

Annual Review

FINNVERA'S YEAR 2018
AND CORPORATE RESPONSIBILITY



Finnvera promotes the capacity and competitiveness of Finnish enterprises by offering loans, guarantees and export credit guarantees.



The target groups of financing are start-ups, companies seeking growth, internationalisation and change, and companies planning a transfer of ownership.

[Read more on page 8 >](#)



Approximately half of the export credit guarantee and special guarantee exposure relates to binding financing offers or agreements that are related to future deliveries by export companies.

[Read more on page 17 >](#)



38%

The share of investments in the overall projects of SME and midcap financing grew to 38 per cent (34%).

[Read more on page 15 >](#)

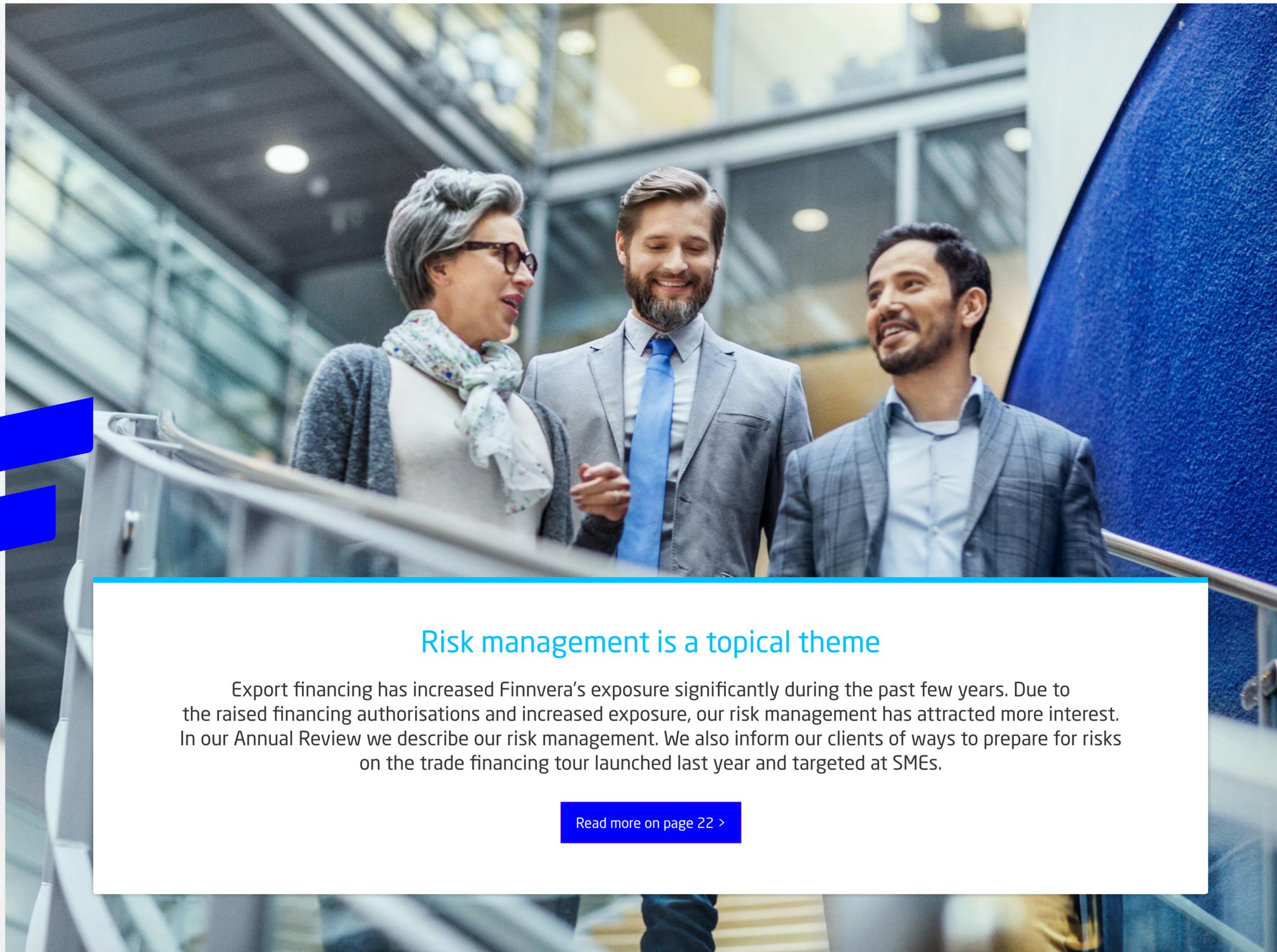
Finnvera's year 2018

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Finnvera's year 2018



Risk management is a topical theme

Export financing has increased Finnvera's exposure significantly during the past few years. Due to the raised financing authorisations and increased exposure, our risk management has attracted more interest. In our Annual Review we describe our risk management. We also inform our clients of ways to prepare for risks on the trade financing tour launched last year and targeted at SMEs.

[Read more on page 22 >](#)

Risk management is a theme you can see throughout our Annual Review. Related texts are highlighted by these boxes.



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

This is Finnvera

Are you launching a business? Is your company investing abroad or starting to export? In these situations, Finnvera can help you.

Finnvera is a specialised financing company owned by the State of Finland. Finnvera has an official Export Credit Agency (ECA) status. We help Finnish enterprises to succeed and boost their competitiveness by financing various stages of business with loans, guarantees and export credit guarantees.

The majority of our SME financing is granted to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership. With export financing, we ensure Finnish enterprises' international competitiveness. We can finance projects with the potential for profitable business and commercial success.

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

The spearhead of our strategy is impact. Our goal is that our financing enables our client to create and achieve something that would not have been possible otherwise. Our operations are based on self-sustainability: in the long term, the income from our operations exceeds our expenses and potential credit losses. With risk management, we seek to ensure self-sustainability.

CEO's review

The positive trend in the global economy continued to be reflected in the Finnish economy in 2018. Export transactions were closed actively, and the investment atmosphere became more dynamic in Finland, too. The favourable development was overshadowed by the threat of trade wars and crises and, towards the end of the year, there was talk of the peak of the economic cycle being over.

As a whole, the year was financially positive, both for us and for most of our clients. Finnvera's result in 2018 was EUR 98 million (EUR 107 million).

Export financing continued strongly

Due to the ripple effects of bank regulation and long loan periods that are typical of the exports of capital goods, demand for Finnvera's export financing has remained high. We granted EUR 3.0 billion (EUR 7.5 billion) in new export credit guarantees and special guarantees to large corporates and EUR 2.2 billion (EUR 6.6 billion) in export credits to large corporates for export trade. The volumes of export credit guarantees and export credits were lower than in the previous year but, then again, 2017 was a record-breaking year in Finnvera's history.

From the result point of view, the Large Corporates unit, concentrating on export financing, had a strong year. No losses were realised, and even though net fee and commission income decreased due to higher reinsurance investments, the result was clearly positive, EUR 103 million. The result increases Finnvera's buffer assets for the future.

Export credit financing has grown during the past few years so that already two thirds of export credit guarantees also include export credit. At the same time, our need for funding has increased and, in 2018, a total of EUR 2.4 billion was acquired from the market. To balance funding and asset management, Finnvera repaid



"Many Finnish enterprises involved in export trade are already fully utilising their production capacity and, taking that into consideration, the figures for 2018 are still high."

loans associated with the temporary export credit system of 2009–2012 prematurely to the State, amounting to EUR 1.5 billion.

A challenging year in SME and midcap financing

In Finland, various studies and surveys indicated that the availability of financing was at a good level. The use of the European Fund for Strategic Investments (EFSI) became more common among banks. During the economic boom, the demand for our SME financing decreased, which is a typical phenomenon in our operations. The financing we granted to SMEs and midcap enterprises amounted to EUR 943 million (EUR 963 million), and, in line with our strategy, the focus was increasingly on start-ups, enterprises seeking growth and internationalisation, and transfers of ownership.

The result for Finnvera's SME and midcap business operations, EUR -4 million, showed a loss, mainly due to the combined effect of two factors. The State's credit loss compensation for SME financing, enabling Finnvera to take high risks, was harmonised to 50 per cent, which is lower than before. In addition, the IFRS 9 standard that was adopted at the same time and the related consideration of expected future losses impaired the result.

Our operations are based on risk management

As the structure of the Finnish export industry is centred around capital goods, the export financing needed for trade has increased Finnvera's exposure significantly. The high level of our gross exposures has led to the operations of Finnvera and the functionality of the export financing system being assessed from many perspectives in the past few years. In 2017, the Ministry of Economic Affairs and Employment commissioned an independent analysis of our risk management. In 2018, the National Audit Office of Finland assessed our exposures, The Research Institute of the Finnish Economy (Etlä), commissioned by the Prime Minister's Office, evaluated the impact of export financing, and a consultant appointed by the Ministry of Economic Affairs and Employment studied the CIRR interest rate system used in export financing. On the basis of the last-mentioned a working group was set up on the development of export financing. Our own impact study was



also completed and showed that both major Finnish export companies and growing SMEs regard our financing as an essential competitive factor in international markets and as a crucial enabler of business expansion.

Roughly half of the total exposure for our export credit guarantees is in the United States and slightly over half is associated with cruise ships. Approximately half of the total exposure is related to export companies' future deliveries, the share of which is now exceptionally high. Although earlier credits are repaid, the drawn exposure will

increase and the related risk position will become higher during the next five years or so. The pricing of our export credit guarantees is aligned with the risks involved. We transfer some of the risks to the market by using reinsurance. So far, the income from our operations has accumulated EUR 1.8 billion reserves for potential future losses.

We also inform our clients of ways to prepare for risks. According to a survey we published in the summer 2018, SMEs' awareness of export financing tools is insufficient. For this reason, we launched an export trade financing tour in cooperation with the Finland Chamber of Commerce, banks and credit insurers. During the tour, we provided SMEs with information about export trade, protection against risks, and the utilisation of export financing. We provide advisory services to promote the growth and internationalisation of enterprises and to diversify the structure of Finnish exports in the long term.

Customer experience and employee experience

It is important for Finnvera to be able to create a positive customer experience. We continuously measure it in our business areas. Clients expect us not only to provide reliable service but also to act quickly. To ensure this, we are digitalising our operations to an appropriate extent. In 2018, we introduced the electronic signing of documents extensively throughout the organisation, which received a warm welcome among our clients.

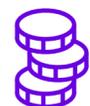
Our passion is to serve enterprises involved in export trade and SMEs, which are important for Finland, and we believe that a good customer experience and a good employee experience are mutually reinforcing. In our personnel survey, we were rated as one of the most inspiring places to work in Finland for a second year in a row.

Many thanks for the successful and positive year 2018 to our owner, making our operations possible, as well as to our clients, bank partners and other partners, and personnel. The year 2019 will mark Finnvera's 20th anniversary. Also in future, our goal is that our financing enables enterprises to achieve something that would not have been possible otherwise. Our vision is: Our clients' success strengthens the Finnish economy.

Pauli Heikkilä
CEO

How Finnvera creates value

Our resources



Financial resources

- Funding from international bond markets amounts to EUR 2.0–2.5 billion per year
- Equity EUR 1.4 billion, of which non-tied reserves account for EUR 1.1 billion
- Balance sheet EUR 11.0 billion



Personnel

- 360 employees in 15 locations in Finland. Branch offices also in St. Petersburg and Oslo
- Average length of employment relationship 17 years
- Extensive experience and competence in the financial sector and risk assessment



Stakeholder relations

- Nearly 4,700 meetings 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

Finnvera improves and diversifies financing opportunities available for Finnish enterprises and supplements the financial markets, and with its operations, promotes the development of enterprises and exports.

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



Number of clients: 25,700

- Micro-enterprises: 89%
- SMEs and midcap enterprises: 11%
- Large corporates: 0.5%

Products and services

Loans and guarantees granted

To micro-enterprises, SMEs and midcap enterprises EUR 0.8 billion in total

Export credit guarantees and special guarantees granted

To SMEs, midcap enterprises and large corporates EUR 3.1 billion in total

Export credits granted

EUR 2.2 billion in total

Authorisations and exposures

Loans and guarantees

For SMEs and midcap enterprises

- authorisation EUR 4.2 billion – of which EUR 2.0 billion used
- exposure EUR 2.0 billion

Export credit guarantees

- authorisation EUR 27.0 billion – of which EUR 19.1 billion used
- exposure EUR 23.5 billion

Export credits

- authorisation EUR 22.0 billion – of which EUR 12.5 billion used
- exposure EUR 6.0 billion

Special guarantees

(shipping and environmental guarantees and raw material guarantees)

- authorisation EUR 3.2 billion – of which EUR 0.2 billion used

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 total exposure arising from export credit guarantees and special guarantees includes current commitments and offers given, including export guarantees.

Value and impacts



Impact on society & financial impacts

- We reinforce the capacity and competitiveness of Finnish enterprises
- Financed start-ups: over 2,600
- New jobs created with the help of SME and midcap financing: over 7,700
- Over 900 transfers of ownership financed, EUR 129 million
- Exports covered by export credit guarantees: EUR 3.0 billion to 75 countries
- Our risk management ensures financial self-sustainability
- Development of target countries through export financing projects



Social impacts

- EUR 28.4 million to personnel's salaries of which EUR 0.6 million to training
- Personnel's job satisfaction index 75.7 (2017)
- Sick leave rate 3.1%
- Assessment of projects' social and human rights risks and their monitoring



Environmental impacts

- Assessment of projects' environmental risks and their monitoring



Impacts on stakeholder relations

- Clients willing to recommend Finnvera. Continuous measurement of the customer experience: NPS (net promoter score) of 70.

Strategy

The spearhead of Finnvera's strategy is impact: that our financing enables our client to create and achieve something that would not have been possible otherwise. The pillars of impact are customer experience, competent personnel, partnerships and digitalisation. Our operations are based on self-sustainability and risk management.

In 2018, the actual impact was monitored using the goals confirmed by Finnvera's Board of Directors:

- 80 per cent of **SME financing** is allocated to start-ups, growing and internationalising enterprises, enterprises seeking change, and transfers of ownership.
- The **export financing system** is competitive when compared to the key competitor countries, especially Sweden and Germany.
- The number of enterprises using **export financing services** will increase by 30 per cent by 2021. To promote the achievement of this goal, the SME advisory service will be developed.
- Finnvera identifies **market failure** changes, wants to contribute to the better functionality of the financial markets, withdraws from transactions where commercial financing is available, and, on the other hand, creates new solutions when necessary.

Our performance:

In line with the goals, 87 per cent of the **SME financing** granted by Finnvera was allocated to enterprises in the defined target groups. In addition, the SME barometer survey, commissioned by Finnvera, the Federation of Finnish Enterprises and the Ministry of Economic Affairs and Employment twice a year again indicated that especially international enterprises and enterprises that are strongly oriented towards growth turn to Finnvera in their financing needs more frequently than enterprises on average.

We want to ensure that Finnish enterprises have a competitive footing in international markets. **The export financing system** and the CIRR interest rate system were studied in the report of a consultant appointed by the Ministry of Economic Affairs and Employment.



Our clients' success strengthens the Finnish economy

With continuous strategy work, Finnvera seeks to ensure agile renewal. This enables us to keep up with changes in the financial markets and regulation and to meet our clients' changing needs.

Our strategy was updated for the year 2019 and our vision was further specified and formulated as: Our clients' success strengthens the Finnish economy. The updated strategy extends to the year 2022. Our strategy and operations are illustrated in a video.

[Video \(in Finnish \) >](#)

As Finnvera's authorisations to grant export financing have been raised and Finnvera's total exposure has increased, it is considered important to monitor the impact of export financing. Commissioned by us, a group of researchers from the University of Turku and the University of Lorraine studied the impact in the largest export companies in Finland (Andritz, Outotec, Valmet, Wärtsilä, Meyer Turku and Nokia) and in a group of SMEs. The study was completed at the end of 2018 and showed that the impact of export financing is extensive in large corporates and that the majority of sales contracts require financing solutions provided by an export credit agency for conclusion. Enterprises see Finnvera as a strategic partner in international growth and competitiveness. In SMEs, the volumes of Finnvera's financing are smaller than in large corporates, but the impact is more direct. Loans and guarantees have a direct impact on the enterprises' possibilities of establishing themselves and promoting their business in the international arena.

A study by the Research Institute of the Finnish Economy (Etila), published in the autumn, yielded similar results: the impact of export financing extends clearly beyond individual financing projects through the subcontracting network and employment. Etila focused on the export financing granted to Meyer Turku and Nokia and the quantitative measurement of impact.

Increasing the number of enterprises using **export financing services** is a constant goal. A factor contributing to the achievement of this goal is the joint export trade financing tour of Finnvera, the Chamber of Commerce, banks and credit insurers, launched last year and continuing this year. A survey published in June 2018 revealed that Finnish SMEs are likely to fail to close deals in export trade due to insufficient financing knowledge and that export trade is restricted by the fear of credit losses.

A **market failure** refers to a situation in which it is difficult for enterprises, for one reason or another, to get financing from private financial markets. Stricter bank regulation has increased the need for Finnvera's guarantees and loans. On the other hand, the overall availability of financing has improved especially in domestic projects along with the favourable economic situation. In September 2018, Finnvera shifted the focus of micro-financing to the guarantee approach and raised the minimum corporate loan amount to EUR 30,000. Start-ups are guided to use Finnvera's Start Guarantee, which the enterprise applies for through its own bank.

The pillars of impact

The indicators set for customer experience, personnel, partnerships and digitalisation were:

- We create an excellent customer experience, with a minimum NPS of 55.
- We see to it that our personnel's competence and skills related to the implementation of changes are at the top level: the personnel plan 2021.
- We are a preferred partner, and our partner network (private providers of financing, Team Finland, the regions to be established in Finland, etc.) yields significant benefits.
- We are gradually digitalising our operations to an appropriate extent: to serve our clients and partners, and to improve the efficiency of our processes.
- We ensure self-sustainability through risk management: in most years, credit losses stay well below the level of income received from our operations and even large unexpected losses remain below the buffers formed by the balance sheet and the State Guarantee Fund.

Customer experience

To enable us to develop our services, we ask our clients to give online feedback after the first meeting or each financing decision. In 2018, the NPS, describing the customer experience, exceeded our target and was 70. Our goal is to be easily approachable. As a new customer service channel alongside the telephone, we introduced a chat and a chatbot that can answer questions round the clock. During the year, the number of chat contacts exceeded 1,500. We are gradually digitalising our operations to an appropriate extent: to serve our clients and partners, and to improve the efficiency of our processes. This is visible to clients as new service procedures, such as the electronic signing of documents that was adopted in 2018 and received a warm welcome.

Competent personnel

The development of the personnel's skills started with a skills analysis. In addition to business understanding and solid financing knowledge, other skills that were identified as significant were customer service

The Start Guarantee helped Cinemahouse to realise its dreams

Finnvera's Start Guarantee enabled Cinemahouse to start a new cinema without extensive bureaucracy.

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

orientation and networking skills that facilitate conveying our competence and knowledge to the clients. We know our clients' needs and available financing options.

Partnerships

Together with our partners and networks, we help enterprises achieve their targets. Due to Finnvera's role as a provider of financing that supplements the financial market, we are rarely the only provider of financing for an enterprise. Financing nearly always involves one or more banks, other providers of financing or other countries' export credit agencies, for instance. Corporate financing is primarily based on a private offering, supplemented by Finnvera.

An excellent example of cooperation among an extensive network is the export trade financing tour mentioned above. In most cases, there are many parties involved in export financing and a shared interest in boosting Finnish exports.

Enterprises seeking internationalisation benefit from cooperation among different parties in the Team Finland network, consisting of Finnvera, Business Finland and other promoters of growth and exports. With a shared service model, the network members ensure that potential growth enterprises find and get all the services they need. Team Finland service model coordination was strengthened, and in late 2018, Team Finland adopted a joint management system for customer data. Finnvera's Jukka Suokas started working for Finnvera and Business Finland in Oslo, with the task of promoting Finnish enterprises' trade in Norway. In St. Petersburg Finnvera is represented by Timo Pietiläinen.



