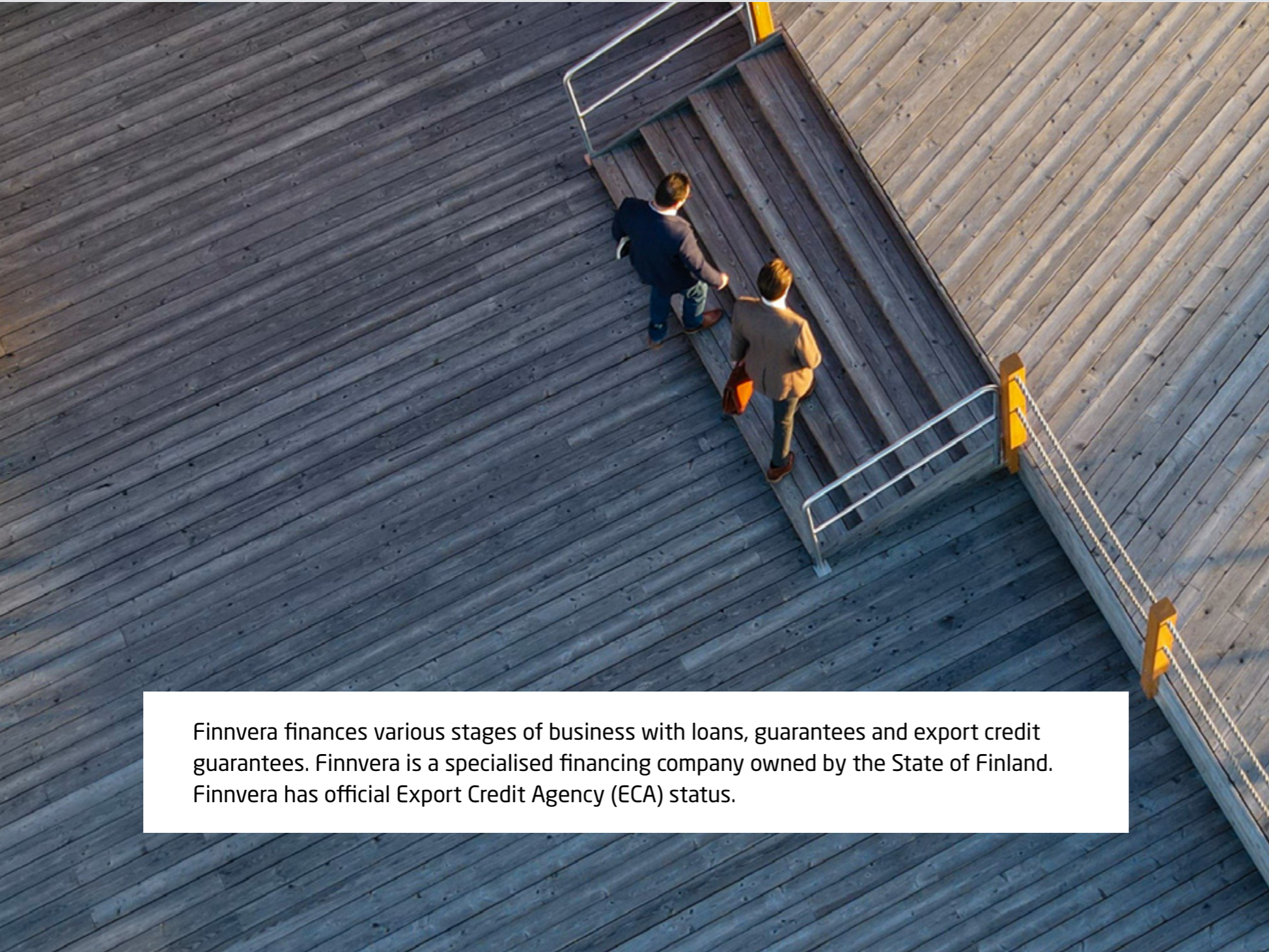


A close-up photograph of a yellow industrial robotic arm in a factory setting. The arm is positioned diagonally across the frame, with its end effector (a metal gripper) in focus. The background is blurred, showing industrial equipment and lighting. The text is overlaid on the left side of the image.

**FINNVERA**

# Finnvera's Annual Review and Corporate Responsibility 2020





In 2020, we have combined the traditional Annual Report and the GRI Standards corporate responsibility report.

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

**Finnvera's year 2020**

CEO's review ..... 4

**Strategy and role in society**

How Finnvera creates value ..... 7  
 Strategy ..... 8  
 Operating environment ..... 13  
 Corporate governance ..... 17  
 Stakeholder cooperation ..... 23

**Responsible financing**

Domestic financing ..... 27  
 Export financing ..... 32  
 ESG risk management in financing operations ..... 37  
 Asset management ..... 41  
 Key figures ..... 42  
 Risk management at Finnvera ..... 43

**Corporate responsibility management**

Corporate responsibility management at Finnvera ... 47  
 Impacts of Finnvera's own operations ..... 52  
 Reporting principles ..... 56  
 GRI Standards Content Index ..... 57

When creating the PDF documents of Finnvera's Annual Report, the accessibility requirements for online services have been taken into account, and the publications can be read using a screen reader.



# Finnvera's year 2020

## Finnvera's year was characterised by the coronavirus pandemic

The crisis caused by the coronavirus pandemic had a strong impact on Finland's and the world's economy and, from mid-March onwards, also on Finnvera's operations: financing, the strategy and organisational operations. This Annual Review describes how Finnvera, as a specialised financing company, adjusted its operations to meet the financing needs of the enterprises. We have combined the traditional Annual Review and the Global Reporting Initiative (GRI) Standards corporate responsibility report into a single publication.



### Demand for financing was several times higher than usual

In the spring, Finnvera's authorisation to grant domestic financing was raised from EUR 4.2 billion to EUR 12 billion by a legislative amendment. Finnvera and banks created an operating model in which clients primarily dealt with their banks and Finnvera focused on guaranteeing

the loans granted by the banks. The cooperation made it possible to respond to the several times higher demand for financing. Finnvera was also able to secure financing of large corporates during the coronavirus crisis and complement the financing offering by granting working capital.

The first sectors to be hit by the crisis were the service sector, tourism and the hospitality industry. Granting instalment-free periods was among Finnvera's first measures during the crisis.

Enterprises primarily needed working capital financing to ensure the continuity of their operations. In the second wave of the crisis, demand for financing increased in larger enterprises.

In the autumn, demand for financing returned to close to normal levels. Enterprises adjusted their operations and used support solutions offered by other parties. Finnvera shifted its focus to enabling new growth by means of financing.

### Figures from the year 2020

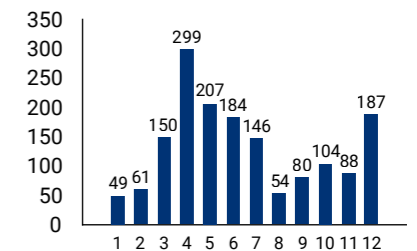
**EUR 25.0 billion**

Finnvera's total exposure amounted to EUR 25.0 billion

Clients' willingness to recommend us (NPS) was on average

**56**  
(2019: 64)

Domestic financing granted by month in 2020, MEUR, Loans, guarantees and export guarantees



Finnvera's task was to ensure that enterprises could operate even during the crisis year. Our vision is: Our clients' success strengthens the Finnish economy.

## CEO's review

**At the beginning of 2020, the economy was prepared for subdued development, but the year was still expected to be ordinary. Everything took an exceptionally drastic turn when the coronavirus pandemic was declared in March. Its impacts could be seen dramatically in Finnvera's year. Our main task was to help enterprises overcome the crisis by means of financing.**

Although risk forecasts had recognised a pandemic, a pandemic as rapid and global as this, leading to lockdowns in many societies was not anticipated. Its impacts became apparent in virtually one week in March. Demand for Finnvera's financing and re-arrangements related to existing loans multiplied and reached a record-breaking level in March–April.

We had very little time to prepare for the situation, but we managed to make significant process changes quickly. Together with the financial sector and banks, we created an operating model in which clients primarily dealt with their banks and Finnvera focused on guaranteeing the loans granted by the banks. The cooperation made it possible to respond to the several times higher demand for financing. We tailored our service model according to the amount of financing applied for, and the processing of financing applications and the related decision-making were streamlined.

The pandemic made us focus on two tasks: securing the availability of lending to viable enterprises and ensuring that conditions for export financing could be maintained during the crisis.

### Finnvera was given capabilities for responding to growing demand

It was crucial that Finnvera was given comprehensive capabilities for responding to the needs of enterprises. Finland's Government and Parliament prepared and implemented amendments to the legislation and regulations concerning Finnvera's domestic financing, enabling us to respond to demand for financing and to reduce the pricing of financing.

Our authorisation to grant domestic financing was raised from EUR 4.2 billion to EUR 12 billion. We utilised our guarantee products, which the bank applies for on behalf of the enterprise. We created a new fast track for major financing needs: we can grant guarantees for financing of up to EUR 1 million with a quick decision once the bank has conducted a credit risk assessment.

We introduced an 80 per cent guarantee model across the line, and in May, a guarantee of up to 90 per cent became possible.

We were given the authorisation to guarantee the working capital requirements of large corporates up to EUR 100 million. The preconditions for export were strengthened by special permission from the European Commission, which made it possible to grant export credit guarantees with short payment periods also for exports to Western industrial countries.

Since October, enterprises have also been able to apply for direct loans from Finnvera if a bank loan is not possible even with Finnvera's guarantee.

The above measures made it possible for us to meet the goals of our strategy for the exceptional circumstances. For a long time already, we have normally granted some EUR 1 billion in new financing in Finland per year, but in 2020, we reached the level of EUR 1.7 billion. We made more



**"Clients primarily dealt with their banks and Finnvera focused on guaranteeing the loans granted by the banks."**

than 23,700 financing and change decisions. The export financing volumes showed that the preparation of new major projects slowed down, but in terms of the number of financing arrangements, demand remained high.

Even in the exceptional circumstances, the spearhead of our strategy was the impact of our financing and the foundation of our operations was responsibility. The year underlined Finnvera's role as a driving force in the financial market and highlighted the significance of our financing in enabling economic activity and ensuring the operating conditions for enterprises.

**The cruise shipping crisis and loss provisions took the result to a significant loss**

The coronavirus crisis affected different sectors in very different ways. After the initial shock, most export sectors returned to their normal volumes or even achieved growth.

Other sectors were profoundly shaken by the crisis. One of these is cruise shipping. Cruise operations all over the world were suspended with official decisions. This was a major blow in the United States, which covers half of the cruise shipping market.

The collapse of shipping companies' revenues and the deterioration of their financing situation gradually weakened their credit ratings to a significant extent. According to the IFRS 9 standard, poorer credit ratings and macroeconomic forecasts change the expected loss amounts, which creates deferred loss provisions. In 2020, Finnvera had to make extensive loss provisions in export credit guarantee and special guarantee operations, totalling EUR 1.2 billion.

Finnvera's operations had been profitable during the company's 21 years of operation, until 2019. During this period, the company increased its loss reserves

for potential future losses. The reserves were sufficient for covering the loss provisions made, but their amount decreased significantly. Finnvera Group's result showed a loss of EUR 748 million after the State Guarantee Fund payment of EUR 349 million.

The amount of realised losses will be determined later.

**Networks and expertise play a key role**

The year highlighted the significance of partnerships and stakeholders. Finnvera supplements the financial market, and cooperation between providers of financing was successful, as was the digitalisation of joint processes. Digitalisation made quick financing decisions possible.

Our skilled personnel played a key role in enabling us to make rapid changes. The organisation demonstrated its agility in the critical situation. For the peak period in financing applications, we recruited 48 temporary agency workers.

We quickly moved to remote work, for which we were well prepared. The transition contributed to accelerating the organisation's digital leap.

In the autumn, demand for financing returned to close to normal levels. Enterprises adjusted their operations and primarily used support solutions offered by other Team Finland organisations, for instance. We shifted our focus to enabling new business growth by means of financing. The Finnish economy will need this growth for the post-coronavirus recovery. According to a study commissioned by us, there is a bottleneck in financing small export transactions of less than EUR 20 million after the banks withdrew from this financing. We have started preparations for granting direct export credits to boost small export transactions and especially SMEs' export trade. This requires legislative amendments.



I would like to thank our personnel, partners and clients for 2020, which was an exceptionally challenging year. The year 2021 will show how the coronavirus situation develops and how enterprises perform. For the Large Corporates business, the recovery of cruise shipping is a crucial factor. The future outlook is full of uncertainty, but at least one thing is certain: our work to enable enterprises to operate will continue.

**Pauli Heikkilä**  
CEO

**“The reserves were sufficient for covering the loss provisions made in export credit guarantee and special guarantee operations, but their amount decreased significantly.”**



# Strategy and role in society

## The strategy focused on the crisis

The coronavirus crisis made Finnvera focus on two tasks: securing the availability of lending to viable enterprises and ensuring that conditions for export financing could be maintained. However, the Finnish economy overcame the crisis year quite well compared to other countries.



Unlike previous crises, the coronavirus crisis was not a crisis of the financial system. The financing system worked well and secured the availability of financing to enterprises.



The organisation and administration demonstrated their agility in the exceptional circumstances. Resources were allocated to critical client work and the personnel was supplemented by recruiting temporary agency workers.



The year brought a swift digital leap. Finnvera moved almost completely to remote work. Information systems were updated and many measures were taken to ensure information security.

### Cooperation ensured well-functioning corporate financing

The crisis underlined the importance of a well-functioning financial market and flexible and active cooperation with stakeholders. Finnvera supplements the financial market, and cooperation between providers of financing was successful, as was the digitalisation of joint processes. There was also very close cooperation with the owner, organisations and the Team Finland network.



The coronavirus pandemic brought cruise shipping, an important sector for Finnish exports, to a standstill around the world. The recovery of the sector will be monitored closely. The "Operating environment" section provides an overview of the outlook of cruise shipping.

In 2020, the number of client calls increased by

**40%**

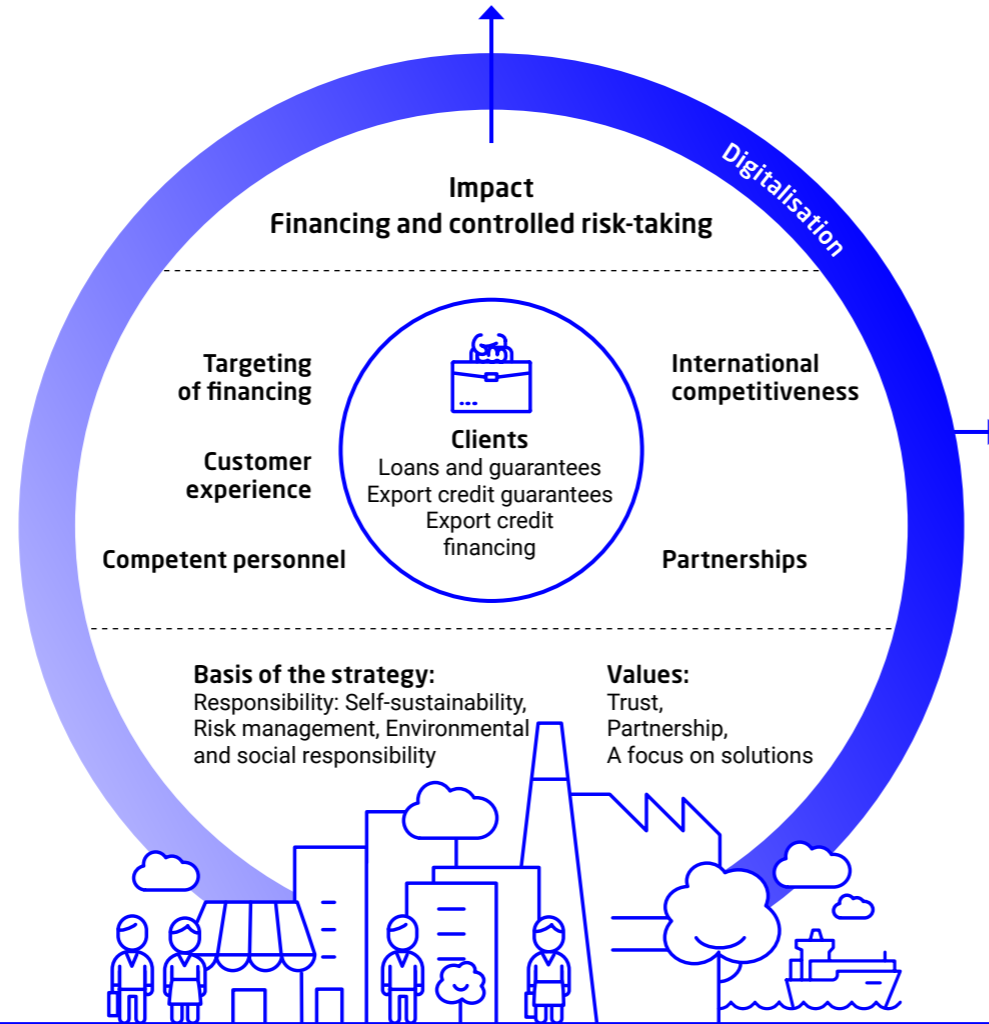
Finnvera's "Financing & growth" overview of financing and growth estimates that economic recovery will take several years. According to Chief Economist Timo Lindholm, new structures and operating methods will be needed in many respects.

**66,000**

Early on during the crisis, Finnvera launched the [finnvera.fi/eng/corona](https://finnvera.fi/eng/corona) website that offers information about corporate financing and services in the crisis. The website was visited about 66,000 times in March-April.

## How Finnvera creates value

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



In an exceptional situation, Finnvera's key task is to focus on managing the crisis.

**Financial resources**

- Balance sheet EUR 12.7 billion
- Equity EUR 0.7 billion, of which non-restricted equity account for EUR 0.5 billion
- Funding from international bond markets amounts to EUR 1.0–1.5 billion per year

**Personnel**

- In average 360 employees in 16 locations in Finland.
- Average length of employment relationship 15.6 years
- Extensive experience and competence in the financial sector and risk assessment

**Stakeholder relations**

- 4,500 meetings and contacts with clients and stakeholders
- Partner networks with banks and private providers of financing
- The Team Finland network that promotes internationalisation among enterprises
- Domestic organisations, such as the Federation of Finnish Enterprises, the Chamber of Commerce and the Confederation of Finnish Industries (EK)
- International organisations, such as the Berne Union, The Montreal Group, the OECD, the EU, the Paris Club, NEFI and AECM

**Number of clients 31 Dec 2020: 26,500**

- Micro-enterprises: 87%
- SMEs and midcap enterprises: 13%
- Large corporates: 0.6%

**Products and services 1-12/2020**

**Loans and guarantees granted**  
EUR 1.4 billion in total

**Export credit guarantees and special guarantees granted**  
EUR 3.2 billion in total

**Export credits granted**  
EUR 1.1 billion in total

**Authorisations and exposures 31 Dec 2020**

**Loans and guarantees**

- authorisation EUR 12.0 billion
- exposure EUR 2.5 billion including guarantee receivables EUR 32 million

**Export credit guarantees**

- authorisation EUR 38.0 billion
- exposure EUR 22.1 billion including export credit guarantee receivables EUR 40 million

**Export credits**

- authorisation EUR 35.0 billion
- exposure EUR 7.6 billion

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

- authorisation EUR 3.2 billion
- exposure EUR 0.4 billion

The exposure defined in the Act on the State's Export Credit Guarantees includes commitments and half of offers given at the closing date's exchange rate. The exposure according to the Act on the State's Export Credit Guarantees was EUR 19.5 billion on 31 December 2020. The total exposure arising from export credit guarantees and special guarantees includes current commitments and offers given at the reporting date's exchange rate.

**Impact on society & financial impacts**

- We reinforce the capacity and competitiveness of Finnish enterprises
- Number of financed start-ups: 2,697
- Number of new jobs created with the help of domestic financing: 8,717
- 768 transfers of ownership financed, EUR 141 million
- Exports covered by export credit guarantees: EUR 3.2 billion to over 90 countries
- Our risk management ensures financial self-sustainability
- Development of target countries through export financing projects

**Social impacts**

- Personnel expenses EUR 29 million and EUR 0.3 million to training
- Personnel's job satisfaction index 4.2/5
- Sick leave rate 1.7%
- Assessment and monitoring of social and human rights risks of the financed transactions

**Environmental impacts**

- Assessment and monitoring of environmental risks of the financed transactions

**Impacts on stakeholder relations**

- Continuous measurement of the customer experience: average NPS of 56
- Large customer and stakeholder satisfaction survey every 2. year: willingness to recommend Finnvera, average NPS (net promoter score) of 74.8 (2019)

## Strategy

**When the coronavirus crisis started in the spring, enterprises' operating environment and financing needs changed quickly. Finnvera also needed to adjust its strategy in line with the exceptional situation. From the outset of the crisis, the aim was to ensure the operating conditions of enterprises as well as, for example, the continuity of exports.**

A short-term strategy for the exceptional circumstances was established for 2020–2021. It provides a more detailed description of actions in Finnvera's SMEs and Large Corporates business operations during the coronavirus crisis.

In normal circumstances, Finnvera's strategic goal is to allocate the majority of its financing to enterprises seeking growth and internationalisation as well as to investments, transfers of ownership and exports. During the pandemic, we have expanded the allocation of financing to help all viable enterprises to overcome the crisis.

- In domestic financing: We secure the availability of lending to viable enterprises in all stages of the crisis.
- In export financing: We ensure that conditions for export financing can be maintained over the crisis.

Resources were heavily concentrated on achieving these goals in the exceptional circumstances. In March–April, Finnvera quickly adjusted its services and products to according to the needs of enterprises and the increased application volumes. From the outset of the crisis, the aim



### **Finnvera's strategic choices at the company level in 2020-2021:**

- Communications about the company's role and solutions are active and in line with the strategy – every Finnvera employee also understands the significance of communications.
- We highlight Finnvera's ability to react quickly to changes, without forgetting the responsibilities and risks associated with our operations.
- We ensure sufficient resources and expertise for the implementation of the strategy and use external advisors, if necessary.
- We work in close cooperation with the MEAE group and the Team Finland network and make a good use of our active expertise network in our work.



was to ensure the operating conditions of enterprises as well as, for example, the continuity of exports.

**Finnvera focused on ensuring the operating conditions of enterprises**

In the early stages of the crisis, the first measures taken in domestic financing included instalment-free periods and other payment arrangements. At the beginning, the need for financing was greatest among the smallest enterprises. Efforts were made to ensure fast service for enterprises and find ways to make decisions on a large number of applications within a few days, in line with the normal service promise. The primary means of responding to the multiplied demand were Finnvera's guarantees and the simplification of processes. The granting of direct loans was temporarily suspended.

Finland's financing system worked well throughout the crisis. Enterprises were able to re-arrange their payment schemes and acquire additional financing with the aid of cooperation between Finnvera and banks.

Clients were supported with effective financial advisory services and clear communications. Information about the services was collected on the [finnvera.fi/eng/corona](https://finnvera.fi/eng/corona) website, which was visited 66,000 times already during March–April.

In the second stage of the crisis, from May onwards, it could be seen that working capital needs were increasing also among larger enterprises, in industry, for instance. However, demand for financing levelled off during the summer and the autumn, compared to its peak in March–April. Towards the end of the year, Finnvera's strategic focus shifted to the reconstruction stage and securing the conditions for new growth in cooperation with other providers of financing. For instance, Finnvera highlighted the importance of transfers of ownership as part of healthy



**Finnvera's digital maturity took steps forward**

In 2019, the dTEM programme, extending until 2025, was launched in the Ministry of Economic Affairs and Employment's branch of administration, setting the common mission and goals for guiding digital development.

The digital maturity re-evaluation conducted in the autumn 2020 in the branch of administration compared the self-evaluations of the organisations with those of external experts. Finnvera received good reviews from experts regarding the development of the digital vision and strategy and the development of digitalisation control and management. The strongest area in digital maturity is cybersecurity and data protection. The main development areas are the organisation and culture.

**Clearer strategy story**  
In 2020, the clarification of Finnvera's brand and strategy story was launched. The goal is to ensure that all Finnvera employees can embrace the strategy and that it can be communicated more clearly also to our cooperation partners.

corporate restructuring. Even in normal circumstances, financing transfers of ownership is a key priority in Finnvera's strategy.

With the European Commission's special mandate, Finnvera was given the opportunity to grant export credit guarantees with a short risk period (less than two years) also for exports to so-called marketable risk countries, such as the EU Member States. This change was important for securing the conditions for exports.

In order to respond to the working capital needs of large corporates in the situation caused by the coronavirus pandemic, Finnvera can guarantee financing for them up to EUR 100 million – however, in a manner that ensures that Finnvera does not become the main provider of financing.

The goal of risk management is to maintain long-term economic self-sustainability: The income from Finnvera's operations covers the expenses of operations in the long term. The review period is 10 years for SME financing and 20 years for export financing.

**Finnvera's social role grew significantly**

Finnvera's long-term strategy and targets are still valid, even if they are now in the background.

The spearhead of the strategy is impact: our financing enables our clients to improve their turnover and profit in a way that would not have been possible otherwise. Our most important means of achieving impact are financing and controlled risk-taking. We complement deficiencies in the financial markets.

