

# Annual Review 2019

FINNVERA'S YEAR 2019 AND  
CORPORATE RESPONSIBILITY



Finnvera finances various stages of business with loans, guarantees and export credit guarantees. Finnvera is a specialised financing company owned by the State of Finland. Finnvera has official Export Credit Agency (ECA) status.

# Our vision is: Our clients' success strengthens the Finnish economy.



WE GRANT THE MAJORITY OF OUR SME FINANCING TO START-UPS, ENTERPRISES SEEKING GROWTH AND INTERNATIONALISATION, AND TRANSFERS OF OWNERSHIP.



WITH EXPORT FINANCING, WE ENSURE FINNISH ENTERPRISES' COMPETITIVENESS ON THE INTERNATIONAL EXPORT MARKET.



THE SPEARHEAD OF OUR STRATEGY IS IMPACT. OUR GOAL IS THAT OUR FINANCING ENABLES OUR CLIENTS TO CREATE AND ACHIEVE SOMETHING THAT WOULD NOT HAVE BEEN POSSIBLE OTHERWISE.

## Finnvera's year 2019

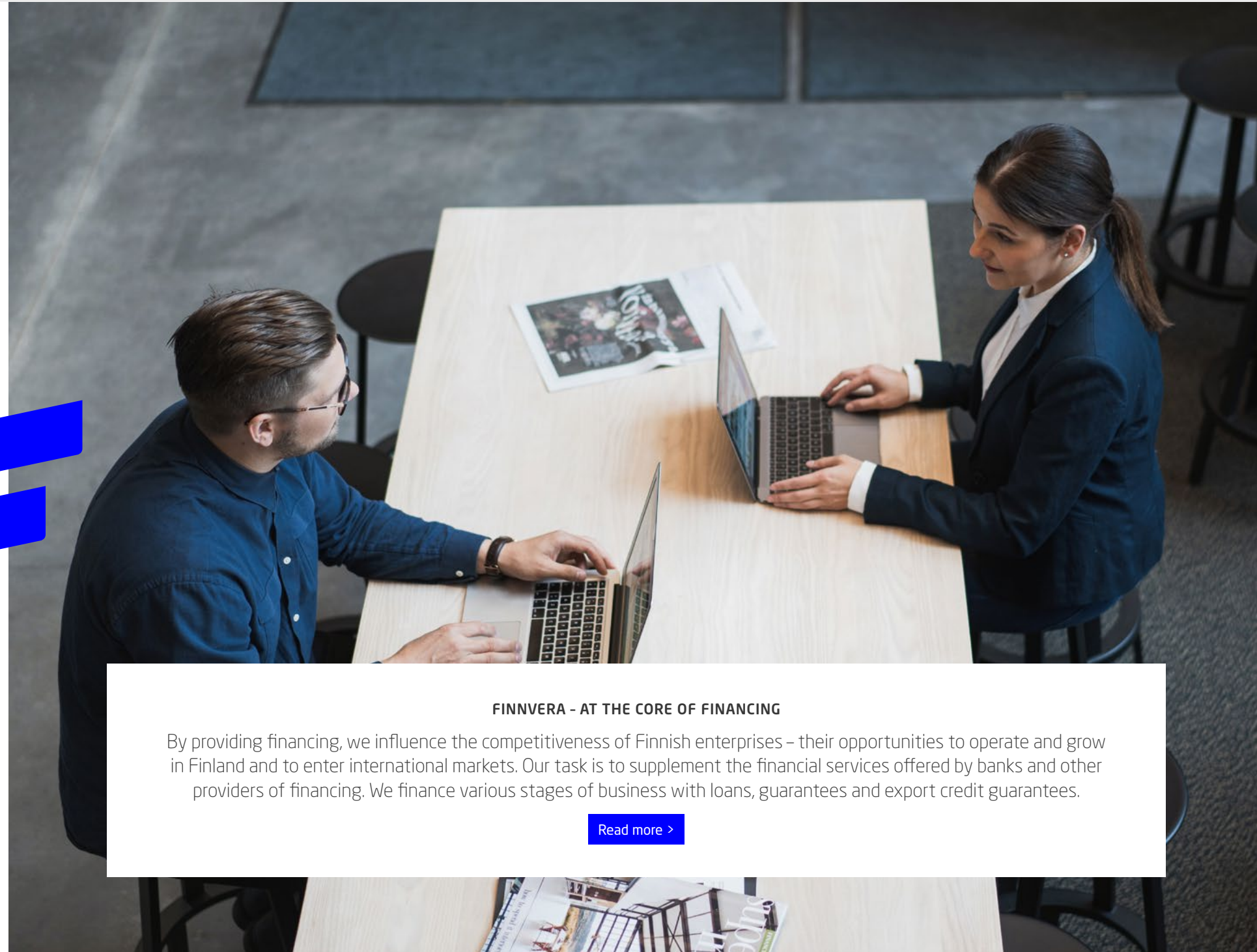
Finnvera 20 years .....	4
CEO's review .....	5
How Finnvera creates value .....	7
Strategy .....	8
Operating environment.....	11
Business operations .....	14
Key figures .....	23
Risk management .....	24
Funding.....	27
Corporate governance.....	28

## Corporate responsibility

Success stories and development targets in 2019 ...	35
Corporate responsibility at Finnvera.....	36
Finnvera's role in society .....	42
Impacts of Finnvera's own operations .....	45
Responsible financing .....	50
Cooperation with stakeholders.....	53
Reporting principles.....	56



# Finnvera's year 2019



## **FINNVERA - AT THE CORE OF FINANCING**

By providing financing, we influence the competitiveness of Finnish enterprises – their opportunities to operate and grow in Finland and to enter international markets. Our task is to supplement the financial services offered by banks and other providers of financing. We finance various stages of business with loans, guarantees and export credit guarantees.

[Read more >](#)

# FINNVERA 20

## Already two decades of work for enterprises

In 2019, Finnvera celebrated its 20th anniversary as the enabler of Finnish enterprises' success. The theme of the anniversary was aligned with Finnvera's vision: Our clients' success strengthens the Finnish economy. Finnvera's operations as a financing company started in 1999 when Kera Plc (former Kehitysaluerahasto Ltd) and the Finnish Guarantee Board were merged.

### MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS WAS REVISED

Finnvera revised its environmental and social risk management policy for financing operations. From now on, the assessment of transactions to be financed will be guided by a risk-based approach. The evaluation of human rights risks will also play a more prominent role in the policy. The aim is to increase the transparency and predictability of operations.



FINNVERA WAS SELECTED THE BEST EXPORT CREDIT AGENCY OF THE YEAR IN TXF'S INTERNATIONAL SURVEY TARGETED AT EXPORT COMPANIES, BUYERS AND FINANCIAL INSTITUTIONS. FINNVERA WAS IN THE TOP 3 ALSO IN 2018.



### A NEW PRODUCT, THE SME GUARANTEE, FOR GROWTH-ORIENTED SMES

The financing opportunities of growth-oriented SMEs improved in the autumn when a new guarantee product, the SME Guarantee, was introduced. The SME Guarantee helps enterprises with lack of collateral and, as a result, makes it easier for them to acquire financing. The SME Guarantee makes use of the European Investment Fund's COSME programme. Thanks to the EIF's counter-guarantee, Finnvera can grant this guarantee without collateral.



### CLIENT ORIENTATION GUIDES SERVICE DEVELOPMENT

Finnvera launched the most significant information system project in its history and began the transformation towards more agile and client-oriented operations. Digitalisation is one of the cornerstones of Finnvera's strategy. The transformation will be visible to clients as smoother service, interactive customer experience and more flexible product launches.

# 24,500

Finnvera has approximately 24,500 clients, ranging from micro-enterprises to global large corporates.

## CEO's review

The year 2019 was characterised by declining financial forecasts and global trade conflicts. On the other hand, the interest rates were lower than anticipated and there was a lot of liquidity in the market. From Finnvera's point of view, demand for financing remained brisk and our credit portfolio was in good shape.

Finnvera's operations in their current form had their 20th anniversary. During these two decades, the world has changed, as has the financial sector and the business operating environment. Still, our basic task as a provider of financing for enterprises and Finnish exports has remained unchanged. One of the most prominent factors that influenced Finnvera has been the fact that demand for public export financing has increased significantly due to changes in bank regulation.

For Finland, the essential point is that there is the exceptional wave of investments going on in cruise shipping. Shipping companies updated their fleet due to energy and environmental reasons as well as the potential in the Asian market. Finland is one of the few countries where the largest cruise ships are built.

The coronavirus that spread across the world from January 2020 on demonstrated that global events affect enterprises in Finland, too – most concretely in tourism and the cruise shipping sector. The total impact of the virus remains to be seen. For a provider of financing, it is essential to assess impacts in the long term.

At the end of 2019, approximately half of the order book of the Finnish technology industry consisted of ships – and these were mainly financed with Finnvera's buyer credits. This has tied up Finnvera's authorisations to grant export financing.

At the turn of the year, the Finnish Parliament decided on legislative amendments to raise Finnvera's authorisations to grant financing. The fact that our authorisation to grant export credit guarantees was raised to EUR 38 billion was a very significant development, and it also enables us to respond to the very positive export development prospects. The authorisations to provide

**“THE POSITIVE RESULT INCREASED OUR RISK BUFFER NEARLY TO EUR 2 BILLION, WHICH IS NECESSARY AS OUR EXPOSURE GROWS.”**





export credit and interest equalisation, and the State guarantee amount for funding were also raised.

Financially, 2019 was a strong year for Finnvera. Both SME financing and the Large Corporates business achieved their goals and made profit. The Group's result was EUR 94 million. The positive result increased our risk buffer nearly to EUR 2 billion, which is necessary as our exposure grows.

**Cooperation that benefits enterprises**

In SME financing, Finnvera introduced a new product, the SME Guarantee, supported by the European Fund for Strategic Investments. It is an 80 per cent guarantee for a loan amounting to a maximum of EUR 150,000, does not require collateral, and is applied for through a bank. Our goal is to grant roughly 2,000 SME Guarantees in two years' time. We are also getting prepared for introducing other EU financing products into the Finnish market in the next few years.

To promote the operations of SMEs and midcap enterprises, Finnvera continued to accelerate transfers of ownership, improve export trade financing knowledge with the export trade financing programme, and boost growth and internationalisation through Team Finland cooperation. The Team Finland network's joint KasvuCRM system, adopted in early 2019, concretely increased cooperation among the parties. The updated Team Finland strategy supports the provision of services according to the needs of enterprises.

**Continuous development of operations**

Last year, a transformation of the operating model was carried out in the collection of Finnvera's domestic receivables, in which a total of 11 employees transferred from Finnvera to Intrum Oy in connection with the transfer of business. Digitalisation is a challenge for us and for the entire financial sector. In the next few years, Finnvera's extensive development project to renew the financing systems will be seen in service processes and customer service. Finnvera launched a public procurement procedure for renewing its key financing information systems.



We also developed policies supporting responsibility of our financing operations. The anti-bribery policy was strengthened, and a new policy identifying tax havens and associated tax evasion risks was introduced. Finnvera's policy on the environmental and social risk management of the financing operations was revised, and from now on, the assessment of transactions to be financed will be guided by a risk-based approach. The evaluation of human rights risks will also play a more prominent role.

Feedback from the clients confirms that our direction is right. A reputation survey commissioned by us showed that Finnvera's reputation is strong and that the message about the impacts of our operations has reached our domestic stakeholders. We also received international recognition when Finnvera was selected the best export credit agency of the year. More than 300 global export companies, buyers and providers of financing assessed different export credit agencies in a survey conducted by TXF Media, an international finance media and analyst. According to the assessment,

Finnvera provided the best service to export companies and their foreign buyer clients, which makes us very happy.

The competitiveness of the export financing system is a key indicator for our operations. In late 2019, the export financing working group appointed by the Ministry of Economic Affairs and Employment submitted its development proposals. On the basis of these proposals, a legislative project will be launched this year, to develop Finnvera's financial supervision and export financing system, among other things, in many different areas.

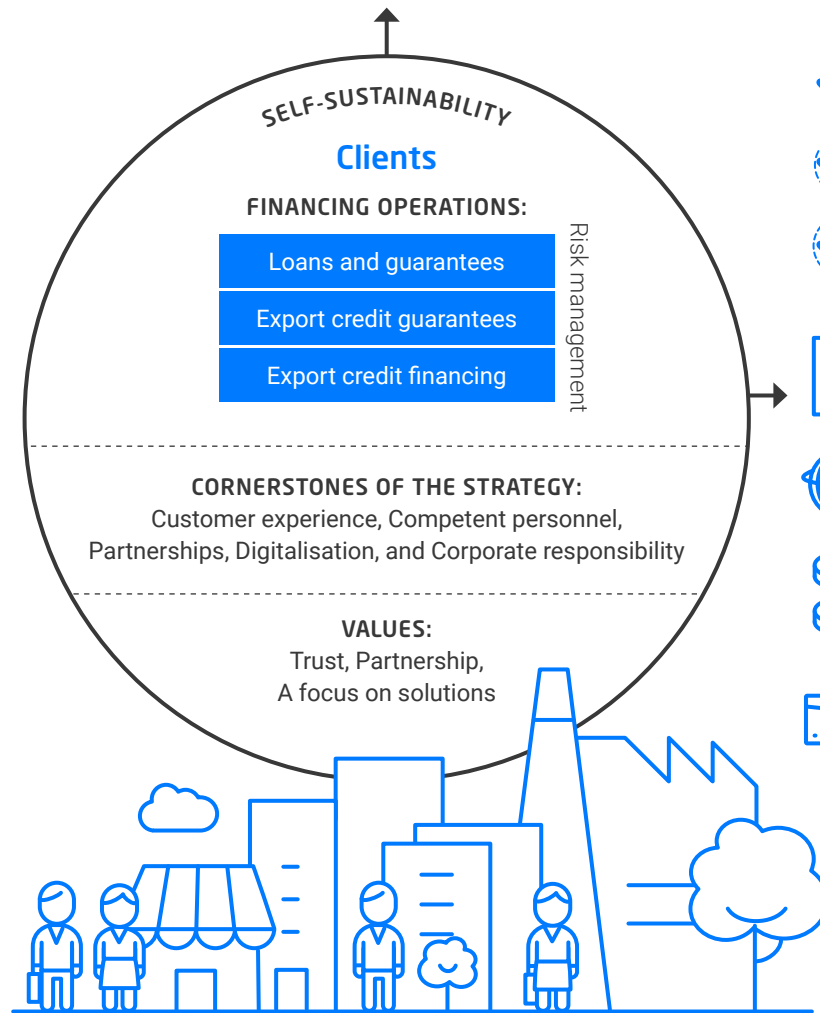
All in all, the year 2019 was, in many ways, better than expected. The successful year is a solid foundation for facing future challenges. Many thanks to our competent personnel, all partners and, first and foremost, our clients, for whose success we work every day.

**Pauli Heikkilä**  
CEO

“THE FACT THAT OUR AUTHORISATION TO GRANT EXPORT CREDIT GUARANTEES WAS RAISED TO EUR 38 BILLION WAS A VERY SIGNIFICANT DEVELOPMENT, AND IT ALSO ENABLES US TO RESPOND TO THE VERY POSITIVE EXPORT DEVELOPMENT PROSPECTS.”

# How Finnvera creates value

**Our vision is:**  
OUR CLIENTS' SUCCESS STRENGTHENS THE FINNISH ECONOMY



**FINANCIAL RESOURCES**

- Funding from international bond markets amounts to EUR 2.0–2.5 billion per year
- Equity EUR 1.5 billion, of which non-restricted equity account for EUR 1.2 billion
- Balance sheet EUR 12.7 billion

**PERSONNEL**

- 354 employees in 16 locations in Finland. Branch office also in St. Petersburg
- Average length of employment relationship 16 years
- Extensive experience and competence in the financial sector and risk assessment

**STAKEHOLDER RELATIONS**

- 6,300 meetings and contacts with clients and stakeholders
- Partner networks with banks and private providers of financing
- The Team Finland network that promotes internationalisation among enterprises
- Domestic organisations, such as the Federation of Finnish Enterprises, the Chamber of Commerce and the Confederation of Finnish Industries (EK)
- International organisations, such as the Berne Union, The Montreal Group, the OECD, the EU, the Paris Club, NEFI and AECM

**NUMBER OF CLIENTS**  
31 DEC 2019: 24,500

- Micro-enterprises: 88%
- SMEs and midcap enterprises: 11%
- Large corporates: 1%

**PRODUCTS AND SERVICES**  
1–12/2019

**Loans and guarantees granted**  
EUR 0.8 billion in total

**Export credit guarantees and special guarantees granted**  
EUR 5.4 billion in total

**Export credits granted**  
EUR 2.5 billion in total

**AUTHORISATIONS AND EXPOSURES**  
31 DEC 2019

**Loans and guarantees**  
For SMEs and midcap enterprises

- authorisation EUR 4.2 billion
- exposure EUR 1.9 billion

**Export credit guarantees**

- authorisation EUR 27.0 billion
- exposure EUR 25.3 billion

**Export credits**

- authorisation EUR 22.0 billion
- exposure EUR 7.3 billion

**Special guarantees**  
(shipping and environmental guarantees and raw material guarantees)

- authorisation EUR 3.2 billion
- exposure EUR 0.2 billion

The exposure defined in the Act on the State's Export Credit Guarantees includes commitments and half of offers given at the closing date's exchange rate. The exposure according to the Act on the State's Export Credit Guarantees was EUR 20.8 billion at the end of 2019. The total exposure arising from export credit guarantees and special guarantees includes current commitments and offers given at the reporting date's exchange rate.



**IMPACT ON SOCIETY & FINANCIAL IMPACTS**

- We reinforce the capacity and competitiveness of Finnish enterprises
- Number of financed start-ups: 2,427
- Number of new jobs created with the help of SME and midcap financing: 8,009
- 912 transfers of ownership financed, EUR 155 million
- Exports covered by export credit guarantees: EUR 3.8 billion to over 90 countries
- Our risk management ensures financial self-sustainability
- Development of target countries through export financing projects



**SOCIAL IMPACTS**

- Personnel expenses EUR 28.6 million and EUR 0.5 million to training
- Personnel's job satisfaction index 72.0
- Sick leave rate 3.1%
- Assessment and monitoring of social and human rights risks of the financed transactions



**ENVIRONMENTAL IMPACTS**

- Assessment and monitoring of environmental risks of the financed transactions



**IMPACTS ON STAKEHOLDER RELATIONS**

- Large customer and stakeholder satisfaction survey every 2. year: willingness to recommend Finnvera, average NPS (net promoter score) of 74.8
- Continuous measurement of the customer experience: average NPS of 64

## Strategy

Finnvera's vision is: Our clients' success strengthens the Finnish economy. The vision expresses the core of Finnvera's strategy: we exist for Finnish enterprises. Our work for clients' success could be seen in many ways during the year that marked Finnvera's 20th anniversary.

For long time already, the overarching ideas in Finnvera's strategy have been the international competitiveness of export financing, the allocation of SME financing to start-ups and enterprises seeking growth and internationalisation, and active client work. The goals approved by the company's Board of Directors were pursued in 2019 as follows.

### The right allocation of financing is important

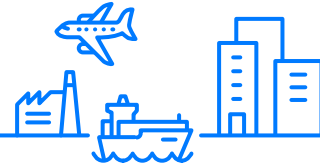
The goal of allocating a minimum of 80 per cent of SME financing to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership was achieved also in 2019. A total of 86 per cent of SME financing granted was allocated to these groups. A positive phenomenon was the fact that the **volume of financing** granted to start-ups, enterprises seeking growth, and transfers of ownership was higher than before.

The campaign to accelerate transfers of ownership continued, and cooperation within the broad-based Forum for Transfers of Ownership was intensified in events and communications. According to SME barometer surveys and a survey commissioned by the Forum for Transfers of Ownership, finding successors in enterprises undergoing a transfer of ownership is particularly important.

In 2019, the competitiveness of export financing and especially the functionality of the CIRR interest rate system were analysed in a working group that was appointed by the Ministry of Economic Affairs and Employment and that Finnvera also participated in. The impact of export financing extends widely through subcontracting networks and jobs created, which strengthens its importance for the national economy. Raises were proposed for Finnvera's authorisations to grant export credit guarantees, special guarantees and export credit in late 2019, and higher authorisations took effect at the beginning of 2020.

### Efforts to increase awareness of export trade financing on the tour and in financing workshops

As in the previous year, the goal of increasing the use of export financing services was pursued in extensive cooperation among providers of financing and credit insurers. Finnvera, Finland Chamber of Commerce and the International Chamber of Commerce ICC again carried out an extensive export trade financing barometer among export companies, regarding challenges associated with export financing. Finnvera, Finland Chamber of Commerce, banks, and private credit insurers continued the nationwide export trade financing tour, originally launched in the previous year. The tour reached approximately 270 SMEs involved in export trade. In addition, Finnvera organised, in line with its goals, roughly 150 export financing workshops for its SME clients. The aim of the free events is to encourage internationalisation in enterprises and to improve their preparedness for risks and the use of financing in export trade.



### STRATEGIC GOALS IN 2019

- Altogether, 80% of SME financing is allocated to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.
- Export financing is internationally competitive. In risk-taking and pricing, we are on a par with the key competitor countries. With industry expertise and agile operating practices, we aim to produce an excellent customer experience.
- The number of enterprises using export financing services will increase by 30% by the end of 2021. To promote the achievement of this goal, the SME advisory service will be developed.
- We anticipate market failure and regulation changes and react to them, contribute to the better functionality of the financial markets, catalyse financing, as far as possible, and create new financing solutions.

Value generated by SMEs accounts for only approximately 15 per cent of Finnish exports. The internationalisation of SMEs and the increasing of their exports are essential for the Finnish economy.

### The functionality of the financial market and the availability of financing were promoted

Finnvera contributed to the functionality of the financial market and the availability of corporate financing by introducing a new financing solution for growth-oriented SMEs: the SME Guarantee that does not require collateral. This guarantee is a good example of cooperation in the financial sector. The SME Guarantee helps growth-oriented enterprises with lack of collateral and, as a result, improves the availability of lending for investment, working capital and product development purposes. This financing was made possible by COSME and the guarantee that was provided by the European Fund for Strategic Investments (EFSI) set up under the Investment Plan for Europe.

The spearhead of Finnvera's strategy is impact, which means that our financing helps clients generate and obtain turnover, financial profit and jobs that would not have been possible otherwise. To achieve better impact measurement, Finnvera is currently **creating new impact indicators** that describe how successful both SME financing and export financing are.

### THE PILLARS OF IMPACT

- Customer experience is the guiding principle for all Finnvera employees.
- Our way of working makes continuous renewal possible. Our personnel's competence and skills are at the top level.
- We are a preferred partner, and our operations in networks yield significant benefits for our clients. We are actively seeking new cooperation opportunities.
- We are digitalising our operations on the basis of the needs of our clients and financing provider partners. We are improving the efficiency of the financing process and risk management with a new uniform financing system.
- We ensure our self-sustainability by managing credit, liquidity, and market risks. In most years, credit losses stay well below the level of income received from our operations and even big unexpected losses remain within the buffer limits. We manage concentration risks through risk sharing.



**Digitalisation as a path towards agile customer service**

In an increasingly international and digital business environment, financing processes and risk management must be developed to align them with clients' needs and financing partners' operating models. Finnvera's significant renewal project and investments in information system development proceeded in 2019 when Finnvera launched a public procurement procedure for replacing and renewing its current financing information systems. The financing system renewal project is called RAJU. Procurement will proceed as competitive dialogue, and the supplier will be selected in 2020.

This is not solely a system project, but the project will also transform Finnvera's business processes. In the early stages, the impacts will be internal, but later they will be visible to clients as smoother service, interactive customer experience and more flexible product launches.

Digitalisation revolutionises the financial sector and is one of the cornerstones of Finnvera's strategy. Development to digitalise and automate processes has been carried out for several years already – good examples include the Start Guarantee, the SME Guarantee and the electronic signature, which have accelerated the financing application, processing and granting processes between client enterprises, the bank, and Finnvera.

Data management and knowledge-based management have been defined as key digitalisation areas. One of Finnvera's important goals is to increase transparency by utilising real-time data. Data shows how processes interact, which helps us tackle the existing challenges more quickly.

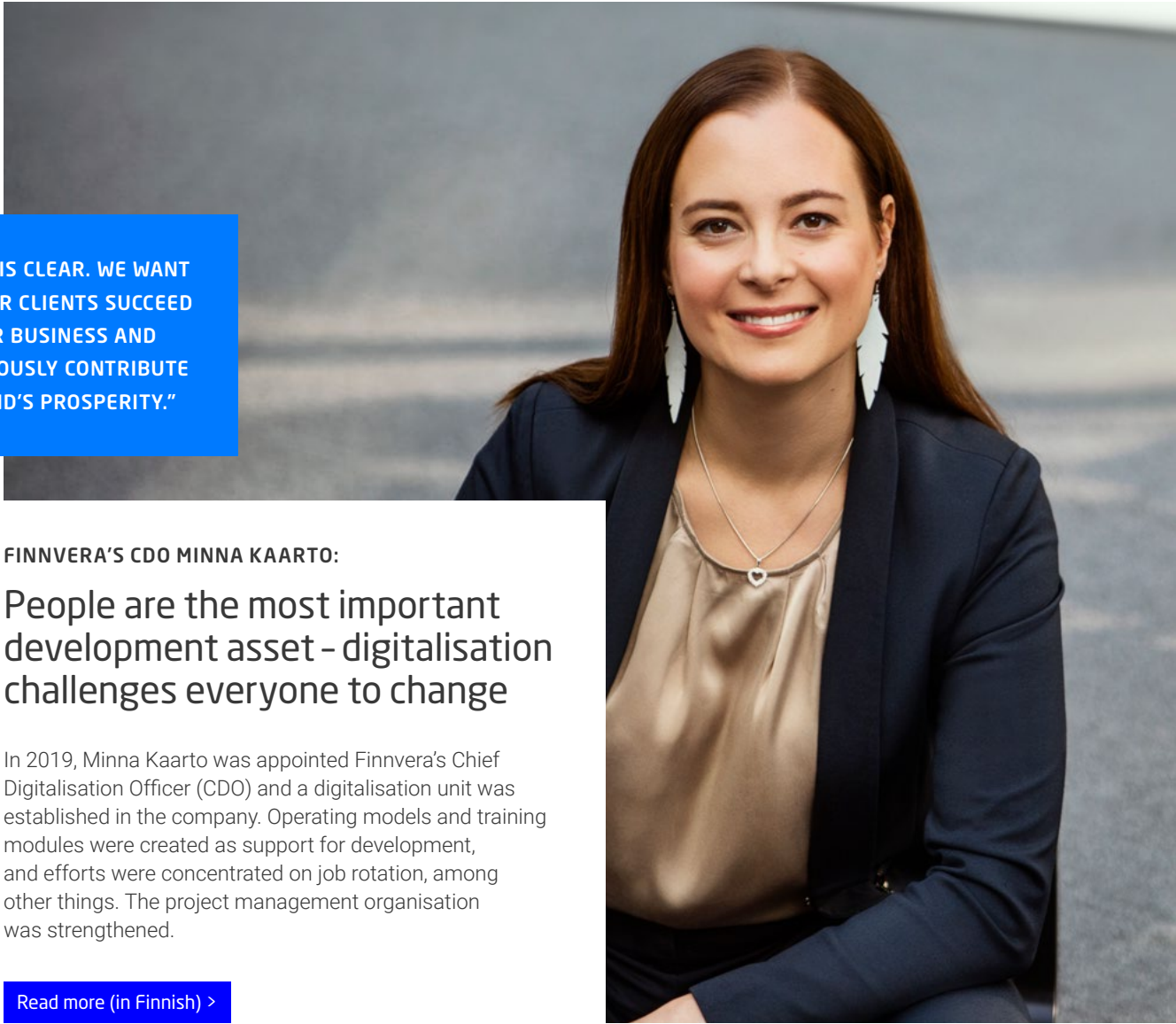
**“OUR GOAL IS CLEAR. WE WANT TO HELP OUR CLIENTS SUCCEED IN THEIR BUSINESS AND SIMULTANEOUSLY CONTRIBUTE TO FINLAND'S PROSPERITY.”**

**FINNVERA'S CDO MINNA KAARTO:**

**People are the most important development asset - digitalisation challenges everyone to change**

In 2019, Minna Kaarto was appointed Finnvera's Chief Digitalisation Officer (CDO) and a digitalisation unit was established in the company. Operating models and training modules were created as support for development, and efforts were concentrated on job rotation, among other things. The project management organisation was strengthened.