Finnvera and the Chamber of Commerce: The export trade financing tour brings first aid to SMEs

To improve financing knowledge in SMEs involved in exports Finnvera and its partners launched a national export trade financing tour.

[Read more >](#)

The campaign to accelerate transfers of ownership was continued with enterprise organisations. As in the previous years, Finnvera was involved in financing approximately a thousand transfers of ownership. In the light of the SME barometer survey and the ownership transfer barometer of the Confederation of Finnish Industries, transfers of ownership will increase in the next few years. The acceleration of transfers of ownership benefits from extensive cooperation promoted by the broad-based Forum for Transfers of Ownership.

[Read more about Finnvera's partnerships on the stakeholder pages >](#)

Risk management

The cornerstones of Finnvera's operations are self-sustainability and risk management. Self-sustainability means that, in the long term, the income from our operations exceeds our expenses and potential credit losses. With the aid of experts and efficient processes, we identify risks before financing decisions and manage them after that with reinsurance, for instance. Especially the export financing exposure has grown significantly during the past few years and, as a result, Finnvera's risk management has been assessed in several analyses. Internal investments have been made in risk management and reinsurance, and the charting of new protection methods is part of Finnvera's risk management strategy.

[Read more about risk management >](#)

Especially the export financing exposure has grown significantly during the past few years and, as a result, Finnvera's risk management has been assessed in several analyses.

Finnvera's Janne Koivuniemi: Vitality of the SME field requires stirring up the hidden entrepreneurial potential and understanding the value of companies

Finns are entrepreneurial in nature – maybe even unknowingly. Many are cautiously interested in entrepreneurship but do not know how to get started.

[Read more >](#)



Operating environment

The year 2018 was a period of very positive growth in the Finnish economy. Especially during the first months of the year, the Finnish economy grew quickly, driven by the world economy.

Nevertheless, uncertainty in the world economy, the threat of protectionism and trade policy crises characterised the year, and towards the end of the year, the view that the peak of the economic cycle was over became more pronounced in various barometers and forecasts. Growth in the world economy will continue but at a slower rate. As a result, the Finnish economy is not expected to be boosted by as strong external driving forces as in the past couple of years. According to the Bank of Finland's forecast, economic growth will slow down to about 1.9 per cent this year.

Improved financing situation for SMEs

The financing situation for SMEs was positive, the availability of private financing was good, and the offering in the financing market became more versatile as non-banking providers of financing increased their share. The European Fund for Strategic Investments (EFSI) has proved to be easily found by Finnish enterprises, which decreased financing offered by Finnvera slightly. All in all, the financing market in Finland worked well. In the SME barometer survey published in autumn 2018, less than three per cent of enterprises that had applied for financing reported having received a negative financing decision. The profitability and equity ratio of enterprises have improved as a result of economic development, and many enterprises also used their own cash flow financing in investments. Only about half of SMEs use external financing.

The upswing in the economy increased the SMEs' and midcap enterprises' demand for financing, and investments were growing



“According to the SME barometer survey, only about half of SMEs use external financing.”

in early 2018. Still in the SME barometer survey published in the autumn, nearly 60 per cent of enterprises that were strongly oriented towards growth planned to increase their investments during the next 12 months. According to the autumn barometer, the use of external financing also increased when compared with the first months of the year. More than half of the enterprises that had applied for financing reported that they needed it for machinery, equipment or building investments. Slightly larger SMEs were more optimistic about the near future than micro-enterprises. Economic expectations were highest in industry, the service sector and construction.

For SMEs, the peak of the economic cycle was passed in autumn 2018, and economic expectations as well as expectations related to increasing turnover, improving profitability and export prospects declined from the spring both in the SME barometer survey and in the Pk-pulssi survey by the Confederation of Finnish Industries (EK).

According to the SME barometer survey published in spring 2019, the economic outlook among enterprises has turned more cautious. Now 29 per cent of SMEs estimate that the economic outlook will improve in the next 12 months and 15 per cent believe that the outlook will decline. Apart from the internationalised SMEs, the investment outlook has decreased.

Increasing uncertainty in export markets

At the end of 2018, Finnvera's exposure for export credit guarantees and guarantee applications encompassed more than 80 countries. The main country exposure is still the United States. The U.S. economy has developed favourably, but the development is difficult to forecast. The United States has questioned the global free trade system, and import taxes have regularly come up as an obstacle to exports. Uncertainty in the economy and the political environment was also increased by the open issues related to Brexit.

The economy of Russia, a country important to Finnvera's exposure for export credit guarantees, grew slightly over one per cent in 2018. Russia's development is still overshadowed by the country's tense relations with the West. Western countries have continued with sanctions that restrict, among other things, the import of technology needed for oil production and impair the oil production outlook.

Juuso Heinilä: The boost provided by the world economy is decreasing

Juuso Heinilä, Executive Vice President for Finnvera's SME financing, comments on the outlook for Finnish and world economy as well as Finnvera's role as an enabler of companies' growth and change.

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



These countries interest exporters

The news right now is characterised by uncertainty in world politics and the world economy, which poses challenges for enterprises involved in exports. On the other hand, enterprises see a lot of potential for growth in internationalisation and export trade. In the export trade financing barometer published in June, more than half of respondents reported that they are planning to start exports to new destination countries.

[Read more >](#)

Investments in the country's infrastructure and new industrial capacity are still cautious. The fact that Finnvera's export financing takes risks for projects of various sizes has, for its part, enabled enterprises to continue trade with Russia.

The Brazilian economy grew slightly in 2018. Growth is also predicted to strengthen somewhat in the next few years if structural reforms needed after political crises can be carried out. Increased raw material prices and improved domestic demand also contribute to economic growth. Next year, Brazil is focusing on investments especially in telecommunications, private health care (health technology) and wood processing. Investments are also increasing in energy generation and, to a limited extent, the mining industry. All of these are very strong export sectors for Finnish enterprises.

In August 2018, the external value of the Turkish lira plummeted as a result of the challenges of the Turkish economy. The Turkish economy needs foreign financing, and its growth outlook is affected by a higher cost level, the poorer availability of financing, higher financing costs and the lira's sensitivity to disruptions. Bankruptcies and defaults have increased. On a case-by-case basis, Finnvera may still consider granting export credit guarantees for exports to Turkey and related export financing.

In 2017, Finnvera granted, for the first time in many years, guarantees for exports to Iran. The guarantees were associated with short-term trade financing. At its highest, Finnvera's Iran-related exposure amounted to more than EUR 60 million. Demand for export credit guarantees ceased in 2018 due to the challenging overall situation and the sanctions imposed by the United States.

China's economic growth is expected to continue at the 6 per cent level. In 2018, China was the fifth largest export country for Finland. Pulp exports grew strongly. Thanks to the increase in nickel export prices, the value of ore, metal concentrate and metal exports also increased clearly. Thus far, demand for financing for China has been low in proportion to the size of the market. Demand for export credit guarantees is expected to increase somewhat in 2019.

[Learn more about export trade transactions guaranteed by Finnvera >](#)

Total exposure, export credit guarantees and special guarantees 31 Dec 2018

EUR 23.5 billion, including commitments and binding offers.

● Finnvera had exposure in over 80 countries on 31 Dec 2018

EXPOSURE BY SECTOR 31 DEC 2018



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

EUR 11.9 bn (51%)

North America

EUR 5.3 bn (23%)

EU countries

EUR 1.5 bn (6%)

Other Europe

EUR 0.9 bn (4%)

Asia

EUR 0.9 bn (4%)

Middle East and North Africa

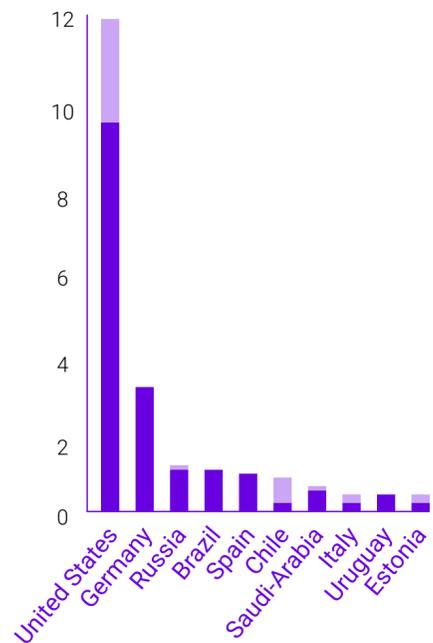
EUR 0.2 bn (1%)

Sub-Saharan Africa

EUR 2.6 bn (11%)

South and Central America

THE BIGGEST COUNTRY EXPOSURES 31 DEC 2018, EUR BILLION

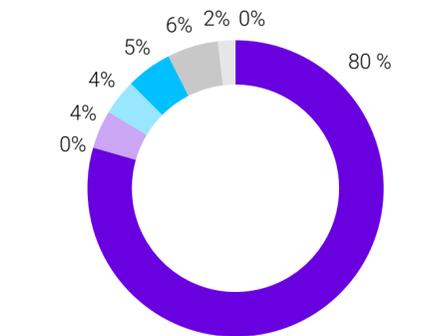


● Commitments, EUR billion
● Offers, EUR billion

In 2017 and 2018, Finnvera's largest individual financing projects in cruise shipping and telecommunications were in the United States.

More than 70% of Finnvera's pulp- and paper-related exposure is in Latin America. Brazil and Uruguay are the biggest countries of exposure.

EXPOSURE BY COUNTRY CLASSIFICATION 31 DEC 2018, EUR BILLION



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

[Read more about Finnvera's guaranteed transactions >](#)

Business operations

SME and midcap financing

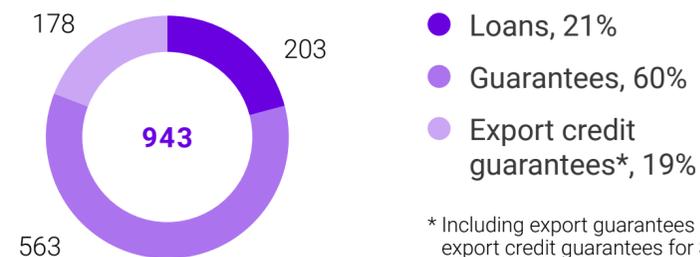
Finnvera granted a total of EUR 943 million (EUR 963 million) in financing to SMEs and midcap enterprises – nearly the same amount as in the previous year.

The share of investments out of overall projects grew, whereas the share of financing granted for working capital out of overall projects decreased by 6 percentage points.

The key reasons behind Finnvera's slightly lower financing volumes were the good availability of bank financing and the increase in the use of European guarantee instruments, which is an excellent example of corporate financing becoming more versatile. The European Fund for Strategic Investments (EFSI) replaces or complements Finnvera's financing offering, and EFSI financing has proved to be easily found by Finnish enterprises.

New guarantee instruments are also becoming available as Finnvera applied for the status of an intermediary of the European Investment Fund's (EIF) COSME guarantee programme. Finnvera's application was approved in July. The agreement negotiations were completed during the year, and the plan is to sign the agreement in the first half of 2019. After that, the aim is to launch the new product, arranged through banks, as quickly as possible. Within the framework of the programme, Finnvera can grant an unsecured 80 per cent guarantee for a loan of a maximum of EUR 150,000.

SME AND MIDCAP FINANCING GRANTED 2018, MEUR



* Including export guarantees and export credit guarantees for SMEs and midcaps



All in all, Finnvera received approximately 10,900 financing applications, including applications for changes, from SMEs and midcap enterprises. Of these, roughly 80 per cent led to a positive decision.

15 offices

Finnvera serves its clients online and at **15 offices** in Finland and representative offices in St. Petersburg and Oslo. The Growth and Internationalisation Team and the Large Corporates unit operate nationally.



The average SME and midcap financing amount granted to enterprises in 2018 without export guarantees and export credit guarantees was approximately EUR 119,000.



Financing services for various stages of business

Finnvera offers financing services for various stages of business: for starting a business, as well as for growth, internationalisation and export. All our services can be found on our webpage, finnvera.fi/eng.

[Read more >](#)

Export financing for enterprises seeking growth and internationalisation, as well as SME export financing, increased

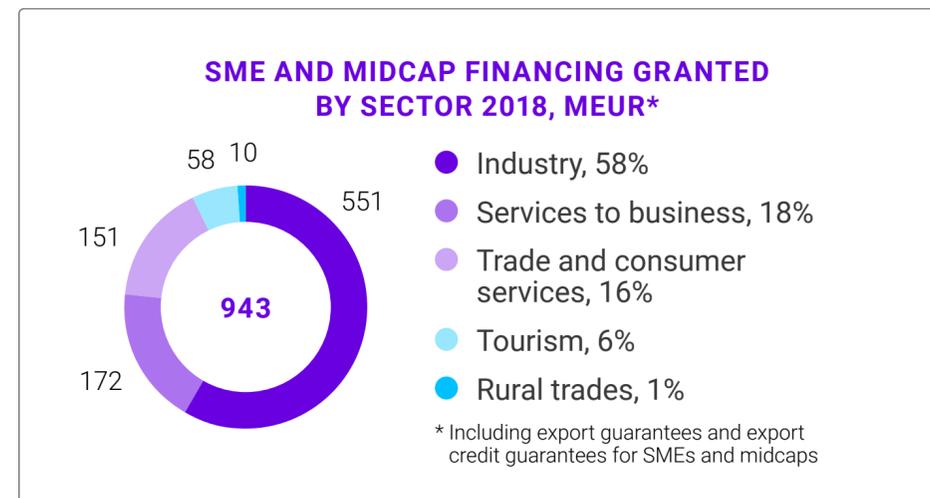
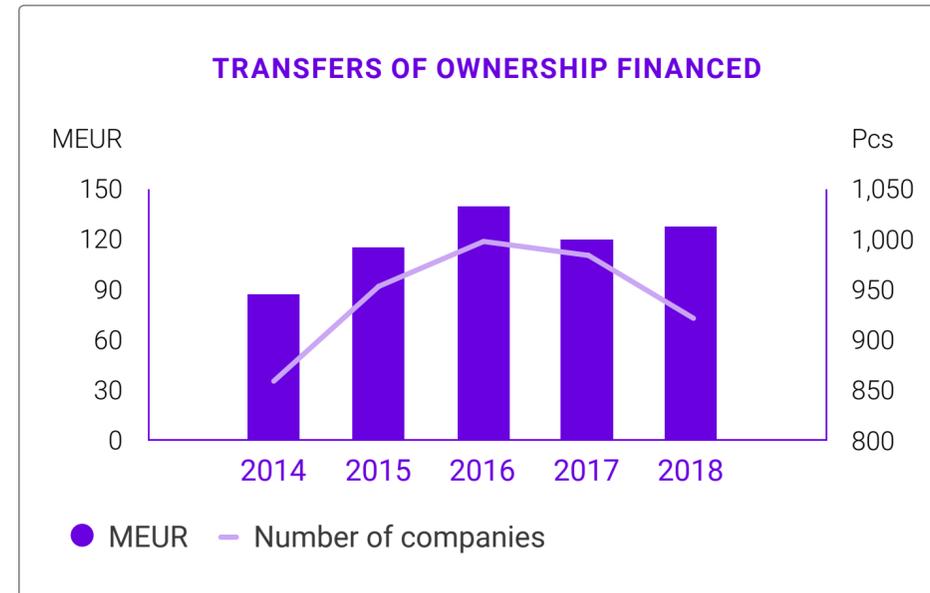
Finnvera has managed to shift the focus of financing to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership, with more than 80 per cent of financing allocated to such enterprises. In line with the goals, these target groups' share of the financing granted continued to grow, and the relative share of financing granted to so-called established enterprises decreased to 13 per cent (19%).

In line with its strategy, Finnvera shifted the focus of financing granted increasingly to guarantees. At the beginning of September, the minimum Finnvera Guarantee amount rose to EUR 10,000 and the minimum Finnvera Loan amount to EUR 30,000. The primary product for the financing of an SME start-up is the Start Guarantee, with which an enterprise can get bank financing for its various investment and working capital needs. In 2018, Finnvera granted a little over EUR 31 million (EUR 37 million) in Start Guarantees.

The amount of financing granted to enterprises seeking growth and internationalisation totalled EUR 389 million (EUR 385 million), which accounts for 41 per cent (40%) of SME and midcap financing granted. In these enterprises, the euro-denominated share of investments in the overall projects financed increased to 29 per cent (19%). The increase in software and service concept exports could also be seen in the structure of investments as the trend-like growth of the share of intangible investments. Intangible investments accounted for nearly 10 per cent (6%) of the overall projects of enterprises seeking growth and internationalisation.

Case: A cylinder manufacturer seeks to double its revenue (in Finnish) >

In 2018, Finnvera granted EUR 178 million (EUR 181 million) in guarantees related to SMEs' export activities. One of the strategic goals is to increase the number of enterprises using export financing services by 30 per cent from 2018 to 2021. On the initiative of Finnvera, Finland Chamber of Commerce and the International Chamber of Commerce ICC, four banks that finance SMEs' export activities (Danske Bank, Handelsbanken, Nordea and OP) and four



credit insurers operating in Finland (Atradius, Coface, Euler Hermes and Tryg Garanti) launched a national export trade financing tour in autumn 2018. The aim was to improve SMEs' awareness of protection against export risks and of the use of financing in winning export contracts. Approximately 200 enterprises participated in the tour, which will also continue in 2019. In addition, Finnvera organised nearly 50 enterprise-specific financing workshops that provided enterprises with guidance related to their products, industry and export destinations to enable them to begin and increase export activities. Both the tour

and the workshops are part of Finnvera's customer service provided free of charge. A goal for 2019 is to organise financing workshops for 150 enterprises.

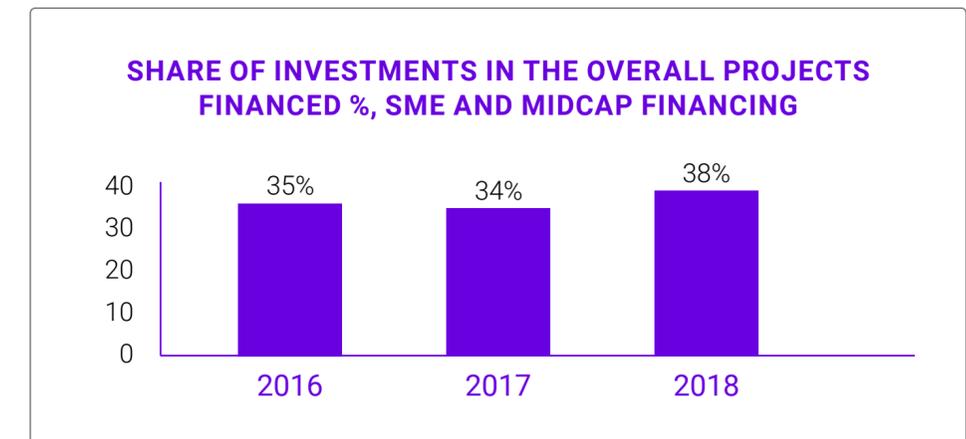
The financing for transfers of ownership grew by 6 per cent

Finnvera granted EUR 129 million (EUR 121 million) in financing for transfers of ownership and was involved in 921 (984) transfers of ownership. The average size of corporate acquisitions financed increased slightly year on year. Finnvera plays a significant role in transfers of ownership, not only as a provider of financing but also as an expert. The broad-based Forum for Transfers of Ownership awarded Finnvera's Regional Manager Janne Koivuniemi with the title of the Business Transfer Expert of the Year.

In 2018, the Growth Loan, intended for SMEs' and midcap enterprises' growth and internationalisation projects and corporate reorganisations, was used in corporate reorganisations that also involved venture capital investors. The aim is to further increase the use of Growth Loan and improve enterprises' awareness of it.

Case: The new owner was found within the enterprise (in Finnish) >

The measurement of the customer experience was continued, and the Net Promoter Score (NPS) rating for SME and midcap financing services was 51 among locally operating small enterprises, 70 among enterprises on the domestic market, and 74 among enterprises seeking growth and internationalisation, which are proof of very high client satisfaction.



