

 **FINNVERA**  
ANNUAL REVIEW 2014



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## Finnvera in brief

Finnvera plc is a specialised financing company owned by the State of Finland. Its purpose is to improve and diversify the financing options available to enterprises. Finnvera operates on the financial markets, supplementing the financial services offered by banks and other providers of financing. Finnvera is Finland's official Export Credit Agency (ECA).

We help Finnish enterprises to succeed and boost their competitiveness by offering loans, domestic guarantees, export credit guarantees and export credit financing as well as interest equalisation and venture capital investments. We enable financing for the start-up, growth and internationalisation of enterprises and for exports. Our objective is to work for the revitalisation and development of Finnish enterprises and to help them improve their competitive standing. We want to

ensure that new business is generated more rapidly than old business disappears.

By granting financing, we can participate in projects seen as having the potential for success. We do not issue grants or direct business subsidies; we provide financing for a consideration, and the fees paid by clients correspond to the risk involved. We want to ensure that no good project fails for lack of financing.

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

[Watch an animation of Finnvera's operations](#)

## Finnvera Group



## Regional network

<b>Southern Finland</b> Helsinki	<b>Central Finland</b> Tampere Jyväskylä	<b>Southwest Finland</b> Turku Pori	<b>Southeast Finland</b> Lahti Lappeenranta Mikkeli	<b>Ostrobothnia</b> Vaasa Seinäjoki	<b>Savo-Karelia</b> Kuopio Joensuu	<b>Northern Finland</b> Oulu Kajaani Rovaniemi
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# Finnvera's role and the impact of its operations

## Finnvera promotes Finnish enterprise

By providing financing services, Finnvera's role is to promote the business of small and medium-sized enterprises, the internationalisation and exports of enterprises, and the implementation of the government's regional policy, which Finnvera does by providing financing services. We carry out the tasks that our owner, the State of Finland, has assigned to us as a provider of financing for enterprises. Our clients range from start-ups and seekers of profitable growth to enterprises trying to gain a foothold on the international market and those already operating there. Our objective is that Finnish companies get innovative ideas, grow and gain markets.

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

In 2014, Finnvera's goals emphasised, in particular, the financing of starting, growing and internationalising enterprises.

*We understand the risks inherent in business but we keep a close eye on opportunities.*

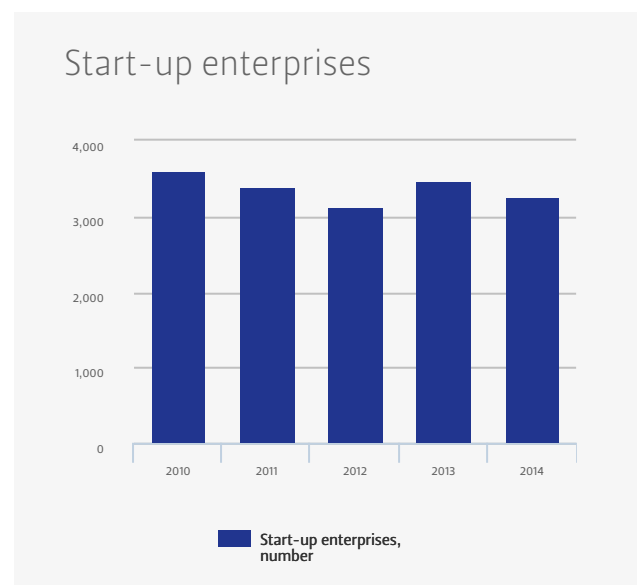
The attainment of Finnvera's goals is measured, for instance, by the number of new enterprises created by means of the financing granted and the number of jobs in which Finnvera has played a role. Other indicators monitored include the percentage of SME financing

granted to growth enterprises, the ratio between exports covered by export credit guarantees and Finland's total exports, and the amount of financing allocated to areas assisted on regional policy grounds.

## Support for the various stages on the enterprise path

### Start-up enterprises

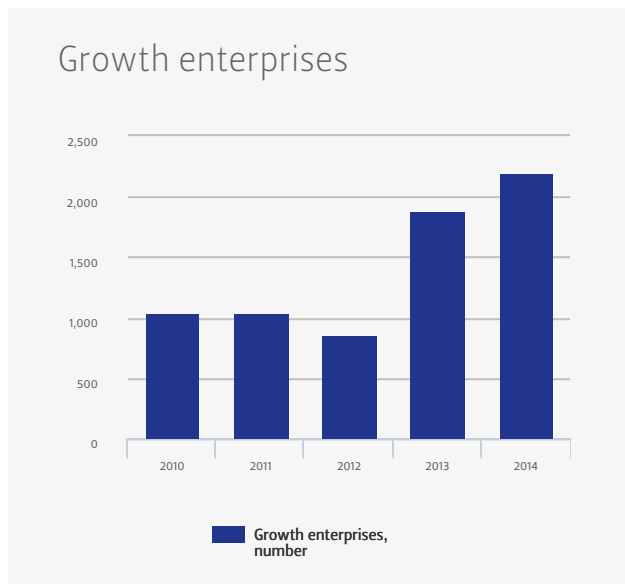
Every year, Finnvera participates in the financing of about 3,500 start-up enterprises. This corresponds to an average of ten per cent per of companies annually established in Finland. In an uncertain economic climate, it may be difficult for enterprises to obtain financing from the private market. Finnvera can take on more risks than private financial institutions, thereby promoting new enterprise. Without Finnvera's contribution to the financing of start-up enterprises, the consequence might be that fewer enterprises would be established or their growth and development would be considerably slower.



In venture capital investments, the aim is to create financing solutions that help early-stage enterprises, within a period of two to five years, to develop into companies that also attract private investors and

## Growth enterprises

Finnvera helps enterprises seeking growth through internationalisation to expand their business by providing financing options for international trade and supporting investments. In the financing of internationalising enterprises, Finnvera can also assume higher risks than normally. In 2014, the amount of financing granted to growth enterprises accounted for 44 per cent of Finnvera's SME financing.



financiers. In the medium term, the aim is to grow start-ups into medium-sized enterprises that contribute to the Finnish economy as employers and facilitators of economic growth.

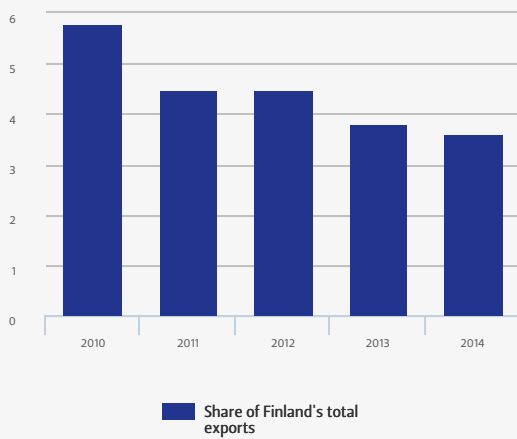
Finnvera also provides financing for Finnish SMEs operating on the domestic market in change situations that increase their competitiveness, such as changes of ownership. Although these companies do not seek international growth, they play an important role in the Finnish economy, for instance, as employers. Finnvera strives to alleviate the negative effects of regional restructuring and to keep regions viable.

In cooperation with other actors, Finnvera participates in the planning and implementation of measures in areas of abrupt structural change when, for instance, a major employer winds up its operations. In 2014, there were 8 areas of abrupt structural change in Finland. Finnvera's financing for enterprises in these areas totalled EUR 69 million.

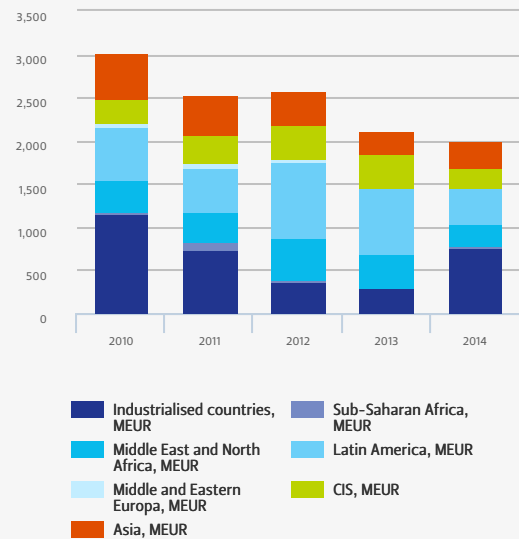
## Export credit guarantees

To be eligible for export credit guarantees, exports must meet the requirement of Finnish interest. This means that the export project is viewed from the perspective of the Finnish economy. The arrangement of financing may be a decisive factor in the conclusion of an export transaction. Indirectly, export financing is very important for the Finnish economy and thereby for Finns' well-being.

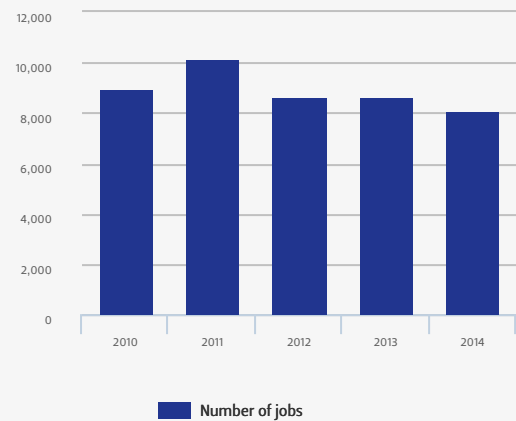
Exports covered by export credit guarantees: Share of Finland's total exports, %



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



Impact on employment



# Strategy

The Acts on Finnvera define the tasks whereby Finnvera influences the development of enterprise and employment in Finland. Each year, the Ministry of Employment and the Economy sets goals for Finnvera. These apply to issues such as the focus of operations, the impact and efficiency of operations, and capital adequacy.

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

*The core of Finnvera's strategy consists of financing for the growth, competitiveness and internationalisation of Finnish enterprises and improving the availability of financing for start-up enterprises. Finnvera succeeds when its clients succeed.*

Finnvera carries out its operations in accordance with the service practices defined for client segments and the ISO 9001 certified operating system. The operating system and its effectiveness are evaluated on a regular

basis using both internal and external audits. The observations made during the audits help Finnvera to develop the operating system continuously and to address any anomalies.

## Vision, values and strategy in brief

Mission	By supplementing the financial market and by providing financing, Finnvera promotes the business of SMEs, the exports and internationalisation of enterprises, and the realisation of the State's regional policy goals.
Vision	Finnvera is a provider of financing for growth, competitiveness and internationalisation.
Client promise	Through our know-how and active approach, we help our clients to succeed.
Values	Trust, partnership and a focus on solutions.
Desired state in 2019	Provider of financing for growth, competitiveness and internationalisation whose know-how, services and team play produce the best client experience in the reference group.



## The strategy aims at achieving a better client experience, effectiveness and team play

### Client experience:

- We identify market failures and take various economic cycles into account.
- Our operations increase Finland’s appeal as a business environment.
- Our operations are clearly defined, solution-oriented and proactive with respect to changes.
- Our customer service is the best in the reference group.

### Effectiveness:

- Finnish companies innovate, grow, go international and gain markets.
- During restructuring, new features spring up faster than old ones disappear.

- Companies have access to an internationally competitive selection of financial instruments for export trade.
- The impacts on the economy and employment are significant.

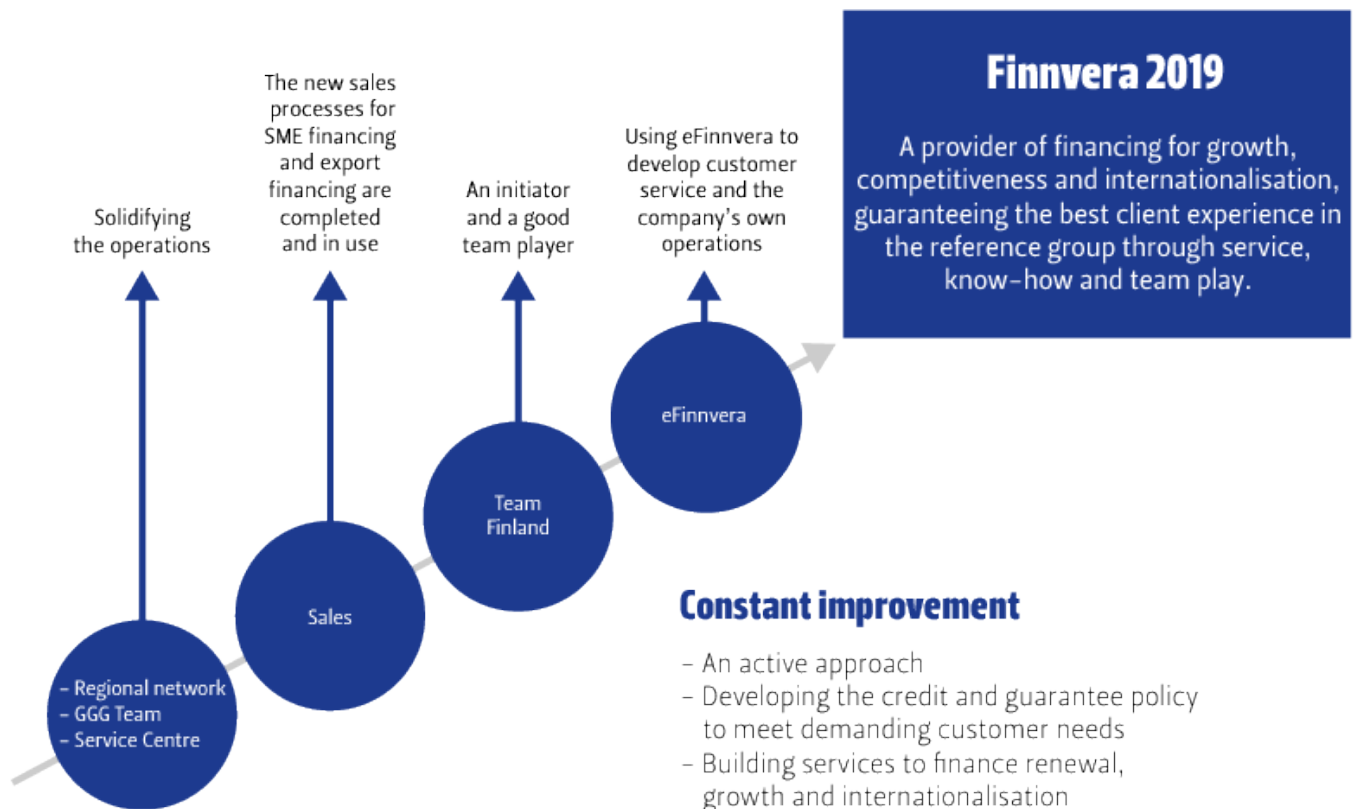
### Team play:

- We are an active initiator and a good team player within the Team Finland organisation.
- We improve productivity and customer satisfaction by means of effective procedures and by utilising electronic records management.
- We ensure internationally competitive know-how through constant development of the work organisation and personnel.

## Evolution of Finnvera's strategy

Finnvera’s vision is to be a provider of financing for growth, competitiveness and internationalisation. We are proceeding towards our goal by revising our working methods, by developing our product range,

and by strengthening our know-how and cooperation with other public and private providers of financing. We are active and want to offer the best customer service in our reference group.



## Constant strategy work

Finnvera's strategy is updated annually. The process starts early in the year, when the Board of Directors reviews the attainment of the goals set for the previous year and discusses new goals. The background information needed for the work is obtained by analysing the operating environment, by conducting inquiries among clients and the personnel, by reviewing clients' expectations, and by monitoring competitors' activities.

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

## Implementation of our strategy in 2014

About one out of five Finnish enterprises that have outside financing are Finnvera's clients. In total, 3,247 enterprises started their operations with the help of financing from Finnvera, and 2,208 enterprises seeking growth through internationalisation received some of their financing from Finnvera. When financing start-up and internationalising enterprises, Finnvera can assume greater risks than normally, since the State compensates for a higher percentage of their potential losses than in the case of other financing. Greater risks can mean, for example, less collateral or a higher share of financing.

It is not the intention that Finnvera's financing would replace bank financing or that Finnvera would compete with banks. In order to prevent the distortion of domestic competition, Finnvera makes every effort to avoid long-term client relationships with enterprises established on the domestic market and steers them towards market financing.

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

Finnvera revised its customer service to meet the needs of various customer groups even better. As of the beginning of September, expertise was partly centralised, and some of the functions were reorganised.

The aim was to ensure even more focused and faster customer service.

Some of the issues formerly handled by regional offices were transferred to the Service Centre, which launched its operations in early September. The Service Centre serves small business customers and, among other things, handles various change situations in clients' financing.

Growing and internationalising enterprises will be served in one unit. In this way, the know-how of experts can be concentrated and it will be easier to meet the financing needs of these particular clients.

Finnvera still has 15 branch offices, but the regional division was changed. The new regions are: Southern Finland, Central Finland, Southwest Finland, Southeast Finland, Savo-Karelia, Ostrobothnia, and Northern Finland.

Smaller financing decisions are made in the regions but large ones are now referred to a new, centralised credit decision unit. The largest commitments continue to be processed by the Management Group for Financing and Finnvera's Board of Directors. The goal of the changes made is to ensure uniform credit decision practices in the whole country and, at the same time, to speed up decision-making even more. The average processing time in SME financing is about two weeks. In export financing, owing to the nature of operations and the large size of the projects, the processing times vary by case.

