



# Annual Review 2016

## Finnvera in brief

Finnvera is a specialised financing company owned by the State of Finland. Finnvera has official Export Credit Agency (ECA) status. We supplement the financial services offered by banks and other providers of financing.

***We help Finnish enterprises to succeed and boost their competitiveness.***

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

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

### Personnel

376 experts work in Finnvera. Women account for 63 per cent of the personnel, while men account for 37 per cent. 58 per cent have a Master's degree. Employment relationships are fairly long, on average 17 years.

The competence and well-being of the personnel are of primary importance to Finnvera's success. The company's values – trust, partnership and a focus on solutions – are rooted in practices and guide the day-to-day work of Finnvera employees. Awareness of the company's values and goals, and opportunities for participation and launching initiatives, support Finnvera employees' dedication to the company.

***Finnvera's team succeeds when all Finnvera employees have the opportunity to be motivated and develop in their work.***

**376**  
experts

**15**  
places

**27,700**  
clients



## CEO's Review

The year 2016 was marked, in particular, by a few high-profile political events, such as Britain's referendum on leaving the European Union and the result of the U.S. presidential election. These events also have financial implications and, as such, they added to the uncertainty prevailing on the market. On the other hand, there were also positive signals in the world economy. What's more, messages received from Finnish companies indicated an upturn in demand towards the end of the year.

In some sectors, such as shipping, telecommunications, forestry and energy, Finnish export companies won some large contracts during the past year. This was seen as constantly rising demand for export financing services. The more stringent bank regulation following the financial crisis also increased the need for export financing services. Finnvera is needed increasingly often to manage the export deliveries of Finnish companies.

Individual large export deals gave much-needed impetus to Finland's otherwise sluggish exports and also raised Finnvera's total exposure. According to forecasts, demand for Finnvera's export financing services will continue to grow in the near future. In consequence, the Finnish Parliament decided to raise Finnvera's authorisations to grant export financing up to EUR 27 billion. Alongside the higher authorisations, Finnvera will continue to have the opportunity to offer competitive export financing arrangements to Finnish enterprises.

In domestic enterprise financing as well, Finnvera's role is highlighted because of bank regulation. Finnvera is needed, in particular, as a provider of financing for SMEs.

The ageing of Finnish entrepreneurs has increased the need to promote transfers of business to the next generation and other ownership changes. Together with enterprise organisations, Finnvera is campaigning across the country to raise awareness associated with transfers of ownership. Transfers of ownership financed by Finnvera reached a new record in 2016. This trend is likely to continue in 2017.

Parliament's decision to raise Finnvera's authorisations requires increasingly diverse risk management for the projects that are financed. In the financing decisions made by Finnvera, liability may extend up to 20 years. Thus, when loans and guarantees are granted, risks must be analysed carefully and priced so that Finnvera's self-sustainability is realised in the future as well.

In autumn Finnvera adopted regular and continuous measurement of customer experience. When more measurements are done in real-time, more accurate information is obtained about customers' service expectations. The Business Units use the measurement results to develop their services so that they are even better suited to the expectations of various customer groups. The first results, obtained late in 2016, are encouraging; for instance, the grades given for the usefulness and quality of meetings have been excellent. The development of services also continued in the Team Finland network that promotes internationalisation among enterprises. Finnvera is a member of this network.

### Corporate responsibility is an integral part of everyday work

We want to ensure that Finnish enterprises get the financing they need for good and profitable projects. The objective of Finnvera's strategy is to raise the competitiveness of Finnish enterprises so that they can also compete on international markets. We plan to focus closely on this task in the coming years as well.

The basic pillars of Finnvera's corporate responsibility consist of financial profitability, thorough risk analysis in financing decisions, minimisation of the impacts of the company's own operations, and open and active cooperation with stakeholders.

Finnvera is a responsible provider of financing. We comply with international agreements defining the common principles for export credit guarantee activities. Before making decisions, we conduct thorough reviews of the environmental and social impacts of export projects. We also require anti-bribery undertakings from the various parties to the project. In its capacity as a provider of financing, Finnvera also has the opportunity to influence projects from the perspective of responsibility. We monitor the progress of projects from the planning stage to implementation.

Finnvera's export credit guarantee activities are self-sustainable. The price we charge for our services covers the credit risk and operating expenses, and we do not grant gratuitous support. Our operations are efficient by international standards, and with the introduction of more digital services, our efficiency keeps on increasing.

Changes in Finnvera's operating environment affect the way we examine our operations from the perspective of corporate responsibility. Among megatrends, climate change, in particular, is reflected in Finnvera's clientele. Increasing numbers of Finnish companies engage in business based on the reduction of fossil fuels, the utilisation of renewable energy sources and energy conservation. By financing these projects, we can make a contribution to efforts to slow down climate change.

Our greatest impacts on the environment and society arise indirectly, through the operations of our client companies. One example of this is shipbuilding. Increasingly often, cruise vessels use energy solutions and materials that minimise the environmental impact.

We must ensure that the environmental and social impacts of all projects are analysed before decision-making; the projects that we finance must not damage the environment or cause harm to the local population. All in all, the projects that we finance must be in line with international requirements.

Admittedly, our own activities also have impacts for instance on energy consumption. During the past few years, we have taken steps to make our use of premises more efficient. Our offices across Finland have moved to smaller premises. The numbers of square metres have shrunk to one third. This is seen, among other things, as a saving of two million euros in our annual rents. Some of the energy used by the head office in Helsinki is obtained from the solar power unit on the roof of the building. The shift to mobile work environments, in turn, reduces paper consumption, and the revised teleworking policy means less commuting as employees do more and more of their work at home.

Good governance and transparency are the starting points of Finnvera's operations. During the past year, all of Finnvera's ethical guidelines and policies were compiled

into a single Code of Conduct. In addition, the practices associated with knowing our customers were expanded.

When developing corporate responsibility, we attach importance to cooperation with other export credit agencies. The best results are obtained when responsibility issues are advanced in the international networks and organisations of our sector.

### **Change has become permanent**

It is very likely that the coming years will be characterised by constant changes in the operating environment changes that are increasingly challenging to predict. Changes arise from factors such as political decisions and various crises. Finnvera must ensure that, whenever necessary, it can make rapid changes to adapt to the environment. I believe that this can be achieved by means of continuing strategy work, also in the future.

I extend my warm thanks to our customers, partners, stakeholders and our owner for good cooperation and for their trust in Finnvera. I would also like to thank my colleagues at Finnvera for their excellent work on behalf of our customers.

In 2017 Finland will celebrate the 100th anniversary of its independence. Let us continue our work together so that Finnish companies can succeed in competing for growth, exports and internationalisation.

***Finnvera is needed increasingly often to manage the export deliveries of Finnish companies.***

**Pauli Heikkilä**  
CEO

# Operating environment

## Global economic growth still below potential

In 2016, global economic growth slowed down to three per cent. The growth in world trade by volume was clearly slower than global economic growth. The trend in the value of trade was sluggish owing to the low prices of the key commodities, such as oil and gas.

Following the U.S. presidential election in November, new optimism arose on the market about greater economic growth in the United States. As a result of simultaneous uncertainties relating to the new administration, there were greater concerns about the breakdown of agreements facilitating international trade and about the future fate of the recently negotiated international environmental agreement.

The economic development of many countries depends especially on the growth of exports; thus, a potential slowdown in the liberalisation of international trade gives cause for concern. Following poor economic growth and higher unemployment, many countries have taken new protectionist measures to shield their domestic production even though it has been concluded that protectionist measures do not foster economic growth.

The emerging economies of Asia continued their strong growth. It is believed that China's economic development has stabilised on a growth path that is slower but still about six per cent, whereas India, with its growth rate of over seven per cent, strengthened its role as a regional growth engine. Not only has China's slower growth affected the economic situation of Asian countries; among other things, it has also had an impact on the world market prices of commodities.

Economic development in Europe continued to be weak. The GDP growth in the European Union is likely to remain under two per cent. Concern over the Union's future increased when the majority of British voters in the referendum held in June supported Britain's exit from the EU. Brexit negotiations between the EU and the UK have not been started yet.

The crisis in the Middle East continued. Refugees aroused mixed feelings in Europe, which led to increased support for populist parties and groups and to differences in views within the EU as to how the refugee issue should be managed. Instability in the Mediterranean region increased further when some members of the Turkish army staged a failed coup attempt in July. Turkey participates in efforts to resolve the Syrian crisis, and domestic policy tensions and unrest have increased in Turkey during the past few years. Terrorist acts in many countries around the world, including Europe, fuelled uncertainty associated with social stability. This in turn increased expenditure on security.

The prices of oil, gas and minerals have remained low for an extended period of time and, together with falling income, have caused economic difficulties and social tensions of varying degrees in producer countries. The economic trends of South Africa and Nigeria, the two largest economies in Sub-Saharan Africa and regionally important actors, continued to weaken during 2016. Besides low commodity prices, there are also other economic and political factors underlying the negative development.

The most significant event on the commodity markets was the cut in production levels agreed by the major oil producing countries late in the year. It is hoped that this will raise the world market prices of oil.

## Negative interest rates and new international financial institutions on the financial markets

The negative interest rates on bonds issued by the governments of Switzerland, Japan and many euro countries peaked in 2016. Interest rate trends complicate the monetary and interest policies of several central banks. Despite the low interest level, investments in the euro area have not picked up as had been hoped. Within the EU, attention was paid to the banking sector problems, which still continued and came to a head in Italy towards the end of the year. The potential impacts of Brexit on the financial markets within the EU, and more widely internationally, are still unclear.

Owing to a positive economic trend, the U.S. Federal Reserve raised its key interest rates in December. Interest rate trends in the United States may affect the availability of capital, financing costs and the external value of the currency especially in many developing countries that need foreign capital.

Capital has become increasingly swift in moving from country to country. Relatively strong and quickly developing economies, such as China, have also experienced substantial capital drain. Some countries have even considered restrictions on capital movements. In many countries, the alarmingly indebted actor is not the government but companies; fluctuations on the capital market may pose great difficulties for them in securing sufficient financing for their operations. Increasing bank regulation further reduced Western banks' willingness to grant loans, especially to foreign borrowers.

Two new financial institutions launched operations on the international financial markets. The Asian Infrastructure Investment Bank (AIIB), established at the initiative of China, granted its first credits, and the New Development Bank (NDB) founded by the BRICS countries began operations. Both financial institutions plan to concentrate on the financing of infrastructure projects, AIIB in Asia and NDB in developing countries.

## New markets and old challenges

The situation in Brazil and Russia, two countries important to Finnvera's exposure for export credit guarantees, continued to be challenging. However, the economies of both countries showed some cautious signs of development in a more stable direction. For Brazil, the decisive factor was the resolution of the domestic policy problems. Steadily rising oil prices would improve the growth potential of both economies. As large economies, Brazil and Russia also influence the economic development of their neighbouring countries.

Despite the rather weak development of Finnish exports, demand for export credit guarantees has been increasing. At the end of 2016, Finnvera's exposure for export credit guarantees or guarantee applications encompassed over



100 countries. During the year, Finnvera began to grant export credit guarantees for exports to Argentina, Iran and Cuba. All three countries have been outside normal international trade and financing for many years – for different reasons. Normalisation of the situation in Argentina, the third largest economy in Latin America, and the country's return into the scope of international trade and financing have positively compensated for the dip in trade with Brazil. Iran and the international community reached an agreement on Iran's nuclear programme in summer 2015. Once the agreement entered into force, the EU, as of January 2016, suspended the application of the economic and financial sanctions imposed on Iran because of its nuclear programme. The change in the EU sanctions made it possible to start granting export credit guarantees.