The impact of financing and Finnvera's role in society became very important in the exceptional circumstances caused by the coronavirus pandemic.

According to our mission, Finnvera's task is, by means of financing, to promote the internationalisation and exports

of enterprises, correct the deficiencies in financing services, and contribute to regional development in Finland.

Finnvera's vision, "Our clients' success strengthens the Finnish economy", also holds true in the strategy for the exceptional circumstances.

**Engaging Finnvera's personnel in strategy work**

In the autumn, all Finnvera employees were invited to participate in strategy work in the form of a survey, which was taken by half of the personnel. The effects of the coronavirus spring could be seen in the answers when respondents were asked to indicate where Finnvera's impact is most evident. One third of the respondents highlighted working capital financing provided to Finnish enterprises during the coronavirus crisis. Nearly the same number emphasised the financing of export transactions of enterprises acting as drivers in the sector and the financing of their subcontractors. The financing of investments in Finland was also considered important.

Other questions focused on themes such as the development of one's own expertise, the digital agenda and the issues that the management and Finnvera should pay particular attention to when preparing for 2021. An AI application was piloted in analysing the responses under the last theme. The topics identified by AI were the organisation, resourcing, development, clients and products, especially in relation to the coronavirus crisis.

**Digitalisation and robotics accelerated the financing process**

The coronavirus situation also induced a digital leap in the work of Finnvera employees, when almost the entire organisation moved completely to remote work practically in a few days. The transition was facilitated by the fact that remote work had already been possible before this and therefore the level of



**Finnvera is prepared to secure the availability of lending with both guarantees and loans**

The reconstruction of economy is likely to proceed at a different pace in different sectors. Finnvera's financing still focuses on guarantees. Finnvera is prepared to secure the availability of lending to viable enterprises in all stages of the crisis.

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

preparedness was high. Working at the office was allowed if remote work was not possible, for one reason or another.

As the situation continued, Finnvera's IT function improved the operation of remote connections and applications. Priority was given to information system changes related to the coronavirus situation, and IT cooperated closely in particular with the SME financing business to ensure that product changes, processing and granting processes could be streamlined through agile development. More than 330 Jira development tasks related to the coronavirus situation

In the autumn, all Finnvera employees were invited to participate in strategy work survey. The coronavirus spring could be seen in the answers, for example in views of the importance of Finnvera's impact.



were carried out during the year. The status of IT development was visualised with Lean methods on virtual walls and dashboards to improve the efficiency of the process and make tasks visible. Increasing transparency is one of the key targets of the digitalisation unit and the IT function, and it could also be promoted during the coronavirus crisis.

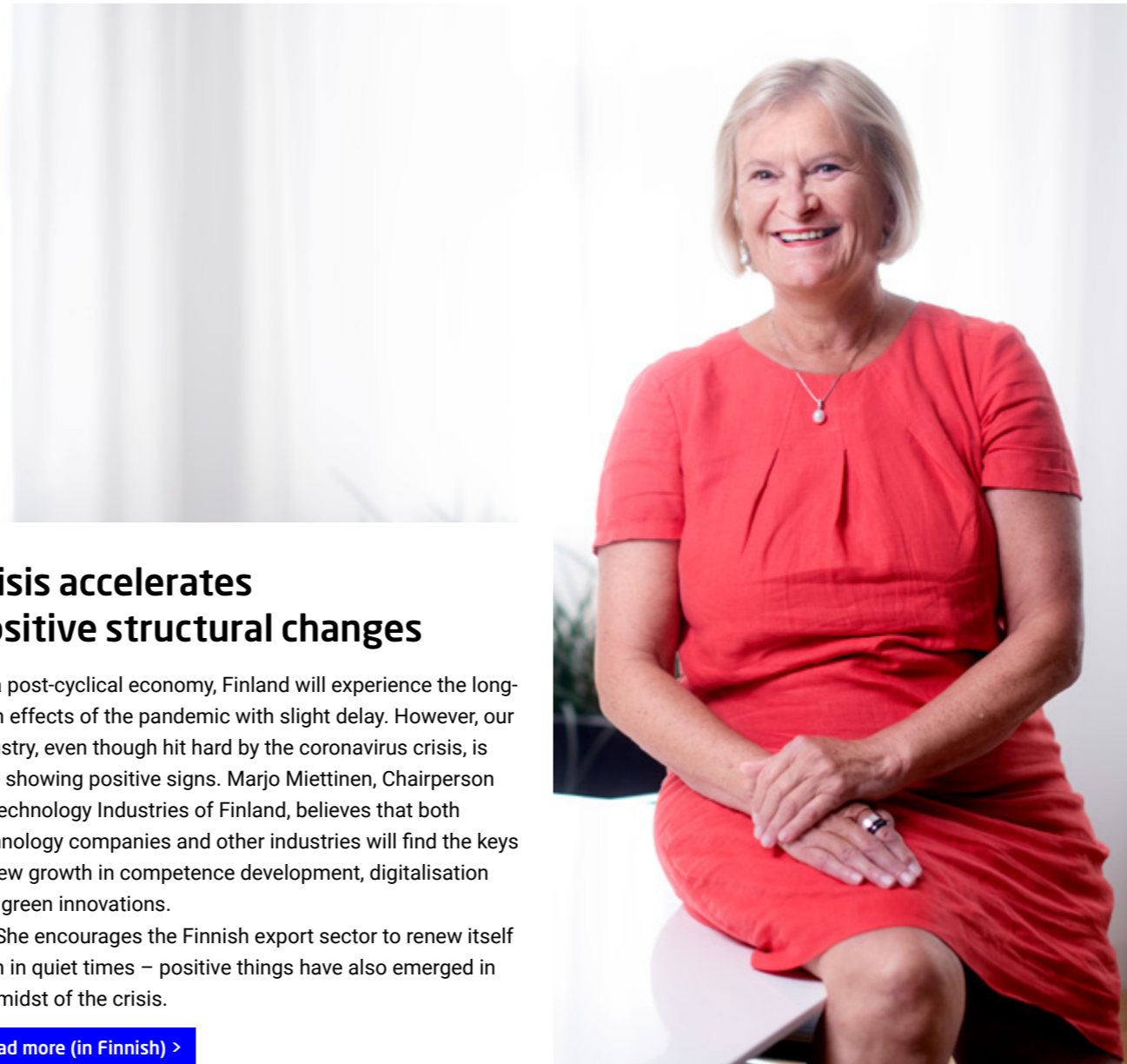
The use of robotics was an efficient aid in managing the growing number of applications. The Ronja robot, deployed in 2019, entered enterprises financial statements data into systems, which accelerated processing also when the number of applications increased during the pandemic. The number of financial statements processed by Ronja increased by approximately 130 per cent from the previous year. In 2020, financial statements entries totalled nearly 3,000.

**The digital agenda guides development**

The digital agenda, updated twice a year, describes the direction of development related to the digitalisation of Finnvera's operations and services as well as the desired outcome. The digital agenda helps units in their annual planning. The aim is to provide an excellent customer experience with smooth transactions and fast, straightforward services. Another aim is to integrate Finnvera with the increasingly digitalised operations of its partners. Finnvera's goal is to operate efficiently and with high quality and to increase preparedness for change in a transparent manner while also controlling the risks.

The extensive financing system renewal project, launched at Finnvera in 2019, proceeded as planned during 2020, and the project is now in the competitive tendering phase. The project will be linked with Finnvera's case management and the online service renewal.

In addition to the financing system project, the most important future development areas will be the development of Finnvera's data management and data quality.



**Crisis accelerates positive structural changes**

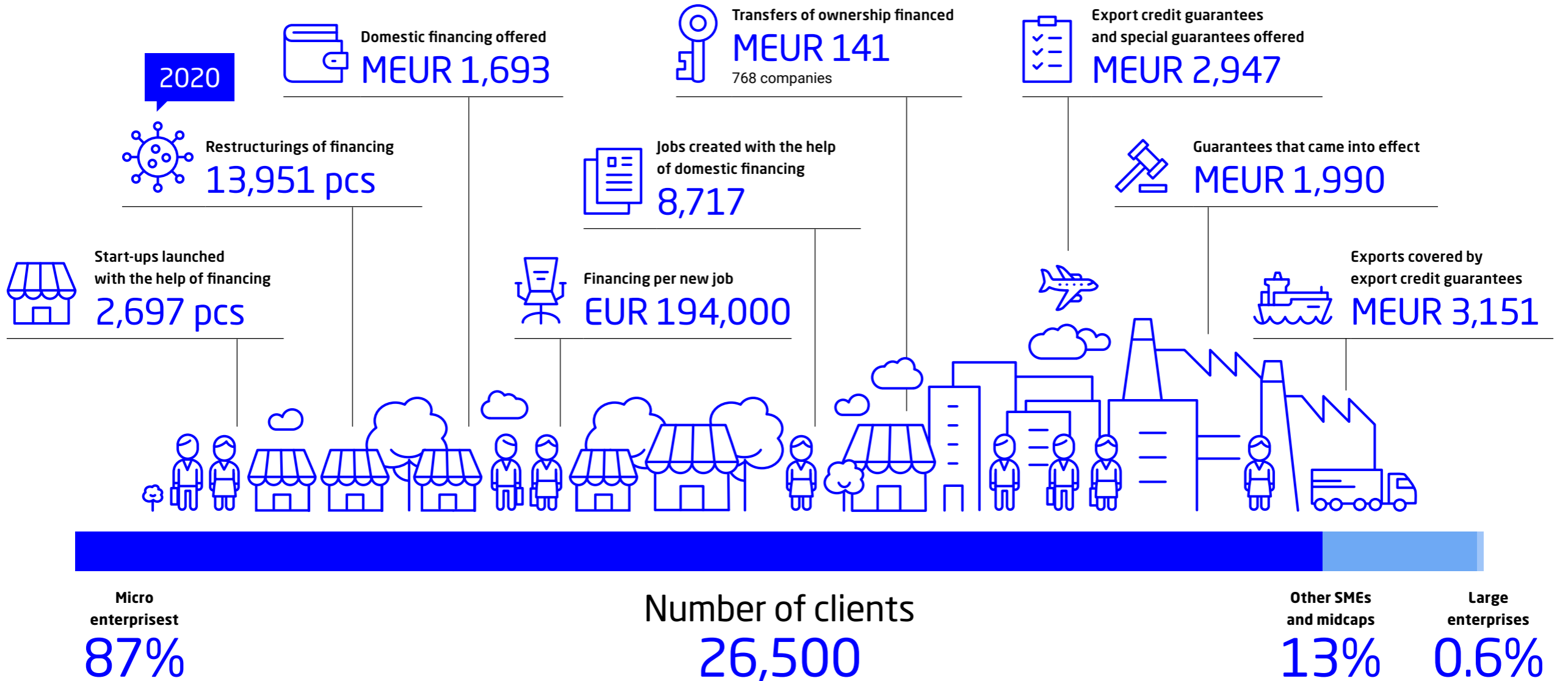
As a post-cyclical economy, Finland will experience the long-term effects of the pandemic with slight delay. However, our industry, even though hit hard by the coronavirus crisis, is also showing positive signs. Marjo Miettinen, Chairperson of Technology Industries of Finland, believes that both technology companies and other industries will find the keys to new growth in competence development, digitalisation and green innovations.

She encourages the Finnish export sector to renew itself even in quiet times – positive things have also emerged in the midst of the crisis.

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

The digital agenda describes the direction of development and the desired outcome. The aim is to provide an excellent customer experience with smooth and fast, straightforward services.

## Finnvera's role in society





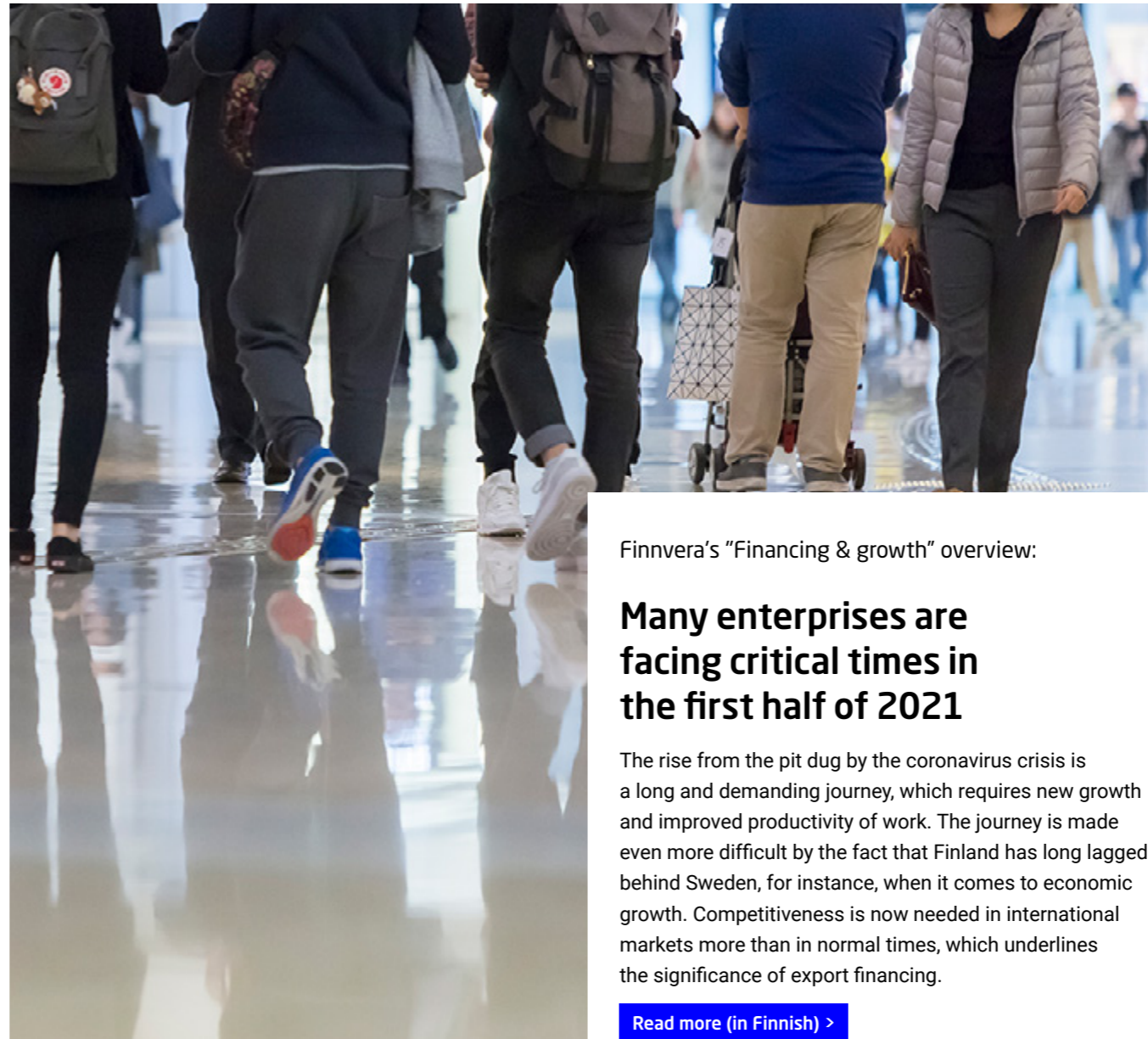
## Operating environment

In 2020, the economy was dominated by the unprecedented global coronavirus pandemic, which pushed economies into a deep recession, complicated business operations and created the need for a massive economic policy response to mitigate the effects of the crisis. The crisis also underlined the importance of the functioning of financial markets.

In the first stage, the pandemic complicated industrial production, disrupted international supply chains and undermined the business of many service sectors. Global trade in goods declined sharply right at the beginning of the crisis, and during the entire year 2020, global trade remained around 10 per cent lower than in the previous year.

The unprecedented crisis caused great uncertainty for businesses, consumers, investors and economic policy makers. The eurozone economy contracted more than the US economy in the second quarter, and the differences between European countries in terms of adjustment to the crisis have been quite large.

The exceptionally light monetary policy continued in the eurozone, aiming to ensure bank lending and corporate liquidity. Unlike in the financial crisis, financial markets contributed to mitigating the impact of the crisis on the real economy. The good functionality of financial markets and the rapid response of providers of financing to the crisis made the situation of enterprises considerably easier. Economic uncertainty tends to increase the need for the services of public providers of export financing, which was evident now, too.



Finnvera's "Financing & growth" overview:

### Many enterprises are facing critical times in the first half of 2021

The rise from the pit dug by the coronavirus crisis is a long and demanding journey, which requires new growth and improved productivity of work. The journey is made even more difficult by the fact that Finland has long lagged behind Sweden, for instance, when it comes to economic growth. Competitiveness is now needed in international markets more than in normal times, which underlines the significance of export financing.

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

During the entire year 2020 global trade remained around 10 per cent lower than in the previous year.

**2.2%**  
According to the Bank of Finland's forecast, Finland's GDP will grow 2.2% in 2021.

Even before the outbreak of the pandemic, the economic situation in Finland was deteriorating, which could be seen as a decline in the number of new orders in industry, for instance. However, our economy overcame the crisis year quite well compared to other countries. Still, the GDP fell by several per cent and the outlook is rather weak. According to the Bank of Finland's forecast, the GDP will grow at a rate of 2.2–2.5 per cent in 2021–2022. According to the OECD, the growth rate is only 1.5–1.8 per cent. Growth is maintained by consumer spending and the upturn in exports.

The short-term outlook for SMEs was clearly weakened by the business restrictions and uncertainties caused by the pandemic. In the autumn's SME barometer survey, the growth orientation of enterprises decreased significantly, especially in SMEs employing more than 50 people.

### Enterprises' financing needs increased at different rates

The rapidly changing state of the economy was reflected in very different ways in the financing of Finnvera's SME clients and large corporates.

The domestic financing granted by Finnvera grew significantly in 2020, when the coronavirus crisis made enterprises ensure financing for their operations in the exceptional circumstances. During the spring, SMEs actively applied for instalment-free periods for their loans. The first sectors to be hit by the crisis were the service sector, tourism and the hospitality industry. In the second wave, demand for financing for larger companies increased. New financing was needed especially for ensuring working capital but also for development projects. The availability of financing remained good even in the exceptional circumstances, and financial market cooperation worked well. However, the demand of financing returned to close to normal level in the autumn.

In the export financing, the crisis caused by the pandemic could be seen as the slowing down and prolongation of export project preparations, as companies postponed their significant investments. The number of guarantees granted for export transactions by mainly large corporates was 44 per cent lower than in the previous year.

On the positive side, the situation in the international economy began to improve in the autumn, and the number of new orders in Finnish industry also started to rise.

### Demand for export financing grew in trade with Latin America

In 2020, the strongest demand for Finnvera's export financing was related to trade with Latin America: demand for export credit guarantees grew in trade with Brazil, Colombia, Peru and Chile. In Finnvera's export financing, the geographically largest country exposure by far is the United States, where the extremely long economic boom seemed to be turning into a period of slower growth and a shutdown in the cruise sector caused by the pandemic.

Political risks remained high especially in Argentina and Turkey.

Especially in trade with Russia, export financing has been an important competitive factor for export companies. Finnvera's largest politically risky country exposure is Russia, which is one of Finland's key export markets, accounting for little less than six per cent of total exports. The outlook for trade with Russia became gloomier during the year when there were closures in the Russian economy and at its borders due to the coronavirus pandemic. Finland's goods exports to Russia decreased by approximately one fifth and service exports by approximately 40 per cent.

In China, the tight restrictions to combat the coronavirus resulted in an economic upturn in the summer, and the last

### Countries and Markets review: The COVID-19 pandemic slows down export - the role of export credit agencies increases in importance

Companies around the world are waiting to see what direction the pandemic will take and have postponed their planned investments; this also manifests as declining order books of Finnish exporters. A growing economic and political uncertainty typically increases the need for financing guaranteed by export credit agencies, and export credit agencies such as Finnvera are prepared to continue export financing for good projects.

[Read more >](#)

quarter of the year ended with China's normal growth rates of 6.5 percent. The country is one of the few to be able to sustain economic growth in 2020. The value of Finland's exports to China decreased by about one fifth, which was felt in the entire Finnish goods export trade, as China is still Finland's fifth largest export country, accounting for slightly more than five per cent of Finland's export trade.

Due to the coronavirus crisis, the European Commission increased Member States' possibilities to grant export credit guarantees with short payment periods to their enterprises also for exports to so-called marketable risk countries, such as the EU Member States and other Western industrial countries. The special permission is valid until the end of June 2021. Indeed, Finnvera's credit insurance was granted to a larger extent than in the previous year, also for exports to most European countries.

Finnvera's credit insurance used more than in the previous year - credit insurance safeguards exports and improves the exporter's competitiveness.

[Read more >](#)



Industry analysis:

## The coronavirus pandemic brought cruise shipping to a standstill

The spread of the pandemic from Asia to Europe and North America brought leisure travel largely to a standstill and forced cruise shipping companies to suspend their cruise offering and to wind down their business operations in March 2020.

In the first stage of the crisis, enterprises focused on strengthening liquidity and paying their monthly running costs. Cruise shipping companies tried to adjust their cash flow by renegotiating financing agreements and payment schedules, for instance. Led by Germany, five European countries agreed to allow cruise shipping companies to suspend the repayment of export credit instalments associated with cruise ships financed by state export credit guarantees for a period of one year. Finland and Finnvera participated in the arrangement. The so-called debt holiday initiative strengthened the liquidity of shipping companies and contributed to their ability to negotiate changes to other financing programmes and acquire new financing.

### Near-term outlook for the industry

The key factors for cruise shipping are the conditions for the continuation of shipping companies' business and the recovery of demand. Ultimately, the continuation of business depends on official regulations and the development of the coronavirus pandemic, especially in North America and Europe, the main markets of the industry. New epidemics

and ship quarantines would have a very negative impact on long-term demand in the sector.

In the autumn, the number of coronavirus cases started to rise again steeply in Europe and the United States. In Asia, the infection situation remained better, which means that the recovery of cruise shipping business will probably also be fastest in Asia. COVID-19 vaccination programs have begun but have progressed relatively slowly so far. Due to the infection situation, it seems inevitable, that the ship capacity used by shipping companies as well as demand for cruises will remain very low in the United States and Europe at least until the summer 2021.

### Longer-term development and factors influencing it

Estimating the long-term development of cruise shipping is more challenging than usual. There certainly is demand for cruises. Some clients have postponed their cancelled cruises, and international shipping companies have received new bookings for 2021. At the moment, we estimate that demand in the sector will recover, thanks to its competitive advantages and especially Asia's growth potential, but even after the fear of infection has disappeared, consumer demand will likely be reduced by the weak global economic situation. The earlier levels will probably not be reached, at least not before 2023–2024.

Cruise shipping grew strongly during the past decade. In 2015–2019, cruise shipping companies invested heavily in new cruise ships, which also resulted in an estimated 12 per cent annual increase in the turnover of the European shipbuilding industry during the same period. The investments have benefited the value chain of the entire industrial cluster. Therefore, the future investment decisions of cruise shipping companies will be very important for the industry.






At the moment we estimate that demand in the sector will recover, thanks to its competitive advantages and especially Asia's growth potential. The earlier levels will probably not be reached before 2023-2024.



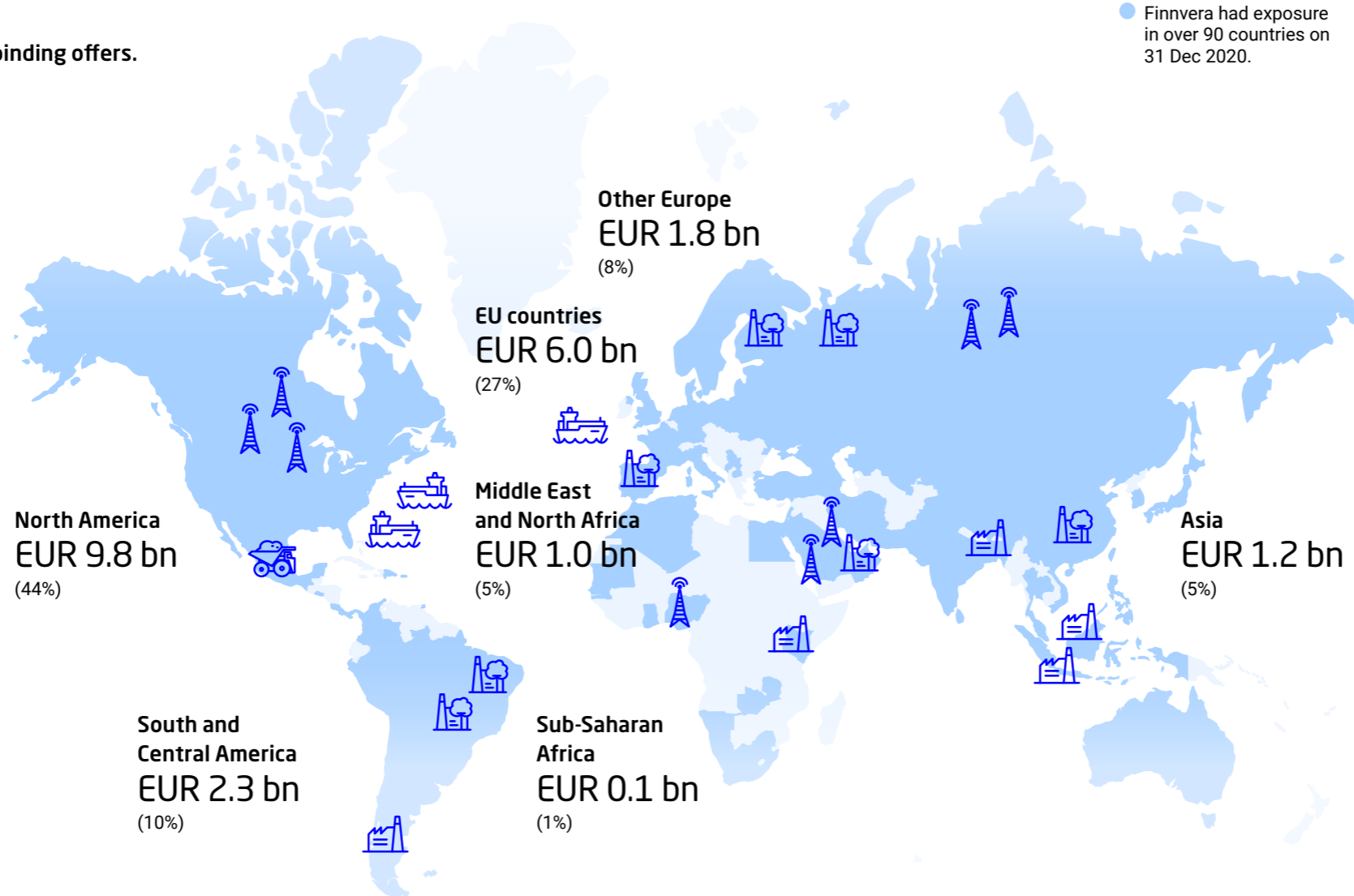
## Total exposure, export credit guarantees and special guarantees 31 Dec 2020

EUR 22.2 billion, including commitments and binding offers.