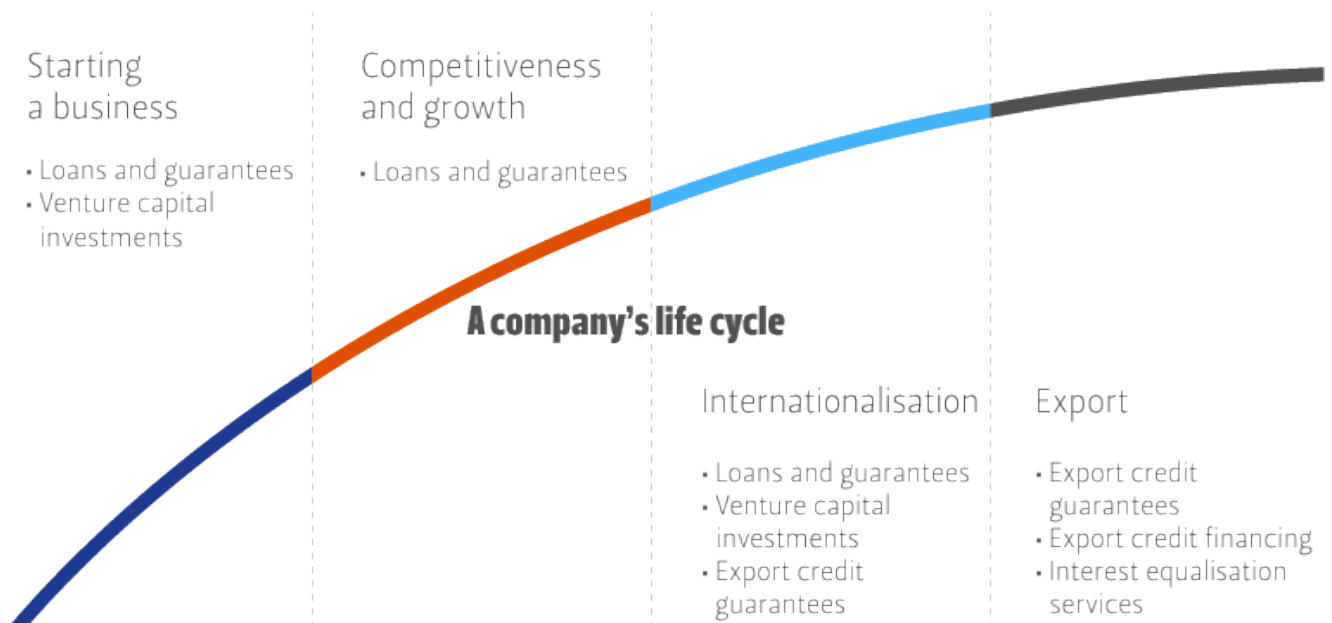
## Financial services

Finnvera can contribute to the financing of enterprise activities at various stages when they are seen as having the potential for success. Through loans and guarantees, we can finance enterprises that are starting out, seeking growth, entering foreign markets or already operating abroad and that have the prerequisites for profitable business. By providing financing, for instance, for changes of generation or other company reorganisation, we want to be involved in change situations where the aim is to revitalise the enterprise. Finnveras financing is based on an assessment of the company's creditworthiness and on risk-sharing with other providers of financing.

By means of export financing services, Finnvera offers companies the opportunity to protect themselves against risks associated with export trade. Finnish Export Credit Ltd, a subsidiary of Finnvera, facilitates financing for export credits and ship credits, and administers the interest equalisation system for officially supported export credits.

Finnvera makes venture capital investments through its subsidiaries Veraventure Ltd and Seed Fund Vera Ltd.

### A company's life cycle and Finnvera's financial services



## Loans

Finnvera provides loans for various purposes, such as the establishment of a company, investments, growth, and development of operations. We can also subscribe bonds issued by companies that meet [the EU criteria](#) for a small or medium-sized enterprise, as well as bonds issued by larger enterprises provided that the enterprise's turnover does not exceed EUR 300 million.

Loans granted by product in 2014



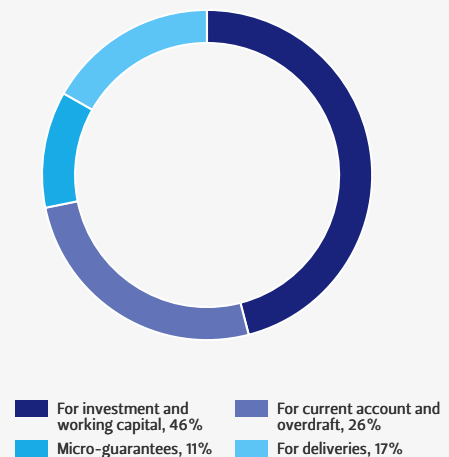
## Domestic guarantees

Finnvera can provide guarantees for various situations during a company's life cycle, such as its establishment, investments, growth and trading.

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

For more information on loans and guarantees, their intended uses and granting criteria, please click [here](#).

Domestic guarantees granted by product



## Export credit guarantees and export credit financing

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

Working together with Finnvera, Finnish Export Credit Ltd, a subsidiary of Finnvera, provides exporters and financial institutions with competitive export financing services, such as financing for export credits and

interest equalisation. Export financing services facilitate export transactions benefiting Finns and provide protection against risks arising from exports.

For more information on export credit guarantees, their intended uses and granting criteria, please click [here](#), and for more information on export credit financing and interest equalisation, please click [here](#).

## Venture capital investments

Venture capital investments facilitate and accelerate the growth and internationalisation of the enterprises where the investments are made, and develop them into interesting targets for further financing by other investors and industrial actors.

In venture capital investments, Finnvera's financing products are direct equity investments and subordinated loans. The investments are made as

minority investments. The fund's holdings range from 10 to 40 per cent. The maximum initial investment is EUR 500,000.

Finnvera will continue its direct investments in early-stage innovative enterprises until the end of 2017. These operations will then be taken over by Tekes, in accordance with the policy outlined by the Ministry of Employment and the Economy.

## Expert services throughout the country

Finnvera has a network of 15 branch offices in Finland. Through this network, our experts serve companies in the whole country. The branch offices offer financing solutions in cooperation with other public and private providers of financing. In addition, Finnvera has a representative office in St. Petersburg, which helps Finnish enterprises seeking entry into the Russian market or already operating there.

Following reorganisation in autumn 2014, two new teams were established in Finnvera: the Service Centre and the Growth and Internationalisation Team. The

Service Centre takes care of tasks associated with the financing of small enterprises. In the Growth and Internationalisation Team, a group of experts serves growing and internationalising enterprises in their financing needs. Both teams operate nationally.

The Export Financing Unit serves large export companies operating in Finland and is responsible for Finnvera's foreign risk-taking. Together with Finnish and international providers of financing, the unit's experts, based in Helsinki, offer services associated with export financing to exporters and their foreign buyers.

### Finnvera in cooperation with regional actors

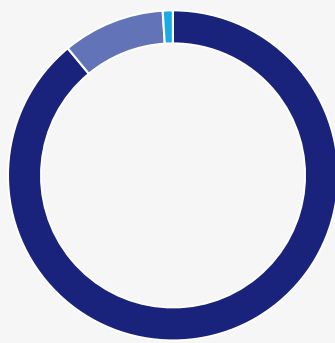
In micro-financing, Finnvera works in close cooperation with regional business advisory organisations, such as the Enterprise Agencies and municipal business companies. In 2014, these cooperation partners issued 926 statements on eligibility for financing. These statements accelerated the processing of applications for

financing submitted by start-up enterprises. Cooperation with banks in the financing of small enterprises was active. In 2014, the volume of micro-guarantees granted by Finnvera to banks as security for their credits to small enterprises was EUR 54 million.

# Clients

The number of Finnvera's clients remained at around the 30,000 mark, totalling 28,800 at the end of the year 2014. The number was slightly less than the year before. Client turnover was the fastest in micro-financing, where the sums involved are the smallest and the repayment periods the shortest. Of the clients, 89 per cent were micro-enterprises, 10 per cent other SMEs and one per cent large enterprises. About 20 per cent of the clients were entrepreneurs who had been granted an Entrepreneur Loan for investment in share capital or for their contribution to a partnership.

Clients by enterprise size 31 Dec 2014, %



Micro-enterprises, 89%  
Other SMEs, 10%  
Large enterprises, 1%

Finnvera's clients are both Finnish start-up micro-enterprises and SMEs operating on the Finnish market or seeking growth through internationalisation. A company often contacts Finnvera when it has the prerequisites for profitable business but is unable to obtain financing from the commercial market due to, for example, insufficient collateral. The clients of the Export Financing Unit are large Finnish enterprises engaged in the export trade, their foreign buyers, and domestic and foreign banks providing financing for exports.

Clients can reach Finnvera through various channels. Our website provides enterprises with information and advice about financing options at various stages of operations. In face-to-face meetings with the client, we discuss the details of their financing needs. In addition, clients can contact us daily through our telephone service, online service and social media. We are constantly developing Finnvera's online services to better meet the needs of clients.

*Through expertise and active involvement with the client, we help enterprises to create success stories.*

Case: [Finnvera helped sisters to embark on a career in baking](#)

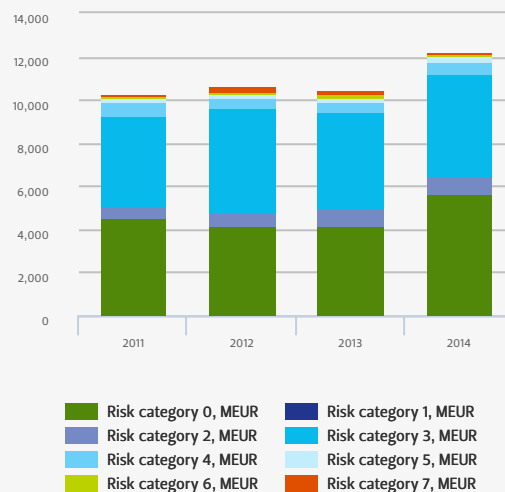
# Risk-taking

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

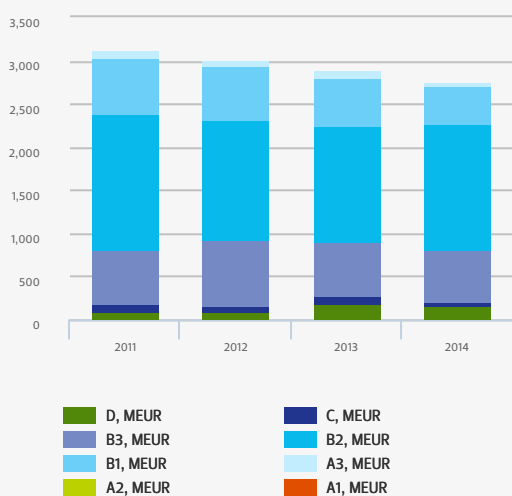
Ultimately, Finnvera operates under the aegis of the State and is able to assume greater risks than private financial institutions. The State compensates Finnvera for about half of the credit losses incurred in SME financing. Any losses resulting from these operations and remaining after the State's compensation for credit losses are covered from the reserve for domestic operations on the balance sheet. In accordance with the Government's commitment, the State compensates 75 per cent of the losses arisen from financing granted to start-up and growth enterprises. In the case of other enterprises, the compensation is 55 per cent.

Credit risks are shared between Finnvera and other providers of financing. Finnvera grants loans and guarantees almost always without full collateral and bases its financing on the assessment of risks and the enterprise's potential for success.

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



SME financing: Outstanding commitments by risk category 31 Dec 2014, MEUR



The financing offered by Finnvera is priced on the basis of the assessment of the recipient's business risks and the collateral available. In recent years, Finnvera has increased its risk-taking both in the financing of SMEs and in the financing of export trade. Owing to the continued uncertainty of the general economy, the financial situation of many client companies has been unsatisfactory. This is reflected, for instance, in the relatively high share of both non-performing receivables and arrears. Finnvera's materialised credit losses each year are about 2 to 3.5 per cent of the outstanding commitments. In 2014, the credit and guarantee losses in SME financing and impairment losses on receivables totalled EUR 105 million (101 million) before the State's credit loss compensation.

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

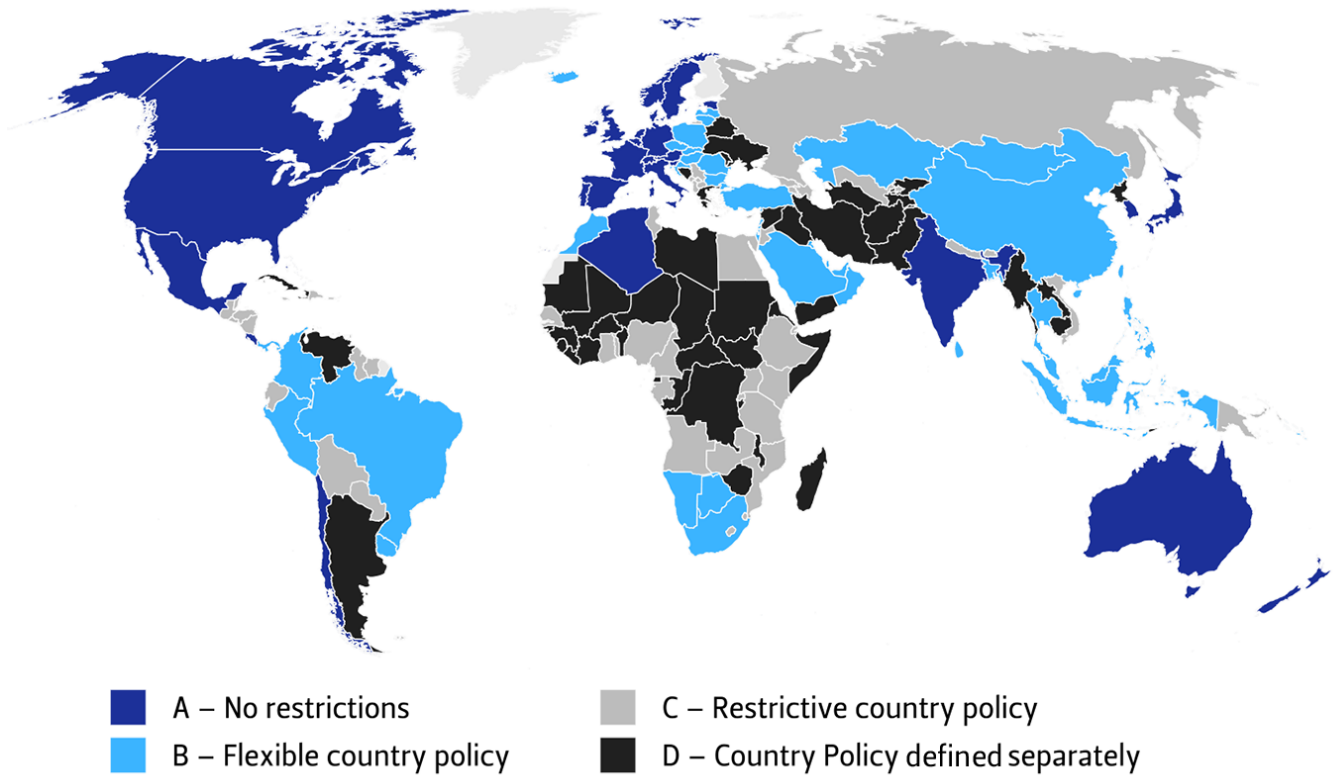
In recent years, exports covered by Finnvera's export financing have accounted for an increasing share of all exports. Export credit guarantees are used to cover both political and commercial risks.



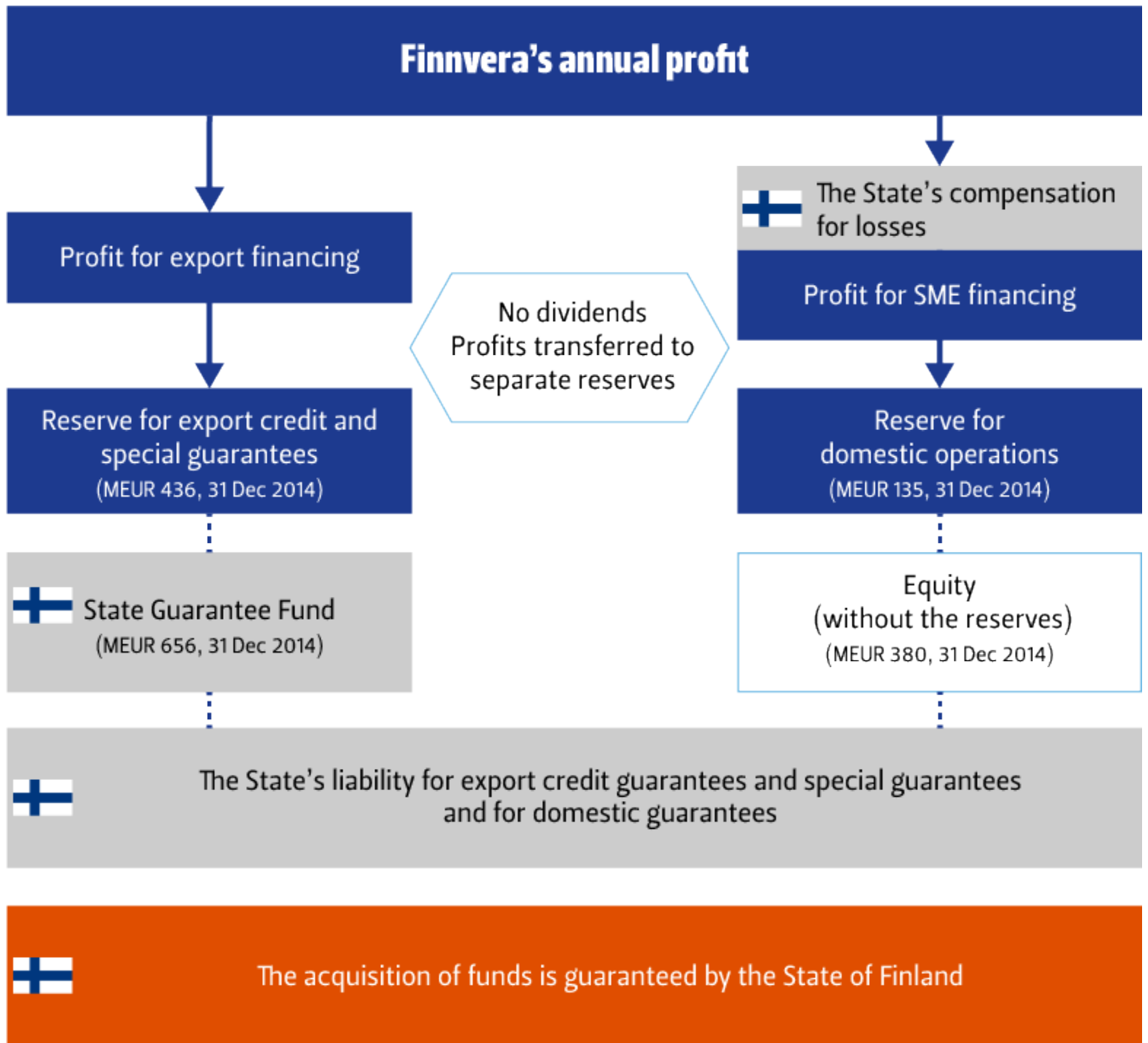
The pricing of export credit guarantees is based on the risk category reflecting the relevant credit risk. In 2014, exports covered by guarantees accounted for 3,6 per cent of total exports and 5,8 per cent of exports to

countries with political risk. Losses and provisions for losses in export credit guarantee and special guarantee operations came to EUR -8 million in 2014 (11 million).

### Finnvera's country classification on 31 Dec 2014



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



# Project assessments

## Enterprise analysis – a cornerstone of SME credit risk management

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

Enterprise analysis entails a comprehensive investigation and understanding of the enterprise's business: confidential discussions between the entrepreneur and Finnvera on the enterprise's plans, current status, future expectations and financing needs. This meeting, any other material available, and Finnvera's own knowledge of financing and the sector concerned help formulate an idea of both the preconditions for granting financing and the risks involved. Whenever necessary, Finnvera negotiates with other financiers in order to find the best possible overall solution for financing. Finnvera's representative and the entrepreneur also discuss what the increase in loan capital would mean for the entrepreneur personally.