### Financial markets still unstable

According to the SME barometer survey conducted last autumn, financing is still perceived as one of the biggest obstacles to business development. The situation has become slightly worse since autumn 2015. The biggest problems are the general availability of financing and the lack

of collateral. On the other hand, about 80 per cent of SMEs report that financing has not been perceived as a problem for implementing projects. Increasingly many enterprises strive to manage on cash flow financing.

About half of enterprises have a loan. A little less than one in three have felt the need to acquire external financing, and roughly one in four enterprises plan to apply for external financing. Only four per cent of applicants for financing had received a negative decision. The reasons for a negative decision were generally the applicant's poor profitability or financial status and insufficient self-financing. The situation for obtaining financing is the most difficult for early-stage companies and small growth companies.

These problems have given rise to new actors on the market, whose financing volumes are rising at huge speed. Although, for instance, the crowdfunding market is still small in size, at the present growth rate it can reach a few hundreds of millions euros within a couple of years.

Investments and company acquisitions showed a marked upswing during 2016. It is especially for these purposes that external financing is sought more often than before. Expectations concerning the demand for credits appear to remain high in 2017 as well.

# Strategy and goals

Finnvera's strategy aims at achieving better customer experience, effectiveness and team play. The strategy extends up to the year 2020.

## 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.
Customer promise	Through our know-how and active approach, we help our customers to succeed.
Values	Trust, partnership and a focus on solutions.
Desired state in 2020	A provider of financing for growth, competitiveness and internationalisation whose know-how, services and team play produce the best customer experience in the reference group.

**Read more about the strategy** <https://www.finnvera.fi/eng/finnvera/finnvera-in-brief/strategy>

## Implementation of the strategy in 2016

### Towards better customer experience

Finnvera wants its customers to experience that their interaction with Finnvera is smooth. We want to find the best solution for the customer's situation. Finnvera also strives to act and communicate actively towards the customer.

To be able to ensure that we are developing our activities in the right direction, we launched continuous measurement of the customer experience in October 2016. The online survey is conducted for all customers after the financing decision or after the first meeting. The feedback helps us to develop our services and practices.

Finnvera is a member of the Team Finland network, which has the objective of promoting the internationalisation of SMEs. In the past year, the network continued to develop its services. The most concrete form of cooperation was the adoption of the domestic service model. In the service model, the various Team Finland actors see to it that the customer gets all the necessary services available through the network. Also launched in 2016 was a project to create a joint management system for customer data. It will be taken into use in 2017.

In 2016, the Team Finland service model was used to present 373 service proposals to potential growth companies.

### Towards better effectiveness

In 2016, Finnvera used EUR 1.0 billion to finance Finnish SMEs and midcap enterprises. Export financing totalled EUR 4.2 billion. Finnvera's financing contributed to the creation of an estimated over 8,700 jobs.

Demand for Finnvera's export financing services has risen steeply in recent years. Forecasts indicate that the

demand will continue to rise in the coming years as well. In consequence, the Finnish Parliament decided to raise Finnvera's authorisations to grant export financing first from EUR 17 billion to EUR 19 billion in April and further to EUR 27 billion in December.

To succeed, Finland needs more exports and growth. When the authorisations are raised, Finnvera can contribute to the success of larger export transactions. However, more exports by SMEs are still needed. In order to encourage smaller export transactions, Finnvera introduced both revised and completely new products to the market in 2016. The share of growing and internationalising enterprises out of all SME financing rose from 34 per cent in 2015 to 38 per cent in 2016. Share increased from the previous year by 4 per cent i.e. EUR 22 million.

In order to ensure the vitality of the Finnish enterprise field, it is important to promote the transfers of business to the next generation and other transfers of ownership. To an enterprise, transfer of ownership is often a springboard for growth. In 2016, Finnvera began cooperation with enterprise organisations to raise awareness of transfers of ownership. In consequence, transfers of ownership reached a new record. It is likely that the positive development will continue for several years.

### Towards better team play

In August 2016, Finnvera, Finpro and Tekes moved to the same office building in the Ruoholahti district of Helsinki. Working in the same building and in the same workspaces has made it easier to find synergies. Increasingly close cooperation is useful when seeking, for instance, greater efficiency, improved customer service and better work environments. Thanks to the common Team Finland service model, hundreds of Finnish enterprises received a concrete service proposal in 2016 to support their internationalisation efforts. Internal surveys measuring the quality of Team Finland cooperation are used to steer the development of activities in an increasingly positive direction.

### A look at 2017

Finland needs more enterprise, growth and jobs, and through its activities, Finnvera has the potential to contribute to the achievement of these goals. Finnvera wants to increase the share of both growth companies and start-ups across the whole spectrum of SME financing. In addition, we intend to continue the upward trend in financing transfers of ownership.

Our active approach towards enterprises is visible. We meet thousands of Finnish companies so that all profitable projects would receive the financing they need.

We want to ensure that clients get the best possible service online. Digitisation of Finnvera's services will continue to be active in 2017 as well.

We also work actively in Team Finland cooperation so that financing would not become an obstacle in the internationalisation efforts of Finnish companies. In addition, we seek efficiency by working closely in the implementation of Team Finland synergy projects.



## Clients

Finnvera's clients are Finnish micro-enterprises and SMEs operating on the Finnish market or seeking growth through internationalisation. In addition, our clients include large Finnish corporations engaged in the export trade, their foreign buyers, and domestic and foreign banks providing financing for exports.

At the end of 2016, our clients numbered 27,700.

### Micro-enterprises

In all, 24,651 of our clients were micro-enterprises. The fastest client turnover is in micro-financing, where the sums involved are the smallest and clients generally have one-off financing needs. About 5,000 of the clients were entrepreneurs who had been granted an Entrepreneur Loan for investment in share capital or for their contribution to a partnership.

**89%**

The percentage of micro-enterprises among all clients remains high.

### Other SMEs and midcap enterprises

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

**11%**

In 2016, 2,947 of our clients were SMEs and midcap enterprises.

### Large corporates

Large corporates accounted for 0.4% of our clients. Export financing services make export transactions possible and provide protection against the associated risks. Both brand new products and revised products, such as the Bill of Exchange Guarantee, were made available for enterprises in 2016.

**0.4%**

The more contracts Finnish export companies can win, the better it is for the whole of Finland. 114 of clients are large corporates.





## Financial services

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

### Starting a business

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

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

For more information on various [loans](#) and [guarantees](#), their intended uses and the criteria for granting them, please click the links.

### Competitiveness and growth

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

Companies that have been in business for less than three years may be entitled to Finnvera's Start Guarantee, which helps enterprises to obtain financing from a bank for various investment and working capital needs. Companies that have been in business longer can apply for other guarantees from Finnvera.

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

Further information about [loans](#) and [guarantees](#).

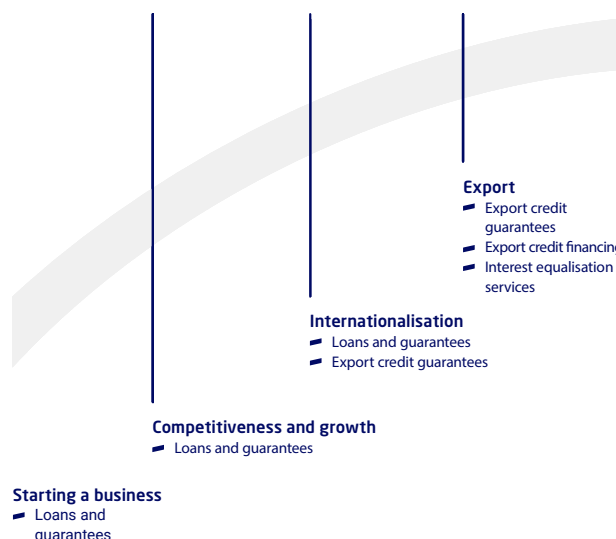
### Internationalisation

A company aiming at international markets may apply for Finnvera's loans and guarantees for expanding its operations abroad. The Internationalisation Loan provided by Finnvera is intended for financing a Finnish SME's business abroad.

Finnvera also offers Internationalisation Guarantees as collateral for financing a Finnish SME's business abroad. The intended use may be, for instance, investments, development or financing for growth for a Finnish SME that has, or plans to establish, a subsidiary or an associated company or a branch office abroad. Further information about Finnvera's [loans](#) and [guarantees](#).

Finnvera also provides your company with solutions to cover payment risks in export trade and to ease financing

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



problems. For more information on export credit guarantees and the criteria for granting them, please click [here](#).

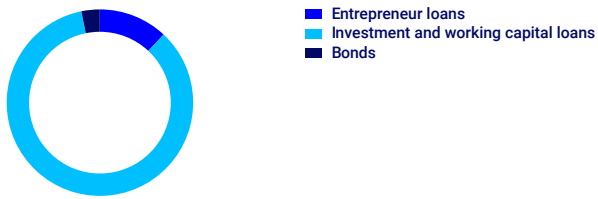
### Exports

Your company should have equal opportunities to compete on the international market. Among Finnvera's diverse selection of export credit guarantees, exporters and financiers find solutions for covering payment risks in export trade and for easing financing problems.

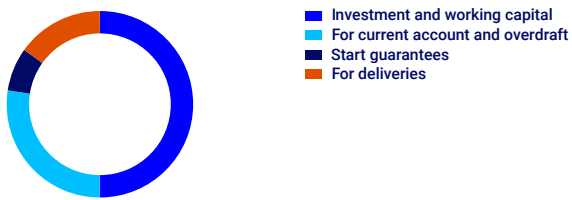
Working together with Finnvera, Finnish Export Credit Ltd, a subsidiary of Finnvera, provides exporters and financial institutions with competitive export financing services, such as financing for export credits and interest equalisation. Export financing services facilitate export transactions benefiting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

Further information on export credit guarantees and the criteria for granting them is available [here](#). Click [here](#) to learn more about the financing of export credits and interest equalisation.

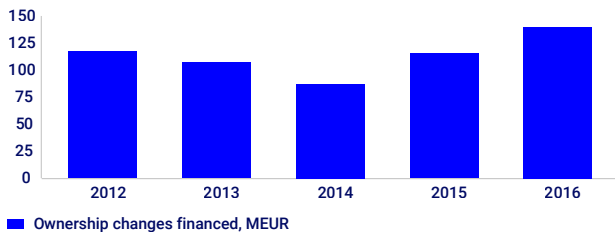
**Loans granted by product in 2016**



**Domestic guarantees granted by product in 2016**



**Ownership changes financed**



**Service network**

Finnvera serves its clients online and at 15 branch offices. In addition, Finnvera has a representative office in St. Petersburg, which helps Finnish enterprises seeking entry into the Russian market or operating there.

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



## Business operations

By providing financing, Finnvera wants to influence the competitiveness of Finnish enterprises - their opportunities to operate and grow in Finland and to enter international markets. The State of Finland covers some of Finnvera's credit and guarantee losses. This enables us to provide financing at higher risks than banks usually can.