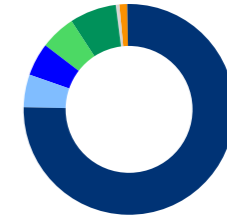
### Exposure by sector 31 dec 2020

-  **Cruise shipping**  
EUR 10.9 bn (49%)
-  **Telecommunications**  
EUR 3.7 bn (17%)
-  **Pulp and paper**  
EUR 2.9 bn (13%)
- Others\***  
EUR 2.5 bn (11%)
- Other industries**  
EUR 1.2 bn (5%)
-  **Energy**  
EUR 0.6 bn (3%)
-  **Mining and metals**  
EUR 0.3 bn (1%)

\* Including other risks such as sovereign risks related to states and bank risks.

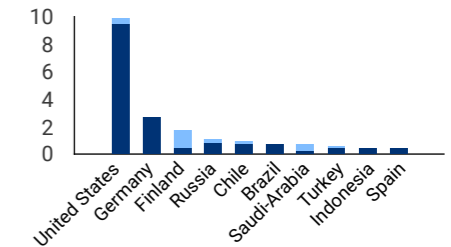


### Exposure by country classification 31 Dec 2020



- 0 Advanced economy, 76%
- 1 Very low risks, 0%
- 2 Low risks, 5%
- 3 Relatively low risks, 5%
- 4 Intermediate risks, 5%
- 5 Relatively high risks, 7%
- 6 High risks, 1%
- 7 Very high risks, 1%

### The biggest country exposures 31 Dec 2020, EUR billion



EUR billion	● Commitments	● Offers
United States	9.5	0.3
Germany	2.7	0.0
Finland	0.5	1.2
Russia	0.8	0.3
Chile	0.7	0.2
Brazil	0.7	0.0
Saudi-Arabia	0.3	0.4
Turkey	0.5	0.1
Indonesia	0.5	0.0
Spain	0.5	0.0



## Corporate governance

**During the year, the coronavirus pandemic was strongly reflected in the operations of Finnvera's governing bodies and management, both as increased decision-making needs and as exceptional arrangements. Cooperation with the Ministry of Economic Affairs and Employment was close and concrete. The organisation was agile in the exceptional circumstances, and resources could be allocated to critical client work.**

When the coronavirus crisis hit in March 2020, Finnvera's Board of Directors adopted the practice of weekly meetings. After the situation calmed down slightly in the autumn, the Board of Directors started meeting every two weeks.

Finnvera's Management Group also adopted a more frequent meeting schedule in the spring, starting to meet weekly. To continuously maintain an overview of the situation, a separate preparedness task force was established in accordance with the company's contingency plan. The task force consists of the representatives of different areas of the company: business operations, risk management, IT, facilities and security, personnel, and communications. From mid-March onwards, the preparedness task force met first on a daily basis and then on a weekly basis. The work of the preparedness task force still continues. Its task is to monitor the impact of the coronavirus situation on the organisation, agree on the necessary measures and plan how they are communicated.

### Services were adapted to the exceptional circumstances

In mid-March, Finnvera's entire organisation and offices moved almost completely to remote work. Customer service and other operations were continued remotely.

Finnvera's internal audit was strengthened by the appointment of the Head of Internal Auditing. Heli Pietiläinen, M.Sc., B.Sc. (Econ.), CIA, CISA, started in the position at the beginning of June 2020. Petri Einovaara, LL.M., B.Sc. (Econ.), was appointed Internal Auditor in September 2020.

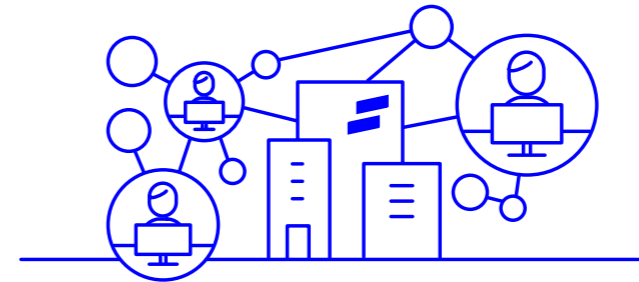
At the beginning of 2020, Intrum Oy also started carrying out voluntary recovery operations in accordance with the agreement. Finnvera has the overall responsibility for recovery, its steering and decision-making.

### Close cooperation with the Ministry

The seriousness of the crisis caused by the coronavirus pandemic for enterprises required rapid and concrete measures to secure corporate financing and resources. There was close cooperation with the Ministry of Economic Affairs and Employment, which guides Finnvera. In the spring, Finnvera's authorisation to grant SME financing was raised to EUR 12 billion by a legislative amendment and Finnvera's credit and guarantee loss compensation from the State was increased to 80 per cent by a government decision. The Ministry set updated ownership and industrial policy goals for Finnvera due to the coronavirus pandemic. Finnvera reported financing volumes to ministries more frequently than usually.

### Finnvera makes financial decisions independently

Finnvera makes financial decisions independently based on careful risk assessment and analysis of each project as well as takes into account the national and international regulation regarding the company. Finnvera operates on a



demand-driven basis. Financing is not allocated to specific industries. Finnvera's Board of Directors makes the largest liability decisions itself and has in other respects delegated the decision making to the operative management. Finnvera can also take into account the State's industrial policy goals and, if necessary, include projects in the special risk-taking article defined in the Act on the State's Export Credit Guarantees.

### Board's Risk Committee

At the end of February, the Board of Directors set up a new Risk Committee from among its members to assist the Board in matters related to risk-taking and risk management. The committee works alongside the Audit and Remuneration Committees.

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

Finnvera's Code of Conduct principles include good corporate governance and transparency throughout the organisation. The Code of Conduct, ratified by the company's Board of Directors, brings together the legal rules and ethical principles which apply to Finnvera's employees and the members of the governing bodies. Read more on Impacts of [Finnvera's own operations](#).

Finnvera operates according to its ISO 9001 certified operating system, which underwent a follow-up audit towards the end of the year.

### Finnvera's key guidelines, principles and policies include the following:

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

**Industrial and ownership policy goals guide Finnvera's operations**

The State of Finland owns the entire stock of Finnvera. The Innovations and Enterprise Financing

Department of the Ministry of Economic Affairs and Employment is responsible for the ownership and industrial policy steering of Finnvera.

In April, the ministry gave Finnvera a guidance letter of goals arising from the coronavirus pandemic to help enterprises to overcome the crisis. The goals included adjusting Finnvera's services and operations to meet the needs of enterprises. The goals set were reached in 2020.

Out of the nine original industrial and ownership policy goals set for the year 2020, two goals were reached, five were reached in part and two were not reached partly due to the corona pandemic.

**Monitoring of the attainment of industrial and ownership policy goals for 2020**

		Goal
<b>Domestic financing</b>	●	At least 80 per cent of Finnvera's SME financing is allocated to enterprises seeking growth or internationalisation, start-ups, investments, and transfers of ownership.
		In investments promoting productivity and competitiveness, Finnvera's guarantee coverage in debt-based financing may be at the maximum 80 per cent per project, especially outside urban growth centres. The position of a main provider of financing requires that Finnvera assess the enterprise's business operations to be profitable and the own contribution to be sufficient, as well as that the project does not distort competition between enterprises.
		By the end of 2023, a total of 50 per cent of SME financing is allocated to clients seeking growth and internationalisation (LTA3 segment).
<b>EU financing</b>	●	The Pillar Assessment required by the European Commission is completed in spring 2020. The establishment of EU financing expertise, goals and practices is launched during 2020 if Finnvera is accepted as an implementer or intermediary of financing. The company continues to provide EU financing advice in line with the Ministry of Economic Affairs and Employment's policy and cooperates with other parties in the MEAE group.
		If Finnvera is accepted as an implementer or intermediary of financing, new solutions based on EU financing cooperation will be introduced in 2021 according to the decisions made.
<b>Export financing</b>	●	The aim of public export financing is to offer internationally competitive financing for exports and domestic ship deliveries. Efficient risk management is an integral part of a competitive export financing system. Finland's public export financing system consists of Finnvera's export credit guarantee operations, the export credit and ship credit financing operations of its subsidiary Finnish Export Credit Ltd, and state-managed interest equalisation operations.
		Finnvera Group 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. At the same time, the company develops risk management and improves its efficiency as described below.
		Export financing advice and training for SMEs are developed and continued to increase the number of export companies and enterprises using export financing services (including private services) from the situation at the end of 2019. Finnvera's clients benefit from its national and international networks.
<b>Risk management</b>	●	Information exchange and cooperation are increased especially with Business Finland, Finnfund and client enterprises in the field of financing offered to promote Finnish enterprises' export projects.
		Finnvera ensures self-sustainability through risk management: in most years, credit losses stay well below the level of income received from operations and even large unexpected losses remain below the buffers formed by the balance sheet and the State Guarantee Fund.
		As the maximum authorisations and exposures of Finnvera's export financing, as defined by law, have increased, it has been noticed that risk concentrations increase and need to be managed. The aim is to make it possible to respond to the growing demand especially from cruise shipping and telecommunications in order to ensure Finland's exports and the related considerable impacts on employment. Especially with regard to major transactions, the company assesses, as part of its decision-making, the transaction's impact on the risk position and the amount of reserves needed in the coming years when the credit is drawn.
<b>Impact</b>	●	As far as possible, Finnvera sees to the mitigation of exposure risks with reinsurance and other protection arrangements. In addition, the company aims to share risks with other countries' ECAs and other providers of financing.
		Finnvera provides the Ministry of Economic Affairs and Employment with an assessment framework by 30 June 2020. The assessment conducted on the basis of the assessment framework is delivered to the Ministry of Economic Affairs and Employment by the end of 2020, using data based on client enterprises' financial statements for 2019.
<b>Self-sustainability</b>	●	Finnvera conducts 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.
<b>Operational efficiency</b>	●	Finnvera develops its operations in accordance with the Government Programme and its implementation plan. Finnvera continues to pursue operational efficiency.
<b>Solvency and capital adequacy</b>	●	The company's capital adequacy in domestic financing operations must be at least 15 per cent when calculated according to the principles of the standard method. If there is threat that capital adequacy falls below this limit, the company must submit a proposal to the Ministry of Economic Affairs and Employment regarding the measures with which capital adequacy is kept at the required level.
		The adequacy of export financing reserves in relation to current and future exposures is primarily assessed with so-called VaR 99.5%, C-VaR and Expected Loss models to ensure that there would be adequate capital to cover credit risks in normal circumstances. When it comes to major transactions, the company must assess their impact on risk position development and the adequacy of reserves. If forecasts seem to indicate that reserves are inadequate to cover losses caused by exposures and the exposure forecast, the company must inform the Ministry of Economic Affairs and Employment of this and submit a proposal of potentially necessary measures. In addition, risk scenario calculations are made for export financing exposures and the main exposures are monitored separately. Export credit guarantee operations are ultimately based on the State's balance sheet and entail risk-taking that differs from commercial risk-taking.
<b>Transfer of Finnvera's financial supervision to the Financial Supervisory Authority</b>	●	Preparations are made in a legislative project launched in 2020.

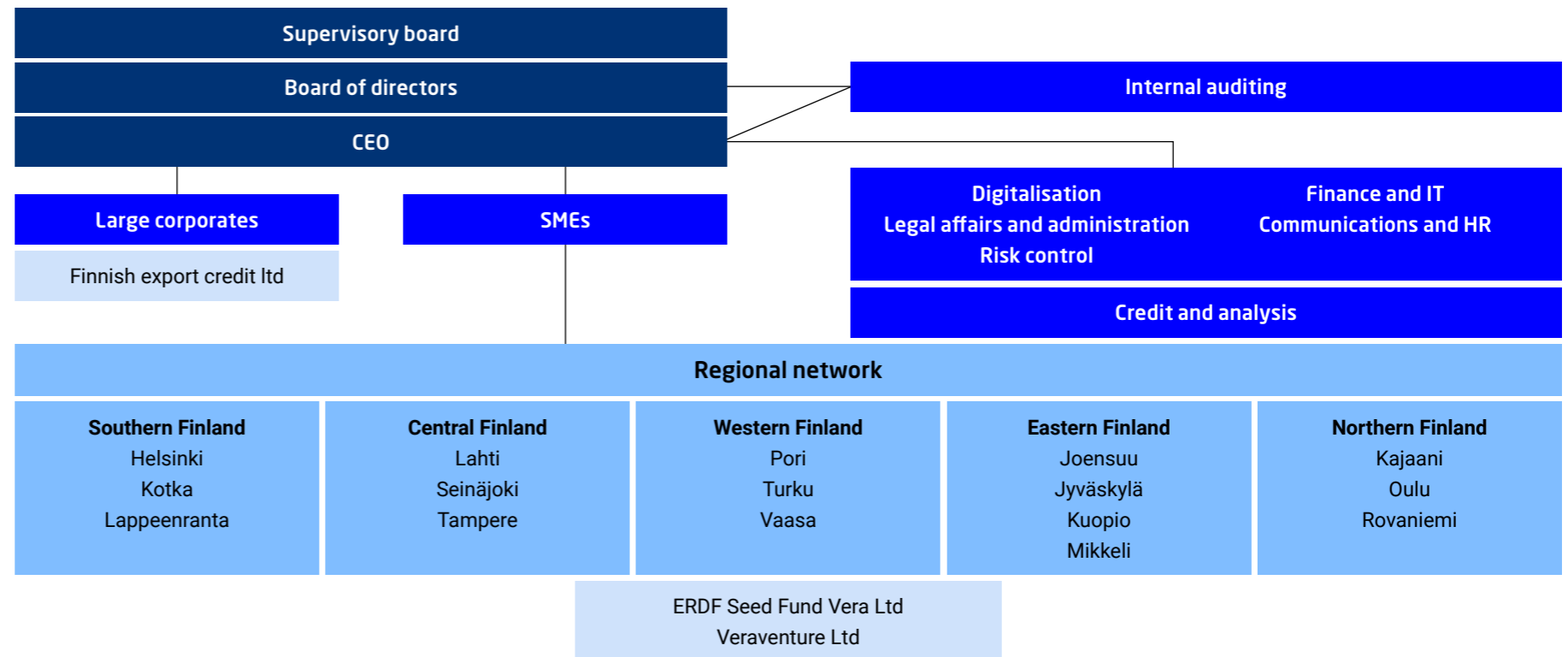
● Goal achieved   ● Goal partly achieved   ● Goal not achieved





**Organisation and administration**

Responsibility for Finnvera's administration and operations is vested in the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Chief Executive Officer. Finnvera's corporate governance is described on the following pages. More detailed information can be found in the [Statement on the Corporate Governance and Steering System](#).



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

**The Supervisory Board** supervises the company's administration, gives its opinion on the financial statements and the auditor's report, and counsels the Board of Directors on issues that concern considerable reorganisation of the company's operations. In addition, the Supervisory Board advises the Board of Directors on matters that have far-reaching consequences or are otherwise important as questions of principle. Finnvera's Supervisory Board consists of a minimum of eight and a maximum of eighteen members. The Supervisory Board has a term of one year.

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

Finnvera's Board of Directors consists of at least six members and at most nine members. The General Meeting elects the members for a term of one year at a time. The Board of Directors appoints the Audit Committee, the Remuneration Committee and the Risk Committee from among its members and selects the Chairs and members for one year at a time. The Audit Committee

assists the Board of Directors in supervisory tasks, and the Remuneration Committee assists the Board of Directors in issues pertaining to the appointment, terms of employment and salaries of senior executives, and the rewards and incentive systems applied to the management and personnel.

The Risk Committee, set up in February 2020, assists the Board in matters related to risk-taking and risk management.

### Supervisory Board on 31 December 2020

Finnvera's Supervisory Board has eighteen members. The fees paid to the members comply with the policy issued by the Government on fees paid to the governing bodies of State-owned companies. The fees paid in 2020 totalled approximately EUR 62,700.

#### Chairman

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

#### Vice Chairman

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

#### Members

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

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

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

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

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

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

**Lauri Muranen**, Head of Industrial Affairs, Central Organisation of Finnish Trade Unions SAK

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

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

**Anne Niemi**, Vice President of the Federation of Finnish Enterprises, Women Entrepreneurs of Finland

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

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

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

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

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

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

### Board of Directors on 31 December 2020

Finnvera's Board of Directors has seven members. The Audit Committee elected after the Annual General Meeting of 2020 consists of Terhi Järvikare (Chair), Pirkko Rantanen-Kervinen and Antti Zitting. The Remuneration Committee elected after the Annual General Meeting consists of Pentti Hakkarainen (Chair), Antti Neimala and Antti Zitting and the Risk Committee of Ritva Laukkanen (Chair), Antti Neimala and Pekka Nuutila.

The fees paid to the Board members comply with the policy issued by the Government on fees paid to the governing bodies of State-owned companies. The fees paid in 2020 totalled EUR 220,800.

### Finnvera's corporate governance and steering system

Finnvera's Corporate Governance and Steering System and the key events in 2020 are described in the [Statement on the Corporate Governance and Steering System](#).

It includes a description of the principal features of the internal control and risk management systems pertaining to the financial reporting process.





Chairman

**Pentti Hakkarainen**

**(1958), M.Sc. (Econ.), LL.M. with court training, member of the European Central Bank's Banking Supervisory Board**

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



First Vice Chairman

**Antti Neimala**

**(1963), LL.M. with court training, Director General of the Employment and Well-functioning Markets Department of the Ministry of Economic Affairs and Employment**

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



Second Vice Chairman

**Terhi Järvikare**

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

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



**Ritva Laukkanen**

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

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



**Pekka Nuuttila**

**(1956), forester**

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



**Pirkko Rantanen-Kervinen**

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

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



**Antti Zitting**

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

Antti Zitting has been a member of Finnvera's Board of Directors since 2015 and is a member of the Board's Remuneration Committee and Audit Committee. Until 2014 he worked as an entrepreneur in Sacotec Components Oy and serves currently as Chairman of the Boards of the Sacotec companies. Zitting is also a member of the Boards of the following companies and organisations: The Finnish Olympic Committee, The International Basketball Federation FIBA, FIBA Europe, Sten&Co Oy Ab, Plastep Oy and Johnson Metall Oy Ab. In addition, Zitting was the Chair of the Supervisory Board of the Employment Fund in 2020.

### Management Group and Corporate Management Team

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

The Management Group discusses issues relating to Finnvera's strategy, the policy outlines for business and client work, and ownership steering. The Management Group comprises the Chief Executive Officer, the Executive Vice Presidents responsible for the financing of SMEs and large corporates, as well as the Senior Vice Presidents for Finance and Treasury, Legal Affairs and Administration, Corporate Communications and HR, and Group Chief Credit Officer, Chief Digitalisation Officer, and Chief Risk Officer.

The Corporate Management Team discusses matters that have a major impact on Finnvera's personnel. Besides the members of the Management Group, the Corporate Management Team in 2020 included the representatives of the Kuopio Headquarters, the regional network and the personnel organisations.

### Management Group on 31 December 2020

**Pauli Heikkilä** (1962) D.Sc. (Tech.), CEO

**Jussi Haarasilta** (1973) LL.M., M.Sc. (Econ.), Executive Vice President, Large Corporates, Deputy CEO

**Ulla Hagman** (1969) M.Sc. (Econ.), Senior Vice President, Finance and Treasury

**Juuso Heinilä** (1978) M.Sc. (Tech.), M.Sc. (Econ.), Executive Vice President, SMEs

**Risto Huopaniemi** (1975) LL.M., Senior Vice President, Legal Affairs and Administration

**Tapio Jordan** (1967), M.Sc. (Econ.), B.Sc. (agriculture and forestry), Group Chief Credit Officer

**Minna Kaarto** (1980), M.Sc. (Tech.), Chief Digitalisation Officer (CDO)

**Tina Schumacher** (1967), M.Sc. (Econ.), CEFA, Chief Risk Officer, Risk Control

**Tarja Svartström** (1971) M.Sc., Senior Vice President, Corporate Communications and HR

### Corporate Management Team on 31 December 2020

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

**Mika Johansson**, Representative of the personnel organisation Erityisrahoituksen ammattilaiset ERA

**Heikki Lähdesmäki**, Representative of the personnel organisation Finnveran akavalaiset

**Ilse Salonen**, Representative of the personnel organisation Finnveran toimihenkilöt

**Mikko Vänttinen**, Representative of the Kuopio Headquarters and the regional network

### Regional organisation

#### Southern Finland

Helsinki, Lappeenranta, Kotka

Regional Director **Anna Karppinen**, M.Sc. (Econ.)

#### Western Finland

Pori, Turku, Vaasa

Regional Director **Seija Pelkonen**, M.Soc.Sc.

#### Eastern Finland

Joensuu, Jyväskylä, Kuopio, Mikkeli

Regional Director **Mikko Vänttinen**, Vocational Qualification in Business Administration

#### Central Finland

Lahti, Seinäjoki, Tampere

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

#### Northern Finland

Kajaani, Oulu, Rovaniemi

Regional Director **Pasi Vartiainen**, M.Sc. (Econ.)



## Stakeholder cooperation

Due to the coronavirus situation, stakeholder cooperation took on entirely new forms, and the importance of cooperation and well-functioning channels became even more prominent. Active and seamless cooperation with banks and providers of financing was crucial in financing operations during the coronavirus crisis.

Our principal stakeholders are clients, banks and other providers of financing, domestic and international organisations, personnel, our owner, and cooperation partners, such as Team Finland network organisations. The personnel's year 2020 is described on page 52.

### Clients

In response to the situation caused by the coronavirus pandemic, Finnvera adjusted its strategy to the crisis and tailored its services and pricing on the basis of the messages from business life. The voice of enterprises was also heard in committee work.

During the year, Finnvera gained approximately 2,000 new clients. Enterprises were advised on new service channels, such as the Federation of Finnish Enterprises' Facebook group, where Finnvera was involved as a financing expert. The goal was to bring advisory services as close to the client as possible.

Information about services and financing under the exceptional circumstances was quickly collected on the [finnvera.fi/eng/corona](http://finnvera.fi/eng/corona) website.



### Internationalisation Awards of the President of the Republic of Finland to Supermetrics, Harvia and Lojer

The Internationalisation Award of the President of the Republic is a recognition granted each year to internationally successful Finnish companies or organisations. The general award criteria included the winner's proven ability to grow internationally regardless of the exceptional circumstances caused by the coronavirus pandemic, competitiveness and profitability, and ethical and ecological sustainability.

[Read more >](#)

Although the number of applications increased, Finnvera's service response times remained short and cooperation with other providers of financing was smooth. The client satisfaction remained at a good level despite the exceptional year and average NPS among clients was 56 (target level 60).

