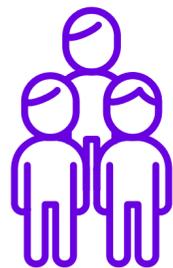


Statement on the Corporate Governance and Steering System 2018

 **FINNVERA**



Finnvera's Statement on the Corporate Governance and Steering System has been drawn up in accordance with the Finnish Corporate Governance Code 2015 issued by the Securities Market Association, and with the provisions of the Securities Markets Act.



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

[Read more on page 3 >](#)



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.

[Read more on page 3 >](#)

Finnvera is a specialised financing company owned 100 per cent by the State of Finland.

The Finnvera Group is comprised of the parent company, Finnvera plc, and the subsidiaries Finnish Export Credit Ltd, ERDF-Seed Fund Ltd and Veraventure Ltd.

[Read more on page 3 >](#)

Statement on the Corporate Governance and Steering System 2018

Statement on the Corporate Governance and Steering System.....	3
Acts and rules governing the operations.....	3
The goals of good corporate governance	3
Ownership and ownership policy	4
Governing bodies of Finnvera	4
General Meeting of Shareholders.....	4
Supervisory Board	4
Board of Directors	4
Audit Committee of the Board of Directors	6
Remuneration Committee of the Board of Directors	6
Chief Executive Officer, Management Group and Corporate Management Team.....	6
Salaries and fees.....	6
Operating principles for internal control.....	7
Risk management	7
Controlling the financial reporting process	8
Compliance function.....	8
The State's responsibility for Finnvera's commitments.....	8
Funding	8
Communications.....	8
Internal auditing	9
External auditing	9

Statement on the Corporate Governance and Steering System

Finnvera's Statement on the Corporate Governance and Steering System has been drawn up in accordance with the Finnish Corporate Governance Code 2015 issued by the Securities Market Association, and with the provisions of the Securities Markets Act. The Finnish Corporate Governance Code is publicly available on the website of the Securities Market Association, at www.cgfinland.fi/en.

Finnvera is a specialised financing company owned 100 per cent by the State of Finland. For this reason, Finnvera complies with the recommendations 1–4 of the Finnish Corporate Governance Code whenever appropriate and applicable.

Apart from the parent company, Finnvera plc, the Finnvera Group comprises Finnish Export Credit Ltd, which provides export credit financing and administers interest equalisation, and the subsidiaries ERDF-Seed Fund Ltd and Veraventure Ltd, engaged in venture capital investments.

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

The Audit Committee of Finnvera's Board of Directors has reviewed the statement, and Finnvera's auditor, KPMG Oy Ab, has checked that the statement has been issued and that its description of the principal features of the internal control and risk management systems pertaining to the financial reporting process is in agreement with the financial statements.

Acts and rules governing the operations

Finnvera's operations are steered by the Limited Liability Companies Act (624/2006), the legislation on Finnvera, the obligations laid down in international treaties, and the industrial and ownership policy goals determined by the State. When performing public administrative tasks, Finnvera complies with the Administrative Procedure Act.

Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions states that the Directive on credit institutions does not apply to Finnvera. In consequence, Finnvera adheres to the recommendations of the Financial Supervisory Authority, whenever applicable.

However, when presenting reports and financial information, Finnvera – as an issuer of bonds – is bound by the guidelines of the Financial Supervisory Authority and the Securities Market Association, the Securities Markets Act (746/2012), the stock exchange rules (NASDAQ OMX Helsinki and London stock exchanges), and the decisions of the Ministry of Finance.

Finnvera draws up the consolidated financial statements, the parent company's financial statements, and the half-year reports in keeping with the International Financial Reporting Standards (IFRS). The notes to the consolidated financial statements and the parent company's financial statements also comply with Finnish accounting and corporate law.

The financial statements of the Finnvera Group and the parent company as well as the Annual Report are published in February, and the Half-Year Report for the period 1 January–30 June in August. The Annual Report, including the financial statements and the annual review, and the Half-Year Report are published in Finnish and English.