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

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

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

Along with the revised credit and collateral policy, enterprise analysis will also be developed in 2015.

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

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

For each project, the following factors are analysed: the financing structure; the creditworthiness of the

borrower and/or buyer; and the factors arising from the host country and the operating environment.

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

# Turnaround

## Professional help also in difficult times

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

Finnvera's aim is to respond to any weakening in the client enterprise's situation as early as possible for securing its own claims. If the enterprise's normal development measures do not produce the desired results, it is justified to consult outside professionals. Finnvera's own turnaround experts assist clients in seeking help.

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

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

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

The extended economic recession may for example have led to situations where the client enterprise is able to pay the interest on its loans but cannot make any investments, develop its operations or internationalise. The enterprise is also highly susceptible to various external disturbances, such as a rise in interest rates.

Attitude is the key in turnaround. Together with other financiers, Finnvera seeks financing solutions for enterprises forging ahead if the enterprise has been able to secure its equity and the turnaround plan is realistic.

Enterprises are expected to show initiative of their own: the enterprise and its stakeholders must be committed to the measures agreed. Turnaround is often done with the advice of competent, experienced consultants, experts in financial administration, and lawyers.

Technically, turnaround is generally implemented using either voluntary turnaround or official restructuring, as referred to in the Restructuring of Enterprises Act. Sometimes the only alternative remaining is bankruptcy, but even in these cases the viable part of the business can often be sold to a new owner.

## Acquisition of funds

Finnvera obtains long-term financing primarily by issuing notes under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. In October, the credit rating agency Standard & Poor's reduced the rating of Finnish government's long-term credits from AAA to AA+. In consequence, Standard & Poor's rating for the loan programme is AA+ while Moody's rating is Aaa. According to the current estimate, the lower credit rating will have little impact on the price and availability of funds.

The loan programme enables a rapid response to Finnvera's funding needs and to changes on the market. Moreover, as the loan programme conforms to international capital market practices, it strengthens

Finnvera's position among investors. The aim is to diversify the acquisition of funds among various repayment periods and investor sources.

During the period under review, Finnvera successfully issued three fixed-rate debt securities. The largest of these was a note of EUR 750 million issued in November.

Finnvera uses the funds acquired both for SME financing and for financing export credits. By means of currency and interest rate swaps, Finnvera converts the funds acquired into euros or US dollars, depending on the final use of the funds.

## Corporate responsibility at Finnvera

All of Finnvera's operations are based on corporate social responsibility: through its operations, Finnvera creates benefits for the economy by providing financing for Finnish enterprises on their path of growth,

competitiveness and internationalisation. For Finnvera, the core of corporate responsibility is adherence to laws, international agreements and responsible modes of operation in contacts with all clients and stakeholders.

### Finnvera's impact on society

In terms of corporate responsibility, Finnvera's greatest impacts are produced through financing, which rests on the foundation of responsible project assessment and controlled risk-taking. Especially projects to be carried out abroad are assessed carefully with regard not only to their financial possibilities for success but also to their environmental and social impacts. For export projects, we do the assessment of impacts largely ourselves. However, for projects implemented in Finland and in countries with advanced legislative environments, we trust the assessments done by the authorities and the permits they have granted. In addition, each project is assessed to determine whether it is appropriate for a public actor to participate in financing the project.

rules for the financing of SMEs, and export financing is regulated, for instance, by the OECD Export Credits Arrangement and the recommendations issued by the World Bank. These are useful when projects are assessed in countries where the country's own legislation has shortcomings with respect to environmental or social criteria.

Aside from Finnish laws and the regulations of the financial sector, the field is heavily internationally regulated. The European Union has laid down State aid

One of Finnvera's key strategic and ownership policy goals is to apply means of financing to promote the use of clean, renewable sources of energy in order to mitigate climate change. Thanks to their sector, enterprises engaged in bioeconomy and cleantech are therefore among the principal areas in terms of financing. Irrespective of the sector, as a provider of loans and guarantees, Finnvera must always investigate whether the project planned has the prerequisites for economic profitability.

### The Chief Executive Officer's review of corporate responsibility today and tomorrow

The year 2014 was still marked by the shadow of the financial crisis that started six years earlier. Finland's GDP fell for the fourth year in a row, and the reluctance of banks to finance companies led to a situation where Finnvera's authorisation to grant financing had to be raised by increasing Finnvera's role on the Finnish financial market.

business of many Finnish companies and have affected their willingness to invest.

In addition, the Russian crisis and the consequent sanctions were reflected in Finnvera's operations. Finnvera complies with the sanctions approved by the EU and assesses its possibilities to participate in projects carried out in Russia case by case, according to the normal criteria. Apart from direct effects, the indirect effects of this situation on the Finnish economy are significant: The decline of Russia's economy and the weaker exchange rate of the rouble have hindered the

Among the greatest success stories for Finnish society in 2014 was the survival of business at Turku Shipyard. Unfortunately, some Finnish companies have not fared equally well. For Finnvera, the most visible example is Talvivaara, which is currently still seeking a new owner. Our projects are implemented in various environments, and some risks are inevitably realised as losses.

Within Finnvera, the biggest event of the year was the implementation of the reorganisation in autumn 2014. The new organisational structure strives to meet the goals of the strategy that was updated in 2013. The focus is on enterprises aiming at growth and internationalisation and on the quality and efficiency of

customer service. Another objective of the reform is the automation and digitisation of routine operations within the next few years.

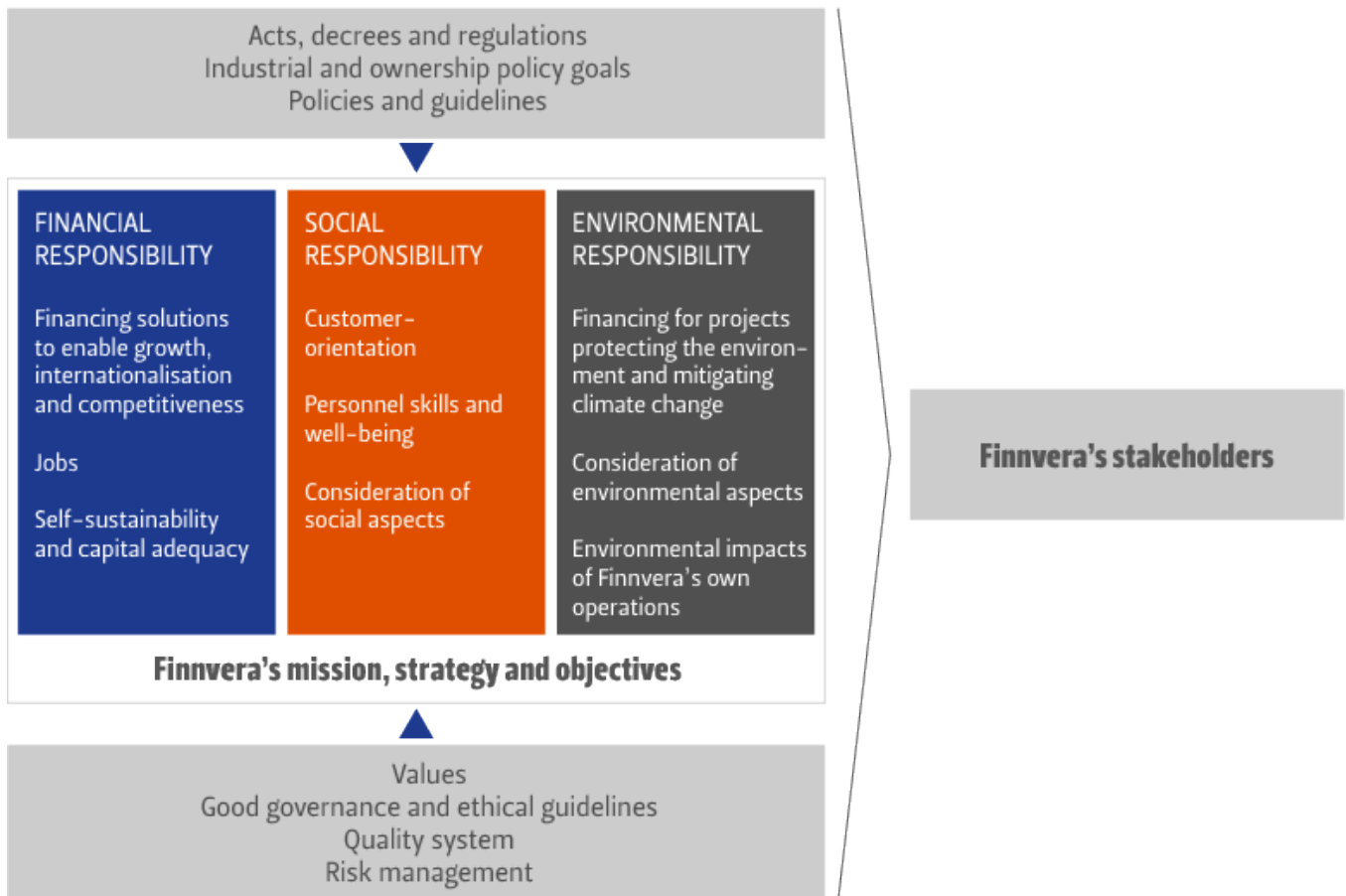
A challenge for the future is how to find the appropriate balance between private and public financing; the ultimate role of the State is to supplement the financial markets. As regulation increases in the private sector, the requirements concerning Finnvera and its services will remain high.

With closer cooperation within Team Finland, we must also find more efficient ways of working together and saving resources. The move to joint premises in 2016 is one solution to this. Cooperation with sister organisations will be increasingly important in the future, and I hope that all Finnvera employees feel that they are playing on the same Team Finland.

## Principles of corporate responsibility and management

Finnvera's Board of Directors has approved the following principles for corporate responsibility:

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



At Finnvera, implementation of corporate responsibility is monitored by the Management Group. Ultimate responsibility for this is vested in the Board of Directors and the CEO.

Owing to the nature of the company's operations, compliance with ethical guidelines is particularly important. Finnvera applies, among others, the following guidelines:

- Principles of good conduct, based on discharging a public administration task

- Guidelines on disqualification and insider information, which concern financing activities
- Obligation to maintain confidentiality
- With respect to export financing, e.g. anti-bribery guidelines.

All new employees and new members of the administrative bodies are familiarised with the guidelines. From the perspective of corporate responsibility, Finnvera's operations are also steered, among others, by the credit and guarantee policy, personnel policy outlines, guidelines and procedures for procurement, and the ISO 9001 quality and steering system.



## Stakeholders and materiality

Finnvera has a large number of both domestic and foreign stakeholders that influence Finnvera's operations or vice versa. The objectives of stakeholder dialogue are recognisability, coherence and an active approach. Finnvera discusses actively, among others, with clients, the personnel, cooperation partners, banks and organisations. Valuable feedback is received through these channels. This feedback can be used to develop financing services meeting the needs of enterprises even better. Interaction has been particularly close with actors in the Team Finland network, and Finnvera will move to joint premises with them in 2016.

Representing the clientele and the other key stakeholders, the Finnvera Committee serves as an interaction channel between clients and the company. The committee meets two to three times per year. Export Financing also has its own committee which ensures that the experience, know-how and competitive edge of Finnvera's Export Financing are available to Finnish export companies.

The maintenance of international relations in organisations is important for exerting influence.

Through the Ministry of Employment and the Economy, Finnvera participates in international cooperation in its own sector, for instance within the OECD and the EU, the Paris Club of public creditors, the Network of European Financial Institutions for SMEs (NEFI), and within the Berne Union, the international cooperation organisation for export credit insurers.

Finnvera cooperates with numerous organisations in Finland. These include the Federation of Finnish Enterprises, the Finnish Family Firms Association, and the Confederation of Finnish Industries. Cooperation with bodies such as banks and other providers of financing is particularly close. The goal is to increase knowledge of Finnvera and to promote the acquisition of clients and demand for financing.

Finnvera measures the success of stakeholder interaction by means of client and stakeholder surveys, which are conducted every other year. The previous survey was organised in 2013 when, on a scale of 1 to 5, Finnvera's overall grade for managing cooperation relations was 3.9 among SME financing stakeholders and 4 among export financing stakeholders.

## Interaction

	<b>Stakeholder definition</b>	<b>Stakeholder's expectations regarding Finnvera</b>	<b>The key themes and development targets in 2014</b>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Finnvera monitors markets and operates in areas of market failure, providing financing for Finnish enterprises</li> <li>• Focus on start-ups and growing and internationalising clients</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding clients' needs and, if necessary, broadening the range of means, such as a change in credit and guarantee policies</li> <li>• Open and diverse dissemination of information through websites, social media, newsletters</li> </ul>	<ul style="list-style-type: none"> <li>• Change in the customer service structure to improve customer service and shifting the focus to growing and internationalising enterprises</li> <li>• 'We Got Courage!' tour together with Team Finland actors</li> <li>• KasvuOpen</li> <li>• Kauppalehti Kasvajat ('Growers') tour</li> <li>• SME Export Finance Programme</li> <li>• LetsGrow financing programme</li> <li>• Right to grant export credit guarantees also for domestic investments</li> <li>• Service event query</li> <li>• Expansion of financing options</li> </ul>
<b>International organisations</b>	<ul style="list-style-type: none"> <li>• Finnvera's international framework</li> <li>• A forum to bring Finland's and Finnvera's views to the fore</li> <li>• Cooperation forum for networking and best practices by following competitor countries</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and international rules</li> <li>• Active participation in cooperation</li> <li>• Interaction and sharing expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Membership of the Montreal Group in June; development of cooperation models between members</li> <li>• Climate issues brought up through the OECD, e.g. support for climate adaptation projects, limiting support for coal-fired power plants</li> <li>• EU sanctions policy</li> <li>• Models for export credit financing and instruments for trade finance through the Berne Union</li> <li>• SME financiers' relationship with the EIF and EIB through Nefi (Network of European Financial Institutions)</li> </ul>
<b>Personnel</b>	<ul style="list-style-type: none"> <li>• Securing the personnel's well-being and development of skills</li> <li>• Ensuring customer satisfaction and the creation of value through committed personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Taking care of jobs and stability</li> <li>• Meaningful tasks</li> <li>• Health and well-being</li> <li>• Development of skills</li> </ul>	<ul style="list-style-type: none"> <li>• Labour agreement signed by three employees' associations and the employers' association</li> <li>• Assessments of job requirements</li> <li>• The personnel's performance discussions</li> <li>• Rewarding</li> <li>• Training, coaching, in-house job rotation and the exchange programme with Tekes</li> <li>• Personnel survey</li> <li>• The Responsible Summer Job campaign of the Finnish Children and Youth Foundation</li> </ul>
<b>Organisations</b>	<ul style="list-style-type: none"> <li>• Promote Finnvera's recognisability, acquisition of clients and demand for financing</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous dialogue to improve companies' financing options</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation agreements with organisations</li> <li>• Regional and national events: Change of Ownership Conference, National Enterprise Days, Family Firm Event, SME Barometer with the Federation of Finnish Enterprises</li> <li>• Continuous dialogue with the Confederation of Finnish Industries, the Federation of Finnish Financial Services, the Federation of Finnish</li> </ul>

			Technology Industries and the Federation of Finnish Enterprises through representation in administrative bodies
<b>Banks</b>	<ul style="list-style-type: none"> <li>• Finnvera works as a co-financier with banks on the financial markets</li> </ul>	<ul style="list-style-type: none"> <li>• Success of joint client enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Offsetting market failures arisen from bank regulation: Joint financing solutions, joint client enterprises</li> </ul>
<b>Cooperation partners</b>	<ul style="list-style-type: none"> <li>• Cooperation is important, e.g. to improve the customer experience</li> </ul>	<ul style="list-style-type: none"> <li>• Well-functioning cooperation</li> <li>• Recognisability of services</li> <li>• Closer cooperation with Team Finland</li> </ul>	<ul style="list-style-type: none"> <li>• Team Finland cooperation: joint clients through the LetsGrow financing programme</li> <li>• 'We Got Courage!' tour</li> <li>• Development of closer cooperation</li> <li>• Exchange of experts</li> <li>• Making services better known</li> </ul>
<b>Ministries</b>	<ul style="list-style-type: none"> <li>• Ownership steering by the Ministry of Employment and the Economy</li> <li>• Cooperation with the Ministry of Finance and the Ministry for Foreign Affairs</li> </ul>	<ul style="list-style-type: none"> <li>• Finnvera implements its designated task as a provider of financing for enterprises</li> <li>• Self-sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Raising the risk-taking level in SME financing</li> <li>• Possibility to subscribe bonds</li> <li>• Possibility to finance enterprises outside the SME definition</li> <li>• Updating Finnvera's credit and collateral policy</li> <li>• Possibility to grant export credit guarantees to domestic investments promoting exports</li> <li>• Raising the maximum commitments for export credit guarantees and export financing</li> </ul>

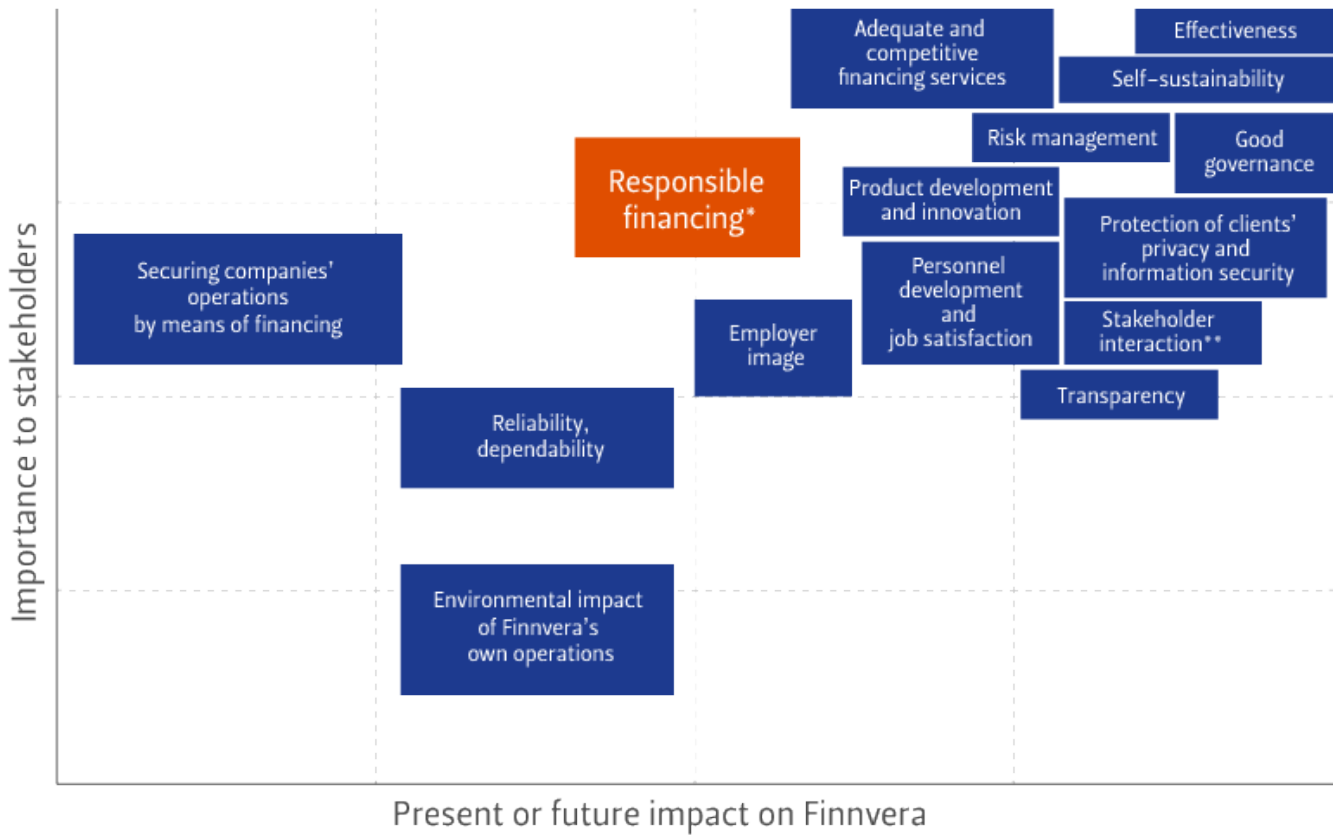
## Materiality analysis

Finnvera has defined the key corporate responsibility issues associated with stakeholders expectations and their impact on Finnveras business. The evaluation conducted in cooperation with experts from PwC was based on feedback from client and stakeholder surveys, interviews of the Chairman of the Board of Directors and

the senior management, and on the findings of a workshop.