[Read more \(in Finnish\) >](#)

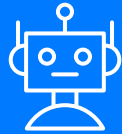


**THE DIGITAL AGENDA CRYSTALLISES THE DIRECTION OF DEVELOPMENT**

During the year, Finnvera published its first digital agenda, which describes the direction of Finnvera's operational and service development and the desired outcome. The digital agenda contains three key development areas:

- We create an excellent customer experience.
- We integrate into our partners' operations that are constantly becoming more and more digital.
- Our operations are efficient and high-quality.

Development takes place in many stages, and the future is described with the aid of periods of different length and the associated goals. The digital agenda will be updated annually in connection with the annual planning and strategy process.



**RONJA THE ROBOT TAKES CARE OF ROUTINE TASKS**

In early 2019, Finnvera started to use a software robot called Ronja. Ronja's tasks included the retrieval of client enterprises' financial statements information from the client data repository, among other things. Ronja retrieved approximately 40 per cent of the financial statements of client enterprises in the Locally operating small companies segment. The robot increased the efficiency of data entry, generated savings as the number of financial statements request letters decreased, and saved the clients the trouble of submitting information. The long-term goal is that the robot will automate most of the financial statements analysis at Finnvera.

**Clients and stakeholders help us develop our operations**

Finnvera analysed the views of its clients, potential clients and principal stakeholders with the Reputation&Trust survey in 2019. There was a strategic foundation for the reputation survey: the customer experience is part of our work. To develop our operations, we wanted to know how clients and partners perceive Finnvera.

On the basis of the survey, Finnvera has a good reputation in all target groups, and the total score was very good: 3.96 (4 = excellent). One of the positive findings was that Finnvera's reputation was consistent among the respondents, and the reputation survey strengthened the view that we have succeeded in communicating Finnvera's impact. The respondents agreed with the statement that Finnvera facilitates the development of enterprises and the creation of new jobs and that Finnvera has succeeded in the management of credit and guarantee risks.

The reputation survey as well as the client and stakeholder survey results are used as support for services and business operations and provide a cornerstone for the development of cooperation with stakeholders.

In 2019, we conducted an extensive client and stakeholder satisfaction survey. In general, the quality of Finnvera's services and the benefits yielded

by them were considered very good in all target groups, and assessments of Finnvera's expertise and competence were very high. Finnvera was regarded as reliable and responsible.

As before, we monitored the clients' willingness to recommend us with regular Net Promoter Score (NPS) index measurements. The average score for the year was 64.

**Partnerships boosting enterprises in internationalisation**

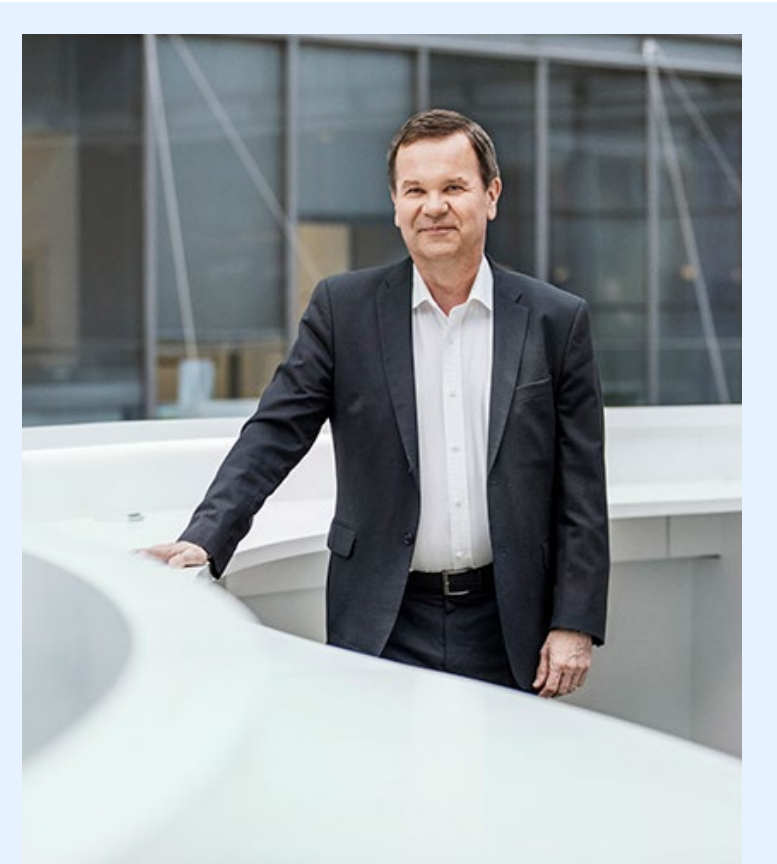
In 2019, Finnvera continued the export trade financing tour, organised together with chambers of commerce, banks, and credit insurers and targeted at enterprises seeking internationalisation. The Team Finland network also organised the Pk-yritykset maailmalle tour, which visited five locations. Team Finland cooperation became closer during 2019 as the joint KasvuCRM system was adopted at the beginning of the year. Team Finland updated its strategy and launched renewal measures aiming at a more seamless service package for enterprises seeking growth and internationalisation. The network promotes exports and the international growth of SMEs by offering a smooth service path for enterprises entering international markets.

**Responsibility and impact as the cornerstone and spearhead of the strategy**

Finnvera's strategy is reviewed annually, but the basic idea has remained unchanged: the key point is to increase the number of enterprises seeking growth and internationalisation in Finland. Finnvera's strategy is aligned with the industrial policy goals set by the Ministry of Economic Affairs and Employment and the Ministry's Agenda for Growth 2.0.

Starting from the beginning of 2020, the cornerstone of Finnvera's strategy is corporate responsibility. According to it, Finnvera, and the transactions we finance, are responsible with regard to the environment and people. Our operations must be self-sustainable and our risk management must be systematic.

Increasing authorisations and exposure emphasise the significance of risk management. Financing and controlled risk-taking are our most important ways of achieving impact. We complement deficiencies in the financial markets. We maintain our performance and services on a par with our key competitor countries, and we target our financing to projects and situations which have a considerable impact on and are needed in the national economy.



**Finland needs exports - and unprecedented expertise**

The Finnish export industry will prosper in the future, too. It is essential to increase SMEs' export trade, which in turn requires the strengthening of international financing and business expertise. Finnvera accompanies Finnish enterprises on their journey to the international market.

[Read more >](#)

## Operating environment

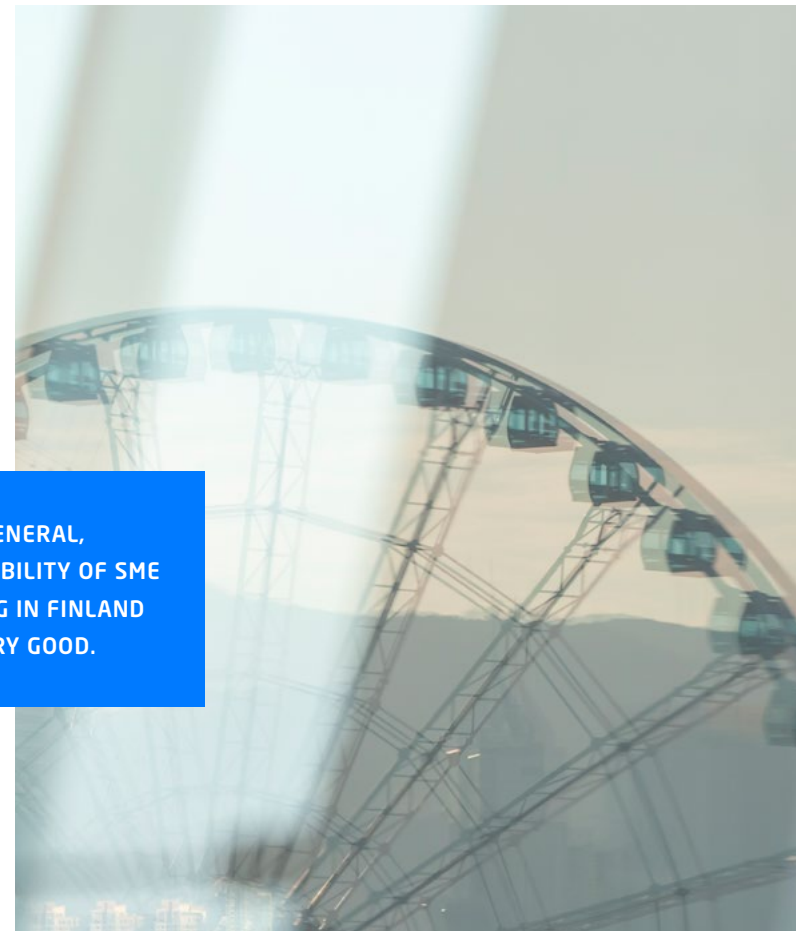
In 2019, the world economy was characterised by slowing growth, global trade conflicts and the progress of Brexit, for instance. Country risks also increased with regard to Finnvera's country exposures, such as Argentina. In Finland, economic growth was still moderate, but more investments are needed.

The growth of the global economy continued in 2019 but slowed down due to trade wars, increasing tension in the geopolitical situation, and general uncertainty. Conflicts were reflected on the activities of the World Trade Organization (WTO), for instance. All this complicated international trade and industrial activity, and slowed down economic development also in export destinations that are important for Finland. In the euro area, exceptionally light monetary policy was used as a means to promote economic development, and the same trend seems to continue.

The strongest pillar for the Finnish economy was domestic demand. It maintained moderate growth of the gross domestic product, and employment also continued to grow, even though more slowly. Until late 2019, industrial production showed an upward trend that was satisfactory considering the circumstances. However, the volume of new orders has decreased, indicating that in the Finnish economy, the year 2020 will be more subdued than the previous year. For instance, the Bank of Finland's and the Ministry of Finance's forecasts of the growth of Finland's GDP in 2020 have declined to approximately 1 per cent.

### The availability of SME financing is good but stronger growth orientation is needed

The weaker phase in the Finnish economy is part of normal cyclical fluctuation, but the decline of longer-term growth potential is a more serious problem. The most concerning issue for growth and growth financing is the phenomenon that could be seen in the SME barometer surveys conducted by Finnvera, the Federation of Finnish Enterprises and the Ministry of Economic Affairs and Employment: an increasing number of SMEs do not have any growth targets.



**IN GENERAL,  
THE AVAILABILITY OF SME  
FINANCING IN FINLAND  
IS VERY GOOD.**

Tackling the challenge requires the promotion of new domestic, profitable investments. When it comes to making investments possible, the availability of financing and its terms and conditions are among the key factors. In general, the availability of SME financing in Finland is very good. This is verified both by the European Central Bank's analyses and by the SME barometer surveys. Other aspects associated with the availability of financing are seamless cooperation between private providers of financing and public corporate financing as well as controlled sharing of risks.



### Timo Lindholm: "In the current situation, Finnish enterprises have a lot to gain"

Enterprises' success and growth stems from expertise and the courage to pursue new things. "Finnvera is enabling growth with its services that supplement the financial market," says Timo Lindholm, who started working as Finnvera's Chief Economist in August 2019.

[Watch the video \(in Finnish\) >](#)

**2020**

**IN THE FINNISH ECONOMY, THE YEAR 2020 WILL BE MORE SUBDUED THAN THE PREVIOUS YEAR. FOR INSTANCE, THE BANK OF FINLAND'S AND THE MINISTRY OF FINANCE'S FORECASTS OF THE GROWTH OF FINLAND'S GDP IN 2020 ARE APPROXIMATELY 1 PER CENT.**





**The Countries and Markets overview describes export prospects**

Finnvera's Countries and Markets overview describes the current prospects of the export markets that interest Finnish enterprises. The first overviews were published in late 2019 and in January 2020.

[Read more >](#)

An example of cooperation between providers of financing is the SME Guarantee, introduced by Finnvera in 2019, that enterprises apply for from their own banks. The SME Guarantee does not require collateral, which makes financing more easily available to growing SMEs, especially when the enterprise itself does not have sufficient collateral. This financing is made possible by the European Investment Fund's COSME programme and the guarantee that is provided by the European Fund for Strategic Investments (EFSI).

After several years' hiatus, SME and midcap financing granted by Finnvera took an upturn in 2019. Factors contributing to this were the turn in the economic cycle and the fact that SMEs generally feel that regulation has tightened banks' credit policies. On the other hand, demand was increased by the high level of activity among enterprises seeking internationalisation, which was a positive phenomenon in the Finnish economy.

**Large export markets are characterised by uncertainty**

Due to the structure of Finnish trade and industry, dominated by large corporates, a significant part of exports concentrates in a few sectors and a small number of enterprises. Furthermore, the significance of export credit guarantees is particularly high during uncertain times in the global economy and politics. Although Finnish export trade is very Eurocentric, the destination countries of many major export projects are located outside Europe. In 2019, the strongest demand for Finnvera's export financing was related to trade with the United States and Latin America. Political risks increased especially in Argentina and Turkey.

In Finnvera's export financing, the regionally largest country exposure by far is the United States, where the extremely long economic boom seemed to be turning into a period of slower growth. In telecommunications and cruise shipping, sectors that are important for Finnish exports, the outlook remained stable.

Finnvera's largest politically risky country exposure is Russia, which is one of Finland's key export markets, accounting for little less than six per cent of total exports. The outlook for trade with Russia were slightly more positive in the autumn than in the spring. However, Russia's economic growth is slow and growth expectations are modest.

China, a country that has become a global economic power, economic growth continued although more slowly. Nevertheless, the structure of

**POLITICAL RISKS INCREASED ESPECIALLY IN ARGENTINA AND TURKEY.**



**China wants to learn SME financing from Finland**

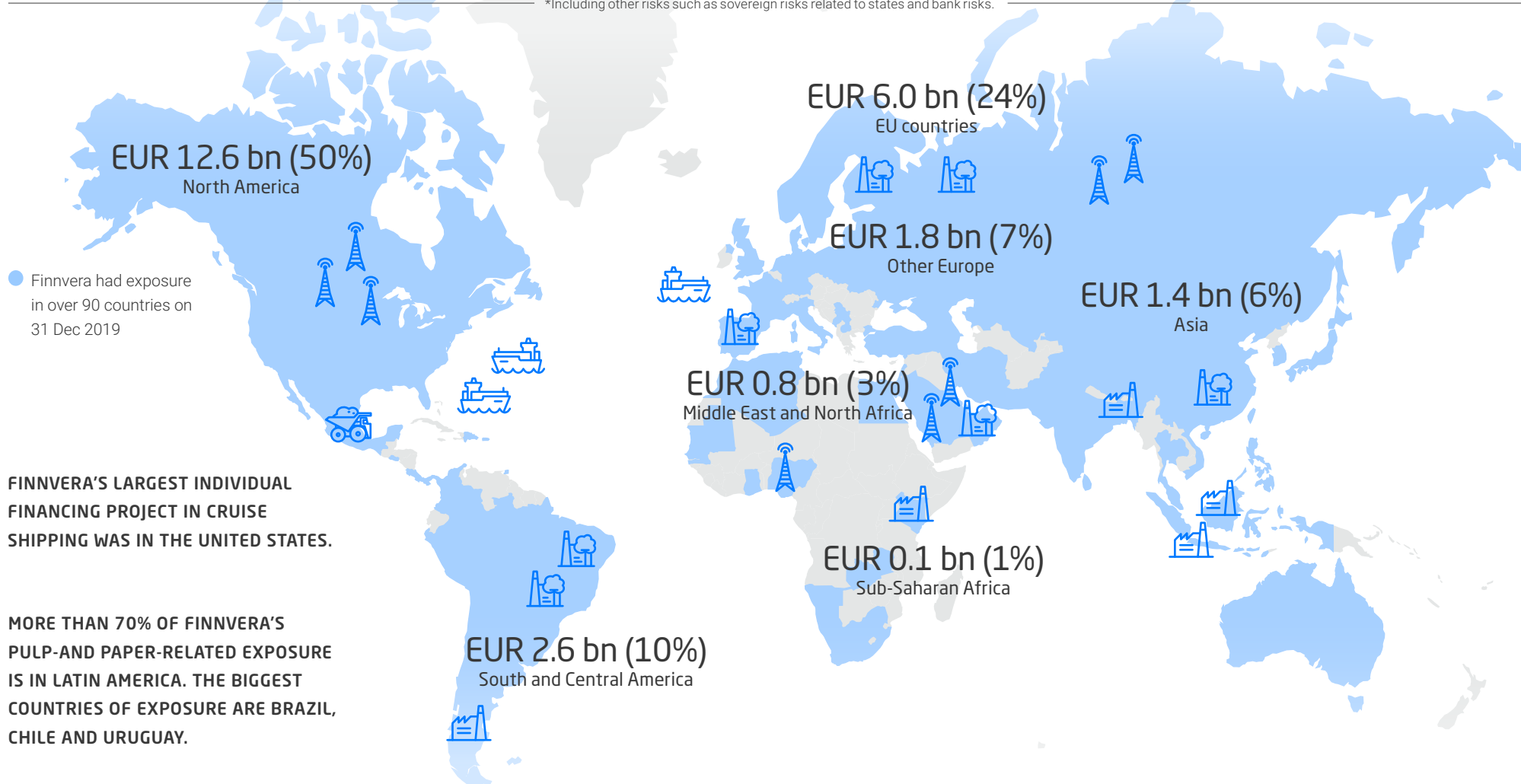
China is interested in Finnish SME financing expertise. Within the framework of its state-controlled economy, China aims at developing the SME sector and knows that Finland's corporate financing system functions well. On the other hand, knowledge about the Chinese financing market benefits Finnish enterprises involved in export trade.

[Read more >](#)

growth is being transformed as China tries to improve the quality and added value of its production. In order to succeed, China needs investment goods manufactured in wealthy countries. Demand for these goods on the huge Chinese market will probably influence Finnish exports, too.

# Total exposure, export credit guarantees and special guarantees 31 Dec 2019

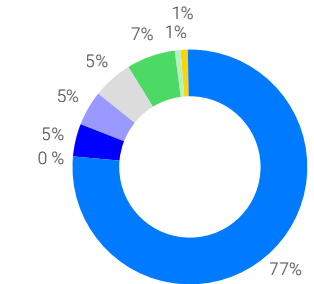
EUR 25.3 BILLION, INCLUDING COMMITMENTS AND BINDING OFFERS.



FINNVERA'S LARGEST INDIVIDUAL FINANCING PROJECT IN CRUISE SHIPPING WAS IN THE UNITED STATES.

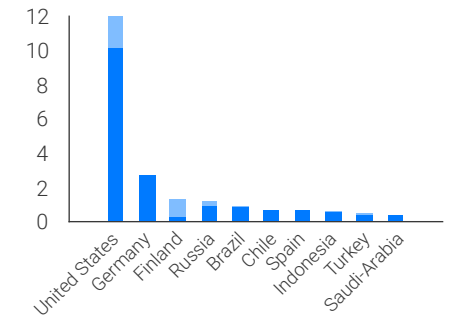
MORE THAN 70% OF FINNVERA'S PULP-AND PAPER-RELATED EXPOSURE IS IN LATIN AMERICA. THE BIGGEST COUNTRIES OF EXPOSURE ARE BRAZIL, CHILE AND URUGUAY.

## EXPOSURE BY COUNTRY CLASSIFICATION 31 DEC 2019, EUR BILLION



- 0 Advanced economy
- 1 Very low risks
- 2 Low risks
- 3 Relatively low risks
- 4 Intermediate risks
- 5 Relatively high risks
- 6 High risks
- 7 Very high risks

## THE BIGGEST COUNTRY EXPOSURES ON 31.12.2019, EUR BILLION



- Commitments, EUR billion
- Offers, EUR billion

## Business operations

Finnvera's financing granted to SMEs and midcap enterprises increased in 2019. Financing granted to large corporates for export transactions also increased year on year. The authorisations to grant export financing were raised considerably.

### SME and midcap financing

Finnvera granted a total of EUR 990 million (EUR 943 million) in financing to SMEs and midcap enterprises, which was the highest amount in three years. Measured in euros, the strongest riser among the main sectors was industry, with financing growing by more than EUR 40 million from the previous year.

The share of financing for working capital out of overall projects in SME and midcap financing decreased year on year. The euro-denominated share of investments out of the overall projects financed was at the same level as in the previous year, 38 per cent (38%).

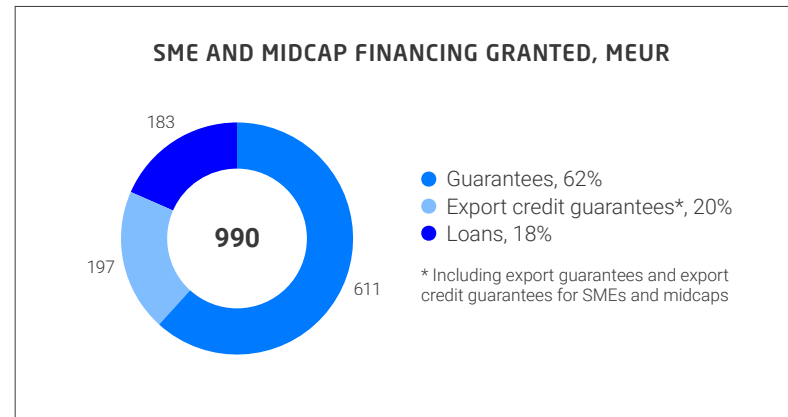
The amount of financing granted to SMEs seeking growth and internationalisation, defined as a key enterprise category in Finnvera's strategy, totalled EUR 448 million (EUR 389 million), which accounts for 45 per cent (41%) of SME and midcap financing granted.

Focusing the SME and midcap financing to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership succeeded in accordance with the strategy. These target groups' share of the financing granted was 86 per cent (87%), and that of so-called established enterprises 14 per cent (13%).

SME and midcap financing exposure was EUR 2.3 billion at the end of 2019 (EUR 2.3 billion).

### The new SME Guarantee introduced, the Start Guarantee on the increase

The shift of the focus of financing to guarantees continued in accordance with the strategy. Finnvera and the European Investment Fund (EIF) signed a two-year COSME guarantee programme agreement in June 2019, and the new SME Guarantee, applied for through banks, was introduced at the beginning of September. Within the framework of the programme, Finnvera can grant an unsecured 80 per cent guarantee for a loan of a maximum of EUR 150,000.



**ALL IN ALL, FINNVERA RECEIVED APPROXIMATELY 10,300 NEW FINANCING APPLICATIONS FROM SMES AND MIDCAP ENTERPRISES. OF THESE, ROUGHLY 80 PER CENT LED TO A POSITIVE DECISION.**

The SME Guarantee was made possible by COSME and the guarantee that was provided by the European Fund for Strategic Investments (EFSI) set up under the Investment Plan for Europe. The SME Guarantee is intended for SMEs seeking growth and provides financing for working capital, product development and investment purposes. In September–December 2019, a total of EUR 13 million was granted in SME Guarantees to 185 enterprises. Increasing the provision and awareness of the SME Guarantee is a key goal for 2020.

The SME Guarantee and the Start Guarantee that was introduced in the spring 2015 provide Finnvera with good risk-sharing solutions with banks, for enterprises' minor financing needs. Private financing for minor financing needs has become more versatile in the past few years, and Finnvera decided to raise the minimum Finnvera Loan amount to EUR 50,000. The change took effect at the beginning of 2020.

More financing was granted to start-ups than in the previous year. Finnvera's primary product for the financing of a start-up is the Start Guarantee, with which an enterprise can get bank financing for its various investment and working capital needs. In 2019, Finnvera granted EUR 38

## Financing services for various stages of business

Finnvera serves its clients online and at 16 offices in Finland and the representative office in St. Petersburg. We provide financing for the start, growth and internationalisation of enterprises and for exports. All of our services can be found at [finnvera.fi/eng](http://finnvera.fi/eng).



million (EUR 31 million) in Start Guarantees, which was 22 per cent more than in the previous year. All in all, Start Guarantees granted since 2015 amount to EUR 195 million.

### Export financing for SMEs increased year on year

In 2019, Finnvera's guarantees related to SMEs' export activities increased from the previous year, amounting to EUR 197 million (EUR 178 million), which may be an indicator of the good commercial position of SMEs involved in export trade. One of Finnvera's strategic goals is to increase the number of enterprises using export financing services.

To promote financing and risk protection knowledge and the use of export services among SMEs, the export trade financing tour continued also in 2019 on the initiative of Finnvera, Finland Chamber of Commerce and the International Chamber of Commerce ICC. The partners were Danske Bank,



Handelsbanken, Nordea and OP, as well as four credit insurers operating in Finland: Atradius, Coface, Euler Hermes and Tryg Garanti. Approximately 270 representatives of enterprises and stakeholders participated in the tour in seven locations. In line with its targets, Finnvera also organised approximately 150 enterprise-specific financing workshops that provided enterprises with guidance related to their products, industry and export destinations to enable them to begin and increase export activities. Both the tour and the workshops are part of Finnvera's customer service provided free of charge, and they will be continued in 2020.

