

Contents

Corporate governance

Principles	1
Compensation	4
People	7



Finnfund is governed in accordance with the Act on a Limited Liability Company named Teollisen yhteistyön rahasto Oy (291/79 amended, 'the Finnfund Act'), the Finnish Limited Liability Companies Act, and the Articles of Association of the company. In addition, it observes the corporate governance guidelines issued by the owner, the Finnish government, for state majority-owned unlisted companies and state special-purpose companies.

In its operations, Finnfund is committed to good governance and the recommendations set by the state owner.

The governance principles laid out here are based on the Articles of Association that came into force on 1 January 2012.

Governing bodies

Finnfund is governed by the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Managing Director. Their responsibilities are determined by the Finnish Limited Liability Companies Act and the Articles of Association of the company.

General meeting

The highest decision-making body in Finnfund is the General Meeting of Shareholders, which convenes at least once a year. The Annual General Meeting shall be held each year on a day, set by the Board of Directors, that is within six months of the end of the financial period.

The Annual General Meeting handles all of the matters designated for it in the Limited Liability Companies Act and the Articles of Association, such as the adoption of the financial statements; the assignment of the balance sheet result; the release from liability of the Supervisory Board members, directors and managing director; the election of Supervisory Board members, the directors and the auditor; and the

determination of their remuneration.

In 2016, the Annual General Meeting was held in Helsinki on 20 April. The meeting discussed the matters specified in Article 11 of the Articles of Association. All of the company's outstanding shares were represented at the meeting.

An Extraordinary General Meeting was held on 19 September 2016 in Helsinki. The meeting agreed on appointments to the Board of Directors. All of the company's shares were represented at the meeting.

On 30 December 2016 the company's shareholders decided, in accordance with Companies Act 5:1, unanimously and without convening a General Meeting, to approve the granting of special rights to shares, within the meaning of Companies Act 10:1, in connection with convertible bonds between the Company and the State of Finland. This permits the government's long-term loan to Finnfund, granted by parliament in the supplementary budget of June 2016, to be converted, entirely or in part, into company shares, if the State of Finland wishes it. The shareholders also agreed on appointments to the Supervisory Board.

Supervisory Board

The Supervisory Board is composed of 12 members. The Annual General Meeting elects the members, who serve for three years at a time. The term of office of a member of the Supervisory Board ends at the close of the third Annual General Meeting following election. Four members are up for re-election annually.

The Supervisory Board elects a chair and vice chair from among its members, for one year at a time.

List of the members of the [Supervisory Board](#).

The task of the Supervisory Board is to supervise the administration of the company as attended to by the Board of Directors and the Managing Director, and to give a statement to the Annual General Meeting about the financial statements and the audit.

In addition, the Supervisory Board can give the Board of Directors instructions on matters of broad importance or significant principle.

Board of Directors

The Board of Directors has at least six and at most eight members. The board chair, a possible vice chair and its other members are chosen by a General Meeting.

The term of a board member ends at the close of the next Annual General Meeting.

List of the members of the [Board of Directors](#).

The tasks of the Board of Directors include but are not limited to making decisions regarding financing and investments and confirming the company's practical

operating policy; deciding on authorisation to sign on behalf of the company; appointing the managing director and determining his or her salary and other compensation; and deciding on the calling of General Meetings and preparing material on the matters they will deal with.

Audit Committee of the Board of Directors

The Chair and 2 - 3 members of the Audit Committee are chosen by the Board from among its own members. The members shall be independent of the company and at least one must be independent of a major shareholder. Members are required to have the competence required for the committee's duties and at least one member shall be skilled particularly in accounting, bookkeeping or auditing. The Audit Committee is chosen for the term of the Board of Directors.

The task of the Audit Committee is to assist the Board in ensuring that the bookkeeping and financial control of the company is properly organised and that internal control and risk management, auditing and internal auditing are conducted in accordance with the law, regulations and the operating principles confirmed by the Board of Directors.

Managing Director

The task of the Managing Director is to attend to the company's day-to-day administration in accordance with the instructions and regulations issued by the Board of Directors.

The Board of Directors determines the salaries of the Managing Director, his deputy, and the members of the Management team.

Management team

Finnfund's management constitutes the Management team, which is an advisory body assisting the Managing Director.

Remuneration

Supervisory Board

Members of the Supervisory Board have received fees as follows. The chair of the Supervisory Board received EUR 800 per meeting, the deputy chair EUR 600 per meeting and other members EUR 500 per meeting.

Fees paid (EUR) and participation at the meetings

Member	Fee	Present
Tuomioja Erkki, chair	4,000	5/5
Salolainen, Pertti, vice chair	3,000	5/5
Hietanen, Eija	1,000	2/5
Kallio, Seppo	2,000	4/5
Karetie, Simo until 30.12.2016	1,500	3/5
Karimäki, Johanna	2,500	5/5
Kotaviita, Johanna	1,500	3/5
Myller, Riitta	1,500	3/5
Paloniemi, Aila	2,500	5/5
Raatikainen, Mika	2,000	4/5
Tölli, Tapani	1,500	3/5
Violainen, Anne-Mari	2,000	4/5
Vuorio, Petri as of 30.12.2016	0	0/0

In 2016, the Supervisory Board met 5 times. The average attendance rate for members was 76.7 per cent.

Board of Directors

Members of the Board of Directors have received monthly fees and fees per meetings as follows. The chair of the Board of Directors received a monthly fee of EUR 1,100, the deputy chair a monthly fee of EUR 700, and the other members a monthly fee of EUR 600. In addition, all members received a fee of EUR 300 per meeting attended. The Chair has also been paid a fee per meeting for attending the Supervisory Board and Audit Committee meetings.