The auditor's task is, pursuant to the Auditing Act in force, to audit the company's financial statements, accounting records and governance in accordance with good auditing practice, and to issue an auditor's report of the audit work conducted. In addition, it is the auditor's responsibility to read the Report of the Board of Directors and the Annual Report and consider, among other things, whether this other information is materially inconsistent with the financial statements. With respect to the Report of the Board of Directors, the auditor's responsibility also includes considering whether the Report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. Audit work encompasses the statutory auditing of subsidiaries belonging to the Finnvera Group.

The goals of good corporate governance

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

Finnvera's Board of Directors has approved 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. The Code of Conduct includes the general operating policy outlines and the financing principles followed by Finnvera, the points of departure concerning the confidentiality of our operations, and the principles applied to the work community.

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, guidelines on non-disclosure and exchange of information, 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.

The principles of good conduct include guidelines on the compliance with the legal principles decreed by the Administrative Procedure Act. These legal principles are the principles of equality, commitment to purpose, impartiality, proportionality, protection of legitimate expectations, service, and publicity.

The impartiality guidelines are meant to reinforce the objectivity in Finnvera's operations as well as the equal treatment of clients. The guidelines on non-disclosure and exchange of information define the points of departure for confidentiality in Finnvera's operations and steer the management of permissible exchange of information in an appropriate manner. The guidelines on insider information clarify the concept of insider information for Finnvera's employees so that they are prepared to identify in advance what type of information on client enterprises is classified as insider information and to prevent its misuse.

Ownership and ownership policy

Finnvera plc is a specialised financing company owned 100 per cent by the State of Finland.

The legislation on Finnvera defines the tasks whereby Finnvera influences the development of enterprise and employment in Finland. The Ministry of Economic Affairs and Employment supervises and

monitors Finnvera's operations. As the body responsible for the ownership and industrial policy steering of Finnvera, the Innovations and Enterprise Financing Department of the ministry sets industrial and ownership policy goals for the company for a period of four years. Whenever necessary, the ministry revises these goals annually.

On the basis of the industrial policy goals confirmed by the Ministry of Economic Affairs and Employment, an assessment is made annually on how well Finnvera has succeeded – for instance, in correcting market failures in corporate financing and in promoting enterprise, employment, the growth of enterprises, internationalisation, and exports. In 2018, Finnvera's goals highlighted the financing of start-up enterprises and the promotion of growth, internationalisation and exports.

The ownership policy goals, set by the Ministry of Economic Affairs and Employment, apply to the self-sustainability of the company's operations, the efficiency of operations, and capital adequacy. Finnvera should conduct its business so that the income from the company's operations covers the expenses of the operations over a period exceeding a business cycle. The review period is 10 years for SME financing and 20 years for export financing. Finnvera should act efficiently and improve the productivity of work in keeping with the goal set by the Ministry of Economic Affairs and Employment. The company's capital adequacy must be sufficient to ensure the ability to bear risks and to keep the costs of funding as reasonable as possible.

Governing bodies of Finnvera

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

General Meeting of Shareholders

The General Meeting of Shareholders can make decisions on issues assigned to it by law and the Articles of Association. The General Meeting of Shareholders elects the members of the Supervisory Board and the Board of Directors, the Chairs and Vice Chairs of both bodies, and the auditors for a term of one year at a time.

The Annual General Meeting is held yearly, by the end of June.

Supervisory Board

The Supervisory Board supervises the company's administration. It gives the Annual General Meeting its opinion on the financial statements and the auditor's report, and counsels 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 Supervisory Board consists of at least eight (8) and at most eighteen (18) members.

In 2018, the Supervisory Board had 18 members. The Supervisory Board met 7 times (7) in 2018. The average attendance rate at the Supervisory Board meetings was 92 per cent (87). [Read more >](#)

Board of Directors

The Board of Directors is responsible for the company's administration and for the proper organisation of activities and approves the company's strategy and annual plans, the half-year reports and the 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 ensures the supervision of accounting and asset management and approves other matters of principle. The Board also decides important individual cases of financing.