### SME and midcap financing

The financing needs of SMEs depend on enterprise and project size and on the stage of the enterprise's life cycle. Finnvera provides financing for enterprises at their start-up, growth and internationalisation stages.

In 2016 the greatest effort in SME financing was the implementation of the programme for transfer of ownership. In April, Finnvera and enterprise organisations launched a joint campaign to speed up transfers of ownership in SMEs. The campaign increased enterprises' awareness of issues such as valuation and taxation. In consequence, Finnvera's financing for transfers of ownership reached a new record totalling EUR 141 million, which means a rise of 21 per cent on the previous year. In 2016 approximately one thousand companies received financing for the changes of ownership from Finnvera. It is estimated that Finnvera is involved in every third company acquisition. The campaign will also continue in 2017, and the financing granted for transfers of ownership is expected to remain at the same solid level as in 2016.

All in all, Finnvera provided a total of EUR 1,040 million for SME and midcap enterprises during the past year. Loans and guarantees accounted for 963 million of the total financing. The change was -6 per cent when compared against the previous year.

In 2016 Finnvera received 12,500 applications for financing from SMEs and midcap enterprises. Of these, about 80 per cent, or 10,300 applications, received a positive decision. The value of guarantees granted to SMEs for exports totalled EUR 77 million, or 16 per cent less than the year before.

At the end of 2016, Finnvera's total exposure for SME and midcap financing stood at EUR 2.6 billion, or 4 per cent less than the year before. The number of client enterprises that went bankrupt or wound up business totalled 872. The change on the previous year is +5 per cent.

### Emphasis on financing growth and internationalisation

Finnvera's goal has been to shift the focus of SME financing increasingly to growing and internationalising enterprises. This effort has succeeded. The share of internationalising enterprises out of all SME financing rose from 34 per cent in 2015 to 38 per cent in 2016. The absolute increase was EUR 22 million.

In spring a new product – the Growth Loan – was launched for growth companies. The loan is intended for financing growth and internationalisation projects or corporate reorganisations that are important for SMEs and midcap companies. The idea is that the loan would attract financiers operating on market terms to invest in projects where risks are high but profitability and effectiveness are deemed to be good. In 2016, demand for the Growth Loan comprised a couple of dozen projects.

After five negative years, the investments of companies seeking growth on international markets showed an upswing. This can be considered a signal that companies' trust in investment has improved. This is a positive observation, since the trend of the Finnish economy and exports has so far been very modest. Although the amount of financing sought for investments increased by 5.8 per cent on the previous year, the greatest need still focused on working capital.

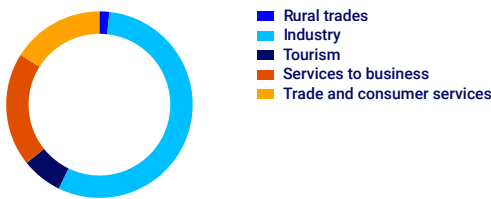
It is to be expected that SMEs' improved economic outlook will be reflected in the financing granted by Finnvera in 2017 for both growth companies and internationalising companies. It is generally believed that SMEs will be slightly more active on the bond market, and we believe that this will also be seen in Finnvera's financing.

### More active customer work

During 2016 Finnvera became markedly more active in its contacts with customers and stakeholders. There were over four thousand meetings during the year. We believe that our own active approach has contributed to the increase in financing projects, especially as concerns transfers of ownership. It is important for us to work closely with our customers to identify financing needs. Vibrant enterprise activities are the only way of getting much-needed growth and exports to Finland. Thus, in terms of the whole economy, it makes sense that no profitable project should remain without financing.

In October, Finnvera adopted regular and continuous measurement of customer experience. When more measurements are done in real-time, more accurate information is obtained about customers' service expectations. On the basis of the measurement results, we can develop our services so that they are even better suited to the expectations of various customer groups. The first results, obtained late in 2016, are encouraging. We believe that our input in digital services will make for increasingly

Financing granted by sector 2016



*Over 70% of financing offered went to growth companies, start-ups and transfers of ownership.*

Summary by business segment

	Loans, domestic guarantees and export guarantees offered MEUR	Export credit guarantees offered MEUR	Total financing offered 1 Jan–31 Dec 2016 MEUR	Outstanding commitments 31 Dec 2016 MEUR	Clients 31 Dec 2016 MEUR
Locally operating small companies	140	0	140	360	17,446
SMEs focusing on the domestic markets	493	11	504	1,393	9,170
SMEs seeking growth through internationalisation	330	66	397	814	1,005
Large corporates	0	4,242	4,242	18,120	91
<b>Total</b>	<b>963</b>	<b>4,319</b>	<b>5,283</b>	<b>20,687</b>	<b>27,712</b>

smooth customer service. Digitalisation also promotes the consistent quality of decisions and the efficiency of operations.

Finnvera is a member of the Team Finland network, which has the objective of promoting the internationalisation of SMEs. In the past year, the network continued to develop its services. The most concrete form of cooperation was the adoption of the domestic service model, which was used in 2016 to present 373 service proposals to potential growth companies. In the service model, the various Team Finland actors see to it that the customer gets all the necessary services available through the network. Customers have given positive feedback, and the development of the model will continue in 2017. Another project launched during the past year was a project to create a joint management system for customer data. It will be taken into use in 2017. Team Finland cooperation also got a boost when Finnvera, Finpro and Tekes relocated to joint premises in Team Finland House, situated in the Ruoholahti district of Helsinki, in August 2016.

Large corporates

Finnvera promotes Finnish exports by providing export credit guarantees and export financing solutions for enterprises and for banks that finance exports. Finnvera’s solution may be an export credit guarantee for a bank to cover export and project risks, credit insurance to the exporter for short-term exports or for pre-delivery risks, or financing of export credits and interest equalisation.

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 funding. 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 2016, Finnvera’s exposure for export credit guarantees totalled EUR 18.3 billion, or 6 per cent more than the year before.

The total value of the new applications for export credit guarantees received in 2016 was record-high, EUR 14.6 billion (9.7 billion). The great demand is explained, in particular, by vigorous growth in the orders received by the Finnish shipbuilding industry. For other sectors, demand for export financing has remained stable. Especially the telecommunications and forestry sectors have many projects in the pipeline. The guarantees granted in 2016 totalled EUR 4.3 billion (6.6 billion), and the guarantees that came into effect totalled EUR 1.5 billion (5.6 billion). Western banks consider carefully before granting credits with long repayment periods. This underlines the importance of financing provided by Finnish Export Credit, in particular. New credit agreements signed by Finnish Export Credit amounted to EUR 231 million.

The year 2016 brought new countries onto Finnvera’s map of destinations, as it became possible again to take risks for exports to Argentina and Iran. Owing to its long period of isolation, Argentina has many needs for renewal. Business opportunities have opened for Finnish companies, for instance in the development of infrastructure. In contrast, demand for Russia has fallen because of the country’s weak economic situation and sanctions.

In 2016, Finnvera invested in the promotion of small export transactions by developing its products. The revised Bill of Exchange Guarantee was adopted in spring. Measures to boost small export transactions will continue in 2017.

Authorisations were raised considerably

The rapid rise in orders won by the shipbuilding industry, stricter bank regulation and stiffer competition have increased demand for export financing. Increasingly many

buyers expect export credit guarantee and export financing solutions to back up the exporter's tender. In consequence of the great demand, the Government of Finland decided to propose a marked rise in the ceiling for Finnvera's export credit guarantees, first in spring from EUR 17 billion to 19 billion and further in autumn to EUR 27 billion. The last raise was approved by Parliament at the turn of the year. The authorisations to provide financing and interest equalisation were raised at the turn of the year as well, to EUR 22 billion. Thanks to the raised ceilings, Finnvera can continue to provide Finnish export companies with internationally competitive financial arrangements promoting export transactions.

Higher exposure means that Finnvera must be increasingly active when managing risks. Reinsurance with either colleague credit agencies or private reinsurers is a pivotal means of risk management. Finnvera also has access to portfolio reinsurance that covers a number of risks.

**The client's partner**

Financial arrangements are a key factor in business negotiations conducted by many large Finnish corporations. In 2016, Finnvera was an active participant in meetings with foreign customers and in trade missions together with Finnish enterprises.

In autumn 2016, we launched an increasingly active and real-time system for measuring customer experience. The first measurement results for large corporations will be available in spring 2017.

**Effectiveness and responsibility**

Alongside the increased exposure and authorisations, Finnvera's impact, and the assessment of this impact, will be more important than ever. In 2016, the Ministry of Economic Affairs and Employment commissioned a comprehensive evaluation of Finnvera's activities. The report will be completed in early 2017.

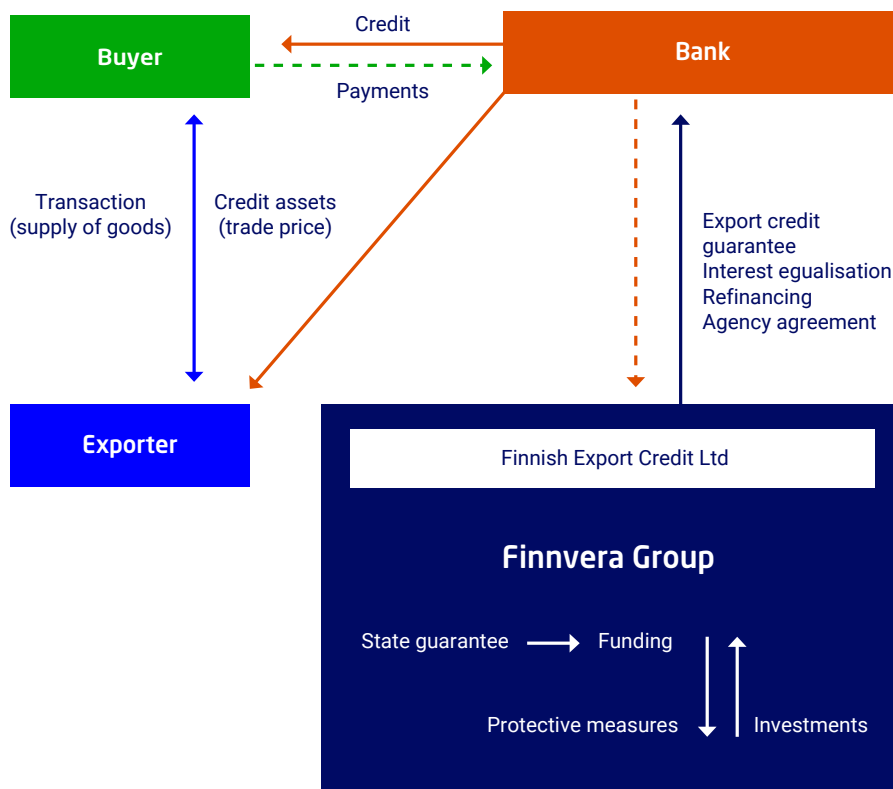
Finnvera is also developing its own operating model to determine the effectiveness of its activities.

Finnvera's activities emphasise responsibility. We comply with international agreements that define the common principles for export credit guarantee activities. The goal is to ensure that exporters from different countries are treated equally. Before making decisions, we conduct thorough reviews of the environmental and social impacts of export projects. We also require anti-bribery undertakings from project parties.