Executive Vice President's review

A positive year for the availability of financing

The year 2018 was very positive for the availability of SME financing. In Finland, economy grew briskly, and during the first months of the year, enterprises' investments and the financing we granted for them were increasing slightly. Competition among banks and the increase in the use of European guarantee instruments partly replaced Finnvera's financing. We welcome the increasing versatility of corporate financing options as the most important thing is that Finnish enterprises get financing for their projects.

Early in the year, Finnvera and the Ministry of Economic Affairs and Employment jointly changed the State's credit and guarantee loss compensation commitment, which considerably simplified the commitment that had become very fragmented over the years. The change improves operational efficiency both at Finnvera and in the ministry, although it impaired the SME financing unit's result in 2018.

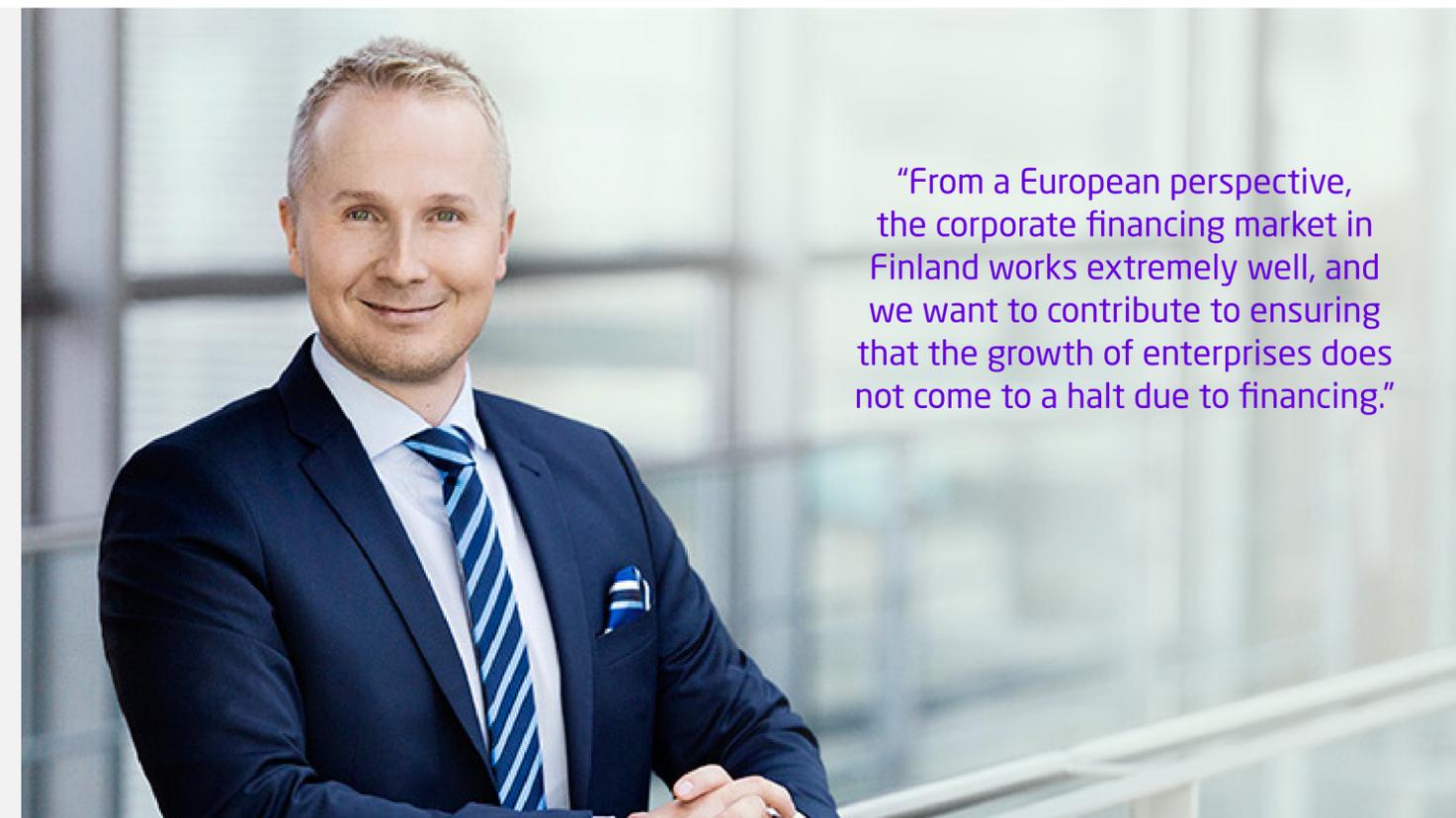
A positive development in our financing was the fact that enterprises seeking growth and internationalisation were more willing to make investments. This group of enterprises is one of our key target groups, and we want to improve the conditions enabling their growth in every way we can. A survey commissioned by us indicated that SMEs are not sufficiently familiar with the means of export financing and consequently suffer credit losses or fail to close deals. The export trade financing tour was launched to concretely increase awareness of financing options and protection against risks. Our message is that even a cautious enterprise can embark on the journey of internationalisation as there are ways to protect

the enterprise from risks. Furthermore, financing offered to the buyer may seal the deal for Finnish enterprises.

Considering the economic development, we need these enterprises to be active. Economic growth is not coming to a standstill but the world economy does not boost growth as strongly as in the previous years. Building a future requires both tangible and intangible investments. There are plenty of buyers and clients in the world. With the aid of digitalisation and digital marketing, Finnish enterprises may take significant steps along the path to growth and internationalisation also when operating from Finland.

Our task is to ensure, together with our partners, such as other organisers of the tour and the Team Finland network, that Finnish enterprises are familiar with export trade financing solutions. Other factors facilitating internationalisation include our representative office in St. Petersburg, opened in the early 1990s, and the cooperation pilot project that we launched in 2017 in Oslo with Business Finland. The key goal is to help Finnish SMEs establish themselves in Russia or Norway or to find partners in these countries.

Towards the end of the year, there was more news about the peak of the economic cycle being over. One should bear in mind that Finnish enterprises are in excellent financial condition. That is a good foundation for renewal, investment, growth and internationalisation. From a European perspective, the corporate financing market in Finland works extremely well, and we want to contribute to ensuring that the growth of enterprises does not come to a halt due to



“From a European perspective, the corporate financing market in Finland works extremely well, and we want to contribute to ensuring that the growth of enterprises does not come to a halt due to financing.”

financing. We look for new solutions to make financing more easily available especially to small growth-oriented enterprises. We are ready to take greater risks in those focus areas where we detect financing bottlenecks.

We are continuing our work to accelerate transfers of ownership. Especially in enterprises providing employment, a transfer of ownership is a major opportunity as it often clearly increases orientation towards growth. Many surveys indicate that young people are now more interested in entrepreneurship as a career option. I would like to see this interest take concrete form with young people taking over the ownership of existing enterprises, which is known to be a more risk-free way of entering business life.

To improve our service, we started our first robotised process automation project and, towards

the end of the year, we clarified the distribution of tasks between national and regional units. We launched an SME financing mini-evaluation as a continuation of the assessment of the entire Finnvera, which was commissioned by the Ministry of Economic Affairs and Employment in 2012. The aim of this evaluation project is to get a more concrete picture of our future role as the provider of financing to SMEs.

I am glad that our client satisfaction rating has remained high. It shows that we have succeeded in acting as experts who serve enterprises in their financing needs. We believe that our increasingly active approach and the development measures we have initiated will lead to high NPS ratings in the future, too.

Juuso Heinilä
Executive Vice President, SME and midcap financing

Export financing

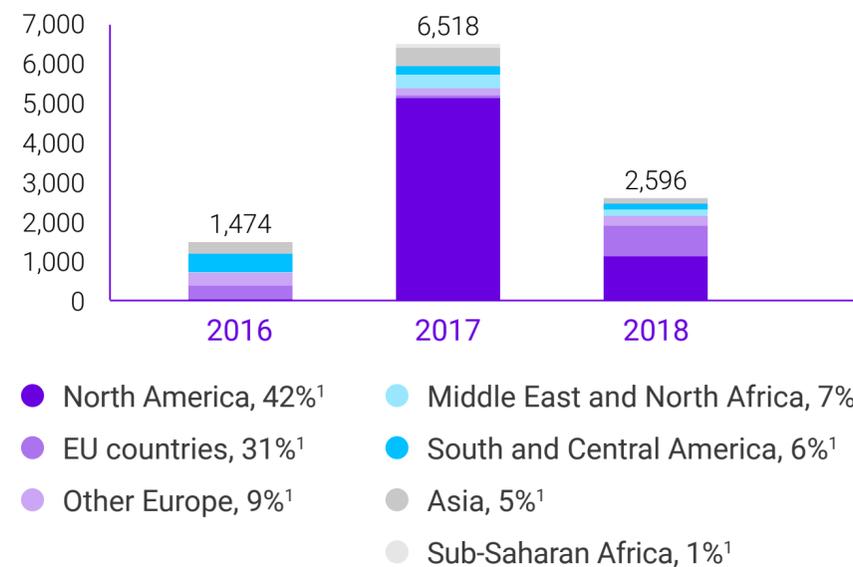
Finnvera granted the following financing for large corporates' trade transactions: EUR 3.0 billion (EUR 7.5 billion) in export credit guarantees and special guarantees and EUR 2.2 billion (EUR 6.6 billion) in export credits. The materialisation of individual major export transactions has a major impact on the amount of financing granted.

As in the previous years, financing especially focused on cruise shipping, telecommunications and pulp and paper sectors. In 2018, one of the largest individual financing projects was Meyer Turku's latest cruise ship project, with Finnvera granting an export credit guarantee and export credit that amounted to more than EUR 500 million. The scheduled handover of the ship to the buyer is in 2023. In addition, Finnvera granted a more than EUR 1 billion guarantee for an export credit, with which AT&T, the second largest operator in the United States, buys network deliveries from Nokia. Furthermore, major financing and export projects have significant positive cascade effects through the added value created in the home country as a substantial impact on employment both for export companies and subcontracting networks.

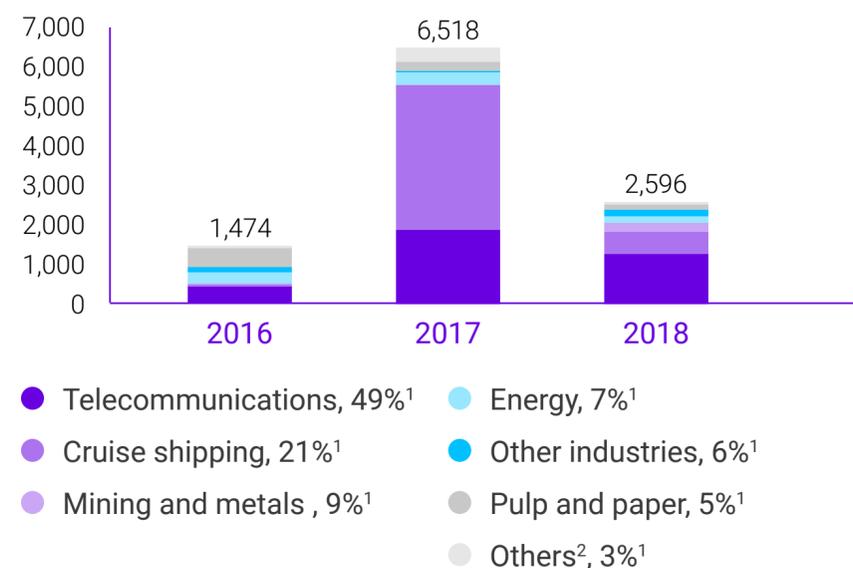
Although financing granted in 2018 for large corporates' export trade transactions did not reach the level of the record-breaking year 2017, demand for new export credit guarantees, special guarantees and export credits remained very high, as in the previous year. Demand is mainly focused on the United States and other industrialised Western countries.

As the structure of the Finnish export industry is centred around capital goods, the export financing needed for trade has increased Finnvera's exposure and risk concentrations significantly. Roughly half of the total exposure for export credit guarantees is related to trade with the United States and slightly over half is associated with cruise ship building. The share of exposure related to future deliveries is now particularly high. In the EUR 23.3 billion exposure related to export credit guarantees and special guarantees, drawn guarantees and credits accounted for EUR 12.3 million at the end of the year. Approximately half of the exposure relates to binding financing offers or agreements that are related to future deliveries by export companies, and thus they do not yet create credit risks for Finnvera. These arrangements typically consist of buyer financing for

EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES THAT CAME INTO EFFECT BY REGION, MEUR



EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES THAT CAME INTO EFFECT BY SECTOR, MEUR



¹ %-share 2018

² Including other risks such as sovereign risks related to states and bank risks

cruise ships, the delivery times of which are long. Especially in cruise shipping, telecommunications, energy and pulp and paper sectors, enterprises have orders booked for years to come.

[Watch the video: Export trade buyer financing in a nutshell \(in Finnish\) >](#)

Export financing has significant cascade effects

Major financing and export projects have significant positive cascade effects through the added value created in the home country as a substantial impact on employment both for export companies and subcontracting networks as well as through innovations and high technology expertise, for instance. This was revealed by the Research Institute of the Finnish Economy's (Etlä) report that reviewed Finnvera's largest export financing projects: Nokia and Meyer Turku and their clients. According to the report, a EUR 1 billion export credit guarantee project would mean that, in Finland, Meyer and its value chain would create added value amounting to EUR 635 million and its total impact on employment would be approximately 9,100 jobs. In the case of Nokia, added value would be EUR 320 million, one fifth of it created by other enterprises in Nokia's value chain.

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

[Read more >](#)

The impact of export financing was also described in a study by a researcher group of the University of Turku and the University of Lorraine. The group interviewed the largest export companies in Finland: Andritz, Outotec, Valmet, Wärtsilä, Meyer Turku, and Nokia, as well as a group of SMEs. According to a study commissioned by Finnvera, many export deals would be lost without export credit guarantees and buyer financing. Enterprises find that the availability of equal financing options when compared to international competitors is



crucial for maintaining competitiveness. Enterprises report that foreign buyers more frequently demand that the exporter not only deliver a competitive product but also provide a buyer financing offer from a public provider of export financing, like export companies in competitor countries do. A financing offer may even be a prerequisite for getting a chance to participate in competitive bidding.

Export credit involved in an increasing number of export transactions

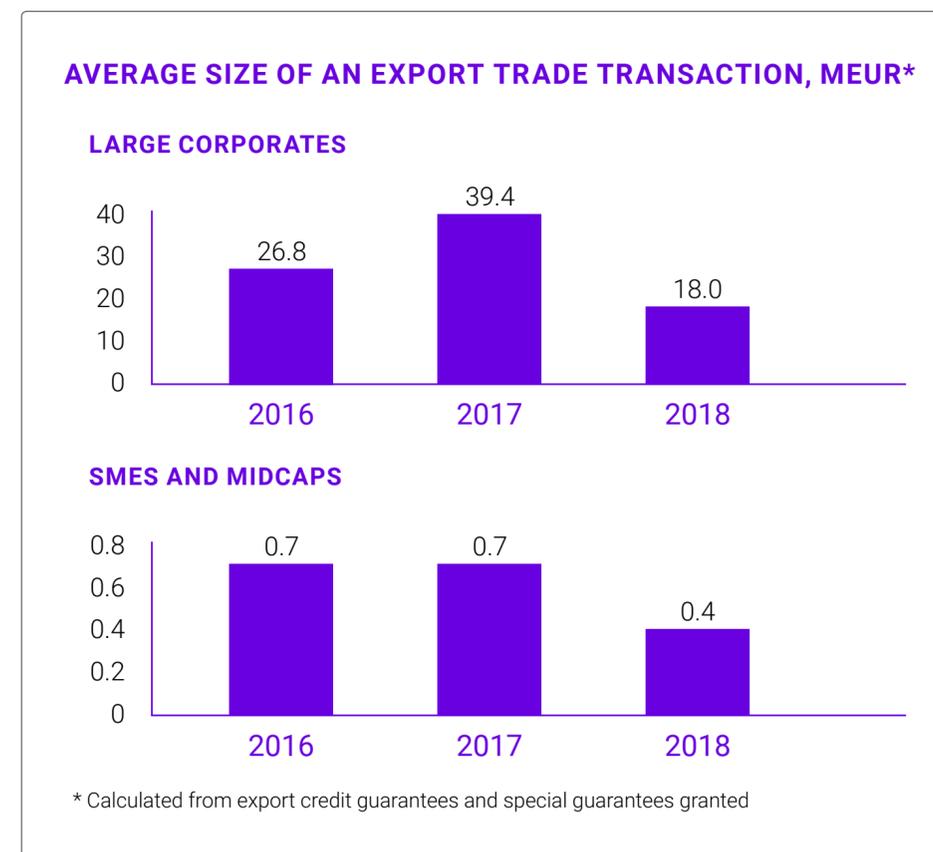
Financing solutions offered to buyers play a pivotal role in the export trade of capital goods sold by large corporates. Export credit financing has grown during the past few years, and now two thirds of export credit guarantees also include export credit.

Export credit financing facilitates the arrangement of financing for foreign clients who purchase Finnish capital goods. Banks play a key role in arranging financing for export transactions: the bank selected by the buyer provides the client with a long-term export credit on OECD terms. The bank negotiates a credit agreement that meets the terms set by Finnvera and its subsidiary Finnish Export Credit Ltd, and manages the credit. The bank transfers the export credit to Finnish Export Credit for financing. Finnvera's Buyer Credit Guarantee is always a prerequisite for the financing.

There is demand for new trade financing products

The instruments typically used for financing small export transactions are letters of credit, bills of exchange and the sale of accounts receivable. Finnvera's guarantees serve as a security to the bank that finances the export trade transaction. To improve the range of financing options available for small export trade transactions, Finnvera has developed new products in recent years and offers them to exporters in cooperation with banks. These new products are the Bill of Exchange Guarantee launched in spring 2016 and the Receivables Purchase Guarantee taken into use in late 2017.

The new products have attracted interest among export companies. Despite the increasing demand for the products, banks' limited capacity to finance individual export transactions has slowed the adoption of the products, especially in financing SMEs' export trade transactions.



Case: Nearly all of a metal industry enterprise's production is exported - risks need to be managed

[Read more >](#)

At the end of 2018, Finnvera's exposure related to the new products totalled EUR 73 million in 32 different countries.

Credit Insurance and the Letter of Credit Guarantee are Finnvera's traditional means of promoting small and medium-sized export transactions. Export trade covered with them in 2018 totalled EUR 628 million. The figure does not reflect the amount of financing; it also includes the credit insurance for protection against credit risks without financing. In 2018, the highest number of Credit Insurance arrangements was granted to transactions with Russia, and the highest number of Letter of Credit Guarantees was granted to trade transactions with Algeria.

With its products, Finnvera complements the private market and is especially involved in trade with countries other than industrialised Western countries, whereas private credit insurance providers and banks take care of risk-taking in industrialised Western countries.

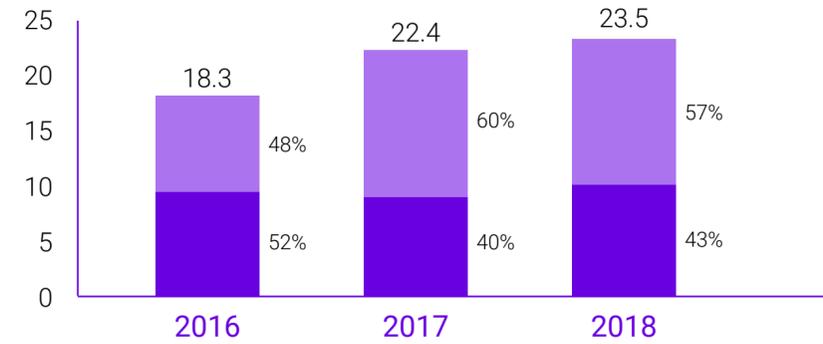
The Raw Material Guarantee is a rarity

A Raw Material Guarantee, or an import credit guarantee, may be issued as security for a loan granted to a foreign debtor in connection with a long-term contract with a Finnish buyer concerning the import of raw materials.