**Financing for transfers of ownership reached a new record**

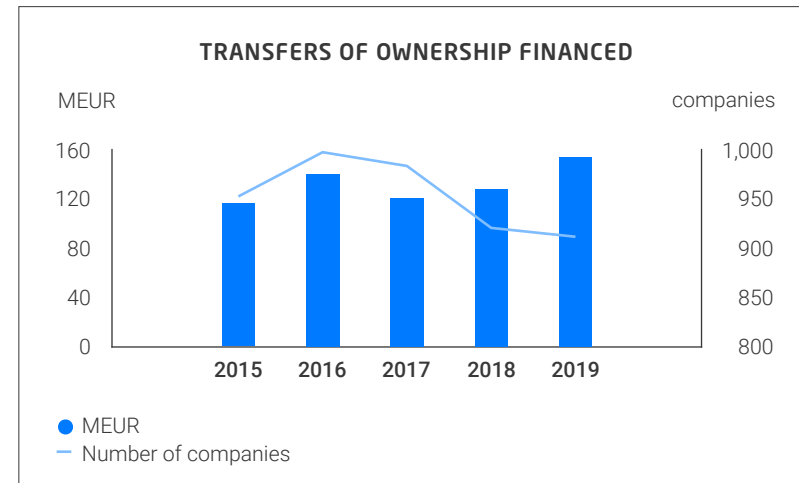
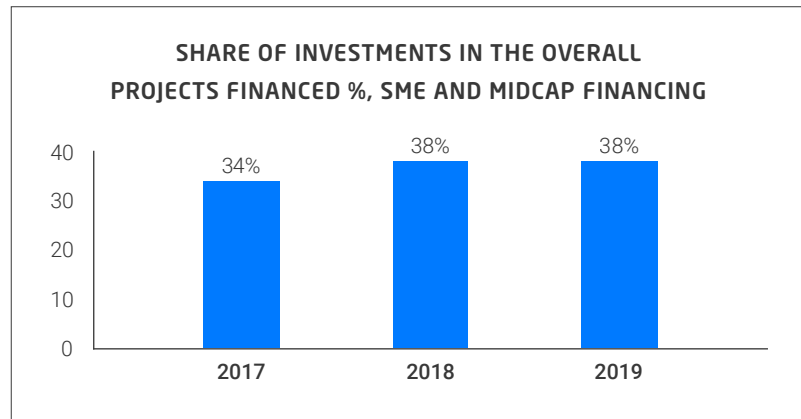
To accelerate the corporate structure renewal, a record-breaking amount of financing was granted for transfers of ownership over the five-year review

period, and financing increased by one fifth from the previous year, amounting to EUR 155 million (EUR 129 million). Finnvera was involved in 912 (921) transfers of ownership. In domestic SME and midcap financing, the relative share of financing granted for transfers of ownership grew to 17 per cent (15%). The average size of transfers of ownership financed increased year on year.

Active cooperation to accelerate transfers of ownership continued especially within the broad-based Forum for Transfers of Ownership, and Finnvera played a significant role not only as a provider of financing but also as an expert.

In 2019, the Growth Loan, intended for SMEs' and midcap enterprises' growth and internationalisation projects and corporate reorganisations, was used in corporate reorganisations that also involved venture capital investors. The aim is to further increase the use of Growth Loan and improve enterprises' awareness of it.

**THE AVERAGE SME AND MIDCAP FINANCING GRANTED, WITHOUT EXPORT CREDIT GUARANTEES, WAS ROUGHLY EUR 134,000.**



**THE FINANCING GRANTED BY FINNVERA TO SMES AND MIDCAP ENTERPRISES TOTALLED EUR 990 MILLION IN 2019.**



**Entos used Finnvera's new SME Guarantee for product development**

High-growth enterprises need external financing for investments, product development and working capital. At the beginning of September, Finnvera launched a new product, the SME Guarantee, which helps enterprises with lack of collateral and, as a result, improves the availability of financing.

[Read more \(in Finnish\) >](#)

**Straight to the world - how Finnvera finances start-ups and enterprises seeking internationalisation**

The aim is to identify these enterprises at an early stage so that various forms of financing and advisory services can be targeted more specifically at them and at the right time.

[Read more \(in Finnish\) >](#)

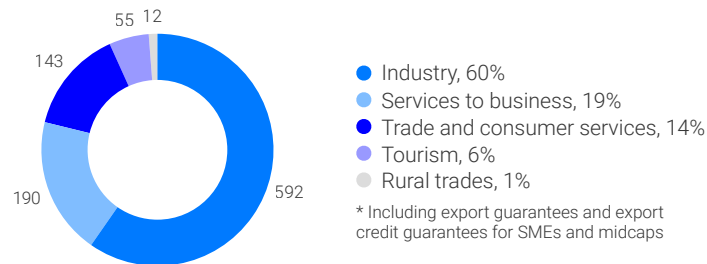
**Client orientation could be seen in the organisational change**

At the beginning of 2019, the distribution of tasks between national and regional SME business units was clarified. The growth and internationalisation financing unit focuses more clearly on export trade financing and advisory services and is also responsible for Team Finland coordination at Finnvera and for the operations of Finnvera's representative office in St. Petersburg. The role of national service provision was increased in the processing of minor financing projects, and regional resources were increasingly allocated to proactive customer service and stakeholder cooperation.

In early 2019, Finnvera commissioned an external evaluation of changes needed in the SME business. The most significant development proposal was related to measuring the impact of financing. Measurement was developed for instance as part of Team Finland activities. At the beginning of the year, Finnvera started the active use of the Team Finland network's joint KasvuCRM system, which facilitates customer service across organisational boundaries.

The measurement of the customer experience was continued, and the Net Promoter Score (NPS) rating for SME and midcap financing services was 56 among locally operating small companies, 69 among SMEs focusing on the domestic markets, and 72 among SMEs seeking growth and internationalisation. The figures are proof of very high client satisfaction. According to the client and stakeholder satisfaction survey, conducted every other year, the quality of Finnvera's services and the benefits yielded by them were considered very good by different client segments and stakeholders.

**SME AND MIDCAP FINANCING GRANTED BY SECTOR 2019, MEUR\***



**The significance of financing offered by the European Union increased in Finnish business life**

In late 2019, the agreements signed by private banks and insurance companies with the European Investment Bank Group covered EUR 1.4 billion of potential financing for Finnish SMEs. In addition, the COSME counter-guarantee agreement between Finnvera and the European Investment Fund (EIF) and Finnish Industry Investment's and the European Investment Bank's (EIB) collective investment scheme contributed to making EU financing available to Finnish enterprises.

The European Fund for Strategic Investments (EFSI) had financed projects in Finland with a total of EUR 2.1 billion by the end of 2019, which is expected to launch investments amounting to EUR 8.8 billion. Finland has made much use of the EFSI's guarantee arrangements when compared to many other EU countries – and the most relative to its population.

The European Commission continued the preparations for the InvestEU programme. The programme will continue the EFSI's work starting from the beginning of 2021. Its aim is to launch investments amounting to EUR 650 billion in Europe in 2021–2027, with the aid of the Commission's EUR 38 billion budget guarantee. In the future, national financial institutions can also utilise the Commission's guarantee in their financing. Throughout the year, Finnvera has systematically built its capacity to use the risk-sharing solutions offered by the EU. The participation in the InvestEU programme will be resolved in 2020.

**A LOT OF INTEREST IN EXPORT FINANCING**  
 Finnvera organised approximately 150 enterprise-specific export financing workshops for its SME clients. In line with targets set, the number of workshops tripled from the previous year. In addition, we organised the export trade financing tour in cooperation with our partners.



**Finnvera and the European Investment Fund signed an agreement on financing for Finnish enterprises**

The financing opportunities of growth-oriented SMEs will improve: Finnvera and the European Investment Fund signed an agreement on EUR 190 million financing for Finnish enterprises.

[Read more >](#)

**The family business runs like a well-oiled machine from generation to generation**

Managing Director Mia Mantsinen is at the helm of the development-oriented Group, keeping a keen eye on the needs of their clients and personnel.

[Read more \(in Finnish\) >](#)



**Juuso Heinilä**  
Executive Vice President,  
SME and midcap financing

**EXECUTIVE VICE PRESIDENT'S REVIEW**

## Financing increased, the new SME Guarantee improved the availability of financing

Finavera's SME and midcap financing developed positively in 2019 in terms of both demand for financing and the financing services available. We successfully introduced a new product, the SME Guarantee.

SME and midcap financing granted by Finavera took an upturn, especially among enterprises seeking international growth. This shows that in projects, there existed a need for a risk sharer like Finavera. Financing granted by us for transfers of ownership reached a record-breaking level, which is good news for the dynamics and vitality of business life. The coronavirus that spread from January 2020 on demonstrated that global events affect enterprises in Finland, too. The most concrete effects of the epidemic can be seen in tourism, in Lapland, for instance, which will probably have an impact on this year's financial performance in enterprises. As a specialised financing company, it is our duty to ensure that enterprises have opportunities of growth and development also when risks are realised.

### The SME Guarantee helps growth-oriented enterprises with lack of collateral

We succeeded very well in supplementing the financial market by introducing a new guarantee product, the SME Guarantee, in the autumn. The SME Guarantee does not require collateral and is an entirely new kind of 80 per cent guarantee for a growth-oriented enterprise's bank loan. The enterprise applies for the SME Guarantee through its own bank, and all key banks operating in the SME sector as well as the insurance company Fennia started acting as SME Guarantee intermediaries already in the early stages. The SME Guarantee makes it easier for

enterprises to acquire financing when there is lack of collateral. SME Guarantees were granted to all regions throughout the country, but the number was highest in Northern Finland. This shows that the product has yielded concrete benefits in areas where the collateral values of enterprises are generally lower. The COSME guarantee programme and the guarantee from the European Fund for Strategic Investments (EFSI) make it possible to grant this guarantee without collateral.

The SME Guarantee is a new step in Finavera's strategic shift towards the guarantee approach in SMEs' minor financing needs. It diversified our guarantee product offering, which makes it possible for enterprises to acquire bank financing in more cases than before. We find it important that enterprises have well-functioning bank financing relationships from the very beginning, and in minor projects, Finavera's 80 per cent guarantee contributes significantly to the acquisition of financing. As a great deal of new private financing has become available especially for minor financing needs, we decided to increase the minimum amount of Finavera Loan, intended for investments and working capital, to EUR 50,000 as of the beginning of 2020. Our task is to supplement the financial market and to remain in the background when there is other financing available.

Increasing awareness of the SME Guarantee will be one of our most important goals in 2020, in order to ensure that our growth-oriented clients can utilise it. We will also continue the analysis on the use of other EU financial instruments to further diversify the financing opportunities available to enterprises.

### Strong demand for SMEs' export financing and advisory services

At the beginning of the year, we reorganised the services we offer to enterprises seeking growth and internationalisation. This

enables us to provide better nationwide and regional service to SMEs that seek growth, are involved in export trade or seek entry into export markets. We continued the provision of export

trade financing advisory services that was successfully launched in the previous year: we arranged a joint tour with our partners and organised financing workshops for our clients around Finland. We achieved our target of tripling the number of free financing workshops, which shows that SMEs have export potential and that their interest in export-related knowledge is very high. Awareness of financing knowledge and risk management methods is an important step on the path to internationalisation. We will

continue the active provision of advisory services also in 2020.

Our goal is to attract more export-oriented SMEs as our clients – including the SMEs whose target to begin with is to enter the global market. We managed to take financing allocated to enterprises seeking growth and internationalisation to a record-breaking level – its share of the SME financing granted was 45 per cent. The acquisition of new clients was also successful in 2019. The adoption of Team Finland's joint CRM system at the beginning of the year went extremely smoothly and provided us with valuable data about potential clients.

### Client satisfaction remained high

Client satisfaction in the SME business remained high also in 2019, and the Net Promoter Score (NPS) was extremely good, on average 66.

In the acquisition of new clients, we reached our activity targets. The number of client enterprises seeking international growth increased, too. In 2020, we will continue our active efforts to ensure that the corporate financing market functions optimally in Finland and supports the growth and internationalisation of SMEs and midcap enterprises – and consequently strengthens the Finnish economy.

**"THE SME GUARANTEE HAS YIELDED CONCRETE BENEFITS IN AREAS WHERE THE COLLATERAL VALUES OF ENTERPRISES ARE GENERALLY LOWER."**

**900**  
DURING THE YEAR, WE MET  
OUR STAKEHOLDERS IN  
NEARLY 900 EVENTS AND  
MEETINGS.



**Export financing**

In 2019, export financing increased year on year, and Finnvera granted EUR 5.2 billion (EUR 3.0 billion) in export credit guarantees and special guarantees and EUR 2.5 billion (EUR 2.2 billion) in export credits for the export transactions of large corporates.

The realisation and timing of individual major export transactions have an impact on the amount of financing granted. As a result, the annual variation is typically large.

The category of guarantees granted by Finnvera that grew most in 2019, when measured in euros, was buyer credit guarantees: the amount granted increased to EUR 3.8 billion (EUR 2.3 billion). Demand for buyer credit guarantees reflects the structure of Finnish exports and the fact that the financing of capital goods exports requires long payment periods and long-term credits.

As in the previous years, financing focused especially on cruise shipping, telecommunications, and pulp and paper. The international wave of investments in cruise shipping and the resulting high demand for export financing could be seen in projects guaranteed by Finnvera also in 2019. Finnvera provided guarantees for deliveries of 16 Finnish enterprises in a broad-based financing project related to the building of two large cruise ships at the MV Werften shipyard in Germany. The share covered by Finnvera totalled EUR 365 million. At the beginning of December, Meyer Turku Shipyard delivered an LNG-powered cruise ship to Carnival Corporation. Finnvera made the export credit guarantee decision associated with this delivery already in 2015. Furthermore, in December, Finnvera signed one of the largest financing agreements in its history, more than EUR 1.2 billion, for Royal Caribbean Cruises associated with a cruise ship to be delivered in 2025. Finnvera also played a significant role in the delivery of a pulp mill to Chile by Valmet and Andritz's Finnish unit. Finnvera granted an export credit and export credit guarantee arrangement amounting to more than EUR 500 million for the project.

Demand for new export credit guarantees and export credits remained high as in the previous years. Demand is mainly focused on the United States and other industrialised Western countries.

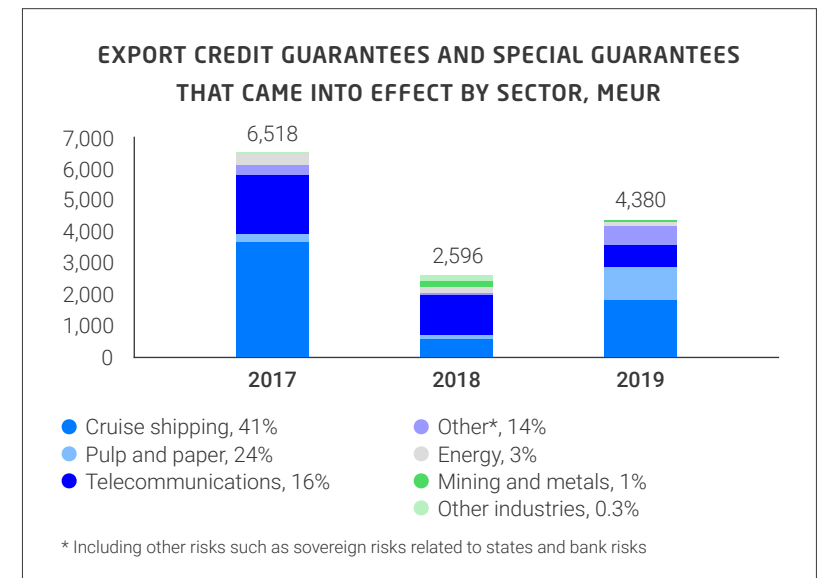
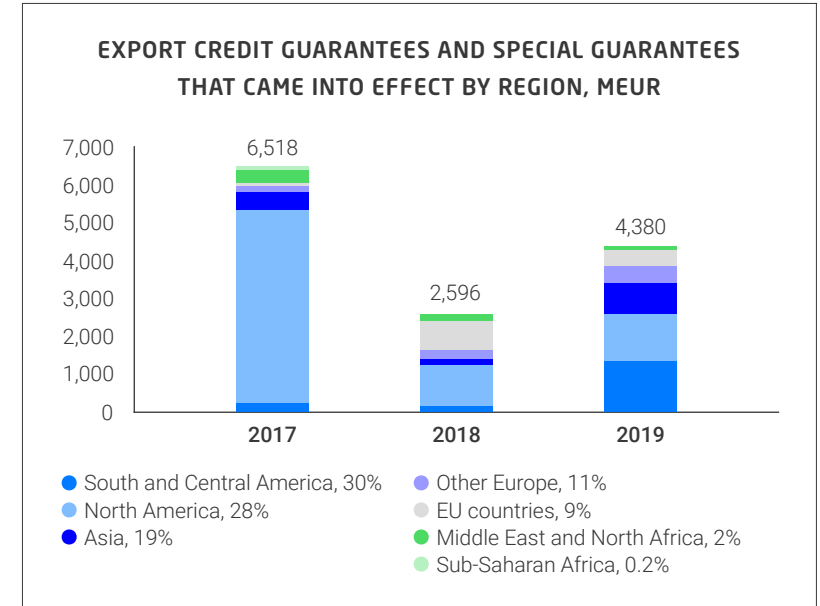
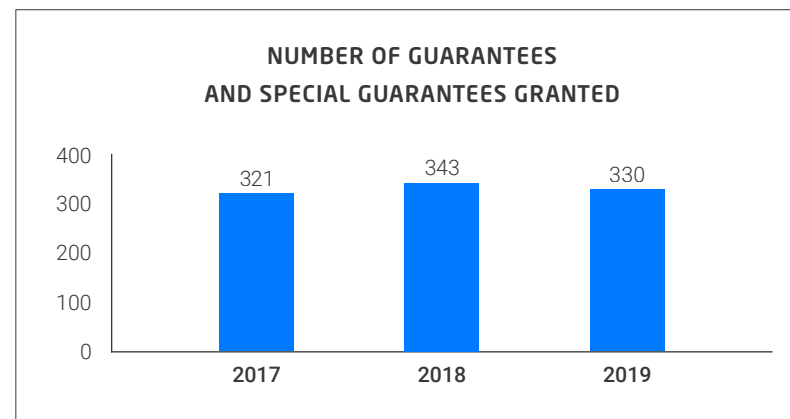
**LONG DELIVERY TIMES TIE UP FINANCING AUTHORISATIONS - RAISING WAS NECESSARY**

Finnvera's exposure related to export credit guarantees and special guarantees granted to large corporates for export transactions was EUR 25.3 billion

at the end of 2019 (EUR 23.5 billion). Drawn guarantees accounted for EUR 11.3 billion (EUR 10.1 billion) of the exposure. More than half of the exposure was related to binding financing offers or agreements related to future deliveries by export companies. These arrangements typically consist of buyer financing for cruise ships, the delivery times of which are long.

As long delivery times have tied up Finnvera's authorisations to grant export financing, the raising of the authorisations became topical in 2019. At the end of the year, the Finnish Parliament decided on legislative amendments. Along with the amendments, the authorisation to grant export credit guarantees was raised from EUR 27 billion to EUR 38 billion and the authorisation to finance export credits was raised from EUR 22 billion to EUR 33 billion. The authorisation to provide interest equalisation was also increased from EUR 22 billion to EUR 33 billion. The changes took effect at the beginning of 2020.

**EUR 38 billion**  
 FINNVERA'S AUTHORISATION TO GRANT EXPORT CREDIT GUARANTEES WAS RAISED TO EUR 38 BILLION AT THE BEGINNING OF 2020.



**EUR 3.8 billion**

THE CATEGORY OF GUARANTEES GRANTED BY FINNVERA THAT GREW MOST IN 2019, WHEN MEASURED IN EUROS, WAS BUYER CREDIT GUARANTEES: THE AMOUNT GRANTED INCREASED TO EUR 3.8 BILLION (EUR 2.3 BILLION). THE FINANCING OF CAPITAL GOODS EXPORTS REQUIRES LONG PAYMENT PERIODS AND LONG-TERM CREDITS.



**Guaranteed transactions: Cruise ship is one of Finnvera's largest single financing projects**

Meyer Turku Shipyard will build a third Icon class ship ordered by Royal Caribbean Cruises. Finnvera and the Finnish Export Credit Ltd. provided the ship delivery with an export credit amounting to more than EUR 1.2 billion that was covered by Finnvera's export credit guarantee.

[Read more >](#)

**UNCERTAINTY IN THE WORLD ECONOMY REFLECTED IN THE DEMAND FOR EXPORT CREDIT GUARANTEES - DOCUMENTARY CREDIT GUARANTEES MORE THAN DOUBLED**

Finnvera had export credit guarantee and special guarantee exposures in over 90 countries. In approximately 20 countries, the exposure exceeded EUR 100 million. In almost half of the countries, it amounted to more than EUR 10 million.

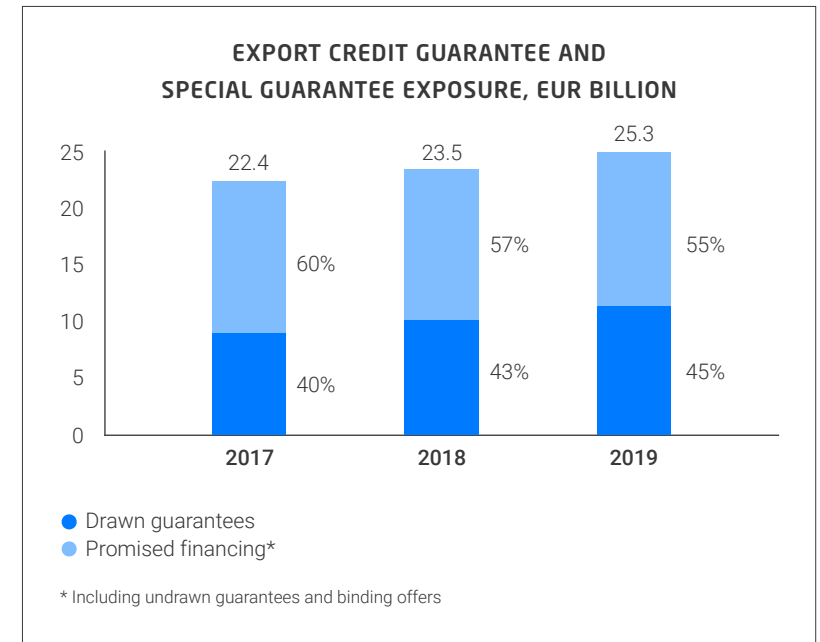
The growth of demand for export financing is a sign of both the active approach of Finnish exporters in 2019 and increasing uncertainty in the world economy. Typically, the role of export credit agencies grows when financial and political uncertainties increase. In 2019, Finnvera was involved in providing guarantees for Finnish export transactions in Argentina and Turkey, among other countries. In these two countries, country risks increased during the year. Finnvera's existing exposure in Argentina amounts to EUR 159 million and in Turkey to EUR 399 million.

Credit Insurance and the Documentary Credit Guarantee are Finnvera's normal means of promoting small and medium-sized export transactions, with repayment period usually less than two years. When it comes to trade financing products, the Documentary Credit Guarantees granted by Finnvera more than doubled from the previous year, totalling EUR 448 million (EUR 188 million), increasing both in number and in euros. The increase in the use of Documentary Credit Guarantees reflects Finnvera's role in sharing the political risks associated with export trade and is a sign of banks increased wish to resort to Finnvera as a guarantor of risks.

Measured in euros, the granting of credit insurance-type guarantees (the Credit Risk Guarantee, the Export Receivables Guarantee, the Receivables Purchase Guarantee) increased to EUR 632 million (EUR 201 million), but this increase is explained by a single large agreement. The number of credit insurance operations remained at the same level as in the previous year.

The highest number of Credit Insurances was granted to transactions with Russia. Demand for Documentary Credit Guarantees was high in export transactions with Argentina, Algeria and Bangladesh, for instance.

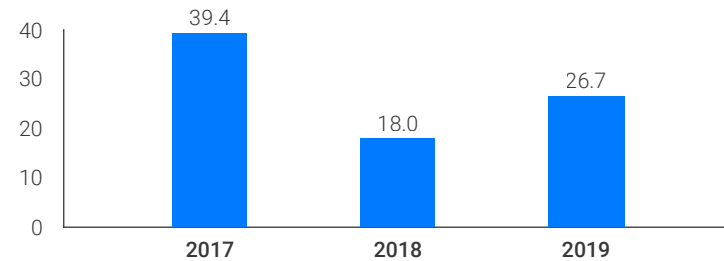
Finnvera introduced the Bill of Exchange Guarantee and the Receivables Purchase Guarantee in 2016 and 2017 and offers them to exporters in cooperation with banks. Despite demand for the products, banks' limited capacity to finance individual export transactions has slowed the adoption of the products. This affects especially the financing of SMEs' exports. At the end of 2019, Finnvera's exposure related to the new products totalled EUR 71 million in 43 different countries.



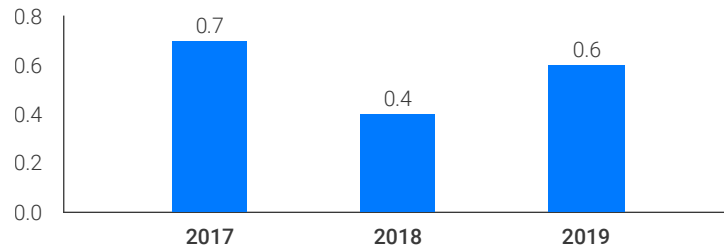
**MORE THAN HALF OF FINNVERA'S EXPORT CREDIT GUARANTEE AND SPECIAL GUARANTEE EXPOSURE RELATES TO BINDING FINANCING OFFERS OR AGREEMENTS THAT ARE RELATED TO FUTURE DELIVERIES BY EXPORT COMPANIES.**

**AVERAGE SIZE OF AN EXPORT TRADE TRANSACTION, MEUR\***

**Large Corporates**



**SMEs and midcaps**



\* Calculated from export credit guarantees and special guarantees granted

**REINSURANCE IS AN INTEGRAL PART OF RISK MANAGEMENT**

As Finnish exports are centred around capital goods, the trade financing structure has increased Finnvera's exposure and risk concentrations significantly during the past few years. All in all, 50 per cent of the **total exposure for export credit guarantees** is related to trade with the United States and 54 per cent is associated with cruise shipping.

Along with the increase in its exposure, Finnvera has developed its risk management further. The special characteristics of export financing and the concentration of risks in certain sectors are taken into account in risk management and reinsurance. In 2019, Finnvera's portfolio reinsurance was revised and restructured to better meet the company's changing needs. Facultative reinsurance policies were also actively concluded to cover multiple risks, and reinsurance agreements totalling EUR 670 million were signed during the year.

Other risk transfer was developed by actively seeking new protection methods. Development will continue in 2020.



**Finnish technology transforms El Salvador's energy production**

Wärtsilä is building a nearly 400 MW gas power plant in El Salvador, strengthening the electricity generation capacity of this small Central American country significantly.

[Read more >](#)

**Development proposals from the export financing development working group**



The aim of the public export financing operations carried out by Finnvera is to promote Finland's economic development by offering internationally competitive financing for exports. In November 2018, the Ministry of Economic Affairs and Employment appointed a working group to analyse the financing system and the CIRR interest rate system used in export credits, for instance. The working group had members from the Ministry of Economic Affairs and Employment, the Ministry of Finance, Finnvera, Finnish Export Credit Ltd, and the State Treasury, and its term ended at the end of June 2019.

According to the working group, Finland's export financing system in its current form is, as a whole, high-quality and appreciated by export companies. Credit rating agencies have paid attention to Finland's increasing conditional liabilities, but on the other hand, the credit rater heard by the working group described the Finnish system as transparent and considered that the system includes advance preparedness for risks through the accumulation of reserves. The working group emphasised the significance of credible, high-quality financial supervision.

On the basis of the development proposals provided, an extensive legislative project will be launched in 2020 to develop the public export financing system. It includes the development of financial supervision and the CIRR system, among other things. In addition, the working group recommended that in the future legislative project, Finnvera can be granted the authorisation to initiate direct lending, when necessary, to cover especially insufficient availability of financing related to minor export transactions.

[Read more >](#)

**Guarantee, Export Guarantee, Export Credit Guarantee**

What do the different terms mean? What is the difference between an Export Guarantee and an Export Credit Guarantee? Here you can find Finnvera's financing terms explained in plain language.