No new corporate responsibility themes have arisen in stakeholder interaction during the past year.

## The materiality matrix of Finnvera's corporate responsibility



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

## Finnvera's impact on society

All of Finnvera's operations are based on the principle of financial responsibility: It strengthens the operating potential and competitiveness of Finnish enterprises and offsets shortcomings in the supply of financial services.

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

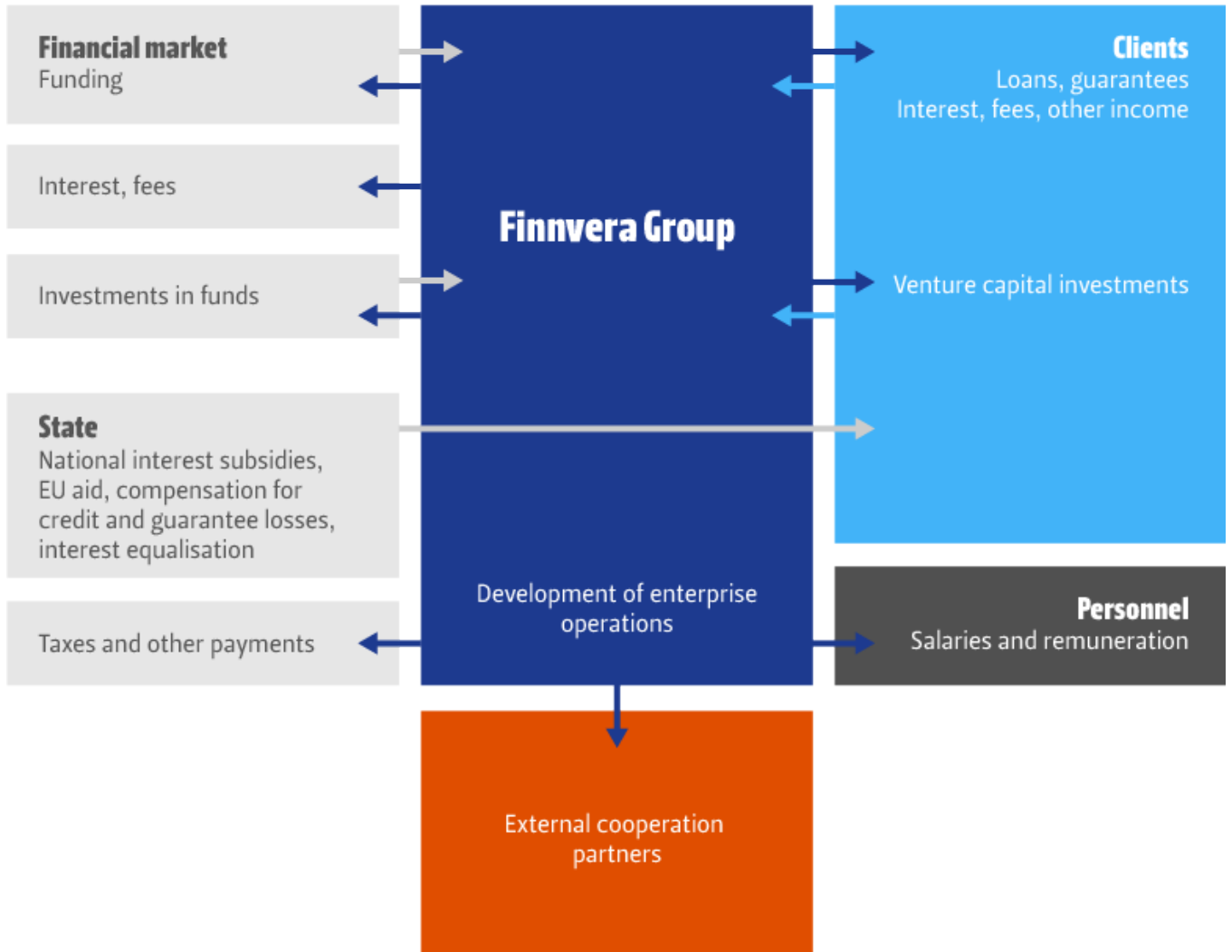
- Each year, Finnvera co-finances about 3,500 start-up enterprises, which is on average ten per cent of the enterprises established in Finland annually.
- Each year, Finnvera finances on average 20–30 domestic SMEs that are expanding their operations abroad. The active channelling of financing to enterprises seeking growth through internationalisation contributes to the growth of the Finnish economy.

- Finnvera's services provide financing options for Finnish SMEs operating on the domestic market and undergoing changes. These enterprises are important for the Finnish economy, for instance, as employers.
- Finnvera uses SME financing to slow down and alleviate the negative effects of regional restructuring and to create new enterprise activities faster than old businesses vanish.
- The exports covered by Finnvera's guarantees account for approximately four per cent of Finland's total exports. Companies have access to an internationally competitive selection of financial instruments for export trade. Export financing is also indirectly important for the Finnish economy and, in turn, the well-being of Finns.
- The goal of venture capital investments is, over the medium term, to help innovative start-ups to grow and support the Finnish economy, for instance, as employers and future export companies.

### Impact of Finnvera's operations

	2014	2013	2012	2011	2010
<b>SME financing</b>					
Loans, domestic guarantees and export guarantees granted, MEUR	1,003	827	933	1,051	1,029
- Financing for assisted areas, MEUR	328	323	337	408	404
Number of starting enterprises	3,247	3,473	3,123	3,397	3,611
Number of new jobs	8,105	8,663	8,660	10,159	8,994
Financing / new job, EUR 1,000	124	95	108	121	101
<b>Financing of exports</b>					
Export credit guarantees and special guarantees offered, MEUR	5,034	3,327	5,272	3,722	2,264
- of which foreign risk, MEUR	4,129	2,705	3,747	3,706	1,900
Guarantees that came into effect, MEUR	4,004	2,738	2,414	3,159	2,642
- of which foreign risk, MEUR	3,047	2,029	2,127	2,884	2,642
Exports covered by export credit guarantees, %					
- Share of Finland's total exports	3.6	3.8	4.5	4.5	5.8
- Share of exports to countries with political risk	5.8	8.2	9.7	8.2	9.5
<b>Number of clients</b>	28,800	29,700	30,000	29,900	29,300

## Financial impacts



## Key indicators for financial responsibility

<b>Finnvera, MEUR</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenue</b>			
- Net interest income, and fee and commission income and expenses	190.2	184.0	170.0
<b>Subsidies and compensation for losses</b>			
- Interest subsidies passed on to clients and other interest subsidies	6.4	8.8	12.2
- Compensation for credit and guarantee losses	63.7	48.0	49.7
<b>Impairment losses on receivables, guarantee losses</b>	97.5	111.6	125.0
<b>Operating expenses</b>			
- Personnel expenses	28.1	29.9	29.8
- Other administrative expenses	12.7	13.0	12.9
<b>Other business expenses</b>	6.1	8.4	6.6

Case: [Finnvera guarantees financing for Meyer Turku Ltd's shipbuilding contract](#)

## Self-sustainability and capital adequacy as the foundation for financial responsibility

According to the goal of self-sustainability set for Finnvera, the company's income from operations must be sufficient in the long term to cover its operating expenses and its share of any credit and guarantee losses incurred. Self-sustainability in Finnvera's SME financing has been attained over a period of ten years when the cumulative result is calculated up to the end of December 2014. Export financing has also been self-sustainable during Finnvera's history of 15 years of operation. If the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, for its last years of operation is also taken into account when reviewing the self-sustainability of export financing,

economic self-sustainability is also realised over a 20-year period.

Finnvera's capital adequacy must be sufficient in order to ensure the company's ability to bear risks and to keep the costs of funding as reasonable as possible. The company must plan its operations so that it can maintain a capital adequacy ratio of at least 12 per cent. At the end of 2014, the capital adequacy of the Finnvera Group was 18.6 per cent. The year before, the corresponding figure was 16.9 per cent.

## Spotlight on the client

In order to meet the new challenges of enterprise financing, Finnvera actively monitors changes in the economic situation and the international supply of financial services, as well as listens to customers' wishes. We strive to identify and anticipate market failures and to increase Finland's appeal as a business environment.

We want to encourage Finnish companies towards growth and internationalisation by providing internationally competitive instruments for export trade financing. With the help of our expertise and wide range of services, our goal is to provide the best possible

customer experience. We measure customer satisfaction regularly by conducting client and stakeholder surveys.

During the period under review, Finnvera's customer service was revised by concentrating expertise and reorganising operations. Some of the issues that used to be handled by regional offices were transferred to the Service Centre, which serves small business customers and, among other things, handles various change situations in clients' financing. Growing and internationalising enterprises will also be served by a single, nationally operating team. Finnvera's regional network was revised so that the current branch offices constitute larger regions than before.

## Important additional authorisations for financing services

During 2014, Finnvera received important additional authorisations to participate in the financing of projects undertaken by both SMEs and export companies.

In summer, the Government authorised Finnvera to subscribe notes issued by SMEs up to the sum of EUR 300 million. Due to legislative amendments that entered into force, Finnvera also has better opportunities to participate in financial arrangements associated with the export transactions of Finnish enterprises, as the ceilings for financing export credit guarantees and export credits were raised substantially.

Through the SME Export Finance Programme, Finnvera provides information and practical tools for the financing of export trade. The programme is targeted at Finnish SMEs engaged in direct exports. By virtue of the legislative amendment that entered into force in autumn, even large Finnish industrial enterprises can receive export credit guarantees for long-term credits that are granted by banks and used for domestic investments in machinery or equipment, thereby creating or benefiting the export industry. The amendment puts the enterprises on an equal footing with their foreign competitors and improves Finnish companies' equal competitive standing when offering their products for export-industry investments implemented in Finland.

Case: [Increasing awareness of export financing among entrepreneurs](#)

The new and increased authorisations serve as the basis for credit and guarantee policy reforms, which were first applied at the start of 2015.

Finnvera also joined forces with Tekes and Finpro in the Team Finland LetsGrow financing programme, where a company can get a loan for investments and working capital from Finnvera, assistance for the acquisition of innovation services from Tekes, and advice for international growth from Finpro. Growth Track (Kasvuväylä) is a service model offered jointly by Tekes, the Centres for Economic Development, Transport and the Environment, Finnvera, Finpro, Finnish Industry Investment Ltd and the Finnish Patent and Registration Office for enterprises that pursue rapid growth and internationalisation. Each SME selected for Growth Track is given an account manager, a Growth Pilot, who finds the best suited public expertise and financing services for the company and coordinates cooperation between the various parties.

Case: [Technology students brought phone booths to open-plan offices](#)



## Finnvera at events

Apart from the broader financing opportunities, Finnvera serves its clients by taking an active part in events targeted at entrepreneurs. During 2014, Finnvera participated, for instance, to the following events:

- Kasvu Open
- Own Enterprise
- Trade financing for internationalising growth enterprises – Training event

- Responsible Summer Job 2014 campaign
- Subcontracting Trade Fair in Tampere
- ‘We Got Courage!’ tour
- Russia as a Trading Partner
- New Notes for Internationalisation
- Enterprise Days in Tampere
- Slush
- ICC Trade Finance Day

## Privacy policy

The point of departure in Finnvera’s operations is transparency and the widest possible openness, as prescribed by law. Finnvera has an absolute statutory obligation to keep information on its clients confidential. In other words, information pertaining to a client’s or any other person’s identity, financial status, personal circumstances, and business or trade secrets may not be disclosed to outsiders without the client’s consent. Any matters and documents regarded as the

company’s business secrets must also be kept confidential.

However, Finnvera is under the obligation to provide information for prosecutors and pretrial investigators to solve a crime, for the Board of Directors or Secretary-General of the State Guarantee Fund to manage the Fund’s duties, and for other authorities that by law have the right to receive information.

## Personnel and environmental well-being

At Finnvera, the points of departure for personnel management are mutual trust, commitment to joint goals, cooperation, and ensuring a high level of expertise.

The year 2014 was exceptional in Finnvera's history: following internal reorganisation, as many as 70 people changed work tasks within the company. Alongside new job descriptions, the personnel have received career coaching, and units and managers have received induction training amidst the change.

The personnel's key strategic competence areas were defined in the Personnel Plan 2020 project, which was launched in autumn. The project is continuing with the drafting of a quantitative and qualitative resource plan that extends up to 2020 and covers the whole organisation. The project aims to ensure the right and sufficient competence, as defined by the strategy, in the right activities, taking into account the rapid rate of retirement within the next few years and the annual productivity target of four per cent set for the company.

When using estimates based on the current financing volumes, the target for the personnel number is to decrease to about three hundred through retirement by the year 2020. At the end of 2014, the personnel numbered 376.

Often changes also cause uncertainty. In consequence, the reorganisation was reflected in Finnvera's personnel survey of 2014 as a slightly weaker index values than in previous year. However, all of Finnvera's indices are above the norm for experts used by research institutes. In particular, well-being at work is Finnvera's strength when compared against other expert organisations. Similarly, the engagement index describing the personnel's dedication has traditionally been high for Finnvera.

The personnel survey conducted annually is utilised in developing the whole organisation. The number of respondents was record high in 2014: as many as 92.5 per cent of Finnvera employees answered the survey.

### Personnel involved in the decision-making process

Every effort is made to strengthen the personnel's motivation by applying delegating and open management and by encouraging personnel participation. Finnvera's approach is characterised by consulting the personnel and involving the personnel in decision-making. Finnvera's terms of employment are laid down in a company-specific labour agreement signed by the employers' association and three employees' associations. The agreement is based on what is known as a continuous negotiation process.

The personnel have one representative on Finnvera's Supervisory Board and three representatives in the

Corporate Management Team. The Corporate Management Team discusses all issues having a broad impact on the personnel, whose elected representatives also participate in the preparation of these issues. The Codetermination Committee discusses issues that have an effect on the personnel. In addition, personnel representatives can participate in planning groups pertaining to separate projects.

Personnel members can express their concerns confidentially by contacting their superiors, the HR staff and shop stewards.

### Training and well-functioning health care increase motivation

The development of competence and training are aimed at strengthening Finnvera's core competences as defined by the Corporate Management Team and the Personnel & Competence process team. Owing to the internal reorganisation, the number of in-house training days in

2014 was smaller than before, but there was much induction training. Centralised in-house training events totalled 30, as opposed to 55 in 2013. During the year, Finnvera organised training on topics such as supervisors' work and financing skills.

In the development of competence, Finnvera will adhere to the 70-20-10 model: 70 per cent of learning takes place at work, 20 per cent in interaction with others, and 10 per cent through external training.

Case: [The exchange programme of Finnvera and Tekes](#)

Finnvera also has first-rate and comprehensive occupational health care services, and effort is made to anticipate problems in advance in accordance with the early intervention model. The personnel's state of health is evaluated by means of regular health examinations, by charting and monitoring the health, health behaviour,

## Equal pay

At Finnvera, employees' salaries are based on job requirements and on personal work performance. Job requirements are assessed together with shop stewards, supervisors and HR administration. Job requirements are updated yearly. Personal work performance is evaluated during performance discussions held annually between the employee and the supervisor.

The pay brackets for the job requirement categories and the ways in which earnings trends are monitored both internally and in relation to the external pay markets are agreed through the pay system. In accordance with the target set, salaries have remained close to the median for the financing sector.

About one per cent of the total amount of wages and salaries is budgeted for one-off bonuses. The maximum bonus that can be paid to an individual employee in a calendar year corresponds to the person's four-week salary. A bonus is granted to roughly one out of five

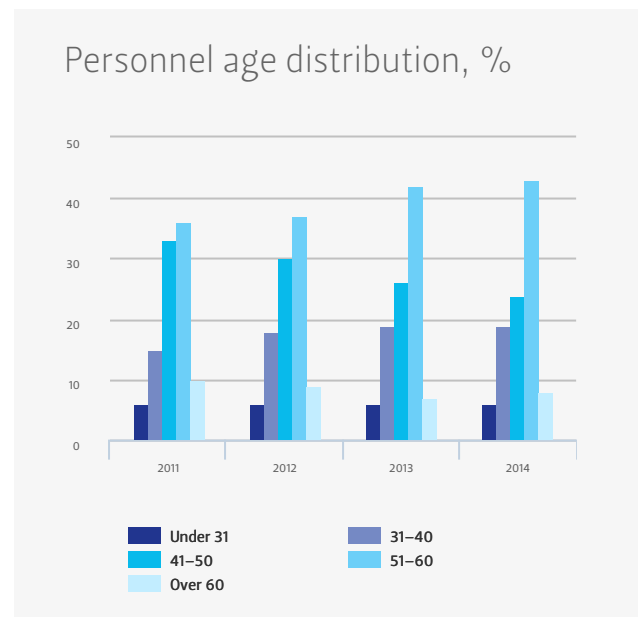
work ability and functional capacity of each individual, and by means of information obtained through medical care. Preventive measures include ergonomic checks of work stations.