Special attention is paid to the necessity of the loan as a precondition for the long-term import in respect of the national economy. An application for Raw Material Guarantee is filed with Finnvera, which forwards the application—together with Finnvera's opinion—to the Ministry of Economic Affairs and Employment. The decision on the Raw Material Guarantee is made by the Government. In 2018, Finnvera granted an eight-year Raw Material Guarantee to Boliden. The previous decision to grant a Raw Material Guarantee was made approximately 20 years ago.

[Finnvera's Guaranteed Transactions >](#)

EXPORT CREDIT GUARANTEE AND SPECIAL GUARANTEE EXPOSURE, EUR BILLION



- Promised financing*
- Drawn guarantees

* Including undrawn guarantees and binding offers

Reinsurance was developed further

The rapid growth of the export financing exposure in the past few years as well as the raised financing authorisations have increased interest in Finnvera's risk management, and the National Audit Office of Finland assessed Finnvera's exposures in 2018. The special characteristics of export financing and the concentration of risks in certain sectors are taken into account in risk management. In 2018, Finnvera also invested heavily in the development of risk management, including reinsurance. Already in 2017, an external assessment commissioned by the Ministry of Economic Affairs and Employment showed that Finnvera's management of risks and exposures is at an excellent level in international comparison.

The reinsurance function was expanded during the year and more personnel were hired to the team to take care of the existing reinsurance structures and negotiate on new solutions. Charting of new protection methods is part of Finnvera's risk management strategy.

Foreign buyers' interest in buyer financing is increasing

Arranging financing for a foreign buyer is often an important element of export negotiations, in both small and large transactions.

[Read more >](#)

Finnvera's impact study:

Enterprises find that the availability of equal financing options when compared to international competitors is crucial for maintaining competitiveness.

In 2018, the average size of an export transaction in the Large Corporates business was

EUR 18 million



Foreign buyer enterprises rated Finnvera as the best export credit agency in the TXF Importers' Choice comparison. Finnvera featured in the top 3 also in the exporters' ratings in the Exporters' Choice comparison.

Strong values guide Ponsse forward

In many ways, the forestry machine manufacturer Ponsse is a one-of-a-kind listed company and one of the leading enterprises in North Savo. The most significant driving force is the Ponsse spirit. The enterprise is firmly rooted in the Upper Savo municipality of Vieremä, with a population of nearly 4,000 inhabitants. Nearly 80 per cent of Ponsse's more than EUR 570 million turnover comes from exports.

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



A three-cluster symbiosis as a driver of exports in Kymenlaakso

Port operations, the forest industry and the energy sector form a close-knit union in Kymenlaakso. In the coming years, the clusters' investments will rise to hundreds of millions of euros.

[Read more >](#)

Executive Vice President's review

Finnvera's role remains strong

Uncertainty, the threat of protectionism and trade policy crises characterised the world economy in 2018. Nevertheless, from the perspective of our business operations, the year was as successful as expected. We still granted more than EUR 3 billion in export credit guarantees and special guarantees and more than EUR 2 billion in export credits. Financing solutions offered to buyers play a pivotal role in the exports of large corporates' capital goods. This could also be seen in the export financing impact study we commissioned.

We expect demand for export financing to remain high in 2019. The materialisation of individual major export transactions has a major impact on the forecast and also explains the annual variation in financing volumes. We expect demand to remain strong in the main sectors: cruise shipping, telecommunications and pulp and paper.

When talking about export financing, the topics that often come up include the total exposure related to export credit guarantees that has increased during the past few years as well as the concentration of financing in a couple of sectors. The larger scale underlines the importance of risk management as Finnvera's operations must be self-sustainable in the long term. To ensure this, we have, to an increasing extent, shared credit risks with other countries' export credit agencies and the private market, in particular to mitigate concentration risks.

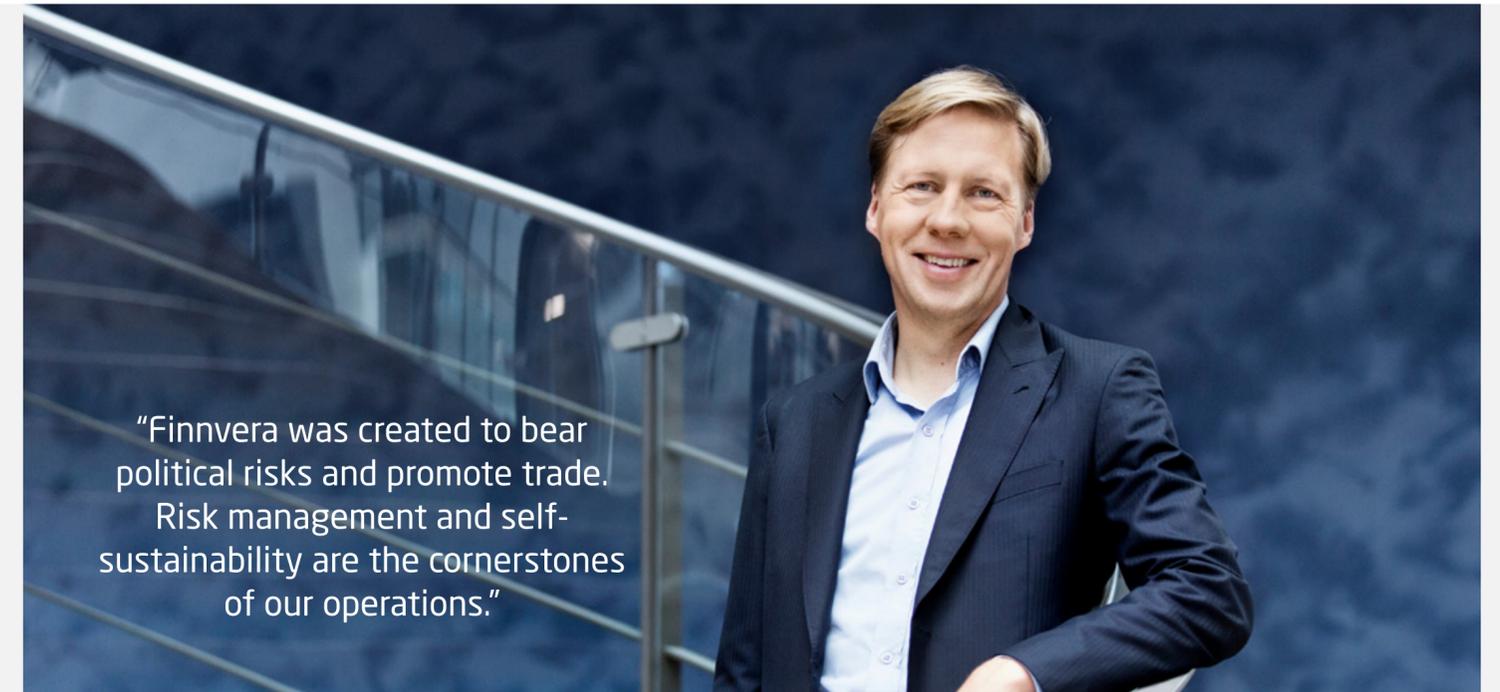
In the allocation of financing, an important indicator is the impact, or how the financing of export transactions as a whole boosts the Finnish economy.

The Research Institute of the Finnish Economy's (Etila) review of export financing projects related to Nokia and Meyer Turku and their impact also shed light on this topic. Cruise ships are large individual projects, and strong demand for financing in the past few years, especially in the cruise ship sector, has contributed to the need for raising our financing authorisations. Globally, large cruise ships are hardly ever sold without state export credit guarantees, and Finland's competitor countries offer these guarantees actively. Added value amounting to more than EUR 600 million and an impact on employment totalling nearly 10,000 jobs show how significant cruise ship projects with their positive cascade effects are.

A competitive export financing system is our tool in ensuring that the export sectors have at least equal development opportunities as the competitor countries. This is a task assigned to us by our owner, the State of Finland.

During the past few years, our clients have indicated that the CIRR interest rate system used in export financing needs to be developed. The Ministry of Economic Affairs and Employment appointed a consultant to study the functionality of the CIRR system, and the report was published in late 2018. The report served as a basis for setting up a working group that is currently contemplating the development of the export financing system. We are happy that, as a member of the working group, we have the chance to develop the conditions of our operations.

We aim to help Finnish enterprises conclude sales contracts by meeting regularly with not only export companies but their foreign clients and



"Finnvera was created to bear political risks and promote trade. Risk management and self-sustainability are the cornerstones of our operations."

domestic and foreign providers of financing. The feedback we have received from our clients has been very positive. We are very happy about the international TXF Importer's Choice award that rated Finnvera as the export credit agency that succeeded best in serving foreign buyers dealing with export companies in 2017. We also received an award based on the exporters' ratings.

Economic cycle forecasts indicate that world trade will slow down in 2019. The trade outlook will become shorter and, as a result, it is possible that there will be less demand for financing. On the other hand, uncertainty in the market may increase demand for guarantees offered by Finnvera.

Protectionist agendas pose challenges to all trading parties. The aim is that the minimum terms and conditions set by the OECD for export credit guarantee operations are adhered to. An international trend is that the focus is shifting from competition between enterprises to competition between value chains and states, in which the

significance of joint agreements decreases. Numerous countries have developed financial instruments outside export credit agreements, and China, for instance, has strengthened its role. In many countries, organisations that provide export financing are to an increasing extent tools in their countries' trade policies.

For a small economy that is dependent on exports, such as Finland, the situation is challenging. Our raised authorisations have provided us with the resources required for boosting Finnish exports. In export financing, we evaluate how Finnish interests are realised, with a flexible approach when necessary, and we encourage export companies to enter international markets. Finnvera was created to bear political risks and promote trade in any economic circumstances. Risk management and self-sustainability are the cornerstones of our operations.

Jussi Haarasilta

Executive Vice President, Large Corporates

Key figures & Formulas for the key indicators

Key Figures

Finnvera Group	2018	2017	2016	2015	2014
Key P&L figures:					
Net interest income, MEUR	42	46	50	56	52
Net fee and commission income, MEUR	135	127	144	141	137
Administrative expenses, MEUR	46	43	44	44	41
– of which salaries including social security costs, MEUR	28	29	30	30	28
Realised and expected credit losses	45	42	94	97	98
Credit loss compensation from the State, MEUR	24	23	28	83	64
Operating profit or loss, MEUR	100	109	69	114	101
Profit for the year, MEUR	98	107	70	111	100
Key Balance sheet figures:					
Loans to and receivables from customers, MEUR	6,876	5,846	6,078	5,394	4,643
Investments, MEUR	2,665	3,084	2,082	2,059	1,065
Liabilities, MEUR	9,681	9,023	8,290	7,297	5,673
– of which debt securities in issue, MEUR	8,783	6,483	4,892	3,958	2,564
Shareholders' equity, MEUR	1,358	1,314	1,207	1,121	1,009
– of which non-restricted equity, MEUR	1,126	1,062	955	871	756
Balance sheet total, MEUR	11,039	10,337	9,498	8,418	6,619
Key ratios:					
Return on equity, ROE, %	7.4	8.5	6.0	10.4	10.8
Return on assets, ROA, %	0.9	1.1	0.8	1.5	1.8
Equity ratio, %	12.3	12.7	12.7	13.3	15.2
Capital adequacy ratio, Tier 1, domestic operations, %	27.2	25.3	22.4	18.1	17.7
Expense-income ratio, %	29.3	27.2	27.0	28.3	25.9
Average number of employees ¹	360	383	398	404	401
Finnvera plc, SMEs and midcaps; financing, exposures and effectiveness					
Loans, guarantees and export credit guarantees offered, billion EUR	0.9	1.0	1.0	1.1	1.0
Outstanding commitments, billion EUR	2.3	2.5	2.6	2.7	2.8
Number of start-up enterprises financed	2,600	3,100	3,400	3,600	3,200
Number of new jobs created	7,700	9,100	8,700	8,600	8,100
Finnvera plc, Large Corporates; financing and exposures					
Export credit guarantees and special guarantees offered, billion EUR	3.0	7.5	4.2	6.6	5.0
Outstanding commitments, billion EUR	23.3	22.2	18.1	17.0	12.2
Finnvera plc, clients					
Number of clients, SMEs and midcaps and Large Corporates together	25,700	27,300	27,700	28,400	28,800

¹ Based on monthly average for the whole period.

Formulas for the key indicators

Return on equity % (ROE) $\frac{\text{profit/loss for the year}}{\text{equity (as the average of the value at the beginning and the end of the period)}} \times 100$

Return on assets %, ROA $\frac{\text{operating profit/loss} - \text{income taxes}}{\text{balance sheet total on average (as the average of the value at the beginning and the end of the period)}} \times 100$

Equity ratio, % $\frac{\text{equity} + \text{minority share} + \text{accumulated appropriations deducted by the deferred tax liability}}{\text{balance sheet total}} \times 100$

Capital adequacy ratio, Tier 1, domestic operations, % calculated according to Basel III standard method

Expense-income ratio, % $\frac{\text{administrative expenses} + \text{depreciation, amortisation and impairment from tangible and intangible assets} + \text{other operating expenses}}{\text{net interest income} + \text{net fee and commission income} + \text{gains/losses from financial instruments carried at fair value} + \text{net income from investments} + \text{other operating income}} \times 100$

Risk management

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

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

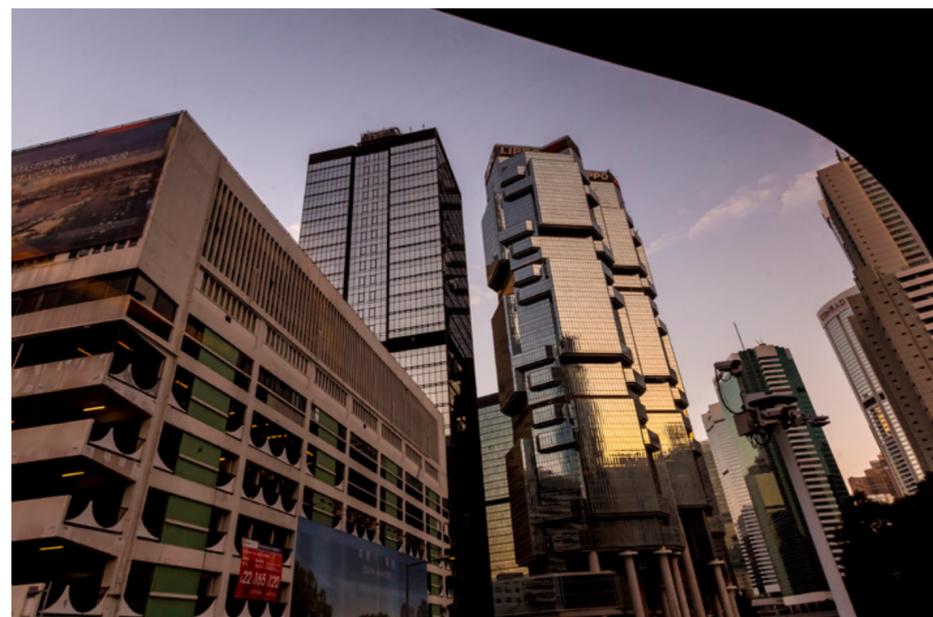
Finnvera's Board of Directors is responsible for risk management as a whole and for the risk appetite. It is the Board's task to ensure that the organisation has an appropriate risk management framework. The Board appoints the Chief Risk Officer. Other risk management organisation duties fall within the responsibilities of the CEO. Each year, the CEO assesses the functioning and organisation of risk management as well as required competence and human and IT resources.

Risk management practices and methods

Risk management practices and methods ensure that uncertainties that complicate or prevent the achievement of Finnvera Group's goals are identified, their likelihood and impact are assessed, practical risk mitigation measures are taken, and the development of individual risks and Finnvera's risk position is monitored and reported.

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

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



Risk management is part of internal control

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

The operations at the second line of defence (i.e. Finnvera's risk control, compliance and other support operations, which are independent of the company's business operations) support the business units in their risk management and internal control. The principal component tasks of Risk Control are maintenance of the risk management system, participation in the determination of policies and in the preparation of guidelines for operations, as well as monitoring and controlling the risk position realised, and the related reporting. Risk Control also takes part in the development of risk management methods.

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

Finnvera's risks can be grouped as follows:

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

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

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

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

Operational risks refer to a risk of loss caused by inadequately or incorrectly functioning internal processes, personnel, information systems or external factors. Legal and compliance risks as well as the risk of damage to reputation are included in operational risks.

Operational risk management is closely linked with the development of the quality of Finnvera's operations, the processes that guide operations and the operational system.

The identification, assessment and reporting of risks and the development of controls ensure that the consequences of risk realisation are not very significant financially and do not result in loss of reputation. Operational risks pertaining to financial reporting are identified, assessed and controlled as part of operational risk management.

The key risk for Finnvera's operations is credit risk, which may be realised if the party that has received a loan or a guarantee cannot fully meet its obligations, potentially causing credit losses.

Risk management reporting

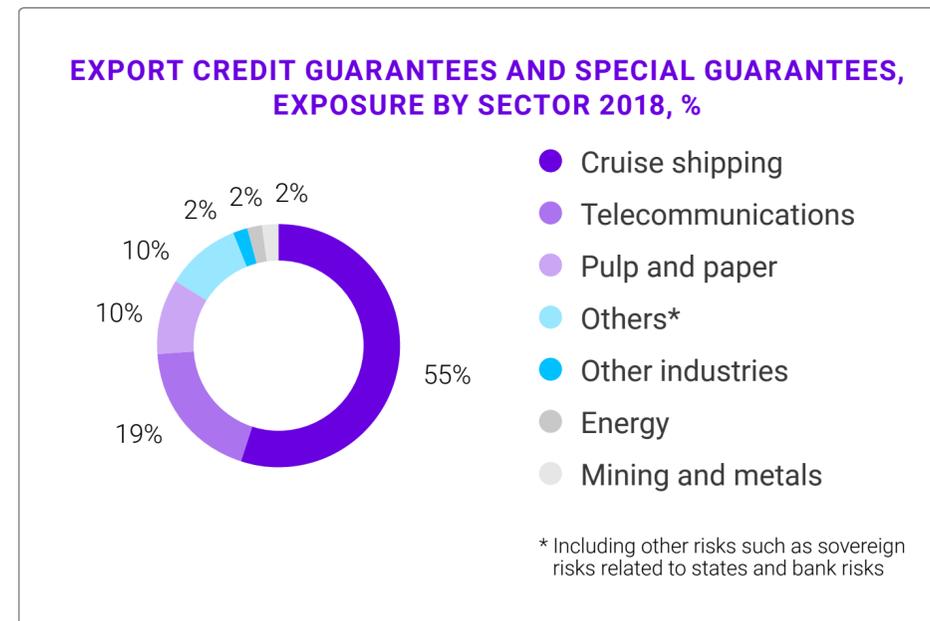
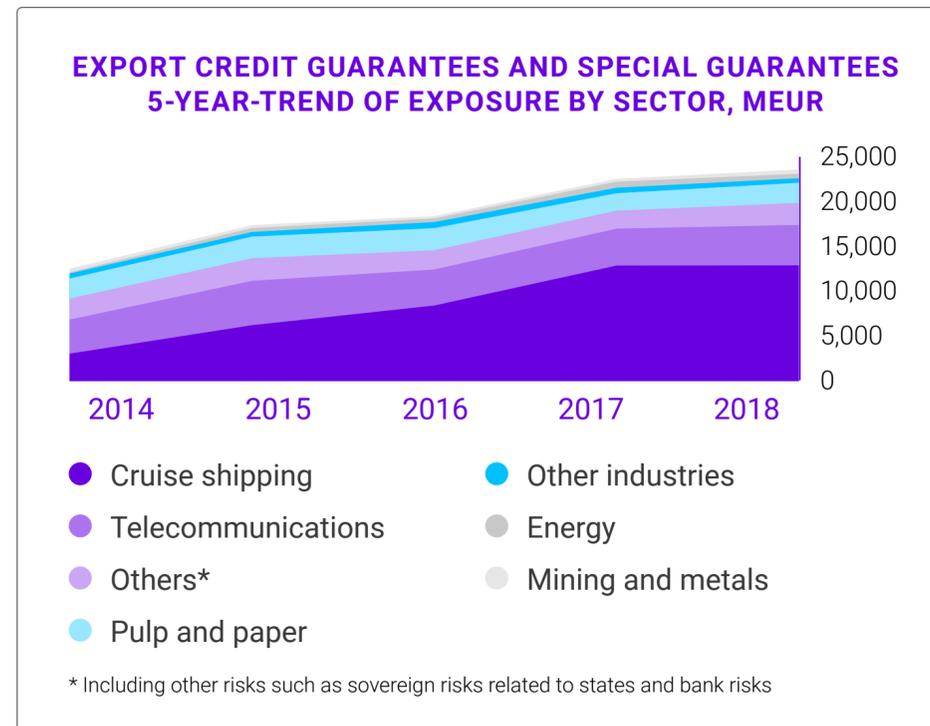
The business areas are responsible for the normal reporting of risks taken in business operations to the Board of Directors. Sudden significant risks are reported to the Board immediately. Risk Control reports on Finnvera's overall risk position to the Board and the executive management in every quarter.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

The parent company manages risks that have arisen in subsidiaries through ownership steering and by keeping all subsidiaries within the sphere of the risk management practices followed within the Group.