Fees paid (EUR) and participation at meetings

Member	Fee	Present
Laukkanen, Ritva, chair	17,100	12/12
Alanko, Kari, vice chair until 30.8.2016	7,700	7/7
Andersén, Tuukka	10,500	11/12
Antila, Sinikka, vice chair as of 19.9.2016	11,200	12/12
Kuvaja-Xanthopoulos, Kristiina as of 19.9.2016	3,600	4/4
Mikkanen, Pirita	10,500	11/12
Schöring, Lars-Erik	10,200	10/12
af Ursin, Anne	10,800	12/12
Ylhäinen, Tuula	10,500	11/12

In 2016 the board met 12 times. The average attendance rate for members was 94.7 per cent.

Audit Committee

In 2016, members of the Audit Committee of the Board of Directors received a fee of EUR 300 per meeting attended.

Fees paid (EUR) and participation at meetings

Member	Fee	Present
Andersén, Tuukka, chair	1,500	5/5
Mikkanen, Pirita	1,500	5/5
Ylhäinen, Tuula	1,500	5/5

In 2016 the Audit Committee met 5 times. The attendance rate for members was 100 per cent.

Managing Director

In the financial year 2016, managing director Jaakko Kangasniemi received taxable income from the company of EUR 204,152.20. The remuneration of the managing director consists of a fully fixed monthly salary. The managing director is not subject to the company's incentive system and was not paid a bonus in the financial year 2016.

The managing director's executive contract, agreed in 2002, was revised in 2012 in relation to pension rights. The retirement age was raised from 60 to 63 years and the pension type changed from defined-benefit to defined-contribution. The annual contribution level is 26.51 per cent of gross annual earnings.

The pension liability is covered partly by the group pension insurance and partly by an annual reserve in the company's balance sheet. In the financial year ending 31 December 2016 a reserve of EUR 45,620.75 was made for the pension liability.

The company may terminate the managing director's employment at six months' notice. Upon termination by the company, in addition to the salary for the term of notice, the managing director will receive an amount equal to six months' salary.

Because of the pension benefit change in the executive contract, the managing director forewent net pension benefits of EUR 74,308 accrued in earlier years. This loss of pension benefit has been counterbalanced by raising his gross monthly wage with effect from 1 January 2013 by EUR 1,347 which will provide full compensation by the time he reaches the age of 63.

If his employment ends before the age of 63 years, the company will pay him the amount of pension benefit lost through early termination of the contract. This compensation will be paid regardless of the reason for termination of contract and in addition to other entitlements under the law or his executive contract.

Management team

In the 2016 financial year, taxable income received from the company by the Management team, including the managing director and his deputy, totalled EUR 676,125.69.

The members of the Management team, with the exception of the managing director, are included in the incentive system covering all the company's personnel, according to which employees can receive an incentive corresponding to, at most, one and a half or two month's salary depending on the area of responsibility if the targets set are met. The incentive system is based on the company's performance, on the team level and personal performance. The Board of Directors decides on the incentive system and its key criteria on an annual basis.

In 2016, the number of Management team members was reduced. Members of the team were Jaakko Kangasniemi, Managing Director, CEO; Helena Arlander, Director, Portfolio and Risk Management and Alternate to the Managing Director; Minnamari Marttila, Director, Administration; Markus Pietikäinen, Investment Director; and Tapio Wallenius, Director, Impact and Communications.

Supervisory Board, Board of Directors and Audit Committee

Supervisory Board as of 20 April 2016

Erkki Tuomioja

member of Parliament, Chair
as of 15 June 2016

Pertti Salolainen

Member of Parliament
Vice Chair
as of 15 June 2016

Eija Hietanen

Director of Administration
The Central Organization of Finnish
Trade Unions SAK

Seppo Kallio

Director
The Central Union of Agricultural
Producers and Forest Owners (MTK)

Simo Karetie

Chief Policy Adviser
The Confederation of Finnish Industries EK
until 12 December 2016

Johanna Karimäki

Member of Parliament

Johanna Kotaviita

Practical Nurse

Riitta Myller

Member of Parliament

Aila Paloniemi

Member of Parliament

Mika Raatikainen

Member of Parliament

Tapani Tölli

Member of Parliament

Anne-Mari Virolainen

Member of Parliament

Petri Vuorio

Director, Confederation of Finnish Industries EK
as of 30 December 2016



Back row from left Johanna Karimäki, Johanna Kotaviita, Petri Vuorio, Riitta Myller, Seppo Kallio. Front row from left Pertti Salolainen, Erkki Tuomioja and Aila Paloniemi.

Board of Directors as of 20 April 2016

Ritva Laukkanen

Board Professional
Chair

Sinikka Antila

Ambassador, Senior Advisor on Trade and
Development
Ministry for Foreign Affairs
Vice Chair, as of 19 September 2016

Kari Alanko

Deputy Director General
Ministry for Foreign Affairs
Vice Chair
until 31 August 2016

Tuukka Andersén

Director of Finance
Finnvera Plc

Kristiina Kuvaja-Xanthopoulos

Deputy Director General
Ministry for Foreign Affairs
as of 19 september 2016

Pirita Mikkanen

Partner
TM Systems Finland Oy

Lars-Erik Schöring

CEO
Leinolat Group

Anne af Ursin

Financial Councillor
Ministry of Finance

Tuula Ylhäinen

CFO
Oras Invest Ltd



Back row from left Pirita Mikkanen, Tuula Ylhäinen, Lars-Erik Schöring, Sinikka Antila, Front row from left Tuukka Andersén, Ritva Laukkanen and Anne af Ursin.

Audit Committee as of 26 April 2016

Tuukka Andersén, Chair

Pirita Mikkanen

Tuula Ylhäinen

All members of the Supervisory Board and the Board of Directors are independent from the company.