**International cooperation**

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

In 2016, two cooperation bodies of export credit agencies, the Berne Union and the Prague Club, decided to merge their operations. The new Berne Union has 81 members from 73 countries. It offers its members a forum for the broad





exchange of information and fosters sound principles in export credit guarantees and investment insurance. Deputy CEO Topi Vesteri of Finnvera serves as President of the Berne Union

Pekka Karkovirta will continue as Chairman of the Participants to the OECD Arrangement in 2017.

### Financing of export credits in cooperation with banks

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

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

### Finnvera plc gives up its venture capital investments

In accordance with the policy decision made by Minister of Economic Affairs Jyri Häkämies in autumn 2012, Finnvera gave up most of its venture capital investment activities

during the financial period. Finnvera implemented this by selling 80 per cent of its holding in Seed Fund Vera Ltd to the Finnish company Innovestor Ltd. Before the transaction, the investments made by using ERDF assets were placed into a separate fund called ERDF-Seed Fund Ltd. So far, Finnvera continues to manage ERDF-Seed Fund Ltd through its subsidiary Veraventure Ltd.

Finnvera has implemented the Ministry's policy by selling a total of 17 holdings in early-stage funds and regional funds within the past three years. Finnvera still has minority holdings in a total of 3 funds. The fund holdings have been sold to private investors and to Tekes Venture Capital Ltd.

### Funding

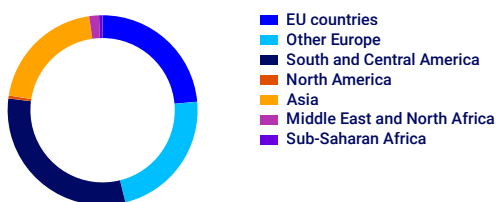
Finnvera funds its activities primarily by issuing notes under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. The notes have the same credit rating as the State of Finland: Aa1 from Moody's and AA+ from Standard & Poor's.

The EMTN programme enables a rapid response to Finnvera's funding needs and to changes on the market. The State's guarantee and the loan programme conforming to international practices strengthen Finnvera's position among investors.

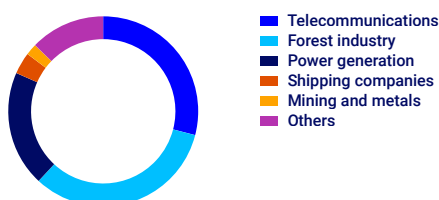
In April 2016, Finnvera issued a 10-year, fixed-rate note of one billion euros.

Finnvera uses the funds acquired for SME financing and for financing export credits. By means of currency and interest rate swaps, Finnvera converts the funds acquired into euros or US dollars, depending on the final use of the funds. Finnvera's annual funding totals approximately EUR 1–2 billion. The rise in the authorisation to grant export credits, which came into effect at the beginning of January 2017, will possibly raise Finnvera's annual funding in the coming years.

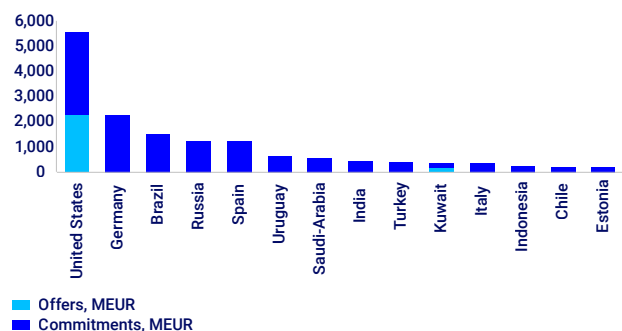
Export credit guarantees that came into effect in 2016 by region



Export credit guarantees that came into effect in 2016 by sector



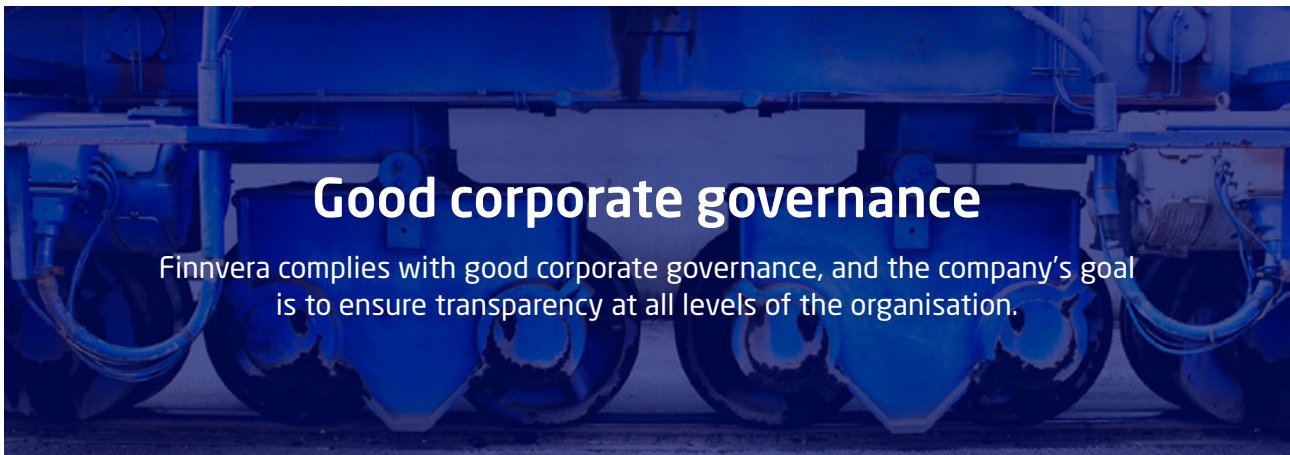
The biggest country exposures on 31 Dec 2016



**Key figures**

<b>Finnvera Group</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net interest income and net fee and commission income, MEUR	194	197	189	190	175
Administrative expenses, MEUR	44	44	41	43	43
Write-down on receivables and guarantee losses, MEUR	94	97	98	112	125
Credit loss compensation from the State, MEUR	28	83	64	48	50
Operating profit or loss, MEUR	69	114	101	75	54
Profit for the year, MEUR	70	111	100	75	53
Return on equity, %	6.0	10.4	10.8	9.3	7.2
Return on assets, %	0.8	1.5	1.8	1.8	1.6
Equity ratio, %	12.7	13.3	15.2	18.4	20.3
Capital adequacy ratio, Tier 2, domestic operations, % <sup>1</sup>	24.3	19.6	18.6	16.9	16.3
Expense-income ratio, %	27.0	28.3	25.9	27.0	27.6
Balance sheet total, MEUR	9,498	8,418	6,619	4,604	3,808
Shareholders' equity, MEUR	1,207	1,121	1,009	849	772
- of which non-restricted funds, MEUR	955	871	756	595	513
Personnel at year end	381	396	394	399	411
<b>Finnvera plc, SMEs and midcaps</b>					
Loans, guarantees and export credit guarantees offered, Billion euros	1.0	1.1	1.0	0.8	0.9
Outstanding commitments, Billion euros	2.6	2.7	2.8	3.0	3.0
Number of start-up enterprises financed	3,400	3,600	3,200	3,500	3,100
Number of jobs created	8,700	8,600	8,100	8,700	8,700
<b>Finnvera plc, Large Corporates</b>					
Export credit guarantees and special guarantees offered, Billion euros	4.2	6.6	5.0	3.3	5.3
Outstanding commitments, Billion euros	18.1	17.0	12.2	10.7	10.9
<b>Finnvera plc, clients and personnel</b>					
Number of clients, SMEs and midcap companies and Large Corporates together	27,700	28,400	28,800	29,700	30,000
Personnel at year end	376	381	376	382	393

1) The capital adequacy ratio 2012 has been calculated according to the Basel II methods. The solvency calculation is presented in more detail on Report of the Board of Directors.



## Good corporate governance

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

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

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

### Transparency of operations as the goal

The State of Finland owns the entire stock of Finnvera. The Enterprise and Innovation Department of the Ministry of Economic Affairs and Employment 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 key policies, principles and guidelines that steer the company's operations.

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

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

### Finnvera

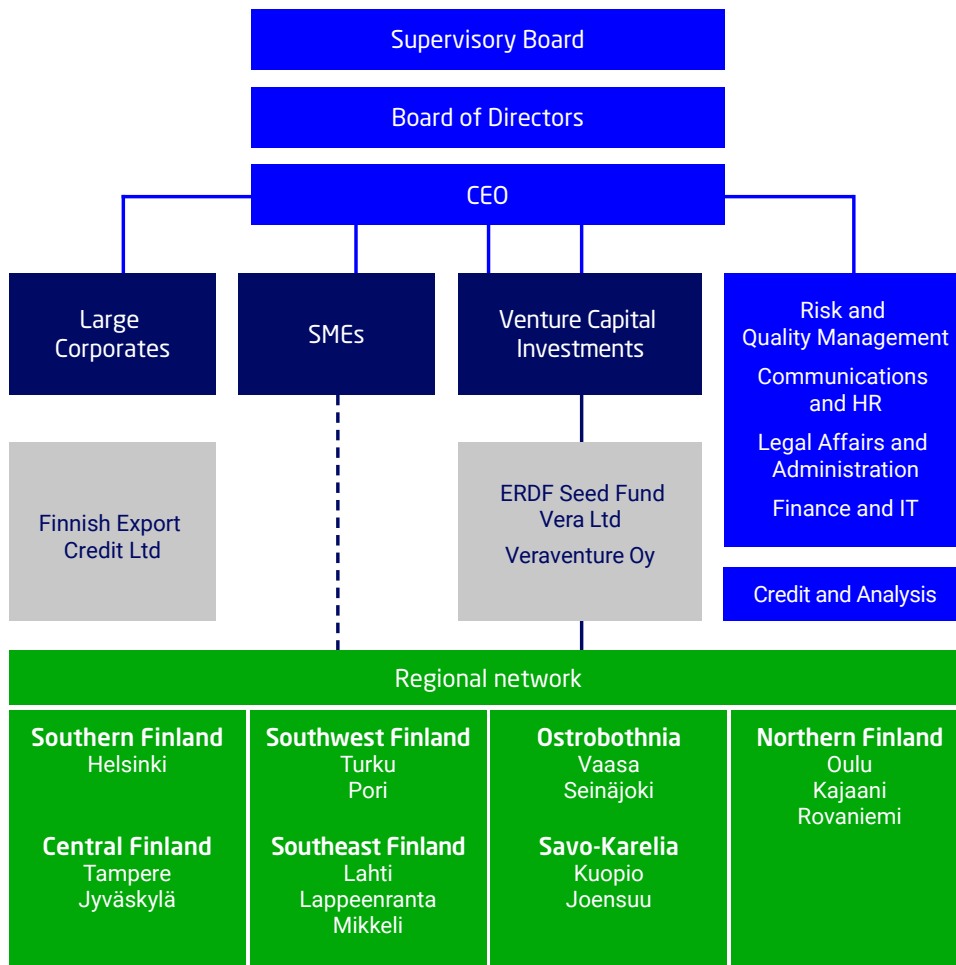
Responsibility for Finnvera's administration and operations is vested in the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Chief Executive Officer.

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

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

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

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



## Operating principles

### Policies observed by Finnvera

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

- Ownership policy
- Country and guarantee policy
- Credit policy
- Environmental policy and publicity policy in export credit guarantee operations
- Code of Conduct
- Risk management principles
- Personnel policy outlines
- IT policy outlines
- Communications policy outlines
- Principles for cooperation agreements
- Guidelines and procedures for procurement.

