in 2017.

There is also cooperation among Nordic export credit agencies: both the management and expert groups meet once a year.





## Reporting of corporate responsibility

This report contains the basic features of the GRI Standards responsibility reporting guidelines. The report covers the economic, social, and environmental impacts of Finnvera plc’s own operations for the financial period 1 January–31 December 2017. Compared against the previous years, no significant changes have taken place in the data, scope, or calculation limits of the report. Finnvera reports on responsibility annually; the previous report was released in March 2017. The report has not been subject to external assurance.

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### GRI Standards Content Index

Disclosure		Location	Comments
<b>GRI 102 GENERAL DISCLOSURES</b>			
<b>Organisation</b>			
102-1	Name of the organization	This is Finnvera	
102-2	Activities, brands, products, and services	This is Finnvera Financial services	
102-3	Location of headquarters	Contact info	
102-4	Location of operations	Financial services	
102-5	Ownership and legal form	Corporate governance	
102-6	Markets served	Clients	
102-7	Scale of the organization	Business operations Strategy and goals Financial statements	
102-8	Information on employees and other workers	Impacts of Finnvera's own operations: Personnel and the environment	
102-9	Supply chain	Impacts of Finnvera's own operations: Personnel and the environment	
102-10	Significant changes to the organization and its supply chain	GRI Standards content index	No significant changes.
102-11	Precautionary Principle or approach	Corporate governance	
102-12	External initiatives	Responsible financing	
102-13	Membership of associations	Responsible financing	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	CEO's review	
102-15	Key impacts, risks, and opportunities	Strategy and goals Corporate governance Operating environment	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	Corporate governance	
102-17	Mechanisms for advice and concerns about ethics	Corporate responsibility at Finnvera	

<b>Governance</b>			
102-18	Governance structure	Corporate governance	
102-22	Composition of the highest governance body and its committees	Corporate governance	All Board members are independent.
102-23	Chair of the highest governance body	Corporate governance	The Chairman of the Board is independent of the executive management.
102-24	Nominating and selecting the highest governance body	Corporate governance	
102-35	Remuneration policies	Financial statements	Reported in part.
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	Cooperation with stakeholders	
102-41	Collective bargaining agreements	Impacts of Finnvera's own operations: Personnel and the environment	
102-42	Identifying and selecting stakeholders	Cooperation with stakeholders	
102-43	Approach to stakeholder engagement	Cooperation with stakeholders	
102-44	Key topics and concerns raised	Cooperation with stakeholders	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Financial statements	
102-46	Defining report content and topic Boundaries	Corporate responsibility at Finnvera	
102-47	List of material topics	Corporate responsibility at Finnvera	
102-48	Restatements of information	GRI Standards content index	No restatements.
102-49	Changes in reporting	GRI Standards content index	No significant changes.
102-50	Reporting period	Reporting of corporate responsibility	
102-51	Date of most recent report	Reporting of corporate responsibility	
102-52	Reporting cycle	Reporting of corporate responsibility	
102-53	Contact point for questions regarding the report	Reporting of corporate responsibility	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards content index	
102-55	GRI content index	GRI Standards content index	
102-56	External assurance	Reporting of corporate responsibility	
<b>GRI 103 Management approach</b>			
103-1	Explanation of the material topic and its Boundary	GRI Standards content index	Boundary is Finnvera.
103-2	The management approach and its components	Finnvera's role in society Responsible financing Cooperation with stakeholders Impacts of own operations: Personnel and the environment	
103-3	Evaluation of the management approach	Finnvera's role in society Responsible financing Cooperation with stakeholders Impacts of own operations: Personnel and the environment	
<b>ECONOMIC STANDARDS</b>			
<b>GRI 201 Economic performance</b>			
201-1	Direct economic value generated and distributed	Strategy and goals Finnvera's role in society	
201-4	Financial assistance received from government	Financial statements	
<b>GRI 203 Indirect economic impacts</b>			
203-2	Significant indirect economic impacts	Strategy and goals Finnvera's role in society	
<b>Own disclosure</b>	Jobs created, growth, internationalisation, exports	Strategy and goals Finnvera's role in society	
<b>GRI 205 Anti-corruption</b>			
205-2	Communication and training about anti-corruption policies and procedures	Impacts of Finnvera's own operations: Personnel and the environment	
<b>GRI 206 Anti-competitive behavior</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Standards content index	No cases.

**SOCIAL STANDARDS**

<b>GRI 401 Employment</b>			
401-1	New employee hires and employee turnover	Impacts of Finnvera's own operations: Personnel and the environment	
<b>GRI 403 Occupational health and safety</b>			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Impacts of Finnvera's own operations: Personnel and the environment	
<b>GRI 404 Training and education</b>			
404-1	Average hours of training per year per employee	Impacts of Finnvera's own operations: Personnel and the environment	
404-2	Programs for upgrading employee skills and transition assistance programs	Impacts of Finnvera's own operations: Personnel and the environment	
404-3	Percentage of employees receiving regular performance and career development reviews	Impacts of Finnvera's own operations: Personnel and the environment	
<b>GRI 412 Human rights</b>			
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Responsible financing	Reported in part.
<b>GRI 419 Socioeconomic compliance</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	GRI Standards content index	No cases.
<b>G4 Financial services sector guidelines, product responsibility</b>			
G4-FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	Clients	Reported in part.



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