The Board of Directors steers and supervises Finnvera's executive management and ensures the functioning of the management system. The Board decides on the appointment and dismissal of the company's

Members on 31 December 2018	Membership 2018	Attendance at meetings	Fees (EUR)
Chairman Antti Rantakangas, Member of Parliament (Centre Party)	1.1.–31.12.	7/7	5,600
Vice Chairman Krista Kiuru, Member of Parliament (Social Democratic Party of Finland)	1.1.–31.12.	6/7	3,600
Pia Björkbacka, Adviser, Trade and Industrial Policy, Central Organisation of Finnish Trade Unions SAK	1.1.–31.12.	7/7	3,500
Eeva-Johanna Eloranta, Member of Parliament (Social Democratic Party of Finland)	1.1.–31.12.	7/7	3,500
Lasse Hautala, Member of Parliament (Centre Party)	1.1.–31.12.	7/7	3,500
Laura Huhtasaari, Member of Parliament (The Finns Party)	1.1.–31.12.	6/7	3,000
Timo Kalli, Member of Parliament (Centre Party)	1.1.–31.12.	6/7	3,000
Pia Kauma, Member of Parliament (National Coalition Party)	16.3.–31.12.	5/5	2,500
Kari Kulmala, Member of Parliament (Blue Reform)	1.1.–16.3.	2/2	1,000
Leila Kurki, Senior Adviser, Finnish Confederation of Professionals STTK	1.1.–31.12.	5/7	2,500
Anne Louhelainen, Member of Parliament (Blue Reform)	16.3.–31.12.	5/5	2,500
Kari Luoto, Managing Director, Finnish Grocery Trade Association	1.1.–31.12.	6/7	3,000
Veli-Matti Mattila, Director, Chief Economist, Finance Finland	1.1.–31.12.	7/7	3,500
Ville Niinistö, Member of Parliament (Green Party)	1.1.–31.12.	6/7	3,000
Carita Orlando, Managing Director, Orlando Consulting Oy	1.1.–31.12.	7/7	3,500
Olli Rantanen, Team Manager, Domestic Financing, Finnveran Akavalaiset ry	1.1.–31.12.	7/7	3,500
Timo Saranpää, Chairman, Finnish Business School Graduates	16.3.–31.12.	5/5	2,500
Eero Suutari, Member of Parliament (National Coalition Party)	1.1.–31.12.	6/7	3,000
Tommi Toivola, Director, Confederation of Finnish Industries EK	1.1.–31.12.	6/7	3,000
Christel Tjeder, Second Vice Chairman, Finnish Business School Graduates	1.1.–16.3.	2/2	1,000
Sofia Vikman, Member of Parliament (National Coalition Party)	1.1.–16.3.	1/2	500
Fees to the members of the Supervisory Board, total			60,700

Chief Executive Officer, the Deputy CEO, and other members of the company's senior management, and on their salaries and fees. The Board has appointed the Audit Committee and the Remuneration Committee from among its members to assist the Board in managing its tasks.

Separate agreement has been made on the division of operational duties and business-related decision-making between the Board of Directors, the Chief Executive Officer and other management.

According to the goal set by the company, the Board should have a suitable combination of continuity, experience, know-how and variety with respect to education and experience so that it can successfully complete its tasks at any given time. When the Board is elected, the goal is that the Board as a whole has sufficient know-how and experience in the sectors important for the company's operations.

When Board members are elected, attention is paid to the aspects of equality pertaining to State-owned companies.

The Ministry of Economic Affairs and Employment is responsible for the ownership steering of Finnvera and for the proposal concerning the composition of the Board of Directors submitted to the General Meeting. The company strives to influence the proposal on the Board's composition so that the principles concerning variety are taken into account.