### Finnvera's goals in 2016

The Ministry of Economic Affairs and Employment monitors and supervises Finnvera's operations. The Ministry sets industrial and ownership policy goals for Finnvera for periods of four years. Whenever necessary, these goals are adjusted yearly. When these goals are determined, attention is paid to the Finnish Government Programme, the Ministry's corporate strategy, the policy objectives concerning the Ministry's branch of administration, and the goals of EU programmes.

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

In 2016, we reached seven out of the ten goals set for us by the Ministry of Economic Affairs and Employment.

● Goal achieved   ● Goal partly achieved   ● Goal not achieved

Goal	
●	The financing granted to large corporations outside national assisted areas, excluding the compensation for losses, is at most 10 per cent of all financing granted by Finnvera. In this connection, large corporations mean enterprises that are larger than midcap companies.
●	Finnvera launches a junior loan programme at the end of the first quarter of 2016.
●	Based on its financing products, Finnvera compiles a financing programme facilitating transfers of company ownership. The programme is taken into use early in the second quarter of 2016.
●	Finnvera and the Ministry of Economic Affairs and Employment continue in cooperation to develop the system of financing exports and ships so that Finnish exporters have access to an export financing system with terms and instruments that are as competitive as possible.
●	Financing for the small export transactions of SMEs is developed. The adoption of new products is investigated, the target being to pilot them during 2016.
●	Finnvera gradually gives up venture capital investments in accordance with the policies and plans made by the Ministry and Finnvera. An ERDF fund is split off from the Seed Fund and a plan for its further operations is drawn up during 2016
●	At the first stage, Finnvera applies for guarantees from the InnoFin programme of the EIF. Within the framework of these guarantees, Finnvera would grant credits to midcap and large enterprises and would share the credit risk with the EIF. Finnvera begins to act as an intermediary organisation for EIF programmes during 2016 if the above applications lead to positive decisions in the EIF.
●	Finnvera conducts its business so that the income from operations covers the expenses of operations over a period exceeding a business cycle. The review period is 10 years for SME financing and 20 years for export financing.
●	Finnvera develops its operations in accordance with the Government Programme and its implementation plan so that the necessary investments in the management of new tasks are made at the same time as the productivity of the main operational basic processes continues to be raised on average by 4 per cent annually.
●	Finnvera's capital adequacy ratio in domestic financing varies between 12 and 20 per cent. Capital adequacy (Tier 2) is calculated using the Basel III standardised approach.



## Risk management

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

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

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

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

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

### Risk management procedures

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

Finnvera's risks can be grouped as follows:

- Risks pertaining to credits and guarantees
- Operational risks
- Liquidity and market risks
- Other risks

Risk appetite by risk type is defined so that the equities and other risk buffers available are at an adequate level in view of the risk level of the operations planned. With respect to credit risks, risk appetite depends on various factors, including the amount of credit loss compensation paid by the State for each type of enterprise. The adequacy of equities is assessed regularly by using an internal process.

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

The internal reporting system for risk management works at all levels of the Group. The parent company manages risks arisen in subsidiaries through ownership steering and by keeping all subsidiaries within the sphere of the risk management 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 2016 totalled EUR 45,700.

## Supervisory Board on 31 December 2016

### Chairman

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

### Vice Chairman

**Krista Kiuru**, Member of Parliament (Finnish Social Democratic Party)

### Members

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

**Mika Harjunen**, Information Security Manager, Finnvera plc

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

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

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

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

**Kari Kulmala**, Member of Parliament (The Finns Party)

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

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

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

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

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

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

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

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

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

## Board of Directors

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 2016 consists of Kirsi Komi (Chair), Marianna Uotinen, Pirkko Rantanen-Kervinen and Antti Zitting.

The Remuneration Committee assists Finnvera's Board of Directors in managing issues pertaining to the appointment, terms of employment and salaries of senior executives, and the rewards and incentive systems applied to the management and personnel. The Board of Directors selects the Remuneration Committee's members and chairman from among the Board members, for a term of one year at a time. The Remuneration Committee elected after the Annual General Meeting of 2016 consists of Markku Pohjola (Chair), Harri Sailas and Pekka Timonen.

The fees paid to the Board members comply with the policy issued by the Government on fees paid to the administrative bodies of State-owned companies. The fees paid in 2016 totalled EUR 135,300.

## Members of the Board of Directors on 31 December 2016



**Markku Pohjola**  
(1948), Chairman, B.Sc. (Econ.)

Markku Pohjola has been a member and Chairman of Finnvera's Board of Directors since 2012. He is also the Chairman of the Boards of Tieto Corporation and Koskitukki Oy and a member of the Board 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), First Vice Chairman, LL.D.

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



**Marianna Uotinen**  
(1957), Second Vice Chairman, LL.M.

Marianna Uotinen has been a member of Finnvera's Board of Directors since 2013. She served as a Specialist Counsel for Financial Markets Regulation at the Ministry of Finance from 2007 to October 2016, when she was employed as a National Expert by the European Commission. In 1985–2001 she worked first 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, Bittium Corporation, Citycon Oyj, Martela Corporation, Docrates Ltd (Chair) and the Finnish Red Cross Blood Service (Chair). In 2016 Komi chaired the Board of Directors of Veikkaus Ltd, and in 2011–2016 she served as Vice Chair on the Board of Directors of Patria Plc. In 1992–2010, Komi was employed by Nokia Corporation, first as a legal counsel, then as Vice President and Director, Legal Affairs at Nokia Networks, and most recently as Director of Legal Affairs and a member of the Executive Board at Nokia Siemens Networks.



**Pirkko Rantanen-Kervinen**

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

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



**Harri Sailas**

**(1951), B.Sc. (Econ.)**

Harri Sailas has been a member of Finnvera's Board of Directors since 2015. He worked as President and CEO of Mutual Pension Insurance Company Ilmarinen in 2007–2015. Before that he held executive posts at Nordea and its predecessor banks, most recently as Director of the Helsinki Regional Bank and as Deputy CEO of Nordea Bank Finland. Sailas also chairs the Boards of Directors of Alko Inc., Finavia Corporation and Solidium Oy.



**Antti Zitting**

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

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

## Management Group and Corporate Management Team

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

### Management Group

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

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

### Members of Management Group on 31 December 2016

**Pauli Heikkilä** (1962),

D.Sc. (Tech.)

Chief Executive Officer

**Topi Vesteri** (1956)

LL.M.

Deputy CEO, Credit Decision Unit

**Jussi Haarasilta** (1973)

LL.M., M.Sc. (Econ.)

Executive Vice President, Large Corporates

**Katja Keitaanniemi** (1973)

Lic.Sc. (Tech.)

Executive Vice President, SMEs

**Ulla Hagman** (1969)

M.Sc. (Econ.)

Senior Vice President, Finance and IT

**Risto Huopaniemi** (1975)

LL.M.

Senior Vice President, Legal Affairs and Administration

**Tarja Svartström** (1971)

M.Sc.

Senior Vice President, Corporate Communications and HR

**Merja Välimäki** (1962)

M.Sc. (Econ.)

Chief Risk Officer, Risk and Quality Control

### Corporate Management Team

The Corporate Management Team discusses matters that have a major impact on Finnvera's personnel. Besides the members of the Management Group, the Corporate Management Team includes the Managing Directors of Finnvera's subsidiaries and the Regional Director of Savo-Karelia. The Corporate Management Team also includes representatives of the personnel organisations. The Corporate Management Team meets every second month.

### Members of Corporate Management Team on 31 December 2016

**Leo Houtsonen** (1958)

M.Sc. (Econ.)

Managing Director, ERDF-Seed Fund Ltd and Veraventure Ltd

**Anita Muona** (1957)

LL.M. (Helsinki)

Managing Director, Finnish Export Credit Ltd

**Hannu Puhakka** (1959)

M.Sc. (Tech.)

Regional Director, Savo-Karelia

**Sirpa Arpiainen** (1955)

MHT

Adviser, Representative of the personnel organisation

Eryityisrahoituksen ammattilaiset ERA Pro

**Heikki Lähdesmäki** (1961)

M.Sc. (Econ.)

Finance Manager, Representative of the personnel

organisation Finnveran Akavalaiset

**Päivi Mylläri** (1965)

BBA

Adviser, Recovery; Representative of the personnel

organisation Finnveran toimihenkilöt

### Regional organisation

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

#### 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 Juuso Heinilä, M.Sc. (Tech.), M.Sc. (Econ.)

# Corporate responsibility at Finnvera

At Finnvera, corporate responsibility is an integral part of everyday work. It is manifested as responsible conduct towards all of the company's stakeholders.

Finnvera's corporate responsibility concentrates around four overarching themes: impact on society; impacts of Finnvera's own operations; responsible financing; and stakeholder cooperation.

## Impact on society

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

## Impacts of own operations

Finnvera strives to minimise the negative impacts of its operations on the surrounding society by means of effective risk management and by paying attention to its ecological footprint. In addition, Finnvera invests in developing the personnel's skills. This is an activity where

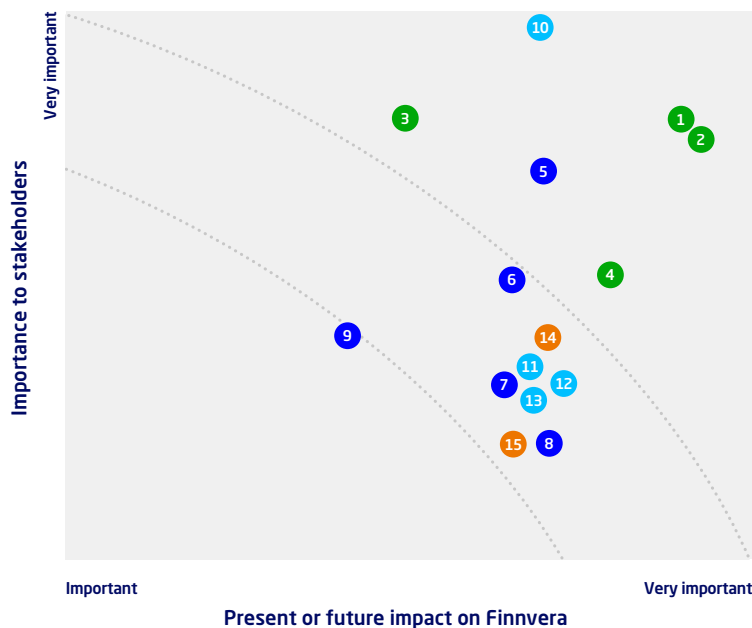
employees themselves also play an important role. Business principles steer operations.

## Responsible financing

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

## Cooperation with stakeholders

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



### Impact on society

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

### Impacts of Finnvera's own operations

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

### Responsible financing

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

### Cooperation with stakeholders

14. Active stakeholder dialogue
15. Customer-orientation



**Main aspects of corporate responsibility**

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

The materiality matrix was implemented in 2015 by interviewing Finnvera's principal stakeholders. Based on the interviews, Finnvera's Management Group confirmed the company's corporate responsibility aspects and prioritised them from the business perspective.