Distribution of Finnvera's risks

As the structure of the Finnish export industry is centred around capital goods, the export financing needed for trade has increased Finnvera's exposure and risk concentrations significantly. Roughly half of the total exposure for export credit guarantees is related to trade with the United States and slightly over half is associated with cruise shipping. Clearly

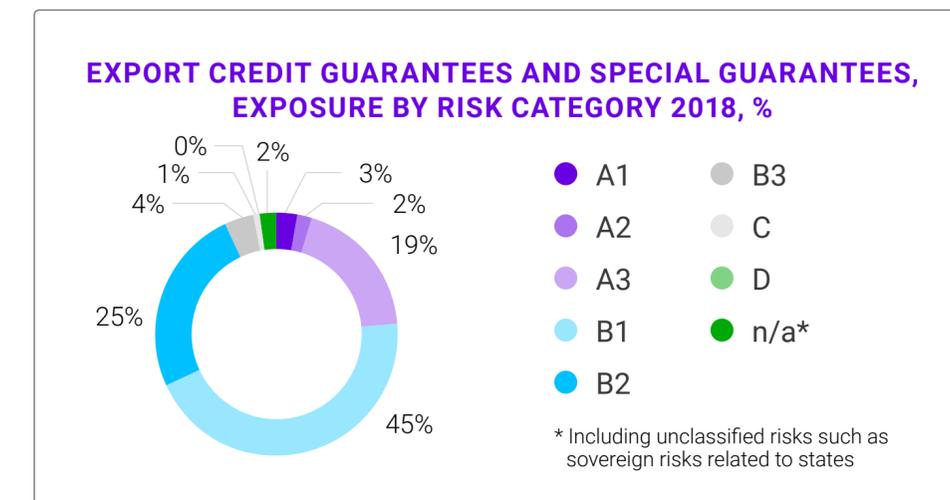
more than half of the total exposure is related to future deliveries, the share of which is now particularly high.



Of the sectors associated with Finnvera's Large Corporates business, especially cruise shipping has grown strongly since 2014. This results from the transfer of ownership of Turku Shipyard and the restoration of operations to a sound basis as well as the simultaneous strong growth of the international cruise ship sector. Other significant sectors include telecommunications and pulp and paper, where development has been clearly more even than in cruise shipping. This also applies to other sectors. Finnvera's total exposure in cruise shipping largely reflects the extensive length of the order book resulting from the shipyards' limited building capacity.

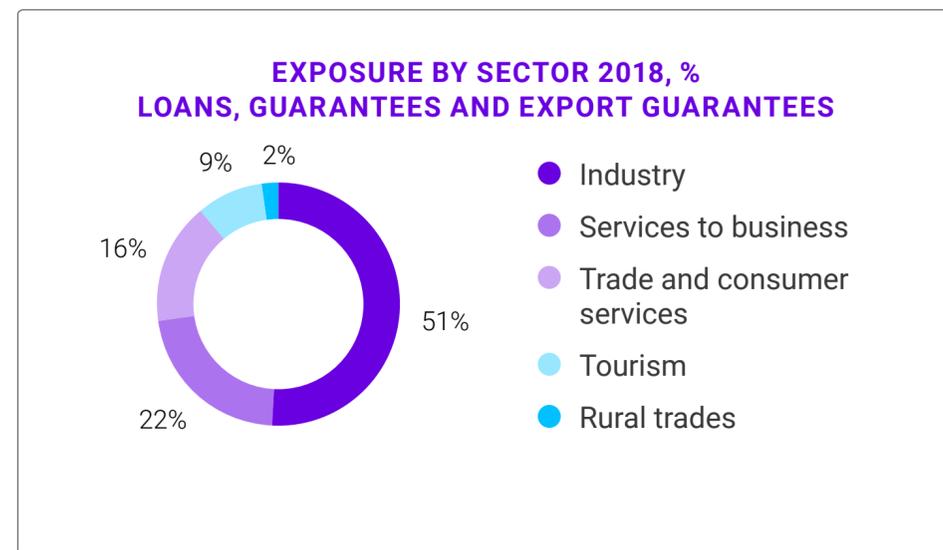
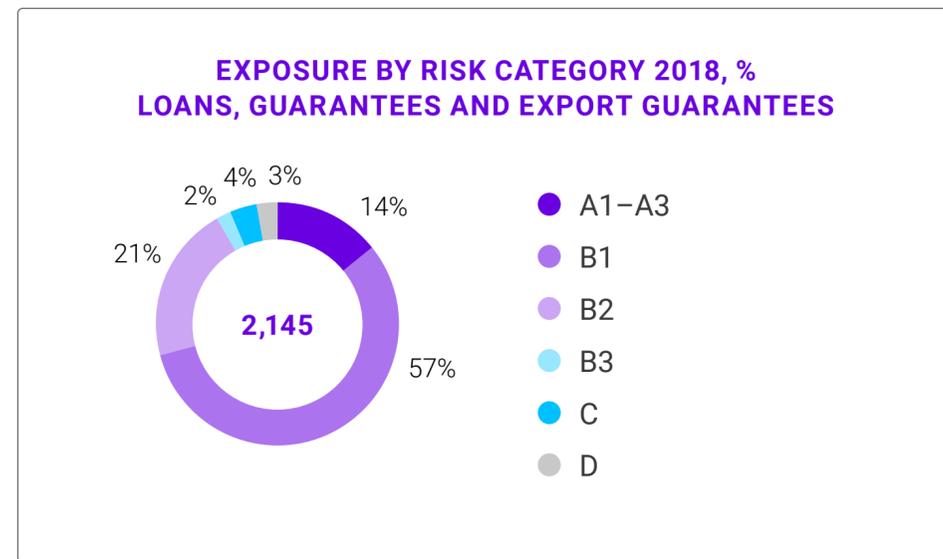
Altogether, 58 per cent of the exposure of the Large Corporates business is in risk category B1, which describes investment grade, or in better risk categories. The risk category distribution is influenced by the risk categories of new exposures and potential changes in current exposure risk categories. The taking of new risks is staggered by risk category and exposure so that the taking of risks that are particularly high in comparison with loss buffers is restricted.

The export guarantees granted for SMEs and midcaps are included in the graphs on the next page.



Further information can be found in the financial statements >

Finnvera's total exposure for SME and midcap financing has decreased in the past few years. The key reasons for this decrease include, among other things, the well-functioning banking system and, as a result, the good availability of financing. The guarantee instruments offered by the European Investment Fund also replace or complement Finnvera's financing offering, and these instruments have proved to be easily found by Finnish enterprises. On the other hand, the volume of major investments has been low during the past few years so enterprises have not had much need for external financing.



More than half of Finnvera's total exposure for SME and midcap financing is in risk category B2, and enterprises in this category usually face challenges in getting financing from the market with weaker securities. At Finnvera, these enterprises are subject to normal financing arrangements. As for enterprises in risk category B3, their category has usually declined after the financing was originally granted and their credit risk has clearly increased. Thanks to the well-functioning financing market, the significance of Finnvera's financing in category B1 and in better risk categories is lower. Approximately half of the total exposure for SME and midcap financing is associated with traditional industry. Services to business is the second largest sector group. Technology companies in the IT sector, for instance, fall under this group.



Read more about assessments of risk management and impact

Finnvera's risk management and impact of financing has been assessed in several analyses. You can find the reports on finnvera.fi.

[Read more >](#)



Self-sustainability and risk management as cornerstones of operations

Finnvera's operations are based on self-sustainability: in the long term, the income from our operations exceeds our expenses and potential credit losses. With the aid of experts and efficient processes, we identify risks before financing decisions and manage them after that.

Watch the video to see how CEO Pauli Heikkilä describes the importance of risk management for Finnvera and its clients.

[Watch the video >](#)

Funding

In 2018, Finnvera carried out three EUR and USD bond issues.

In March 2018, Finnvera issued a EUR 1 billion bond, with a maturity of 15 years. The bond, due in July 2033, is Finnvera's longest bond issue to date.

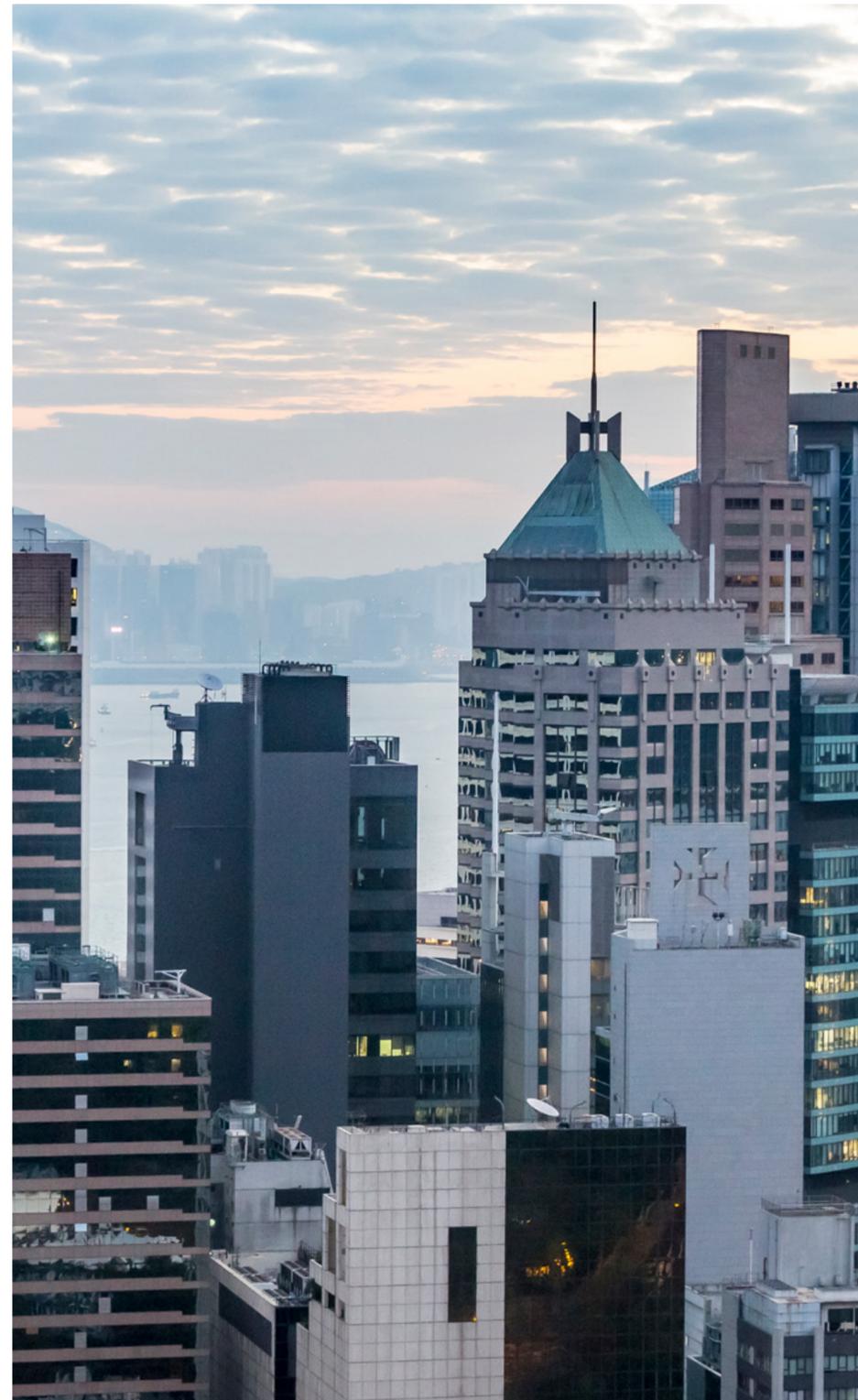
In June, Finnvera issued a USD 1 billion bond, due in 2023. Furthermore, Finnvera issued a EUR 500 million bond in October, due in 2028.

During the period under review, Finnvera issued EUR and USD bonds amounting to approximately EUR 2.4 billion.

The funds are used for export credits and SME financing

Finnvera uses the funds acquired for financing export credits and for SME financing. By means of currency and interest rate swaps, Finnvera converts the funds acquired into euros or US dollars, depending on the final use of the funds. In 2019, Finnvera's funding is estimated to amount to EUR 2.0–2.5 billion.

Finnvera funds its activities primarily by issuing notes under the EUR 11 billion Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. The notes have the same credit rating as the State of Finland: Aa1 from Moody's and AA+ from Standard & Poor's.



Need for funding is increasing

Export credit financing has grown considerably during the past few years, and now 90 per cent of export credit guarantee decisions also include export credit. As a result, Finnvera's need for funding has increased.

To balance funding and asset management and to ensure the appropriate timing of funds, Finnvera repaid loans associated with the temporary export credit system of 2009–2012 prematurely to the State, amounting to EUR 1.5 billion.

[Read more >](#)



The maximum amount of Finnvera's debt obligations guaranteed by the Republic of Finland is

EUR 11 billion

[Read more >](#)

Corporate governance

At Finnvera, the goal of good governance is to ensure transparency throughout the organisation. Finnvera's Board of Directors approves the key policies, principles and guidelines that steer the company's operations.

The State of Finland owns the entire stock of Finnvera, and the Innovations and Enterprise Financing Department of the Ministry of Economic Affairs and Employment is responsible for the ownership and industrial policy steering of Finnvera.

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

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

Boldly to international markets with increasingly versatile corporate financing

According to Pentti Hakkarainen, the Chairman of Finnvera's Board of Directors and a member of the European Central Bank's (ECB) Banking Supervisory Board, the impact of specialised financing institutions is mainly assessed on the basis of how their services help enterprises achieve something that could not be achieved without these services.

To increase this impact, Finnvera's authorisations to grant export financing were raised.

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

Monitoring of the attainment of industrial policy and ownership policy goals for 2018

	Goal
Finnvera's domestic financing	● 75 per cent of Finnvera's SME financing is allocated to enterprises seeking growth or internationalisation, start-ups, enterprises seeking change, and transfers of ownership.
	● Finnvera is gradually digitalising its operations to an appropriate extent: to serve its clients and partners, and to improve the efficiency of its processes.
EU financing	● Finnvera is actively analysing participation in EIF guarantee programmes that improve enterprises' financing options in Finland. The aim is to sign a guarantee programme with EIF during 2018. The goal of the programme is to grant at least EUR 200 million in loans to enterprises in the coming years.
Impact	● Impact assessment is developed in cooperation with Team Finland actors. The goal is to ensure the meeting of the criteria of a good impact assessment and the creation of a good assessment culture in the Group. To create an overview, organisations are required to have an assessment framework description that defines what is assessed, when and how. Shared impact indicators and jointly available data are prerequisites of consistent assessment. In 2018, Finnvera presents different models about the impact of its financing to MEAE.
Export financing	● In cooperation with MEAE, Finnvera actively participates in interest rate negotiations to have more market-based terms and conditions for interest rates. In addition, negotiations in a sector, conducted in cooperation with MEAE, aim at financing terms and conditions that would be more market-based when it comes to credit interest and export credit guarantee pricing.
	● The export financing system is competitive when compared to the key competitor countries, especially Sweden and Germany. Finnvera explores opportunities to further expand the selection of export financing instruments.
	● The number of enterprises using export financing services will increase by 30 per cent by 2021; to promote the achievement of this goal, the SME advisory services will be developed.
Risk management	● 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.
Capital adequacy	● Finnvera looks into finding a capital management calculation model for export financing to assess the adequacy of capital. Then, Finnvera and MEAE determine the appropriate level for the adequacy of capital for the entire Finnvera.

● Goal achieved ● Goal partly achieved ● Goal not achieved

Organisation and administration

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

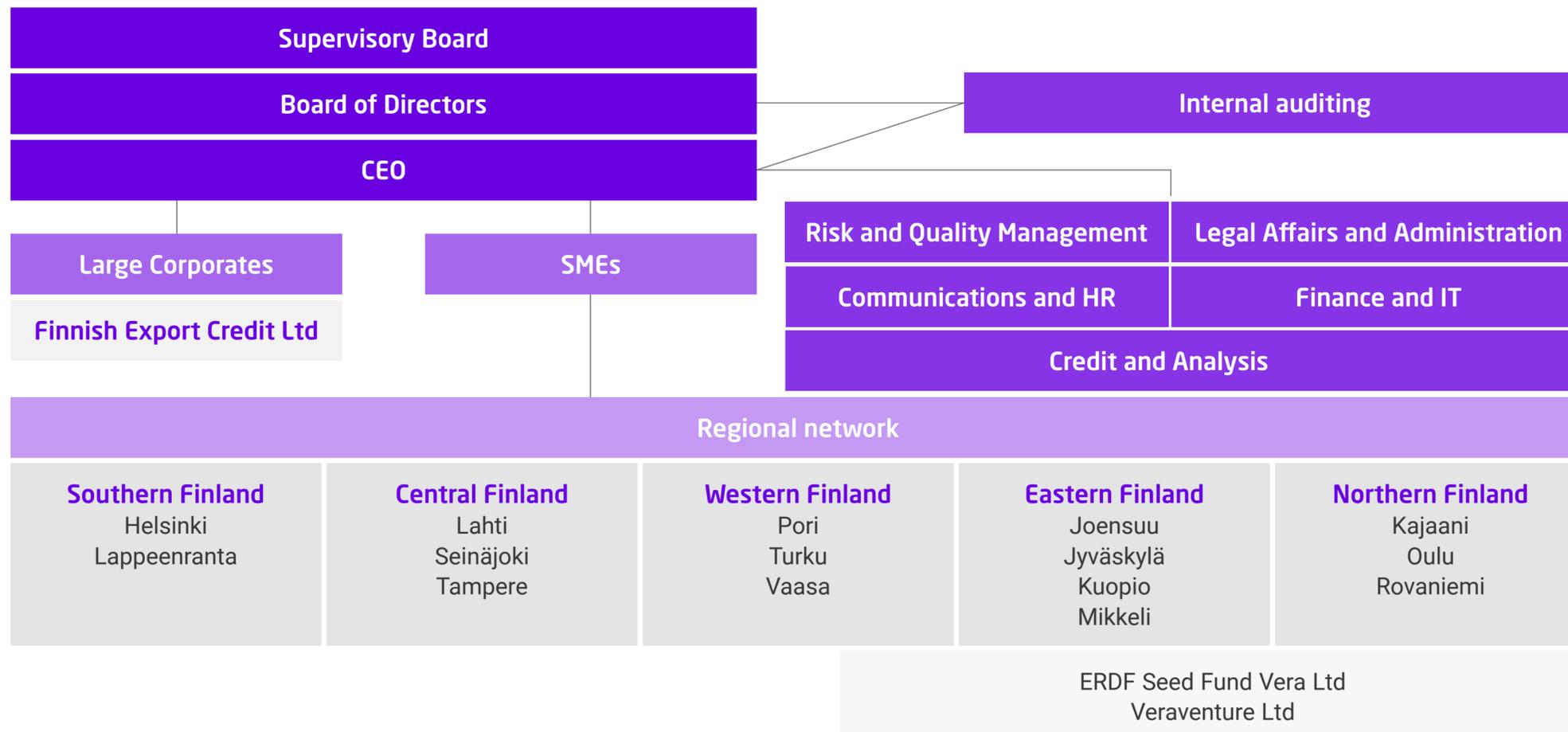
The **General Meeting of Shareholders** can make decisions on issues assigned to it by law and the Articles of Association. It elects the members of the Supervisory Board and the Board of Directors, as well as the Chairs and Vice Chairs of both bodies.