The plan for Board meetings is drawn up yearly. Besides the issues discussed at each specific meeting, the meeting plan includes issues discussed quarterly, semi-annually or annually, such as the financial statements, the half-year report, interim reports and the attainment of strategic and annual targets, risk position reviews, measures to strengthen the credit and guarantee policies and asset management policy, the report on internal auditing, and certain specifically named themes, such as reviews of the Large Corporates and SME units and of Finnvera's digitalisation project.

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. One Board member is elected among candidates named by the Ministry of Economic Affairs and Employment and one among candidates named by the Ministry of Finance.

In 2018, the Board had seven members, four of whom were women and three men. The Board met a total of 16 times (19) in 2018. The regular members' average attendance rate at the Board meetings was 95 per cent (92).

Members on 31 December 2018

Pentti Hakkarainen

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

Tomi Lounema

(1970), **First Vice Chairman**, M.Sc. (Tech.)
Tomi Lounema has been a member of Finnvera's Board of Directors since 15 June 2018. He has worked as Commercial Councillor at the Ministry of Economic Affairs and Employment since 2009. Currently, Lounema is working as the head of the Corporate Law and Single Market team. Before that, he worked in managerial positions in the field of consumer safety supervision at the Finnish Consumer Authority in 1999–2009.

Terhi Järvikare

(1970), **Second Vice Chairman**, Lic.Sc. (Econ.)
Terhi Järvikare has been a member of Finnvera's Board of Directors since 2017. She has worked as Director General of the Tax Department of the Ministry of Finance since 2015. In 2012–2015, Järvikare was Director, Taxation at Finland Chamber of Commerce. Before that, she worked in the Ministry of Finance: as a Senior Officer in 1996–2005 and as a Ministerial Adviser in 2005–2012.

Kirsi Komi

(1963), LL.M.
Kirsi Komi has been a member of Finnvera's Board of Directors since 2013. She also has a seat on the Boards of the following companies: Humana AB, Metsä Board Corporation, Martela Corporation, Docrates Ltd (Chair) and Lindström Invest Oy. In addition, Komi is the Chair of Directors' Institute Finland and the Chair of the Board of the Finnish Red Cross Blood Service.

Komi was a member of the Board of Citycon Oyj in 2011–2018 and the member of the Board of Bittium Corporation in 2015–2018. In 1992–2010, she was employed by Nokia Corporation, first as a legal counsel, then as Vice President and Director, Legal Affairs at Nokia Networks, and most recently as Director of Legal Affairs and a member of the Executive Board at Nokia Siemens Networks.

Ritva Laukkanen

(1954), M.Sc. (Econ.)
Ritva Laukkanen has been a member of Finnvera's Board of Directors since 2017. She has held in various board positions since 2012. Laukkanen chairs the Board of the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and is a member of the Board of AccessHolding Microfinance AG Berlin. In 1990–2011, she held several executive posts at International Finance Corporation IFC, which is part of the World Bank Group. Before IFC, Laukkanen worked for 10 years in various positions at American Scandinavian Banking Corporation in New York, as a director in corporate lending, for instance.

Pirkko Rantanen-Kervinen

(1949), B.Sc. (Econ.)
Pirkko Rantanen-Kervinen has been a member of Finnvera's Board of Directors since 2013. She was a member of the Board of LocalTapiola Mutual Insurance Company until the end of 2018. In 1974–2010, Rantanen-Kervinen held various executive posts at Saga Furs Oyj, most recently as CEO.

Antti Zitting

(1956), M.Sc. (Tech.)
Antti Zitting has been a member of Finnvera's Board of Directors since 2015. Until 2014 he worked as an entrepreneur in Sacotec Components Oy and serves currently as Chairman of the Boards of the Sacotec companies. Zitting is also a member of the Boards of the following companies and organisations: The Finnish Olympic Committee, Sten&Co Oy Ab and Plastep Oy. He chairs the Board of the Technology Industries of Finland Centennial Foundation and the Finnish Basketball Association. In addition, Zitting was the Chair of the Supervisory Board of the Unemployment Insurance Fund (as of 1 January 2019: the Employment Fund) in 2018, and he will be the Vice Chair in 2019.

