



Together creating
Finland's new
global success stories

2021

BUSINESS OVERVIEW



Tesi

Together creating Finland's new global success stories.

- By financing growth companies, we raise Finland to the forefront of transformative economic growth.
- We invest in venture capital and private equity funds and directly in companies, as a minority owner.
- We invest profitably and responsibly, aiming for a positive societal impact.
- We develop Finland's venture capital and private equity market.
- We offer information and experience to companies, investors and decision-makers.
- We are a venture capital and private equity company, 100% owned by the Finnish state.



Annual Report 2021

Tesi's (Finnish Industry Investment Ltd) Annual Report comprises four sections. Business Overview, Financial Review, Corporate Governance Statement, and Remuneration Report. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website tesi.fi.

- **Business Overview:**
Strategy, value creation, investment operations and corporate responsibility
- **Financial Review:**
Board of Directors' report and Financial Statements
- **Corporate Governance Statement:**
Corporate governance, internal control and risk management systems
- **Remuneration Report:**
Remuneration principles, remuneration of the Board of Directors and the CEO

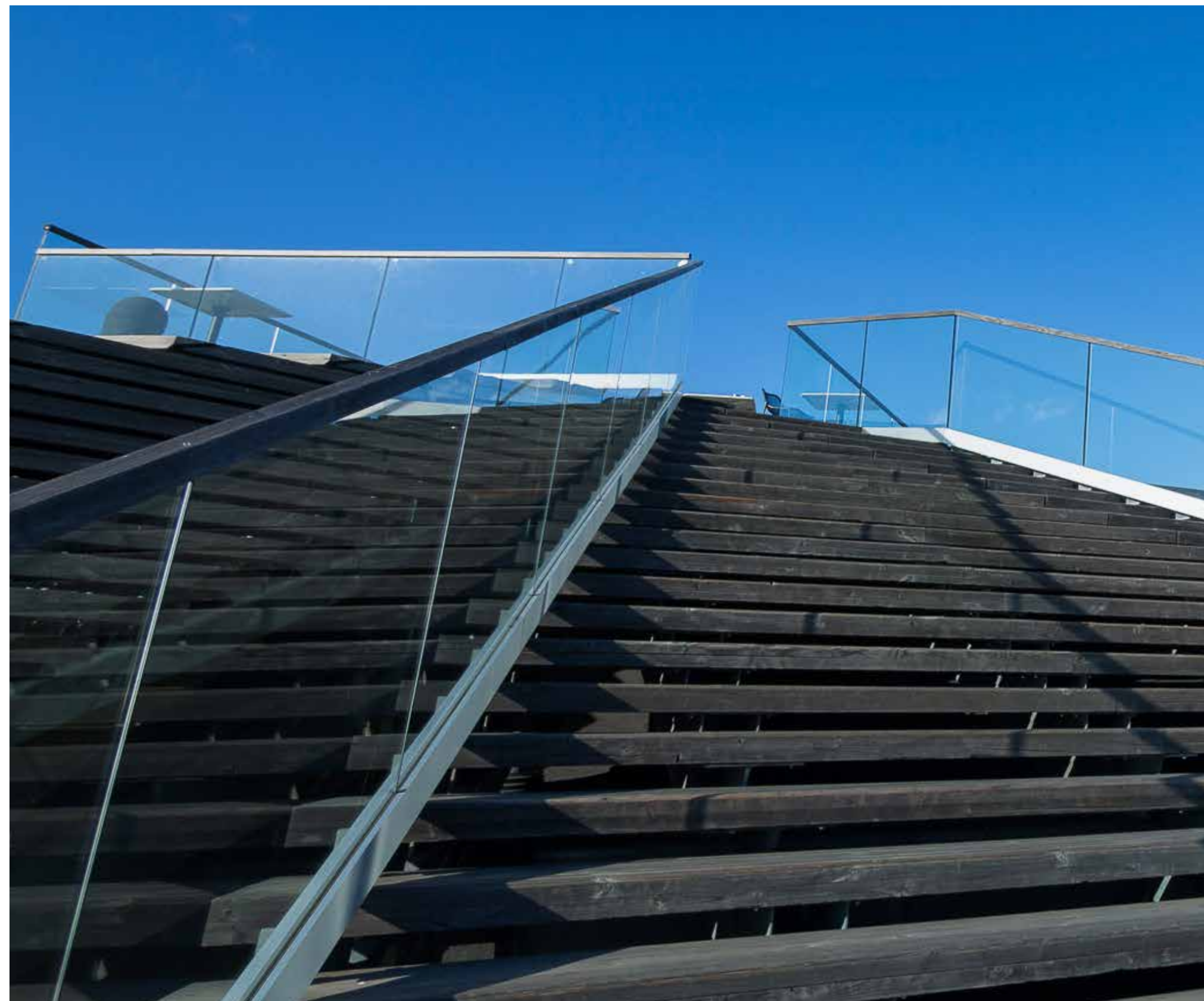


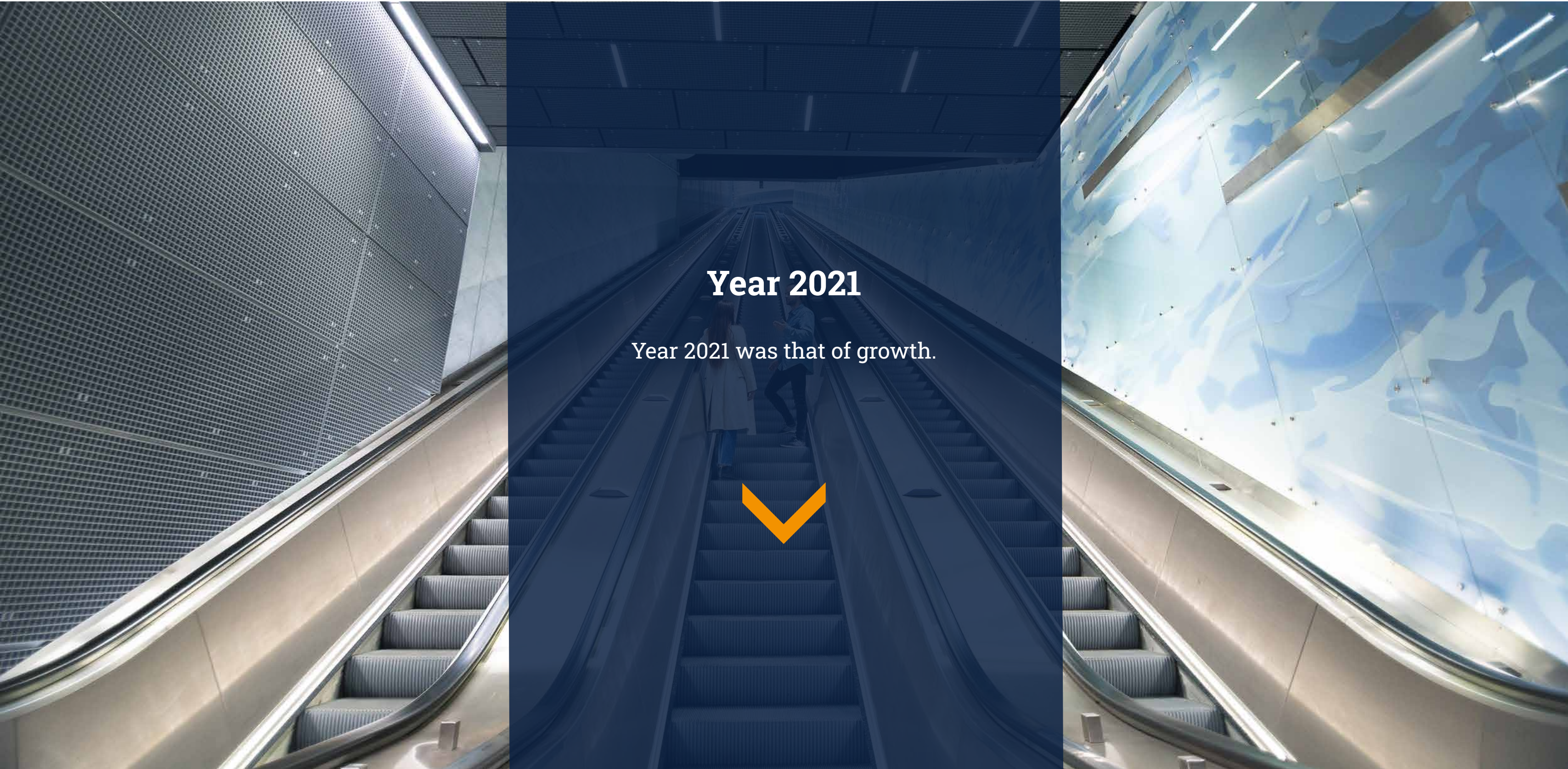
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Tesi's Annual Report 2021 consists of four sections. This is the Business Overview, comprising strategy, value creation, investment operations and corporate responsibility.