The **Supervisory Board** supervises the company's administration. It gives its opinion on the financial statements and the 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.

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

The **Chief Executive Officer** is responsible for the company's operational administration in keeping with the guidelines and regulations issued by the Board of Directors. In management of the

tasks specified in the Limited Liability Companies Act, the Chief Executive Officer is assisted by the Management Group and the Corporate Management Team.



Finnvera's Code of Conduct and key policies

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

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

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

- 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
- country policy
- anti-bribery activities
- environmental policy and publicity policy in export credit guarantee operations
- Code of Conduct
- personnel policy outlines
- IT policy outlines
- communications policy outlines
- principles for cooperation agreements
- guidelines and procedures for procurement
- development operating model
- ISO 9001:2015 certified operating system



Board of Directors on 31 December 2018

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 Audit Committee of the Board of Directors assists the Board in its supervisory tasks.

The Board of Directors selects the Audit Committee's members and chairman from among the Board members, for a term of one year at a time. The Audit Committee elected after the Annual General Meeting of 2018 consists of Kirsi Komi (Chair), Terhi Järvikare, Pirkko Rantanen-Kervinen and Antti Zitting.

The Remuneration Committee assists Finnvera's Board of Directors in managing issues pertaining to the appointment, terms of employment and salaries of senior executives, and the rewards and incentive systems applied to the management and personnel.

The Board of Directors selects the Remuneration Committee's members and chairman from among the Board members, for a term of one year at a time. The Remuneration Committee elected after the Annual General Meeting of 2018 consists of Pentti Hakkarainen (Chair), Ritva Laukkanen and Tomi Lounema.

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 2018 totalled EUR 139,000.

Finnvera's Corporate Governance and Steering System

Finnvera's Corporate Governance and Steering System and the key events in 2018 are described in the Statement on the Corporate Governance and Steering System.

[Read more >](#)

Supervisory Board on 31 December 2018

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 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 2018 totalled EUR 60,000.

Chairman

Antti Rantakangas, Member of Parliament (Social Democratic Party of Finland)

Vice Chairman

Krista Kiuru, Member of Parliament (Social Democratic Party of Finland)

Members:

Pia Björkbacka, Adviser for International Affairs, Central Organisation of Finnish Trade Unions SAK

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

Lasse Hautala, Member of Parliament (Centre Party)

Laura Huhtasaari, Member of Parliament (The Finns Party)

Timo Kalli, Member of Parliament (Centre Party)

Pia Kauma, Member of Parliament (National Coalition Party)

Leila Kurki, Senior Adviser, Finnish Confederation of Professionals STTK

Anne Louhelainen, Member of Parliament (Blue Reform)

Kari Luoto, Managing Director, Finnish Grocery Trade Association

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

Ville Niinistö, Member of Parliament (Green Party)

Carita Orlando, Managing Director, Orlando Consulting Oy

Olli Rantanen, Head of Legal Services, Domestic Financing, Finnveran akavalaiset ry

Timo Saranpää, Chairman, Finnish Business School Graduates

Eero Suutari, Member of Parliament (National Coalition Party)

Tommi Toivola, Director, Confederation of Finnish Industries EK



Pentti Hakkarainen

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



Kirsi Komi

(1963), LL.M. Kirsi Komi has been a member of Finnvera's Board of Directors since 2013. She also has a seat on the Boards of the following companies: Humana AB, Metsä Board Corporation, Martela Corporation, Docrates Ltd (Chair) and Lindström Invest Oy. In addition, Komi is the Chair of Directors' Institute Finland and the Chair of the Board of the Finnish Red Cross Blood Service. Komi was a member of the Board of Citycon Oyj in 2011–2018 and the member of the Board of Bittium Corporation in 2015–2018. In 1992–2010, she was employed by Nokia Corporation, first as a legal counsel, then as Vice President and Director, Legal Affairs at Nokia Networks, and most recently as Director of Legal Affairs and a member of the Executive Board at Nokia Siemens Networks.



Antti Zitting

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

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



Tomi Lounema

(1970), First Vice Chairman, M.Sc. (Tech.)

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



Ritva Laukkanen

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

Ritva Laukkanen has been a member of Finnvera's Board of Directors since 2017. She has held various board positions since 2012. Laukkanen chairs the Board of the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and is a member of the Board of AccessHolding Microfinance AG Berlin. 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.



Terhi Järvikare

(1970), Second Vice Chairman, Lic.Sc. (Econ.)

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



Pirkko Rantanen-Kervinen

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

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

Management Group and Corporate Management Team

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

Management Group on 31 December 2018

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

Pauli Heikkilä (1962) D.Sc. (Tech.), Chief Executive Officer

Topi Vesteri (1956) LL.M. with court training, Deputy CEO, Credit Decision Unit

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

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

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

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

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

Merja Välimäki (1962) M.Sc. (Econ.), Senior Vice President, Risk and Quality Control

Juuso Heinilä appointed Executive Vice President for SME financing

Finnvera's Board of Directors appointed Juuso Heinilä, M.Sc. (Tech.), M.Sc. (Econ.), as Executive Vice President for SME financing and a member of the Management Group as of 1 September 2018. Before that, he worked as Finnvera's Regional Director for Northern Finland.

New Regional Directors appointed

Anna Karppinen, M.Sc. (Econ.), was appointed Regional Director for Finnvera's Southern Finland region as of 1 January 2019. Karppinen has worked as a Finance Manager in the Southern Finland region since 2015. Finnvera's Southern Finland region encompasses the Helsinki and Lappeenranta offices and the regions of Uusimaa, Kymenlaakso and South Karelia.

Pasi Vartiainen, M.Sc. (Econ.), was appointed Regional Director for Finnvera's Northern Finland region. He will start working for Finnvera on 1 March 2019. Vartiainen will move to Finnvera from the position of the Director of OP Private Oulu. The Northern Finland region encompasses the Oulu, Kajaani and Rovaniemi offices and the regions of Central and North Ostrobothnia, Kainuu and Lapland.

Finnvera serves enterprises in five operating regions throughout Finland.

Corporate Management Team on 31 December 2018

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 2018 included the representatives of the Kuopio Headquarters, the regional network and the personnel organisations.

Arpiainen Sirpa, Representative of the personnel organisation Erityisrahoituksen ammattilaiset ERA

Lähdesmäki Heikki, Representative of the personnel organisation Finnveran akavalaiset

Mylläri Päivi, Representative of the personnel organisation Finnveran toimihenkilöt

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

Regional organisation

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

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
Acting Regional Director Kari Tuominen, M.Sc. (Econ.)
(Regional Director Pasi Vartiainen, M.Sc. (Econ.) from March 1, 2019)

Corporate responsibility



Corporate responsibility and impact go hand in hand

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

[Read more on page 36 >](#)

Risk management is a theme you can see throughout our Annual Review. Related texts are highlighted by these boxes.

Corporate responsibility at Finnvera

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

Finnvera's corporate responsibility concentrates on four overarching themes: Finnvera's role in society, impacts of Finnvera's own operations, responsible financing, and cooperation with stakeholders.

Finnvera's role in society

We have an important social role in facilitating and augmenting Finnish enterprise activities. Apart from the creation of new enterprises and jobs, we contribute to taking Finnish know-how abroad through export trade. The core of our impact on society is responsibility in daily operations.

Impacts of own operations

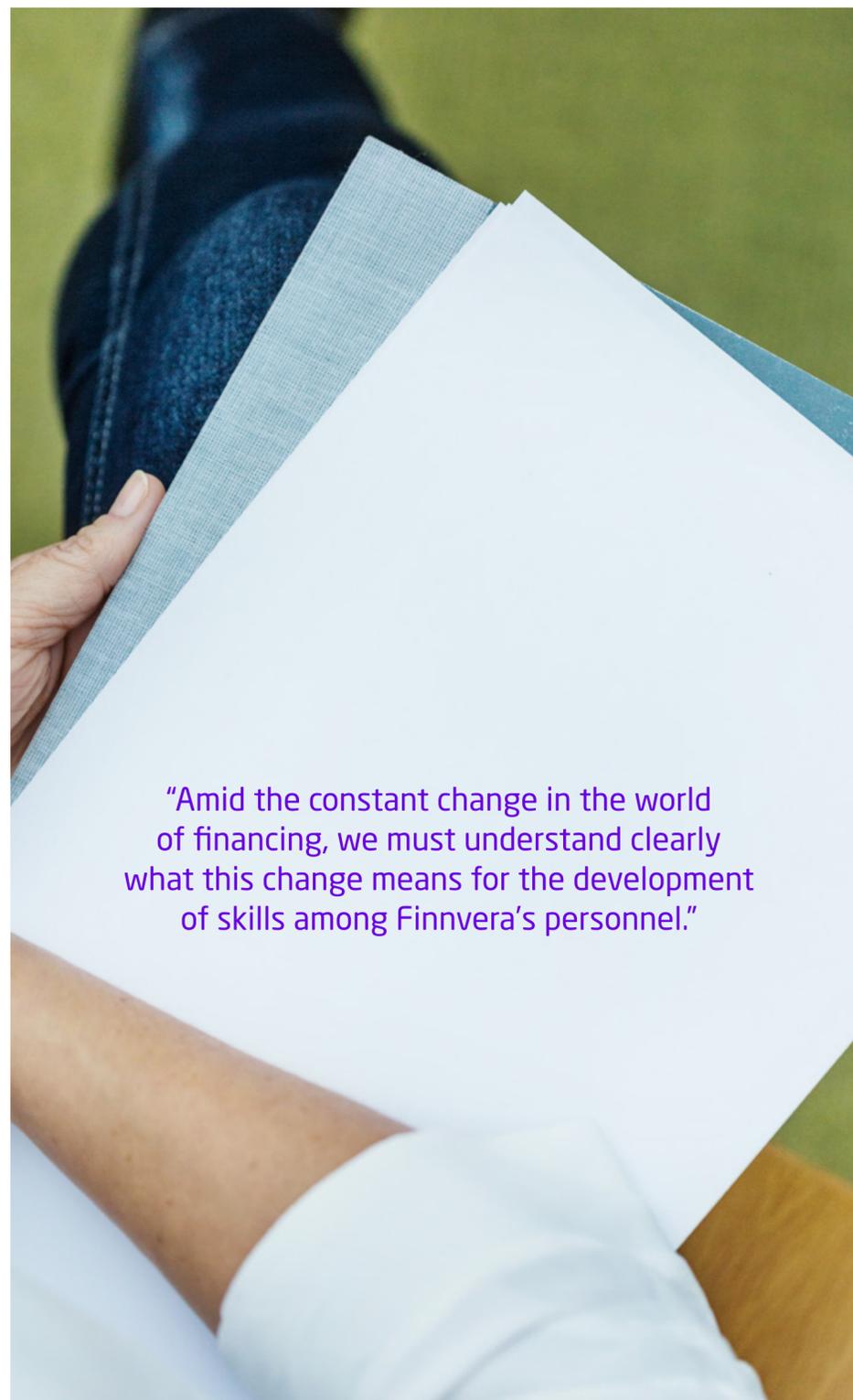
We strive to minimise the negative impacts of our operations on the surrounding society by means of effective risk management and by paying attention to our ecological footprint. We invest in developing the personnel's skills. In this, the employees' active participation also plays an important role.

Responsible financing

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

Cooperation with stakeholders

Our network of stakeholders is wide and constantly evolving. It is characterised by an open and active approach. We cooperate with



Highlights and development targets in 2018

Highlights

- Etilä's study on the impact of export financing showed that the impact of Meyer Turku's and Nokia's export projects, financed by Finnvera, extends clearly beyond individual projects.
- The main personnel development measure was the determination of Finnvera's future competencies.
- The team assessing the environmental and social impacts of export financing projects welcomed a third member when Finnvera appointed a new Environmental Adviser.
- Cooperation with stakeholders benefitted clients on the export trade financing tour organised with the Chambers of Commerce, banks and credit insurers and in the Kasvu Open (Growth Open) business competition. Finnvera continued its versatile international cooperation and joined a new organisation, AECM.

Key development targets

- Customer experience is becoming increasingly significant: Our aim is a more systematic utilisation of the feedback received from clients in different contexts in order to develop our services.
- We strive to highlight Finnvera's role in society more clearly. As stated in our vision: Our clients' success strengthens the Finnish economy.

various organisations over a broad range in order to enable enterprise growth. We keep a close eye on similar organisations in other countries and develop financial services in step with the changing needs of Finnish companies.

The main topics of corporate responsibility

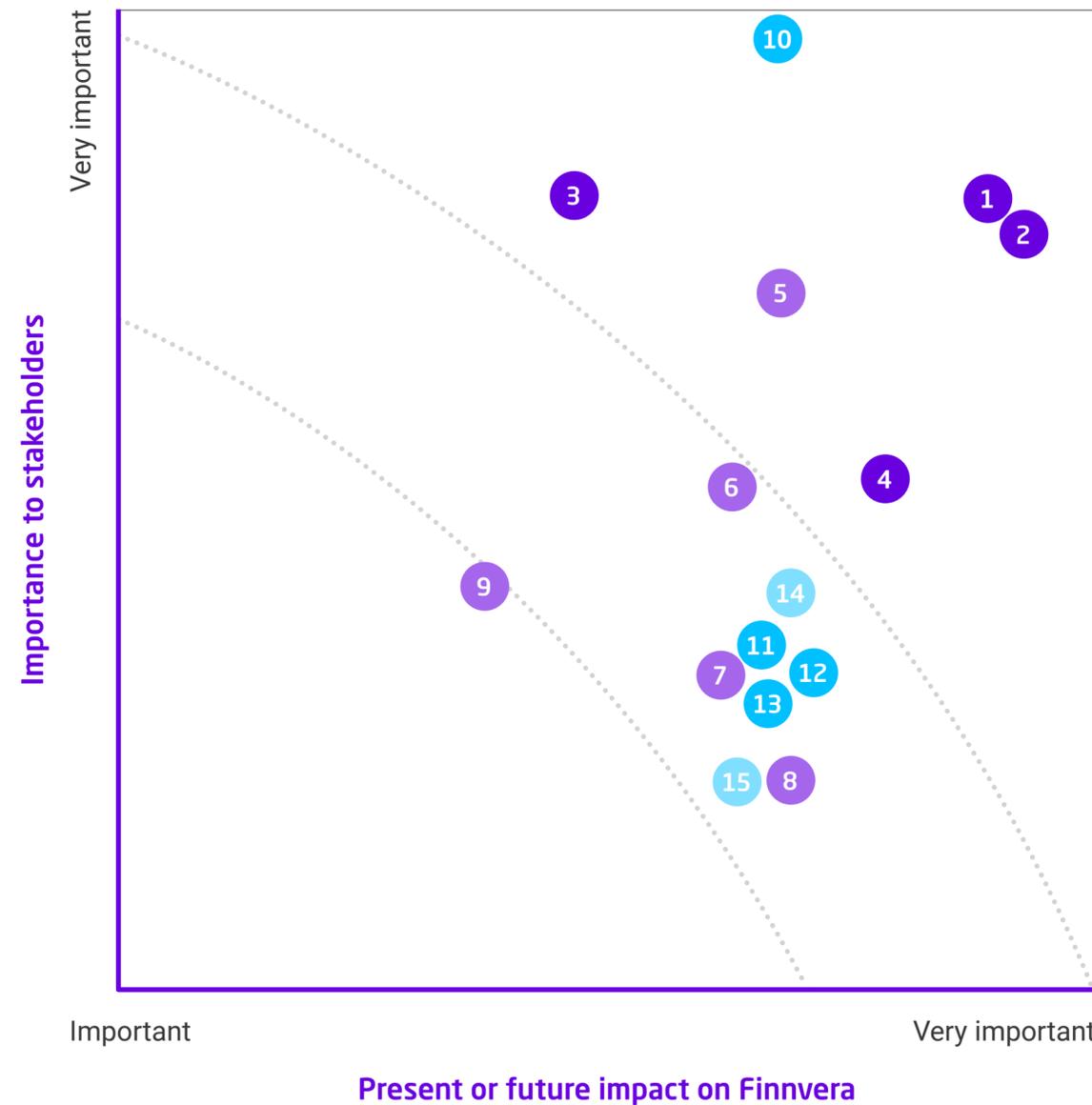
The enclosed materiality matrix for responsibility illustrates how important various topics related to the overarching themes of responsibility are to stakeholders and to business.

The materiality analysis was conducted by interviewing Finnvera's principal stakeholders. Based on the interviews, Finnvera's Management Group confirmed the company's corporate responsibility topics and prioritised them from the business perspective.

The Board and the CEO manage corporate responsibility

At Finnvera, responsibility for corporate responsibility is vested in the Board of Directors and the CEO; implementation is monitored by the Management Group. 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 financial, social and environmental responsibility.
- The daily tools for acting responsibly include client-specific policies and guidelines that are kept up to date, and a certified operating system.



● **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's competence
8. Self-sustainability and capital adequacy
9. Minimisation of Finnvera's own environmental impacts

● **Responsible financing**

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

● **Cooperation with stakeholders**

14. Active stakeholder dialogue
15. Customer-orientation

The Code of Conduct is the foundation of corporate responsibility

Finnvera's Code of Conduct covers the main principles and practices of good conduct that we follow. It brings together financial, social and environmental responsibility and rules related to the principles of ethical conduct. Each year, we organise Code of Conduct training for our personnel.

If Finnvera's employees or persons outside the organisation suspect potential misconduct or policy violations, they can report their suspicions to the organisation's management. Whistleblowing reports are processed confidentially in an investigation group that consists of the Compliance Officer and two representatives of Risk and Quality Control. All reports are processed carefully and relevant persons are heard. The Management Group and the Audit Committee of the Board of Directors are informed of the reports.

In 2018, one report was received through the whistleblowing channel. It was related to the appropriateness of Finnvera's internal recruitment process. The case was investigated, and the outcome was that no policy violations had taken place.

Finnvera is first and foremost a risk management organisation

Our core business is to offer loans and guarantees. This makes us part of the risk in our customers' success.

CEO Pauli Heikkilä tells about Finnvera's role in society and Finnvera's risk management.

[Watch the video >](#)



Measuring our success in corporate responsibility

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

Responsibility with regard to environmental and social impacts is mainly monitored through the projects we finance, especially in export credit guarantee operations where environmental and social impact assessments are internationally regulated.

We monitor the success of stakeholder interaction by means of the client and stakeholder survey every other year. The survey is supplemented with client satisfaction surveys in connection with service events. The continuous measurement of the customer experience was launched in autumn 2016. The previous extensive client and stakeholder survey was conducted in 2017. As a rule, a personnel satisfaction survey is conducted every year.

Many principles guideline Finnvera's operations and responsibility. [Read more about Finnvera's Code of Conduct >](#)



“During the year, a lot of training was organised for the personnel, focusing on information security, ethical principles and knowing your customer, among other topics.”