Audit Committee of the Board of Directors

The Audit Committee assists Finnvera's Board of Directors in ensuring that the company's accounting and supervision of asset management are arranged appropriately and that internal control, risk management, auditing of the accounts and internal auditing have been organised in accordance with laws, regulations and the operating principles confirmed by the Board of Directors. A plan is drawn up yearly for the Audit Committee's meetings.

The Audit Committee has at least three members. The Board of Directors selects the Audit Committee's members and chairman from among the Board members, for a term of one year at a time.

The Audit Committee elected after the Annual General Meeting of 2018 was comprised of Board Member Kirsi Komi (Chair), Second Vice Chairman Terhi Järvikare, Board Member Pirkko Rantanen-Kervinen and Board Member Antti Zitting.

In 2018, the Committee met 5 times (4) and the members' attendance rate was 95 per cent (94).

Apart from the Audit Committee, the Board of Directors and the executive management monitor the results of operations by means of regular reporting. Furthermore, they receive reports on risk management, evaluation of the quality system, internal auditing, and on the auditing of the accounts.

Remuneration Committee of the Board of Directors

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. A plan is drawn up yearly for the Remuneration Committee's meetings.

The Remuneration Committee has at least three members. 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 2018 was comprised of Chairman of the Board Pentti Hakkarainen, First Vice Chairman Tomi Lounema and Board Member Ritva Laukkanen.

In 2018, the Remuneration Committee met 5 times (5) and the members' attendance rate was 100 per cent (100).

[Read more >](#)

The Report of the Board of Directors and the financial statements for 2018 can be found on Finnvera's website.

Chief Executive Officer, 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.

Pauli Heikkilä (1962), D.Sc. (Tech.), has served as the Chief Executive Officer of Finnvera plc since 2005.

The management of Finnvera's operations is described in the management organisation approved in the company.

[Read more >](#)

Salaries and fees

When remunerating its governing bodies, Finnvera applies the guidelines on remuneration issued by the Government's Ownership Steering Department. The fees paid to the governing bodies are approved by the General Meeting of Shareholders. The fees paid in 2018 totalled EUR 199,000.

The Board of Directors, upon the presentation of the Remuneration Committee, decides on the salaries and fees paid to the CEO, the Deputy CEO and to other executives appointed by the Board.

The salaries and fees paid to the Chief Executive Officer of Finnvera plc in 2018 totalled EUR 399,000. The total remuneration includes the taxable value of the car benefit. The CEO has a notice period of six months. In addition, the CEO is entitled to a severance compensation corresponding to 18 months' pay if he is dismissed by the company. The salaries and fees paid to the Deputy CEO of Finnvera plc in 2018 totalled EUR 266,000.

The salaries and fees paid to the Managing Directors of Finnvera's subsidiaries Veraventure Ltd and Finnish Export Credit Ltd in 2018 were EUR 163,000 and EUR 138,000, respectively.

Members on 31 December 2018	Membership 2018	Committee membership	Attendance at the Board of Directors	Attendance at the committee	Salaries and fees (EUR)
Chairman Pentti Hakkarainen	1.1.–31.12.	Remuneration Committee	16/16	5/5	27,500
First Vice Chairman Tomi Lounema	15.6.–31.12.	Remuneration Committee	8/8	1/1	8,600
Second Vice Chairman Terhi Järvikare	1.1.–31.12.	Audit Committee	14/16	5/5	19,200
Kirsi Komi	1.1.–31.12.	Audit Committee	15/16	5/5	19,700
Ritva Laukkanen	1.1.–31.12.	Remuneration Committee	16/16	5/5	18,400
Pirkko Rantanen-Kervinen	1.1.–31.12.	Audit Committee	14/16	5/5	17,400
Pekka Timonen	1.1.–31.5.	Remuneration Committee	8/8	4/4	10,750
Antti Zitting	1.1.–31.12.	Audit Committee	15/16	4/5	16,900
Salaries and fees to the members of the Board of Directors, total					138,450

The salaries and fees paid to the rest of the members of the Management Group totalled EUR 1,026,000 in 2018. The supplementary pension contributions had an impact of EUR 122,000 on the company. The Chief Executive Officer's supplementary pension accounted for EUR 46,000 of this.