A balanced division between work and leisure also supports well-being at work. Working hours are kept as flexible as possible, and flexitime encompasses the entire personnel.

Comprehensive care for the personnel's coping also impacts on Finnvera's low sickness absence rate, which was 3.38 in 2014.

employees. In 2014, the bonuses granted totalled EUR 300,000.

Case: [Responsible summer job](#)

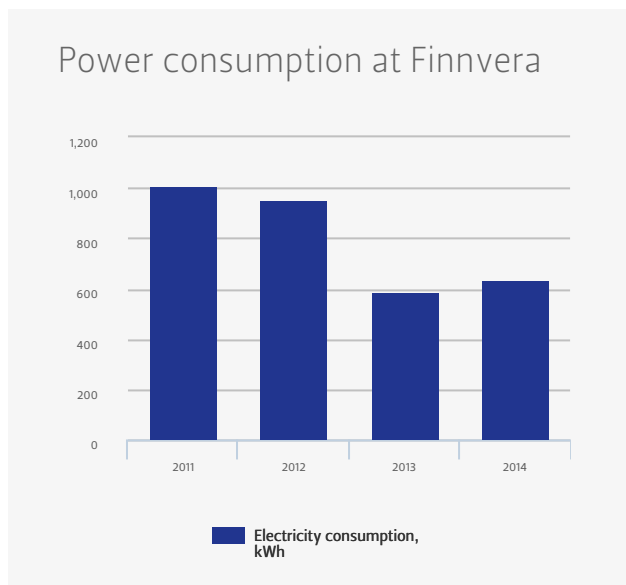


## Environmental impact of Finnvera's own operations

In its own operations, Finnvera minimises its burden on the environment. Effective property management reduces energy consumption, and actions have been taken to sort and recycle waste. Paper consumption has been reduced by using electronic documents and by investing in document management.

All of Finnvera's branch offices have video conferencing equipment, which is in frequent use as an alternative to travel. This reduces the carbon dioxide emissions of operations. Finnvera's new headquarters in Kuopio have been let under a Green Lease whereby environmentally responsible operations can also reduce the rent.

In 2016, Finnvera's headquarters in Helsinki, together with Finpro, Tekes and Finnish Industry Investment Ltd, will move to the business property owned by Ilmarinen Mutual Pension Insurance Company in Ruoholahti, Helsinki. In the coming years, almost all of Finnvera's offices will move to more efficient premises. Smaller premises together with modern technology reduce energy consumption to a significant extent.



Procurements are made under the Hansel framework agreements, where tendering takes energy efficiency requirements and environmental perspectives into consideration. Leasing contracts on machinery, equipment and cars ensure the utilisation of modern technology, as well as reliably working equipment and maintenance. Instead of old devices, the equipment in use is always up-to-date and increasingly energy efficient.

## Promoting environmental projects as a strategic objective

Finnvera participates in the financing of energy projects that promote environmental protection and slow down climate change. In this way, Finnvera contributes to the development of the Finnish environmental sector and its growth and internationalisation. In fact, one of Finnvera's key strategic and ownership policy goals is to apply means of financing to promote the use of clean, renewable sources of energy in order to mitigate climate change.

Projects slowing down climate change and other environmental protection offer growth potential for Finnish SMEs that have technological know-how for instance, in the sectors of renewable energy, energy conservation or waste processing. Aside from domestic demand, these sectors offer Finnish SMEs promising internationalisation and export opportunities.

Promoting business in these sectors is important from the perspective of the economy, since it is expected that the cleantech sector will keep expanding. Cleantech is also the spearhead theme for Team Finland's export promotion. Trade missions were organised and visibility

was sought around this theme in international forums in 2014. The purpose of these measures is to strengthen Finland's image as a cleantech pioneer.

Enterprises in the cleantech sector are usually starting up, growing and internationalising, and Finnvera can assume greater risks in financing them. This can mean, for example, taking on a larger share of the financing than usually. Finnvera, the Ministry of Employment and the Economy, ELY Centres, Tekes and Finpro have expanded their mutual dialogue so that more comprehensive service entities can be offered to environmental enterprises. The increased Team Finland cooperation for promoting projects is one example of this.

In addition to projects associated with renewable energy generation implemented in Finland, Finnvera has granted financing for projects where companies have exported environmental technology. Besides loans intended for SMEs, Finnvera can grant Environmental Guarantees to large enterprises.

Finnvera's financing of renewable energy and environmental projects increased compared to the previous year. It is expected that demand for financing for renewable energy and environmental projects will

rise further in the coming years, provided the world economy develops favourably.

Case: [Econet](#)

## Environmental and social aspects of projects in export financing

In export financing, the environmental and social impacts of [projects](#) are considered as part of the overall risk assessment. The assessment determines the location of the project, the project's environmental and social impacts, and whether these involve any financial risks or risks to reputation.

The assessment tools are Finnvera's project policy updated in 2013 and the [system for assessing](#) impacts. In developing these tools, both the principles of the Act on the State's Export Credit Guarantees and the OECD recommendations on the consideration of environmental and social aspects in export credits have been taken into account. The principles applying to export credit agencies in OECD countries guarantee an equal position for exporters irrespective of their country.

The project policy specifies which guarantee applications fall within the scope of assessment. The extent of the assessment is based on the importance of potential adverse environmental and social impacts. [The](#)

[project categories](#) A, B, C and "non-project" describe the intensity of impacts. Category A has the greatest impacts.

Apart from environmental aspects, project assessment takes into account social impacts, such as impacts on workers and local communities. Social aspects include such factors as working conditions and workplace rights, the health and safety of workers and people living in the area affected by the project, the acquisition of land and the forced relocation possibly resulting from this, the status of indigenous peoples, cultural heritage and whether the project involves forced labour or the use of child labour. When assessing projects, Finnvera pays increasing attention to human rights issues.

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

## Openness of information and monitoring of impacts

The project assessments of export financing are based on environmental and social studies conducted on the projects elsewhere. Applicants for financing supply this information to Finnvera. During the assessment, it is determined whether the projects meet the requirements set by the host country and by international standards. Projects with significant impacts are monitored until the credit associated with the export credit guarantee has been repaid.

Finnvera publishes information on the environmental and social impacts of projects with the consent of the parties concerned. Some data on projects in [project category A](#) are already disclosed before a guarantee is granted. Information is also given on some guarantees that have come into effect.

# GRI comparison of Finnvera's reporting

	<b>GRI Content</b>	<b>Included</b>	<b>Page</b>	<b>Remarks</b>
<b>1. Strategy and Analysis</b>				
<b>1.1</b>	CEO's statement	Yes	<a href="#">CEO's review Corporate responsibility at Finnvera</a>	
<b>1.2</b>	Key impacts, risks and opportunities.	Yes	<a href="#">Role and impact of operations Strategy Corporate responsibility at Finnvera</a>	
<b>2. Organisational Profile</b>				
<b>2.1</b>	Name of the organisation.	Yes	<a href="#">Finnvera in brief</a>	
<b>2.2</b>	Primary brands, products and services.	Yes	<a href="#">Finnvera in brief Financial services</a>	
<b>2.3</b>	Operational structure incl. main divisions, operating companies, subsidiaries, joint ventures.	Yes	<a href="#">Finnvera in brief</a>	
<b>2.4</b>	Location of organization's headquarters.	Yes	<a href="#">Contact info</a>	
<b>2.5</b>	Number of countries and names of countries with major operations or that are relevant to sustainability issues.	Yes	<a href="#">Regional organisation</a>	
<b>2.6</b>	Nature of ownership and legal form.	Yes	<a href="#">Governance</a>	
<b>2.7</b>	Markets served (geographic breakdown, sectors served, types of customers/beneficiaries).	Yes	<a href="#">Role and impact of operations Clients</a>	
<b>2.8</b>	Scale of the reporting organization (Number of employees, net sales, total capitalization by debt and equity, quantity of products/services provided).	Yes	<a href="#">Key figures</a>	
<b>2.9</b>	Significant changes regarding size, structure or ownership (location of, or changes in operations, incl. facility openings, closings, and expansions; and changes in share capital structure).	Yes	<a href="#">Strategy</a>	Finnvera renewed its business model and organisation to support the effective implementation of its strategy
<b>2.10</b>	Awards received in the reporting period.	Yes		No awards that GRI requires to be reported during the reporting period.
<b>3. Reporting Principles</b>				
<b>3.1</b>	Reporting period (e.g., fiscal/calendar year) for information provided	Yes	<a href="#">About the annual report</a>	

<b>3.2</b>	Date of most recent report	Yes	<a href="#">About the annual report</a>	
<b>3.3</b>	Reporting cycle (annual, biennial, etc.)	Yes	<a href="#">About the annual report</a>	
<b>3.4</b>	Contact point for questions regarding the report or its content.	Yes	<a href="#">Contact info</a>	
<b>3.5</b>	Process for defining report content (materiality, prioritizing topics and stakeholders using the report).	Yes	<a href="#">Stakeholders and materiality</a>	
<b>3.6</b>	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Yes		The sustainability report covers the economic, social and environmental implications of Finnvera plc's own operations from the accounting period 1 Jan–31 Dec 2014. Reporting complies with the GRI 3.1 reporting framework. Our reporting corresponds with the GRI application level C.
<b>3.7</b>	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Yes		Any possible exceptions or limitations in the boundaries, as well as changes to the scope, boundary or measurement techniques of the key figures reported earlier, have been reported next to the key figures in question.
<b>3.8</b>	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Yes	<a href="#">About the annual report</a>	Finnvera does not have leased facilities or outsourced operations.
<b>3.10</b>	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Yes		No changes in the information reported earlier
<b>3.11</b>	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Yes		No changes in the information reported earlier
<b>3.12</b>	Table identifying the location of the Standard Disclosures in the report .	Yes	<a href="#">GRI</a>	
<b>3.13</b>	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Yes		The 2014 report has not been subjected to external assurance.

#### 4. Governance, Commitments and Engagement

##### Governance

<b>4.1</b>	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Yes	<a href="#">Governance</a>	
<b>4.2</b>	Indicate whether the Chair of the highest governance body is also an executive officer.	Yes	<a href="#">Board of Directors</a>	The Chairman of the Board of Directors is independent of the executive management.
<b>4.3</b>	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Yes		All Board members are independent.
<b>4.4</b>	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Yes	<a href="#">Personnel well-being</a>	
<b>4.5</b>	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Yes	<a href="#">Statement on the Corporate Governance and Steering System</a>	
<b>4.6</b>	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Yes	<a href="#">Governance</a>	
<b>4.7</b>	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Yes	<a href="#">Statement on the Corporate Governance and Steering System</a>	
<b>4.8</b>	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Yes	<a href="#">Strategy Corporate responsibility at Finnvera</a>	<a href="#">Finnvera's webpage</a>
<b>4.9</b>	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Yes	<a href="#">Corporate responsibility at Finnvera Risk Management</a>	
<b>4.10</b>	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Yes		The Board of Directors evaluates its own performance annually.



<b>4.11</b>	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Yes	<a href="#">Project assessments</a> <a href="#">Risktaking</a> <a href="#">Accounting principles</a>
<b>4.12</b>	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Yes	<a href="#">Export financing</a>
<b>4.13</b>	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	Yes	<a href="#">Stakeholders and materiality</a>
<b>4.14</b>	List of stakeholder groups engaged by the organization.	Yes	<a href="#">Stakeholders and materiality</a>
<b>4.15</b>	Basis for identification and selection of stakeholders with whom to engage.	Yes	<a href="#">Stakeholders and materiality</a>
<b>4.16</b>	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Yes	<a href="#">Stakeholders and materiality</a>
<b>Economic Performance Indicators</b>			
	<b>Management approach to economic responsibility</b>	Yes	<a href="#">Role and impact of operations</a> <a href="#">Finnvera's impact on society</a> <a href="#">Risk management</a> <a href="#">Corporate responsibility at Finnvera</a>
<b>Economic Performance</b>			
<b>EC1*</b>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Partly	<a href="#">Key figures</a> <a href="#">Finnvera's impact on society</a>
<b>EC2*</b>	Financial implications, risks and opportunities due to climate change.	Partly	<a href="#">Personnel well-being</a>
<b>EC3*</b>	Coverage of defined benefit plan obligations.	Yes	<a href="#">Accounting principles</a> <a href="#">Statement on the Corporate Governance and Steering System</a>
<b>EC4*</b>	Significant subsidies received from government.	Yes	<a href="#">Financial statement</a>
<b>EC9</b>	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Yes	<a href="#">Finnvera's impact on society</a> <a href="#">Role and impact of operations</a>

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**Environmental Performance Indicators**


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	<b>Management approach to environmental responsibility</b>	Partly	<a href="#">Personnel well-being</a>	
<b>EN4*</b>	Indirect energy consumption by primary source.	Partly	<a href="#">Personnel well-being</a>	
<b>EN7</b>	Initiatives to reduce indirect energy consumption and reductions achieved.	Yes	<a href="#">Personnel well-being</a>	
<b>EN18</b>	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partly	<a href="#">Personnel well-being</a>	
<b>EN28*</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Yes		No fines or sanctions during the reporting period.

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**Social Performance Indicators**


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	<b>Management approach to labor practices and decent work</b>	Yes	<a href="#">Corporate responsibility at Finnvera</a> <a href="#">Personnel well-being</a> <a href="#">Governance</a>	
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**Labor Practices and Decent Work**


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<b>LA1*</b>	Total workforce by employment type, employment contract and region.	Partly	<a href="#">Report of the Board of Directors</a> <a href="#">Personnel well-being</a>	
<b>LA4*</b>	Percentage of employees covered by collective bargaining agreements.	Yes		94% of employees are covered by collective bargaining agreements.
<b>LA5*</b>	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Yes		Finnvera complies with the Finnish co-determination legislation.
<b>LA6</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Yes		Finnvera has an occupational safety and health organisation set up in accordance with the Act on Occupational Safety and Health Enforcement. It draws up the action plan for occupational safety and health. The employer is represented by the occupational safety and health manager and the employees by the elected occupational safety and health representatives and deputy representatives. The Occupational Safety and Health Act is applied to all employees and, according to the general provisions, the employer is required to take care of the safety and health of its employees while at work by taking the necessary measures.

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<b>LA7*</b>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Partly	<a href="#">Personnel well-being</a>	
<b>LA8*</b>	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Yes	<a href="#">Personnel well-being</a>	
<b>LA10*</b>	Average hours of training per year per employee by employee category.	Partly		The average hours of training per person have not been reported.
<b>LA11</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Partly	<a href="#">Personnel well-being</a>	
<b>LA12</b>	Percentage of employees receiving regular performance and career development reviews.	Yes	<a href="#">Personnel well-being</a>	The entire personnel is encompassed by performance and career development reviews.
<b>Human Rights</b>				
<b>HR4*</b>	Incidents of discrimination and actions taken.	Yes		No cases of discrimination during the reporting period.
<b>Society</b>				
<b>S01*</b>	Nature, scope, and effectiveness of any programs and practices that assess and manage impacts of operations on communities (incl. entering, operating, and exiting).	Partly	<a href="#">Personnel well-being</a>	
<b>S04*</b>	Actions taken in response to incidents of corruption.	Yes		No cases of corruption during the reporting period.
<b>S06</b>	Total value of financial and in-kind contributions to political parties, politicians and related institutions.	Yes		Finnvera does not give contributions or donations to political parties or politicians.
<b>S07</b>	Number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	Yes		No legal actions during the reporting period
<b>S08*</b>	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations.	Yes		No fines or sanctions during the reporting period.
<b>GRI indicators for the financing sector</b>				
<b>FS2</b>	Procedures for assessing and screening environmental and social risks in business lines.	Yes	<a href="#">Personnel well-being</a>	
<b>FS3</b>	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Yes	<a href="#">Personnel well-being</a>	

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<b>FS5</b>	Interactions with clients/investees/ business partners regarding environmental and social risks and opportunities.	Partly	<a href="#">Personnel well- being</a>
<b>FS6</b>	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector.	Yes	<a href="#">Financial services Business in 2014</a>
<b>FS8</b>	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Partly	<a href="#">Personnel well- being</a>

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## CEO's review

### A year of divergent events

The year 2014 started on a more positive note than the past years, but political crises quickly blurred the outlook again. Fortunately, the global economy seemed to regain some of its momentum at the end of the year.

Finland appeared to lag behind the economic development of the rest of Europe. Investments were at a low ebb, since many entrepreneurs and companies did not see the Finnish investment climate as favourable. Export orders kept rising and falling throughout the year but a few large orders for ships – which Finnvera also helped to finance – improved the order books towards the end of the year.

### Working capital needed

The cautious and anticipatory atmosphere caused by the general economic situation was reflected in the operations of companies and, through our clients, also in our own operations. Demand for SME financing was at the same level as the year before and focused increasingly often on working capital and on the rescheduling of previous credits. The deal flow of our venture capital investments was more or less the same as in previous years despite the fact that these operations will be transferred to Tekes within the next few years.

During the period under review, Finnish exports fell below expectations. The decline in Russia's economic growth since 2012, the collapse of the rouble and the dispute between Russia and Ukraine pose problems to Finnish enterprises exporting to the Russian market. These problems were reflected in the demand for our

The Finnish financial markets operated better than some individual opinions would suggest but were still unusually polarised in 2014. In particular, smaller companies had financing difficulties if the company's balance sheet structure had weakened. Demand for export financing remained at a high level.

Finnvera's opportunities to provide financing for enterprises were improved through both legal amendments and Government decisions, especially during the latter half of 2014.

export financing. Finnvera participates in the financing of cruise vessels that will be delivered by the Turku shipyard to TUI Cruises GmbH. This, in turn, increased the volume of guarantee offers given.

Many of our client enterprises did well and found new customers. However, the number of bankruptcies remained high, which is another indication of the challenging operating environment and economic situation. Since most of the commitments pertaining to Talvivaara company, which filed a bankruptcy petition during the period under review, had already been written down earlier, new major write-offs were avoided. As a result, the Finnvera Group's financial performance was better than anticipated, but still remained below one per cent in relation to the greatly increased commitments.

### On an equal footing with competitor countries

The government greatly improved Finnvera's possibilities to provide public financing. Thanks to the amendments made to legislation and commitments, we can increase our risk-taking in both SME financing and export financing.