**Management of corporate responsibility**

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

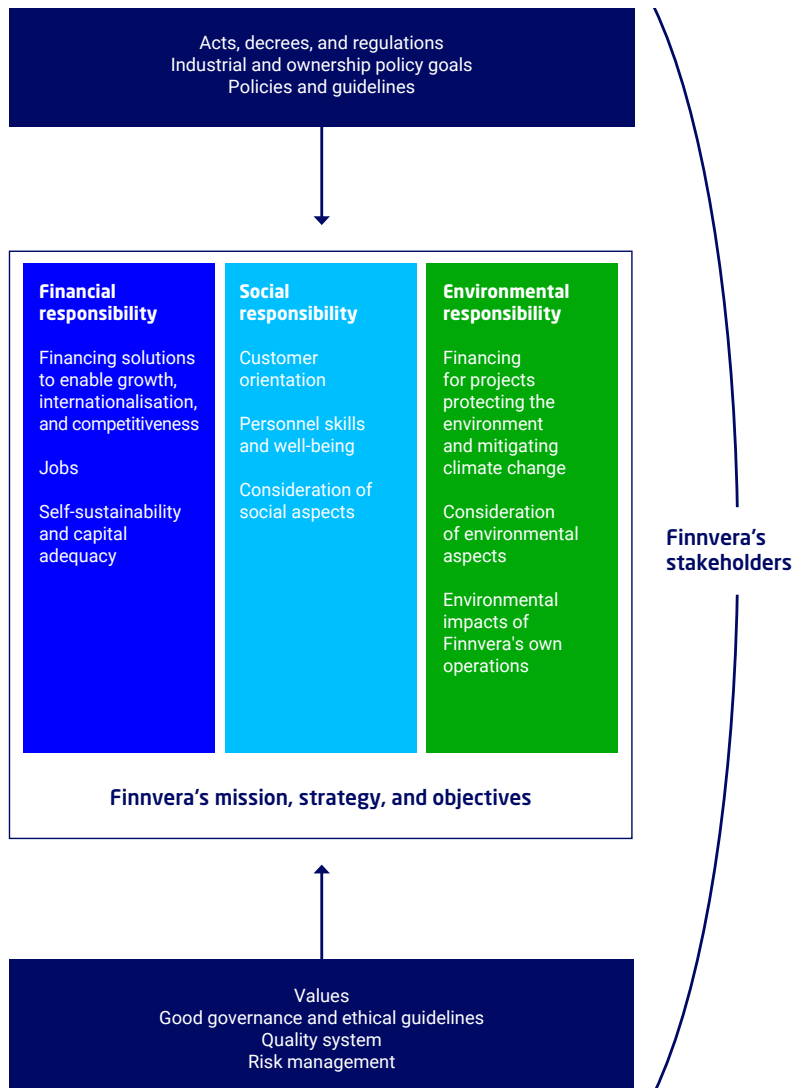
- For Finnvera, corporate responsibility means adherence to responsible modes of operation in dealings with all stakeholders.

- Finnvera carries out its mission and strategy in accordance with the laws, regulations, and industrial and ownership policy goals guiding the company's operations.
- Finnvera's corporate responsibility is grounded in the company's values and good governance. In practice, it is manifested as financial, social and environmental responsibility.
- The daily tools for acting responsibly at Finnvera include customer-specific policies and guidelines, and a certified operating system that is kept up to date.

**Measuring the success of corporate responsibility**

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

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





## Active dialogue with stakeholders

Cooperation with stakeholders is one of the four overarching themes in Finnvera's corporate responsibility, indicating that active and open stakeholder dialogue is important to the company. Finnvera's principal stakeholders are clients, banks, domestic and international organisations, personnel, owners and cooperation partners, including other Team Finland organisations.

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

### Interaction with stakeholders in 2016

The most important achievement in stakeholder cooperation in 2016 was the increase in Finnvera's authorisation to grant export financing, first to EUR 19 billion and then to EUR 27 billion in December.

In addition, Finnvera focused on increasing transparency by establishing a whistleblowing channel, intended for all of the company's stakeholders. The channel can be used to report concerns – such as suspicions of potential abuses and breaches of operating principles – to the company management.

### Clients

It is important for Finnvera to understand the needs of clients and, when necessary, to increase the selection of financing instruments. Clients have expressed concern about the adequacy of financing for exports. Finnvera, together with its owner, has responded to these concerns by raising the ceiling on export financing first to EUR 19 billion and then to EUR 27 billion in December. The purpose of this increase is to improve the competitiveness of Finnish companies engaged in the exports of capital goods and to enhance their opportunities to secure export contracts.

One of Finnvera's strategic goals is to ensure good customer experience. This was visible in the actions taken in 2016.

#### Key themes and achievements in 2016

- Raising the ceiling on export financing first to EUR 19 billion and then to EUR 27 billion in December.
- Active communication on transfers of ownership in cooperation with stakeholders.
- Establishment of the Growth Loan in line with the Government Programme for financing growth and internationalisation efforts.
- Measurement of customer experience.
- Using the Team Finland service model to achieve closer cooperation at the customer interface.
- Participation in the national sparring process for growth companies (Kasvu Open).

Daily discussions with clients are open and diverse, for instance by means of the website, social media, the newsletter and the stakeholder magazine. The Finnvera Committee and the Export Finance Committee serve as an interaction channel between clients and Finnvera. The next biennial questionnaire survey among stakeholders and clients will be carried out in 2017.

### Banks

Banks are an important cooperation partner for Finnvera, as most financial solutions are offered to clients in cooperation with the bank. When working with banks, the goal is to act as an active and consistent co-financier supplementing the financial market.

#### Key themes and achievements in 2016

- Close cooperation has continued in the regional network.

### Domestic organisations

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

#### Key themes and achievements in 2016

- Transfers of enterprise ownership in cooperation with enterprise organisations.
- The Growth Open business competition in cooperation with various companies and organisations. The largest sparring programme for enterprise growth in Finland, and free of charge, Growth Open supports the growth and internationalisation of SMEs across Finland and in various sectors.
- National and regional cooperation for communications and events.

### International organisations

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

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

#### Key themes and achievements in 2016

- The Deputy CEO of Finnvera was elected for a new term as President of the Berne Union.

### Personnel

The personnel's year in 2016 was characterised by change and relocation. Both in Helsinki and in the regions, the personnel moved to joint premises with the other Team Finland organisations. Work with clients is conducted in cooperation by utilising the Team Finland service model. Thus, the measures taken during the year mainly crystallised around this theme of change and relocation.

#### Key themes and development targets in 2016

- A new model for performance targets and discussions.
- Employee pulse surveys together with other Team Finland actors.
- Launching of telework practices.
- Change management training for supervisors
- Equality plan.
- Adoption of the Code of Conduct in December.

### Cooperation partners

Cooperation partners make it possible to provide clients with comprehensive services for many different needs. For example, through Team Finland, a company seeking growth or internationalisation gets all the public services it needs for financing, subsidies and advice.

#### Key themes and development targets in 2016

- Revision of the Team Finland service model.
- Team Finland's synergy working groups.

### Owner

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

The goals of Finnvera's operations include the following: increasing the number of start-up companies; enabling financing for changes encountered by SMEs; and promotion of enterprise growth, internationalisation and exports. In its operations, Finnvera is expected to adhere to the principle of economic self-sustainability.

#### Key themes and development targets in 2016

- Raising the ceiling on export financing.
- Accelerating transfers of ownership.
- Establishment of the Growth Loan in line with the Government Programme for financing growth and internationalisation efforts.

**Case:** Raising the authorisation to provide export financing  
<https://www.finnvera.fi/eng/finnvera/newsroom/press-releases/finnvera-s-authorisation-to-provide-export-financing-was-raised>



## Impact on society

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

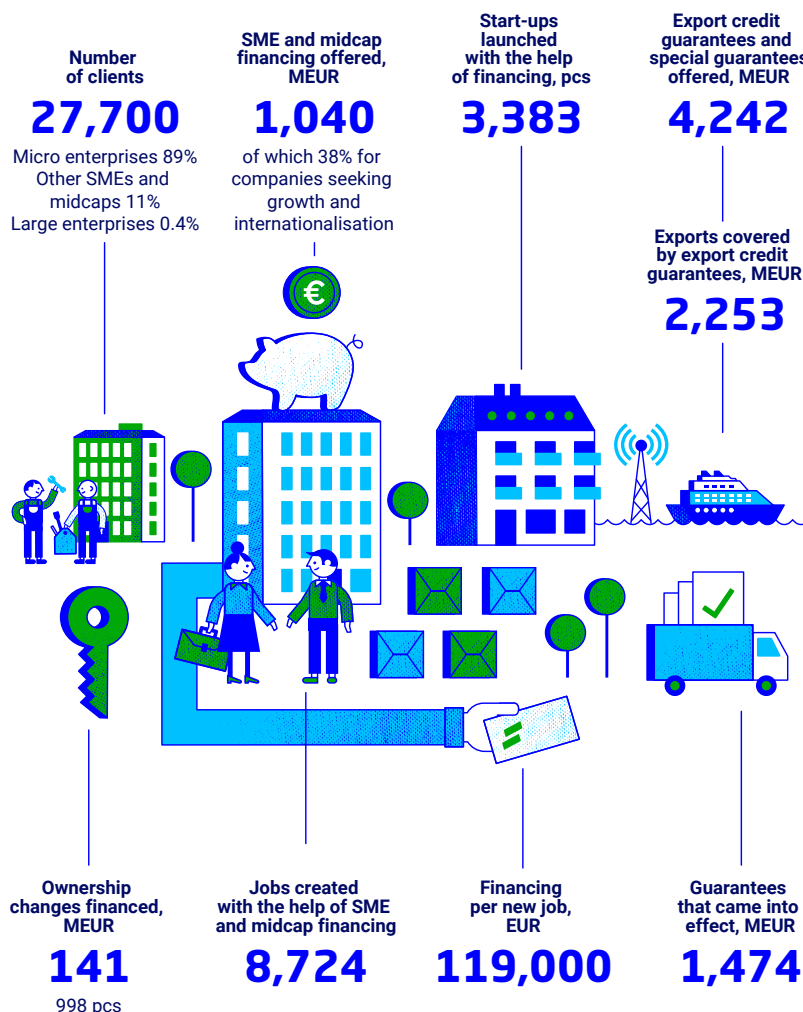
The main indicators of impacts include the number of new enterprises and jobs created by means of financing and the ratio of exports covered by export credit guarantees to Finland's total exports.

However, the central issue in pursuing impacts on society is responsibility as an element of daily work. Provision of financing for economically viable business and meticulous risk assessment in financing decisions lay the foundation for everything else.

### A marked increase in the authorisation to grant export financing in 2016

In 2016, the authorisation to grant export financing was first raised to EUR 19 billion and then to EUR 27 billion in December. The purpose of this increase is to improve the competitiveness of Finnish companies exporting capital goods and to enhance their opportunities to secure export contracts.

The year's second development measure derived from the Government Programme was the launch of the Growth



Loan. The loan can be used to finance major growth and internationalisation efforts undertaken by midcap companies, which are larger than SMEs.

The EU's economic sanctions on Iran were lifted in January 2016, after which Finnvera revised its country policy. This makes it possible to grant export credit guarantees to Finnish companies that have export projects in Iran.

Finnvera is exempt from income tax, and the parent company has no subsidiaries abroad. Thus, Finnvera does not pay income taxes for its subsidiaries anywhere else besides Finland.

**Self-sustainability and capital adequacy as the cornerstones**

The State of Finland covers some of Finnvera's credit and guarantee losses. This enables Finnvera to grant loans at greater risks than banks usually can.