Corporate responsibility goals and indicators

	Goal	Indicator
 Financial responsibility	Financing solutions to enable growth, internationalisation, and competitiveness	<ul style="list-style-type: none"> • Allocation of financing to strategic focus areas, goal 80%. Actual percentage 87% • Start-ups financed: 2,634 • SME and midcap financing offered: EUR 0.9 billion, of which enterprises seeking growth and internationalisation account for 41% • Transfers of ownership financed: 921 transfers • Guarantees that came into effect: EUR 2.6 billion • Export credit guarantees and special guarantees offered: EUR 3.0 billion • Ratio of exports covered by export credit guarantees to Finland's total exports: approximately 4.4%
	Creating jobs	<ul style="list-style-type: none"> • New jobs created with the help of SME and midcap financing: 7,727 • Financing per new job: EUR 122,000
	Self-sustainability and capital adequacy	<ul style="list-style-type: none"> • Self-sustainability: Finnvera's objective is to ensure that, in the long term, the expenses incurred in the company's operations can be covered by the income received from operations. • Capital adequacy for domestic operations must be at least 15 per cent
 Social responsibility	Client orientation in all of our operations and continuous improvement of customer experience	<ul style="list-style-type: none"> • Clients willing to recommend Finnvera. Continuous measurement of the customer experience: NPS (net promoter score) of 70.
	Finnvera has skilled and healthy personnel	<ul style="list-style-type: none"> • Training hours: 11.6 per person per year • Percentage of employees that had performance review discussions: 97% • People Power personnel survey index: 75.7 (2017) • Sick leave rate: 3.1% • Number of discrimination cases: 0
	Ensuring social responsibility in projects carried out abroad	<ul style="list-style-type: none"> • Using the central government's joint consultant (Shift) in defining a human rights policy. The new policy will be completed in 2019.
 Environmental responsibility	Ensuring environmental responsibility in projects carried out abroad	<ul style="list-style-type: none"> • Assessment of projects' environmental risks and their monitoring
	Impacts of Finnvera's own operations on the environment and purchasing	<ul style="list-style-type: none"> • Video and telephone conferences replace trips, digitalisation reduces paper consumption, offices have moved into modern premises • Using the framework agreements of Hansel, the government's central purchasing body e.g. in travel agency services, which take environmental responsibility issues into account

Finnvera's role in society

In Finnvera's operations, corporate responsibility and impact go hand in hand. We have an important role in facilitating and augmenting enterprise activities. In major export financing projects, our impact extends widely also through jobs created in Finland and through subcontracting networks.

By providing financing, we influence the competitiveness of Finnish enterprises – their opportunities to operate and grow in Finland and to enter international markets.

We measure our financial responsibility through impact and try to describe what kind of growth or international business enterprises can achieve with the aid of our financing. When we finance SME growth, it is important for us to know the enterprise's estimate of business growth and of the number of jobs they can create or maintain with our financing. As a promoter of exports, we want to offer Finnish enterprise the same financial footing as that offered by export credit agencies of competitor countries to enterprises in their own countries.

Impact of export financing

The impact of major export financing projects may amount to hundreds of millions of euros and thousands of jobs for a large group of subcontractors involved in the financed project.

Finnvera's export credit guarantees and financing are often decisive factors in enabling Finnish enterprises to win export contracts. This was revealed by an impact study on the largest export companies in Finland and a group of SMEs involved in exports carried out by a researcher group of the University of Turku and the University of Lorraine in 2018 commissioned by Finnvera. The large corporates in the study were Andritz, Outotec, Valmet, Wärtsilä, Meyer Turku, and Nokia. Enterprises report that foreign buyers more frequently demand that the exporter not only deliver a competitive product but also provide a buyer financing offer from a public provider of export financing. In certain sectors, individual deals would not be closed or the entire business would not exist without Finnvera's contribution.

In 2018, Finnvera's SME and midcap financing contributed to the creation of over 7,700 jobs and 2,600 new enterprises. Export credit guarantees offered by Finnvera exports to 75 countries, amounting to EUR 3.0 billion in 2018.



Export financing yields extensive benefits

When talking about export financing, the topics that often come up include the total exposure related to export credit guarantees that has increased during the past few years as well as the concentration of financing in a couple of sectors. In Finland, those sectors are cruise ship building, telecommunications and network technology, and the forest industry.

[Read more >](#)

After the 2008 financial crisis, the competitive conditions of Finnish high tech enterprises have become more complex, and the significance of public providers of export financing has increased in international trade. The research results for SMEs emphasised diverse needs for financing and the significance of financing at various stages of business.

The impact of export financing was also studied by the Research Institute of the Finnish Economy (Etlä). Its report was published in autumn 2018. Etlä reviewed Finnvera's largest export financing clients, Nokia and Meyer Turku, as well as their clients and subcontractors. The study showed that commensurated with the export financing granted, the impact of the large export projects yield extensive benefits in added value in Finland through subcontracting networks and jobs.

Supplementing the financing market

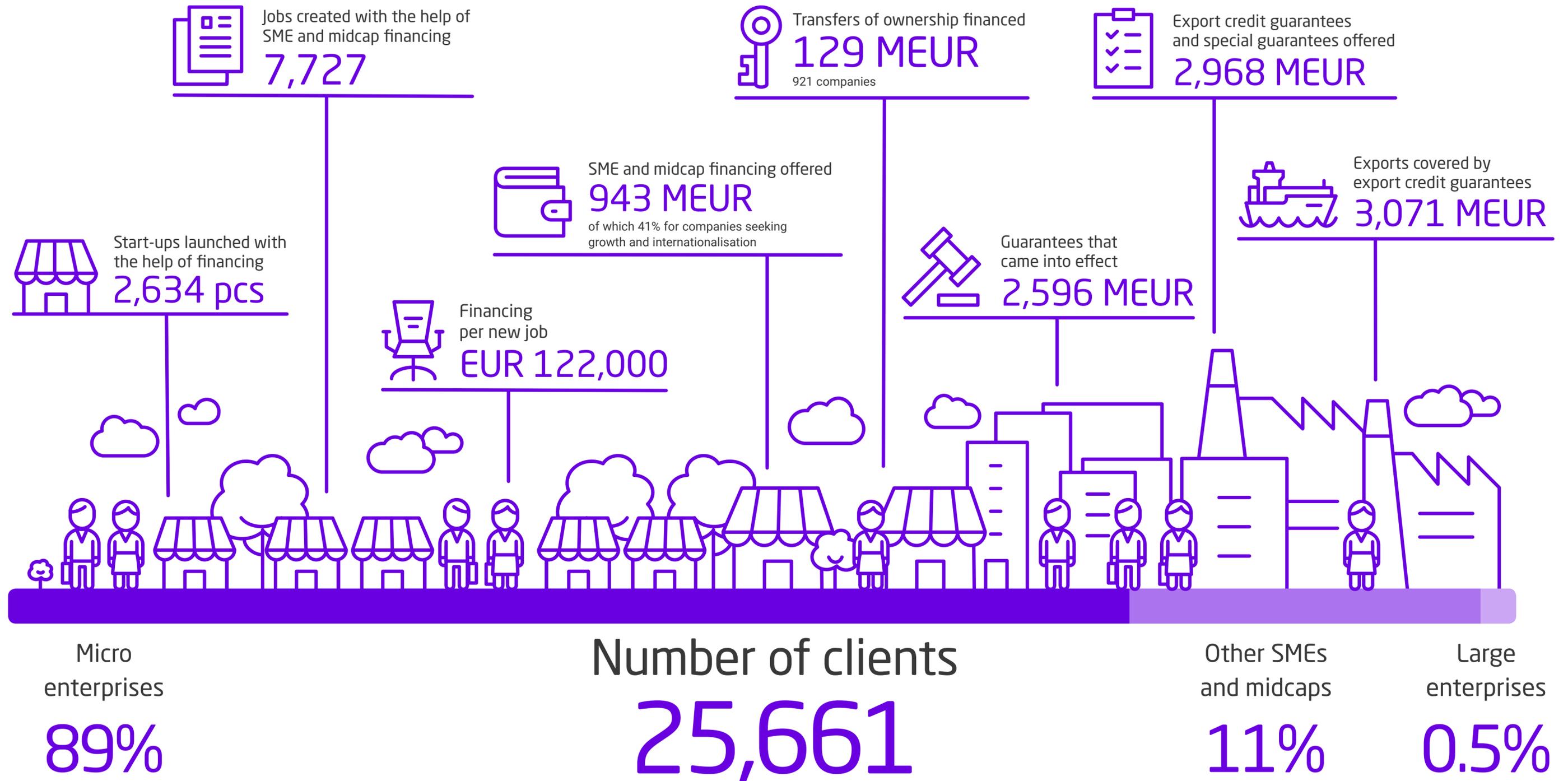
Our task is to supplement the financial services offered by banks and other providers of financing.

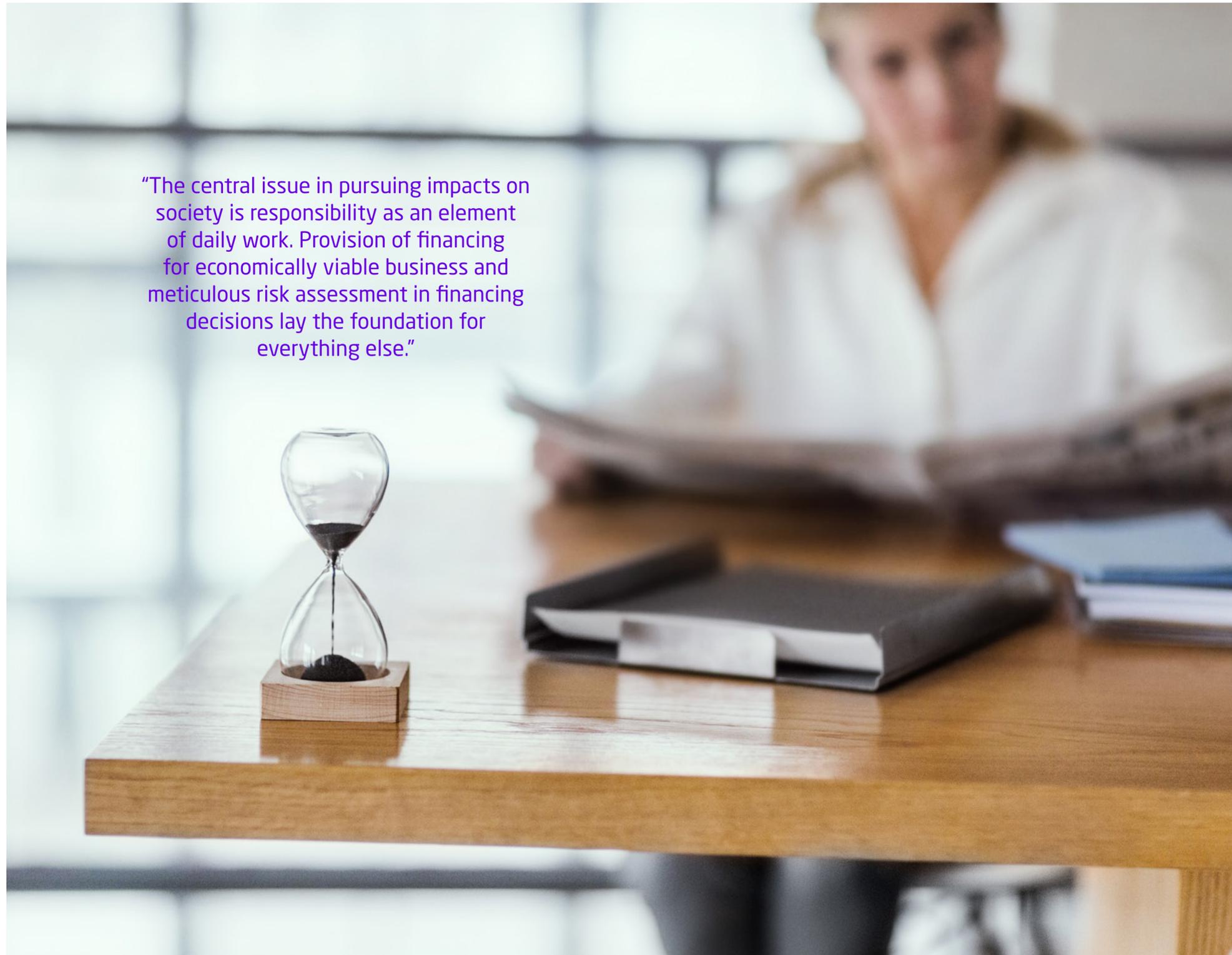
In recent years, banks have changed their business strategies due to capital adequacy regulations. The fact that, at the international level, the buyers of expensive capital goods are increasingly turning to export credit agencies and financial institutions is partially a result of this development. Consequently, Finnvera's role as the provider of financing and guarantees for major export projects has also increased in the past few years.

The buyer clients of export financing are located around the world, and legislation is not sufficiently developed in all countries. A part of Finnvera's corporate responsibility is making meticulous assessments of the projects' environmental impacts and human rights compliance and also monitoring the actual situation during the project.

It is typically for SME financing that during economic boom, the use of Finnvera's financing may decrease in Finland as there is market financing available. Then again, during economic downturn, financing offered by us becomes increasingly significant. The State has the final responsibility for Finnvera's operations and thus Finnvera can take greater credit risks than private financial institutions.

Finnvera's role in society





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

Self-sustainability and capital adequacy as cornerstones for financial responsibility

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

The State of Finland covers some of Finnvera's credit and guarantee losses in domestic operations. This enables Finnvera to take greater risks in its financing operations than other providers of financing.

Self-sustainability in Finnvera's SME financing has been attained over a 13-year period when the State's share is taken into account and the cumulative result is calculated up to the end of December 2018. Export financing has been genuinely economically self-sustainable for all of Finnvera's 20 years of operation.

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



How Finnvera creates value

Finnvera's value creation model provides a comprehensive overview of the financial, society-related, social and environmental impacts of Finnvera's operations, along with key indicators.

[Read more on page 7 >](#)

Impacts of Finnvera's own operations: Personnel and the environment

Ensuring that the personnel have the right skill set is important in the changing world of financing. During the year, we defined the future competencies of Finnvera's personnel and trained personnel to develop customer experience, for instance.

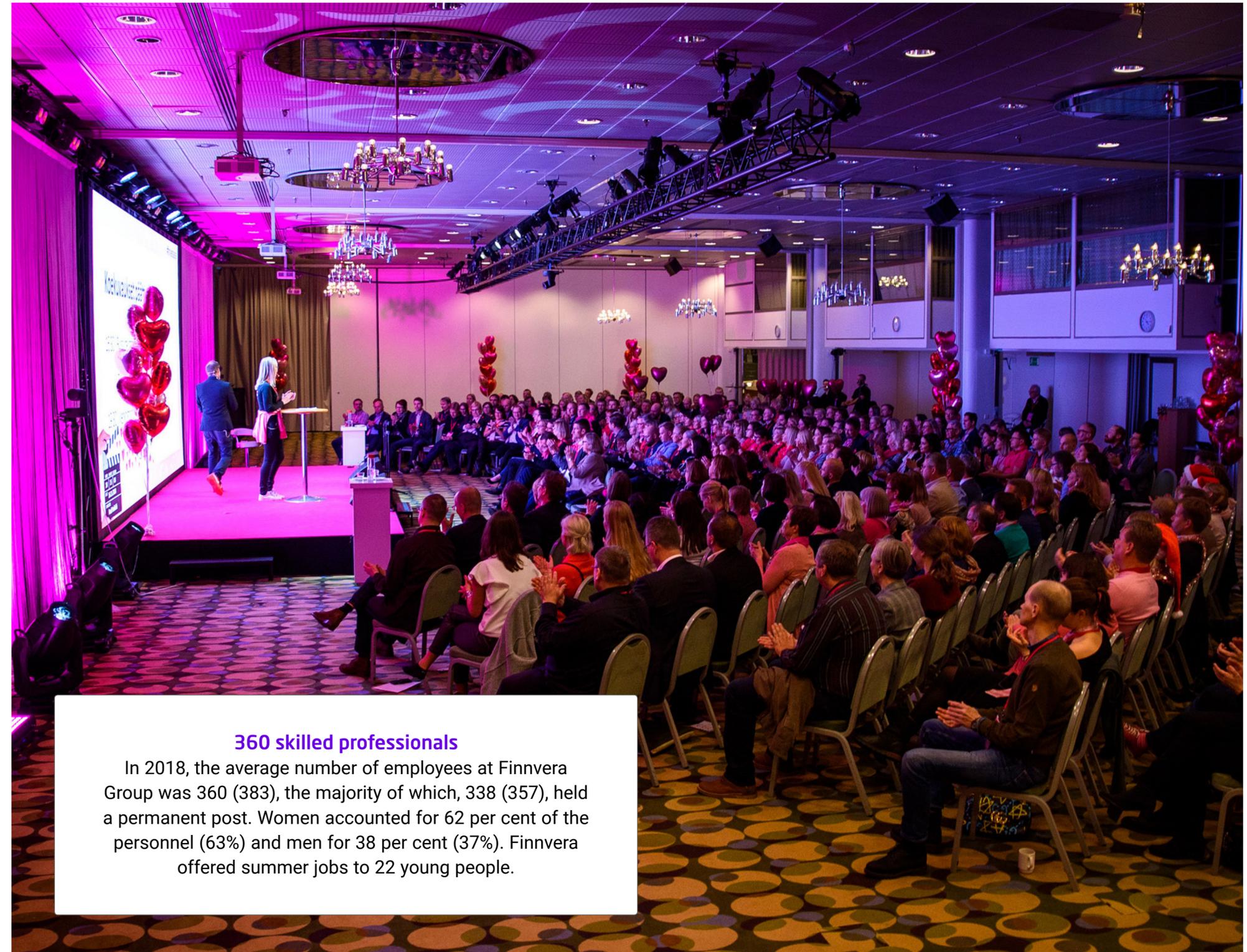
Finnvera is committed to the continuous development of personnel and management. Amid the constant change in the world of financing, we must understand clearly what this change means for the development of skills among Finnvera's personnel.

In 2018, the main personnel development measure was the determination of our future competencies. First, competencies were discussed with the Management Group in the summer, and then work continued by defining what the new competencies mean for each unit. Later in the year, the competencies were integrated, as far as applicable, in the target-setting and performance review discussions that encompass the entire Finnvera personnel.

We underline employees' own responsibility for their development and adhere to the 70-20-10 principle in skills development, with the main emphasis on on-the-job learning. During the year, we organised three self-management lectures for Finnvera's employees. We emphasised the role of online learning in personnel training, and a new online learning platform will be launched in 2019.

Another important topic was the improvement of the customer experience. The main theme of the Finnvera Day, an event for the entire personnel, was five-star customer experience, and the personnel got a chance to innovate and contemplate cases in which the client's expectations are exceeded.

Finnvera is an expert organisation in which managing many regulations and practical operations in a regulated industry is a key element in the personnel's skill set. In 2018, training was organised



360 skilled professionals

In 2018, the average number of employees at Finnvera Group was 360 (383), the majority of which, 338 (357), held a permanent post. Women accounted for 62 per cent of the personnel (63%) and men for 38 per cent (37%). Finnvera offered summer jobs to 22 young people.

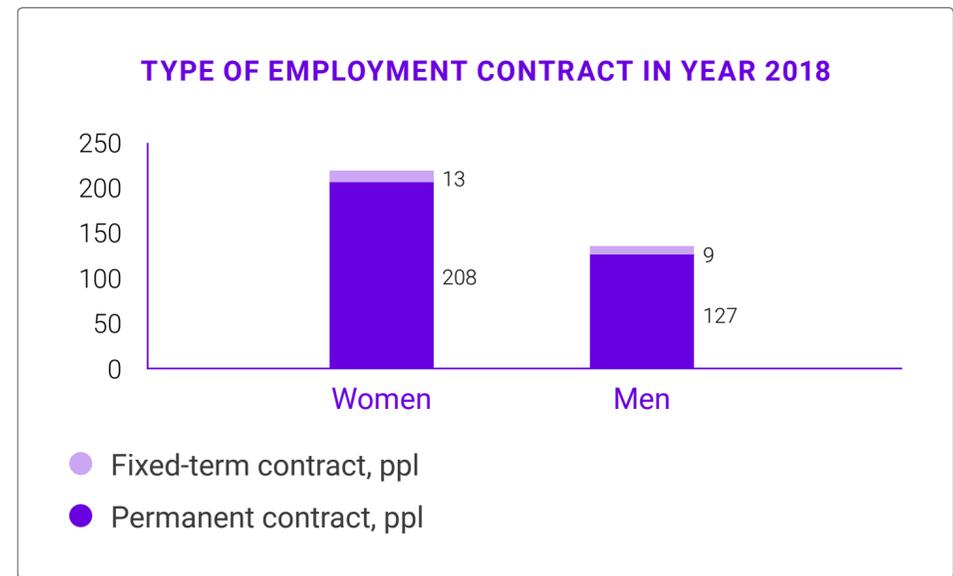
on information security and data protection, ethical principles and knowing your customer, among other topics. Furthermore, our experts were provided with presentation skills coaching to help them communicate their expertise in a convincing and effective manner.