Financing through bonds, guaranteeing large enterprises' domestic investments relating to exports, and the possibility to provide financing for enterprises larger than the SME definition applied by the EU, diversified our selection of means. Once the bill on the refinancing guarantee is passed, we can state that, in terms of authorisations and financial instruments, we

are on the same level as our principal reference countries, such as Sweden and Germany.

## Encouraging companies to international growth

One of our goals is to identify growth companies and encourage them to grow internationally. In order to accelerate this process, together with Tekes and Finpro, we launched the Team Finland LetsGrow programme, which provides financing and advisory services to help companies implement their own plans aimed at internationalisation. We also continue the SME Export Finance Programme, organised together with banks. Its aim is to inform SMEs of the various opportunities available for financing exports.

With respect to enterprises operating on the domestic market, our principle is to share risks so that a bank or some other private provider of financing, such as an insurance company, is the principal source of financing. In particular, we focus our financing on situations of change within companies and on the financing needed by start-up enterprises during establishment.

Each year, together with banks we share risks in thousands of projects. We continue our efforts to ensure that our financing has the maximum impact and is allocated to the most important uses in view of industrial policy. We want the client experience created by our services to be the best in its reference group and we want our cooperation with both private providers of financing and our public sister organisations to be seamless.

I would like to thank our clients, partners and all of our stakeholders for their trust and constructive cooperation. Thanks also go to Finnvera's personnel, whose efforts help to write new Finnish success stories. Our objective is that our joint efforts lead our clients – Finnish enterprises – to successful business.

***"Each year, together with banks we share risks in thousands of projects."***

- Pauli Heikkilä



# Operating environment

## Slight recovery in the global economy towards the end of the year

In 2014 the global economy grew more slowly than expected. Despite uncertainty, the US economy already showed signs of recovery towards the end of the year. Cautious growth was also predicted for the euro area after two negative years.

Due to the industrial structure and declined competitiveness, the situation for Finland was not as promising. In autumn, the Ministry of Finance predicted a very moderate upswing in the economic cycle. According to the preliminary statistics compiled by

Finnish Customs, the exports of Finnish goods in January–September remained at the same level as the year before. Exports to the EU Member States rose by six per cent, but exports to countries outside the EU declined by seven per cent.

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

## A new normal situation on the financial market

Circumstances on the financial market have permanently changed following the financial crisis. Owing to stricter bank regulation, banks concentrate even more closely on the business operations and customer relations that yield the best return on the bank's equity and keep solvency at least on the level required by the regulatory authorities. In consequence, some companies are unable to obtain financing even for good projects if their balance structure is weak and they lack sufficient collateral.

During the recession, the solvency of many companies has fallen below the level required by banks. This may have blocked the access to financing, at the same time stifling any nascent growth. According to the results of the SME barometer survey conducted in autumn, the general availability of financing has not changed, but three out of four companies reported that the conditions for obtaining financing have become more rigorous. The three most important changes pertaining to financing, as listed by the respondents, were the increase in loan margins, the more stringent collateral requirements, and the requirement for a larger share of self-financing.

Stiffening international competition and challenging financial markets present Finnvera with diverse expectations: on the one hand, Finnvera is expected to provide financing when it is not available on the market; on the other hand, financing should have an impact on developing the competitiveness of Finnish enterprises. International comparison reveals that many Finnish SMEs could improve their systematic approach and management of their economy. Without these, they can hardly gain enough growth in exports. In its operations, Finnvera must constantly balance between expectations that may even be conflicting. For this reason, corporate analyses are becoming more and more important.

The current situation on the financial market – the new normal – also makes it more difficult to arrange financing for the customers of Finnish export companies. Competition is stiff concerning both the competitive pricing of export products and the arrangement of financing for the buyers of these products.

## Geographical tensions impaired prospects

Russia's decreasing economy and the Russo-Ukrainian crisis burdened Finnish companies that trade with Russia. In addition to the impacts of sanctions and retaliatory sanctions, it became more difficult for

Russian enterprises to acquire financing from Russian banks. In consequence, Russia's imports and investments shrank.

Owing to the flagging Russian economy and the decline in Finnish exports, Finnvera's commitments for trade with Russia fell slightly during the period under review. Finnvera can still cover political and commercial risks in projects carried out by Finnish exporters in Russia. Finnvera complies with the sanctions adopted by the EU

and always assesses the possibilities to participate in projects on a case-by-case basis.



# Key figures

<b>Finnvera Group</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net interest income and net fee and commission income, MEUR	190.2	189.8	174.6	157.9	154.2
Administrative expenses, MEUR	40.7	42.8	42.7	42.0	41.4
Write-down on receivables and guarantee losses, MEUR	97.5	111.6	125.0	87.3	74.6
Credit loss compensation from the State, MEUR	63.7	48.0	49.7	31.9	25.4
Operating profit or loss, MEUR	102.0	75.1	54.1	62.3	62.0
Profit for the year, MEUR	101.3	74.5	53.4	59.7	62.9
Return on equity, %	11.3	9.3	7.3	9.3	10.5
Return on assets, %	1.8	1.8	1.6	2.4	2.4
Equity ratio, %	14.4	18.4	20.3	24.7	23.8
Capital adequacy ratio, Tier 2, % *	18.6	16.9	16.3	15.5	14.6
Expense-income ratio, %	25.7	27.0	27.6	29.2	30.4
Balance sheet total, MEUR	6,628.6	4,603.5	3,807.8	2,890.2	2,664.1
Shareholders' equity, MEUR	956.0	848.5	771.8	714.8	633.5
of which non-restricted reserves, MEUR	703.1	594.8	513.3	455.8	374.6
Personnel at year-end	394	399	411	413	418
<b>Finnvera plc, SME financing</b>					
Financing granted, MEUR	1,003	827	933	1,051	1,029
Outstanding commitments as per the balance sheet and contingencies at year's end					
- Outstanding credits, MEUR	1,265	1,409	1,555	1,660	1,731
- Outstanding guarantees, MEUR	988	1,047	1,068	1,093	1,065
- Export guarantees and export credit guarantees	385	353	315	368	338
Start-up enterprises	3,247	3,473	3,123	3,397	3,611
New jobs, number	8,105	8,663	8,660	10,159	8,994
<b>Finnvera plc, Export financing</b>					
Export credit guarantees and special guarantees offered, MEUR	5,034	3,327	5,272	3,722	2,264
Total outstanding commitments, MEUR	12,216	10,651	10,889	9,997	8,593
<b>Finnvera plc, clients and personnel</b>					
Number of clients, SME financing and Export financing together	28,800	29,700	30,000	29,900	29,300
Personnel at year's end	376	382	393	391	397

\*The capital adequacy rate for the years 2010–2012 has been calculated according to the Basel II methods.

## Business Operations

The sluggish economic outlook affected the growth plans and risk-taking of SMEs. Economic growth stagnated for the third year and business confidence was low. The low level of investments was a major concern.

Demand for SME financing was moderate and roughly at the same level as in the previous year. The total value of the projects for which financing was sought came to two billion euros. Demand focused on working capital more than in previous years. Loan repayments were deferred and there was much restructuring of financing.

The volume of SME financing granted by Finnvera totalled EUR 1,003 million; this is 21 per cent more than in 2013. Some of the increase was due to the rescheduling of financing granted previously. During the year, Finnvera was involved in the financing of 866 ownership arrangements (972); the total sum was EUR 87 million (108 million).

The situation between Russia and Ukraine caused uncertainty about exports to Russia, an important market for Finnish exporters. Banks were very cautious about financing Finnish companies' transactions in Russia. In addition, the uncertain economic situation was reflected in the demand for guarantees in export financing, which declined by about 14 per cent on the previous year, totalling EUR 7,290 million (8,447

million). Demand for export credit financing also fell from the level in 2013.

In contrast, the amount of export credit guarantees and special guarantees offered rose by 51 per cent, to a total of EUR 5,034 million (3,327 million). The bulk of this, or 71 per cent, was used for the export of capital goods to industrialised countries, 15 per cent to Latin America and 7 per cent to the Middle East and North Africa. Offers pertaining to the financing of export credits totalled EUR 2,829 million.

The value of export credit guarantees that came into effect rose 46 per cent on the previous year, to EUR 4,004 million (2,738 million). Guarantees come into effect when the export transactions have been concluded. Outstanding commitments were distributed among 87 countries. The largest individual commitments involved exports to the United States, Brazil and Germany. Among individual countries, the outstanding commitments for export credit guarantees associated with transactions to Germany showed the greatest increase.

Direct venture capital investments totalled EUR 16 million and initial investments EUR 3 million (5 million). There were 82 follow-on investments (66) totalling EUR 12 million (11 million).

### Summary by business area

	Loans, domestic guarantees and export guarantees offered	Export credit guarantees offered	Total 1 Jan–31 Dec 2014	Outstanding commitments 31 Dec 2014*	Clients 31 Dec 2014
	MEUR	MEUR	MEUR	MEUR	No
Locally operating small companies	116	0	116	327	18,179
SMEs focusing on the domestic markets	416	21	437	1,669	9,735
SMEs seeking growth through internationalisation	371	69	440	761	749
Export financing	10	5,034	5,044	12,216	115
<b>Total</b>	<b>914</b>	<b>5,124</b>	<b>6,037</b>	<b>14,973</b>	<b>28,778</b>

\*Excluding impairment losses on loans and provisions.

## SME financing

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

A starting enterprise seeks financing for initial investments and launching its operations, such as for the acquisition of the initial inventory or investments in furnishings. The average financing or guarantee for a bank loan granted by Finnvera to a starting small enterprise is about EUR 25,000.

Enterprises operating on the domestic market often seek financing not only for working capital but also for investments in machinery or for various situations of change, such as changes of generation or other ownership arrangements.

A growth enterprise may need financing, for instance:

- for the acquisition of a machine or equipment;

***"No profitable project should remain unrealised for lack of financing."***

- Katja Keitaanniemi, Executive Vice President



Finnvera shares risks with other providers of financing, and banks play an important role in financial arrangements. Before the financing decision, Finnvera assesses the enterprise as a whole, its potential for success, business, competitiveness and the ability to manage its financial obligations. The decision on financing and Finnvera's contribution is made on the basis of this analysis.

Each year, Finnvera receives about 20,000 applications from SMEs. About 80 per cent of these get a positive financing decision. Applications may be rejected due to,

- for working capital, owing for example to seasonal variations and maintenance of a merchandise inventory;
- for the development of a product or service;
- for expansion on the export market.

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

The financing or guarantee offered by Finnvera for international growth is on average EUR 800,000–900,000. Needs vary, however, and the largest individual cases of financing may be several millions of euros.

for example, an insufficient share of the necessary self-financing, problems in the entrepreneur's or enterprise's credit history, a tough competitive situation in the respective sector or because the enterprise is not considered to have the prerequisites for profitable business.

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

At the end of 2014, the outstanding commitments for SME financing stood at EUR 2.8 billion (2.9 billion).

The fact that the number of bankruptcies has remained at a high level is an indication of the challenging economic situation. In 2014, a total of 497 client

enterprises went bankrupt (481). Among these, the commitments for Talvivaara were the greatest.

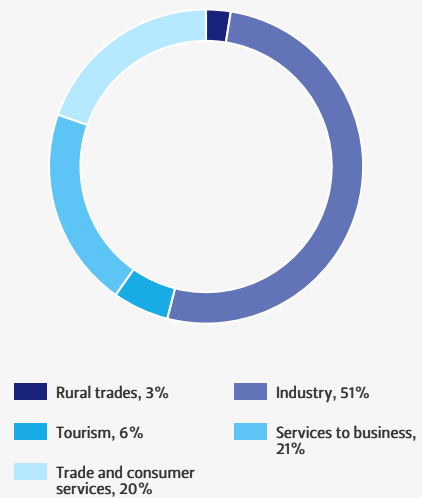
## Financing for working capital and small projects

Of the SME financing granted, a larger share than before was used for working capital and for the rescheduling of payments. The volume of financing needed for investments and company reorganisations was less than in 2013.

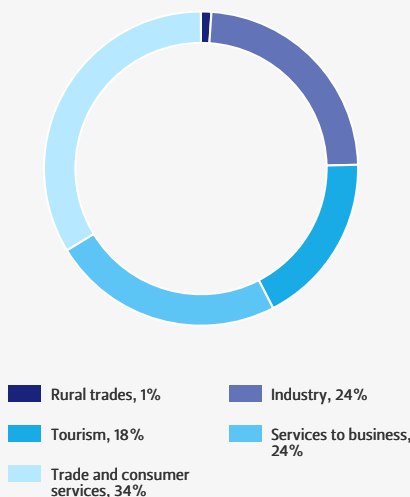
The value of financing granted to local small businesses in 2014 totalled EUR 116 million. This was 3 per cent more than the year before.

The volume of financing granted by Finnvera to enterprises operating on the domestic market totalled EUR 437 million during the period under review. This was about 47 per cent more than in 2013. During 2014, Finland had eight areas of abrupt structural change. Together with other public and private actors, Finnvera provided a total of EUR 69 million in financing for these areas.

Financing granted to enterprises operating on the domestic market in 2014

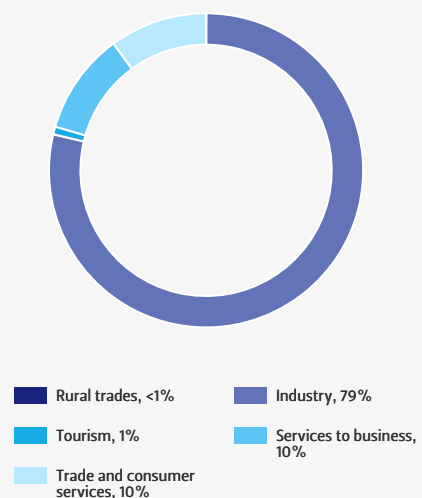


Financing granted to local small enterprises in 2014



Financing for growth and internationalisation granted in 2014 came to EUR 440 million. This financing increased by 6 per cent on the previous year.

Financing granted for growth and internationalisation by business area in 2014



In June 2014, the Government authorised Finnvera to subscribe bonds issued by enterprises meeting the EU's definition of an SME. In late 2014, this authorisation was expanded, and since the beginning of 2015, Finnvera has

been able to finance enterprises that are larger than the EU's definition of an SME, up to a turnover of EUR 300 million. The total maximum sum of these subscriptions is EUR 600 million.

*So far SMEs have floated few bonds in which Finnvera could have participated.*

During the period under review, working together with Finpro and Tekes, Finnvera launched the Team Finland LetsGrow financing programme intended to encourage growth enterprises to internationalise. Finnvera continued the SME Export Finance Programme,

launched in 2012. The aim of the programme is to inform SMEs of the various tools available for financing exports.

Read more [letsgrow.fi](http://letsgrow.fi)

Case: [Milk for five o'clock tea](#)

## More flexible financial services

Late in 2014, the SME Financing Unit prepared a new credit policy. In consequence, as of 2015, Finnvera is able to offer increasingly flexible financing solutions especially for starting enterprises that have been in business for less than three years and for enterprises seeking growth through internationalisation. Lack of collateral is often the explanation why a company does not get financing from a bank. For this reason, Finnvera will gradually increase its unsecured financing during 2015.

Finnvera's new regional organisation kicked off in September 2014. At the same time, two new units were established: a national team for managing the financing needs of growing and internationalising enterprises, and a Service Centre to manage the financing issues of small enterprises. Through constant development of our operations, we want to give SMEs increasingly better financial services.

## Export financing

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

*Finnvera grants guarantees for high-risk countries and investigates the creditworthiness of buyers and guarantors.*

The export credit guarantees granted by Finnvera do not include financial support. Clients pay a premium that depends on the risk associated with the project.

Finnvera's subsidiary, Finnish Export Credit Ltd, is able to offer fixed-rate or floating-rate financing for export and ship credits based on Finnvera's acquisition of funds. In addition, Finnish Export Credit manages the interest equalisation system for officially supported export credits, which improves the opportunities of financial institutions to arrange long-term and fixed-rate financing for exports. In interest equalisation, the bank serving as the arranger of the export credit finances the credit and signs an interest equalisation agreement with Finnish Export Credit.

At the end of 2014, outstanding commitments for Finnvera's export credit guarantees and special guarantees totalled EUR 12.2 billion, or 17 per cent more than the year before. Since 2010, the total outstanding commitments for export financing have increased by 41 per cent. This increase is the result of the international financial market crisis, bank regulation, tougher international competition between exporters, and the large shipbuilding contracts signed during the year under review.

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

The maximum amount of export credit guarantees and special guarantees was raised from EUR 12.5 billion to EUR 17 billion during the year. This will secure Finnvera's opportunities to contribute to the financial arrangements of Finnish companies' export deals.

The biggest country exposures on 31 Dec 2014, MEUR

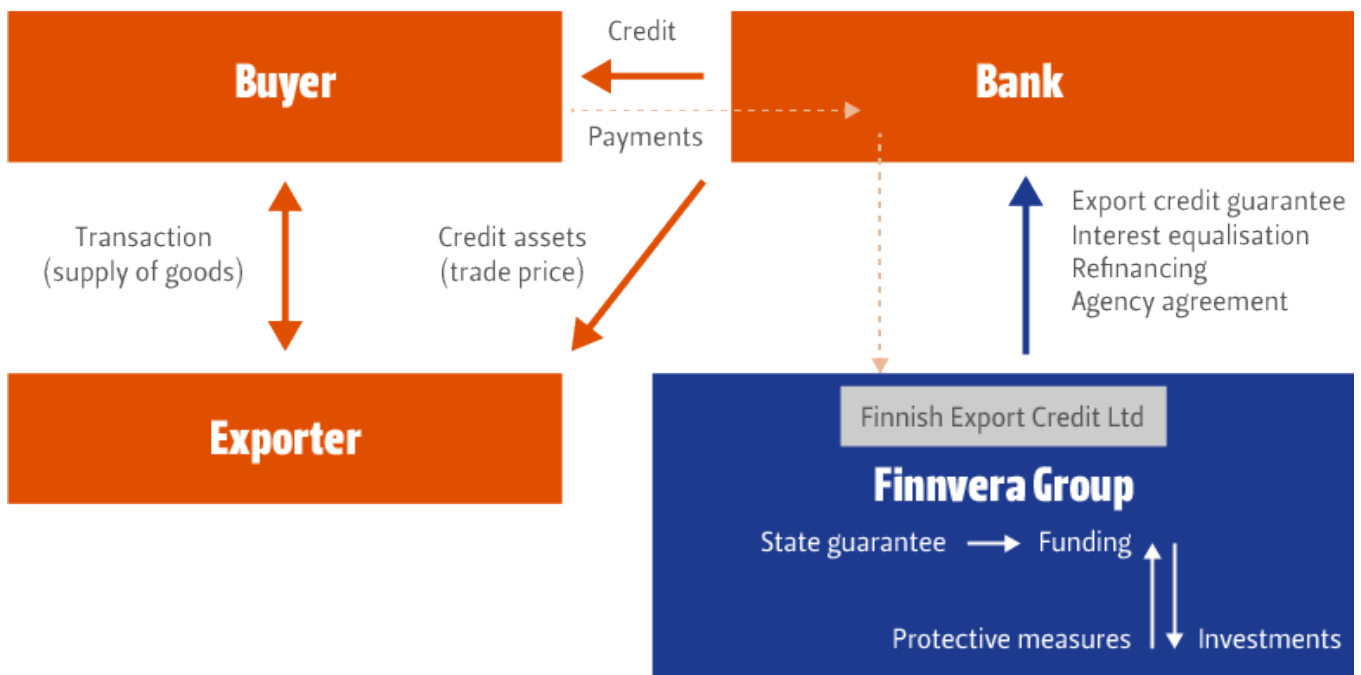


## Finnvera and banks cooperate in export credit financing

Export credit financing facilitates the arrangement of financing for foreign customers who purchase Finnish capital goods. Banks play a key role in arranging financing for export transactions: the bank selected by the buyer arranges a long-term export credit on OECD terms for the client. The bank negotiates a credit

agreement that meets the terms of Finnvera and Finnish Export Credit and manages the credit. The bank transfers the export credit to Finnish Export Credit for financing. Finnvera's Buyer Credit Guarantee is always a prerequisite for the financing.