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Year 2021

Year 2021 was that of growth.



The year in brief

MEUR
207
new investments
and commitments

MEUR
179
invested in Finland
by international
investor partners

MEUR
1,414
raised by our
portfolio funds

4
funds-of-funds

109
portfolio funds

119
direct portfolio
companies

MEUR
338
Tesi's profit

44
Tesi personnel
on average

CEO'S REVIEW

Sustainable growth necessitates active, skilled ownership

Second consecutive pandemic year obscured events and long-term trends that significantly affect the venture capital and private equity industry and Tesi. Financial markets saw positive development, and international investors did not withdraw from the Finnish market, contrary to previous crises. Following the success of our portfolio funds and companies, Tesi's investment valuations and result rose substantially, the bringing the net gain for the financial year to EUR 338 million. The role of an active, skilled ownership will only become more emphasised as the valuations of most funds and companies remains unrealised, requiring persistent work in the future.

ALTHOUGH the corona situation still presents challenges, Finnish companies start the year 2022 from a strong position. They have a firm will to grow, and the overall growth is expected to continue. Availability of work force, disturbances in supply chains and returning inflation cause challenges. While there has certainly been improvement in developing corporate responsibility in the venture capital and private equity industry, work remains to be done. Transparency as well as concrete, impactful measures are still needed. Tesi develops corporate responsibility in its target funds

and companies and by continuing its own work on the matter. We will also carry on sharing insightful data to the market. Last year, growth company pulse surveys were on focus, to chart their financial position, crisis resilience and transformation amidst the pandemic.

EXCEPTIONAL YEAR INCREASED DIRECT INVESTMENTS

In 2021, we made investments and commitments amounting to EUR 207 million. This figure includes investments in funds and directly in companies as well as temporary pro-



grammes for financing during the pandemic. In addition, we also took over Finnvera's venture capital operations and invest in 26 companies from special investment programmes mitigating the impacts of the pandemic. These arrangements doubled the number of companies in our investment portfolio. In monetary terms, most of our investments are still in funds.

VENTURE CAPITAL AND PRIVATE EQUITY INVESTORS SPUR SUSTAINABLE GROWTH

Diversifying exports boosts growth and employment and stimulates companies' development. Research* shows that businesses backed by venture capital and private equity grow, invest, and employ more, and also conduct more R&D. This backs the long-term transformation of Finland's trade and industry structure.

As a venture capital and private investor, we have a role in solving global and domestic sustainability challenges. We contribute to sustainable development by financing compa-

nies undergoing transformation, by producing added value as an owner, and by engaging in comprehensive cooperation. When we diversify the, we strengthen it to withhold the upcoming times of shrinking labour force and ageing population.

CORPORATE RESPONSIBILITY MORE IMPORTANT THAN EVER

The importance of responsible investment and positive societal impact is growing in the venture capital and private equity market. Ecologically and socially responsible companies and jobs are created when investors allocate capital to companies producing the most momentum for economic transformation and societal impact.

For Tesi, corporate responsibility is an important strategic target for development. We accelerate the green transition when we promote corporate responsibility in our portfolio companies. A condition for our investment is that the investee company or fund wants to

develop its responsibility and that we will be able to influence the development of its operations together with our partners. We will continue to actively develop and promote corporate responsibility in the coming year.