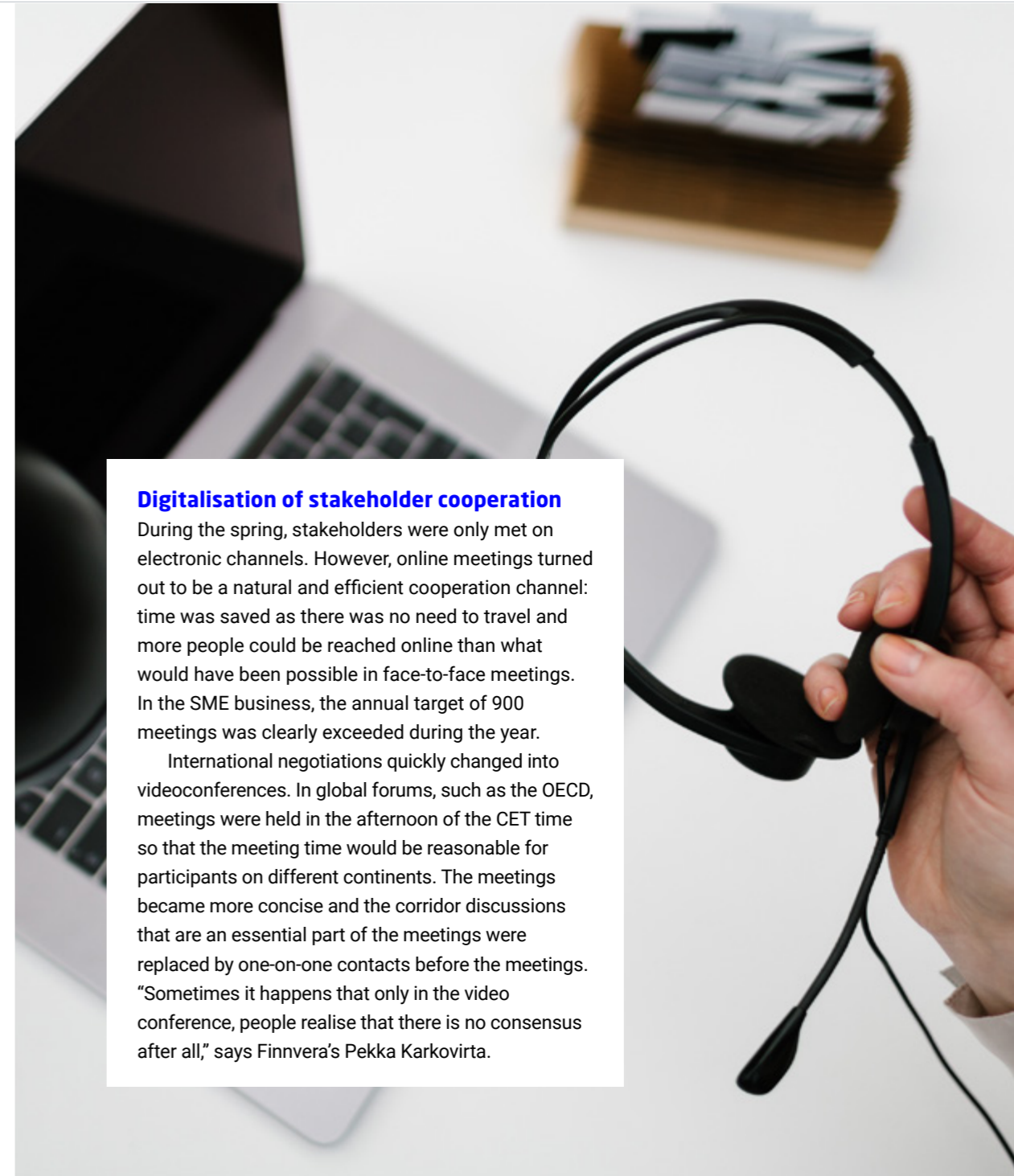
### Banks and providers of financing

Cooperation with banks and financial institutions in 2020 was almost exclusively related to the coronavirus crisis. In

### Digitalisation of stakeholder cooperation

During the spring, stakeholders were only met on electronic channels. However, online meetings turned out to be a natural and efficient cooperation channel: time was saved as there was no need to travel and more people could be reached online than what would have been possible in face-to-face meetings. In the SME business, the annual target of 900 meetings was clearly exceeded during the year.

International negotiations quickly changed into videoconferences. In global forums, such as the OECD, meetings were held in the afternoon of the CET time so that the meeting time would be reasonable for participants on different continents. The meetings became more concise and the corridor discussions that are an essential part of the meetings were replaced by one-on-one contacts before the meetings. "Sometimes it happens that only in the video conference, people realise that there is no consensus after all," says Finnvera's Pekka Karkovirta.





March, Finnvera focused on granting guarantees for bank loans in order to accelerate and facilitate the making of financing decisions for enterprises. In cooperation, Finnvera and banks offered the possibility of instalment-free periods and other payment arrangements.

Finnvera's pricing changes, new guarantee products and services were communicated to providers of financing through direct contacts, online training, newsletters and the extranet service targeted at providers of financing. From time to time, changes happened very quickly, and calls and even SMSs proved their usefulness in communicating about these changes. Cooperation ran smoothly and responses were immediate.

Banks and the financial sector cooperation group gave Finnvera very positive feedback. The client's interest was highlighted in cooperation: flexible cooperation and continuous dialogue have been particularly important for clients. The common goal was to help enterprises overcome the crisis.

### Ownership steering and ministries

Finnvera's operations are guided by the Ministry of Economic Affairs and Employment. In 2020, there was close cooperation associated with concrete financing measures taken for enterprises and the agile development of financing options in the midst of the coronavirus crisis. Finnvera carried out active communications cooperation with the Ministry of Economic Affairs and Employment to ensure that up-to-date information about the financing options offered by all operators in the Ministry's branch of administration was widely **available** to enterprises and entrepreneurs. Another arena of cooperation was the EU's guarantee programmes and their utilisation in Finnvera.

Cooperation continued in the Forum for Transfers of Ownership, which accelerates corporate acquisitions and



### Sisu Auto did not get through the spring by chance

Global component supply disruptions brought Sisu Auto's production to a standstill in early April, and production had to be shut down for three months. The situation required rapid responses and adjustment. The enterprise moved forward with "the spirit of Sisu" and systematic planning.

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

transfers of ownership. Half of its funding comes from the Ministry of Economic Affairs and Employment and the other half from its member organisations, including Finnvera. Cooperation was continued in the biannual SME barometer survey, which provides important survey data about economic cycle and financing prospects in business, among other things. The Federation of Finnish Enterprises is also involved in the barometer.

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

### Domestic organisations and cooperation partners

Cooperation with organisations focused on advisory and other services offered to enterprises in the coronavirus crisis.

Cooperation with the Federation of Finnish Enterprises continued in the SME barometer surveys, entrepreneur advisory services provided together with regional enterprise organisations, the SMEs Abroad tour, the Forum for Transfers of Ownership, and communications and marketing, for instance. Finnvera was involved in the coronavirus information webinars, which focused on current financing solutions and were organised by the Federation of Finnish Enterprises, the Finnish Enterprise Agencies, the Association of Finnish Local and Regional Authorities and SEKES – Association of Finnish Development Companies. Hundreds of business advisors were reached through training.

Cooperation with the Confederation of Finnish Industries was associated with, among other things, the Forum for

### Financing & growth LIVE webinars as inspiration for discussions

In October–December, Finnvera organised three Financing & Growth LIVE webinars. Their themes were economic growth in the aftermath of the coronavirus crisis, the role of transfers of ownership in growth and the significance of export trade for the Finnish economy. The guests of Finnvera's Chief Economist Timo Lindholm included Varsinais-Suomen Yrittäjät's CEO Hanna Munter, LUT University's Professor Timo Pihkala and Varma Mutual Pension Insurance Company's President and CEO Risto Murto as well as Finnvera's Executive Vice Presidents Juuso Heinilä and Jussi Haarasilta and Regional Manager Elisa Sipponen. In total, the webinars had more than a thousand viewers from all major stakeholder groups, including media representatives. Discussions on topics important to Finnvera and Finland's economy are expected to continue in 2021.



**The theme of growth and internationalisation was also at the forefront in 2020, although the main focus was on responding to enterprises' financing needs caused by the coronavirus.**

Transfers of Ownership and Team Finland, which served also in 2020 as venues for promoting the strategic themes shared by all the parties involved – transfers of ownership, growth and internationalisation.

Finnvera contributed to the Kasvu Open Carnival with webinars on transfers of ownership and export financing for SMEs.

Many projects were cancelled or postponed. The national event for entrepreneurs, usually organised in cooperation with the Federation of Finnish Enterprises, was not arranged in 2020.



**Personal advice to tackle entrepreneurs' concerns**

Head of Stakeholder Relations Jukka Suokas provided financial advice in the Federation of Finnish Enterprises' #ostapientä Facebook group, where especially small enterprises asked for advice. There were dozens of contacts.

"The discussion became heated from time to time as entrepreneurs were very concerned about their finances and the sufficiency of financing. I tried to give concrete instructions based on facts. I also provided up-to-date materials produced by Finnvera's communications team."

The export trade financing tour organised by Finnvera and Finland Chamber of Commerce was also postponed. Team Finland cooperation continued on the SMEs abroad tour, in which also the Confederation of Finnish Industries EK and regional organisations participated. The SuomiAreena debate forum in Pori and the joint discussion planned there were cancelled, but Finnvera and Finland Chamber of Commerce agreed to organise the discussion in the summer 2021.

**Team Finland**

In several working groups, the Team Finland network implemented the new strategy and the Government's Export and International Growth Programme approved in the autumn. Team Finland's aim is to be the best service network for internationalisation and Finland's sustainable growth. Finnvera is one of the key organisations in the network, together with Business Finland, the Ministry for Foreign Affairs and the Centres for Economic Development, Transport and the Environment.

The number of the key organisations' client contacts, such as advice, financing, events and other contacts, exceeded 10,000. The TF organisations granted coronavirus financing to more than 60,000 enterprises, seeking to ensure their continued services. The joint CRM system helps in the provision of comprehensive service to enterprises.

During the year, the TF organisations and the partner network organised dozens of regional export trade events attracting thousands of participants. National activities included TF Talks webinars on the opportunities in different markets. The Team Finland day was held at the end of August as a virtual event. Over a thousand business representatives, network experts, ambassadors and export promoters from different target countries participated in the event. The year culminated in the Internationalisation Awards of the President of the

Republic of Finland. The key TF organisations, Finnvera among them, made a proposal regarding candidates for the award.

**International organisations and cooperation**

The coronavirus pandemic was a recurring theme in discussions in international cooperation between export financing agencies. Common characteristics for many of the agencies included, for instance, the granting of working capital guarantees to safeguard the liquidity of export companies, credit insurance for marketable risk areas in line with the European Commission's decision, guarantee cover increases, flexibility in credit repayment, and fast application processing times.

Discussions on international competition in the field of export credits led to the publication of an EU White Paper on public export financing.

Finnvera is "larger than its size" on an international scale as, in terms of exposure, Finnvera is larger than equivalent export credit agencies in many countries with higher GDP. For an export-driven country, international cooperation is extremely important. Through the Ministry of Economic Affairs and Employment, Finnvera participates in international cooperation in its own sector, within the OECD and the EU, for instance. Pekka Karkovirta, Finnvera's Vice President, International Relations, was elected to continue as Chairman of the Participants to the OECD Arrangement also in 2021.

In addition, Finnvera is involved in the European Association of Guarantee Institutions (AECM), the Paris Club of public creditors, the Network of European Financial Institutions for SMEs (NEFI), The Montreal Group and within the Berne Union, the international cooperation organisation for export credit agencies.

In addition, Nordic export credit agencies cooperate closely with each other.

**The coronavirus situation brought along changes in cooperation between Finnvera and providers of crowdfunding. When it comes to granting guarantees, Finnvera's operations were restricted to financial institutions that are licensed in Finland in accordance with the Financial Supervisory Authority's credit institution principles and have the ECB's banking licence. In loan financing, Finnvera can co-finance projects in which providers of crowdfunding are also involved.**

# Responsible financing



## Our operations aimed at helping enterprises overcome the crisis

The impact of Finnvera's financing, its social responsibility and its role in supplementing the financial market were particularly important in 2020. Finnvera implemented its strategy for the exceptional circumstances by quickly adapting its products and services to respond to the needs of enterprises - in order to strengthen the Finnish economy. Towards the end of the year, the focus was shifted to enabling new growth. The environmental, social and corporate governance (ESG) risk management processes in financing operations were also developed during the year.

**EUR 1.7 billion**  
Domestic financing granted by Finnvera grew by more than 70% year on year, to EUR 1.7 billion.

**EUR 2.9 billion**  
Export financing granted amounted to EUR 2.9 billion. Measured in euros, financing decreased from the previous year but the number of financing arrangements increased.

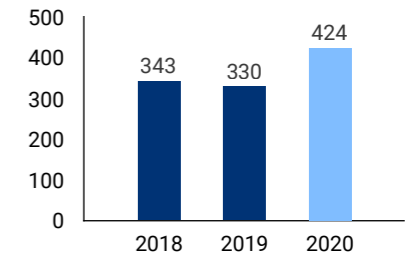
**26,500**  
The number of Finnvera's clients increased by approximately 2,000. Of the clients, 87% were micro-enterprises, 13% SMEs and midcap enterprises and 0.6% large corporates.



The distress in cruise shipping significantly increased Finnvera's credit loss provisions. Finnvera issued two profit warnings during the year. Risk management was already at a good level before the pandemic, which was an advantage as the crisis progressed.

Domestic financing was granted to all main sectors more than previously during the exceptional year. The growth was proportionally highest in tourism, which suffered the worst from the coronavirus pandemic. Measured in euros, the most financing was granted to industry.

Number of guarantees and special guarantees granted



In addition to the company's strategy, the business operations were guided by the Ministry of Economic Affairs and Employment's ownership and industrial policy goals, which were updated to respond to the coronavirus crisis.



## Domestic financing

**Accelerated by the coronavirus pandemic, the demand for financing peaked in March-May. Finnvera quickly made changes to its products and services to respond to the needs of enterprises. Finnvera's domestic financing increased to a record-high level in 2020. Enterprises' need for financing levelled off towards the end of the year.**

Finnvera granted a total of EUR 1.7 billion (EUR 1.0 billion) of financing to enterprises in Finland. The granted financing includes loans and guarantees for SMEs and midcap enterprises and export credit guarantees granted in domestic operations. In addition, this amount includes EUR 239 million of domestic financing granted to large corporates. Guarantees for loans granted by banks accounted for over 90 per cent of the financing.

Domestic financing was granted to all main sectors more than previously during this exceptional year. The growth was proportionally the highest (219%) in tourism,

which suffered the worst from the coronavirus pandemic, with EUR 174 million (EUR 55 million) of financing granted. Financing granted to business services and trade and consumer services also increased by almost 90 per cent year on year. Measured in euros, the most financing was granted to industry, totalling EUR 787 million (EUR 526 million).

Domestic financing focused on financing for working capital, which accounted for 58 per cent (44 per cent) of overall projects financed. The euro-denominated share of investments out of the overall projects financed was 26 per cent (38 per cent).

Instalment-free periods and restructuring of financing were deployed as the first measures to ease the financing situation of enterprises. Finnvera granted a 12-month instalment-free period to Finnvera's direct loans, available to clients with an electronic application. In addition, Finnvera granted the banks the permission to automatically grant a 6-month instalment-free period to the loans Finnvera has guaranteed. Enterprises used instalment-free periods extensively, and there were close to 14,000 restructurings of financing during the year, up 170 per cent on the previous year.

During the year, the number of Finnvera's clients increased to approximately 26,500 (24,500). Exposure in

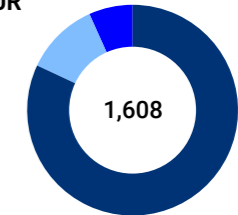


### The arrangement of virtual events developed by giant leaps

The coronavirus pandemic has driven the events industry into a crisis as meeting restrictions have forced enterprises to cancel hundreds of events. At the same time, the arrangement of virtual events has developed by giant leaps. In the spring, Zoan, a virtual reality enterprise specialised in 3D modelling, was in the limelight when it produced the Finnish rap duo JVG's May Day concert. The concert was created virtually.

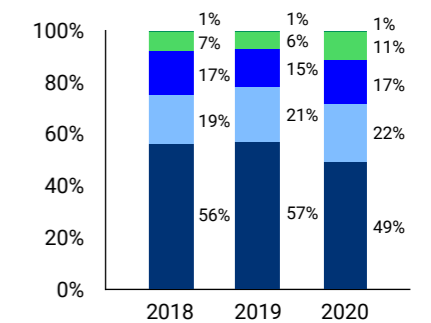
[Read more >](#)

Domestic financing granted 2020, MEUR



- Guarantees, 1,318 MEUR, 82%
- Export guarantees, 182 MEUR, 11%
- Loans, 108 MEUR, 7%

Domestic financing granted by main sector, % of financing granted



- Industry, 2020: 49%
- Services to business, 2020: 22%
- Trade and consumer services, 2020: 17%
- Tourism, 2020: 11%
- Rural trades, 2020: 1%

**EUR 12 billion**

Finnvera's authorisation to grant domestic loan and guarantee financing was raised from EUR 4.2 billion to EUR 12 billion in May.

**93%**

Most of the financing granted, 93 per cent, consisted of guarantees for loans granted by banks.

**33 + 53 + 14%**

Of domestic financing, 33% was granted to micro-enterprises, 53% to SMEs and midcap enterprises and 14% to large corporates.

domestic financing increased to EUR 2.9 billion at the end of 2020 (EUR 2.3 billion).

**Finnvera adapted its services to the coronavirus crisis**

In May 2020, the Finnish Parliament raised Finnvera's maximum authorisation to grant domestic loan and guarantee financing from EUR 4.2 billion to EUR 12 billion by a legislative amendment. This constituted a significant boost to Finnvera's opportunities to grant financing. Finnvera focused its financing activities on existing guarantee products that enterprises apply for via banks: they were the fastest way of making financing available to enterprises.

Finnvera reacted to the situation by quickly taking measures related to products, service process and pricing and by recruiting temporary agency workers to clear the application backlog.

The terms and conditions of the SME Guarantee, targeted at enterprises seeking growth, were changed to make it possible to apply for the SME Guarantee for working capital needs caused by the coronavirus crisis. With regard to the Finnvera Guarantee, a so-called fast track procedure was created for a EUR 150,000–1,000,000 corporate debt bond granted by a bank. Finnvera's guarantee coverage was increased to 80 per cent and the collateral requirement was abandoned. In September, it became possible to apply for the Finnvera Guarantee through banks, similarly to the Start Guarantee and the SME Guarantee.

Finnvera extensively adopted an 80 per cent guarantee coverage instead of the previous 50 per cent. Following the Temporary Framework for State aid set by the European Commission, the guarantee coverage can be up to 90 per cent if the arrangement of financing for the SME absolutely requires this.

To secure the granting of guarantees, the handling of direct loan applications was suspended in March. The granting of these loans resumed in September, when Finnvera introduced a working capital loan specifically targeted at the needs arising from the coronavirus crisis.

**The maximum amounts of the Start Guarantee and the SME Guarantee were increased**

The maximum amounts of the Start Guarantee and the SME Guarantee were increased so that the maximum guarantee amount granted to an enterprise for a single financing need at a time remained unchanged, but a new guarantee can be granted when two months have elapsed since the previous decision.

The COSME counter-guarantee makes Finnvera's SME Guarantee possible. Finnvera and the European Investment Fund (EIF) agreed on an additional financing quota for the counter-guarantee to cover the SME Guarantee demand that increased due to the coronavirus crisis. The agreement makes it possible to grant EUR 625 million in financing as an unsecured 80 per cent SME Guarantee for a loan granted by a bank.

The volumes of both the Start Guarantee and the SME Guarantee increased clearly. In 2020, a total of 2,800 SME Guarantees were granted, totalling EUR 155 million. In 2020, a total of 1,555 Start Guarantees were granted, totalling EUR 57 million.

**The raising of the State's credit and guarantee loss compensation made pricing reduction possible**

The State raised the credit and guarantee loss compensation payable to Finnvera from 50 per cent to 80 per cent, which made it possible to reduce the pricing of financing at the beginning of April. Finnvera reduced and simplified the pricing of the guarantees used in financing working capital for the



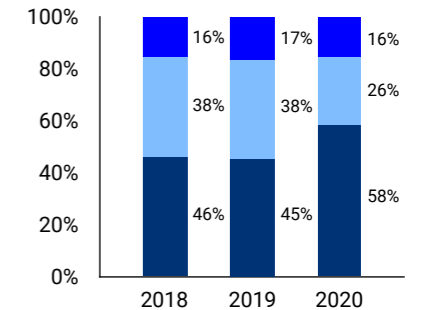
**EU financing is expanding and diversifying**

The operations of the European Fund for Strategic Investments (EFSI) terminated at the end of 2020 and it will be replaced by the InvestEU programme for 2021–2027. Finnvera continued preparations with the European Commission regarding the implementation partnership in the InvestEU programme. At the moment, an external audit, the EU's Pillar Assessment, is under way and Finnvera's experts participate extensively in it. The aim is to make more financing solutions available to Finnish enterprises in the coming years and to utilise EU guarantees in financing. An EU guarantee may be a counter-guarantee for a loan granted by a bank and guaranteed by Finnvera or a guarantee for a direct loan granted by Finnvera. The total amount of guarantees to be granted under the InvestEU programme is EUR 26.2 billion (unconfirmed), divided into four themes. Implementation partners, such as Finnvera, negotiate a euro-denominated guarantee coverage for their eligible financing products.

Together with the European Commission and the European Investment Bank Group (EIB), the State of Finland decided to continue financing targeted at Finnish SMEs under the SME Initiative guarantee programme. A total of EUR 350 million is available to enterprises through banks.

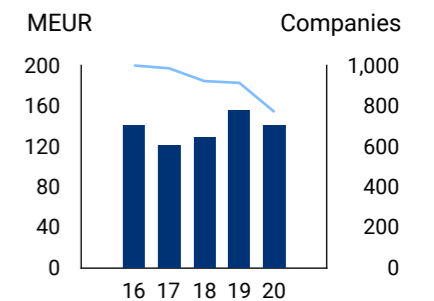
In the future, the EIB will also offer its own guarantee and investment products to financial market participants.

**Share of investments and working capital in the overall projects financed %, domestic financing**



- Working capital, 2020: 58%
- Investments, 2020: 26%
- Other, 2020: 16%

**Transfers of ownership financed**



- MEUR, 2020: 141
- Number of companies, 2020: 768

coronavirus situation retroactively from the beginning of March 2020. The annual guarantee commission for the Start Guarantee, the SME Guarantee and the Finnvera Guarantee's fast track was reduced to 1.75 per cent. The service fee for the Start Guarantee and the SME Guarantee was reduced to 0.1 per cent of the guarantee amount.

**Shifting focus on enabling new growth**

In normal circumstances, Finnvera's strategic goal is to allocate the majority of its financing to enterprises seeking growth and internationalisation as well as to investments, transfers of ownership and exports. During the pandemic, Finnvera expanded the allocation of financing to help all viable enterprises overcome the crisis. Finland's financing system has worked well throughout the crisis. Viable enterprises have been able to re-arrange their payment schemes and acquire additional financing with the aid of cooperation between Finnvera and banks.

Enterprises' need for financing levelled off towards the end of the year. Enterprises adjusted their operations and primarily used support solutions offered by other parties. There was no widespread need to continue instalment-free periods or other flexible arrangements, and towards the end of the year, enterprises returned to meeting their loan obligations in accordance with their payment schemes.

Although the strategic focus in the exceptional circumstances was on providing financing to all viable enterprises, approximately 43 per cent (45 per cent) of domestic financing, or EUR 731 million (EUR 448 million), was granted to enterprises seeking growth and internationalisation.

The terms and conditions of the Growth Loan, intended for growth and internationalisation projects and corporate reorganisation, were simplified and the pricing was reduced

**Towards the end of the year, Finnvera shifted its focus to the reconstruction after the coronavirus crisis. The significance of growth was discussed with the representatives of important stakeholders in events such as Kauppalehti's Kasvajät tour, the Kasvu Open Carnival and Finnvera's Finance & Growth LIVE webinars.**



**The measurement of the customer experience was continued, and the Net Promoter Score (NPS) rating for the SME and midcap business was high even during the exceptional year: it was 50 among locally operating small companies, 66 among SMEs focusing on the domestic markets, and 70 among SMEs seeking growth and internationalisation.**



**Indicators for the impact of financing**

In 2020, Finnvera developed tools for measuring the impact of financing. The target groups are large corporates and SMEs seeking growth and internationalisation.

Data collected over several years on SME clients' turnover, export development and number of employees is compared with enterprise groups that are as similar to them as possible and operate in the same sector but are not Finnvera's clients. The first comparison group is SMEs operating in industry. The value of the exports of the growth-oriented industrial SMEs that are Finnvera's clients has been clearly higher in recent years than that of other SMEs operating in industry.

When it comes to large corporates, it is estimated how much turnover, added value and employment in Finland is generated, directly and indirectly, by a single significant export project. As it is almost impossible to find reference groups for large export projects, input-output calculation is used as the tool. The extent of domestic impact is determined on the basis of project-specific data collected from client enterprises. Input-output calculation has already been used to outline the domestic impact of shipbuilding industry projects as the sector's indirect impacts on employment and turnover are quite large due to the extensive subcontracting network. In 2021, the calculation model will also be applied to other sectors.



in order to strengthen enterprises' equity to boost growth. The Growth Loan is a so-called junior loan, which is, in the context of lending, fairly comparable to an enterprise's equity and improves the opportunities of acquiring external financing.