[Read more >](#)



**BUYER FINANCING HAS A MAJOR IMPACT ON FINNISH EXPORTS**

Finnvera's subsidiary Finnish Export Credit Ltd provides financing for export and ship credits that span more than two years and are granted on OECD terms and require Finnvera's export credit guarantee or ship guarantee. In 2019, financing from Finnish Export Credit Ltd was applied for approximately 80 per cent of the euro amount of guarantees granted by Finnvera for buyer credits.

According to an export financing impact study commissioned by Finnvera, many export deals would be lost without export credit guarantees and buyer financing, or export credit. According to the study, foreign buyers more frequently demand that the exporter not only deliver a competitive product but also provide a buyer financing offer from a public provider of export financing, and a financing offer may even be a prerequisite for getting a chance to participate in competitive bidding. The largest export companies in Finland – Andritz, Outotec, Valmet, Wärtsilä, Meyer Turku, and Nokia – as well as a group of SMEs were interviewed for the study. The enterprises' view was that the availability of equal financing options when compared to international competitors is crucial for maintaining competitiveness.

Furthermore, major financing and investment projects have significant positive cascade effects: they create added value in the home country and increase not only employment in export companies and subcontracting networks but also innovations, investments and expertise. The goal of measuring the impact of export financing and making it visible became more concrete in 2019 when Finnvera appointed a Chief Economist to develop impact indicators. The demonstration of impacts and the transparency of financing systems are important goals also from the point of view of Finnvera's increasing exposure.


**FINNVERA STRENGTHENED ITS OPERATING MODELS AS A RESPONSIBLE PROVIDER OF FINANCING**

One of the goals for the year was to revise Finnvera's policy on the environmental and social risk management of the financing operations. Finnvera's Board of Directors approved the revised policy in December 2019, and the new operating models will be adopted gradually in 2020. From now on, the assessment of transactions to be financed will be guided by a risk-based approach, not only by the size or the repayment period of a transaction. The new policy also includes human rights more clearly in the project review.

The anti-bribery and tax haven policies were updated, too. These reforms support Finnvera's role as a responsible provider of financing. Read more in the [Responsible financing section](#) of the corporate responsibility report.


**FINNVERA LAUNCHED THE COUNTRIES AND MARKETS OVERVIEW**  
 The overview was launched in October with the purpose of looking into different markets from the perspective of Finnish exports. The first overview focused especially on Argentina, and the second concentrated on Russia and the Central Asian countries of Uzbekistan and Kazakhstan. Finnvera's Country and Environmental Risk Management Team monitors the financial and political situation in different countries and on different continents.

[Read more >](#)



**Demand for export credit guarantees has started to grow in trade with China**  
 Valmet's cardboard line delivery is one of Finnvera's first projects related to covering enterprise risk in China.

[Read more >](#)



**Pulp mills are undergoing a clear investment boom**  
 A new pulp mill always requires Finnish expertise as Valmet and the Finnish unit of the Austrian Andritz are the only enterprises in the world that can deliver an entire mill to the client. Finnvera plays a significant role as a provider of financing for investments.

[Read more >](#)

**FROM NOW ON, THE ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT OF TRANSACTIONS TO BE FINANCED WILL BE GUIDED BY A RISK-BASED APPROACH, NOT ONLY BY THE SIZE OR THE REPAYMENT PERIOD OF A TRANSACTION.**



**Jussi Haarasilta**  
Executive Vice President,  
Large Corporates

**EXECUTIVE VICE PRESIDENT'S REVIEW**

## The export credit agency was needed in the face of the uncertain world economy

Uncertainty in the world economy continued in 2019, and in Finland, the pull of exports was predicted to weaken. However, export financing granted by Finnvera was at a higher level than in the previous year.

We granted more export credit guarantees and special guarantees to large corporates than in the previous year, all in all EUR 5.2 billion. The amount of export credits granted was also slightly higher than in the previous year. Finnish exporters of capital goods have orders booked for years to come, and long-term financing arrangements are needed in export transactions. Financing is part of trade negotiations, and we contribute to the closing of the deals with competitive financing solutions. This is a concrete example of the impact of our financing.

Our financing focused especially on cruise shipping, telecommunications, and pulp and paper. Cruise shipping companies' need to update their fleet has created a boom in the Finnish cruise shipping cluster. The coronavirus that spread from January 2020 on affects most directly the tourism sector and thus also cruise shipping companies. Finnvera has significant exposure related to cruise shipping. The extent and the overall impact of the virus remains to be seen, but a global pandemic is one of the risk scenarios that the cruise shipping sector is facing. For a provider of financing, it is essential to assess impacts in the long term.

Finnvera's exposure has grown considerably in the recent years. The assessment of risks associated with financing projects is an important element of our basic operations. In the past few years, we have developed our reinsurance operations further, to ensure that they are aligned with our existing risks. We share credit risks with

other countries' export credit agencies and the private market. Risk management and self-sustainability are prerequisites for the promotion of exports.

### Risk management and corporate responsibility are closely intertwined

We do not view risks only from the financial point of view but as an entity that also encompasses the environmental and social impacts. We comply with the OECD's Common Approaches' recommendations on the assessment of environmental and social risks, which is based on the IFC's Performance Standards.

In 2019, we revised the environmental and social risk management policy for our financing operations. In the future, our assessment will be guided by, in addition to the OECD's recommendation, where the largest environmental and social risks most probably are – regardless of the size of the project. Human rights risks will also play a more prominent role in our policy. When preparing the policy, we cooperated with a non-profit human rights organisation, Shift Project.

### Our role is to provide financing and cover risks

Finnvera's role is not only to promote exports with financing but also to bear export-related political risks. Sanctions against Turkey and Argentina's financial crisis serve as reminders of the risks faced by enterprises in their export transactions.

Trade conflicts, and pressure caused by China, for instance, also influence international regulation. Finnvera participates actively in the OECD's negotiations on the minimum terms and conditions of export credit guarantee operations. The relaxation of the terms and conditions would not be advantageous for an economy that is dependent on export trade, such as Finland.

The concentration of Finnish export volumes in capital goods makes us a major global operator, despite Finland being a small country. Among the more than 70 member countries of the Berne Union, or the International Union of Credit & Investment Insurers, we are the ninth largest in terms of long repayment period exposure. We are higher on the list than some countries with higher gross domestic

product, such as Belgium and the Netherlands, as well as Sweden and the other Nordic countries, which are our export trade competitor countries.

Finnvera's authorisations to grant export financing were raised at the turn of the year. This secures our operating capacity to promote the exports of Finnish enterprises also in the future. The working group that analysed the functionality of the export financing system submitted its final report, and on the basis of its proposals, a legislative project will be launched this year. The project analysis areas include the development of the CIRR interest rate system and the need for legislative amendments, among other things. It would allow direct lending especially in minor export transactions, in which it has been challenging to arrange financing.

### Feedback from clients guides us – Finnvera received an export credit agency award

The key aspects of the Large Corporates business are enterprise-specific service, industry expertise and often also the need for highly customised financing solutions. Our clients' willingness to recommend us was high: the Net Promoter Score (NPS) for the Large Corporates business was 59.

In financing arrangements, risk is shared not only by the exporter and the foreign buyer but by many other parties, such as international providers of financing and other countries' export credit agencies. Negotiations may take years, but the aim is always to ensure that a Finnish export company wins the contract.

Consequently, we were extremely delighted when Finnvera was awarded as the best export credit agency in the world in a survey conducted by TXF Media. The survey respondents included more than 300 global export companies, buyers and providers of financing. Export companies appreciated flexibility and the speed of service, and banks valued the fact that both export credit guarantee and financing are available in the same place.

We are truly grateful for this trust and will do our best to meet our clients' expectations also in 2020.

**"THE CONCENTRATION OF FINNISH EXPORT VOLUMES IN CAPITAL GOODS MAKES US A MAJOR GLOBAL OPERATOR, DESPITE THE FACT THAT WE ARE A SMALL COUNTRY."**

## Key figures

Finavera Group	2019	2018	2017	2016	2015
<b>Key P&amp;L figures:</b>					
Net interest income, MEUR	41	42	46	50	56
Net fee and commission income, MEUR	141	135	127	144	141
Administrative expenses, MEUR	-42	-46	-43	-44	-44
- of which salaries including social security costs, MEUR	-29	-28	-29	-30	-30
Realised and expected credit losses, MEUR	-60	-45	-42	-94	-97
Credit loss compensation from the State, MEUR	17	24	23	28	83
Operating profit, MEUR	100	100	109	69	114
Profit for the period, MEUR	94	98	107	70	111
<b>Key Balance sheet figures:</b>					
Loans to and receivables from customers, MEUR	8,072	6,876	5,846	6,078	5,394
Investments, MEUR	3,241	2,665	3,084	2,082	2,059
Liabilities, MEUR	11,202	9,681	9,023	8,290	7,297
- of which debt securities in issue, MEUR	10,138	8,783	6,483	4,892	3,958
Shareholders' equity, MEUR	1,463	1,358	1,314	1,207	1,121
- of which non-restricted equity, MEUR	1,221	1,126	1,062	955	871
Balance sheet total, MEUR	12,665	11,039	10,337	9,498	8,418
<b>Key ratios:</b>					
Return on equity, ROE, %	6.7	7.4	8.5	6.0	10.4
Return on assets, ROA, %	0.8	0.9	1.1	0.8	1.5
Equity ratio, %	11.6	12.3	12.7	12.7	13.3
Capital adequacy ratio, Tier 1, domestic operations, %	29.4	27.2	25.3	22.4	18.1
Capital adequacy ratio, Tier 1, export credit guarantees and special guarantees, % <sup>1</sup>	6.9	6.8			
Expense-income ratio, %	25.4	29.3	27.2	27.0	28.3
Average number of employees	364	372	383	398	404
<b>Finavera plc, SMEs and midcaps; financing, exposure and impact</b>					
Loans, guarantees and export credit guarantees offered, Billion EUR	1.0	0.9	1.0	1.0	1.1
Outstanding commitments, Billion EUR	2.3	2.3	2.5	2.6	2.7
Number of start-up enterprises financed	2,400	2,600	3,100	3,400	3,600
Number of new jobs created	8,000	7,700	9,100	8,700	8,600
<b>Finavera plc, Large Corporates; financing and exposure</b>					
Export credit guarantees and special guarantees offered, Billion EUR	5.2	3.0	7.5	4.2	6.6
Outstanding commitments, Billion EUR	25.2	23.3	22.2	18.1	17.0
<b>Finavera plc, clients</b>					
Number of clients, SMEs and midcaps and Large Corporates together	24,500	25,700	27,300	27,700	28,400

<sup>1</sup> The publishing of capital adequacy ratio, Tier 1, for export credit guarantee and special guarantee operations began in 2019. The figure for the comparison year 2018 is also provided. No specific requirement has been set for the capital adequacy of Finavera's export financing because ultimately it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finavera, considering its special industrial policy purpose as a promoter of exports.

### Formulas for the key indicators

<b>Return on equity % (ROE)</b>	$\frac{\text{profit/loss for the period}}{\text{equity (as the average of the value at the beginning and the end of the period)}} \times 100$
<b>Return on assets % (ROA)</b>	$\frac{\text{operating profit/loss} - \text{income taxes}}{\text{balance sheet total on average (as the average of the value at the beginning and the end of the period)}} \times 100$
<b>Equity ratio, %</b>	$\frac{\text{equity} + \text{minority share} + \text{accumulated appropriations} - \text{deducted by the deferred tax liability}}{\text{balance sheet total}} \times 100$
<b>Capital adequacy, Tier 1</b>	calculated according to Basel III standard method
<b>Expense-income ratio, %</b>	$\frac{\text{administrative expenses} + \text{depreciation, amortisation and impairment from tangible and intangible assets} + \text{other operating expenses}}{\text{net interest income} + \text{net fee and commission income} + \text{gains/losses from financial instruments carried at fair value and foreign exchange gains and losses} + \text{net income from investments} + \text{other operating income}} \times 100$
<b>Average number of employees</b>	based on monthly average for the whole period



## Risk management

The goal of risk management is to ensure Finnvera Group's self-sustainability so that, in most years, credit losses stay well below the level of income received from our operations and even large unexpected losses remain below the buffers formed by the balance sheet and the State Guarantee Fund.

Finnvera's operations are based on self-sustainability. With risk management, we seek to ensure self-sustainability in the long term.

The sharp increase in Finnvera's exposure has made risk management increasingly important. In 2019, the role of risk control in Finnvera's organisation was specified. Risk Control bears the primary responsibility for credit, market and operational risk control at the second line of defence, and the unit participates in the development of all elements of the company's risk management. Tina Schumacher was appointed Chief Risk Officer and started in this position in November.

The principal component tasks of Risk Control are maintenance of the risk control system, participation in the determination of policies and in the preparation of guidelines for operations, as well as monitoring and controlling the risk position realised, and the related reporting. Risk Control also support business operations and support functions in the development of risk management methods.

The "three lines of defence" model applied in Finnvera's internal control and risk management defines that the business units and Group companies bear the primary responsibility for internal control and risk management. They answer for the day-to-day management of business and for risk management measures. These measures have been incorporated into the processes of the operating system and are implemented by the entire organisation.

The operations at the second line of defence (i.e. Finnvera's risk control, compliance and other support functions, which are independent of the company's business operations) also support the business units in their risk management and internal control. The third line of defence is internal auditing which reports directly to the Board of Directors.

**THE SHARP INCREASE  
IN FINNVERA'S EXPOSURE  
HAS MADE RISK  
MANAGEMENT  
INCREASINGLY IMPORTANT.**

Risk management seeks to maintain Finnvera's ability to take risks and, in this manner, to contribute to the achievement of Finnvera's goals. Finnvera's Board of Directors is responsible for risk management as a whole and for the risk appetite. It is the Board's task to ensure that the organisation has an appropriate risk management framework. Each year, the CEO assesses the functioning and organisation of risk management as well as required competence and human and IT resources.

### Risk management practices and methods

Risk management practices and methods are used in identifying uncertainties, assessing their likelihood and impact, taking practical risk mitigation measures, and monitoring and reporting the development of individual risks and Finnvera's risk position.

Finnvera's Board of Directors confirms the principles of the Group's risk management and the risk appetite, on the basis of which the credit policy, the credit decision-making powers, and the asset management policy are approved.

The risk management principles lay the foundation for procedures and policies used in risk management. Risk appetite defines, by risk type, the risk level at which the equities and other risk buffers available are at an adequate level in view of the business goals. For instance, with respect to credit risks, risk appetite depends on the

allocation of operations to the strategic focus areas and the maintenance of the competitiveness of export financing at the same level as the competitor countries' similar operations.

#### Finnvera's risks can be grouped as follows:

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

The key risk for Finnvera's operations is credit risk, which may be realised if the party that has received a loan or a guarantee cannot fully meet its obligations. This may potentially cause credit losses. Risk identification and monitoring are based on the risk classification systems and analyses



used in assessing the creditworthiness of the risk object in connection with financing projects.

Liquidity risk refers to the situation in which an enterprise does not have sufficient funds to meet its required payment obligations at that moment. The sufficiency of liquidity is assessed and measured with stressed scenarios and over 1-month and 12-month periods. Finnvera has a contingency plan that describes funding in exceptional circumstances and the related decision-making process.

Market risk refers to the possibility of loss due to market price fluctuations. Market risks that are essential for Finnvera are interest rate, currency and funding cost risks. Risks are identified and monitored with the risk indicators used in assessing the impact of market price changes on Finnvera's result and balance sheet. In addition, the credit and counterparty risks associated with investments and derivative counterparties are measured.

Operational risks refer to a risk of loss caused by inadequately or incorrectly functioning internal processes, personnel, information systems or external factors. Legal and compliance risks as well as the risk of damage to reputation are included in operational risks. Operational risk management is closely linked with the development of the quality of Finnvera's operations, the processes that guide operations and the operational system. The identification, assessment and reporting of risks and the development of controls ensure that the consequences of risk realisation are not very significant financially and do not result in loss of reputation. Operational risks pertaining to financial reporting are identified, assessed and controlled as part of operational risk management.



## Risk management reporting

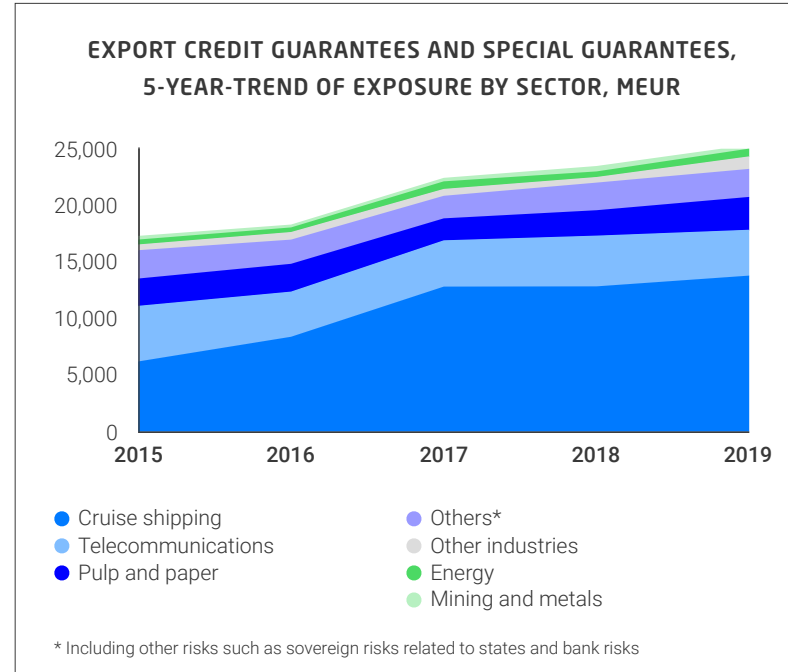
The business areas are responsible for the reporting of normal risks taken in business operations to the Board of Directors. Sudden significant risks are reported to the Board immediately. Risk Control reports on Finnvera's overall risk position to the Board and the executive management in every quarter. The most significant operational risk events are also included in the risk report. In addition, the compliance function and the parties responsible for information security and legal affairs report on the development of their own area of responsibility to the Board's Audit Committee annually.

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 practices followed within the Group.

## Distribution of Finnvera's risks

The structure of the Finnish export industry is centred around capital goods. The export financing needed for their trade has increased Finnvera's exposure and risk concentrations significantly. Half of the total exposure for export credit guarantees is related to trade with the United States and more than half is associated with cruise shipping. Clearly more than half of the total exposure is related to binding financing offers or agreements related to future deliveries by export companies.

Of the sectors associated with Finnvera's Large Corporates business, especially cruise shipping has grown strongly since 2014, when the operations of Turku Shipyard took an upturn as a result of the transfer of ownership and the restoration of operations to a sound basis. The wave of investments in cruise shipping creates demand in shipyards and their subcontractors in Finland, as the shipping companies update their fleet.

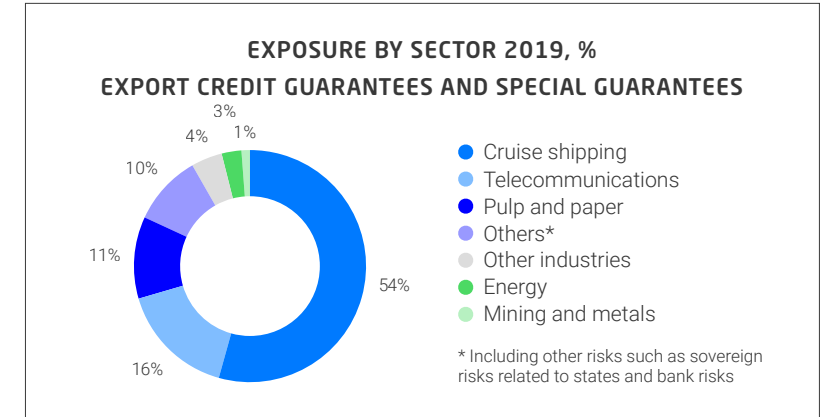


Finnvera's total exposure in cruise shipping reflects the length of the order book resulting largely from the shipyards' limited building capacity.

Other significant sectors include telecommunications and pulp and paper, where development has been clearly more even than in cruise shipping. This also applies to other sectors.

Altogether, 66 per cent of the exposure of the Large Corporates business is in risk category B1, which describes investment grade, or in better risk categories. The risk category distribution is influenced by the risk categories of new exposures and potential changes in current exposure risk categories. The taking of new risks is staggered by risk category and exposure so that the taking of risks that are particularly high in comparison with loss buffers is restricted.

Finnvera's total exposure for SME and midcap financing was slightly lower than in the previous year. The key reasons for the decrease of exposure in the past few years include, among other things, the well-functioning banking system



**FINNVERA'S BOARD OF DIRECTORS CONFIRMS THE PRINCIPLES OF THE GROUP'S RISK MANAGEMENT AND THE RISK APPETITE, ON THE BASIS OF WHICH THE CREDIT POLICY, THE CREDIT DECISION-MAKING POWERS, AND THE ASSET MANAGEMENT POLICY ARE APPROVED.**

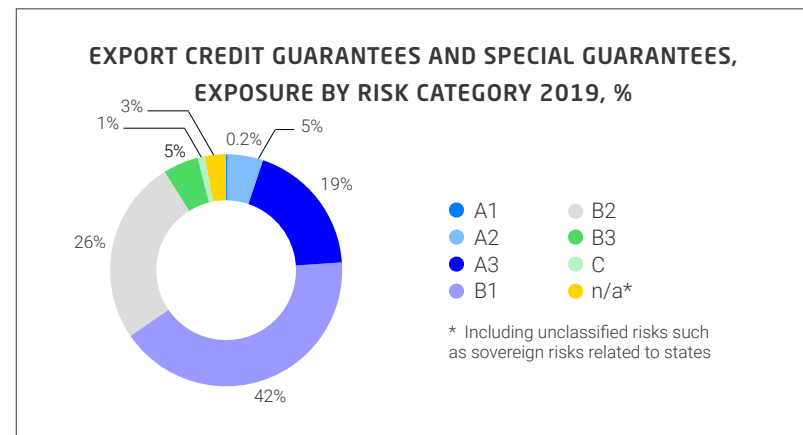
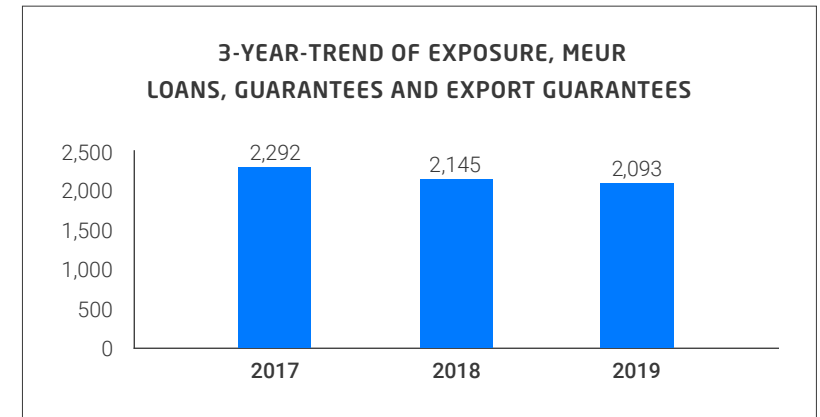
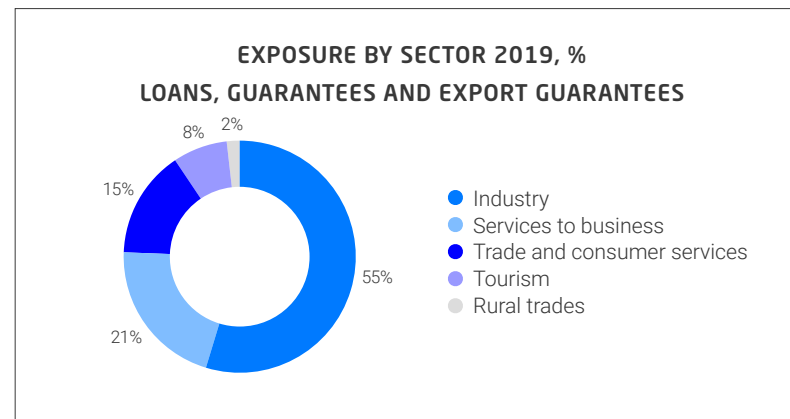
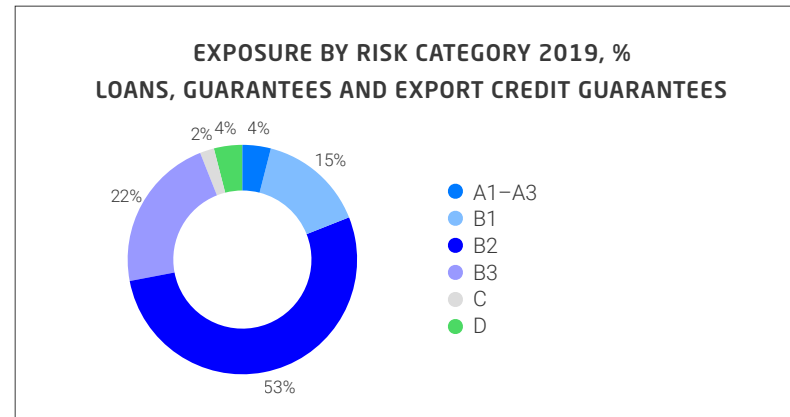
and, as a result, the good availability of financing. In its financing, Finnvera focuses on start-ups, enterprises seeking growth and internationalisation, as well as enterprises in situations of change. The operational risks faced by these enterprises are often greater than the risks of established companies.

More than half of Finnvera's total exposure for SME and midcap financing is in risk category B2, and enterprises in this category usually face challenges in getting financing from the market with weaker securities. At Finnvera, these enterprises are subject to normal financing arrangements. As for enterprises in risk category B3, their category has usually declined after the financing was originally granted and their credit risk has clearly increased. Thanks to the well-functioning financing market, the significance of Finnvera's financing in category B1 and in better risk categories is lower.

Approximately half of the total exposure for SME and midcap financing is associated with traditional industry. Services to business is the second largest sector group. Technology companies in the IT sector, for instance, fall under this group.

Finnvera's liquidity target, 12 months without new funding, was clearly exceeded at the end of the year. In addition, liquidity risk is monitored with the Liquidity Coverage Ratio (LCR) in accordance with regulations applicable to credit institutions, with emphasis on high-quality debt securities.

The structural interest rate risk is still low as debts and receivables are mainly tied to 6-month interest rates and in some investments, interest rate linkage is even shorter.



**APPROXIMATELY HALF OF THE TOTAL EXPOSURE OF SME AND MIDCAP FINANCING IS ASSOCIATED WITH TRADITIONAL INDUSTRY. SERVICES TO BUSINESS IS THE SECOND LARGEST SECTOR. TECHNOLOGY COMPANIES IN THE IT SECTOR, FOR INSTANCE, FALL UNDER THIS GROUP.**

**An analysis of Finnvera's financial supervision was launched**

Finnvera's operations as a specialised financing company are guided by the Ministry of Economic Affairs and Employment, which is also responsible for Finnvera's financial supervision. Each year, the Ministry confirms the extent to which financial supervision regulation (Act on Credit Institutions 610/2014) applicable to credit institutions is applied to Finnvera's operations.