### Buyer credits in exports



- The application for financing an export credit must always be submitted before the delivery contract is signed.
- Finnvera can grant a guarantee for the export credit, and Finnish Export Credit can finance the credit.
- The bank arranges the export credit, negotiates the credit agreement and manages the credit.

- The export credit must comply with the OECD terms, the repayment period must be at least two years, the down payment at least 15 per cent, and instalments must generally be made every six months.

Case: [Finnvera participated in financial arrangements for Wärtsilä's power plant projects](#)

## The volume of offers for export credit guarantees increased

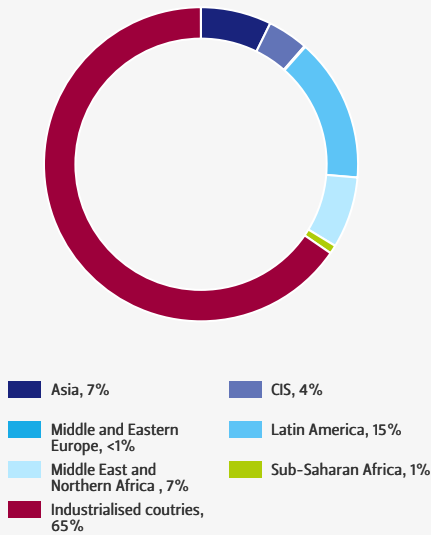
Although the volume of applications for export financing declined, the volume of guarantee offers given increased by about half on the previous year.

The total value of the export credit guarantee and special guarantee offers given by Finnvera rose to EUR 5.0 billion (3.3 billion).

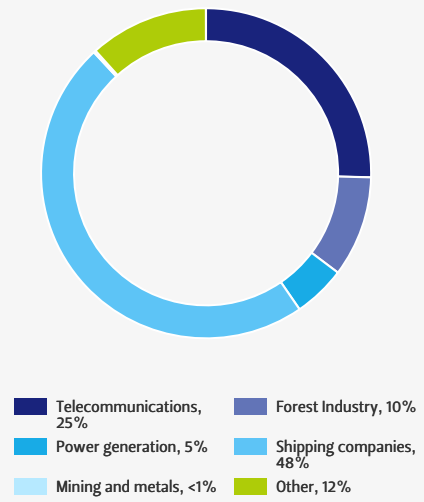
In total, 88 per cent of the guarantees offered concerned the traditional sectors of Finnish capital goods exports, such as shipbuilding, telecommunications and the forest industry. Compared to the previous year, the most rapid growth took place in offers given for exports to industrialised countries and Latin American countries. Their combined share was 86 per cent. The largest volumes of guarantees were offered for the United States, Finland and Germany.

The value of guarantees that came into effect in 2014 totalled EUR 4.0 billion (2.7 billion). Most of them, or 94 per cent, pertained to foreign risk-taking. No significant changes in the number or size of projects or in the clientele took place during the year.

Export credit guarantees that came into effect in 2014 by region



Export credit guarantees that came into effect in 2014 by sector





## Export credit guarantees also for domestic, export-related investments

Large Finnish industrial enterprises are now able to receive export credit guarantees for long-term credits that banks grant for domestic investments. The projects must create export industry or bring benefit to it. The legislative amendment entered into force on 1 September 2014.

After the amendment, Finnvera can participate in financing arrangements for investments made in Finland to benefit exports. This improves Finnish companies' equal competitive standing when offering their products for export-industry investments implemented in Finland.

*"We have not previously been able to grant guarantees for the domestic projects of large enterprises. It has been more advantageous to purchase machines and equipment needed for a project from a foreign supplier, because then the buyer has been able to use an export credit guarantee given by the export credit agency of the supplier's country. As a result, Finnish equipment suppliers may have lost deals to their competitors. Our possibilities to grant export credit guarantees for domestic transactions will strengthen the competitive standing of equipment suppliers and will promote employment in Finland."*

- Topi Vesteri, Executive Vice President



## Constant development of Finnvera's and Finnish Export Credit's operations

Finnvera's mission is to provide Finnish export enterprises with competitive export financing services. This requires continuous development of operations. Guarantees granted for export-related domestic investments were taken into use in 2014. Also during the period under review, a proposal for refinancing guarantees was prepared for the Government. The proposal is being debated by Parliament and a decision is

expected during 2015. The possibility to finance small export credits was also investigated during the period under review.

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

## Venture capital investments

Finnvera makes venture capital investments in early-stage technology enterprises and in technology-intensive or innovative service enterprises that have potential for developing into international growth enterprises. By strengthening enterprises' equity, the investments enable, start and accelerate the growth of enterprises and their access to international markets.

Finnvera's operations aim for the active increase of shareholder value, and Finnvera participates in, among others, the Boards of portfolio companies. Finnvera serves as a minority shareholder in its portfolio companies and other providers of financing are always involved in the financing round.

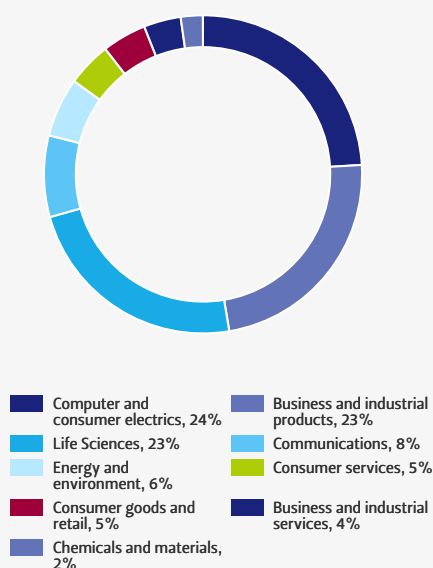
During 2014, Finnvera's portfolio companies collected over 60 million euros of new private capital. Between 2006 and 2014, Finnvera made direct venture capital investments in altogether 228 enterprises. In all, private investors have invested over 260 million euros in the portfolio companies of Seed Fund Vera.

In keeping with the policy of Finnvera's Board of Directors, the company will gradually give up its venture capital investments in regional funds. In addition to direct investments, Finnvera had investments in eight regional funds at the end of 2014.

At the beginning of 2013, the business angel operations administered by Finnvera were transferred to the Finnish Business Angels Network (FiBAN), which was founded by Finnish business angels in 2011. To ensure the continuity of operations, Finnvera has supported FiBAN in the development of business angel activities. Potential investment targets are offered to FiBAN's business angel network not only from FiBAN's own deal flow but also, among others, from Finnvera's deal flow.

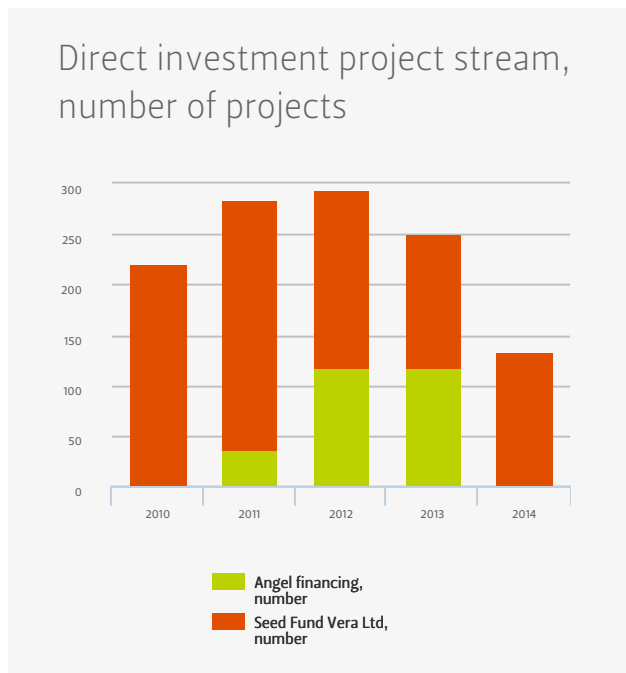
Venture capital investments are organised through Finnvera plc's subsidiaries Veraventure Ltd (100 per cent ownership) and Seed Fund Vera Ltd (94 per cent).

Early-stage portfolio companies  
by sector, 31 Dec 2014



## Venture capital investments remained high

The demand for venture capital investment financing has remained steadily high since these activities began in 2005. In 2014, a total of 116 enterprises sought investments (134).



The number of investments made was somewhat greater than the year before: there were 94 (85) direct investments. The value of the investments declined slightly from the previous year and was EUR 16 million (16 million). Of the projects financed, 12 were initial investments (19). Their total sum was EUR 3 million (5 million). There were 82 (66) follow-on investments made, totalling EUR 12 million (11 million).

In 2014, there were altogether 11 full or partial exits where the portfolio company was sold either to an industrial buyer or to another venture capitalist. Eight portfolio companies went bankrupt.

## Finnvera sold its holdings in Vigo funds to Tekes Venture Capital Ltd

In accordance with the policy decision made by Minister of Economic Affairs Jyri Häkämies in autumn 2012, Finnvera gave up its early-stage investments in funds in 2014. At the same time, Tekes launched similar activities, implementing them through Tekes Venture Capital Ltd. Finnvera's holdings in six Vigo accelerator funds were sold to Tekes Venture Capital Ltd in 2014. Similarly, holdings in five regional funds were sold to private investors. Finnvera is still negotiating about the

sale of its holdings in funds organised as limited companies to private parties.

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

## Case gallery

### Technology students brought phone booths to open-plan offices



Framery Ltd, founded in 2010, is the market leader in phone booths for offices.

In 2009, Samu Hällfors and Vesa-Matti Marjamäki, students at Tampere University of Technology, realised what modern open-plan offices were missing: phone booths. Founded one year later, Framery Ltd was the world's first company manufacturing soundproof phone booths.

“We were also a bit lucky to notice the megatrend in multipurpose space thinking, where Finland is very near the top. The debate on open-plan offices was lively, but there were no solutions to the problems. We decided that this would be our opening,” says Hällfors, who is responsible for product development.

Among those believing in the know-how of this company based in Tampere, Finland, is Twitter, which

contacted Framery when redesigning its premises as open-plan offices. Soundproof phone booths have now been delivered to Twitter's offices in New York, Washington, Chicago and San Francisco. Although the bulk of production is exported, the products are still manufactured in Finland.

Finnvera has played a key role in securing financing. Hällfors remembers how difficult it was for students to get a microloan. “We answered that we may look like students, but actually we are entrepreneurs.” Innovation and tenacity were rewarded: Framery is still the market leader in phone booths for offices.

## The We Got Courage! tour encourages enterprises to grow



Pauli Heikkilä, CEO of Finnvera (left), Markus Suomi, CEO of Finpro and Pekka Soini, Director General and CEO of Tekes.

Finnvera cooperates closely with other members of the Team Finland network: Finpro, Tekes and the Ministry for Foreign Affairs. In late 2014, the cooperation partners toured Finland and talked about their services for the growth and internationalisation of enterprises. The national 'We Got Courage!' tour, targeted to growth-oriented SMEs, started in Kuopio on 8 October and toured the whole of Finland during the next few months.

At lunch events arranged in more than ten localities, inspiring and encouraging stories were heard from both national and regional growth enterprises. At these events, companies also had the opportunity to network with other enterprises, to learn about the growth and internationalisation services provided by Team Finland and to test their own ideas at sparring clinics.



## Finnvera guarantees financing for Meyer Turku Ltd's shipbuilding contract



The value of the two orders for cruise vessels, agreed in autumn 2014, is nearly one billion euros, which means a direct employment effect of about 10,000 person-years.

In recent years, the difficulties encountered by Finland's shipyard industry have, from time to time, received much publicity in debates on the economy. However, the debate gained a positive note in 2014 when the State of Finland, through Finnish Industry Investment Ltd, acquired a holding in the Turku shipyard and financing could be arranged for orders.

Finnvera reported that it would contribute to the financing of cruise vessels delivered by the Turku shipyard to TUI Cruises GmbH in 2015–2017 by guaranteeing 50–80 per cent of the pre-delivery financing granted to the shipyard. Alongside the new ship orders, Finnvera's commitments for the provision of financing for Meyer Turku Ltd will rise at most to about EUR 300 million.

The value of the two orders for cruise vessels, agreed in autumn 2014, is nearly one billion euros, which means a direct employment effect of about 10,000 person-years.

The project has considerable impact on society: One ship project gives work to about 300–400 companies, of which around 80 per cent are Finnish. Especially in Southwest Finland, this project creates an enormous amount of positive energy and belief in the future of the marine industry cluster.

Finnvera also guarantees 95 per cent of the post-delivery buyer credits granted for the purchase of the vessels ordered by TUI Cruises GmbH. When the ships ordered both earlier and now are considered together, Finnvera's commitments on behalf of the shipowner will rise at most to about EUR 1.3 billion. Finnvera's subsidiary, Finnish Export Credit Ltd, provides financing for the buyer credits arranged by commercial banks.

The project also has value on the international scale by creating an image of Finnish shipbuilders' professionalism and reliability.

## Closer cooperation between Finnvera and Tekes through exchange of experts



Minna Andersson, Development Manager at Tekes, got an opportunity to work at Finnvera through the expert exchange programme.

The expert exchange programme gave Riitta Leppäniemi, Senior Adviser, Head of Team at Finnvera, and Minna Andersson, Development Manager at Tekes, the opportunity to try what it would be like working in the partner organisation.

During autumn 2013, Leppäniemi worked at Tekes for three months: “I wanted to expand my knowledge of project cooperation between Tekes and Finnvera and, since my work involves financing, I was interested in things like the due diligence process of Tekes.”

The exchange gave Leppäniemi many good practices to take with her back to the home organisation: “I was impressed by the wide scope of Tekes’s operations and the spectrum of projects and programmes. Tekes had good practices, for instance, for managing documents, for documenting project material, and for the systematic distribution of information. This is important, especially as a large number of Finnvera’s employees will retire in the near future.”

Andersson’s exchange took place in early 2014: “I wanted to play a concrete part in planning the new financing programme launched by Finnvera, Tekes and

Finpro. I had been considering the exchange programme before, too.”

In particular, Andersson learned new things about Finnvera’s role and financing principles, but her workmates made the greatest impression. “The working atmosphere was pleasant and inspiring. There was a fair amount of buzz about the place since other cooperation experiments were also in progress simultaneously and we had lively discussions about them among colleagues.”

Leppäniemi thinks that finance managers working with growing and internationalising enterprises would benefit the most from the programme. Andersson also recommends the exchange programme for experts working at the customer interface.

Both of them hope for even closer cooperation in the future. “The development of cooperation in project financing would raise the professional competence of both Finnvera and Tekes employees and would provide increasingly comprehensive services for enterprises,” Leppäniemi says.

## Increasing awareness of export financing among entrepreneurs



“SMEs are not always aware what financing and payment solutions exist for exports and internationalisation,” says Erno Ihto, Senior Adviser at Finnvera

Internationalisation and measures to increase exports are important for Finland’s economic growth. Through the SME Export Finance Programme, Finnvera provides information and practical tools for the financing solutions of export trade. “SMEs are not always aware what financing and payment solutions exist for exports and internationalisation. Correctly selected solutions facilitate negotiations and may be an important factor in winning competitive bidding. The enterprises that have participated in our programme have said that the greatest benefits came from new ideas about financing solutions for concrete export projects,” says Erno Ihto, Senior Adviser at Finnvera.

The programme is implemented in cooperation with banks operating in Finland. Together with a bank selected by the enterprise, Finnvera holds a one-day

Export Finance Workshop for each participating enterprise. The emphasis of the workshop is on real export transactions and the solutions for financing them. The programme also includes topical seminars around the same theme.

Enterprises are selected for the programme on the basis of applications. The criteria are that the enterprise’s business is profitable, the first export transactions have already been made, and the enterprise wants to grow by increasing exports. Over 120 SMEs have already participated in this free-of-charge programme.

[Read more about Finnvera’s SME Export Finance Programme](#)



## Milk for five o'clock tea



Amitec Ltd is a technology company specialised in materials handling, process piping and maintenance.

Amitec Ltd is a technology company specialised in materials handling, process piping and maintenance. Half of the company's turnover comes from outside Finland. Strong export markets include Norway and the UK, but the company's equipment has been delivered as far as Tahiti.

Finnvera has provided financing, for instance, for the company's exports to Arla Foods in the UK.

"Without the security given by Finnvera, we would not have struck the deal. The contract price was as high as our annual turnover. Our own resources were not

sufficient, since we constantly have other projects in progress, too. Finnvera has also managed our other financing issues, for example in connection with our recent property deal," says Raine Kuusisto, Managing Director of Amitec.

Amitec is now involved in helping Brits to get milk for their five o'clock tea. What next?

"We want to grow at a moderate pace. As a family business, we are not hasty; for us, a quarter lasts 25 years. We want to make sure that our business is profitable in the future as well," Raine Kuusisto stresses.

## Finnvera participated in financial arrangements for Wärtsilä's power plant projects



Illustration of the 184 MW Arun gas power plant that Wärtsilä will deliver to Indonesia.

Finnvera guaranteed buyer credits that were used to finance Wärtsilä's deliveries for two gas-fired power plants, with a combined power of 339 MW, in Indonesia. The total value of the credits guaranteed is EUR 160 million. The beneficiary of the guarantee is Standard Chartered Bank, which arranged the credits for PT Perusahaan Listrik Negara (Persero), a power company owned by the State of Indonesia. The credits are financed by Finnvera's subsidiary, Finnish Export Credit.