Compared to the previous year, Finnvera granted clearly more export guarantees and export credit guarantees related to the export activities of SMEs, totalling EUR 268 million (EUR 197 million). In terms of absolute numbers, SMEs became the main user group of Finnvera's credit insurance when Finnvera could start granting credit insurance also for exports to Western industrial countries and EU Member States, among other countries, by special permission from the European Commission. One of Finnvera's long-term strategic goals is to increase the number of enterprises using export financing services.

During the year, more than 90 virtual export trade financing workshops were organised for enterprises. However, due to the coronavirus situation, the target of 150 workshops was not achieved. The workshops are part of Finnvera's client service provided free of charge, and they will be continued in 2021.

**Financing of the transfers of ownership recovered from the standstill caused by the coronavirus crisis**

Transfers of ownership are important from the perspective of corporate structure renewal. A record-breaking number of transfers were conducted in February–March, but in April, the business acquisition market slowed down. The sharpest decline was seen in transfers of ownership in restaurant and tourism enterprises. Enterprises seeking internationalisation and strong growth carried out business acquisitions

regardless of the coronavirus crisis. Transfers of ownership returned to close to normal levels in the second half of the year, and Finnvera's financing granted for transfers of ownership amounted to EUR 141 million (EUR 155 million). Finnvera was involved in 768 (912) transfers of ownership.

Active cooperation to accelerate transfers of ownership continued within the broad-based Forum for Transfers of Ownership.



**Financing secured a major order - the risks of the transaction were brought under control**

Financing is an important part of exports and sometimes even a must for closing a deal. This is especially true if the terms and conditions of the deal are highly unusual. Finnvera, Nordea and the boat manufacturer Kewatec AluBoat worked closely together for months to manage the financial risks associated with the export transaction.

[Read more >](#)

**Accelerated by the coronavirus pandemic, the demand for financing peaked in March–May: at its highest, financing granted more than doubled when compared to the corresponding period in the previous year.**

**The exceptional spring changed consumption habits at home**

The coronavirus pandemic has changed consumers' purchasing behaviour and lowered the threshold for testing new services. Two enterprises that increased their sales as a result of the pandemic were Mysoda, which sells sparkling water makers, carbon dioxide cylinders and drink mixes, and Slurp, which delivers artisan coffees to people's homes.

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

**40% increase in calls and chat discussions**

Finnvera received more than 17,000 client calls in 2020, which was approximately 40 per cent more than in the previous year. The busiest period was March–May. In March, the number of calls was three times that of March 2019. The call response rate was 89 per cent. In the spring, calls were mainly related to working capital financing and advice on guarantee products and payment scheme change applications. In the summer and the autumn, there were also calls related to transfers of ownership. The number of chat discussions increased by more than 40 per cent year on year.



**Juuso Heinilä**  
SMEs

Executive Vice President's review

## The crisis year multiplied demand for financing - ability to react quickly proved indispensable

The pandemic could be seen very quickly in enterprises' demand for financing in March. We responded to this demand by swiftly adjusting our operating models accordingly. The availability of financing to enterprises remained good, and cooperation between Finnvera and other providers of financing functioned well. The raising of our financing authorisation ensured the sufficiency of financing. Financing granted by us totalled approximately EUR 1.7 billion.

The first sectors to be hit by the effects of the coronavirus pandemic were industry, which suffered from a shortage of components, and small businesses, especially in tourism, accommodation and restaurant services, when official measures restricted business operations. The raising of Finnvera's authorisation to grant domestic financing to EUR 12 billion was reassuring news for the market, indicating that there will be a sufficient amount of Finnvera's financing available.

We agreed on new operating methods that enabled us to respond to the needs of enterprises. We introduced the option of an instalment-free period for all enterprises affected by the coronavirus crisis. As a rule, the guarantee coverage was defined at 80 per cent instead of the previous 50 per cent. We chose the SME Guarantee as the main

tool for our financing and changed its product terms and conditions. Under the terms and conditions agreed with banks, we built a so-called fast track guarantee model, which made it possible to grant an 80 per cent guarantee for loans granted by banks, up to EUR 1 million. We reduced the pricing of our guarantees.

As a counter-cyclical operator, we increased our risk-taking in line with our mission. We were able to serve enterprises in the unprecedented crisis quickly and without major backlogs. Approximately 23,700 financing and change decisions were made, double as many as in the previous year. The result of the SME and midcap business in 2020 stood at EUR 87 million (EUR 17 million).

### The financing system and cooperation worked for enterprises' benefit

In financial crises, it is typical that the financing system does not work, which exacerbates the effects of the crisis. Now the financing system proved its functionality and lending could be secured. This required extensive and efficient internal cooperation between the client interface, service development and different units. Our personnel's flexibility made development work, rapid changes and client service possible, especially in the spring. Indeed, I would like to thank our personnel for their commitment and expertise.

There was also close and fruitful cooperation with our partners and stakeholders. We had an active dialogue with banks, for which we have received a great deal of praise. The channels of communication were also open to enterprise organisations, for instance, and we were able to make agile changes to respond to messages from business life.

Even during the exceptional year, our client satisfaction remained high, and the average NPS rating in the SME and midcap business was 62.

### It is important to start seeking growth early enough

The crisis resilience of Finnish enterprises proved to be good during the year, and they were able to adjust their operations.

In order to diversify the financing offering, we introduced a working capital loan specifically targeted at the needs arising from the coronavirus crisis.

Working coronavirus vaccines restored the confidence in overcoming the crisis. Although our strategy focused on helping viable enterprises overcome the crisis, we shifted our focus to financing the future growth as the year drew to a close. Financing requires Finnvera's involvement as increased regulatory requirements are reflected in banks' cautious attitude. Finnvera's junior loan, the Growth Loan, improves enterprises' opportunities to apply for external financing.

It is vital that enterprises have the courage to start seeking growth early enough. This also requires courage from providers of financing, and Finnvera wants to be involved as an enabler.

Corporate structure renewal is one of the drivers of growth. Transfers of ownership will again be one of the focus areas in Finnvera's financing. There are also high expectations associated with boosting SMEs' export trade. In 2020, Finnvera granted twice as many export credit guarantees to SMEs as in the previous year. With the special permission, credit insurance could also be granted for exports to EU Member States and Western industrial countries. Hopefully, SMEs will also be more familiar with export financing solutions.

To ensure the growth of SMEs' exports, Finnvera started preparing direct lending for smaller export transactions of less than EUR 20 million. On the basis of our study, there is a clear market failure in this kind of financing after the banks withdrew from it. Direct financing of small export transactions requires an amendment to the legislation, but even before that, we can boost growth with existing products.

**23,700**

Approximately 23,700 financing and change decisions were made in 2020.

## Export financing

In 2020, export financing decreased when measured in euros but, in terms of the number of financing arrangements, they grew from the previous year. This was due to increased demand for credit insurance, among other things. On the other hand, the importance of financing in export trade negotiations grew with increasing uncertainty in the world market. The coronavirus pandemic did not affect all export sectors equally, but the distress in cruise shipping had a major impact on Finnvera.

Export credit guarantees and special guarantees granted by Finnvera primarily for large corporates' export trade amounted to EUR 2.9 billion (EUR 5.2 billion), 44 per cent down year on year when measured in euros. Granted export credit amounted to EUR 1.1 billion (EUR 2.5 billion).

The annual volume of export financing is always influenced by the timing of individual major export transactions. As a result, the annual variation is typically large. Similarly to previous years, very large individual financing decisions, such as ship financing decisions, were not made in 2020.

Of the key export financing sectors, the impacts of the pandemic hit cruise shipping the worst. Approximately one-half of Finnvera's export financing liabilities are associated with cruise shipping. Prolonged travel restrictions based on official regulations dramatically impaired shipping companies' performance and weakened their credit ratings.



### Export Credit Agency guarantees exports and assesses risks on a long-term basis

Trade negotiations are long processes when talking about large-scale commodities. In 2015, Finnvera made the financing decision on the Mardi Gras ship handed over by Meyer Turku Shipyard.

[Read more >](#)

Together with the weaker macroeconomic forecasts, this led to losses in Finnvera's Large Corporates business and significant credit loss provisions in Finnvera Group.

The amount of realised losses will be determined later. The crucial factor is how quickly cruise shipping recovers from the effects of the coronavirus pandemic. Finnvera's exposure related to export credit guarantees and special guarantees was EUR 22.0 billion at the end of 2020 (EUR 25.2 billion). Drawn guarantees accounted for approximately EUR 11.4 billion (EUR 11.1 billion) of the exposure. In other words, approximately half of the exposure

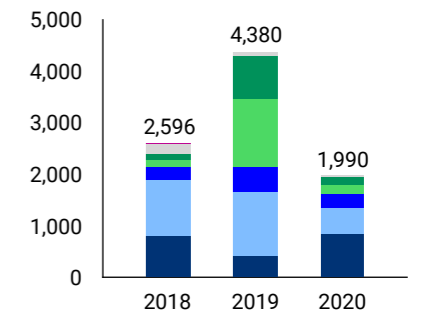


### Investments in the pulp industry continued around the world

One of the largest dissolving wood pulp (DWP) plants in the world is being built in Brazil, with deliveries from Valmet. Finnvera is guaranteeing Finnish exports in the project worth about USD 150 million. The environmental perspective is taken into account in raw material production and wastewater treatment, among other things.

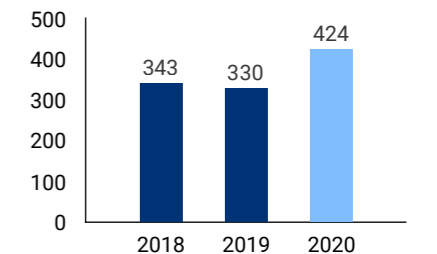
[Read more >](#)

Export credit guarantees and special guarantees that came into effect by region, MEUR



- EU countries, 2020: 42%
- North America, 2020: 26%
- Other Europe, 2020: 13%
- South and Central America, 2020: 8%
- Asia, 2020: 8%
- Middle East and North Africa, 2020: 2%
- Sub-Saharan Africa, 2020: 1%

Number of guarantees and special guarantees granted





was binding financing offers or agreements that are related to future deliveries by export companies.

**Finnvera made preparations for the working capital needs of larger corporates**

As a result of the coronavirus pandemic, Finnvera also made preparations for financing the working capital needs of larger corporates if their chances of obtaining financing were to deteriorate. Finnvera's guarantee may be 80 per cent at a maximum, provided in a manner that ensures that Finnvera does not become the main provider of financing.

However, the availability of financing for large corporates remained good in Finland, and the need for working capital financing was quite moderate in 2020. Finnvera granted EUR 239 million in working capital to large corporates in Finland. In addition, Finnvera guaranteed approximately EUR 290 million of working capital loans included in large corporates' export transactions.

The possibility of granting working capital financing to large corporates was extended until the end of June 2021, in accordance with the decision of the Ministerial Committee on Economic Policy. Large projects are handled on a case-by-case basis and the primary source of financing is still the commercial market.

**The role of financing in export trade negotiations increased**

Despite the coronavirus pandemic, large investment projects were carried out by enterprises in many export sectors, and related financing decisions were made by Finnvera. However, the decline in export financing volumes is a sign of the impaired export prospects and the slowdown in new order intake. Export companies' operations in 2020 were largely based on existing orders.

As in previous years, granted financing especially focused on telecommunications and the pulp and paper sector. For instance, Finnvera was involved in granting guarantees for several investments in pulp and paper mill projects in Brazil, amounting to more than EUR 350 million. LD Celulose's plant to be built in Brazil was Finnvera's first dissolving pulp mill project, which Finnvera co-financed with other providers of financing, with the main provider of financing being IFC, which is part of the World Bank Group, and IDB Invest, which is a member of the Inter-American Development Bank Group. The largest financing arrangement for telecommunications projects was Nokia's deliveries to Verizon in the United States, which Finnvera guaranteed with EUR 500 million.

The long-term nature of financing is a key factor in Finnish export companies' and foreign buyers' commitment to transactions. In December, Meyer Turku Shipyard delivered a cruise ship to Carnival Cruises. Finnvera made the export credit guarantee decision associated with this delivery already in 2015. Trade negotiations are long processes, especially when talking about large-scale commodities such as a cruise ship.

Increasing uncertainty in the market and the growing importance of buyer financing in export trade negotiations could be seen in how advance information on the financing arrangement and its pricing was requested more frequently in negotiations concerning new export transactions. As the global economic cycle grows weaker, the role of export credit agencies is typically emphasised and the demand for financing increases.

**Export credit guarantees with a short risk period increased in number**

In the export credit guarantees granted, the share of buyer credit guarantees was EUR 1.6 billion (EUR 3.8 billion).



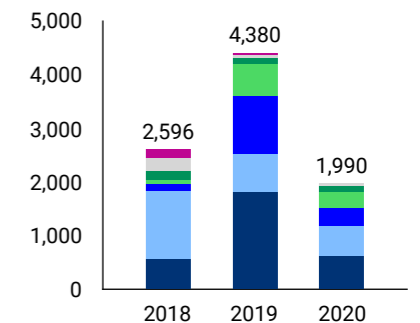
**Finnvera began preparations for direct lending for small export transactions**

At present, Finnish export companies are clearly in a weaker position than their foreign competitors, as the supply of banks to finance small export transactions is insufficient. This could be seen in a study commissioned by Finnvera, which interviewed banks and export companies, among others. On the basis of the study, Finnvera began preparations for the granting of direct export credits in order to accelerate small export transactions. The granting requires an amendment to the Act on Credits and Guarantees Provided by the State-Owned Specialist Financing Company, and direct lending for small export transactions is expected to be topical in early 2022.

The aim of the public export financing operations carried out by Finnvera is to promote Finland's economic development by offering internationally competitive financing for exports. In 2019, the broad-based working group appointed by the Ministry of Economic Affairs and Employment submitted its development proposals regarding the development of the public export financing system. Starting to grant buyer credits for small export transactions is one of the proposals put forward by the working group.

[Read more >](#)

**Export credit guarantees and special guarantees that came into effect by sector, MEUR**



- Cruise shipping, 2020: 31%
- Telecommunications, 2020: 28%
- Pulp and paper, 2020: 16%
- Other\*, 2020: 16%
- Energy, 2020: 6%
- Mining and metals, 2020: 2%
- Other industries, 2020: 1%

\* Including other risks such as sovereign risks related to states and bank risks.

Demand for buyer credit guarantees reflects the structure of Finnish exports and the fact that the financing of capital goods exports requires long payment periods and long-term credits for export companies' buyer clients.

As far as small and medium-sized export transactions are concerned, Finnvera typically promotes them with credit insurance and the Documentary Credit Guarantee, with the repayment period usually less than two years. The use of trade financing products increased in number in 2020.

Due to the coronavirus pandemic, Finnvera's authorisation to grant export credit guarantees with a short risk period was extended in April, when Finnvera was allowed to start granting credit insurance also for exports to so-called marketable risk countries, such as EU Member States, Japan and the United States. The authorisation is based on the extensive package of measures that the European Commission introduced due to the coronavirus pandemic. Finnvera's guarantee cover rose to 90 per cent. Under normal circumstances, granting credit insurance for exports to Western industrial countries is not possible for Finnvera; instead, insurance is provided by commercial credit insurers and Finnvera supplements the market. The special permission is valid until the end of June 2021.

The use of credit insurance type guarantees, or Export Receivables Guarantees, Receivables Purchase Guarantees and Credit Risk Guarantees, grew in number by around 70 per cent from the previous year, and Finnvera granted 266 credit insurance arrangements (186) for a total of EUR 99 million (EUR 632 million). The large euro amount in the previous year is explained by a single large Credit Risk Guarantee agreement.

Credit insurance helps maintain trade relations even if there were credit risk uncertainties associated with enterprises in the target country. The export company may take out insurance for the eventuality that the client does

not pay. Especially for a smaller export company, this kind of loss might prove fatal. More than half of credit insurance arrangements were granted to SMEs. Insurance also enables the export company to offer a longer term of payment to the buyer, which improves the exporter's competitiveness.

However, in terms of the number of arrangements, demand for Finnvera's credit insurance was lower in 2020 than in 2009, during the financial crisis, when there was a comparable special permission from the European Commission to safeguard exports. In 2009, the number of credit insurance arrangements granted was more than 450.

The use of Documentary Credit Guarantees reflects Finnvera's role in sharing the political risks associated with export trade and is a sign of banks wanting to resort, to an increasing extent, to Finnvera as a guarantor of risks. Finnvera granted a slightly higher number of Documentary Credit Guarantees than in the previous year, but the euro amount decreased and was EUR 177 million (EUR 448 million).

**Export credit guarantee and special guarantee exposures in over 90 countries**

Finnvera had export credit guarantee and special guarantee exposures in 93 countries. In approximately 20 countries, the exposure exceeded EUR 100 million. In almost half of the countries, it amounted to more than EUR 10 million. In 2020, the strongest demand for Finnvera's export financing was related to trade with Latin America. Geographically, roughly half of the total exposure for export credit guarantees is related to trade with the United States.

Credit insurance was granted to a wide range of sectors and for exports to nearly all EU countries, such as Sweden, Germany and the Baltic countries as well as to the United Kingdom, which left the EU. Other credit insurance countries included Australia, Japan, Canada and the United States.

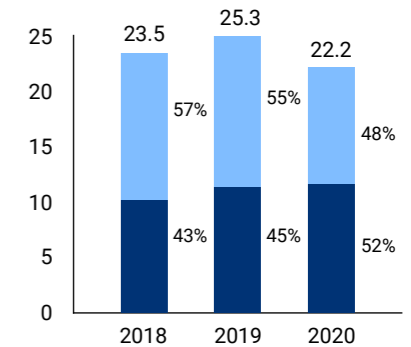


**Finnvera received Handelsbanken's Trade Finance 2020 Award. Handelsbanken Finland gives the Trade Finance Excellence Award annually in recognition of foreign trade promotion and financing expertise.**

Under normal circumstances, granting credit insurance for exports to these countries is not possible for Finnvera.

Finnvera's traditional large-volume credit insurance countries are Russia and Turkey. Finnvera's largest politically risky country exposure is Russia. Furthermore, Finnvera granted credit insurance for exports to countries such as Brazil, India, Chile, Mexico and South Korea, for which it can also normally grant credit insurance.

**Export credit guarantee and special guarantee exposure, EUR billion**



- Drawn guarantees, 2020: 52%
- Undrawn guarantees and binding offers, 2020: 48%

**The European Commission granted Finnvera a special permission extension that allows Finnvera to grant guarantees with a risk period of less than two years for export transactions to Western industrial countries also after the European Commission's coronavirus-related Temporary Framework ends in June 2021. The extension of the special permission is valid until the end of 2023.**

**Reinsurance reinforced risk protection**

Protection against risks carried by Finnvera has been developed actively in recent years, and the maximum indemnity amount of Finnvera's reinsurance arrangements at the end of 2020 was EUR 1.3 billion (EUR 1.5 billion), or 11 per cent of the drawn guarantees.

New reinsurance policies amounted to approximately EUR 300 million as some of the planned reinsurance arrangements were not realised due to the coronavirus pandemic. Good cooperation with Finnvera's risk protection partners, such as reinsurers, became particularly important, and new reinsurance policies could be concluded even in the exceptional circumstances.

New risk transfer opportunities will be developed for 2021.



**Export financing outlook in Africa**

There is international interest in Africa. The EU published its Africa strategy and the Finnish government was creating one of its own. Finnvera is an active participant in various networks and cooperates with different providers of financing to find new ways to use Finnvera's financial instruments in exports to Africa.

[Read more >](#)



**Progress in international export credit negotiations**

New agreements were reached in international export credit negotiations. From now on, an export credit agency may increase the proportion financed or guaranteed under the OECD Arrangement on Export Credits as local costs in the target country can be included to an increasing extent. Especially exporters involved in infrastructure projects have requested the inclusion of a higher share of local costs. The aim is to develop the OECD Arrangement on Export Credits according to market conditions and competitive situations (e.g. export credit competition with China). Another major negotiation topic is export credit CIRR rates: an agreement was reached on a reform of their terms and conditions. The agreements' entry into force requires a formal EU decision in early 2021.





**Jussi Haarasilta**  
Large Corporates

Executive Vice President's review

## The coronavirus pandemic had a severe impact on exports and Finnvera's Large Corporates business

In many export sectors, existing order books helped enterprises survive in 2020. The launch of new projects slowed down, but the importance of financing in export trade negotiations grew. Finnvera's social role was particularly significant during the coronavirus year.

Of the sectors associated with Finnvera's Large Corporates business, the impacts of the pandemic hit cruise shipping the worst. Prolonged restrictions dramatically impaired shipping companies' performance and weakened their credit ratings. Together with the weaker macroeconomic forecasts, this led to significant credit loss provisions at Finnvera. Unlike in previous years, the result for Large corporates business showed a significant loss of EUR 848 million, whereas it showed a profit of EUR 56 million in 2019.

The crucial factor for the future is how quickly cruise shipping recovers. Finland and Finnvera are involved in a globally large maritime cluster. Last year, 16 new cruise ships were completed worldwide, one of which was the cruise ship handed over from Meyer Turku Shipyard in December. The related financing decision was made in 2015, which reflects the long-term nature of financing.

We granted EUR 2.9 billion in export credit guarantees and special guarantees and EUR 1.1 billion in export credits. The decline in financing compared with the previous year reflects the economic and export prospects. A single major factor behind the decline in the euro amount of financing is the lack of new ship projects. On the other hand, even in normal years, the volume of financing varies according to the timing of individual major projects.

Despite the scale of the pandemic, not all export sectors were affected equally. For instance, large investment projects were brought to conclusion in the pulp and paper sector and telecommunications, and related financing decisions were made by Finnvera. Export companies' existing order books helped them survive in 2020. The launch of new export projects slowed down. It is also worth noting that advance information on the financing arrangement and its pricing was requested more frequently in trade negotiations. This is a sign of the growing importance of buyer financing in export trade negotiations. The role of export credit agencies typically grows with increasing uncertainty in the world economy.

The coronavirus pandemic alone does not explain the slowdown in exports. For instance, in the pulp industry, an important sector for Finnish exports, the peak of new projects was already experienced before the coronavirus pandemic.

### The role in reconstruction became even more important

In its strategy for the exceptional circumstances, Finnvera focused on ensuring conditions for export financing. The role in reconstruction became even more important in Finland.

We received the authorisation to finance large Finnish corporates directly by granting them working capital. Working capital financing was intended as a back-up solution to complement other sources of financing if

large corporates' chances of obtaining financing were to deteriorate. The availability of financing for large corporates remained good, and this form of financing was not needed to a large extent.

It was also important that the European Commission's special permission allowed us to extend credit insurance to Western industrial countries, such as EU Member States. Credit insurance helps maintain trade relations even in difficult times without fear of credit losses, which might prove fatal especially for smaller export companies. Insurance can also help enterprises to improve their competitiveness by enabling them to offer a longer term of payment to the buyer. The number of credit insurance arrangements granted was higher than in the previous year.

### Impact of financing gained new significance

In addition to self-sustainability, the impact of financing is an indicator of our success: how and at what price we can facilitate export transactions with our financing. Impact gained new significance in 2020, with our role in society and our responsibility in ensuring the operating conditions for enterprises becoming even more prominent.

At the same time, we developed corporate responsibility in our operations. We carried out the practical implementation of actions compliant with the revised environmental and social risk management policy for financing operations. The environmental and social risk assessment will become more visible to enterprises applying for export credit guarantees this year, and we will provide advice on identifying corporate responsibility issues in export projects.

The challenging year showed that, as an organisation, we were capable of being flexible and responding to the rapidly changing situation. For this, I would like to thank our skilled personnel as well as our clients and partners.

**5.5%**

Finnvera's export credit guarantees were used in 5.5% of Finland's total exports.

## ESG risk management in financing operations

Finnvera gradually developed practices and guidelines associated with the environmental and social risk management in its financing operations. This work was based on the environmental and social risk management policy for financing operations, ratified by the Board of Directors in 2019. The anti-bribery and tax haven policies approved by the Board of Directors were implemented in practice in 2020.

By managing environmental, social and corporate governance (ESG) risks, Finnvera ensures corporate responsibility in its financing operations, but these actions are also an integral part of the risk management of financing operations. A careful assessment of the projects to be financed is inseparably linked to Finnvera's controlled risk-taking, which is at the core of the company's strategy.



The aim is to improve the efficiency of the risk assessment and management and to increase the openness and predictability of operations. Finnvera develops policies and the related specifying guidelines on the basis of experiences gained and feedback received as well as legal sources and recommendations. The company's Board of Directors assesses the appropriateness of the policies at regular intervals.

Finnvera estimates that the most serious risks are concentrated in export credit guarantee operations. Consequently, the environmental and social risk management focuses on export projects.

### The assessment of transactions to be financed is guided by a risk-based approach

Until the end of 2020, Finnvera divided transactions to be financed according to sector, size and repayment period, and in the environmental and social risk management, the focus was on transactions related to projects and exceeding EUR 10 million and having a repayment period of over two years. For smaller projects, risk assessment was carried out on a case-by-case basis. Processes compliant with the new environmental and social risk management policy were developed during the year, and the policy-compliant project screening started at the beginning of 2021. With the new policy, environmental and social risks will be analysed in a larger number of applications: around 300–400 applications will be processed per year, instead of the current figure of approximately 50–100 applications per year.