In 2019, an analysis project was launched to examine the possibility of transferring Finnvera's financial supervision from the Ministry of Economic Affairs and Employment to the Financial Supervisory Authority. The project will continue in 2020. The analysis project takes into account Finnvera's differences when compared to other operators involved in financing activities. Risk management is an integral part of Finnvera's operations, and in earlier independent analyses, the level of the company's risk management has been assessed as excellent in international comparison.



## Funding

Finnvera's funding succeeded as planned in 2019. Finnvera issued a EUR 1 billion bond in April and a USD 1 billion bond in October. Finnvera uses the funds acquired for financing export credits, and its goal is competitive financing for the clients of Finnish export companies.

Finnvera has used bonds to acquire funding for export credits since 2012.

At the end of the year 2019, the outstanding bonds, issued under the state-guaranteed EMTN (Euro Medium Term Note) programme, amounted to EUR 9.7 billion (EUR 8.7 billion). The latest, USD 1 billion benchmark bond was issued in October 2019. The year's first benchmark bond was a 1 billion euro-denominated bond and took place in April. Finnvera's strategic goal is to issue benchmark bonds annually, in both euros and US dollars, and to ensure the diversity of its funding sources and maturity.

Finnvera's annual financing need has been approximately EUR 2 billion. The demand for financing is mainly influenced by the banks' ability to provide loans to businesses and by global economic development. Rough plans on funding needs are made for a minimum of one year into the future, and they are based on estimates of clients' needs for financing and debt maturity. In 2020, Finnvera's funding need is estimated to be EUR 2.0–2.5 billion.

Finnvera uses the funds acquired for financing export credits. The goal of funding is competitive financing for the clients of Finnish export companies. Export credit financing has grown considerably during the past few years. In 2019,

financing from Finnish Export Credit Ltd was applied for approximately 80 per cent of the euro amount of guarantees granted by Finnvera for buyer credits. As a result, Finnvera's need for funding has grown. The arrangement of buyer financing for foreign buyers is often a prerequisite for closing an export deal. In this manner, funding increases the impact of Finnvera's financing operations and makes transactions possible for Finnish export companies.

### The bonds issued in 2019 were doubly oversubscribed

International institutional bond investors mainly come from Europe, Asia and North America. Most of them are financial institutions, such as banks, central banks, insurance companies, and asset managers.

A guarantee by the State of Finland is a sign of a low-risk bond for investors. For a bond issue to be successful, there must be adequate demand and the price must be right. The goal is to obtain funding at as low a cost as possible with a healthy maturity structure of the debt.

The EUR 1 billion benchmark bond issued in April 2019 attracted over 90 investors, and the subscriptions totalled EUR 2.8 billion. The USD-denominated October issue was also a success: it was doubly oversubscribed, with 50 investors.

This signals a growing demand and shows that previous issues and active work in investor relations have improved Finnvera's name recognition on international capital markets.

### The EMTN programme grew to EUR 15 billion

Finnvera issues bonds under the EMTN programme guaranteed by the State of Finland. In October, the Government's decision increased the EMTN programme to EUR 15 billion.

**PREVIOUS ISSUES AND ACTIVE WORK IN INVESTOR RELATIONS HAVE IMPROVED FINNVERA'S NAME RECOGNITION ON INTERNATIONAL CAPITAL MARKETS.**

The rating of the EMTN programme corresponds to the rating assigned to the State of Finland for its long-term liabilities. The rating given by Moody's to Finnvera is Aa1 and that given by Fitch is AA+.



### Finnvera: Funding enables export companies' foreign trade

Finnvera's funding plays a big role for Finnish export companies competing for export deals. Finnvera's financing and guarantees reduce companies' risk of losing orders.

[Read more >](#)

**EUR 15 billion**

FINNVERA'S STATE-GUARANTEED EMTN PROGRAMME AMOUNTS TO EUR 15 BILLION.

[Read more >](#)

## Corporate governance

In 2019, Finnvera's Management Group was strengthened with new members and Finnvera's organisation was restructured. Key guiding policies, such as the Code of Conduct and policies related to corporate responsibility in financing operations, were also updated during the year. Finnvera's Code of Conduct principles include good corporate governance and transparency throughout the organisation.

Risk management and digitalisation play an important role in the development of Finnvera's operations and financing services. During 2019, Finnvera appointed a new Chief Risk Officer, Tina Schumacher, and Chief Digitalisation Officer, Minna Kaarto, and a new digitalisation unit was established to steer the development of digital services and IT operations. Tapio Jordan was appointed Group Chief Credit Officer. Deputy CEO Topi Vesteri retired. Jussi Haarasilta, Executive Vice President, Large Corporates, was appointed the new Deputy to the CEO.

Finnvera's compliance function was also strengthened.

The organisation that serves SMEs seeking growth and internationalisation was restructured, as was the service provision organisation, to enable Finnvera to optimally meet enterprises' financing needs.

During the year, Finnvera's tasks related to the collection of domestic receivables were transferred mainly to Intrum Oy, in accordance with the decision made in 2018 and the public competitive tendering conducted in the spring 2019. In connection with the transfer of business, 11 employees transferred from Finnvera's domestic collection team to Intrum. The responsibility for collection, its steering and control remains with Finnvera.

Finnvera's regional organisation consists of five regions with a total of 15 offices. We serve our clients comprehensively throughout Finland.

### Finnvera's Code of Conduct and key policies

The Code of Conduct, the principles governing Finnvera's business operations, were updated in connection with the strategy renewal. The Code of Conduct, ratified by the Board of Directors, brings together the legal rules and ethical principles

to which we are committed in all our operations. The Code of Conduct, the good governance guidelines complementing it and the ethical guidelines apply to Finnvera's employees and the members of the governing bodies.

During the year, the environmental and social risk management policy for our financing operations was revised extensively. The anti-bribery policy for financing operations was also updated, and a new tax haven policy was created for Finnvera.



#### THE KEY GUIDELINES, PRINCIPLES AND POLICIES OBSERVED BY FINNVERA IN ITS OPERATIONS INCLUDE THE FOLLOWING:

- Code of Conduct
- risk management principles
- credit and guarantee policy
- asset management policy
- principles for managing equities and capital adequacy
- risk protection policy associated with export credit guarantee operations
- environmental and social risk management policy
- country policy
- anti-bribery policy
- tax haven policy
- publicity policy in export credit guarantee operations
- personnel policy
- IT policy outlines
- information security and data protection policy
- communications policy
- principles for cooperation agreements
- guidelines and procedures for procurement
- development operating model
- ISO 9001:2015 certified operating system.



**BEING RESPONSIBLE IS PART OF OUR CLIENTS' SUCCESS - FINNVERA REFORMS THE ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT OF THE FINANCING OPERATIONS.**

[Read more >](#)



**FINNVERA STRENGTHENS ITS ANTI-BRIBERY AND TAX HAVEN POLICY.**

[Read more >](#)

**Industrial and ownership policy goals guide operations**

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 set industrial and ownership policy goals for Finnvera. 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. The Ministry reviews the goals annually, if necessary. The table shows the attainment of the goals in 2019.

**Monitoring of the attainment of industrial policy and ownership policy goals for 2019**

		GOAL
<b>FINNVERA'S DOMESTIC FINANCING</b>		75 per cent of Finnvera's SME financing is allocated to enterprises seeking growth or internationalisation, start-ups, enterprises seeking change, and transfers of ownership.
		Finnvera is gradually digitalising its operations to an appropriate extent: to serve its clients and partners, and to improve the efficiency of its processes.
<b>EU FINANCING</b>		Finnvera is actively analysing participation in EIF guarantee programmes that improve enterprises' financing options in Finland. The aim is to sign a guarantee programme with EIF during 2018. The goal of the programme is to grant at least EUR 200 million in loans to enterprises in the coming years.
<b>IMPACT</b>		Impact assessment is developed in cooperation with Team Finland actors. The goal is to ensure the meeting of the criteria of a good impact assessment and the creation of a good assessment culture in the Group. To create an overview, organisations are required to have an assessment framework description that defines what is assessed, when and how. Shared impact indicators and jointly available data are prerequisites of consistent assessment.
<b>EXPORT FINANCING</b>		In cooperation with MEAE, Finnvera actively participates in interest rate negotiations to have more market-based terms and conditions for interest rates. In addition, negotiations in a sector, conducted in cooperation with MEAE, aim at financing terms and conditions that would be more market-based when it comes to credit interest and export credit guarantee pricing.
		The export financing system is competitive when compared to the key competitor countries, especially Sweden and Germany. Finnvera explores opportunities to further expand the selection of export financing instruments.
		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 services will be developed.
<b>RISK MANAGEMENT</b>		Finnvera ensures self-sustainability through risk management: in most years, credit losses stay well below the level of income received from operations and even large unexpected losses remain below the buffers formed by the balance sheet and the State Guarantee Fund.
<b>CAPITAL ADEQUACY</b>		Finnvera looks into finding a capital management calculation model for export financing to assess the adequacy of capital. Then, Finnvera and MEAE determine the appropriate level for the adequacy of capital for the entire Finnvera.

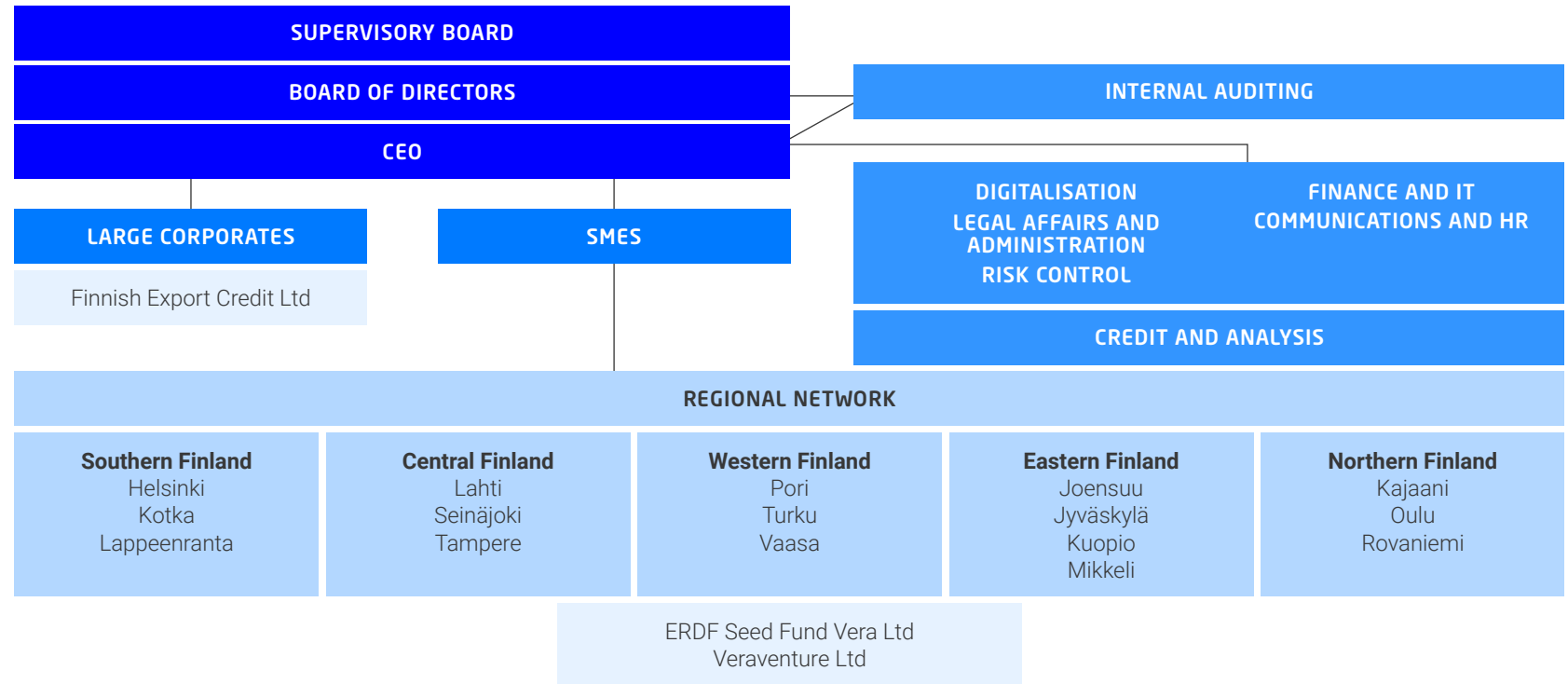
 Goal achieved     Goal partly achieved     Goal not achieved





**Organisation and administration**

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's corporate governance is described on the following pages. More detailed information can be found in the [Statement on the Corporate Governance and Steering System](#).



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

**The Supervisory Board** supervises the company's administration. It gives its opinion on the financial statements and the auditor's report, and counsels the Board of Directors on issues that concern considerable reorganisation of the company's operations. 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. Finnvera's Supervisory Board consists of a minimum of eight and a maximum of eighteen members. The Supervisory Board has a term of one year.

**The Board of Directors** is responsible for the company's administration and for the proper organisation of activities and approves the company's strategy and annual plans, the half-year reports 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.

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 Board of Directors appoints the Audit Committee and the Remuneration Committee from among its members and selects the Chairs and members for one year at a time. The Audit Committee assists the Board of Directors in supervisory tasks, and the Remuneration Committee assists Finnvera's Board of Directors in 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.

### Supervisory Board on 31 December 2019

Finnvera's Supervisory Board has eighteen members. 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 2019 totalled EUR 58,600.

#### CHAIRMAN

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

#### 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

**Mari Holopainen**, Member of Parliament, Green Party

**Anne Kalmari**, Member of Parliament, Centre Party

**Juho Kautto**, Member of Parliament, Left Alliance

**Johannes Koskinen**, Vice Chairman, Member of Parliament, Social Democratic Party of Finland

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

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

**Veli-Matti Mattila**, Director, Chief Economist, Finance Finland

**Jaana Möntti**, Finance Manager, the personnel organisation Finnveran Toimihenkilöt

**Carita Orlando**, Managing Director, Women Entrepreneurs of Finland

**Juha Pylväs**, Member of Parliament, Centre Party

**Lulu Ranne**, Member of Parliament, Finns Party

**Wille Rydman**, Member of Parliament, National Coalition Party

**Joakim Strand**, Member of Parliament, Swedish People's Party of Finland

**Tommi Toivola**, Director, Confederation of Finnish Industries EK

**Anette Vaini-Antila**, Second Vice Chairman, Finnish Business School Graduates

### Board of Directors on 31 December 2019

Finnvera's Board of Directors has seven members. The Audit Committee elected after the Annual General Meeting of 2019 consists of Ritva Laukkanen (Chair), Terhi Järvikare, Pekka Nuutila and Pirkko Rantanen-Kervinen. The Remuneration Committee elected after the Annual General Meeting consists of Pentti Hakkarainen (Chair), Antti Neimala and Antti Zitting.

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 2019 totalled EUR 145,800.

#### FINNVERA'S CORPORATE GOVERNANCE AND STEERING SYSTEM

Finnvera's Corporate Governance and Steering System and the key events in 2019 are described in the Statement on the Corporate Governance and Steering System. It includes a description of the principal features of the internal control and risk management systems pertaining to the financial reporting process.

[Read more >](#)



**Chairman**

**Pentti Hakkarainen**

**(1958), M.Sc. (Econ.), LL.M. with court training, member of the European Central Bank's Banking Supervisory Board**  
 Pentti Hakkarainen has been the Chairman of Finnvera's Board of Directors since 2017 and is the Chairman of the Board's Remuneration Committee. Hakkarainen has been a full-time member of the European Central Bank's Banking Supervisory Board since 2017. He has worked as Finance Director at Outokumpu Corporation and as CEO both at OKOBANK plc and at Postipankki plc. Hakkarainen was a member of the Board of the Bank of Finland in 2002–2017 and Deputy Governor of the Bank of Finland and Chairman of the Board of the Financial Supervisory Authority in 2008–2017. Hakkarainen is the Chairman of the Board of Olvi plc and has previously chaired e.g. the IMF's Audit Committee, European System of Central Banks' Budget Committee (BUCOM) and Control Committee (COMCO).



**First Vice Chairman**

**Antti Neimala**

**(1963), LL.M. with court training, Director General of the Employment and Well-functioning Markets Department of the Ministry of Economic Affairs and Employment**  
 Antti Neimala has been a member of Finnvera's Board of Directors and a member of the Board's Remuneration Committee since 29 March 2019. Neimala has worked as Director General of the Employment and Well-functioning Markets Department of the Ministry of Economic Affairs and Employment since August 2018. Before that, he worked as Director General of the Finnish Competition and Consumer Authority and as Consumer Ombudsman. Neimala held the position of Vice Managing Director and in other executive posts at the Federation of Finnish Enterprises in 2001–2004 and 2007–2017 and worked as Director of the SME Unit at the Confederation of Finnish Industries in 2010 and as Project Manager at the Ministry of Trade and Industry in 2004–2007.



**Second Vice Chairman**

**Terhi Järvikare**

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

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



**Ritva Laukkanen**

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

Ritva Laukkanen has been a member of Finnvera's Board of Directors since 2017 and is the Chairman of the Board's Audit Committee. In 1990–2011, she held several executive posts at International Finance Corporation IFC, which is part of the World Bank Group. Before IFC, Laukkanen worked for 10 years in various positions at American Scandinavian Banking Corporation in New York, as a director in corporate lending, for instance. She has held various board positions since 2012. Laukkanen chairs the Board of the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and is a member of the Board of AccessHolding Microfinance AG Berlin.



**Pekka Nuutila**

**(1956), forester**

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



**Pirkko Rantanen-Kervinen**

**(1949), B.Sc. (Econ.)**

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



**Antti Zitting**

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

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



### 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.

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 Executive Vice Presidents responsible for the financing of SMEs and large corporates, as well as the Senior Vice Presidents for Finance and Treasury, Legal Affairs and Administration, Corporate Communications and HR, and Group Chief Credit Officer, Chief Digitalisation Officer, and Chief Risk Officer.

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 in 2019 included the representatives of the Kuopio Headquarters, the regional network and the personnel organisations.

#### MANAGEMENT GROUP ON 31 DECEMBER 2019

- Pauli Heikkilä** (1962) D.Sc. (Tech.), CEO
- Jussi Haarasilta** (1973) LL.M., M.Sc. (Econ.), Executive Vice President, Large Corporates, Deputy CEO
- Ulla Hagman** (1969) M.Sc. (Econ.), Senior Vice President, Finance and Treasury
- Juuso Heinilä** (1978) M.Sc. (Tech.), M.Sc. (Econ.), Executive Vice President, SMEs
- Risto Huopaniemi** (1975) LL.M., Senior Vice President, Legal Affairs and Administration
- Tapio Jordan** (1967), M.Sc. (Econ.), B.Sc. (agriculture and forestry), Group Chief Credit Officer
- Minna Kaarto** (1980), M.Sc. (Tech.), Chief Digitalisation Officer (CDO)
- Tina Schumacher** (1967), M.Sc. (Econ.), CEFA, Chief Risk Officer, Risk Control
- Tarja Svartström** (1971) M.Sc., Senior Vice President, Corporate Communications and HR

#### CORPORATE MANAGEMENT TEAM ON 31 DECEMBER 2019

The Corporate Management Team consists of the member of the Management Group and the following persons:

- Mika Johansson**, Representative of the personnel organisation Erityisrahoituksen ammattilaiset ERA
- Heikki Lähdesmäki**, Representative of the personnel organisation Finnveran akavalaiset
- Ilse Salonen**, Representative of the personnel organisation Finnveran toimihenkilöt
- Mikko Vänttinen**, Representative of the Kuopio Headquarters and the regional network

### Regional organisation

#### Southern Finland

Helsinki, Lappeenranta, Kotka  
Regional Director Anna Karppinen, M.Sc. (Econ.)

#### Western Finland

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

#### Eastern Finland

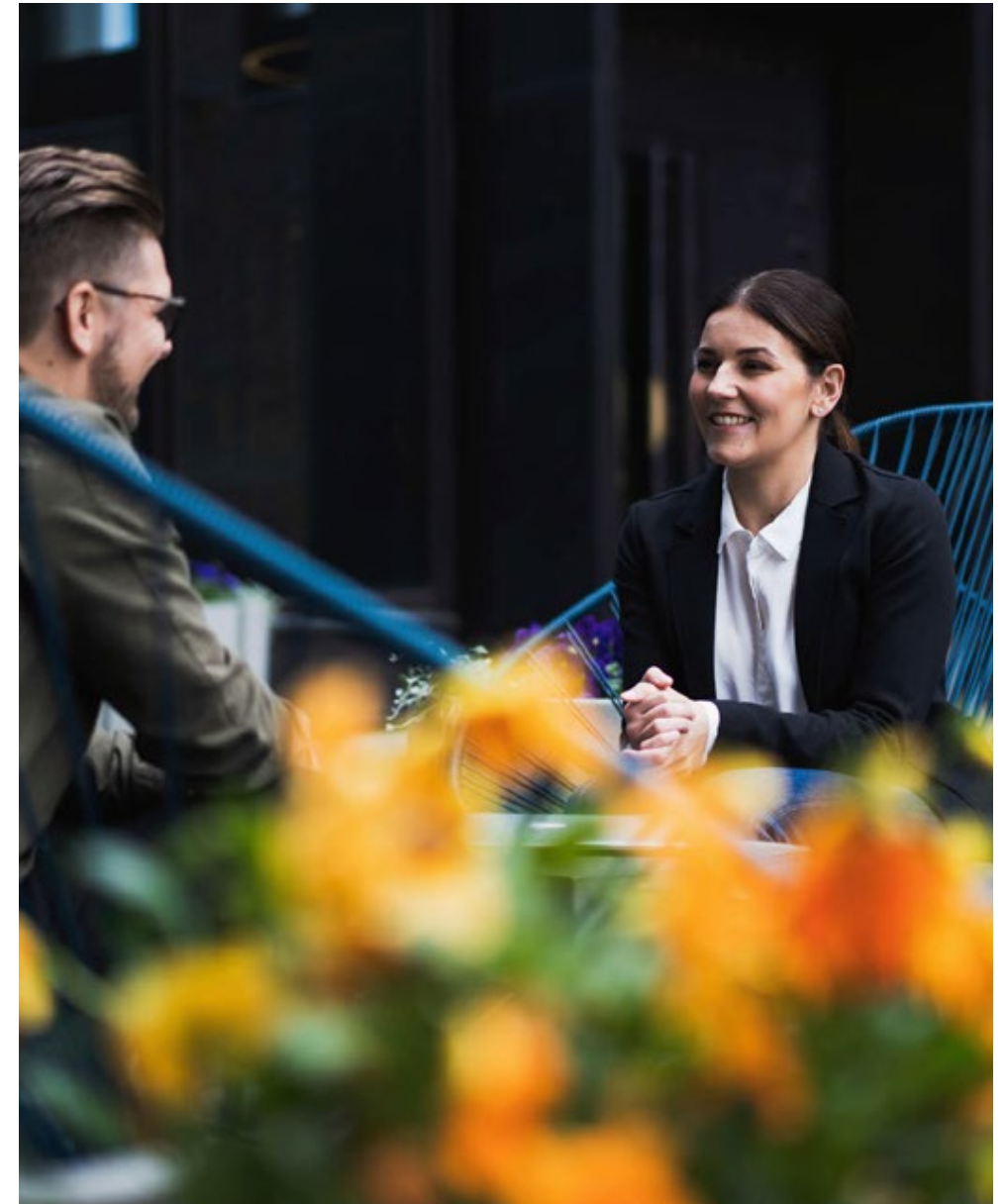
Joensuu, Jyväskylä, Kuopio, Mikkeli  
Regional Director Mikko Vänttinen, Vocational Qualification in Business Administration

#### Central Finland

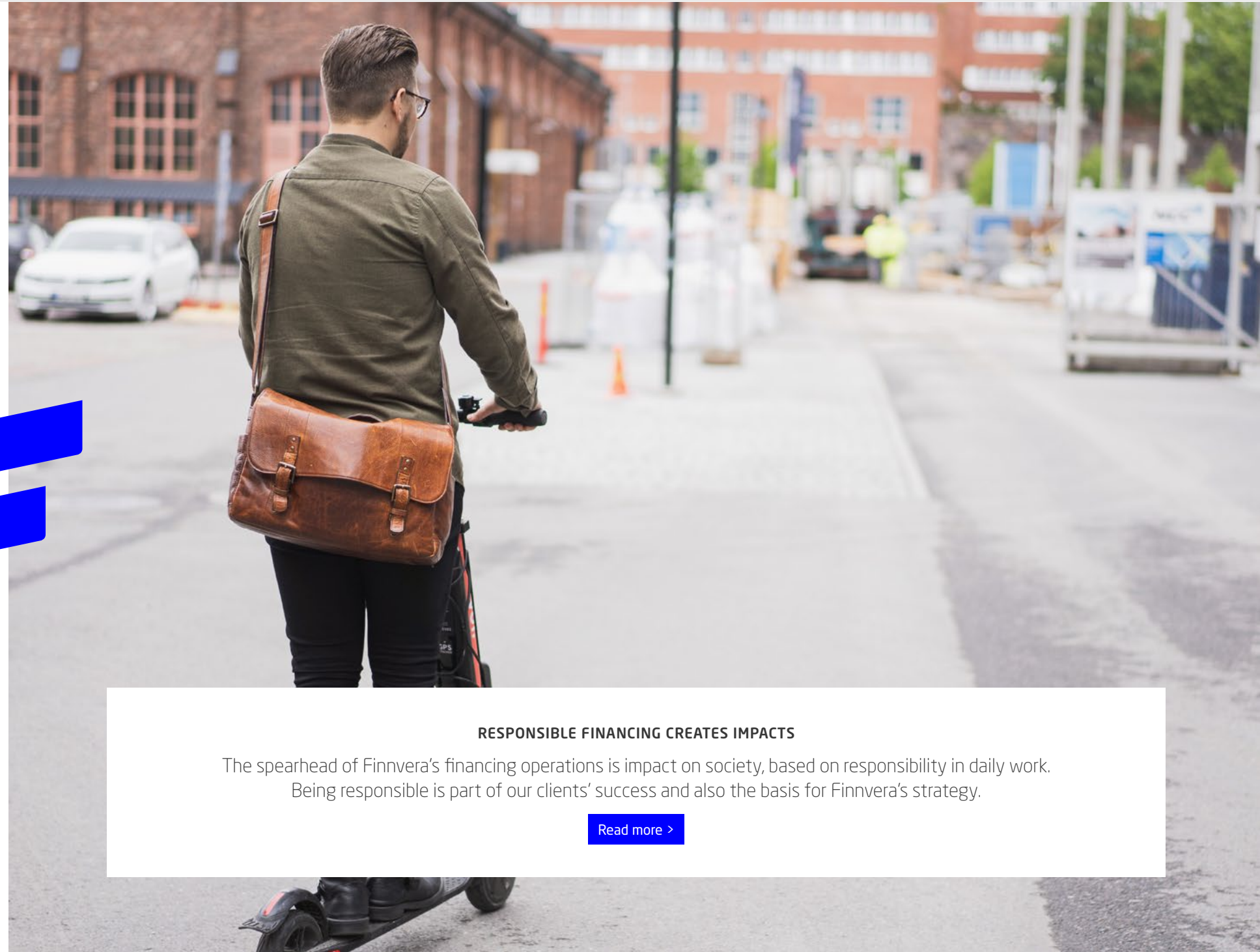
Lahti, Seinäjoki, Tampere  
Regional Director Juha Ketola, M.Sc. (Tech.)