In the export trade of capital goods, competition between equipment suppliers is currently very stiff. For instance, besides Wärtsilä, 30 other companies submitted tenders for the 184 MW Arun power plant. Five commercial tenders were approved at the final stage, in practice from all the main competitors. Long-term export credit financing was the customer's

absolute requirement in the competitive bidding. This means that without Finnvera's participation, Wärtsilä would not even have been able to submit a tender.

"PLN assessed the buyer credit and power plant tenders together, and Finnvera's possibility to offer Finnish Export Credit's long-term export credit financing and Finnvera's quick and focused operations were central factors that led the client to select our power plant engines," says Vice President Anu Hämäläinen of Wärtsilä.

Wärtsilä's power plant deliveries to Indonesia are a good example of a deal where the guarantee and export credit solution offered from Finland enabled a long-term buyer credit at a competitive price and helped the exporter to win the deal.

## Finnvera helped sisters to embark on a career in baking



Kaesan Kotileipomo Oy in Kuhmo makes traditional breads and baked goods originating in the region of Kainuu.

Three years ago, Marianne and Henriikka Huusko, sisters from Kuhmo, bought an enterprise that their great-grandmother had established back in 1968. The enterprise, Kaesan Kotileipomo Oy in Kuhmo, makes traditional breads and baked goods originating in the region of Kainuu.

Finnvera has supported the entrepreneur sisters since 2011. “Finnvera was an important building block when we were putting together the financing package to purchase the enterprise,” the sisters reminisce. Just before the Christmas season, Kaesan Kotileipomo moved to new premises and made large investments in development and equipment. “It was also much easier

to obtain other financing for the investments made with the help of Finnvera’s financing decision. In 2014 alone, we allocated about one million euros to the development of our business,” Henriikka and Marianne Huusko calculate.

The bakery owners want to invest in the development of their own shop because its sales already account for about one third of the bakery’s total turnover, which in 2014 was about 1.3 million euros. The young entrepreneurs are eager to build their enterprise into a nationwide and modern bakery leaning on traditional products.

## A summer job at Finnvera gave assurance of career selection



Elisa Sipponen spent the summer of 2014 working in Finnvera's SME Financing.

Once again in 2014, Finnvera participated in the 'Responsible Summer Job' campaign intended to ensure that young people will have enough high-quality summer jobs also in the future.

Elisa Sipponen, a student of financial management at the School of Business at Lappeenranta University of Technology, spent the summer of 2014 working in Finnvera's SME Financing. "I applied for the first job in my field at Finnvera because I wanted to see how the things I had learned could be applied in practice. I'm interested in the financing sector and business ventures, and I knew that Finnvera is a well-known and reliable employer in the financing sector.

The best part of the summer job was that I had the opportunity to learn about a wide range of tasks in SME

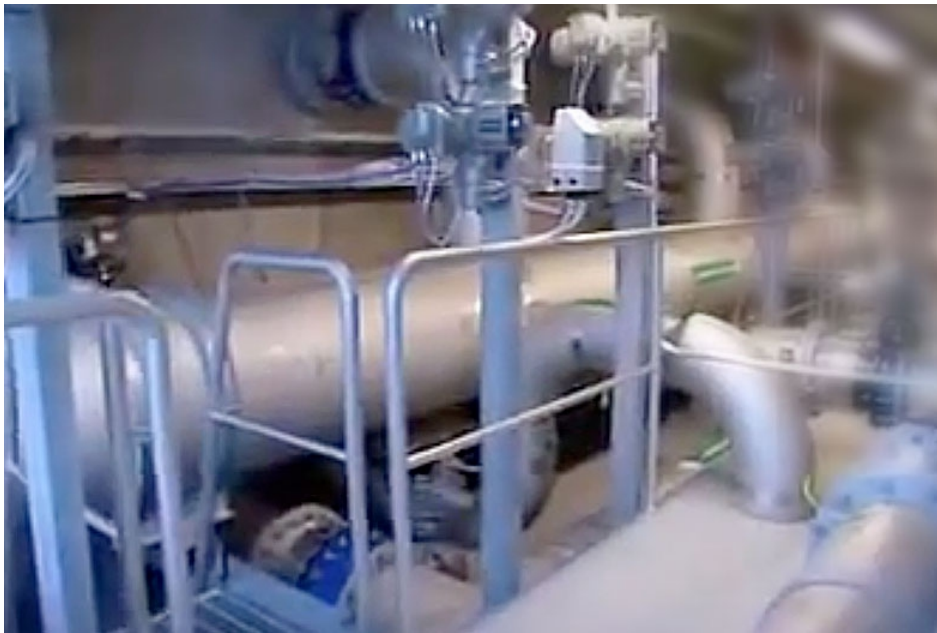
financing, and I felt that I acquired a deeper understanding of my economics studies. The tasks that I was given were challenging and involved responsibility, giving me the chance to develop my own skills.

My summer job at Finnvera was a highly positive experience. I gained a comprehensive view of the organisation's practical operations and assurance that my field of study is the right one for me. I learned much about various tasks in a financial institution and what types of jobs I could aim for in the future.

I feel that I got very much out of my summer job. Studying is much more rewarding when I'm able to weigh simultaneously how the skills learned can be applied in practice."



## Econet – effective solutions for a cleaner environment



Econet is a multi-service company operating in the water and environmental technology sector.

The Econet Group is a multi-service company operating in the water and environmental technology sector. Since its foundation, Econet has continuously developed its services and know-how in the environmental and wastewater sectors for the benefit of its customers. Responsibility, environment-friendly operations and clean water are international megatrends that offer Econet versatile opportunities for growth.

Econet is determined in its effort to become an international player especially in the developing markets

where demand for water infrastructure is on the rise. Internationalisation has required sustained and active collection of market knowledge and the creation of partnership networks. Finnvera has played an important role in contract guarantees, which has enabled Econet to participate in competitive bidding for contracts of considerable value. Finnvera has been an important cooperation partner in water-sector projects carried out, for instance, in Vietnam and previously also in China.

# Introduction

## Transparency is a goal in all operations

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

At Finnvera, the goal of good governance is to ensure transparency throughout the organisation. Finnvera's Board of Directors approves the main principles and guidelines steering the operations. The principles for good practices, confirmed by the Board of Directors, guide the personnel to act so that they reinforce Finnvera's role as a specialised financing company.

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

[Statement on the corporate governance and steering system](#)

[Principles of good conduct](#)

[Guidelines for ensuring impartiality](#)

[Guidelines on insider information](#)

## Finnvera Group



## Regional network

<b>Southern Finland</b> Helsinki	<b>Central Finland</b> Tampere Jyväskylä	<b>Southwest Finland</b> Turku Pori	<b>Southeast Finland</b> Lahti Lappeenranta Mikkeli	<b>Ostrobothnia</b> Vaasa Seinäjoki	<b>Savo-Karelia</b> Kuopio Joensuu	<b>Northern Finland</b> Oulu Kajaani Rovaniemi
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Responsibility for Finnvera's administration and operations is vested in the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Chief Executive Officer.

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

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

**The Board of Directors** is responsible for the company's administration and for the proper organisation of activities. The Board approves the company's strategy

and annual plans, the interim reports and the annual financial statements, as well as the risk management principles. The Board advances the company's development and ensures that the operations conform to law and meet the goals set by the owner. The Board also decides important individual cases of financing. The Board supervises and monitors the company's executive management and appoints and dismisses the CEO and other members of the senior management. The Board has appointed the Inspection Committee and the Remuneration Committee from among its members to assist the Board in managing its tasks.

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

Read more about [Finnvera's governance and organisation](#).

# Operating principles

## Policies observed by Finnvera

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

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

## Finnvera's goals in 2014

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

On the basis of goals set, an assessment is made of how well Finnvera has succeeded in promoting, for instance, enterprise, the growth and internationalisation of enterprises, and exports. In 2014, we reached seven out of ten of the goals set for us by the Ministry of Employment and the Economy.



Goal achieved









Goal almost achieved



Goal not achieved

Target	Goal	
Promotion of growth enterprise	A 50 per cent increase in the turnover and exports of the client enterprises of Finpro, Finnvera and Tekes that seek growth through internationalisation takes place from 2011 to 2015. In 2014 a growth of at least 10 per cent is expected. The three actors co-operate in the annual monitoring of turnover and exports for the respective client segment. The technique for measuring client satisfaction in the client segment has been defined and the first survey has been conducted. Under the coordination of the Executive Team, the Growth Track service is expanded to include bigger SME's (a turnover of more than € 10 million). The recognisability of Finnvera's services and Finnvera's service image remained high in the service image survey conducted by the Ministry of Employment and the Economy.	
The corporate client strategy and customer orientation measures for developing common activities	Together with other actors, Finnvera forms a concrete plan on the implementation of a service model for corporate clients based on the Ministry's current corporate client strategy and the Growth Track service. Finnvera implements the Team Finland operating model in cooperation with other administrative sectors and integrates models into its own operations when concrete measures can be applied.	
Strategic growth sectors	In order to generate new business to Finland, the administrative sector of the Ministry of Employment and the Economy concentrate their action and support chosen strategic growth sectors. Finnvera takes part in developing these sectors through financing. Finnvera allocates financing to environmental goods and services projects that have a prerequisite to be profitable and projects that promote the usage of clean and renewing energy and/or contribute to Finland's energy self-sufficiency.	
Venture capital investments	Finnvera successfully completes the transfer of venture capital investment operations for start-up enterprises to Tekes, continuing direct investments in target enterprises through Seed Fund Vera over the transition period.	
<b>The separate goals set for Finnvera</b>		



Allocation of financing to SMEs starting up and seeking growth through internationalisation	In 2014, Finnvera actively allocates financing to SMEs starting up and seeking growth through internationalisation, increasing the risk assumed. The share of client enterprises seeking growth through internationalisation reaches 50 per cent in 2014.	
The impact of Finnvera's operations on the internationalisation and exports of enterprises	In accordance with the principles of key economic policies or competitiveness, Finnvera increases its risk-taking in export credit guarantee operations based on the goal set in the Government Programme and in a manner permitted under an amendment to the Act on the State's Export Credit Guarantees. The company continues the development of the export and ship credit scheme with the Ministry of Employment and the Economy in accordance with the targets and measures set out in the Government's Structural policy programme so that Finnish exporters would have access to as competitive export financing system as possible.	
Large enterprises (SME financing)	The financing granted to large enterprises outside national assisted areas, excluding the compensation for losses, can be at most 10 per cent of all financing granted by Finnvera.	
<b>Ownership policy goals</b>		
Self-sufficiency	Finnvera manages its business operations in a way that ensure revenues coming from the company's operations cover the expenses resulting from its operations over the business cycle. In SME financing the reference period is 10 years, and in export financing 20 years.	
Effectiveness of Finnvera's operations	Finnvera is running efficiently and it is capable of demonstrating constant improvement in operating efficiency and work productivity. Finnvera improves work productivity by 3 per cent in 2014. The cost/income ratio remains at a good level when compared to previous year.	
The Finnvera Group's capital adequacy	The capital adequacy ratio of Finnvera Group is 12–20 per cent.	

# Risk management

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

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

Finnvera's Board of Directors and executive management are responsible for arranging and organising internal control and risk management. The Board of Directors approves decision-making powers, the principles of risk management and risk policies. The Board and its Inspection Committee monitor the development of the Group's risk position through regular quarterly reporting.

Working independently of Finnvera's business areas, the Risk Management Unit is responsible for developing risk management methods, for providing guidelines and participating in activities and for monitoring the Group's risk position. The Risk Management Unit reports directly to the Chief Executive Officer. The areas of responsibility also include coordinating the development and maintenance of the risk classification systems and monitoring the functionality of the classification systems.

The practical measures regarding risk management are part of the day-to-day management and are implemented by the entire Finnvera organisation and the Group companies.

## Risk classification and the process

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

Finnvera's risks can be grouped as follows:

- risks pertaining to credits and guarantees;
- operational risks;
- liquidity and market risks;
- other risks.

Operational risks pertaining to financial reporting are identified, assessed and controlled as part of operational risk management. The utilisation of information technology plays a central role in financial reporting.

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

## Supervisory board

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

The fees paid to the members comply with the policy issued by the Government on fees paid to the administrative bodies of State-owned companies. The fees paid in 2014 totalled EUR 64,000.

### Members on 31 December 2014:

#### Chairman

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

#### Vice Chairman

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

#### Members

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

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

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

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

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

**Olli Koski**, Chief Economist, Central Organisation of Finnish Trade Unions – SAK

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

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

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

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

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

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

**Timo Saranpää**, Chairman, The Finnish Business School Graduates

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

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

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

## Board of Directors

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

The Inspection Committee of the Board of Directors assists the Board in its supervisory tasks. The Board of Directors selects the Inspection Committee's members and chairman from among the Board members, for a term of one year at a time. The Inspection Committee elected after the Annual General Meeting of 2014 consists of Kirsi Komi (Chair), Risto Paaermaa, Pirkko Rantanen-Kervinen and Marianna Uotinen.

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

appointment, terms of employment and salaries of senior executives, and the rewards and incentive systems applied to the management and personnel. The Board of Directors selects the Remuneration Committee's members and chairman from among the Board members, for a term of one year at a time. The Remuneration Committee elected after the Annual General Meeting of 2014 consists of Markku Pohjola (Chair), Vesa Luhtanen and Pekka Timonen.

The fees paid to the members comply with the policy issued by the Government on fees paid to the administrative bodies of State-owned companies. The fees paid in 2014 totalled EUR 155,000.

### Markku Pohjola

(1948), B.Sc. (Econ.)  
Chairman

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



## Pekka Timonen

(1960), LL.D.  
First Vice Chairman

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



## Marianna Uotinen

(1957), LL.M.  
Second Vice Chairman

Marianna Uotinen has been a member of Finnvera's Board of Directors since 2013. She has served as a Specialist Counsel for Financial Markets Regulation at the Ministry of Finance since 2007. In 1985–2001 she worked at Nordea and in 2001–2006 at Nokia Corporation, holding, among others, advisory and supervisory positions related to financing and securities markets.



## Kirsi Komi

(1963), LL.M.

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



## Vesa Luhtanen

(1961), BScBA

Vesa Luhtanen has been a member of Finnvera's Board of Directors since 2013. He also has a seat on the Boards of the following organisations: PHP Liiketoiminta Oyj and PHP Holding Oy, Tekstiili- ja muotialat TMA, Design Foundation Finland (Chair), and the Federation of Finnish Textile and Clothing Industries Finatex. In addition, Luhtanen chaired the Board of Lahden Teollisuusseura in 2010–2014. Luhtanen is the CEO of the L-Fashion Group and a fourth-generation entrepreneur.



## Risto Paaermaa

(1946), LL.Lic.

Risto Paaermaa has been a member of Finnvera's Board of Directors since 2012. He also chairs the Board of the Juho Vainio Foundation, which promotes public health. Paaermaa served as Director in the Enterprise and Innovation Department of the Ministry of Employment and the Economy until 30 November 2012. Starting in 1972, he held various posts in the Ministry for Foreign Affairs, the Ministry of Trade and Industry, the Ministry of Transport and Communications and the Ministry of Employment and the Economy. In 1987–1989 he served in the Permanent Delegation of Finland to the OECD in Paris.



## Pirkko Rantanen-Kervinen

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

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



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

## Management Group

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

Financing, the Executive Vice President for SME Financing, the Senior Vice Presidents for Finance and IT, Administration, Change Management, and Corporate Communications and Marketing, as well as a representative of the regional management.

The Management Group comprises the Chief Executive Officer, the Executive Vice President for Export

Members on 31 December 2014:

**Pauli Heikkilä** (1962)

D.Sc. (Tech.)

Chief Executive Officer

**Topi Vesteri** (1956)

LL.M.

Executive Vice President, Export Financing

**Katja Keitaanniemi** (1973)

Lic.Sc. (Tech.)

Executive Vice President, SME Financing

**Kari Villikka** (1955)

M.Sc. (Tech.)

Senior Vice President, Change Management

**Ulla Hagman** (1969)

M.Sc. (Econ.)

Senior Vice President, Finance and IT

**Risto Huopaniemi** (1975)

LL.M.

Senior Vice President, Administration

**Tarja Svartström** (1971)

M.Sc.

Senior Vice President, Corporate Communications and Marketing

**Hannu Puhakka** (1959)

M.Sc. (Tech.)

Regional Director, Savo-Karelia

## Corporate Management Team

Finnvera's Corporate Management Team discusses matters that have a major impact on the Finnvera Group's personnel. Besides the members of the Management Group, the Corporate Management Team includes the Managing Director of Finnish Export Credit

Ltd and the Managing Director of the venture capital investment companies. The Corporate Management also includes representatives of the personnel organisations. The Corporate Management Team meets every second month.

Members on 31 December 2014:

**Anita Muona** (1957)

LL.M. (Helsinki)

Managing Director, Finnish Export Credit Ltd

**Leo Houtsonen** (1958)

M.Sc. (Econ.)

Managing Director, Seed Fund Vera Ltd and Veraventure Ltd

**Heikki Lähdesmäki** (1961)

M.Sc. (Econ.)

Finance Manager, Representative of the personnel



organisation Finnveran Akavalaiset  
Päivi Mylläri (1965)  
BBA  
Adviser, Recovery; Representative of the personnel  
organisation Finnveran toimihenkilöt

**Tuija Saari (1952)**  
LL.M.  
Liaison Officer; Representative of the personnel  
organisation Erityisrahoituksen ammattilaiset ERA

# Regional organisation

Finnvera's regional organisation was restructured during the period under review, and the new organisation was launched on 1 September 2014. Finnvera's regional network now consists of seven regions with a total of 15 branch offices.

## **Southern Finland**

Helsinki

Regional Director Markus Laakkonen, LL.M.

## **Central Finland**

Jyväskylä, Tampere

Regional Director Juha Ketola, M.Sc. (Tech.)

## **Southwest Finland**

Pori, Turku

Regional Director Seija Pelkonen, M.Soc.Sc.

## **Southeast Finland**

Lahti, Lappeenranta, Mikkeli

Regional Director Mirjam Sarkki, M.Sc. (Econ.)

## **Ostrobothnia**

Seinäjoki, Vaasa

Regional Director Kari Hytönen, M.Sc.

## **Savo-Karelia**

Joensuu, Kuopio

Regional Director Hannu Puhakka, M.Sc. (Tech.)

## **Northern Finland**

Kajaani, Oulu, Rovaniemi

Regional Director Pauli Piilma, LL.M.