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

Self-sustainability in Finnvera's SME financing has been attained over an 11-year period when the cumulative result is calculated up to the end of December 2016. Export financing has been economically self-sustainable for all of Finnvera's 18 years of operation. If the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, for its

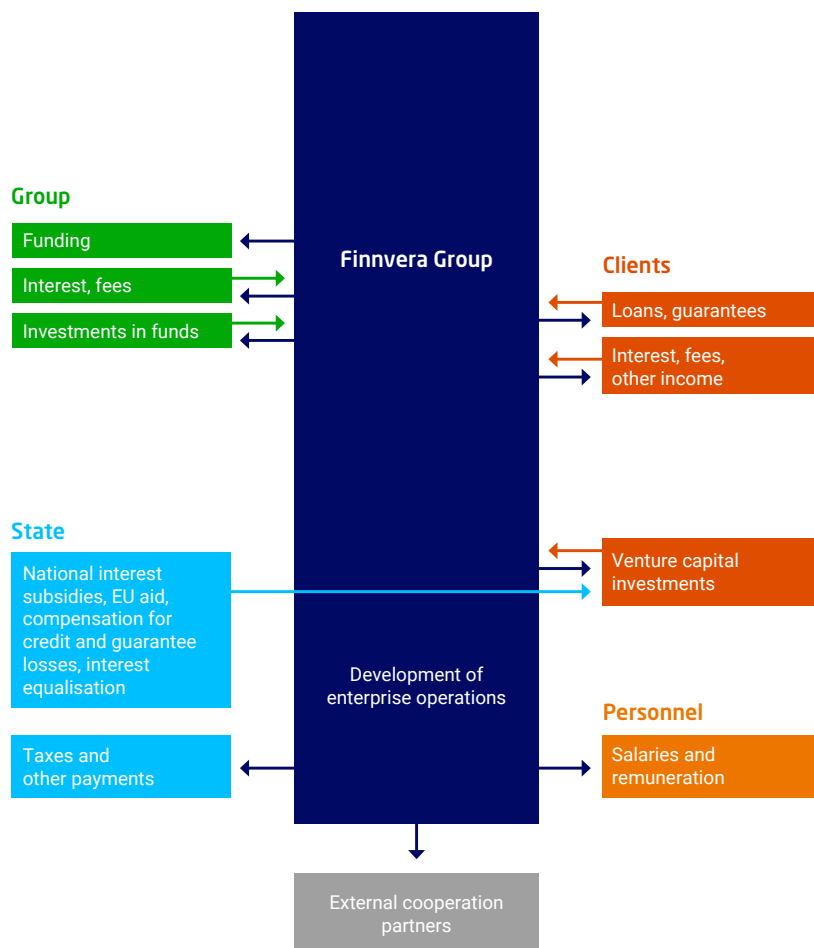
last years of operation is taken into account when reviewing the self-sustainability of export financing, economic self-sustainability is also realised over a 21-year period.

Finnvera's capital adequacy must be sufficient to ensure the company's ability to bear risks and to keep the costs of funding reasonable. Finnvera's capital adequacy must be at least 12 per cent. By the end of 2016, the figure was 22 per cent. In 2015, the corresponding figure was 18.1 per cent.

**Case:** The State's role in promoting exports <https://www.finnvera.fi/eng/finnvera/newsroom/press-releases/finnvera-s-seminar-discussed-the-state-s-role-in-promoting-exports>

**Key indicators for financial responsibility**

<b>Finnvera group, MEUR</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenue			
- Net interest income, and fee and commission income and expenses	194.2	197.3	188.8
<b>Subsidies and compensation for losses</b>			
- Interest subsidies passed on to clients	1.5	3.4	6.4
- Compensation for credit and guarantee losses	28.3	82.6	63.7
<b>Impairment loss on financial assets</b>	94.0	97.2	97.5
<b>Administrative expenses</b>			
- Personnel expenses	29.9	30.4	28.1
- Other administrative expenses	14.1	13.6	12.7
<b>Amortization and other operating expenses</b>	6.7	5.7	6.1





## Responsible financing

Finnvera provides loans and guarantees for domestic projects, and grants guarantees for the exports of Finnish companies and export credits for financing foreign buyers. When assessing projects abroad, Finnvera adheres to international standards and guidelines. Domestic projects are carried out in keeping with the laws of Finland and the EU.

In 2016, the most important development areas pertaining to responsible financing were the updating of Finnvera's project policy and the launching of the new Compliance function. The purpose of this function is to keep Finnvera's own processes up to date in response to the increasing regulation of foreign guarantees and lending.

### General principles of responsible financing

Finnvera's Code of Conduct steers all activities. Adopted in December 2016, the Code of Conduct brought together the ethical principles and legal rules followed by Finnvera in its activities.

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

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

### Principles steering the financing of projects abroad

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

When assessing projects to be carried out abroad, the most important component is to assess their environmental and social aspects. In practice, the work is steered by the Recommendation of the OECD Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, the UN Guiding Principles on Business and Human Rights, the ILO

Declaration on Fundamental Principles and Rights at Work, and the UN Framework Convention on Climate Change.

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

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

In its anti-bribery measures, Finnvera follows the recommendations issued by the OECD Export Credit Group. The latest recommendation is from 2006, but the recommendations are currently being updated. Moreover, Finnvera has in place its own anti-bribery policy that is in agreement with responsible export credit guarantee and credit operations. In practice this means that, for each project, Finnvera requests financiers and exporters to sign a declaration that they have not participated in bribery.

When granting export credit guarantees and export credits for the poorest countries, Finnvera complies with the principles of sustainable lending approved within the OECD.

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

If in projects carried out abroad, Finnvera's liabilities for guarantees exceed EUR 10 million and the loan repayment period is more than two years, the project always undergoes a review of the consequent environmental and social impacts.

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

Projects are divided into four categories: A, B, C and non-project. In Category A, the applicant must provide Finnvera with a report of the assessment of environmental and social impacts. The report is compiled by an external actor. In Category A projects, impacts are reviewed more extensively;

the project may be, for example, a pulp mill, a mine or a power plant. In Category B, the information required is more limited. No background studies are needed for Category C and non-projects.

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

### Consideration of social impacts in projects

Social impacts refer to the project's impacts on local communities and on persons involved in the construction and operation of the project. In this context, social impacts include the human rights aspects associated with the project.

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

The impacts on working conditions, local communities and workers are weighed for all projects that are assessed.

### Monitoring of projects

The assessment of projects does not end when the financing decision is made. Instead, impacts can also be monitored during the progress of the projects. All Category A projects and some Category B projects are monitored until the end of the loan repayment period.

During their construction and production stages, several major projects are monitored by external consultants.

If shortcomings are discovered during the project, the corrective action plan defined in the loan agreement terms is drawn up and monitoring will continue. Additionally, the parties implementing the projects are often required to report annually to Finnvera. If the various parties cannot agree on how the shortcomings should be corrected, the last resort is to call in the loan.

### Finnvera as a co-financier for cleantech companies

During the past five years, Finnvera has been a steady provider of financing to cleantech companies operating in the SME sector. In 2016, the financing granted totalled EUR 22 million, which was divided between 58 SMEs. In 2013–2015, the financing granted annually totalled EUR 26–33 million.

Cleantech is one of the fastest growing sectors in Finland. More than one third of Finland's public R&D investment is made in cleantech. In proportion to its population, Finland is the world's leading researcher in the energy and environmental sectors.

Cleantech means that a company develops not only its own operations from environmental aspects but also the operations of other companies. At present, the cleantech and bioeconomy business focuses on energy generation, transport and food, as well as on the reduction of carbon dioxide emissions. The future trend is that cleantech will expand increasingly broadly into the consumer business, and Finnvera consumers are helped to act more sustainably.

**Case:** Environmental impact assessment is an important part of export financing <https://www.finnvera.fi/eng/finnvera/newsroom/articles/environmental-impact-assessment-is-an-important-part-of-export-financing>



## Personnel and the environment

The year 2016 was a year of change for Finnvera's employees. In five locations, Finnvera moved to joint premises with the other Team Finland organisations, and Team Finland's joint service model brought changes to working with clients. In consequence, many themes and development areas in 2016 related to the provision of support for the personnel amidst changes.

### The personnel is supported in change situations

#### The main events in 2016

- Relocating to the same premises with the Team Finland organisations in five localities
- A new model for performance targets and reviews
- Personnel survey
- Regular employee pulse surveys together with the other Team Finland organisations
- Change management training for supervisors
- Equality plan
- Launching of telework practices
- Adoption of Finnvera's Code of Conduct in December 2016.

#### Tools for human resource management

Finnvera's human resource management is guided by several processes and policies that enable the well-being, equal treatment and development of the personnel.

The business principles encompassing all of Finnvera's activities were approved in December 2016. Finnvera's Code of Conduct brings together the main principles and practices of good conduct that the whole company is expected to follow. In addition, to support human resource management, Finnvera has policies, for instance, for recruitment, induction, rewarding, working hours and job rotation, as well as a centralised training plan.

The Compliance function, which was established in 2015, launched an online whistleblowing channel, for use by the personnel and all other stakeholders in spring 2016. The channel can be used to report concerns such as suspicions of potential abuses and breaches of operating principles to the company management.

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

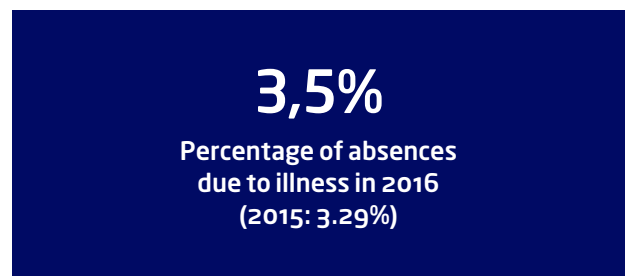
#### Looking after well-being

In 2016, Finnvera launched new telework principles that allow two telework days a week. By applying these new principles, the company strives to facilitate the reconciliation

of work and leisure. Finnvera operates in multispace office environments in all of its localities.

The company provides comprehensive occupational health services with the focus on preventive work. The personnel's state of health is evaluated by means of regular health examinations and by conducting various surveys. Return to work is supported by means of flexible practices after part-time sick leaves. In 2016, the sick leave rate was 3,5 (2015: 3,29%).

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



### The personnel is heard

Finnvera strives to uphold open dialogue between the management and personnel. The CEO holds information sessions for the personnel. At these events, employees have the opportunity to discuss and present their own views on the company's affairs.

Finnvera measures the personnel's well-being and satisfaction by conducting yearly surveys. The key indicators obtained from the surveys are various indices measuring personnel commitment, management and performance. The results of personnel surveys are utilised in developing the whole organisation. In all, 87 per cent of all Finnvera employees responded to the survey in 2016. Overall, the scores improved from the level achieved in 2015.

An online brainstorming session was organised at the turn of 2015–2016. Its results were used to determine the themes that the personnel consider important. These aspects were also included in the questions of the regular employee pulse survey. In addition, elements from the brainstorming session were also incorporated into supervisor training.

The pulse survey had four questions associated with Team Finland's goals, customer satisfaction, learning from colleagues, and cooperation and trust. For Finnvera, the scores improved in the long term and were consistently over 70 on a scale of 0–100. Other particularly positive aspects

that emerged from the results were trust in Team Finland colleagues and valuation of expertise.