From now on, the risk assessment and management of projects to be financed will be increasingly guided by identifying where the most serious impacts and risks are likely to be. If the risks associated with the sector are high and the target country's legislation related to environmental and social risks is weak or its enforcement is lacking,



### Responsible business benefits both the exporter and the buyer - "Responsible enterprises are more resilient to external blows"

Responsibility is part of business and creates a competitive advantage on the market for enterprises that show that corporate responsibility is a genuine part of their operations. Acting responsibly makes enterprises more resilient in crises like the coronavirus pandemic.

[Read more >](#)

Finnvera has a more stringent obligation to ensure that national and international requirements are met. Risk management and the financing decision are also influenced by Finnvera's leverage on the environmental and social factors of the project.

When it comes to export credit guarantee transactions, the assessment and management of impacts and risks according to Finnvera's new policies exceed the minimum level set by the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, which is limited to export credit guarantees with a repayment period of more than two years.

Finnvera estimates that the most serious risks are concentrated in export credit guarantee operations. export projects.

**Updated policies can be seen in the Code of Conduct**

In 2019, Finnvera revised its environmental and social risk management policy and anti-bribery policy and created a new tax haven policy. The Code of Conduct, the principles governing Finnvera's business operations, were updated on the basis of these changes in early 2020.

**The new approach is reflected in export credit guarantee applications**

Many export credit guarantee application forms were updated at the turn of the year 2020/2021. The new forms now feature questions on the use and location of the export product as well as on its potential environmental and social impacts and risks. The questions are used for analysing topics such as the nature values of the project area and whether the investment could have impacts on the people who live in the area, especially any vulnerable groups.

Additional information is required whenever the payment period for the export product is more than two years or whenever the export product is capital goods. The purpose of these preliminary questions is to facilitate the processing and screening of the guarantee application.

Training about the changes was organised for the personnel and enterprises at the beginning of 2021.

The changes in the information gathering process are based on the fact that the State of Finland, as Finnvera's owner, has said that the United Nations Guiding Principles on Business and Human Rights (UNGPs) should be taken more into account in the assessment of financing projects.

**Knowing your customer and anti-bribery and tax haven actions are an integral part of financing operations**

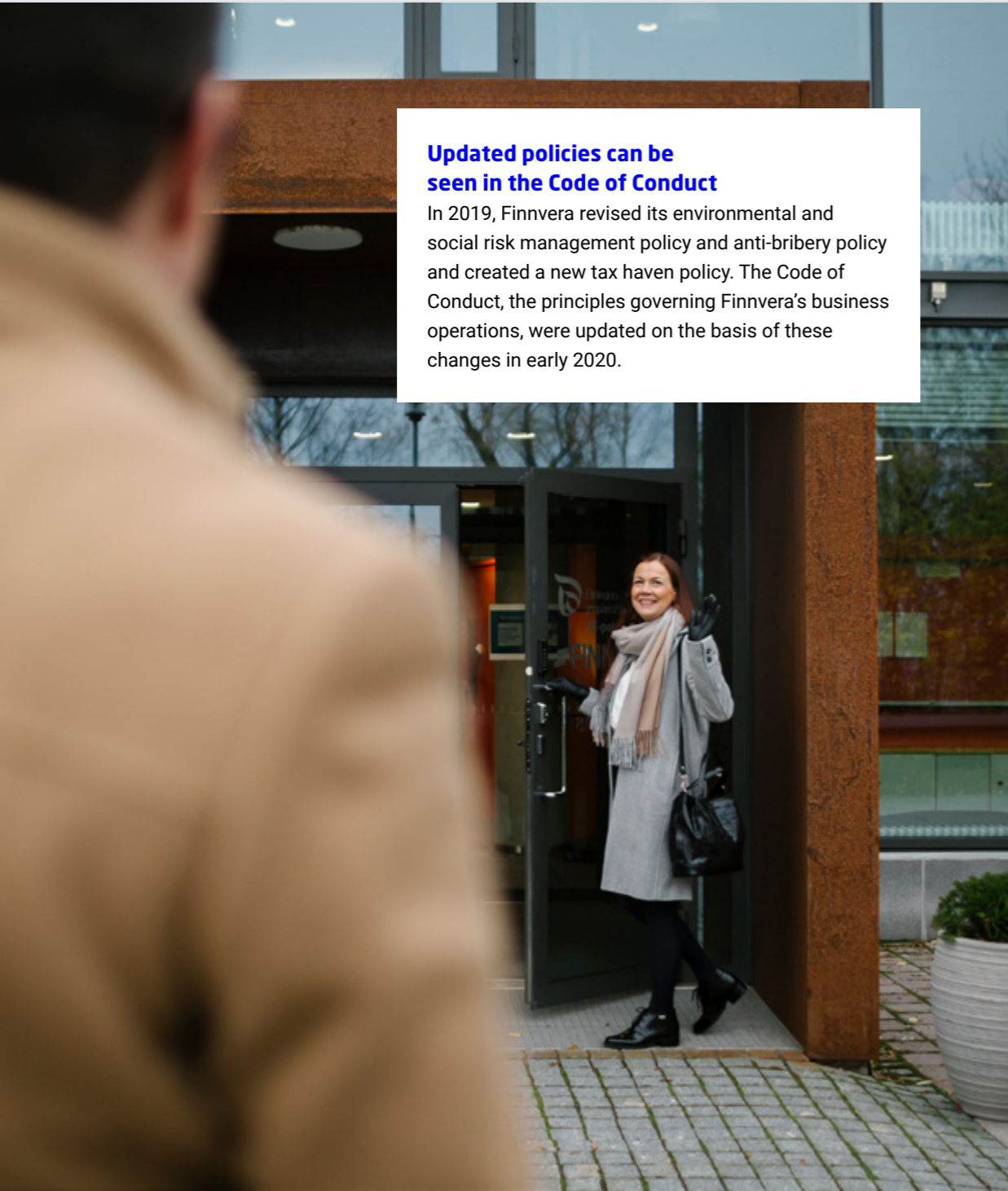
The "Know Your Customer" (KYC) process is an essential part of the processing of financing applications. The basic-level KYC obligations include registering the identifying data of the enterprise that applies for financing, its ownership structure, the nature of its business operations and the financing object. Where necessary, it is also possible to obtain various background information related to the so-called risk of damage to reputation.

In the future, applications will require information related to the KYC obligations: information on beneficial owners and so-called PEP information, i.e. whether the beneficiary of the client enterprise is a politically exposed person.

Screening also covers the buyer client of the export company and, if necessary, other parties of the project to be financed; this applies to all export financing products, apart from Documentary Credit Guarantees or Bank Risk Guarantees with a payment period of less than two years. While not required by law, such third party due diligence is part of Finnvera's responsible financing operations.

With Finnvera's new anti-bribery policy, the screening of financing project parties was added to the processing of financing applications in 2020 in order to identify bribery risks. In addition, Finnvera decided to introduce in all of its financing operations a new policy identifying and recognising tax havens and associated tax evasion risks. The purpose is to identify a tax haven ownership, as defined by the EU or the OECD, relating to Finnvera's client enterprise or a foreign trade partner in export financing as well as the tax evasion and money laundering risk resulting from it. The goal is to minimise the risk by requiring the client enterprise to confirm that it appropriately complies with tax obligations.

**By managing environmental, social and corporate governance (ESG) risks, Finnvera ensures corporate responsibility in its financing operations, but these actions are also an integral part of the risk management of financing operations.**





## How environmental and social risks were managed in export transactions in 2020

Export financing transactions are divided into categories A, B or C. Category A means that in its target country, the investment entails significant environmental or social risks, such as impacts on surrounding communities, employees and biodiversity.

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

In 2020, Finnvera granted 424 export credit guarantees. Of these, 41 fell within the scope of preliminary environmental and social risk assessment and categorisation. The guarantees were categorised as follows: 2 in Category A, 2 in Category B and 6 in Category C. The remaining 31 transactions were not transactions meeting the OECD definition due to their size, and no actual environmental or social risk assessment was made for them. The transactions to be assessed were located in Chile, China and Brazil, among other countries.

The impact of the coronavirus pandemic could be seen in the fact that the number of new transactions to be assessed decreased clearly last year.

No transactions were rejected, but some of the export transactions in the preliminary discussions did not proceed to the decision-making process. In discussions with exporter clients, the environmental and social criteria necessary for the realisation of the transaction are always reviewed. The aim is to be proactive and to guide the exporter so that the

transaction could meet the financing decision requirements. This is sometimes not the case, and reasons may include the transaction's location in a fragile area and the buyer's poor reputation, for instance.

In assessments, Finnvera cooperates closely with various stakeholders, such as other export credit agencies, export companies, buyers, and banks. In major Category A transactions, the processing time is typically months or even years.

### Major Category A transactions proceed from analyses to monitoring - the coronavirus pandemic influenced site visits

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

Usually, Finnvera's expert also visits the site to assess the transaction party's attitude towards risk management as well as its risk management ability and management approaches. The visit to the site is important as it is an efficient means to also investigate how various stakeholders affected by the transaction, such as NGOs, authorities and people living in the area, view the transaction. In 2020, the coronavirus pandemic completely prevented Finnvera's site visits. The parties executing the transaction organised virtual site visits over remote connections, using means such as sharing videos shot with a drone camera. Virtual visits made it possible to proceed with the transactions but also involved challenges. As meetings with authorities, employees' representatives and



residents, among others, that are part of normal visits were not possible, it was more difficult to form an overview of the situation. Consequently, it was decided that site visits will be carried out for the transactions with the highest risks as soon as the coronavirus situation allows. In credit agreements, the aim has been to ensure that Finnvera gets sufficient visiting rights to the transaction area.

On the basis of the visit and other information available about the transaction, the expert prepares an assessment report for Finnvera's internal decision-making. The report assesses the transaction's success opportunities considering Finnvera's requirements and describes how existing risks can be managed: how they are monitored (e.g. with a consultant's visit to the site), and what kind of terms and conditions must be included in the loan agreement.

If the ESDD report and the action plan meet the requirements and if Finnvera's view is that the transaction party is willing and able to execute the actions required by

the plan, it is proposed that the transaction be approved. After this, the transaction monitoring plan is agreed on. It could involve, for instance, an external consultant who reports to Finnvera on the basis of visits.

After the loan agreement is signed, the consultant visits the site at agreed intervals and ensures that the level required by Finnvera is reached. In transactions with particularly high risks, the consultant monitors operations throughout the loan repayment period. If problems emerge, the primary means to address them is negotiations. However, the loan agreement has an option for requesting immediate repayment of the loan if terms and conditions are not complied with.

**Category B and C transactions are assessed to a lesser extent**

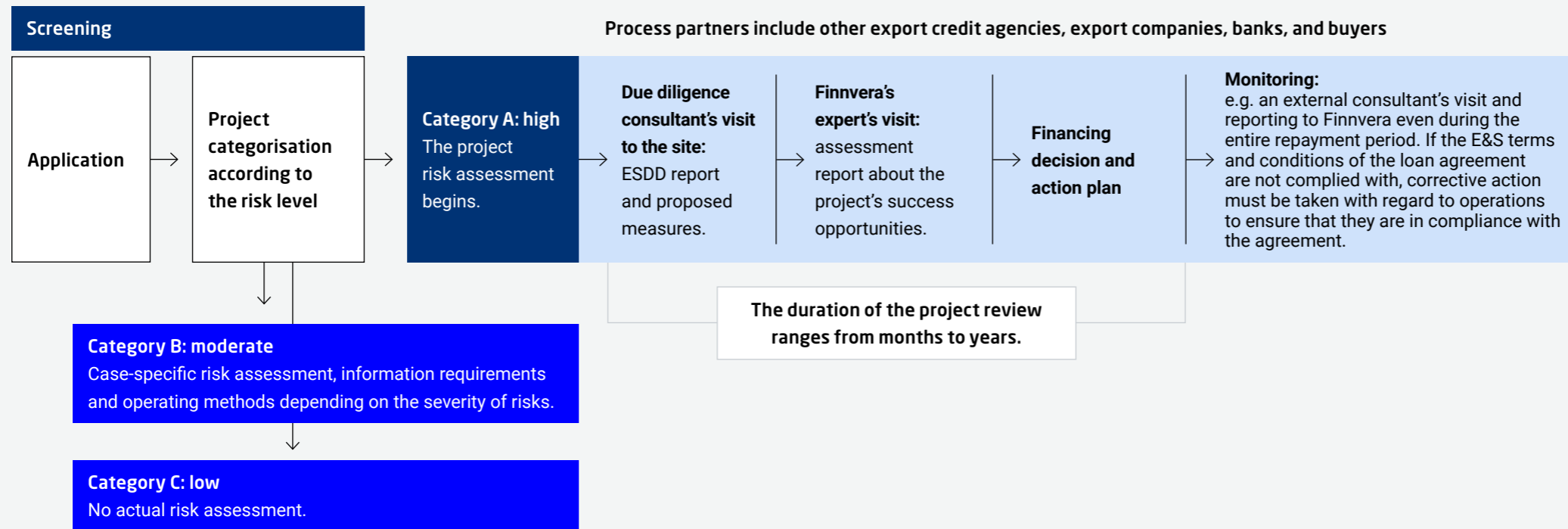
Category B transactions may have moderate negative environmental and/or social impacts and risks but they are smaller and more easily manageable than in Category A and, as a result, information requirements are more limited.

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

**Finnvera's operations are governed by acts and agreements**

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

**Large financing project assessment process**



Process partners include other export credit agencies, export companies, banks, and buyers

## Asset management

The impact of the coronavirus pandemic could be seen in funding in 2020. As a result of the considerable change in the economic outlook, the demand for Finnvera's export financing and, in particular, export credit remained lower than estimated. Consequently, Finnvera's funding activities were carried out on a smaller scale than planned.

Finnvera operates actively on international capital markets. In recent years, Finnvera's annual funding has typically totalled approximately EUR 2 billion. Usually, this has meant one EUR-denominated and one USD-denominated benchmark bond issue per year. In 2020, Finnvera's financing need was lower than expected. Finnvera issued one benchmark bond in September. It was a EUR 1 billion bond that will mature in 2027.

Finnvera mainly carries out funding activities within the framework of the state-guaranteed EMTN programme. At the end of 2020, the outstanding bonds, issued under the EMTN programme, amounted to approximately EUR 9.7 billion (EUR 9.7 billion).

The demand for financing is mainly influenced by the banks' ability to provide loans to businesses and by global economic development. Rough plans on funding needs are made for a minimum of one year into the future, and they are based on estimates of clients' needs for financing and debt maturity. The estimated amount of funding for 2021 is EUR 1.0–1.5 billion.

Finnvera uses the funds acquired for financing export credits. The goal of funding is competitive financing for the



Stakeholders increasingly expect environmental, social and corporate governance (ESG) responsibility to be incorporated into Finnvera's operations.

clients of Finnish export companies. Approximately one third of buyer credits guaranteed by Finnvera in 2020 also included credit provided by Finnvera's subsidiary Finnish Export Credit Ltd.

### Who are Finnvera's investors?

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

A guarantee by the State of Finland is a sign of a low-risk bond for investors. The oversubscription of Finnvera's bonds signals a growing demand and shows that previous issues and active work in investor relations have increased Finnvera's recognisability on international capital markets.

In 2020, the asset management team was strengthened with additional recruitment, and the development of the capital market function will continue in 2021.

### Finnvera analysed investor stakeholders' views on corporate responsibility

Finnvera analysed the views of important investor contacts and capital market participants on the material topics of corporate responsibility at the end of 2020. The survey was related to Finnvera's broader update of the corporate responsibility materiality analysis.

The responses confirmed the view that Finnvera's investor stakeholders increasingly expect environmental, social and corporate governance (ESG) responsibility to be clearly incorporated into the company's operations.

### EMTN programme

Finnvera issues bonds under the EMTN programme guaranteed by the State of Finland. The EMTN programme amounts to EUR 15 billion and its rating corresponds to the rating assigned to the State of Finland for its long-term liabilities. The rating given by Moody's to Finnvera is Aa1 and that given by Fitch is AA+.

**EUR 9.7 billion**  
At the end of 2020, the outstanding bonds issued by Finnvera amounted to approximately EUR 9.7 billion.



## Key figures

Finnvera Group	2020	2019	2018	2017	2016
<b>Key P&amp;L figures</b>					
Net interest income, MEUR	51	41	42	46	50
Net fee and commission income, MEUR	143	141	135	127	144
Other operating income, MEUR	349	0	4	1	12
- Of which fund payment from The State Guarantee Fund, MEUR	349	-	-	-	-
Operational expenses, MEUR	-44	-42	-46	-43	-44
- Of which salaries including social security costs, MEUR	-29	-29	-28	-29	-30
Realised credit losses and change in expected credit losses, MEUR	-1,269	-60	-45	-42	-94
Credit loss compensation from the State, MEUR	36	17	24	23	28
Operating profit/loss MEUR	-740	100	100	109	69
Profit/loss for the period MEUR	-748	94	98	107	70
<b>Key balance sheet figures</b>					
Loans to and receivables from customers, MEUR	7,088	8,083	6,876	5,846	6,078
Investments, MEUR	3,474	3,231	2,665	3,084	2,082
Liabilities, MEUR	11,946	11,202	9,681	9,023	8,290
- Of which debt securities in issue, MEUR	10,379	10,138	8,783	6,483	4,892
Shareholders' equity, MEUR	727	1,463	1,358	1,314	1,207
- Of which non-restricted equity, MEUR	473	1,221	1,126	1,062	955
Balance sheet total, MEUR	12,673	12,665	11,039	10,337	9,498
<b>Key ratios</b>					
Return on equity, ROE, %	-68.3	6.7	7.4	8.5	6.0
Return on assets, ROA, %	-5.9	0.8	0.9	1.1	0.8
Equity ratio, %	5.7	11.6	12.3	12.7	12.7
Capital adequacy ratio, Tier 1, domestic operations, %	25.1	29.4	27.2	25.3	22.4
Capital adequacy ratio, Tier 1, export credit guarantees and special guarantees, % <sup>1</sup>	1.3	6.9	6.8		
Expense-income ratio, %	26.4	25.4	29.3	27.2	27.0
Average number of employees	360	364	372	383	398
<b>Finnvera plc, domestic financing</b>					
Loans, guarantees and export credit guarantees offered, Billion EUR	1.7	1.0	0.9	1.0	1.0
Outstanding commitments, Billion EUR	2.9	2.3	2.3	2.5	2.6
Number of start-up enterprises financed	2,700	2,400	2,600	3,100	3,400
Number of new jobs created	8,700	8,000	7,700	9,100	8,700
<b>Finnvera plc, export financing</b>					
Export credit guarantees and special guarantees offered, Billion EUR	2.9	5.2	3.0	7.5	4.2
Outstanding commitments, Billion EUR	22.0	25.2	23.3	22.2	18.1
<b>Finnvera plc, clients</b>					
Number of clients, domestic financing and export financing together	26,500	24,500	25,700	27,300	27,700

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

### Formulas for the key indicators

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

## Risk management at Finnvera

**The impact of the coronavirus pandemic and the extent of the crisis became apparent gradually. The full severity of the crisis will only be seen in the future. From the perspective of risk management, the pandemic posed the challenge that it had a global impact across the boundaries of various sectors. The year underlined the importance of cooperation and continuous monitoring.**

Along with the increase in its exposure, Finnvera has continuously developed its risk management. The special characteristics of export financing and the concentration of risks in certain sectors, reflecting the structure of Finnish exports, are taken into account in risk management and reinsurance. However, the pandemic hit cruise shipping, a key sector in Finnvera's exposure, especially hard. This significantly increased Finnvera's credit loss provisions in export credit guarantee and special guarantee operations, to EUR 1.2 billion. According to the IFRS 9 standard, credit loss provisions must be made in a proactive manner and in accordance with the prudence principle.

Even in normal years, the amount of export financing fluctuates greatly and is influenced by the timing of individual major export transactions. Exceptional circumstances accentuate fluctuations, but the role of the export credit agency entails a long-term approach to operations and risk management over cycles.

The volume of domestic financing granted was roughly one and a half times that of the previous year. During the year, Finnvera gained new clients, and many enterprises' financing needs were related to the acute situation caused by the coronavirus pandemic. However, credit quality was still good among the objects financed.

As a whole, it is likely that the impacts of the coronavirus crisis on enterprises and Finnvera will only be seen later this year and next year. Finnvera's operations are based on self-sustainability. With risk management, we seek to ensure self-sustainability in the long term. Finnvera's operations have been profitable during the company's 21 years of operation, until 2019. During this period, the company increased its loss reserves for potential future losses.

Finnvera's role in supplementing the financial market, its social responsibility and its industrial policy task were particularly important in 2020. Finnvera's task was to extensively secure financing and to ensure financing for viable enterprises to overcome the crisis.

### Risk management through cooperation

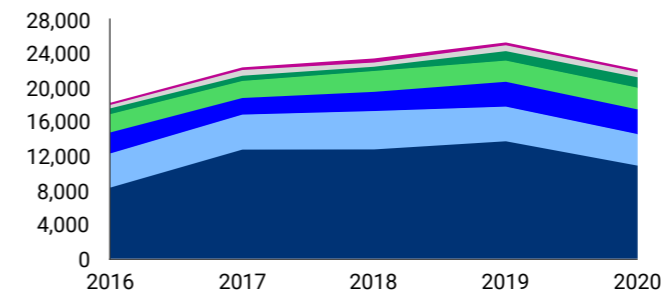
Finnvera applies the "three lines of defence" model in internal control and risk management. According to it, the business units and support functions, or the first line of defence, bear the primary responsibility for internal control and risk management.

The second line of defence is the Risk Control and Compliance functions, which are independent of the business operations. Risk Control bears the primary responsibility for credit, market and operational risk control at the second line of defence, and the unit participates in the development of all elements of the company's risk management. Compliance assists the organisation's management and other functions in managing the risks

### Preparations were made for transferring Finnvera's financial supervision

The Ministry of Economic Affairs and Employment guides Finnvera's operations and is also responsible for its financial supervision. Based on the analysis conducted in 2019, the transfer of Finnvera's financial supervision to the Financial Supervisory Authority was prepared in 2020. Finnvera's differences when compared to other operators in the financial sector were taken into account in the preparations. The schedule for the transfer of financial supervision will be specified in more detail during 2021.

### Export credit guarantees and special guarantees, 5-year-trend of exposure by sector, MEUR\*

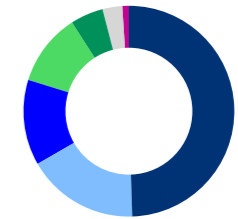


Exposure on 31 Dec	2016	2017	2018	2019	2020
● Mining and metals	255	310	478	332	290
● Energy	404	667	492	684	616
● Other industries	672	611	497	1,108	1,215
● Others**	2,139	1,993	2,440	2,478	2,539
● Pulp and paper	2,455	1,940	2,243	2,901	2,886
● Telecommunications	3,994	4,092	4,487	4,055	3,688
● Cruise shipping	8,380	12,814	12,835	13,786	10,938

\* Reinsured amounts reduced.

\*\* Including other risks, such as sovereign risks related to states and bank risks.

### Exposure by sector 31 Dec 2020, % Export credit guarantees and special guarantees, in total 22,172 MEUR\*



- Cruise shipping, 49%
- Telecommunications, 17%
- Pulp and paper, 13%
- Others\*\*, 11%
- Other industries, 5%
- Energy, 3%
- Mining and metals, 1%

\* Reinsured amounts reduced.

\*\* Including other risks such as sovereign risks related to states and bank risks.



associated with non-compliance of rules. To this end, Compliance provides proactive legal monitoring, control and consulting.

The third line of defence is internal auditing which reports directly to the Board of Directors.

On an international scale, Finnvera's risk management was already at a good level before the pandemic, which was an advantage as the crisis progressed. In the spring,

we managed to make many process and product changes in a short time. We accelerated our processes and ensured their functionality, and the personnel's flexibility, competence and professional skills played even more crucial roles than usually. There was close cooperation across the lines of defence and risk management activities were carried out jointly.

We intensified monitoring at the level of the entire organisation to keep the risk overview up to date at all times. Monitoring contributes to ensuring business continuity. We offered our stakeholders regular and concise reporting on the development of financing and risks.

**The exceptional circumstances had various impacts on risks**

The key risk in Finnvera's operations is **credit risk**, which may be realised if the party that has received a loan or a guarantee cannot fully meet its obligations. This may potentially cause credit losses. Risk identification and monitoring are based on the risk classification systems and analyses that are used when assessing the creditworthiness of the risk object in connection with financing projects.

In 2020, the credit risk level increased significantly, especially due to export financing risk concentrations. However, realised credit losses in 2020 were quite low. The realisation of risks as a whole will only be seen in the coming years.

Finnvera's ability to take risks was significantly influenced by the fact that Finnvera's authorisation to grant domestic financing was raised to EUR 12 billion in April and at the same time, the State's credit and guarantee loss compensation was raised from 50 per cent to 80 per cent.

**Liquidity risk** refers to the situation in which an enterprise does not have sufficient funds to meet

its required payment obligations at that moment. The sufficiency of liquidity is assessed and measured with stressed scenarios and over 1-month and 12-month periods. Finnvera's contingency plan describes funding in exceptional circumstances.