#### Northern Finland

Kajaani, Oulu, Rovaniemi  
Regional Director Pasi Vartiainen, M.Sc. (Econ.)



# Corporate responsibility



## RESPONSIBLE FINANCING CREATES IMPACTS

The spearhead of Finnvera's financing operations is impact on society, based on responsibility in daily work. Being responsible is part of our clients' success and also the basis for Finnvera's strategy.

[Read more >](#)



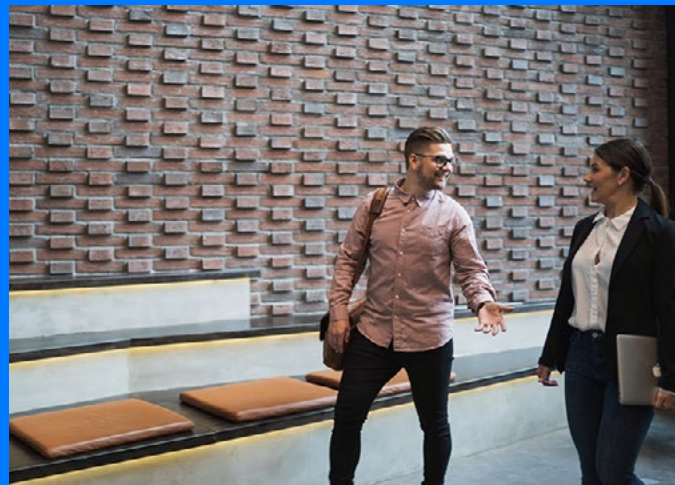
## Success stories and development targets in 2019

In Finnvera's financing operations, corporate responsibility was realised as self-sustainability and impact. Finnvera's financing enhanced the operating conditions of SMEs and midcap enterprises and boosted Finnish exports. Finnvera's strategy was updated and, starting from the beginning of 2020, its cornerstone is corporate responsibility. It refers not only to economic responsibility but also to the fact that the transactions we finance are responsible with regard to the environment and people.



# 8,000

Finnvera's SME and midcap financing contributed to the creation of over 8,000 jobs and 2,400 new enterprises.



### YEAR OF OPERATIONAL DEVELOPMENT

Finnvera revised its environmental and social risk management policy for financing operations. From now on, the evaluation of human rights risks will also play a more prominent role in the policy. The anti-bribery and tax haven policy was also strengthened. The Code of Conduct, the principles governing Finnvera's business operations, were updated.



### OUR CLIENTS' SUCCESS STRENGTHENS THE FINNISH ECONOMY

Finnvera exists for its clients. With the help of our cooperation partners, we can achieve our common goals. The year 2019 marked the 20th anniversary of Finnvera's operations.

[Read more >](#)



**CLIENT ORIENTATION GUIDES SERVICE DEVELOPMENT**  
Finnvera launched the most significant information system project in its history to renew the financing systems.

[Read more \(in Finnish\) >](#)



## Corporate responsibility at Finnvera

The key aims of Finnvera's corporate responsibility are realised especially through Finnvera's core task. We help Finnish enterprises in exports and internationalisation, and enhance SMEs' operations. Our goal is to benefit the national economy of Finland: to create a better operating environment for enterprises, make the generation of export income possible, and participate in the creation of new jobs.

Starting from the beginning of 2020, corporate responsibility is defined as the cornerstone of our strategy. According to it, our operations must be self-sustainable and our risk management must be systematic. Finnvera, and the transactions we finance, are responsible with regard to the environment and people. Read more in the Annual Review's [Strategy section](#).

In its operations, Finnvera takes economic, social and environmental aspects into account. Financial responsibility consists of the core task and especially of self-sustainability, which can be achieved through successful risk management, pricing, and potential rearrangements during projects.

Social and environmental responsibilities are realised, first and foremost, through the transactions financed by Finnvera, and the significance of corporate responsibility is particularly high in export financing. In addition, we invest in our personnel's competence and well-being at work as well as in open and active stakeholder cooperation. We also try to minimise the environmental impacts of our operations.

Finnvera's operations are guided by law, regulations, recommendations from different authorities, international commitments, goals set for us, and policies defined by us. Read more [about the principles governing Finnvera's business operations in the Annual Review's Corporate governance section](#).

### Corporate responsibility ecosystem



**The material topics of corporate responsibility**

At Finnvera, the material topics of corporate responsibility are divided under four overarching themes.

**FINNVERA'S ROLE IN SOCIETY**

We have an important social role in facilitating and augmenting Finnish enterprise activities. Apart from the creation of new enterprises and jobs, we contribute to taking Finnish know-how abroad. We want to act responsibly in our daily work – this is an integral part of our impact.

**IMPACTS OF FINNVERA'S OWN OPERATIONS**

We strive to minimise the negative impacts of our operations on the surrounding society by means of effective risk management and by paying attention to our ecological footprint. We invest in developing the personnel's skills and regularly assess how we have succeeded in this.

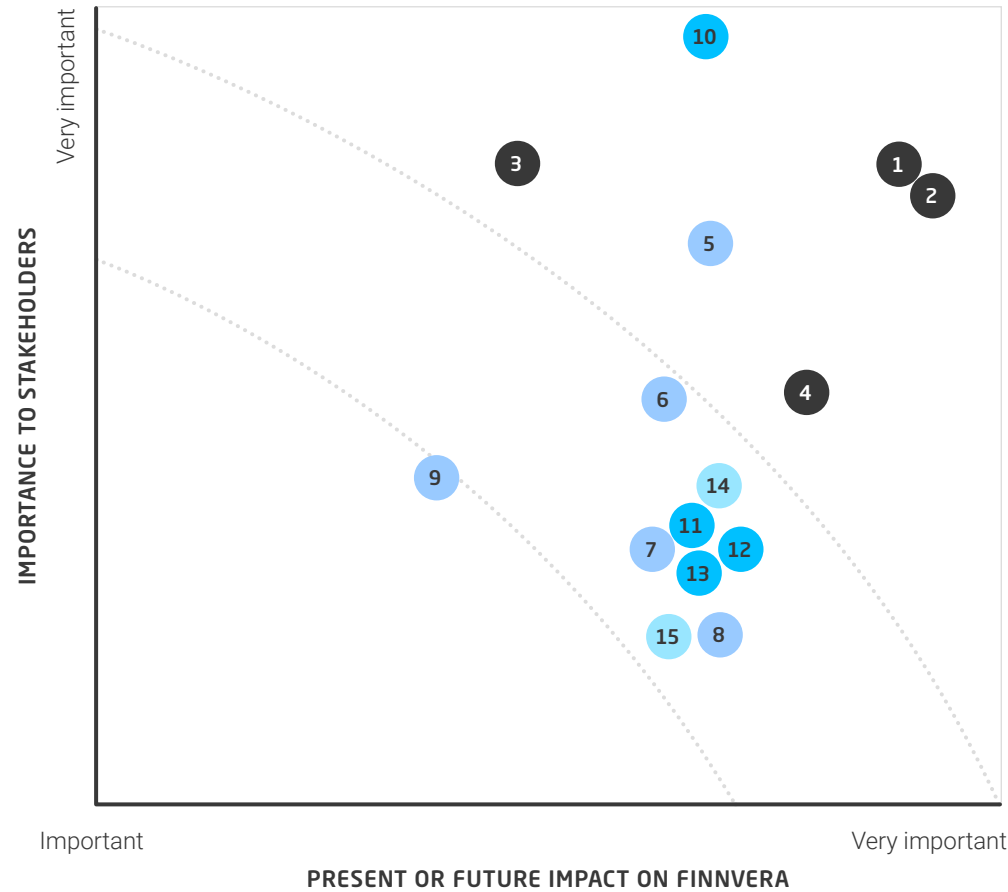
**RESPONSIBLE FINANCING**

In our projects, we comply with both Finnish and international regulations. When financing decisions are made concerning major projects carried out abroad, we assess the environmental and social impacts and governance aspects (ESG) of the projects according to internationally recognised criteria.

**COOPERATION WITH STAKEHOLDERS**

Our network of stakeholders is wide and constantly evolving. We cooperate with various organisations over a broad range in order to enhance the financing opportunities and to enable enterprise growth. We keep a close eye on similar organisations in other countries and develop financial services in step with the changing needs of Finnish enterprises.

The enclosed materiality matrix for responsibility illustrates the significance of various topics related to the overarching themes of corporate responsibility. The 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. The materiality analysis will be updated to better reflect the current expectations of our stakeholders and the impacts of our business operations.



**FINNVERA'S ROLE IN SOCIETY**

- 1. Enabling enterprise and growth
- 2. Enabling internationalisation and exports
- 3. Supplementing the financial market
- 4. Creating jobs

**IMPACTS OF FINNVERA'S OWN OPERATIONS**

- 5. Risk management
- 6. Ethical work life practices and good governance
- 7. Personnel competence
- 8. Self-sustainability and capital adequacy
- 9. Minimisation of Finnvera's own environmental impacts

**RESPONSIBLE FINANCING**

- 10. Assessment of ESG risks
- 11. Compliance with laws and regulations
- 12. Environmental impacts of projects financed
- 13. Respect for human rights in projects

**COOPERATION WITH STAKEHOLDERS**

- 14. Active stakeholder dialogue
- 15. Customer-orientation



**Boundaries of material topics**

Finnvera's operations have significant impacts on society and the environment, both in Finland and internationally. The table beneath shows where the direct and indirect impacts of our material topics occur.

<b>Material topic</b>	<b>Boundary</b>
<b>Finnvera's role in society</b>	<p>Direct impacts on the enterprises to be financed and, in international projects, often also on foreign buyer clients of Finnish export companies. Impacts on financing provider partners, such as banks in Finland and internationally.</p> <p>Indirect impacts on the regional and national economy through jobs, subcontracting networks, employment and private consumption, for instance.</p>
<b>Impacts of Finnvera's own operations</b>	<p><b>Risk management, self-sustainability and capital adequacy:</b> Direct impacts on the operations of Finnvera in its entirety, ultimately on the State of Finland. Finnvera is expected to attain economic self-sustainability.</p> <p><b>Ethical work life practices and good governance:</b> Impacts on all Finnvera employees, Finnvera's governing bodies, partners, clients, and stakeholders in Finland and abroad.</p> <p><b>Personnel competence:</b> Direct impacts on Finnvera employees. Indirect impacts on clients through service and competence and, the regional and international economy, the environment and social structures through projects to be financed.</p> <p><b>Minimisation of Finnvera's own environmental impacts:</b> Direct and indirect impacts on the environment, both in Finland and internationally.</p>
<b>Responsible financing</b>	<p>Direct impacts on the enterprises to be financed and, in international projects, often also on foreign buyer clients of Finnish export companies. Impacts on financing provider partners, such as banks in Finland and internationally.</p> <p>Direct and indirect environmental, social and financial impacts locally, regionally and nationally through the financing of international projects.</p>
<b>Cooperation with stakeholders</b>	<p>Direct impacts on stakeholders, nationally and internationally, and on Finnvera's own operations through development work based on stakeholder cooperation.</p> <p>Indirect impacts on the operating environment of enterprises and the preconditions for Finnish exports through the functionality of the financial market. Cooperation with organisations and commercial parties benefits enterprises and the Finnish economy. This cooperation includes, among other things, the acceleration of transfers of ownership, support for entrepreneurship and export trade financing advisory services.</p>



**Corporate responsibility management at Finnvera**

The accompanying table describes corporate responsibility management regarding Finnvera's material topics of corporate responsibility: impact on society, impacts of Finnvera's own operations, responsible financing, and cooperation with stakeholders. The material topics are largely subject to uniform management approaches. In addition, practices have been described in more detail by topic, as necessary.

<b>Description and purpose of the management approach</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• Corporate responsibility means operating responsibly in dealings with all stakeholders.</li> <li>• Finnvera carries out its mission and strategy in accordance with the laws, regulations, and industrial and ownership policy goals guiding the company's operations.</li> <li>• Corporate responsibility is grounded in the company's values and good governance. In practice, it is manifested as financial, social and environmental responsibility.</li> <li>• The daily tools for acting responsibly include client segment-specific policies and guidelines that are kept up to date, and a certified operating system.</li> </ul> <p>Starting from the beginning of 2020, the cornerstone of Finnvera's strategy is corporate responsibility. According to it, Finnvera, and the transactions we finance, are responsible with regard to the environment and people. Our operations must be self-sustainable and our risk management must be systematic. Further information about our strategy can be found in the Annual Review's <a href="#">Strategy section</a>.</p>
<b>Policies and commitments</b>	<p>Finnvera's Code of Conduct covers the main principles and practices of good conduct. In addition, Finnvera's operations and corporate responsibility are guided by law, regulations, recommendations from different authorities, international commitments, and policies defined by Finnvera. Further information can be found in the Annual Review's <a href="#">Corporate governance section</a>.</p>
<b>Targets and actions</b>	<p>The targets and actions characterising Finnvera's operations and corporate responsibility are described in the <a href="#">value creation model</a> and <a href="#">the target table</a>.</p>
<b>Resources and responsibilities</b>	<p>The financial resources of Finnvera's operations are defined annually in annual planning and budgeting. Business functions and units are responsible for budgeting and monitoring the budget's realisation. The company's Board of Directors confirms the budget.</p> <p>Finnvera's lending principles are defined in the credit and guarantee policy confirmed annually by the Board of Directors. Finnvera's Board of Directors and CEO are responsible for arranging and organising internal control and risk management. The Board of Directors approves decision-making authorities, the principles of risk management, and risk policies. Operational focus areas are defined in the strategy approved by Finnvera's Board of Directors.</p> <p>Finnvera's operations are monitored and supervised by the Ministry of Economic Affairs and Employment, which sets annual industrial and ownership policy goals for Finnvera.</p> <p>Read more about responsibilities in the Annual Review's <a href="#">Strategy</a>, <a href="#">Corporate governance</a> and <a href="#">Risk management sections</a>.</p>

<b>Feedback mechanisms</b>	<p><b>Clients, personnel and other stakeholders</b></p> <p>Client and stakeholder satisfaction surveys are conducted every other year. By looking into continuous feedback from clients, willingness to recommend and the extensive surveys, we monitor how well Finnvera's services meet the needs of enterprises, stakeholders and, for instance, financing provider partners. We develop our services on the basis of feedback.</p> <p>Personnel satisfaction is measured via a pulse survey annually, and an extensive personnel satisfaction survey every other year. The results provide information about work, the functionality of the work community, supervisory work and the personnel's well-being, and they serve as a basis for development.</p> <p>We engage in active dialogue with the Ministry of Economic Affairs and Employment concerning Finnvera's basic task and industrial and ownership policy goals set for the operations. We also cooperate with the Ministry for Foreign Affairs (through the Team Finland network, for instance) and with the Ministry of Finance concerning Finnvera's basic task.</p> <p>We have a whistleblowing channel in operation for the reporting of potential misconduct that is open to everyone.</p>
<b>Assessment of the management approach</b>	<p><b>Responsible financing</b></p> <p>Finnvera develops its environmental and social risk management policy, and the related specifying guidelines on the basis of experiences gained and feedback received as well as legal sources and recommendations. The company's Board of Directors assesses the appropriateness of the policy at regular intervals.</p> <p>Transactions are assessed according to the policy. The most comprehensive review includes Finnvera's expert's visit to the site. During the visit, the expert assesses the transaction party's attitude towards risk management and investigates how various stakeholders, such as NGOs, authorities and people living near the plant to be built, view the project.</p> <p>In so-called Category A transactions that may have significant negative impacts, Finnvera must publish environmental and/or social information in the offer stage, at the latest 30 calendar days before Finnvera signs the export financing agreement.</p> <p>Finnvera operates according to service approaches defined for different client segments and the ISO 9001 certified operating system. The operating system includes an annual management review and self-evaluation based on external evaluations. On the basis of the observations made, the operating system is constantly developed. Deviations, if any, are also addressed.</p> <p>The Ministry of Economic Affairs and Employment annually assesses the attainment of the goals set for Finnvera. Read more about the attainment of the goals in the <a href="#">Annual Review</a>.</p> <p>Finnvera's Board of Directors assesses the performance of the Management Group members annually, and the management assesses the operations of the units.</p> <p>A key aspect of the assessment of the management approach is personnel, client and stakeholder feedback, which serves as the foundation for strategy work.</p>

**Measuring our success in corporate responsibility**

Success in economic responsibility can be measured by the impacts of our financing and by our economic sustainability.

Responsibility with regard to environmental and social impacts is mainly monitored through the projects we finance, especially in export credit guarantee operations where environmental and social due diligence is conducted according to international standards.

We monitor the success of stakeholder interaction by means of the client and stakeholder survey every other year. The survey is supplemented with client satisfaction surveys in connection with service events. In 2019, Finnvera conducted an extensive client and stakeholder survey. Customer experience has been measured constantly since autumn 2016.

The personnel satisfaction survey is conducted every other year.



**DEVELOPMENT PLANS FOR 2020**

Finnvera's goal is to issue the first sustainable bond in the near future. A sustainable bond is a bond for financing projects that generate environmental and/or climate benefits.

Our aim is to intensify cooperation with major exporters when it comes to reporting, for instance. Joint activities, learning from each other and sharing lessons learnt with smaller enterprises may increase everyone's operational efficiency.

### How Finnvera monitors and implements corporate responsibility

This table lists goals, aspects to be monitored, and actions, which describe corporate responsibility in Finnvera's own operations, through transactions to be financed and their impacts.

	CORPORATE RESPONSIBILITY TOPIC	ASPECTS THAT WE MONITOR	INDICATOR OR GUIDING PRINCIPLE	2018	2019	OBSERVATIONS
<b>FINNVERA'S ROLE IN SOCIETY</b>	Financing solutions to enable growth, internationalisation, and competitiveness	Allocating 80 per cent of financing to strategic focus areas	%	87%	86%	
		Start-ups financed	number	2,634	2,427	
		SME and midcap financing offered and the share of enterprises seeking growth and internationalisation	EUR / %	EUR 0.9 billion / 41%	EUR 1.0 billion / 45%	
		Transfers of ownership financed	EUR / number	EUR 129 million / 921	EUR 155 million / 912	The size of business acquisitions financed by Finnvera has increased in recent years. Each year, Finnvera is involved in the financing of approximately every third transfer of ownership in Finland.
		Guarantees that came into effect	EUR	EUR 2.6 billion	EUR 4.4 billion	
	Creating jobs	Export credit guarantees and special guarantees offered	EUR	EUR 3.0 billion	EUR 5.2 billion	
Ratio of exports covered by export credit guarantees to Finland's total exports		%	4.4%	5.9%	Based on the preliminary statistics on the international trade in goods in 2019 provided by Finnish Customs.	
<b>IMPACTS OF FINNVERA'S OWN OPERATIONS</b>	Self-sustainability and capital adequacy	In the long term, the expenses incurred in the company's operations can be covered by the income received from operations	Self-sustainability realised	✓	✓	For potential future losses, we have so far accumulated around EUR 2 billion reserves as the result of our operations.
		Capital adequacy for domestic operations must be at least 15 per cent	Capital adequacy %	27.2%	29.4%	The period for reviewing self-sustainability is 10 years for SME and midcap financing and 20 years for export financing. Self-sustainability in Finnvera's SME and midcap financing has been attained over a 10-year period when the cumulative result is calculated up to the end of December 2019. Correspondingly, export financing has been economically self-sustainable during Finnvera's 20 years of operation.
	Skilled and healthy personnel	Training per year	hours per person per year	11.6	13.1	
		Performance review discussions for the entire personnel to support competence and well-being	participation %	97%	97%	
		Personnel survey index	People Power index	75.7 (2017)	72.0	Measured every other year
		Sick leaves	%	3.1%	3.1%	
	Minimisation of the environmental impacts of Finnvera's own operations and purchasing	Discrimination cases	number	0	0	
		Video and telephone conferences replacing business trips, rail travel being favoured inside Finland	Domestic flights per year Train journeys per year	745 523	448 773	Finnvera's travel policy was revised, and domestic flights are replaced with rail travel on the most conveniently replaceable routes. Need for international flights is determined according to projects.
		Digitalisation as a way to reduce paper consumption		✓	✓	Offices are mainly paperless, and customer service uses online services and electronic signature, among other solutions.
	<b>RESPONSIBLE FINANCING</b>	Management of the environmental and social impacts of projects carried out abroad	Using the framework agreements of Hansel, the government's central purchasing body		✓	✓
Management of environmental and social risks in projects to be financed			Project categorisation according to their environmental and social risks. Assessed Category A and B projects among export credit guarantees granted, number	A: 5, B: 5	A: 6, B: 8	The environmental and social risk management policy for Finnvera's financing operations was revised in 2019. The new processes and guidelines compliant with this policy will be created and implemented in stages in 2020.
Ensuring the prevention of bribery and the minimisation of tax evasion risk in financing projects carried out abroad		Identification of bribery and tax haven connections in financed projects according to Finnvera's anti-bribery and tax haven policies.	Finnvera's policies, the EU's and the OECD's guidelines	✓	✓	Finnvera's anti-bribery and tax haven policies were revised in 2019.
<b>COOPERATION WITH STAKEHOLDERS</b>	Sustainable lending	Prevention of over-indebtedness of low-income countries.	With regard to low-income countries, Finnvera adheres to lending restrictions compliant with the OECD's Sustainable Lending practice.	✓	✓	Finnvera and other OECD export credit and guarantee agencies have an obligation to consider the borrowing restrictions set by the IMF and the World Bank for low-income countries.
	Client orientation in all of our operations and the continuous improvement of customer experience	Clients' willingness to recommend	NPS index	70	64	Willingness to recommend is constantly monitored.
		Client and stakeholder satisfaction	NPS index by business area, average	71.6 (2017)	74.8	The extensive survey is conducted every other year.
Active dialogue with stakeholders	Finnvera's reputation among stakeholders	T-Media's Reputation&Trust survey		3.96	The reputation survey was conducted in 2019. Finnvera's reputation average was 3.96 (4 = excellent).	
Publicity policy	Information about Category A projects are published before the export financing agreement is signed. Finnvera published all signed guarantee agreements exceeding EUR 10 million after receiving publishing permissions from the parties of the agreements.	Publications on the Finnvera.fi website	✓	✓		





**A PROFITABLE BUSINESS IDEA IS OFTEN A BETTER INDICATOR OF GROWTH AND INCOME, IN OTHER WORDS, IMPACT.**

## Finnvera's role in society

Finnvera enables enterprises to succeed and generate well-being in our society by providing them with financing. The core of our impact is high-competence enterprises seeking growth, in line with our vision: Our clients' success strengthens the Finnish economy. In 2020, we will focus on the development of our impact indicators.

The goals of Finnvera's operations include the following: increasing the number of start-ups, enabling financing for changes encountered by SMEs, and promotion of enterprise growth, internationalisation and exports – in the future, boosting investments with financing will also have a more prominent role.

In the past few years, bank regulation has become stricter, and our responsibilities have increased significantly. At the moment, we have approximately 24,500 clients, and we finance foreign trade with several billion euros every year. We play an important role in supplementing the Finnish financial market.

Ultimately, our impact is based on Finnish enterprises' competence, courage and willingness to grow and enter international markets. It is our task to recognise these enterprises, and the key to this is our experts' business insight that reaches even the local level – their ability to assess what kind of business has success potential.

By promoting business, we contribute to the creation of jobs in Finland, the strengthening of the Finnish economy, and the increase of well-being. Furthermore, by applying our own policies and adhering to international recommendations, we want to ensure that the projects we finance are responsible and have impacts also from the target countries' perspective and create new jobs, technological solutions or operating methods, for instance, in these countries.

### Export and SME financing boosts economy

Exports are crucially important for a small country like Finland, and Finnvera can promote the competitiveness of Finnish enterprises. Guarantees that we grant to major export projects often make it possible to close the deal. Impacts of major export projects on the national economy can amount to hundreds of millions of euros. When the subcontractors are also considered, we are talking about thousands or even tens of thousands of new jobs. The shipbuilding industry is a good example. According to Etna's analysis, a EUR 1 billion project can create hundreds of millions of dollars in added value in Finland.

Our goal is to allocate 80 per cent of SME financing to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership: business growth and development as well as exports generate the highest benefit for the Finnish economy in the form of jobs, income, and taxes, among other things.

The State of Finland covers half of Finnvera's credit and guarantee losses in domestic operations. This enables Finnvera to take greater risks in its financing operations than other providers of financing. We assess the enterprises that apply for financing first and foremost on the basis of their business idea and creditworthiness, not the collateral they have. A profitable business idea is often a better indicator of growth and income, in other words, impact.

### SME Guarantee helps in lack of collateral

Our latest SME product, the SME Guarantee, makes it easier for enterprises to get financing from banks, especially when the enterprise's own collateral is not sufficient for getting a loan. This could be the case with enterprises that are involved in intangible business, such as consulting, game or software sectors, and that have no tangible assets suitable for use as collateral. The guarantee does not require collateral and is granted for a bank loan amounting to a maximum of EUR 150,000. It can be used for financing various investment, working capital and product development projects.

The majority of Finnish enterprises are SMEs, so there clearly exists a market for the SME Guarantee. Its impact on society will probably increase in the future, as the volume of intangible business will inevitably grow. This has positive impacts on our society: as recently as just a couple of years ago, it was still difficult to predict the growth of enterprises involved in intangible business, but now these enterprises are regarded as the most significant operators for Finland's GDP.

## Impact spearheading the strategy

Impact is the spearhead of Finnvera's strategy. For us, impact means that our financing helps clients generate and obtain turnover, financial profit, jobs and export trade that would not have been possible otherwise. For Finnvera, impact and corporate responsibility are closely intertwined.

In 2020, we will develop indicators for the impacts of exports and SME operations. The model being prepared in export credit guarantee operations analyses the benefits that a single guarantee generates for the Finnish society. These benefits could include direct or indirect jobs, for instance. With the set of indicators, potential impacts of projects to be financed can be assessed in advance and projects can also be mutually compared.

The aim of the set of SME indicators is to compare Finnvera's client enterprises with non-client enterprises that are as similar as possible over a review period encompassing a couple of years. The indicators show how exports, turnover and the number of jobs have developed in both groups over this period. This assessment provides us with valuable information about the impact of our financing.

### FOCUS ON COMMUNICATING THE IMPACT

In 2019, the position of a Chief Economist was created at Finnvera, and Timo Lindholm was appointed to this position. The work of the Chief Economist focuses on the impact of Finnvera's financing and on communicating the impact both in individual projects and in a broader context, from the perspective of the entire national economy:

"In my work, I want to highlight how functional the Finnish financial market is, even in international comparison. Our banking sector has a solid financial standing, and Finnvera plays an important role in supplementing the sector, paving the way for enterprises and acting as a strategic partner. A versatile market can offer financing to a wide range of enterprises and different stages of business. This ensures renewal in business life and the vitality of the Finnish economy."