The Management Group members' salaries are based on total remuneration. The total remuneration includes a phone benefit and it may include a car benefit, which is regarded as taxable income in full.

The Board of Directors has approved the principles of the Management Group's performance bonus system and the targets set for the system in 2018. The performance bonus system adheres to the guidelines that the State owner has issued on the executive management's remuneration.

The performance bonus system encompasses the CEO and the members of the Management Group.

A general prerequisite for paying a performance bonus is that the financial performance of the Group and the parent company for the period shows a profit when the performance bonuses paid are also taken into account. The maximum performance bonus is 15 per cent of the annual earnings when the so-called target level is reached, and 30 per cent of the annual earnings if the company's and the bonus recipient's performance has been exceptionally good.

The performance bonus is determined on the basis of the following three common areas and individual performance:

- Owner and impact
- Customer experience
- Digitalisation and productivity

In 2018, the performance bonus paid for 2017 to the CEO and the members of the Management Group was on average 11 per cent. No decision has been made on the payment of a performance bonus for 2018.

Finnvera's personnel are covered by an incentive bonus system, the objective of which is to reward employees for exceptionally good work performance. In 2018, 42 per cent of the employees in the scope of the incentive bonus system were granted the incentive bonus. The members of the Management Group are outside the scope of the incentive bonus system.

The CEO and one member of the Management Group are included in a defined contribution pension plan, in which supplementary pension can be withdrawn at the age of 63 years at the earliest. In addition, three other executives in Finnvera are included in a defined contribution pension plan. The Deputy CEO has a defined benefit pension plan.

[Read more >](#)

Operating principles for internal control

Internal control is an integral element of the Finnvera Group's management. Its aim is to ensure the achievement of the goals defined by Finnvera and its subsidiaries. The Boards of Directors and senior executives of Finnvera and its subsidiaries are responsible for arranging and organising internal control, which is implemented by the entire organisation. Each supervisor is responsible for the functioning of internal control for his or her own area of responsibility.

Internal control is a continuous process. The control system supports the implementation of the Group's strategy and ensures for the management that the company's operations are efficient and profitable, that financial reporting is reliable, and that laws and other regulations pertaining to the operations are followed.

Finnvera's corporate culture, the ethical guidelines adopted by the Board of Directors, confidentiality regulations, the personnel's high professional standards, and the guidelines and practices agreed upon lay the foundation for the internal control environment throughout the whole Group. Operations are based on predetermined and planned processes and the associated approval procedures, reconciliations and other checks.

The daily operations are steered by an operating system conforming to the ISO 9001 standard. The operating system helps ensure the quality of Finnvera's services and the management of operational risks. At the same time, it provides a solid foundation for the completion of development projects. The operating system includes the descriptions of processes agreed specifically for the parent company and the subsidiaries, as well as operating instructions supplementing these processes. The operating system is implemented in the parent company through the Financing Solutions core process and through the supporting Strategic Management and Operational

Support processes. The operating system also includes descriptions of processes agreed for the subsidiaries. The Financing Solutions process has two designated owners and owner teams (the owner teams for the Standardised and Highly Standardised Financing Solutions and the Tailored Financing Solutions processes), who are responsible for the development of the processes. For other processes, the owner is the Director of the unit in question. Processes are assessed annually by means of both internal and external audits.