The focus areas of management development were virtual management and the development of change management. At the annual supervisor day, we concentrated on supervisor skills and competencies as a competence leader.

We provide our employees with job rotation opportunities, and our aim is to increase the number of so-called hybrid positions. In these positions, the employee has two different responsibility areas. Finnvera employees have the opportunity to work flexibly, and teleworking is possible two days a week.

Digitalisation and the opportunities it creates were highlighted in Finnvera's operations in 2018. During the year, four robotic process automation experts were recruited internally to explore the opportunities of using robotics at Finnvera.

In 2018, the number of training hours per person was 11.6 (7.4)



Principles of human resource management

The processes and policies that guide Finnvera's human resource management are related to the well-being, equal treatment and development of the personnel. Finnvera has policies for equality and diversity, recruitment, induction, rewarding, working hours and job rotation, for instance. In addition, we have a centralised training plan.

Our employment relationships are defined by our own collective labour agreement that encompasses three personnel organisations. A new collective labour agreement, entering into force in 2019 and extending to 2021, was negotiated in 2018. The agreement covered salary increases and contained more detailed specifications to the occupational health care agreement, among other things.

The organisations' representatives participate in the meetings of the Corporate Management Team and in events held by supervisors, where they have the opportunity to present the personnel's views.

HR falls within the responsibilities of the Communications Director, assisted by a five-person HR team.

Equal work culture

An equal and diverse work culture is the cornerstone of our human resource management. Matters related to the equality and diversity policy are regularly discussed with the occupational safety and health committee and the employees' representatives.

We uphold open dialogue between the management and personnel in various ways, such as personnel information sessions and blogs.

Our recruitments are also based on the person's skills, and remuneration is based on the classification of job requirements. With the job requirement classes, men and women get equal pay, which is also monitored systematically. Employees are encompassed by a comprehensive incentive bonus system for all personnel. The executive management has its own rewards system.

Finnvera's employees and persons outside the organisation can report their suspicions of potential misconduct anonymously through the whistleblowing channel on Finnvera's website. In 2018, one report was received through the channel. It was related to the appropriateness of Finnvera's internal recruitment process. The case was investigated, and the outcome was that no misconduct had taken place.



Case: Work Does Not Discriminate

Finnvera is committed to promoting a non-discriminatory work culture by various means and, in 2018, Finnvera participated in the extensive Work Does Not Discriminate campaign. The goal of the campaign was to change attitudes and reduce discrimination in Finnish work life and make equality in work life self-evident. The campaign was launched on the initiative of the Confederation of Finnish Industries EK.

[Read more about the campaign \(in Finnish\) >](#)



Looking after well-being

The focus of well-being at work is on preventive activities, which has been taken into account in supervisor training. We also use an official early intervention model that enables the company to react to frequent absences.

We will conduct the next People Power personnel survey, measuring job satisfaction and well-being at work, in spring 2019. During 2018, we continued to carry out development actions revealed by the previous survey. In the 2017 survey, the job satisfaction index reached an all-time high, 75.7.

We provide our personnel with comprehensive occupational health care services. We utilise flexible practices to support returning to work after periods of part-time sick leave. The sick leave rate for 2018 was 3.1 per cent, or the same as in the previous year.

Organisation of domestic recovery

In 2018, a decision was made to reorganise domestic recovery operations and restructure recovery activities. Finnvera started to investigate the possibility of transferring domestic recovery tasks to an external service provider with a commission agreement. The competitive tendering process for choosing the service provider began in November. However, Finnvera will have the responsibility for recovery and its control in the future, too.

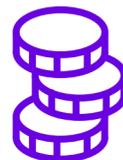
Development plans for 2019

- The development of future competencies will be the main personnel development theme in 2019.
- The development of supervisory work will focus on coaching-oriented management.
- During 2019, we will also invest strongly in Finnvera's employer image and develop the induction process for new employees.

Personnel turnover in 2018

Incoming	Men	Women	Total
Under 30 years	0.6	1.5	1.2
30–50 years	2.1	0.3	2.1
Over 50	0.0	0.0	0.9
Total	2.7	1.8	4.2

Outgoing	Men	Women	Total
Under 30 years	0.0	0.0	0.0
30–50 years	1.8	0.9	0.9
Over 50	2.1	2.7	4.5
Total	3.9	3.6	5.4



The purchasing costs for 2018 were about EUR 14 million, which is similar to the purchasing costs in 2017.

The employer image is a joint effort

We started the development of Finnvera's employer image together with the personnel and asked for their ideas about why Finnvera is a good place to work. More than 150 employees responded. The major themes highlighted in the responses were trust in employees, relevance of work, work-related responsibility, flexibility in daily work, and working together.

We encourage our staff to share stories about their work and skills in social media. In regard to this we started using the hashtag #finnveralaiset in the fall of 2018.

Environment and purchasing

Finnvera's environmental impacts

Due to the nature of Finnvera's operations, the company's direct environmental impacts are mainly related to properties' energy consumption and commuting in Finland and in international financing projects.

Video and telephone conferences have replaced trips, and increased digitalisation has reduced paper consumption. In addition, the sorting of waste is a daily routine at Finnvera. During the past few years, all our offices have moved into new, modern premises.

Purchasing costs remained unchanged

Finnvera purchases external services mostly from about 200, primarily Finnish, suppliers. In 2018, purchasing concentrated on IT management, communications and occupational health care. Finnvera's purchasing team is led by 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.

Purchasing cooperation with other Team Finland actors, launched in 2016, continues, and cooperation is carried out when there are similar purchasing needs.

Responsible financing

In the assessment of projects carried out abroad, the social and environmental impact assessment plays an important role. In this assessment, Finnvera complies with international standards and guidelines. Domestic projects are assessed on the basis of the laws of Finland and the EU.

Finnvera's main principles and practices of good conduct are compiled into the Code of Conduct that covers equal treatment of clients, anti-bribery activities, and Know Your Customer (KYC) obligations, among other things.

KYC policy was updated

Finnvera's updated Know Your Customer policy entered into force at the beginning of 2018.

Know Your Customer is also sometimes abbreviated as KYC. In essence, the new and more effective KYC means more systematic and documented CDD (customer due diligence) practices towards customers and, in certain cases, other parties to a funding project. The KYC policy is applied to all of Finnvera's financing operations, but especially in export projects, the policy is expanded to other parties of the financing project, too. Money laundering regulations and compliance with sanctions require Finnvera to know its customers.

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

In general, Finnvera's risk assessment related to social and environmental impacts encompasses the whole project even when export financing is granted, for instance, for an individual delivery of equipment.

On the basis of the severity and extent of their potential environmental and social risks, projects related to export financing are divided into three project categories: A, B and C. In Category A, the applicant must provide Finnvera with a report of the assessment

of environmental and social impacts that is published on Finnvera's website. In Category A, Finnvera reviews environmental and social risks extensively – the project may be, for instance, a pulp mill, a mine or a power plant. In Category B, the information required is more limited. If the export trade transaction is not associated with a project or the project belongs to Category C, no environmental and social risk assessment as such is carried out.

In projects carried out abroad, when Finnvera's liability for guarantees exceeds EUR 10 million and the loan repayment period is more than two years and the project is classified in Category A or B, the project always undergoes an assessment of the environmental and social risks. A risk assessment is also conducted for projects under EUR 10 million if the project is considered to involve significant potential environmental or human rights risks.

In general, Finnvera's risk assessment related to social and environmental impacts encompasses the whole project even when export financing is granted, for instance, for an individual delivery of equipment.



Export financing is strictly regulated

In all operations, Finnvera follows its Code of Conduct that covers the main principles and practices of good conduct.

Export financing and project reviews are also regulated by numerous international agreements and principles.

[Read more >](#)

Social impacts refer to the project's impacts on local communities and on persons involved in the construction and operation of the project. Human rights risks are assessed even for modernisation projects of existing plants, for instance. Environmental impacts are considered to consist of the direct or indirect impacts on the environment caused by the construction or operation of a project or existing operations.

In 2018, approximately ten assessments of environmental and social risks were conducted for Category A and B projects carried out abroad.

One project was rejected on the basis of project reviews of environmental social risks in 2018. This was due to very serious deficiencies in the management of the project's environmental and social risks, combined with the presumption that Finnvera would have had very minor opportunities to influence the project in question.

In recent years, the complexity and size of the projects reviewed have increased and new sectors have been introduced. An increasing number of projects that Finnvera reviews are in countries with high risks.

The project review team became stronger as a new Environmental Adviser started working in the team in late 2018.

The next areas of development are human rights and appropriate project monitoring

In addition to risk assessment, the monitoring of projects during the financing life cycle is important. Finnvera develops systematic monitoring in high-risk export projects. Another area of development is the inclusion of the UN Guiding Principles on Business and Human Rights in export financing risk assessment. This is developed as a part of a project led by the Ministry for Foreign Affairs, which develops the preparedness of State operators to take the UN's human rights principles into account in their operations.

[Read more on Finnvera's website >](#)

Cooperation with stakeholders

Finnvera cooperates openly and actively with its extensive network of stakeholders to enable the growth of enterprises. It is crucially important for our operations to understand the needs and views of our stakeholders.

Our principal stakeholders are clients, banks, domestic and international organisations, personnel, owners and cooperation partners, including other Team Finland organisations.

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

Our executive management and regional organisation meet our domestic stakeholders actively. Furthermore, we participate in international cooperation in our own sector abroad.

Interaction with stakeholders in 2018

Clients

Understanding our clients' needs is extremely important for us. During 2018, we worked a lot to improve customer experience by training our personnel, for instance. We measure client satisfaction with a client and stakeholder survey, conducted every other year, and continuous customer experience measurement. The next client and stakeholder survey will be conducted in 2019.

In customer experience measurement, we inquire about clients' satisfaction with our service either immediately after the first meeting or after the financing decision. The target NPS for the measurement result is set at the excellent score of 55, and the results exceeded this also in 2018. The NPS was 61 in the SME category and 75 in the category of growing and international companies.

The Finnvera Committee and the Export Finance Committee serve as an interaction channel between clients and Finnvera. Daily discussions with clients are open and diverse. The channels include,

for instance, the website, social media, the newsletter and the stakeholder magazine.

Banks

Banks are important cooperation partners for us, as financial solutions are nearly always offered to clients in cooperation with the bank. When working with banks, our goal is to act as an active and consistent co-financier supplementing the financial market. In 2018, banks made extensive use of risk-sharing guarantees offered by the European Investment Fund (EIF), which in part decreased the demand for Finnvera's guarantees.

In addition to client-related work, cooperation with banks encompassed events and webinars focusing on different themes. We also continued communications cooperation with banks in bringing up export financing opportunities available for enterprises.

Domestic organisations and cooperation partners

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



Finnvera 20 years

In 2019 it has been 20 years since the founding of Finnvera. Finnvera was founded in 1999 through a merger of Kera Plc (former Kehitysaluerahasto Ltd) and the Finnish Guarantee Board.

Joint events in 2018

The Kasvu Open (Growth Open) business competition was organised in cooperation with various companies and organisations also in 2018. The largest sparring programme for enterprise growth in Finland, and free of charge, Kasvu Open supports the growth and internationalisation of SMEs across Finland and in various sectors. This year, the President of the Republic of Finland presented internationalisation awards to two enterprises and the Community Award to Kasvu Open. Proposals for the companies and communities to be awarded were submitted by the Team Finland network, including Finnvera.



Internationalisation awards of the President of the Republic of Finland go to Icare, M-Files and Kasvu

The President of the Republic has presented the Internationalization Awards for 2018. This year's Growth Company award went to M-Files Oy, a provider of data management solutions. Icare Finland Oy, which makes tonometers for measuring intraocular pressure, was named the Best Newcomer. Kasvu Open, which provides SMEs with sparring to promote their growth and internationalisation, won the Community Award.

[Read more >](#)

As a new kind of advisory service and a form of multi-party cooperation, Finnvera and the Finland Chamber of Commerce, in cooperation with banks and credit insurers, organised a national export trade financing tour of eight cities to strengthen SMEs' export-related competence. Approximately 200 enterprises participated in the events, and the tour will also continue in 2019. In addition, Finnvera organised nearly 50 enterprise-specific financing workshops that provided enterprises with guidance to enable them to begin and increase export activities. Both the tour and the workshops are part of Finnvera's client work provided free of charge. A goal for 2019 is to organise financing workshops for 150 enterprises.

The SME barometer survey cooperation with the Federation of Finnish Enterprises and the Ministry of Economic Affairs and Employment was also continued in 2018. The SME barometer survey is conducted twice a year and describes the operations and the financial operating environment of SMEs. The Yrittäjöpäivät event for entrepreneurs was organised in cooperation with the Federation of Finnish Enterprises.

**Finnvera and the Chamber of Commerce:
The export trade financing tour brings first aid to SMEs**

[Read more >](#)

Team Finland

With the help of cooperation partners, client enterprises are provided with comprehensive services for many different needs. Team Finland is a network of public agencies that offer internationalisation services to enterprises and aim to provide enterprises with a tailored and smooth service chain from guidance and training to financing, market opportunity exploration and networking.

Team Finland cooperation developed and intensified in many areas. In the autumn, the Ministry of Economic Affairs and Employment introduced a Team Finland steering system, with Finnvera's CEO Pauli Heikkilä appointed as a member of its management group. A joint

customer relationship management system, Kasvu CRM, was partially adopted during 2018.

In August 2018, Finnvera's Jukka Suokas started working for Finnvera and Business Finland in a one-year secondment in Oslo, with the task of promoting Finnish enterprises' exports to Norway. In addition to Oslo, Finnvera has had a representative office in St. Petersburg for a long time.



Traditional industries are going through a transformation in Norway - an interesting market for high-tech enterprises

SMEs that have plans for internationalisation usually enter the global business arena by using a route that turns south after Sweden: towards Great Britain, Germany or other Central European countries – or directly to the Chinese or American markets. In the export trade financing barometer commissioned by Finnvera and the Chamber of Commerce, Norway was the third most important export destination, even if it is still clearly behind the top countries. Nevertheless, the wealthy oil state right next door has started to attract more interest in the past few years.

[Read more >](#)

International organisations and cooperation

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

Through the Ministry of Economic Affairs and Employment, Finnvera participates in international cooperation in its own sector, such as within the OECD and the EU, the Paris Club of public creditors, the Network of European Financial Institutions for SMEs (NEFI), The Montreal Group and within the Berne Union, the international cooperation organisation for export credit agencies. In summer 2018, Finnvera re-joined the European Association of Guarantee Institutions (AECM) after many years.

Pekka Karkovirta, Vice President, International Relations, acted as Chairman of the Participants to the OECD Arrangement in 2018. He was also elected as the Chairman for the year 2019.

There is also cooperation among Nordic export credit agencies: both the management and expert groups meet once a year.



Topi Vesteri to be presented with the TXF Industry Fellowship Award for his service to the export finance sector

[Read more >](#)

Reporting principles

This report contains the basic features of the GRI Standards responsibility reporting guidelines.

The report covers the economic, social, and environmental impacts of Finnvera plc's own operations for the financial period 1 January–31 December 2018. Compared against the previous years, no significant changes have taken place in the data, scope, or calculation limits of the report. Finnvera reports on responsibility annually; the previous report was released in March 2018. The report has not been subject to external assurance.

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102-2	Activities, brands, products, and services	This is Finnvera, p. 4
102-3	Location of headquarters	GRI Standards Content Index Porkkalankatu 1 PL 1010, 00101 Helsinki
102-4	Location of operations	Operating environment, p. 12, How Finnvera creates value, p. 7
102-5	Ownership and legal form	Corporate governance, p. 26
102-6	Markets served	Corporate governance, p. 26, How Finnvera creates value, p. 7, Cooperation with stakeholders, p. 43
102-7	Scale of the organization	How Finnvera creates value, p. 7, FS, p. 4
102-8	Information on employees and other workers	Impacts of Finnvera's own operations: Personnel and the environment, pp. 40–41 Reported in part.
102-9	Supply chain	Impacts of Finnvera's own operations: Personnel and the environment, pp. 40–41
102-10	Significant changes to the organization and its supply chain	GRI Standards Content Index No significant changes.
102-11	Precautionary Principle or approach	Responsible financing, p. 42
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102-22	Composition of the highest governance body and its committees	Corporate governance, p. 29 All Board members are independent.
102-23	Chair of the highest governance body	Corporate governance, p. 29 The Chairman of the Board is independent of the executive management.

Disclosure	Location	Comments
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102-42	Identifying and selecting stakeholders	Cooperation with stakeholders, p. 43 Reported in part.
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102-44	Key topics and concerns raised	Cooperation with stakeholders, p. 43 Reported in part.
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102-56	External assurance	Reporting of corporate responsibility

GRI 103: Management approach

103-1	Explanation of the material topic and its Boundary	GRI Standards Content Index Boundary is Finnvera.
103-2	The management approach and its components	Corporate responsibility at Finnvera, p. 33, Impacts of own operations: Personnel and the environment, p. 39 Reported in part.
103-3	Evaluation of the management approach	Corporate responsibility at Finnvera, pp. 34–35 Reported in part.

Disclosure	Location	Comments
GRI 200: Economic standards		
GRI 201 Economic performance		
201-1	Direct economic value generated and distributed	How Finnvera creates value, p. 7
201-4	Financial assistance received from government	FS, p. 56
GRI 203 Indirect economic impacts		
203-2	Significant indirect economic impacts	How Finnvera creates value, p. 7
Own disclosure	Jobs created, growth, internationalisation, exports	How Finnvera creates value, p. 7
GRI 205 Anti-corruption		
205-2	Communication and training about anti-corruption policies and procedures	Corporate governance, p. 27, GRI Standards Content Index The entire Finnvera personnel (100%) has received training on guidelines regarding anti-bribery and hospitality. In addition, Finnvera has communicated and trained about 40 of its personnel with OECD Anti-Bribery Products Policy (Export Financing). Finnvera communicates the OECD's Anti-Bribery Policy to Export Customers and Guarantee Holders when concluding agreements. Reported in part.
GRI 206 Anti-competitive behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Standards Content Index No cases in 2018.

Disclosure	Location	Comments
GRI 400: Social standards		
GRI 401 Employment		
401-1	New employee hires and employee turnover	Impacts of Finnvera's own operations: Personnel and the environment, p. 41
GRI 403 Occupational health and safety		
403-2 (2016)	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Impacts of Finnvera's own operations: Personnel and the environment, p. 41 Reported in part.
GRI 404 Training and education		
404-1	Average hours of training per year per employee	Impacts of Finnvera's own operations: Personnel and the environment, p. 40 Reported in part.
404-2	Programs for upgrading employee skills and transition assistance programs	Impacts of Finnvera's own operations: Personnel and the environment, p. 40 Reported in part.
404-3	Percentage of employees receiving regular performance and career development reviews	GRI Standards Content Index The entire Finnvera personnel (97%) participated in the target and development discussions in 2018. Reported in part.
GRI 412 Human rights		
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Responsible financing, p. 42 Reported in part.
GRI 419 Socioeconomic compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	GRI Standards Content Index No cases.
G4 Rahoitustoimialan tuotevastuu		
G4-FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	Operating environment, p. 11–13, Finnvera's role in society, p. 36 Reported in part.



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

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