**"I WANT TO HIGHLIGHT HOW FUNCTIONAL THE FINNISH FINANCIAL MARKET IS, EVEN IN INTERNATIONAL COMPARISON."**



### Impact study: Many export trade deals would be lost without export credit guarantees and buyer financing

Finnvera's export credit guarantees and financing are often decisive factors in enabling Finnish enterprises to win export contracts. This is revealed by a study on the largest export companies in Finland and a group of SMEs involved in exports. The large corporates in the study were Andritz, Outotec, Valmet, Wärtsilä, Meyer Turku, and Nokia. In certain sectors, individual deals would not be closed or the entire business would not exist without Finnvera's contribution.

[Read more >](#)

## Finnvera's role in society

Jobs created with the help of SME and midcap financing  
**8,009**

Transfers of ownership financed  
**MEUR 155**  
912 companies

Export credit guarantees and special guarantees offered  
**MEUR 5,246**

Start-ups launched with the help of financing  
**2,427 pcs**

SME and midcap financing offered  
**MEUR 990**  
of which 45% for companies seeking growth and internationalisation

Guarantees that came into effect  
**MEUR 4,380**

Exports covered by export credit guarantees  
**MEUR 3,833**

Financing per new job  
**EUR 124,000**



MICRO ENTERPRISES

**88%**

Number of clients

**24,500**

OTHER SMES AND MIDCAPS

**11%**

LARGE ENTERPRISES

**1%**



## Impacts of Finnvera's own operations

Competence, management, and the update of the Code of Conduct were the key themes in 2019.

### Ethical work life practices and good governance

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, internal corporate responsibility policies and ethical principles to which Finnvera is committed and which it follows in all its operations.

The Code of Conduct is supplemented by Finnvera's ethical guidelines. They consist of the principles of good

governance, guidelines for ensuring impartiality in decision-making and in the preparation of matters, and insider guidelines. They apply to Finnvera's employees and the members of the governing bodies.

In 2019, Finnvera published the revised environmental and social risk management policy, the anti-bribery policy, and a new tax haven policy. These policies required changes to the Code of Conduct, which was updated as of the beginning of 2020.

### MULTICHANNEL INFORMATION ABOUT ETHICAL WORK LIFE PRACTICES

Finnvera's experts are provided with training on the Code of Conduct and ethical principles annually. The Compliance function helps employees in questions related to individual ethical guidelines.

Stakeholders can find information about the principles on Finnvera's website, and anti-bribery principles are also communicated to all exporter enterprises in each financing project.

The open whistleblowing channel on Finnvera's website enables anonymous reporting of potential misconduct. In 2019, one report was received through the whistleblowing channel. The report was related to the appropriateness of hospitality received by a Finnvera employee. Feedback is processed impartially according to a uniform process. The above-mentioned report was scrutinised and deemed unfounded, and no further actions were required.



### DEVELOPMENT PLANS FOR 2020

In 2020, Finnvera will provide all of its employees with induction into the new policies and the Code of Conduct. At the same time, information about corporate responsibility policies will be added on the website. The goal is to increase transparency.



### Finnvera's Code of Conduct was revised

The significance of corporate responsibility is constantly increasing. For society or an enterprise in society to operate truly responsibly, the meaning of responsibility in practice must be jointly defined and agreed on.

[Read more >](#)

**Personnel competence and well-being**

In 2019, Finnvera created new management principles. We believe that supervisors can have a crucial impact on how future changes are received in the work community. The principles – an inspiring future, a bold culture of development and an atmosphere of trust – were created on the basis of the Management Group’s analysis of the current state and workshops with supervisors.

The principle of an inspiring future means that all of Finnvera’s employees understand its strategy and find their own place in it. A bold culture of development refers to an open culture of experimentation. An atmosphere of trust means that every Finnvera employee is entitled to good supervisory work. Inappropriate behaviour is addressed immediately, and failures are opportunities to learn.

During the supervisor day organised in the autumn, supervisors discussed the significance of the principles in everyday management. In early 2020, Finnvera launched online training on ethical principles, targeted at all employees. In this training, our aim is to communicate that the principles are part of everyone’s work.

**JOB ROTATION OPENS UP NEW CAREER PATHS**

One of the areas of competence identified at Finnvera in 2018 was networking and the ability to merge various experts’ competence, which help Finnvera to further improve its expertise and employee experience. In 2019, our goal was to lower the job rotation threshold: nearly all open positions can now be filled with the aid of job rotation.

Thanks to job rotation, experts can expand their competence and find new challenges in-house. The opportunity to return to the old position gives more courage to enter a new career path.

The willingness to participate in job rotation or project work is asked about in the target-setting and performance review discussion, which all Finnvera employees have annually. On the same occasion, each employee’s networks are charted and their utilisation opportunities are analysed.

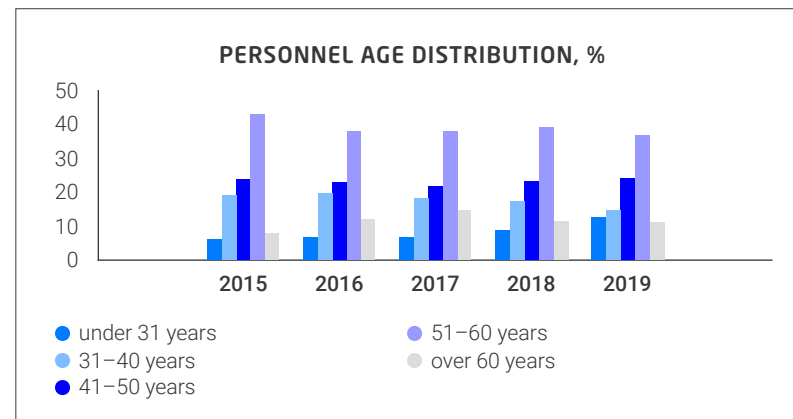
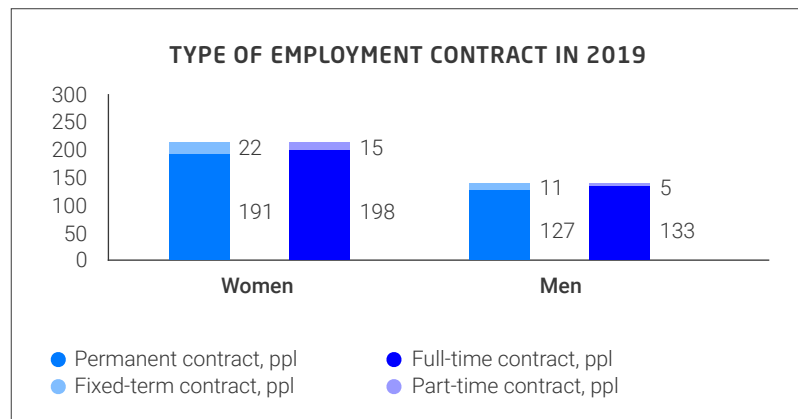
The new approach has got off to a good start: at the end of 2019 a total of 19 Finnvera employees participated in job rotation, and the number of job rotation instances increased by 58 per cent year on year. Employees’ feedback on job rotation has been positive. We are proud that the competence merging model has taken root at Finnvera. Also the goal to increase hybrid jobs that combine job functions was realised.



**Career stories describe working at Finnvera**

What kind of careers can Finnvera offer? In 2019, we published career videos to shed light on this topic. Senior Adviser Mikko Pitkänen talks about his work and working at Finnvera in general.

[Watch the video \(in Finnish\) >](#)



**PERSONNEL TURNOVER IN 2019**

Incoming	Men, ppl (%)	Women, ppl (%)	Total, ppl (%)
Under 30 years	3 (0.94)	1 (0.31)	4 (1.25)
30–50 years	5 (1.57)	2 (0.63)	7 (2.2)
Over 50 years	2 (0.63)	1 (0.31)	3 (0.94)
<b>Total</b>	<b>10 (3.14)</b>	<b>4 (1.25)</b>	<b>14 (4.39)</b>
Outgoing			
Under 30 years	0 (0)	0 (0)	0 (0)
30–50 years	5 (1.57)	2 (0.63)	7 (2.2)
Over 50 years	6 (1.89)	21 (6.6)	27 (8.49)
<b>Total</b>	<b>11 (3.46)</b>	<b>23 (7.23)</b>	<b>34 (10.69)</b>

**STRENGTHENING COMPETENCE WITH TRAINING AND INDUCTION**

In 2019, Finnvera organised on average 13.1 hours (11,6) of training per person (men 10.8 hours and women 15.4 hours) based on future competence needs. This ensures a high level of competence in the future, too.

Training offered during the year included facilitation training, for instance. The project management organisation was strengthened, and its members were offered coaching to strengthen their project skills. Investments were also made in induction. Dedicated, competence-specific induction paths are created for new employees, and a lot of digital learning materials were added to the induction process in the new digital learning portal. As part of their path, employees take the Welcome to Finnvera online course.

**LOOKING AFTER WELL-BEING**

Good management has a major impact on employees' well-being. Every Finnvera employee is entitled to equal and consistent supervisory work, a clear employee role, and competence development. We also want to secure good working conditions for our employees: appropriate tools and premises as well as competitive pay.

Finnvera looks after its employees' health with comprehensive occupational health care services, which include regular age-based health check-ups, laboratory tests, and opportunity to access physical therapy, among other things. In 2019, our sick leave rate was 3.1 (3.1).

Occupational health care services also include regular workplace surveys focusing on premises and ergonomics. The Cuckoo application is available to employees for break exercise, and Finnvera also has a culture and recreation club called Kultsi.

At Finnvera, a clear process and guidelines have been created for retirement and the termination of employment. We support people nearing the end of their career together with the occupational health care personnel and organise pension information events with an earnings-related pension company. An exit interview is organised for everyone leaving the company, in which we discuss their opinions and feelings and collect valuable feedback from the employee.

**RECENT CHANGES CAN BE SEEN IN THE PERSONNEL SURVEY**

In 2019, we conducted two job satisfaction and well-being surveys. In the extensive People Power personnel survey in the spring, the response rate was very high: 92.2. Our People Power index decreased from the good

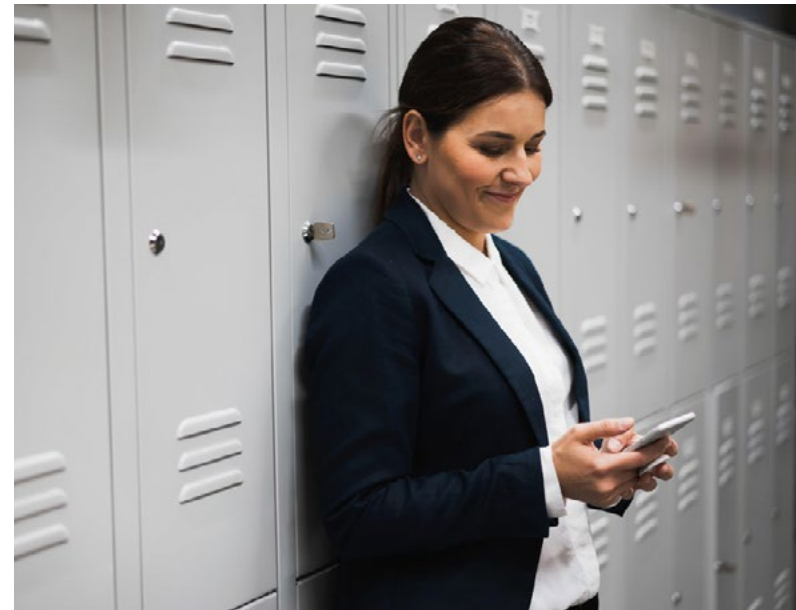
score achieved in 2017 to a satisfactory level, and the job satisfaction index was 72.0 (75.7).

The results were impaired by the personnel's reduced satisfaction with Finnvera's recent development and investments in well-being at work: at the time of the survey, a project related to the outsourcing of domestic recovery operations was under way, and changes were made to the collective labour agreement during the year.

In November, we organised an internal information session, assisted by an external expert, in which the incentive system of the entire company was explained to increase transparency, as requested in the survey.

The positive aspects listed by the employees included the relevance of work, having control over their own work, low stress levels and especially the sharing of expertise at Finnvera.

In addition to the People Power personnel survey, we conducted a more concise work energy level survey. In the future, we will conduct an extensive job satisfaction and well-being survey every other year and a work energy level survey 1–2 times a year.



**Ability to renew is the key to future success**

In 2020, Finnvera will concentrate on the employee experience. Our employees have the opportunity to determine themselves which matters they consider important in their work – and how these are currently realised at Finnvera.

Our goal is also to create a strategic personnel plan that outlines how digitalisation and other changes in the sector influence the job descriptions of experts and the competence needs associated with different roles. At Finnvera, there are major AI-based system projects under way, which open up new, increasingly versatile job opportunities for Finnvera employees and reduce the amount of routine work.



**DIGITALISATION POSES CHALLENGES TO COMPETENCE**

Although the transformation guiding the financing sector stems from technology, experts and competence are at the centre stage in development. Finnvera emphasises agile development and support for new thinking. It is not only about technology but also about new operating methods. We must change our ways of working because increasing the efficiency and speed of existing processes is not enough. Competence is always based on actual work and a clear understanding of the skills required by the strategy.



**THE OUTSOURCING OF DOMESTIC COLLECTION OPERATIONS REQUIRED STRONG CHANGE MANAGEMENT**

At the beginning of October 2019, Finnvera's operations related to the collection of domestic receivables were transferred to Intrum Oy with a commission agreement. In the connection of the transfer of business, a total of 11 employees from Finnvera's domestic collection team transferred to Intrum. The transfer was carried out as a six-month public competitive tendering, pursuant to the Act on Public Procurement and Concession Contracts.

Finnvera took many measures to streamline the transfer of the employees. We offered regular support, career coaching and other coaching services to the supervisors of the transferring employees. The employees were provided with change coaching, for which they gave positive feedback: coaching strengthened their belief in their own professional competence.

The internal change process has not been visible to our clients – Finnvera employees have remained extremely committed to their work throughout the transition. Finnvera will have the responsibility for collection and its control in the future, too.



**SELF-SUSTAINABILITY HAS BEEN ATTAINED THROUGHOUT FINNVERA'S 20-YEAR HISTORY.**

**Self-sustainability, capital adequacy and risk management**

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. With the aid of experts and efficient processes, we identify risks before financing decisions and manage them after that.

The State of Finland covers some of Finnvera's credit and guarantee losses in domestic operations. 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 13-year period when the State's share is taken into account and the cumulative result is calculated up to the end of December 2019. Export financing has been genuinely economically self-sustainable for all of Finnvera's 20 years of operation.

Finnvera's capital adequacy must be sufficient to ensure the company's ability to bear risks and to keep the costs of funding reasonable.

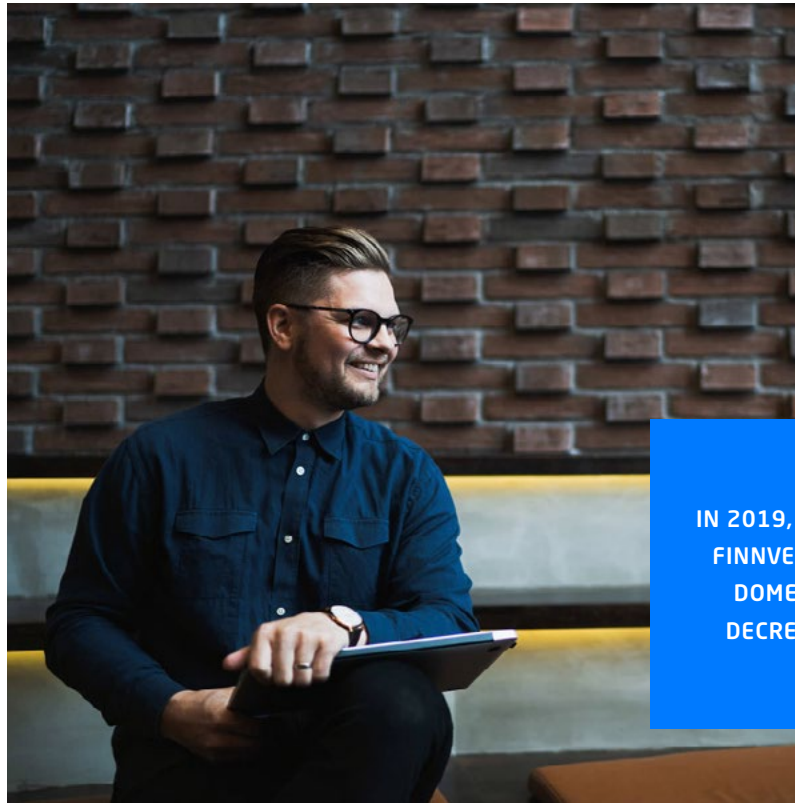
**RISK MANAGEMENT WAS EXCELLENT IN INTERNATIONAL COMPARISON**

The rapid growth of the export financing exposure in the past few years as well as the raised financing authorisations have increased interest in Finnvera's risk management. The National Audit Office of Finland assessed Finnvera's exposures in 2018. Already in 2017, an external assessment commissioned by the Ministry of Economic Affairs and Employment showed that Finnvera's management of risks and exposures is at an excellent level in international comparison.

The special characteristics of export financing and the concentration of risks in certain sectors are taken into account in risk management. Finnvera invests heavily in the development of risk management, including reinsurance. The charting of new protection methods is part of Finnvera's risk management strategy. Read more in the Annual Review's [Risk management section](#).

Self-sustainability, risk management and corporate responsibility are closely intertwined in Finnvera's [strategy](#). It is part of corporate responsibility that our operations are self-sustainable and our risk management is systematic. Finnvera, and the transactions we finance, are responsible with regard to the environment and people. Financing and controlled risk-taking are Finnvera's most important ways of achieving impact through its operations.





**IN 2019, THE AMOUNT OF FINNVERA EMPLOYEES' DOMESTIC FLIGHTS DECREASED BY 40%.**

**Purchasing and environmental impacts in Finnvera's operations**

In October 2019, Finnvera started using the services of Intrum Oy in the recovery of Finnvera's domestic receivables. Intrum was elected as the service provider through public competitive tendering. On the same occasion, a total of 11 employees from Finnvera's domestic recovery team transferred to Intrum as part of the transfer of business.

During the year, a procurement procedure was launched for renewing the financing systems. The aim is to complete the procedure in 2020.

In 2019, Finnvera also organised a competitive tendering process for IT and expert services, such as auditing services.

Purchasing costs were at the same level as in the previous year.

**PUBLIC PROCUREMENT AIMS AT AN ECOLOGICAL AND ECONOMICAL OVERALL SOLUTION**

As a public organisation, Finnvera applies the Act on Public Procurement and Concession Contracts to its purchasing. The act seeks to enhance efficiency in the use of public funds, promote high-quality procurement, and safeguard equal opportunities for enterprises and other corporations in providing goods and services in competitive tendering for public procurement.

According to the Government's decision-in-principle, public procurement must promote sustainable choices. The decision-in-principle sets targets for the use of public funds and defines measures to be taken to reduce greenhouse gas emissions, waste, and environmental chemicalisation and to promote the sustainable use of natural resources and environmentally friendly innovations.

The Government requires that the aim of public procurement must be an overall solution that meets the demand in an ecologically and economically optimal manner. In purchasing, Finnvera's aim is to consider environmental impacts and promote the use of environmentally friendly products and services. In service procurement, attention must be paid, on a case-by-case basis, to how environmental friendliness can be taken into account in competitive tendering.

Finnvera's purchasing team is led by the Head of Legal Affairs, and the Procurement Manager is responsible for purchasing. Whenever possible, Finnvera 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. The goal is to decrease administrative and other total costs with systematic, long-term purchasing activities that cross unit and responsibility boundaries. Finnvera uses approximately 200 suppliers, most of them Finnish.

Purchasing cooperation with other Team Finland actors is carried out when there are similar purchasing needs. In 2019, Finnvera was responsible for competitive tendering for coffee machines purchased for Team Finland House in Helsinki.

**FINNVERA'S ENVIRONMENTAL IMPACTS**

Finnvera's direct environmental impacts are mainly related to properties' energy consumption and commuting in Finland and in international financing projects. Finnvera has offices in 16 locations, in new, modern premises. Digitalisation has reduced paper consumption. In addition, the sorting of waste is a daily routine at Finnvera.

Video and telephone conferences have replaced business trips, especially in Finland, but sometimes travelling is still required. Finnvera's travel policy was updated in 2019. According to it, it must always be considered if the trip is necessary or if the contact could be made virtually. It is recommended that business trips be combined as appropriate, keeping total costs in mind. Domestic flights were replaced with rail travel on the most conveniently replaceable routes. In 2019 the amount of Finnvera employees' domestic flights decreased by 40 per cent and domestic rail travel increased by 33 per cent.

Financing projects carried out abroad often involve visits to the site and to foreign buyer clients and financing provider partners. The need for a visit is always determined on a case-by-case basis. In 2019, Finnvera employees made approximately 200 trips abroad.



## Responsible financing

In 2019, Finnvera strengthened the environmental and social risk management policy for its financing operations as well as its anti-bribery and tax haven policy. The aim is to increase the efficiency, transparency and predictability of operations, among other things.

In export financing transactions, environmental and social risk management, the aim of influencing the environmental impacts of the transactions and of respecting human rights play an important role.

In 2019, Finnvera revised its environmental and social risk management policy for financing operations. Previously, Finnvera divided transactions to be financed according to sector, size and repayment period, and in the environmental and social risk assessment, the focus was on transactions related to projects and exceeding EUR 10 million and having a repayment period of over two years. A risk assessment was also conducted for projects under EUR 10 million if the project was considered to involve significant potential environmental or human rights risks.

In the future, the assessment will be guided by where the most severe impacts and risks are. Along with the reform, the assessment and management of impacts and risks in Finnvera's export credit guarantee transactions exceed the minimum level set by the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

### Human rights and sector-specific risks are emphasised in risk management

Especially respect for human rights has a more prominent position in the revised policy. Finnvera includes the United Nations Guiding Principles on Business and Human Rights (UNGP) more systematically in its risk management.

The reform is based on an analysis of Finnvera's human rights risk management, made by the expert organisation Shift Project in 2019.

**IN THE FUTURE,  
THE AIM IS TO FURTHER  
INCREASE TRANSPARENCY  
OF DIALOGUE WITH  
STAKEHOLDERS.**

Finnvera shall conduct enhanced due diligence when vulnerable groups or environmentally sensitive areas are affected.

Risks related to the sector and target country of financed transactions guide Finnvera's use of resource in environmental and social risk management. If the risks associated with the sector are high and the target country's legislation related to environmental and social risks is weak or its enforcement is lacking, Finnvera has a more stringent obligation to ensure that national and international requirements are met.

### The anti-bribery and tax haven policy was strengthened

In 2019, Finnvera decided to strengthen its anti-bribery policy. In the future, the screening of financing project parties is added to the processing of financing applications in order to identify bribery risks. In addition, Finnvera decided to introduce a new policy identifying and recognising tax havens and associated tax evasion risks.

The restrictions of the EU funding concerning tax havens are already closely connected to Finnvera's domestic financing, and along with the reform, a policy concerning the clients' tax haven connections is adopted in all of Finnvera's financing operations.

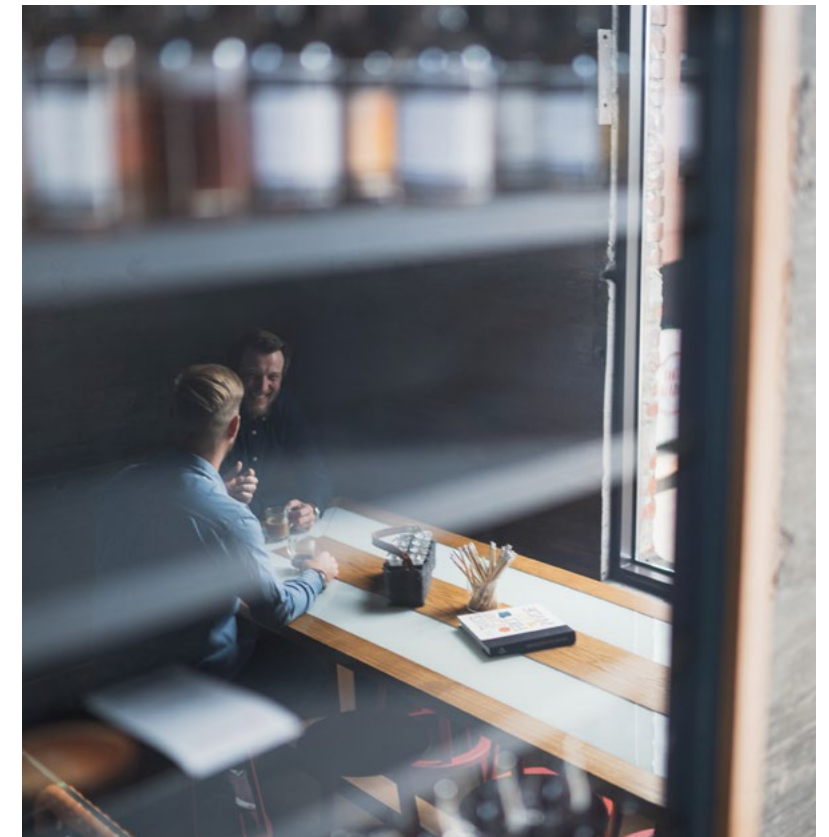
The purpose is to identify a tax haven ownership as set out in the EU or OECD so called black list relating to Finnvera's client enterprise or a foreign trade partner

in export financing as well as the tax evasion and money laundering risk resulting from it. The goal is to minimise this risk by requiring the client enterprise to confirm that it appropriately complies with tax obligations and delivers its tax policy to Finnvera or signs an undertaking concerning taxation.

### Stakeholders involved in policy updates

Finnvera engaged its stakeholders in updating the policies. In November, the company organised a discussion event, in which organisations and clients could express their views on what kinds of matters should be acknowledged in environmental and social issues.

The environmental and social risk management policy as well as the anti-bribery and tax haven policies were also discussed in the Export Finance Committee composed of Finnvera's clients in November. In the future, the aim is to further increase the transparency of dialogue with stakeholders.



### Policies to be adopted in 2020

Finnvera's Board of Directors approved the anti-bribery and tax haven policies in November 2019 and the environmental and social risk management policy for Finnvera's financial operations in December 2019.

The new guidelines of the environmental and social risk management policy for financing operations as well as the anti-bribery and tax haven policies will be adopted gradually during 2020.

Finnvera develops policies and the related specifying guidelines on the basis of experiences and feedback as well as according to the changes in the legal sources and recommendations. The company's Board of Directors assesses the appropriateness of the policies at regular intervals.

## Management of environmental and social risks in export transactions

Export financing transactions are divided into categories A, B or C on the basis of the financing and other background information. Category A means that in its target country, the investment entails significant environmental or social risks, such as impacts related to local population, surrounding communities, employees and biodiversity or waste and emissions to air or water.

Each year, there are a couple of major Category A transactions, such as pulp mill, mine or power plant transactions, to be assessed by Finnvera. In general, risk management encompasses the whole transaction even when export financing is granted, for instance, for an individual delivery of equipment.