Risk management

Finnvera's Board of Directors confirms the principles of the Group's risk management and the risk appetite, on the basis of which the credit policy and the credit decision-making powers are approved. Risk management is part of internal control, and the primary responsibility for it rests with the business operations. Risk Control, which is independent of the business operations, is responsible for maintaining the risk management system and for reporting on risk management directly to the Chief Executive Officer. The principal component tasks of Risk Control are participation in the determination of policies and in the preparation of guidelines for operations, as well as monitoring and controlling the risk position realised, and the related reporting. These components are emphasised in different ways depending on the type of risk.

The goal of Risk Control is, for its own part, to ensure prerequisites for implementing the company's strategy. Finnvera's risks can be grouped as follows:

1. Strategic risks
2. Credit risks
3. Liquidity risks
4. Market risks
5. Operational risks

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

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

subsidiaries within the sphere of the risk management and internal auditing practised within the Group.

Controlling the financial reporting process

The Finance and IT unit is responsible for financial reporting, its processes and development in accordance with the International Financial Reporting Standards and national rules and regulations valid at that moment. The operating policies and guidelines for Finnvera's financial operations ensure the management and control of financial operations and financial reporting. Financial processes, operations and reporting are developed regularly. Process descriptions have been drawn up for the main financial processes.

Detailed instructions have been compiled for activities associated with financial systems and financial reporting. These instructions set the standards for financial operations and financial reporting. The internal controls, reconciliations and checks included in these activities are a central element of the range of functions ensuring the correctness, reliability and timeliness of monthly, quarterly and annual reporting. Named persons have been assigned responsibility for maintaining guidelines for financial reporting, which are available for everyone participating in financial reporting.

Utilisation of information technology and investing in the quality of operations play a central role in financial reporting systems.

The Finance and Risk Control function determines, together with the business operations, the criteria for calculating impairment losses and loss provisions. Risk Control is responsible for the determination of criteria for calculating capital adequacy.

Compliance function

The purpose of Finnvera's Compliance function is to ensure that the organisation operates in accordance with rules and internal operating principles. Compliance is a function independent of the business operations that regularly reports on compliance control observations to the company's Management Group and, through the Audit Committee, to the Board of Directors.

The Compliance function assists the organisation's management and other functions in managing the risks associated with non-compliance of rules. To this end, the Compliance function provides proactive legal monitoring, control and consulting. The added value produced by the Compliance function is not limited to the management of the legal risk. It also increases the transparency of operations, thereby helping to sustain the trust of the owner, clients and markets.

The State's responsibility for Finnvera's commitments

Finnvera's objective is to ensure that, in the long term, the expenses incurred in the company's operations can be covered by the income received from operations. If the Government decides to support some of Finnvera's activities separately, the necessary appropriations are included in the State Budget. For instance, the State has made a commitment to Finnvera concerning compensation for the parent company's credit and guarantee losses.

The State's commitments enable Finnvera to take higher risks in domestic operations than those taken by commercial financial institutions. In addition, the Government is entitled to grant State guarantees as security for domestic and foreign loans taken by Finnvera.

The annual profits from domestic financing and export financing are transferred to two separate reserves on Finnvera's balance sheet: the reserve for domestic operations and the reserve for export credit guarantee and special guarantee operations. Losses from domestic operations are covered from the reserve for domestic operations, while losses from export credit guarantees and special guarantees are covered from the reserve for export operations. There is no cross-subsidy between the reserves. At the end of the year, before appropriations, the assets of the reserves totalled EUR 1,000 million.

The State's responsibility for export credit guarantees and special guarantees is determined by the Act on the State Guarantee Fund (444/1998). If the losses incurred by these operations cannot be covered by the assets in the reserve for export credit guarantee and special guarantee operations on Finnvera plc's balance sheet, the losses will be covered by the State Guarantee Fund's assets that are supplemented, if necessary, with appropriations included in the State

Budget. The State Guarantee Fund's assets are also used to cover the liability arising from the guarantees and other commitments granted by the Finnish Guarantee Board – subsequently incorporated into Finnvera – and by its predecessors. Finnvera manages this 'old' liability for the State, and the State Guarantee Fund pays Finnvera a fee for its management.