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

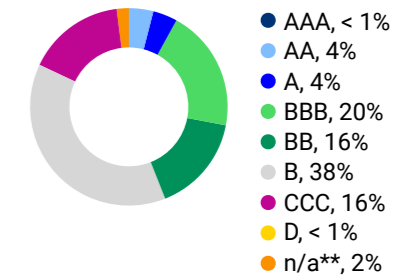
Finnvera received solid support from ownership steering for the continuation of operations. Our task is to ensure that the continuity of the financing we grant is secured in terms of risk management and that we are able to provide financing for new projects.

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

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

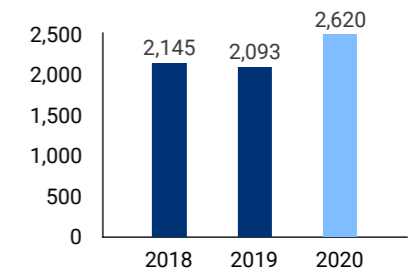
**Operational risks** refer to a potential loss caused by inadequate or incorrect internal processes, personnel, information systems, external factors or problems with information security and data protection. Legal and compliance risks as well as the risk of damage to reputation are included in operational risks. Operational risk management is closely linked to the development of the quality of operations, the processes that guide operations

**Export credit guarantees and special guarantees, exposure by risk category 2020, %, in total 22,172 MEUR\***



\* Reinsured amounts reduced.  
\*\* Including unclassified risks such as sovereign risks related to states.

**3-year-trend of exposure, MEUR  
Loans, guarantees and export guarantees**





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

The likelihood of operational risks often increases when sudden changes take place. Finnvera was well prepared for coping with the coronavirus crisis. It was particularly positive that the organisation's change management and leadership proved to be good.

**Distribution of Finnvera's risks in 2020**

The structure of the Finnish export industry is centred around capital goods. The export financing needed for their trade has increased Finnvera's exposure and risk concentrations significantly in recent years. All in all, slightly less than half of the total exposure for export credit guarantees is related to trade with the United States and approximately half is associated with cruise shipping. Approximately half of the total exposure was binding financing offers or agreements that are related to future deliveries by export companies.

Of the sectors associated with Finnvera's Large Corporates business, especially cruise shipping has grown in recent years. The international wave of investments in new cruise ships has boosted the growth of shipyards and their subcontracting networks in Finland. Finnvera's total exposure in cruise shipping reflects the length of the order book resulting largely from the shipyards' limited building capacity.

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

Altogether, 28 per cent of the exposure of the Large Corporates business is in risk category BBB-, which describes investment grade, or in better risk categories. Risk

categories declined as a result of the coronavirus pandemic, especially in several cruise shipping companies. Due to this and the generally weaker outlook in the world economy, Finnvera had to make significant credit loss provisions. The taking of new risks is staggered by risk category and exposure so that the taking of risks that are particularly high in comparison with loss reserves is restricted.

Finnvera's total exposure for SME and midcap financing grew from the previous year as financing increased due to the coronavirus crisis. In the exceptional circumstances, Finnvera did not allocate financing only to its designated focus areas – start-ups, enterprises seeking growth and internationalisation, and enterprises in situations of change – but focused financing on helping all viable enterprises overcome the crisis. However, the solvency of enterprises remained quite good in 2020.

A total of 80 per cent of Finnvera's total exposure for SME and midcap financing is in risk categories BB and B, and enterprises in these categories may face challenges in getting financing from the market with weaker securities. At Finnvera, these enterprises are subject to normal financing arrangements. As for enterprises in risk category CCC, their category has usually declined after the financing was originally granted and their credit risk has clearly increased. Thanks to the well-functioning financing market, the significance of Finnvera's financing in category BBB and in better risk categories is lower.

Half of the total exposure for SME and midcap financing is associated with industry. Services to business was the second largest sector and trade and consumer services the third. Tourism enterprises' relative share of financing increased in 2020 as the coronavirus pandemic affected especially the service sector, tourism and the hospitality industry.



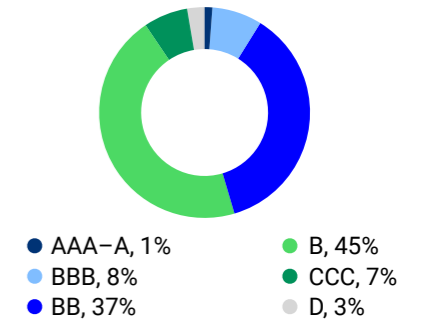
**Risk management and risk-taking**

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

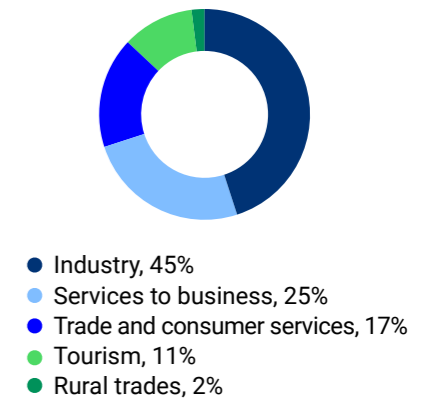
For instance, with respect to credit risks, risk appetite depends on the allocation of financing to the strategic focus areas and the maintenance of the competitiveness of export financing at the same level as that of the competitor countries. Finnvera's role in supplementing the financial market, its social responsibility and its industrial policy task to extensively secure financing were particularly important in 2020.

Finnvera's Board of Directors confirms the principles of the Group's risk management and the risk appetite, on the basis of which all key risk policies, such as the credit policy and the asset management policy, are approved.

**Exposure by risk category 2020, % Loans, guarantees and export credit guarantees**



**Exposure by sector 31 Dec 2020, % Loans, guarantees and export guarantees, in total 2,620 MEUR**



# Corporate responsibility management

## Corporate responsibility as the cornerstone of strategy

According to its strategy, Finnvera, and the transactions it finances, are responsible with regard to the environment and people. The impact of financing and corporate responsibility are closely intertwined. The significance of economic responsibility could be seen clearly in the stakeholder survey, in which Finnvera analysed the material topics of responsibility to get a more specific picture of its corporate responsibility. ESG themes were also a clearly highlighted topic. This work will continue in 2021.



Business trips both in Finland and abroad nearly stopped and meetings were replaced with remote meetings and online contacts. This was a major change as in 2019, Finnvera employees made approximately 200 trips abroad and several hundred domestic trips.



We report on the results for 2020 in accordance with the previous materiality analysis and corporate responsibility programme. In the 2021 report, we will apply the new material topics.

Finnvera's operations are guided by the Code of Conduct ratified by the Board of Directors. The Code of Conduct was updated in 2020.

Finnvera moved to remote work, and employees were provided with training and information sessions on a wide range of topics, such as self-management and safety, the coronavirus, coping in exceptional circumstances, and ergonomics.

**360**

Finnvera Group's average number of employees in 2020 was 360.

**4.2**

According to the work energy level surveys, Finnvera employees' work energy level remained at a good level 4.2 (out of 5), despite the coronavirus pandemic. The eNPS score rose.

**1,000**

We received more than a thousand responses to our materiality analysis stakeholder survey in December.

## Corporate responsibility management at Finnvera

The cornerstone of Finnvera's strategy is corporate responsibility. Accordingly, Finnvera, and the transactions it finances, are responsible with regard to the environment and people. Particular emphasis has been placed on economic responsibility, which can be seen in the goal of self-sustainability and systematic risk management. The company's Board of Directors and CEO are in charge of corporate responsibility. Its implementation is monitored by the Management Group.

### Corporate responsibility principles steer activities

Finnvera's practical activities are steered by the principles of corporate responsibility approved by Finnvera's Board of Directors:

- Corporate responsibility means operating responsibly in dealings with all stakeholders.
- Finnvera carries out its mission and strategy in accordance with the laws, regulations, and industrial and ownership policy goals guiding the company's operations.
- Corporate responsibility is grounded in the company's values and good governance. In practice, it is manifested as economic, social and environmental responsibility.
- The daily tools for acting responsibly include client segment-specific policies and guidelines that are kept up to date, and the certified ISO 9001 operating system.

In its operations, Finnvera complies with law, regulations, recommendations from different authorities, international commitments, and policies defined by Finnvera. In addition, Finnvera has a Code of Conduct that covers the main principles and practices of good conduct.

### Measuring our success in corporate responsibility

Finnvera measures its success in economic responsibility by the impacts of financing and by economic sustainability. Environmental and social responsibility is mainly monitored through the projects financed. This is especially important in export credit guarantee operations where impact assessments are conducted according to international standards.

Several indicators are used in assessments. We conduct the client and stakeholder survey every other year. The survey is supplemented with client satisfaction surveys in connection with service events. With the extensive survey, we monitor how well Finnvera's services meet the needs of enterprises, stakeholders and, for instance, financing provider partners. In addition to the survey, we collect continuous feedback from clients and information about their willingness to recommend us (NPS). Furthermore, there is a whistleblowing channel open to everyone.

The operating system used by Finnvera includes an annual management review and self-evaluation based on external evaluations. The system is constantly developed on the basis of the observations made. Deviations, if any, are addressed.

Personnel satisfaction is also measured regularly: with a pulse survey annually and an extensive personnel satisfaction survey every other year. The results provide information about work, the functionality of the work community, supervisory work and the personnel's well-being. We develop our operations on the basis of all feedback.



Several stakeholders are monitoring our operations. Guiding Finnvera's operations, the Ministry of Economic Affairs and Employment annually assesses the attainment of the goals set for Finnvera. Finnvera's Board of Directors assesses the performance of the Management Group members, and the management assesses the operations of the units. A key aspect of the assessment of the management approach is personnel, client and stakeholder feedback, which serves as the foundation for strategy work.

### The materiality analysis for 2020

Reporting in the Annual Report for 2020 will still be carried out in line with our previous materiality analysis. The analysis was based on our stakeholders' views on material topics related to relevant financial, environmental and social impacts.

**Finnvera measures its success in economic responsibility by the impacts of financing and by economic sustainability. Environmental and social responsibility is mainly monitored through the projects financed.**



However, the world is changing rapidly, and corporate responsibility activities must keep in step. In late 2020, a new comprehensive materiality analysis was conducted. It reflects the current expectations of Finnvera's stakeholders and the impact of our business operations. At the same time, the analysis aims to describe Finnvera's impacts on economic, social and environmental themes.

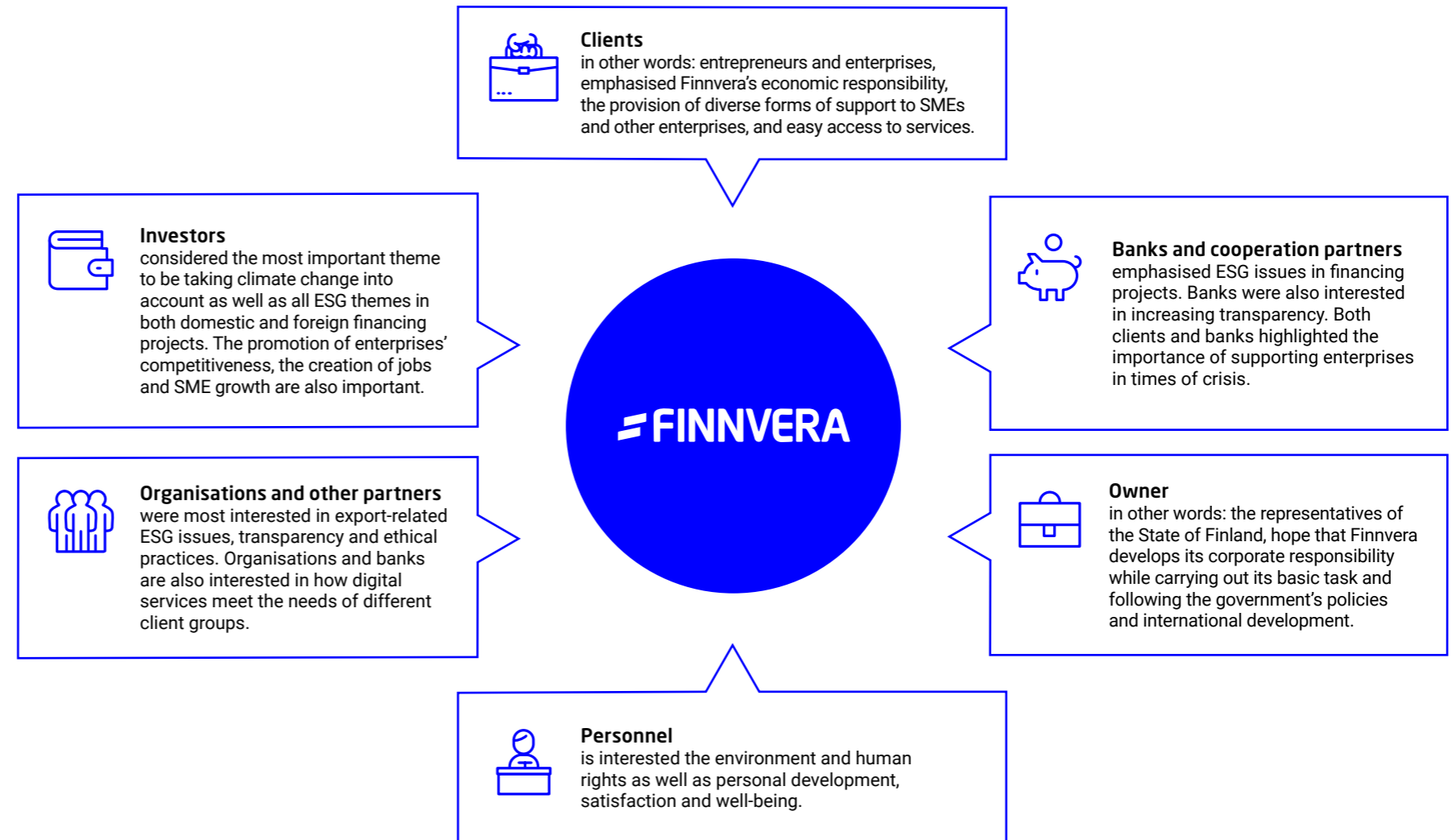
The materiality analysis is based on an online survey, which we sent to our key stakeholders, such as client enterprises, personnel, banks, investors, and representatives of organisations, municipalities and business life. We received more than a thousand responses to the survey. In addition to the extensive stakeholder survey, we conducted personal interviews, which provided us with more detailed information about and insight into the corporate responsibility topics and challenges that are relevant to Finnvera.

Besides the survey, we took into account the global responsibility discussion in Finland and the EU, changes in requirements, and discussions at grassroots level and in the media. We also reviewed the development of corporate responsibility in other export credit agencies and similar operators in order to be able to take into account and respond to issues that are relevant to Finnvera now and in the near future.

**Economic responsibility was highlighted in the responses**

All respondents strongly associate Finnvera's corporate responsibility with economic responsibility and with supporting Finland's economy, exports and enterprises, especially SMEs. This is Finnvera's basic task. Finnvera's importance and role in crises was also highlighted in the materiality analysis. The result was expected, given the coronavirus pandemic and Finnvera's role in

**Stakeholders' views on Finnvera's material corporate responsibility topics**



On the basis of the new materiality analysis, Finnvera will develop corporate responsibility goals and indicators during 2021 and will monitor different frameworks as a basis of its operations and reporting. These will be reported in more detail in the 2021 report.

supporting enterprises in the uncertain and challenging economic situation.

The respondents also mentioned open communications, fast and effortless access to services, and the transparency of financing principles. Information security emerged as a separate corporate responsibility theme. According to the stakeholders, environmental, social and corporate governance (ESG) themes were also important in financing projects. In its operations, Finnvera complies with both Finnish and international regulations. When financing decisions are made concerning major projects carried out abroad, it assesses the environmental and social impacts and corporate governance aspects according to internationally recognised criteria.

**New material topics of Finnvera's corporate responsibility**

Finnvera's management and corporate responsibility experts reviewed the results of the stakeholder survey, analysed Finnvera's strategy and leverage, and chose 20 themes as the material topics of corporate responsibility. The topics are divided under four overarching themes.

**1. Strengthening the Finnish economy and the competitiveness of enterprises**

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

- Strengthening growth and competitiveness among small-scale entrepreneurs and SMEs
- Providing financing for viable enterprises
- Promoting Finnish exports sustainably

- Creating jobs, especially in the SME and midcap sectors
- Ensuring enterprises' business continuity

**2. Respect for the personnel and human rights**

Finnvera wants to look after social themes and human rights in its own operations, HR work and projects to be financed. Finnvera sees to its personnel's well-being, job satisfaction and professional competence and development. Human rights have gained a more prominent role in Finnvera's operations through the revised policy, and they are an important part of the company's risk management. In 2020, a new theme, information security, also emerged in Finnvera's materiality analysis. We protect our client and personnel information from information security risks.

- Taking human rights into account in financing projects
- Investments in personnel competence and development
- Seeing to the personnel's job satisfaction and safety
- Protecting client information from information security risks

**3. Responsible operating methods**

We strive to minimise the negative impacts of our operations on the surrounding society by means of effective risk management and by paying attention to our ecological footprint. Climate change and environmental protection are still important topics for us. The transparency of financing principles was one of the topics highlighted in the new materiality analysis, and we have included it as a separate theme in our corporate responsibility activities. We see that Finnvera has new opportunities for supporting its cooperation partners. They serve as a means to promote ethical practices and corporate responsibility.

- Working against corruption, bribery and tax havens
- Taking climate change and the environment into account in financing projects

- Requiring ethical practices from partners
- Transparency of financing principles
- Supporting the SME sector in the promotion of corporate responsibility

**4. Client orientation**

Finnvera strives to act in a client-oriented manner, listen to its stakeholders, and develop financing services and products according to the changing needs of Finnish enterprises. Client and stakeholder satisfaction is monitored, and the aim is to continue investing in easy access to services, digital services and clear communications.

- Open and clear communications about Finnvera's products and services
- Functionality of digital services
- Supporting innovative products and services
- Fast, easy and effortless access to services
- Offering reasonable terms and conditions of financing

**Finnvera will develop corporate responsibility goals and indicators**

Finnvera will develop corporate responsibility goals and indicators during 2021 and will monitor different frameworks as a basis of its operations and reporting. These will be reported in more detail in the 2021 report.

**Boundaries of material topics**

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

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

**Corporate responsibility topics**

Reporting in the Annual Report for 2020 will still be carried out in line with our previous materiality analysis. The material topics are:

**Finnvera's role in society**

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

**Impacts of Finnvera's own operations**

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

**Responsible financing**

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

**Cooperation with stakeholders**

14. Active stakeholder dialogue
15. Client orientation



**How Finnvera monitors and implements corporate responsibility**

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

	Corporate responsibility topic	Aspects that we monitor	Indicator or guiding principle	2020	2019	Observations	
Finnvera's role in society	Financing solutions to enable growth, internationalisation, and competitiveness	Allocating 80 per cent of financing to strategic focus areas	%	-	86%	Due to the coronavirus pandemic, Finnvera put its strategy for the exceptional circumstances on hold; the allocation of financing was not monitored – instead, financing was offered to all viable enterprises.	
		Start-ups financed	number	2,697	2,427		
		Domestic financing offered and the share of enterprises seeking growth and internationalisation	EUR / %	EUR 1.7 billion / 43%	EUR 1.0 billion / 45%		
		Transfers of ownership financed	EUR / number	EUR 151 million / 768	EUR 154 million / 910	Each year, Finnvera is involved in the financing of approximately every third transfer of ownership in Finland.	
	Creating jobs	Guarantees that came into effect	EUR	EUR 2.0 billion	EUR 4.4 billion	Based on the Finnish Customs' preliminary statistics on the international trade in goods 2020.	
		Export credit guarantees and special guarantees offered	EUR	EUR 2.9 billion	EUR 5.2 billion		
		Ratio of exports covered by export credit guarantees to Finland's total exports	%	5.5%	5.9%		
		New jobs created with the help of domestic financing	number	8,717	8,009		
		Financing per new job	EUR per new job	EUR 194,000	EUR 124,000		
Impacts of Finnvera's own operations	Self-sustainability and capital adequacy	In the long term, the expenses incurred in the company's operations can be covered by the income received from operations	Self-sustainability realised	-	ok	The period for reviewing self-sustainability is 10 years for SME and midcap financing and 20 years for export financing. Finnvera's operations had been profitable during the company's 21 years of operation, until 2019. During this period, the company increased its loss reserves for potential future losses. The reserves were sufficient for covering the considerable loss provisions made in the export credit guarantee and special guarantee operations in 2020, but their amount decreased significantly.	
		Capital adequacy for domestic operations must be at least 15 per cent	Capital adequacy %	25.1%	29.4%		
	Skilled and healthy personnel	Training per year	hours per person per year	12.2	13.1	Measured every other year, next time in 2021. In 2020, a work energy level survey was conducted, according to which the personnel's work energy level was 4.2 (out of 5) in 2020.	
		Performance review discussions for the entire personnel to support competence and well-being	participation %	92%	97%		
		Personnel survey index	People Power index	-	72		
	Minimisation of the environmental impacts of Finnvera's own operations and purchasing	Sick leaves	%	1.7%	3.1%	Finnvera's travel policy was revised, and domestic flights are replaced with rail travel on the most conveniently replaceable routes. Need for international flights is determined according to projects. Due to the coronavirus pandemic, both domestic and foreign trips were almost entirely replaced by virtual meetings. Offices are mainly paperless, and client service uses online services and electronic signatures, among other solutions. E.g. in travel agency services, which take environmental responsibility issues into account	
		Discrimination cases	number	0	0		
		Video and telephone conferences replacing business trips	Domestic flights / Train journeys per year	45 / 235	448 / 773		
	Digitalisation as a way to reduce paper consumption		ok	ok			
	Using the framework agreements of Hansel, the government's central purchasing body		ok	ok			
Responsible financing	Management of the environmental and social impacts of projects carried out abroad	Management of environmental and social risks in projects to be financed	Project categorisation according to their environmental and social risks. Assessed Category A and B projects among export credit guarantees granted, number	A: 2, B: 2	A: 6, B: 8	The environmental and social risk management policy for Finnvera's financing operations was revised in 2019. Processes and guidelines compliant with this policy were developed in 2020 and will be implemented starting from the beginning of 2021.	
	Ensuring the prevention of bribery and the minimisation of tax evasion risk in financing projects carried out abroad	Sustainable lending	Identification of bribery and tax haven connections in financed projects according to Finnvera's anti-bribery and tax haven policies	Finnvera's policies, the EU's and the OECD's guidelines	ok	ok	Finnvera's anti-bribery and tax haven policies were revised in 2019 and implemented in 2020.
			Prevention of over-indebtedness of low-income countries	With regard to low-income countries, Finnvera adheres to lending restrictions compliant with the OECD's Sustainable Lending practice	ok	ok	Finnvera and other OECD export credit and guarantee agencies have an obligation to consider the borrowing restrictions set by the IMF and the World Bank for low-income countries.
Cooperation with stakeholders	Client orientation in all of our operations and the continuous improvement of customer experience	Clients' willingness to recommend	NPS index by business area, average	56	64	Willingness to recommend is constantly monitored.	
		Client and stakeholder satisfaction	NPS index as above	-	74.8	The extensive survey is conducted every other year. The next survey will be conducted in 2021.	
		Finnvera's reputation among stakeholders	Stakeholder surveys	-	3.96	Finnvera's reputation average was T-Media's Reputation&Trust survey in 2019: 3.96 (4 = excellent). In 2020, Finnvera conducted a stakeholder survey on the material topics of corporate responsibility.	
	Publicity policy	Information about Category A projects are published before the export financing agreement is signed. Finnvera published all signed guarantee agreements exceeding EUR 10 million after receiving publishing permissions from the parties of the agreements	Publications on the Finnvera.fi website	ok	ok		

## Impacts of Finnvera's own operations

The organisation demonstrated its flexibility when the coronavirus pandemic and remote work revolutionised everyday work life in 2020. Finnvera organised leadership training and carried out active HR work in the midst of the pandemic. The impact of the coronavirus could also be seen in purchasing and especially in travel.

### Ethical work life practices and good governance

Finnvera's operations are guided by the Code of Conduct ratified by the Board of Directors. The Code of Conduct brings together the legal rules, internal corporate responsibility policies and ethical principles to which Finnvera is committed and which it follows in all its operations. The Code of Conduct is supplemented by Finnvera's ethical guidelines. They consist of the principles of good governance, guidelines for ensuring impartiality in decision-making and in the preparation of matters, and insider guidelines. They apply to Finnvera's employees and the members of the governing bodies.

The Code of Conduct was updated in early 2020, and the Compliance and HR functions organised a General management principles online course for all employees, focusing on Finnvera's management principles on the one hand and the management of each employee's own work performance on the other. The personnel were also trained on the updated anti-bribery policy, which entered into force at the beginning of the year, and on the new tax haven policy.

The Compliance function helps employees also in questions related to individual ethical guidelines. Tailored induction training is organised for smaller groups.

Stakeholders can find information about Finnvera's principles on the website, and in 2020, the amount of information on the website sections discussing responsible policies was increased. Anti-bribery principles are also communicated to all exporter enterprises in each financing project. The open whistleblowing channel on Finnvera's website enables anonymous reporting of potential misconduct, and feedback can be provided also through Finnvera's helpline and other general feedback channels.