INSIGHTFUL DATA SUPPORTS THE PROGRESSION OF MARKETS

In recent years, Tesi has made substantial efforts to share insightful data about the venture capital and private equity market. Now, we can combine data from multiple external and internal sources, to develop and support the markets. Next, we bring into our data model information about the progression of corporate responsibility. Thus, corporate responsibility and impact become integrated in our value-adding investment operations.

ROUNDING UP

I would like to convey my heartfelt appreciation to those to growth companies, players in the venture capital and private equity market, poli-

cymakers, and our other partners for the close cooperation we have enjoyed with them. While we develop the venture capital and private equity market, the market also develops us.

I am proud of each person working at Tesi – those newly arrived during the year, those who have been working here longer, and all our trainees. Everyone has given their best and produced outstanding results in their roles, and for that I'm extremely grateful. Our ability to continue add value and our socially impactful work this year is already at a high level.

Jan Sasse

* Finnish Venture Capital Association's Impact Survey: [Venture Capital and Private Equity Investors' Impact on Corporate Growth in 2010-2020](#)

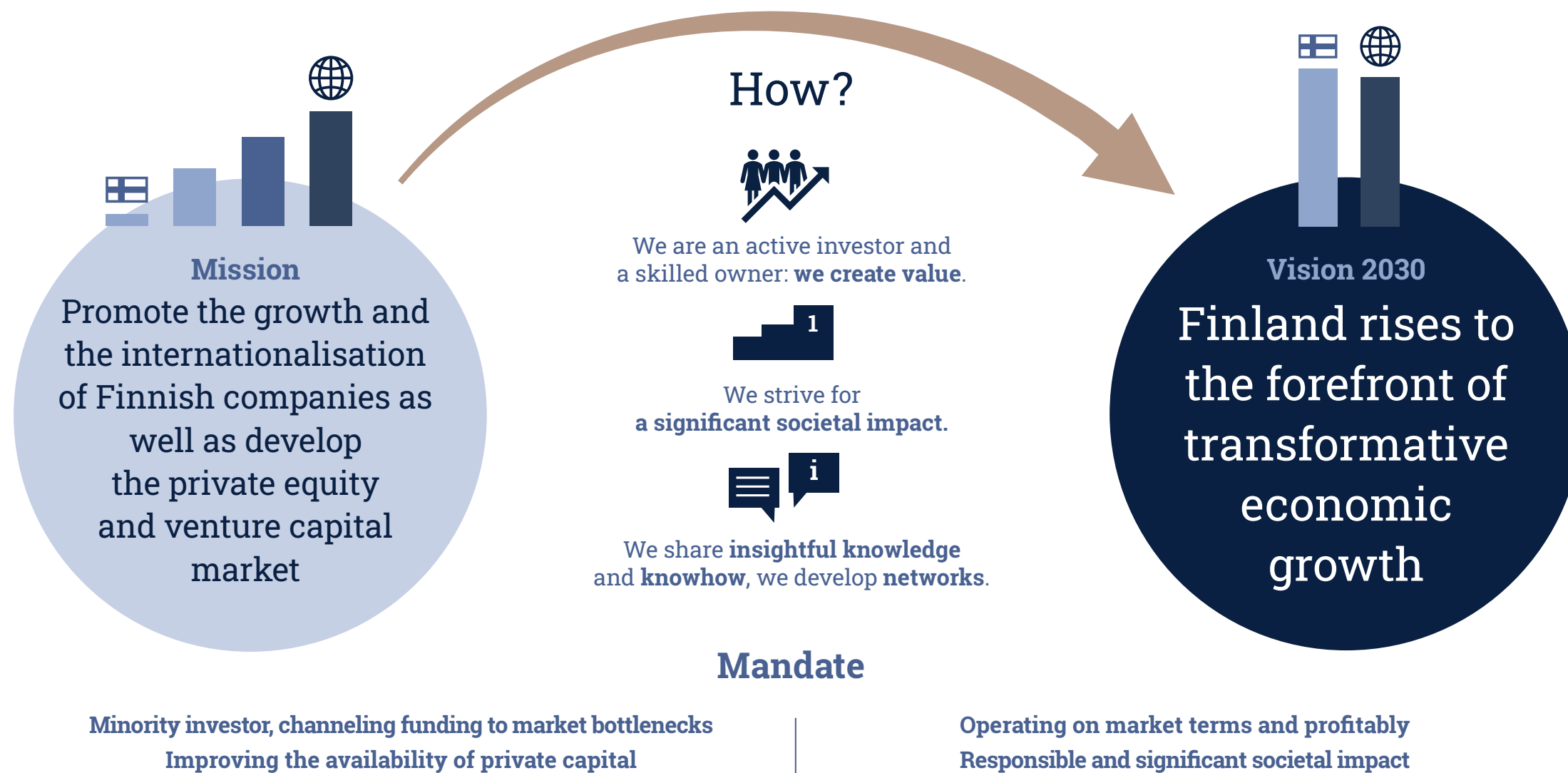


Strategy, value creation, investment operations

We want to raise Finland
to the front ranks of transformative
economic growth.



Tesi's strategy



Our role in society

TESI'S mission is to promote the growth and internationalisation of Finnish companies, and to develop the venture capital and private equity (VC & PE) market. Our objective is to increase the supply of private capital by offering financing that supplements it. As a fully state-owned investment company, our operations are based on Finnish laws, decrees, and ownership steering by the Prime Minister's Office.

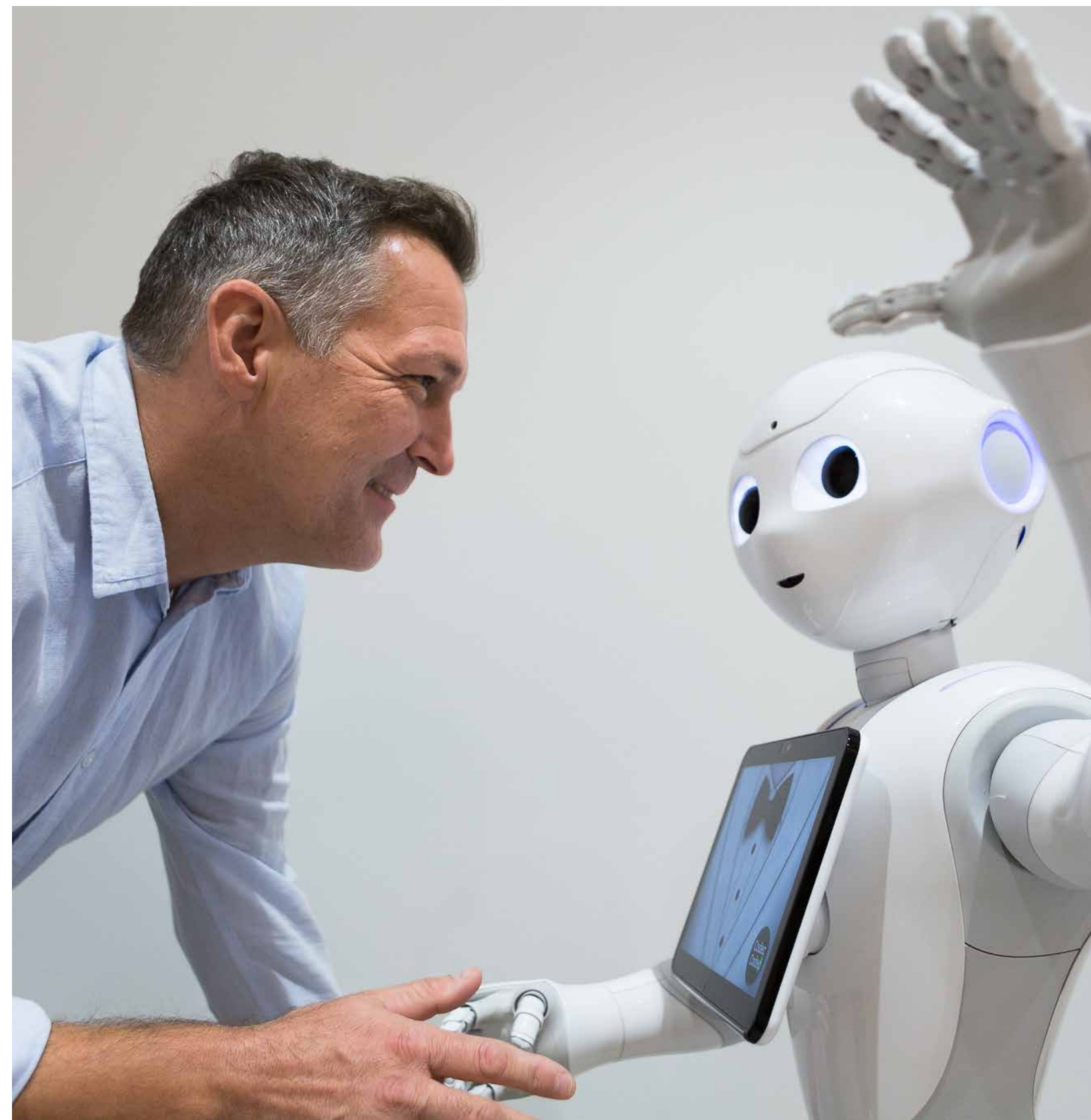
The supply of equity funding varies greatly in Finland, depending on the size of the needed financing and the company's stage of growth. Market bottlenecks also change position over time. It is essential to our operations that we are able to identify and alleviate these market bottlenecks and that we can adapt our operations to prevailing market situations.