Moreover, Finnvera's balance sheet includes a reserve for venture capital investments, under non-tied capital. This reserve is used for monitoring the assets from the European Regional Development Fund (ERDF) allocated to venture capital investments.

Funding

Finnvera's long-term acquisition of funds takes place primarily by issuing bonds under the Euro Medium Term Note (EMTN) programme of EUR 11.0 billion. The programme is guaranteed by the State of Finland. Both Moody's and Standard & Poor's have rated the loan programme. The rating given by Moody's to Finnvera is Aa1 and that given by Standard & Poor's is AA+.

As defined in the Act on Finnvera, the outstanding principal of State-guaranteed loans cannot exceed the equivalent of EUR 15.0 billion. At the end of 2018, the principal of the loans guaranteed by the State totalled EUR 8.7 billion (6.5 billion).

Finnvera uses the funds acquired both for financing export credits and for SME and midcap financing. By means of currency and interest rate swaps, Finnvera converts the funds acquired into euros or US dollars, depending on the final use of the funds. Finnvera trades in currency and interest derivative products only for hedging purposes.

Communications

Finnvera's external financial communications is based on a separate set of guidelines where the main principles are: relevant information, correctly, promptly, simultaneously and available to all.

In keeping with the guidelines, the Chief Executive Officer is responsible for Finnvera's financial communications. The Finance

and IT unit is responsible for the generation of financial information. The information is published by the Corporate Communications and HR unit.

Internal auditing

Internal auditing supports Finnvera and its executive management in meeting goals by providing a systematic approach for evaluating and developing the functioning and efficiency of the organisation's risk management, control, and managerial and governance processes. Internal auditing consists of independent and objective assessment, assurance and consulting activities carried out according to internationally approved professional guidelines, aimed at the creation of added value for the organisation and the enhancement of the organisation's operations.

Finnvera's internal auditing is a function independent of the business operations that is administratively organised under the company's Board of Directors and operationally organised under the Chief Executive Officer. Its purpose, authority, responsibilities and status are defined in the guidelines for internal auditing approved by the Board of Directors. The Board of Directors also approves the action plan for internal auditing annually. Internal auditing reports regularly on audit results and observations to the Audit Committee of the Board of Directors. Auditing is done in keeping with the international professional standards applied in the sector.

External auditing

Finnvera has a minimum of one and a maximum of two auditors, depending on the decision made by the General Meeting of Shareholders. The auditors must be public accountants or accounting firms authorised by the Finland Chamber of Commerce.

In competitive bidding arranged in 2012, the Finnvera Group selected KPMG Oy Ab to serve as its auditor. The auditor with the main responsibility is elected annually by the General Meeting. The Annual General Meeting of 2018 elected KPMG Oy Ab to serve as Finnvera's auditor. The auditor with the main responsibility is Juha-Pekka Mylén, Authorised Public Accountant.

Once every quarter, the auditor participates in the meetings of the Audit Committee of the Board of Directors and draws up a separate semi-annual report to the Board and to its Audit Committee. In addition, the auditor's report is submitted to the Supervisory Board.

The Financial Supervisory Authority monitors Finnvera's bond issues. In other respects, Finnvera's finances are supervised by the Ministry of Economic Affairs and Employment's Unit for Internal Audit, applying the standards of the Financial Supervisory Authority. Realisation of the industrial and ownership policy goals set by the Ministry of Economic Affairs and Employment for Finnvera is monitored by the Ministry's Innovations and Enterprise Financing Department, which receives quarterly reports on the attainment of the goals from Finnvera.

The fees paid by the Finnvera Group to the auditors in 2018 totalled EUR 99,000. In addition, the auditing company was paid EUR 86,000 for advisory services.



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

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 **FINNVERA**