In 2020, two reports were received through the whistleblowing channel. One of the reports was related to the appropriateness of the personnel warning procedure in an individual case. The other concerned Finnvera's actions in releasing the guarantors of a client enterprise from their guarantee liability. No misconduct was detected in either of the cases.

### Personnel competence and well-being

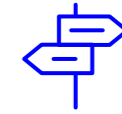
Competent personnel are at the heart of Finnvera's business, and mutual respect and appreciation are important resources for us. We want to ensure that Finnvera personnel members are experts in their own fields who can develop their competence as part of their work, share their expertise and help each other. At the same time, we look to the future: we strive to ensure that Finnvera and its personnel retain their professional competence in the rapidly changing world.

Good management has a major impact on Finnvera employees' well-being. Management practices are based on openness and trust. Equality, fairness and impartiality must be the principles guiding management practices in all situations. People holding supervisory positions are



similarly bound by the guidelines, decisions and instructions issued at the top level. Finnvera's corporate culture is built through the cooperation of all Finnvera employees.

In 2020, HR work was characterised by the coronavirus pandemic. Finnvera played a key role in supporting enterprises in the crisis. The workload was high, and to meet the increased demand for financing, Finnvera recruited temporary agency workers. At the same time, the majority of Finnvera employees moved completely to remote work. During the pandemic, we regularly inquired about the employees' feelings. In May, together with occupational health care, we commissioned a resource survey among



### Development plans for 2021

In 2020, Finnvera intended to create a strategic establishment plan to map out the future skills needed of working life. The project had to be postponed to 2021 due to the corona pandemic. The plan envisions future Finnvera and outlined by Finnvera role and development needs. In 2021, the personnel will receive responsibility training. The aim is to consider Finnvera's corporate responsibility from different perspectives and to look at both financing operations and Finnvera's internal operations.



**Temporary agency workers to help clear the application backlog**

In March, the number of Finnvera's financing applications increased up to tenfold as enterprises applied for repayment schedule changes and new financing with a guarantee applied for through banks. Additional resources were needed for processing the applications, and, with the help of an external partner, Finnvera recruited 48 temporary agency workers for the Helsinki and Kuopio offices.

Workers included both students and experienced financial experts, and also earlier Finnvera employees, now retired, signed up to process financing applications. The recruitment and induction of temporary agency workers went smoothly, despite the challenges of remote work, and work was conducted with a good and professional attitude. The first temporary agency workers started working at the beginning of April. As a rule, employment relationships lasted approximately 4-6 months.

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

the personnel to analyse their coping and recovery. Those suffering from incomplete recovery from work were referred to occupational health care services. The goal was to react quickly and proactively to all the issues that emerged.

**Training ensures future competence**

Finnvera wants to look after the competence of its employees and, during the year, it provided on average 12.2 hours of training per person (men 9.7 hours and women 14.6 hours) based on future competence needs.

In 2020, we organised an online course for Finnvera employees together with the Compliance function on our management principles – a bold culture of development, an atmosphere of trust and an inspiring future. The course focused on management-related expectations and self-management. Separate induction training was organised for supervisors.

Finnvera employees' project skills were strengthened with training during the year. Other training organised included, for instance, a course on professional writing and a training day on remote negotiation skills. Some training sessions planned for 2020 had to be cancelled due to the coronavirus pandemic.

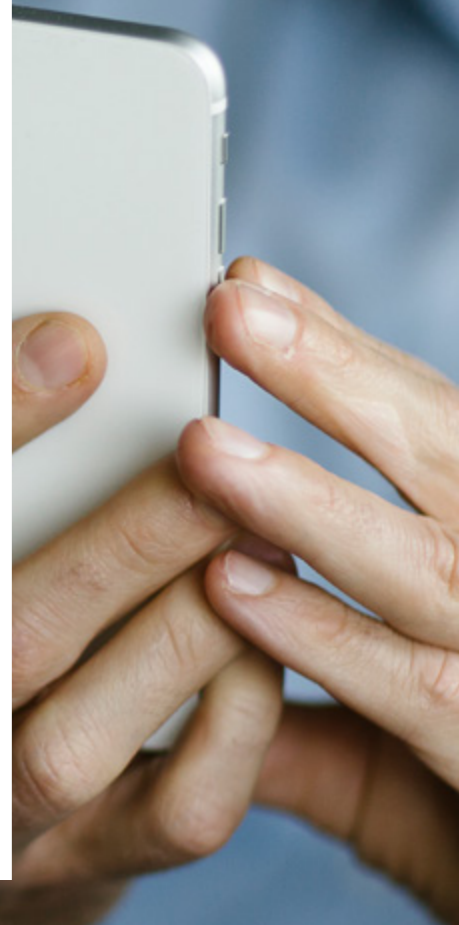
During the year, 23 new permanent employees joined Finnvera. At Finnvera, dedicated, competence-specific induction paths are created for each employee, and the induction process entails a lot of learning materials that can be found in the digital learning portal. In the summer, there were 17 summer workers.

**A wide range of occupational health care services offered**

Finnvera wants to secure good working conditions for employees: appropriate tools and premises as well as

**Examples of Finnvera's HR work during the coronavirus pandemic**

- Finnvera organised training and information sessions according to the employees' needs on a wide range of topics, such as self-management and safety, an occupational health information package on the coronavirus, coping in exceptional circumstances, and ergonomics.
- Internal processes were changed to facilitate remote work time entries, for instance.
- Every Finnvera employee received an incentive to purchase products that improve occupational ergonomics. Ergonomics was also supported with the Cuckoo workout application.
- Remote work insurance was taken out for the personnel and compensations were paid for broadband use.
- The occupational health care services offered Finnvera employees a free COVID-19 test and, as in previous years, influenza vaccination. Face masks were sent home to every employee.
- Finnvera Day, held every two years, was postponed, but virtual recreational events were organised to create opportunities for encounter and to look after well-being.





competitive pay. We look after our employees' health with comprehensive occupational health care services, which include regular age-based health check-ups, laboratory tests, and the opportunity to access physical therapy, among other things. The temporary agency workers received occupational health care services through their own employer. However, training and coaching related to coping in exceptional circumstances or occupational ergonomics, for instance, were available to all employees – including the temporary agency workers.

In 2020, the sick leave rate was 1.7 (3.1). Occupational health care services also include regular workplace surveys focusing on premises and ergonomics. At Finnvera, a clear process and guidelines have been created for retirement and the termination of employment. We support people nearing the end of their career together with the occupational health care personnel and organise pension information events with an earnings-related pension company. An exit interview is organised for everyone leaving the company, in which we discuss their opinions and feelings and collect valuable feedback from the employee regarding their career at Finnvera.

**The relevance of work praised in work energy level surveys**

In 2020, we conducted two work energy level surveys among the personnel. The response rate was 89% in the January survey and 90% in the October survey. According to the surveys, work energy remained the same good level throughout the year (4.2 out of 5), despite the coronavirus pandemic. Our eNPS score rose by 24 points from the previous year and was 35. In the work energy level surveys, the respondents especially praised the relevance of work at Finnvera. The result improved from the previous year and was almost a perfect 5.

The development areas reported included receiving feedback and the employer's interest in well-being. However, improvement had taken place in these areas during the year. Finnvera will continue to develop the employee experience by maintaining continuous dialogue with employees, responding rapidly to development needs and ensuring good supervisory work.

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

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

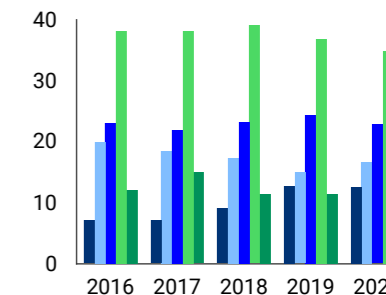
In 2020, purchasing included, among other things, IT systems and services, such as consulting and project management, as well as various database services. In the extensive financing system renewal project, launched in 2019, the competitive tendering process continued.

The coronavirus pandemic also affected purchasing as temporary agency workers were recruited with the help of an external partner to process financing applications, the number of which had increased rapidly in the spring. The Hansel framework agreement was used in their recruitment.

Computers and telephones for the temporary agency workers were purchased at short notice. With an equally limited schedule, almost all offices were provided with a workstation booking system, which was deployed at the beginning of September.

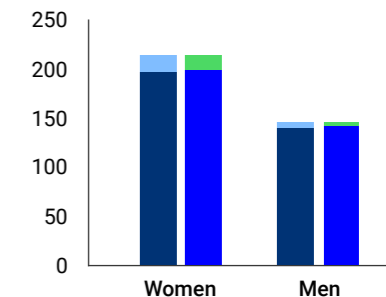
**Personnel age distribution, %**

	2016	2017	2018	2019	2020
Under 31 years	7	7.01	8.96	12.82	12.50
31–40 years	20	18.33	17.37	14.81	16.67
41–50 years	23	21.83	23.25	24.22	22.78
51–60 years	38	38.01	38.94	36.75	34.72
Over 60 years	12	14.82	11.48	11.4	13.33



**Type of employment contract in year 2020, ppl**

	Women	Men
Permanent contract	196	139
Fixed-term contract	18	7
Full-time contract	199	142
Part-time contract	15	4



**Personnel turnover in 2020**

Incoming	Men, ppl (%)	Women, ppl (%)	Total, ppl (%)
Under 30 years	1 (0.3)	1 (0.3)	2 (0.6)
30–50 years	12 (3.6)	6 (1.8)	18 (5.4)
Over 50 years	2 (0.6)	1 (0.3)	3 (0.9)
Total	15 (4.5)	8 (2.4)	23 (6.9)

Outgoing	Men, ppl (%)	Women, ppl (%)	Total, ppl (%)
Under 30 years	0 (0)	0 (0)	0 (0)
30–50 years	4 (1.2)	4 (1.2)	8 (2.4)
Over 50 years	3 (0.9)	7 (2.1)	10 (3.0)
Total	7 (2.1)	11 (3.3)	18 (5.4)

**Public procurement aims at an ecological and economical overall solution**

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

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

Finnvera's purchasing team is led by the Head of Legal Affairs, and the Procurement Manager is responsible for purchasing. Whenever possible, Finnvera uses the framework agreements of Hansel, the government's central purchasing body, that cover travel agency services, for instance. In these agreements, environmental responsibility issues, among other things, have already been considered. The goal is to decrease administrative and other total costs with systematic, long-term purchasing activities that cross unit and responsibility boundaries. Finnvera uses approximately 200 suppliers, most of them Finnish.

Purchasing projects carried out as part of Team Finland cooperation included, for instance, the competitive tendering process for the local area network of the Team Finland building in the Ruoholahti district of Helsinki and other joint purchasing. Due to the exceptional circumstances caused by the coronavirus pandemic, Team Finland purchasing

meetings were suspended for the spring and the summer, but cooperation continued in the autumn.

**Finnvera's environmental impacts**

Under normal circumstances, Finnvera's direct environmental impacts are mainly related to properties' energy consumption and commuting and business travel in Finland and in international financing projects. Finnvera has offices in 16 locations, in new, modern premises.

Finnvera followed the instructions given by the Government, regional administrative authorities and the coronavirus coordination groups of different regions. On 12 March 2020, Finnvera moved mainly to remote work, which lasted until the end of the year. Only those who could not work remotely worked at the office. Starting from April, there were temporary agency workers working at the Helsinki and Kuopio offices. Cleaning and surface disinfection were increased in the premises, and safe distances were ensured at the workstations. Hand sanitiser, disinfectant wipes and face masks for use by the personnel were purchased for all offices.

The use of the workstations in the Team Finland building in Helsinki was coordinated with Finnvera and Business Finland, which use shared premises. Most of the work space was closed, and only every other workstation was in use in the premises that remained open. The companies' joint Team Finland security team met more frequently than before, and the companies agreed on common practices in case a person working in the Team Finland building was diagnosed with a coronavirus infection.

Business trips both in Finland and abroad practically stopped and meetings were replaced with remote meetings and online contacts. This was a major change as financing projects carried out abroad often involve visits to the site and to foreign buyer clients and financing provider partners.

The need for a visit is always determined on a case-by-case basis. In 2019, Finnvera employees made approximately 200 trips abroad and several hundreds domestic trips.

The domestic travel policy was updated in 2019, and as a result, virtual meetings had already replaced non-essential business trips and the focus of domestic travel had shifted to rail travel.

**Definition of climate goals and impacts begins**

Finnvera monitors and assesses environmental and social risks primarily through financed projects, and the importance of environmental responsibility is emphasized in export financing where our greatest impact takes place. We strive to minimize the environmental impact of our own direct actions. In normal years, it arises from air travel related to financing projects. We have not measured the carbon footprint of our own operations. Read more in the **"Responsible Financing"** section. At the beginning of 2021, preparations were made for a project that defines the impact of the Finnish government's climate targets on Finnvera's operations and maps the climate impacts of its own operations.

**Tax footprint**

Finnvera Group's tax footprint in 2020 totalled EUR 15.4 million. The parent company Finnvera plc does not pay income tax on its operations because, as a state-owned specialised financing company, Finnvera is exempt from income taxation as defined in the Income Tax Act. The company's positive result is transferred to reserves annually for potential future losses. Finnvera measures its operations' impact on society by assessing, among other things, the growth, exports and employment achieved by enterprises with Finnvera's financing. Finnvera's subsidiaries have no corresponding income tax exemption.

**In purchasing, Finnvera's aim is to consider environmental impacts and promote the use of environmentally friendly products and services.**



## Reporting principles

This report has been prepared in accordance with the GRI Standards: Core option. The report covers the economic, social, and environmental impacts of Finnvera plc's own operations for the financial period 1 January–31 December 2020. The content and quality of the report adhere to the GRI reporting principles, and the corporate responsibility report is developed annually.

In the 2020 report, aspects related to responsibility in financing operations are reported in the **“Responsible financing”** section, and the **“Corporate responsibility management”** section provides information on the direct impact of Finnvera's operations (ethical practices and good governance, personnel, procurement, and environmental impacts). Compared against the previous years, no significant changes have taken place in the data, scope, or calculation limits of the report. Finnvera reports on responsibility each calendar year; the previous report was released on 26 February 2019. The report has not been subject to external assurance.

### Further information:

Communications Manager  
Tiina Riippa  
tiina.riippa@finnvera.fi



## GRI Standards Content Index

Disclosure	Location	Additional information
<b>GRI 102: General Disclosures</b>		
<b>Organisational profile</b>		
102-1	Name of the organisation	Report of the Board of Directors and Financial Statements: p. 5
102-2	Activities, brands, products, and services	Finnvera's year 2020, p. 3, Strategy and role in society, pp. 6–12
102-3	Location of headquarters	GRI content index  Porkkalankatu 1, P.O. Box 1010, FI-00101 Helsinki, Finland + Kallanranta 11, P.O. Box 1127, FI-70111 Kuopio, Finland
102-4	Location of operations	Operating environment, pp. 13–15, How Finnvera creates value, p. 7
102-5	Ownership and legal form	Corporate governance, pp. 17–20, Statement on the Corporate Governance and Steering System, pp. 3–4
102-6	Markets served	How Finnvera creates value, p. 7, Operating environment, pp. 13–15, Responsible financing, pp. 26–27, Export financing, pp. 32–33
102-7	Scale of the organisation	How Finnvera creates value, p. 7, Key figures, p. 42, Report of the Board of Directors and Financial Statements: pp. 2–4
102-8	Information on employees and other workers	Finnvera's year 2020, p. 5, How Finnvera creates value, p. 7, Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–54, Report of the Board of Directors and Financial Statements, pp. 15, 77
102-9	Supply chain	Impacts of Finnvera's own operations: Purchasing and environmental impacts in Finnvera's operations, pp. 54–55
102-10	Significant changes to the organisation and its supply chain	Finnvera's year 2020, p. 3, CEO's review, pp. 4–5, Strategy and role in society, p. 6, Domestic financing, p. 28, Impacts of Finnvera's own operations, pp. 52–54, Finnvera Group's Report of the Board of Directors and Financial Statements: Report of the Board of Directors, pp. 7, 9, 15

Disclosure	Location	Additional information
102-11	Precautionary Principle or approach	Responsible financing, pp. 39–40, Impacts of Finnvera's own operations: Purchasing and environmental impacts in Finnvera's operations, pp. 54–55
102-12	External initiatives	Finnvera's Code of Conduct and key policies, p. 17, Impacts of Finnvera's own operations, p. 55
102-13	Membership of associations	Cooperation with stakeholders, pp. 23–25
<b>Strategy</b>		
102-14	Statement from senior decision-maker	CEO's review, pp. 4–5
102-15	Key impacts, risks, and opportunities	How Finnvera creates value, p. 7, Strategy and role in society (opportunities): Operating environment, pp. 13–14, Responsible financing: Domestic financing, pp. 27–30, Executive Vice President's review, p. 31, Export financing, pp. 32–35, Executive Vice President's review, p. 36, ESG risk management in financing operations, pp. 37–38, Risk management at Finnvera, pp. 43–45
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	How Finnvera creates value, p. 7
102-17	Mechanisms for advice and concerns about ethics	Impacts of Finnvera's own operations: Ethical work life practices and good governance, p. 52, <a href="https://www.finnvera.fi/eng/whistleblowing">https://www.finnvera.fi/eng/whistleblowing</a>
<b>Governance</b>		
102-18	Governance structure	Corporate governance: Organisation and administration, p. 19, Corporate responsibility at Finnvera: Corporate responsibility management at Finnvera, p. 47, Statement on the Corporate Governance and Steering System, pp. 4–5, 9–10
102-22	Composition of the highest governance body and its committees	Corporate governance: Organisation and administration, pp. 19–22, Finnvera Group's Report of the Board of Directors and Financial Statements: Corporate governance, p. 15, Statement on the Corporate Governance and Steering System, pp. 5–7
102-23	Chair of the highest governance body	Corporate governance: Organisation and administration, pp. 20–21, Statement on the Corporate Governance and Steering System 2020: p. 5
		The Chairman of the Board is independent of the executive management.

Disclosure	Location	Additional information
102-24	Nominating and selecting the highest governance body	Corporate governance: Organisation and administration, pp. <u>20–22</u> , Statement on the Corporate Governance and Steering System 2020: p. <u>5</u>
102-35	Remuneration policies	Finnvera Group's Report of the Board of Directors and Financial Statements: p. <u>77</u> , Statement on the Corporate Governance and Steering System 2020: pp. <u>7–8</u>
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Cooperation with stakeholders, pp. <u>23–25</u>
102-41	Collective bargaining agreements	GRI content index 94 (94) per cent of Finnvera's personnel are covered by a collective labour agreement.
102-42	Identifying and selecting stakeholders	Cooperation with stakeholders, pp. <u>23–25</u>
102-43	Approach to stakeholder engagement	Cooperation with stakeholders, pp. <u>23–25</u> , Corporate responsibility management at Finnvera, p. <u>47</u>
102-44	Key topics and concerns raised	Strategy, p. <u>10</u> , Operating environment, pp. <u>13–15</u> , Cooperation with stakeholders, p. <u>48</u> , Impacts of Finnvera's own operations: Ethical work life practices and good governance, p. <u>52</u> , <a href="https://www.finnvera.fi/eng/whistleblowing">https://www.finnvera.fi/eng/whistleblowing</a>
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	Finnvera Group's Report of the Board of Directors and Financial Statements: Financial statements, p. <u>32</u>
102-46	Defining report content and topic Boundaries	Corporate responsibility management at Finnvera, pp. <u>47–50</u>
102-47	List of material topics	Corporate responsibility management at Finnvera, p. <u>50</u>
102-48	Restatements of information	GRI content index No changes.
102-49	Changes in reporting	GRI content index No significant changes.
102-50	Reporting period	Reporting principles, p. <u>56</u>
102-51	Date of most recent report	Reporting principles, p. <u>56</u>
102-52	Reporting cycle	Reporting principles, p. <u>56</u>
102-53	Contact point for questions regarding the report	Reporting principles, p. <u>56</u>
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles, p. <u>56</u>
102-55	GRI content index	GRI content index, pp. <u>57–59</u>
102-56	External assurance	Reporting principles, p. <u>56</u>

Disclosure	Location	Additional information
<b>GRI 103: Management approach</b>		
103-1	Explanation of the material topic and its Boundary	Corporate responsibility management at Finnvera, pp. <u>47–50</u>
103-2	The management approach and its components	Corporate responsibility management at Finnvera, pp. <u>47, 51</u>
103-3	Evaluation of the management approach	Corporate governance, p. <u>17</u> , Corporate responsibility management at Finnvera, p. <u>47</u> , Statement on the Corporate Governance and Steering System 2020: pp. <u>8–9</u>
<b>GRI 200: Economic standards</b>		
<b>GRI 201 Economic performance</b>		
201-1	Direct economic value generated and distributed	How Finnvera creates value, p. <u>7</u> , Finnvera's role in society, p. <u>12</u> (chart), Key figures, p. <u>42</u> , Finnvera Group's Report of the Board of Directors and Financial Statements: pp. <u>2–4</u>
201-4	Financial assistance received from government	Finnvera Group's Report of the Board of Directors and Financial Statements: pp. <u>10, 13, 19, 31, 38, 79</u>
<b>GRI 203 Indirect economic impacts</b>		
203-2	Significant indirect economic impacts	Finnvera's year 2020, p. <u>3</u> , Strategy and role in society, p. <u>6</u> , How Finnvera creates value, p. <u>7</u> , Strategy, pp. <u>8–11</u> , Finnvera's role in society, p. <u>12</u> , Responsible financing, pp. <u>26–31</u> , Export financing, pp. <u>32–36</u>
<b>GRI 205 Anti-corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	ESG risk management in financing operations, p. <u>38</u> , How Finnvera monitors and implements corporate responsibility, p. <u>51</u> , Ethical work life practices and good governance, p. <u>52</u> Training and communications on guidelines regarding gifts and hospitality have been provided to the entire Finnvera personnel (100%) in connection with the Code of Conduct online training. With Finnvera's new anti-bribery policy, the screening of financing project parties was added to the processing of financing applications in 2020 in order to identify bribery risks. In addition, Finnvera decided to introduce in all of its financing operations a new policy identifying and recognising tax havens and associated tax evasion risks.

Disclosure	Location	Additional information
<b>GRI 206 Anti-competitive behavior</b>		
206-1	Legal actions for anticompetitive behaviour, anti-trust, and monopoly practices	GRI content index No cases in 2020.
<b>GRI 300: Environmental Standards</b>		
<b>GRI 307 Environmental compliance</b>		
307-1	Non-compliance with environmental laws and regulations	GRI content index No cases of non-compliance in 2020.
Own disclosure	Number of export projects categorised according to their environmental and social risks	ESG risk management in financing operations, pp. 37–40, How Finnvera monitors and implements corporate responsibility, p. 51 The investment-related environmental and social risks of the target country are significant in Category A projects and moderate in Category B projects. The risk rating is followed by a project review regarding social and environmental aspects. The review is aligned with the scale of risks.
Own disclosure	Reduction of domestic flights	How Finnvera monitors and implements corporate responsibility, p. 51 Due to the coronavirus pandemic, the use of domestic flights reduced very significantly in 2020.
<b>GRI 400: Social Standards</b>		
<b>GRI 401 Employment</b>		
401-1	New employee hires and employee turnover	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–54
<b>GRI 403 Occupational health and safety</b>		
403-1	Occupational health and safety management systems	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–54 Occupational health care, including occupational safety and health activities, is managed by the HR function, and a full-time Security Manager is responsible for safety at the level of individual buildings. The occupational health system covers Finnvera's own personnel, and when it comes to safety, the system covers everyone working at Finnvera.
403-2	Hazard identification, risk assessment, and incident investigation	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–55, Finnvera Group's Report of the Board of Directors and Financial Statements, p. 40 Reported in part

Disclosure	Location	Additional information
403-3	Occupational health services	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–55
403-4	Worker participation, consultation, and communication on occupational health and safety	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–55
403-5	Worker training on occupational health and safety	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–54 Finnvera's operations do not entail tasks categorised as hazardous.
403-6	Promotion of worker health	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–55 Reported in part.
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–55 Reported in part
403-9	Work-related injuries	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 53–55 One accident took place in 2020: The accident happened on the commute between home and workplace.
<b>GRI 404 Training and education</b>		
404-1	Average hours of training per year per employee	Impacts of Finnvera's own operations: Personnel competence and well-being, p. 53 We do not specify the number of training hours by employee type.
404-2	Programs for upgrading employee skills and transition assistance programs	Impacts of Finnvera's own operations: Personnel competence and well-being, pp. 52–53
404-3	Percentage of employees receiving regular performance and career development reviews	Corporate responsibility management at Finnvera, p. 51
<b>GRI 412 Human rights</b>		
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	ESG risk management in financing operations, pp. 38–40
<b>GRI 419 Socioeconomic compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	GRI content index No cases of non-compliance in 2020.
<b>G4 Financial services sector guidelines, product responsibility</b>		
G4-FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	Operating environment, pp. 13–16, Finnvera's role in society, p. 12, Responsible financing, pp. 26–31 Reported in part.





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

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

 **FINNVERA**