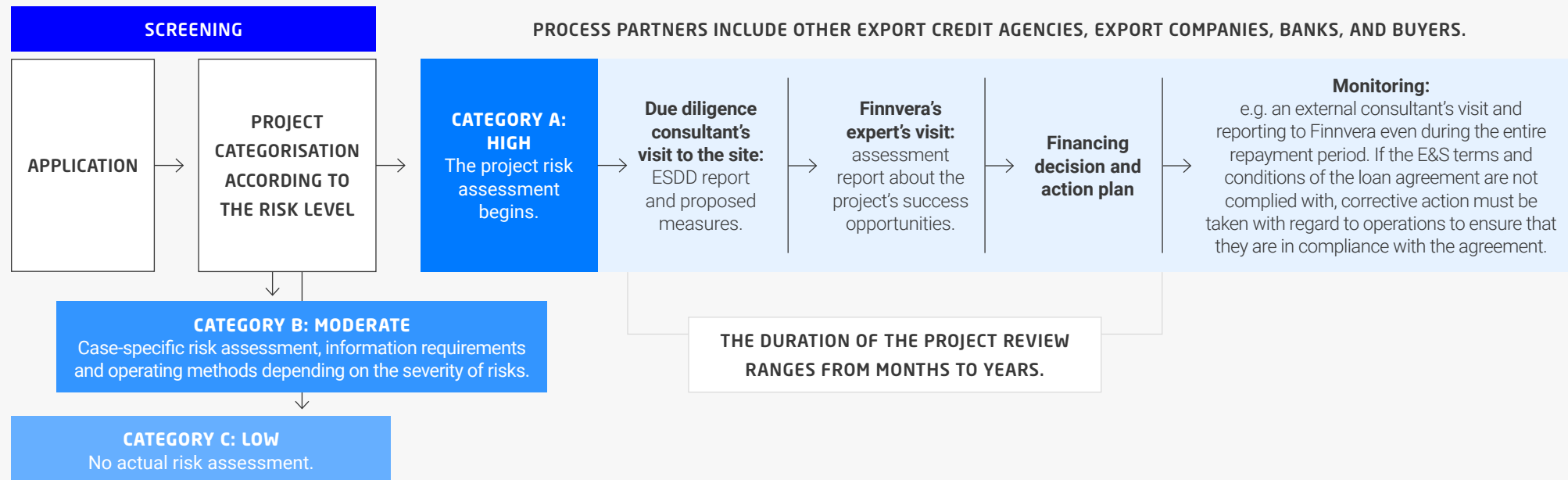
In 2019, Finnvera granted 330 export credit guarantees. Of these, 40 fell within the scope of preliminary environmental and social risk assessment and categorisation. The resulting categorisation was as follows: 6 in Category A, 8 in Category B and 4 in Category C. The remaining 22 projects were not projects meeting the OECD definition due to their size, and no actual environmental or social assessment was made for them. In 2019, Finnvera made environmental and social

risk assessments for transactions in Indonesia, Brazil and India, among other countries. During the year, we rejected two financing applications due to social and environmental risks. The rejection reasons were the transactions' location in an environmentally fragile area and the transaction party's poor reputation.

When assessing environmental and social risks and impacts, Finnvera cooperates closely with various stakeholders, such as other export credit agencies, export companies, buyers, and banks. The transaction processing times vary, and in major Category A transactions, the processing typically takes months or even years.

[To be continued on the next page.](#)

### Export financing project assessment process



### FINNVERA'S OPERATIONS ARE GOVERNED BY ACTS AND AGREEMENTS

Finnvera's operations are governed by Finnish law and international agreements. The company is committed to the UN Guiding Principles on Business and Human Rights and adheres in its export credit guarantee and export credit operations to the World Bank Group's Environmental, Health, and Safety Guidelines (EHS Guidelines), the IFC Environmental and Social Performance Standards, and, like other export credit agencies, to the OECD Recommendation on Common Approaches and the OECD Recommendation on Bribery and Officially Supported Export Credits.

[Read more >](#)



**CATEGORY A RISK MANAGEMENT PROCEEDS FROM ANALYSES TO MONITORING**

After the application and screening stage of a Category A transaction, Finnvera's due diligence consultant visits the site of the transaction to be financed and prepares an Environmental and Social Due Diligence (ESDD) report. The report assesses if the transaction meets the requirements of the World Bank Group's Environmental, Health, and Safety Guidelines and the IFC Environmental and Social Performance Standards. In addition, it lists the measures needed to meet these requirements.

Usually, Finnvera's expert also visits the site to assess the transaction party's attitude towards risk management as well as its risk management ability and management approaches. The visit to the site is important as it is an efficient means to also investigate how various stakeholders, such as NGOs, authorities and people affected by the project view it.

On the basis of the visit, the expert prepares an assessment report for Finnvera's internal decision-making. The report assesses the transaction's success

opportunities considering Finnvera's requirements. It also describes how existing risks can be managed: how they are monitored (e.g. with a consultant's visit to the site), and what kind of terms and conditions must be included in the loan agreement.

If the action plan included in the ESDD report is sufficient and if Finnvera's view is that the transaction party is willing and able to execute the actions required by the plan, it is proposed that the transaction is approved. After this, the project monitoring plan is agreed on. It could involve, for instance, an external consultant who reports to Finnvera on the basis of visits.

Once the loan agreement has been signed, the actual monitoring of the transaction begins. The consultant visits the site at agreed intervals and ensures that the level required by Finnvera is reached. If the transaction has particularly high risks, the consultant monitors operations throughout the loan repayment period. If problems emerge, the primary means to address them is negotiations. The loan agreement has an immediate repayment option if terms and conditions are not complied with.



**CATEGORY B AND C TRANSACTIONS ARE ASSESSED TO A LESSER EXTENT**

Transactions that may have moderate negative environmental and/or social impacts are placed in Category B. The impacts are smaller and more easily manageable than in Category A. Information requirements related to a Category B transaction (e.g. a small power plant) are more limited than in Category A. In practice, information requirements are highly case-specific.

Transactions that may have no or only minor negative environmental and/or social impacts are placed in Category C. No actual environmental and social risk assessments are made in Category C.



**BEING RESPONSIBLE IS PART OF OUR CLIENTS' SUCCESS - FINNVERA REFORMS THE ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT OF THE FINANCING OPERATIONS.**

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**FINNVERA STRENGTHENS ITS ANTI-BRIBERY AND TAX HAVEN POLICY.**

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**THE EU'S ACTION PLAN ON SUSTAINABLE FINANCE INTRODUCES NEW OBLIGATIONS**

The European Union's goal is to achieve net zero carbon dioxide emissions by 2050, and the European Commission has published an action plan to promote sustainable finance.

The plan introduces direct obligations for investment and financing companies. In the future, they will be under an obligation to provide information about the sustainability risks associated with investments and report how sustainability considerations are taken into account in investments.

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## Cooperation with stakeholders

Understanding the needs and views of our principal stakeholders is crucially important for Finnvera's operations. In 2019, these views were gathered with a client and stakeholder survey and a reputation survey. Finnvera continued close cooperation with both domestic and international partners. Stakeholders were also heard when Finnvera revised its environmental and social risk management policy for financing projects.



Our principal stakeholders are clients, banks, domestic and international organisations, personnel, owners and cooperation partners, including other Team Finland network organisations. Finnvera exists for its client enterprises, and our skilled personnel is a guarantee of professional financing service. Other stakeholders are essential cooperation partners in SMEs' and large corporates' financing arrangements as well as in efforts to influence the operating environment in the financing sector, among other things. Cooperation with stakeholders is intensive and continuous both at the management level and at the level of regional organisations and experts. Furthermore, we participated in international cooperation in our own sector abroad.

### Interaction with stakeholders in 2019

#### CLIENTS

The overarching theme of the 20th anniversary of Finnvera's operations was that we exist for our clients and enterprises. To develop our services according to our clients' needs, we need smooth and continuous interaction. There is a wide range of channels, starting from the Finnvera Committee and the Export Finance Committee that are composed of Finnvera's client enterprises. Discussions in client encounters increase client insight. We provide information about our services and client stories on our website, social media, newsletters, and the Info stakeholder magazine. During 2019, we continued our work to improve the language used by Finnvera, and our aim is that our communications about financing services are in a clear language that is easy for clients to understand.

In continuous customer experience measurement, we inquire about clients' satisfaction with our service either immediately after the first meeting or after the financing decision. The target for willingness to recommend is set at the excellent score of 55, which was exceeded also in 2019. For the entire Finnvera, the average NPS (Net Promoter Score) was 64.

In 2019, we carried out the extensive client and stakeholder satisfaction survey that is conducted every other year. The survey focused on the satisfaction of SMEs, large corporates, banks, providers of financing and other stakeholders with Finnvera's operations and service, impressions of Finnvera, views on the significance of Finnvera's operations, and experiences of Finnvera's different service channels. In all target groups, the quality of Finnvera's services and the benefits yielded by them were considered very good. The most positive assessments were given by providers of export financing, client enterprises seeking growth and internationalisation, and export financing corporate clients. Assessments of Finnvera's expertise and competence were also very high, with the highest satisfaction among export financing target groups. Long-term development since 2001 has been positive in all target groups. Finnvera is regarded as reliable and responsible.

The results are compared with earlier surveys and used as support for services and business operations and as background information in developing cooperation with stakeholders. Moreover, Finnvera analysed the views of its clients, potential clients and principal stakeholders with the Reputation&Trust survey in 2019.

#### ENGAGING CLIENTS AND STAKEHOLDERS

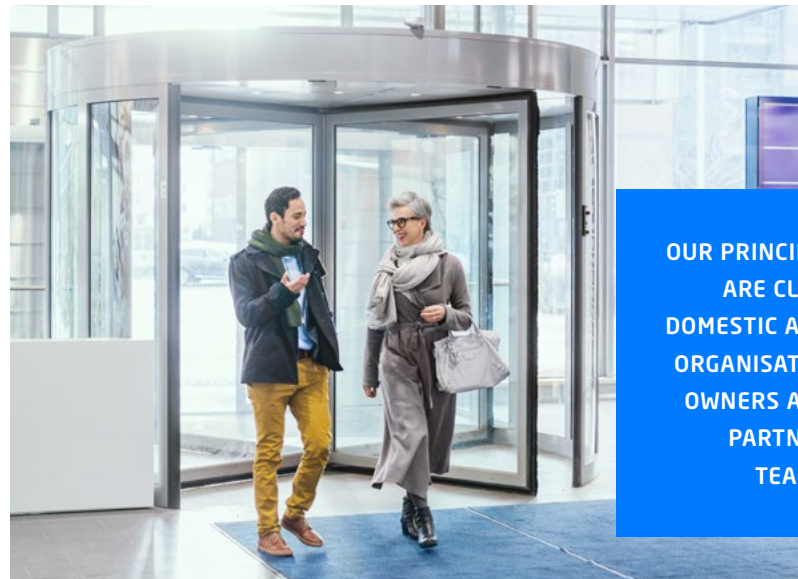
Cooperation with stakeholders found new forms when Finnvera revised its environmental and social risk management policy for financial operations. A public discussion event was organised about the policy reform. Representatives of enterprises and stakeholders were invited to the event both with direct invitations and through Finnvera's news channels. The participants included representatives of advocacy, environmental and enterprise organisations, ministries and export companies. The policy was also discussed in the committee composed of Finnvera's clients and could be commented on in writing, too.

The comments showed interest in participating in the development of Finnvera's operations, and prominent themes



HOW WILL A FINNISH COMPANY SUCCEED IN EXPORT? - HERE ARE TIPS FROM DISCUSSIONS IN SUOMIAREENA.

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**OUR PRINCIPAL STAKEHOLDERS ARE CLIENTS, BANKS, DOMESTIC AND INTERNATIONAL ORGANISATIONS, PERSONNEL, OWNERS AND COOPERATION PARTNERS, SUCH AS TEAM FINLAND.**

included a competitive export financing system and the consideration for climate change and human rights in financing projects. Stakeholders are taken into account in the future, too, and the aim is to increase the transparency and predictability of operations.

**BANKS**

Finnvera's role is to supplement the financial market, and banks and other financial institutions are important cooperation partners for us. Finnvera usually provides financing to enterprises in cooperation with a bank.

In 2019, Finnvera introduced a new guarantee product, the SME Guarantee. An enterprise applies for the guarantee through its own bank, similarly to Finnvera's Start Guarantee. These guarantee products increase the significance of smooth cooperation between Finnvera and banks at client contact points. Finnvera's experts met banks' product and financing managers actively throughout the year, and contact was also maintained with newsletters. In addition to meetings, cooperation encompassed events and webinars focusing on different themes.

Cooperation with banks also continued on the export trade financing tour targeted at SMEs. The tour partners were Danske Bank,

Handelsbanken, OP and Nordea as well as credit insurers Atradius, Coface, Euler Hermes and Tryg Garanti. In 2019, the tour visited 7 locations and reached approximately 300 representatives of enterprises and stakeholders, with its themes being export financing and risk management. The export trade financing barometer, now conducted for the second time among export companies, showed that Finnish export companies may have been more successful in offering trade financing, in addition to good export products, to foreign buyers. Furthermore, an increasing number of enterprises now have a written credit policy in place.

**DOMESTIC ORGANISATIONS AND COOPERATION PARTNERS**

Finnvera and Finland Chamber of Commerce cooperated in realising the export trade financing barometer also in 2019. Close cooperation between these two parties also continued on the export trade financing tour. The tour is planned to continue in 2020. The theme of export trade was also present in the SuomiAreena event in Pori, where Finnvera and Finland Chamber of Commerce organised a joint discussion. The discussion participants included enterprises and internationalisation experts.

The national event for entrepreneurs was organised in cooperation with the Federation of Finnish Enterprises, and there was mutual cooperation also with regional enterprise organisations. Finnvera was one of the cooperation partners in the Listing in 365 days programme, launched by the Federation of Finnish Enterprises, which aims to encourage high-growth enterprises to list on the stock exchange or find other alternatives to growth financing.

Cooperation with the Confederation of Finnish Industries was associated with, among other things, the Forum for Transfers of Ownership and Team Finland, which served as venues for promoting the strategic themes shared by all the parties involved – transfers of ownership, growth and internationalisation.

As in the previous year, Finnvera participated in the Kasvu Open (Growth Open) business competition, which was organised in cooperation with various enterprises and organisations.



**Internationalisation awards of the President of the Republic of Finland to Keitele Forest, Smartly and Cursor**

The award for the Growth Company of the Year was granted to Keitele Forest Oy, the Newcomer Company of the Year was Smartly io Solutions and the Community Award was granted to the regional development company for Kotka-Hamina, Cursor Oy.

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**TEAM FINLAND**

The Team Finland network intensified its cooperation in 2019. The joint CRM system that was deployed provided concrete assistance in serving enterprises across organisational boundaries. The Team Finland strategy was updated so that the enterprises' needs on the path to growth and internationalisation can be better met. The Team Finland day, targeted at enterprises, was organised in August, attracting hundreds of enterprises and a wide range of experts from various organisations. In the autumn, the SMEs abroad tour visited five locations, with regions' export-oriented SMEs as its target group. The free TF Talks webinars on the opportunities in different markets were continued during 2019.

Finnvera's CEO Pauli Heikkilä is a member of the Team Finland Management Group. Finnvera also participated actively in a working group which was gathered from Team Finland's core organisations to propose candidates for the internationalisation awards of the President of the Republic of Finland. The goal of the Team Finland network is to provide enterprises with the services they need in growth and internationalisation, ranging from advisory services to financing, and to facilitate enterprises' access to markets. Jukka Suokas, who worked in Oslo for one year as Finnvera's and Business Finland's joint representative promoting exports to Norway, returned to Finland in summer 2019. In addition, Finnvera has a representative office in St. Petersburg.

**THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS BOOSTS INVESTMENTS IN EUROPE**

As part of the Investment Plan for Europe, Finnvera has, since early 2017, provided guidance on European financing through a helpline, via e-mail and by appointment. For more information, clients are referred to esir.fi, where they can fill in a suitability assessment of whether their project is compatible with EFSI financing. Even banks can call Finnvera's helpline whenever they need help with questions related to EFSI and other European financing.

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**OWNERSHIP STEERING AND MINISTRIES**

Finnvera's operations are steered by the Ministry of Economic Affairs and Employment, with which there is active dialogue at the administrative level and cooperation also at enterprise contact points. In 2019, there was close cooperation in the Forum for Transfers of Ownership, for instance. The forum receives half of its funding from the Ministry of Economic Affairs and Employment and half from its member organisations, such as Finnvera. The aim of the forum is to accelerate business acquisitions and transfers of ownership. The ministry plays an active role in the guarantee agreement signed by Finnvera and the European Investment Fund (EIF). During the next two years, the agreement offers nearly EUR 190 million in new lending to Finnish enterprises seeking growth. This agreement makes Finnvera's SME Guarantee product possible.

Cooperation with the ministry was also continued in the biannual SME barometer survey, which provides important survey data about economic cycle and financing prospects in business, among other things. The Federation of Finnish Enterprises is also involved in the barometer.

Finnvera cooperates closely with the Ministry for Foreign Affairs and the Ministry of Finance, too.

**INTERNATIONAL ORGANISATIONS AND COOPERATION**

As an export credit agency, Finnvera is "larger than its size" on an international scale as, in terms of exposure, Finnvera is larger than equivalent agencies in many countries with higher GDP. For an export-driven country, international cooperation is extremely important.

Through the Ministry of Economic Affairs and Employment, Finnvera participates in international cooperation in its own sector, within the OECD and the EU, for instance. Pekka Karkovirta, Finnvera's Vice President, International Relations, continued to act as Chairman of the Participants to the OECD Arrangement also in 2019.

In addition, Finnvera is involved in the European Association of Guarantee Institutions (AECM), 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.

Cooperation among Nordic export credit agencies also continued in 2019: both the management and expert groups meet once a year to discuss themes concretely associated with business.



**The reputation survey showed that the impacts of Finnvera's operations are well-known**

In early 2019, the Reputation&Trust survey looked into Finnvera's reputation among clients and potential clients. In the autumn, the same survey was conducted among Finnvera's principal stakeholders. The respondents included both SMEs and large corporates. The strategic foundation of the reputation survey was the customer experience, which is an integral part of our work. On the basis of the survey, Finnvera has a good reputation in all target groups. The total reputation score was very good: 3.96 (4 = excellent). Perceptions of reputation were highest among the key stakeholders: public officials, political decision-makers, banks and insurance companies, labour market organisations, and other advocacy organisations. Reputation was good among clients and close to the good level among potential clients.

The survey also revealed development areas, such as interaction and operational innovativeness. These came up in the responses of potential SME clients. The strongest aspect of reputation was finances: economic sustainability and financial stability. The reputation survey also strengthened the view that we have succeeded in communicating Finnvera's impact.

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## Reporting principles

This report has been prepared in accordance with the GRI Standards: Core option. The report covers the economic, social, and environmental impacts of Finnvera plc's own operations for the financial period 1 January–31 December 2019. 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 each calendar year; the previous report was released on 26 February 2018. The report has not been subject to external assurance.

**Further information:**

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## GRI Standards Content Index

Disclosure	Location	Additional information
<b>GRI 102: GENERAL DISCLOSURES</b>		
<b>Organizational profile</b>		
102-1	Name of the organization	Reporting principles, p. <a href="#">56</a>
102-2	Activities, brands, products, and services	Finnvera's year 2019, p. <a href="#">2</a>
102-3	Location of headquarters	GRI content index Porkkalankatu 1 P.O. Box 1010, FI-00101 Helsinki, Finland Kallanranta 11 P.O. Box 1127, FI-70111 Kuopio, Finland
102-4	Location of operations	Operating environment, p. <a href="#">13</a> , How Finnvera creates value, p. <a href="#">7</a>
102-5	Ownership and legal form	Corporate governance, p. <a href="#">29</a>
102-6	Markets served	Operating environment, p. <a href="#">13</a> , How Finnvera creates value, p. <a href="#">7</a>
102-7	Scale of the organization	How Finnvera creates value, p. <a href="#">7</a> , Financial statements, p. <a href="#">6</a>
102-8	Information on employees and other workers	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. <a href="#">46, 48</a> , GRI content index At the beginning of October 2019, Finnvera's operations related to domestic recovery were transferred to Intrum Oy with a commission agreement.
102-9	Supply chain	Impacts of Finnvera's own operations: Purchasing and environmental impacts in Finnvera's operations, p. <a href="#">49</a>
102-10	Significant changes to the organization and its supply chain	GRI content index At the beginning of October 2019, Finnvera's operations related to domestic recovery were transferred to Intrum Oy with a commission agreement.
102-11	Precautionary Principle or approach	Impacts of Finnvera's own operations: Purchasing and environmental impacts in Finnvera's operations, p. <a href="#">49</a> , Responsible financing, pp. <a href="#">50–52</a>
102-12	External initiatives	Finnvera's Code of Conduct and key policies, p. <a href="#">28</a>
102-13	Membership of associations	Cooperation with stakeholders, pp. <a href="#">54–55</a>

Disclosure	Location	Additional information
<b>Strategy</b>		
102-14	Statement from senior decision-maker	CEO's review, p. <a href="#">6</a>
102-15	Key impacts, risks, and opportunities	How Finnvera creates value, p. <a href="#">7</a> , Operating environment, pp. <a href="#">11–12</a> , Risk management, pp. <a href="#">24–26</a> , Responsible financing, pp. <a href="#">50–52</a>
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behavior	How Finnvera creates value, p. <a href="#">7</a> , Finnvera's Code of Conduct and key policies, p. <a href="#">28</a>
102-17	Mechanisms for advice and concerns about ethics	Impacts of Finnvera's own operations: Ethical work life practices and good governance, p. <a href="#">45</a> , <a href="http://finnvera.fi/eng/whistleblowing">finnvera.fi/eng/whistleblowing</a>
<b>Governance</b>		
102-18	Governance structure	Corporate governance, pp. <a href="#">30–33</a> , Corporate responsibility management at Finnvera, p. <a href="#">39</a>
102-22	Composition of the highest governance body and its committees	Corporate governance, pp. <a href="#">31–32</a> , GRI content index All Board members are independent.
102-23	Chair of the highest governance body	Corporate governance, pp. <a href="#">32–33</a> , GRI content index The Chairman of the Board is independent of the executive management.
102-24	Nominating and selecting the highest governance body	Corporate governance, p. <a href="#">31</a> , Statement on the Corporate Governance and Steering System, p. <a href="#">4</a>
102-35	Remuneration policies	Statement on the Corporate Governance and Steering System, pp. <a href="#">6–7</a> , Financial statements, pp. <a href="#">67–68</a>



Disclosure	Location	Additional information
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Cooperation with stakeholders, p. 53
102-41	Collective bargaining agreements	GRI content index 94 per cent of Finnvera's personnel are covered by a collective labour agreement.
102-42	Identifying and selecting stakeholders	Cooperation with stakeholders, p. 53
102-43	Approach to stakeholder engagement	Corporate responsibility at Finnvera, p. 37, Cooperation with stakeholders, pp. 53–55
102-44	Key topics and concerns raised	Cooperation with stakeholders, pp. 53–55
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	Financial statements, p. 69
102-46	Defining report content and topic Boundaries	Corporate responsibility at Finnvera, p. 37, Reporting principles, p. 56
102-47	List of material topics	Corporate responsibility at Finnvera, p. 37
102-48	Restatements of information	GRI content index No changes.
102-49	Changes in reporting	GRI content index No significant changes.
102-50	Reporting period	Reporting principles, p. 56
102-51	Date of most recent report	Reporting principles, p. 56
102-52	Reporting cycle	Reporting principles, p. 56
102-53	Contact point for questions regarding the report	Reporting principles, p. 56
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles, p. 56
102-55	GRI content index	GRI content index, pp. 57–59
102-56	External assurance	Reporting principles, p. 56
<b>GRI 103: MANAGEMENT APPROACH</b>		
103-1	Explanation of the material topic and its Boundary	Corporate responsibility at Finnvera, pp. 37–38
103-2	The management approach and its components	Corporate responsibility at Finnvera, p. 39
103-3	Evaluation of the management approach	Corporate responsibility at Finnvera, p. 39

Disclosure	Location	Additional information
<b>GRI 200: ECONOMIC STANDARDS</b>		
<b>GRI 201 Economic performance</b>		
201-1	Direct economic value generated and distributed	Financial statements, pp. 2, 19–20, How Finnvera creates value, p. 7
201-4	Financial assistance received from government	Financial statements, pp. 8–13, 60–62
<b>GRI 203 Indirect economic impacts</b>		
203-2	Significant indirect economic impacts	How Finnvera creates value, p. 7, GRI content index In Finland, we finance a little under 20 per cent of enterprises using external financing; in high-growth enterprises, the share is clearly higher. The ratio of exports covered by export credit guarantees to Finland's total exports is more than 5 per cent; in investment goods, the ratio is approximately 15 per cent.
Own disclosure	Indirect impacts on jobs created, the national economy and the growth of exports	How Finnvera creates value, p. 7
<b>GRI 205 Anti-corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	Corporate governance, p. 28, Impacts of Finnvera's own operations: Ethical work life practices and good governance, p. 45, Responsible financing, p. 50, GRI content index Training and communications on guidelines regarding gifts and hospitality have been provided to the entire Finnvera personnel (100%) in connection with the Code of Conduct online training.  Our anti-bribery policy applies to export financing operations, and it is communicated in connection with all positive export financing decisions both to the bank involved and to the client enterprise, with the exception of certain products that are not within the scope of the policy.  In addition, information about our new anti-corruption policy has been provided online and in e-mails sent to banks/partners.
<b>GRI 206 Anti-competitive behavior</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI content index No cases in 2019.

Disclosure	Location	Additional information
<b>GRI 300: ENVIRONMENTAL STANDARDS</b>		
<b>GRI 307 Environmental compliance</b>		
307-1	Non-compliance with environmental laws and regulations	GRI content index No cases of non-compliance in 2019.
Own disclosure	Number of export projects categorised according to their environmental and social risks	Corporate responsibility at Finnvera, p. 41, GRI content index The investment-related environmental and social risks of the target country are significant in Category A projects and moderate in Category B projects. The risk rating is followed by a project review regarding social and environmental aspects. The review is aligned with the scale of risks.
Own disclosure	Reduction of domestic flights	Corporate responsibility at Finnvera, p. 41, GRI content index Finnvera's travel policy was revised, and domestic flights are replaced with rail travel on the most conveniently replaceable routes. Need for international flights is determined according to projects.

Disclosure	Location	Additional information
<b>GRI 400: SOCIAL STANDARDS</b>		
<b>GRI 401 Employment</b>		
401-1	New employee hires and employee turnover	Impacts of Finnvera's own operations: Personnel competence and well-being, p. 46
<b>GRI 403 Occupational health and safety</b>		
403-2 (2016)	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 competence and well-being, p. 47, GRI content index In 2019, there were four (compensated) injuries: one at the workplace and three either during a commute between home and the workplace or on the way from one workplace to another. Reported in part.
<b>GRI 404 Training and education</b>		
404-1	Average hours of training per year per employee	Impacts of Finnvera's own operations: Personnel competence and well-being, p. 47, GRI content index We do not specify the number of training hours by employee type. Reported in part.
404-2	Programs for upgrading employee skills and transition assistance programs	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 46–48
404-3	Percentage of employees receiving regular performance and career development reviews	GRI content index Target-setting and performance review discussions are held for permanent employees (2019: 97%). Reported in part.
<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, p. 51
<b>GRI 419 Socioeconomic compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	GRI content index No cases of non-compliance in 2019.
<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	Operating environment, pp. 11–13, Business operations, pp. 14–22, Finnvera's role in society, p. 44, Responsible financing, p. 50 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 market and with its operations, promotes the development of enterprises and exports.

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

 **FINNVERA**