### Training and new processes

The focus in 2016 was on change management. All supervisors were given supervisor training together with the Team Finland actors Tekes and Finpro.

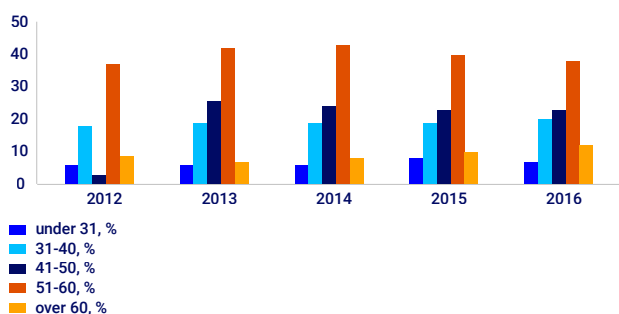
In 2016, Finnvera adopted a new model for performance targets and reviews. The targets and development plan are determined early in the year and an interim review is held in summer. Previously, a review had been arranged only once a year. The new model has been well received within the organisation. In all, 200 Finnvera employees responded to an internal questionnaire about the new process. On a scale of 1–5, the average score was 3.63.

Finnvera emphasises employees' own responsibility for their development. For developing knowledge, Finnvera follows the 70-20-10 Model, where the main emphasis is on learning on the job. Joint training sessions and job rotation are arranged within Team Finland.

In 2016, the number of training hours was 11.6. This is the first year when training hours can be reported for a full year.

In 2016, 17 Finnvera employees participated in job rotation, with one of them holding job in other Team Finland organisations.

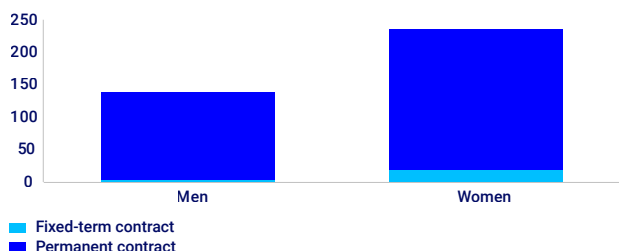
### Personnel age distribution



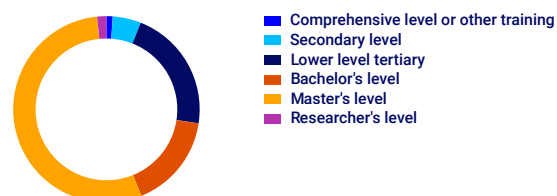
### Personnel turnover

	Men	Women	Total
<b>Incoming</b>			
Under 30 years	0.0%	0.3%	0.3%
30–50 years	1.3%	1.3%	2.6%
Over 50 years	0.0%	0.0%	0.0%
<b>Total</b>	<b>1.3%</b>	<b>1.6%</b>	<b>2.9%</b>
<b>Outgoing</b>			
Under 30 years	0.0%	0.0%	0.0%
30–50 years	0.3%	1.1%	1.4%
Over 50 years	2.7%	1.3%	4.0%
<b>Total</b>	<b>3.0%</b>	<b>2.4%</b>	<b>5.4%</b>

### Type of employment contract



### Personnel education



### Minimising environmental impact

The biggest environmental impacts from Finnvera's own activities relate to energy consumption and commuting.

Power consumption decreased in 2016 after Finnvera had moved to premises with first-rate energy efficiency in five localities. Alongside the relocations, the total floor space decreased from 12,000 to 4,000 square metres. The floor space for all of Finnvera's premises together is 5,570 square metres.

Finnvera also strives to minimise its environmental impact by applying new telework principles that enable two telework days a week. Video and telephone conferences have replaced trips, and increased digitisation has reduced paper consumption. In addition, sorting of wastes is a daily routine in Finnvera.

### Purchases centrally through Team Finland

Finnvera purchases external services mostly from about 200, primarily Finnish, suppliers. The purchases pertain to real estate services, training, travel, information services and publications, office supplies, occupational health and consultants' services.

The most significant change in 2016 was joint acquisitions made by Team Finland joint purchasing ring, which saves both resources and costs. The purchasing costs for 2016 were about EUR 15 million, which was five million euros less than in 2015, when the purchasing costs increased because of the office removals, among other things. Purchases were also affected by an annually changing IT system procurements.

Whenever possible, Finnvera also uses the framework agreements of Hansel, the government's central purchasing body. In these agreements, environmental and social responsibility issues have already been considered.

## Reporting of corporate responsibility

This report contains the basic features of the GRI G4 responsibility reporting guidelines. The information in the report covers the economic, social, and environmental impacts of Finnvera plc's own operations for the financial period 1 January–31 December 2016. Compared against the previous years, no significant changes have taken place in the data, scope, or calculation limits of the report. Finnvera reports on responsibility annually; the previous report was released in March 2016. The report has not been subject to external assurance.

## Essential aspects and the related indicators

Aspect	G4 indicators
<b>Impact on society</b>	
Economic performance	G4-EC1, EC4
Indirect economic impact	G4-EC8
<b>Responsible financing</b>	
Bribery and anti-corruption	G4-S04
Political contributions	G4-S07
Compliance	G4-S08
Investments	G4-HR1
Product portfolio	G4-FS6, FS8
<b>Impact of own operations</b>	
Energy	G4-EN3, G4-EN6
Employment	G4-LA1
Training and education	G4-LA9, LA10, LA11
<b>Stakeholders</b>	
Product and service information	G4-PR5

## GRI G4 Content Index

Code	GRI content	Location	Remarks
<b>General Standard Disclosures</b>			
<b>Strategy and Analysis</b>			
G4-1	CEO's statement	CEO's review	Reported in part.
G4-2	Key impacts, risks and opportunities	Corporate responsibility at Finnvera	Reported in part.
<b>Organizational Profile</b>			
G4-3	Name of the reporting organisation	Finnvera in brief	
G4-4	Primary brands, products, and services	Finnvera in brief Financial services	
G4-5	Location of the organisation's headquarters	Contact info	
G4-6	Number of countries where the organisation operates	Service network	
G4-7	Nature of ownership and legal form	Corporate governance	
G4-8	Markets served	Clients	
G4-9	Scale of the organisation	Key figures	
G4-10	Total number of employees by employment type and contract	Personnel and the environment	In total there were 353 permanent employees, 338 full-time and 15 part-time employees. In addition there were 23 temporary employees. In total there were three agency workers, one man and two women. Self-employed persons or subcontractors do not perform a substantial part of the work. There is no significant seasonal variation in the number of employees.
G4-11	Percentage of total employees covered by collective bargaining agreements	GRI	Finnvera's company-specific collective bargaining agreement covered 355 persons.
G4-12	Organisation's supply chain	Personnel and the environment	
G4-13	Significant changes during the reporting period	Strategy and goals	
G4-14	Application of the precautionary approach or principle	Responsible financing	
G4-15	Externally developed principles or other initiatives to which the organisation subscribes or which it endorses	Responsible financing	
G4-16	Memberships of associations and national or international advocacy organizations	Active dialogue with stakeholders	



<b>Identified Material Aspects and Boundaries</b>			
G4-17	Boundaries for the Group	Corporate responsibility at Finnvera	
G4-18	Defining the report content	Corporate responsibility at Finnvera Reporting of corporate responsibility	
G4-19	Material aspects	Corporate responsibility at Finnvera	
G4-20	Boundaries concerning material aspects within the organisation	Reporting of corporate responsibility	
G4-21	Boundaries concerning material aspects outside the organisation	Reporting of corporate responsibility	
G4-22	Restatements of information provided in previous reports	Reporting of corporate responsibility	No significant changes.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Reporting of corporate responsibility	No significant changes.
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organisation	Active dialogue with stakeholders	
G4-25	Basis for identification and selection of stakeholders with whom to engage		Not reported.
G4-26	Organisation's approach to stakeholder engagement	Active dialogue with stakeholders	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Active dialogue with stakeholders Personnel and the environment	Reported in part.
<b>Report Profile</b>			
G4-28	Reporting period	Reporting of corporate responsibility	
G4-29	Date of most recent previous report	Reporting of corporate responsibility	
G4-30	Reporting cycle	Reporting of corporate responsibility	
G4-31	Contact point for questions regarding the report or its contents	Contact info	
G4-32	GRI Content Index	Reporting of corporate responsibility	
G4-33	Approach to external assurance	Reporting of corporate responsibility	The report of 2016 has not been subject to external assurance.
<b>Governance</b>			
<b>Governance structure and composition</b>			
G4-34	Governance structure and committees	Corporate governance	
G4-38	Composition of the highest governance body	Board of Directors	All Board members are independent.
G4-39	Status of the Chair of the highest governance body	Board of Directors	The Chairman of the Board is independent of the executive management.
G4-40	Nomination and selection processes for the highest governance body	Statement on the Corporate Governance and Steering System	
G4-41	Avoidance of conflicts of interest	Corporate governance	
<b>Remuneration and incentives</b>			
G4-51	Remuneration of the highest governance body	Statement on the Corporate Governance and Steering System	
<b>Ethics and Integrity</b>			
G4-56	Values and codes of conduct	Personnel and the environment Corporate responsibility at Finnvera	
<b>Specific Standard Disclosures</b>			
<b>Disclosures on Management Approach</b>			
DMA	Generic disclosures on management approach	Responsible financing Active dialogue with the stakeholders Good corporate governance	
<b>Economic Responsibility</b>			
<b>Economic performance</b>			
G4-EC1	Direct economic value generated and distributed	Impact on society	
G4-EC4	Financial implications and other risks and opportunities due to climate change	Financial statements	
<b>Indirect economic impacts</b>			
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Impact on society	
Own indicator	Jobs created, growth, internationalisation, exports	Impact on society	
<b>Environmental Responsibility</b>			
<b>Energy</b>			
G4-EN3	Energy consumption within the organisation	Personnel and the environment	Total electricity consumption reported.
G4-EN6	Reduction of energy consumption	Personnel and the environment	
<b>Emissions</b>			

<b>Social responsibility</b>			
<b>Labour Practices and Decent Work</b>			
<b>Employment</b>			
G4-LA1	Total number and rates of new employee hires and employee turnover, by age group, gender, and region	Personnel and the environment	
<b>Training and education</b>			
G4-LA9	Average hours of training that the organisation's employees have undertaken during the reporting period	Personnel and the environment	Average hours of training were 11.6 h, of which women accounted for 7.3 h and men for 4.3 h.
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Personnel and the environment	
G4-LA11	Percentage of employees who receive regular performance and career development reviews	Personnel and the environment	The entire personnel is encompassed by performance and career development reviews.
<b>Human Rights</b>			
<b>Investments</b>			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Responsible financing	Reported in part.
<b>Society</b>			
<b>Anti-corruption</b>			
G4-S04	Communication and training on anti-corruption policies and procedures	Responsible financing	
<b>Political contributions</b>			
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		No court cases.
<b>Compliance</b>			
G4-S08	Significant fines and non-monetary sanctions for non-compliance with laws and regulations		No fines or sanctions.
<b>Product Responsibility</b>			
<b>Product and service information</b>			
G4-PR5	Results of customer satisfaction surveys	Active dialogue with the stakeholders	The survey is conducted every second year, the next time in 2017.
<b>Product portfolio</b>			
G4-FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	Responsible financing Clients Business operations	Reported in part.
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Responsible financing	Reported in part.



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