In line with our mandate, we operate on market terms, and we make investments on the same terms and conditions as private investors. We invest primarily hand-in-hand with private investors, and we operate mainly as a minority investor and minority owner.

We make investments in growth companies, and we invest, directly or through funds, with no sectoral limitations. We target investments made on special grounds to promote national industrial policy at sectors undergoing, or expected to undergo, major structural renewal.

Our operations must be profitable over the long term. We expect our investments to be profitable, and our investments have an exit plan. To fulfil our trade and industrial policy mission, however, we can accept a larger than usual risk or lower expected earnings than usual in individual investment decisions.

” Our mission is to promote the growth and internationalisation of Finnish companies, and to develop the venture capital and private equity market.



How we create value

OUR VISION is to raise Finland to the front ranks of transformative economic growth. Towards this end, we pursue our **strategy**:

- We create value by being a pro-active investor and skilled owner
- Our goal is to make a significantly beneficial societal impact
- We develop networks by actively sharing insightful data and expertise

We invest in growth, share risks and support both companies and funds with active ownership; for instance, through board work and by making available our data and accumulated experience of the venture capital and private equity market. We collaborate on a wide front with market players, and we build new partnerships. We have significantly developed our capability for producing insightful data and we have systematically integrated corporate re-

sponsibility into our investment activities. The reports, studies and reviews we published in 2021 are available [on the Reports database on our website](#).

Our aim is for **value creation** to be a systematic and networked activity that involves all Tesi's personnel and partners. We want to operate proactively and to target our activities at projects with the highest value potential.

In 2021, we focused on full-scale value creation. More particularly, we developed value creation plans for the investment proposal phase and systematic value creation activities as an owner, a market overview of international players shared by investment teams, and our ability to help first-time fund teams enter the market.

As an investor, we can create value by, for instance, sharing financing, strategy, governance, corporate responsibility, data, and best practices as well as by creating networks. The

best methods for creating value always depend on the individual company or fund and on the specific situation. We monitor and measure value creation from the economic, environmental, social and governance perspectives, and we report on the impacts of our operations in dedicated impact reviews. Read more about corporate responsibility in the [Corporate Responsibility section](#).

” **We want to raise Finland to the forefront of transformative economic growth.**

Our values and main stakeholders

Our values are **Solutions, Boldly, Together**, and they have proven to be excellent road signs in practical decision-making. We are open-minded in seeking solutions and we enable opportunities, we influence and develop actively and boldly, and we create results together.

The importance of active cooperation stems from our role and our values. By working together, we can achieve our goals. We want to be easily approachable, dependable and a part of the solution. Transparency and good corporate governance are high priorities in all our activities.

Our main **stakeholders**, in addition to our personnel, administration and owners, are Finnish growth companies, other VC & PE players, the media, policymakers and societal influencers.

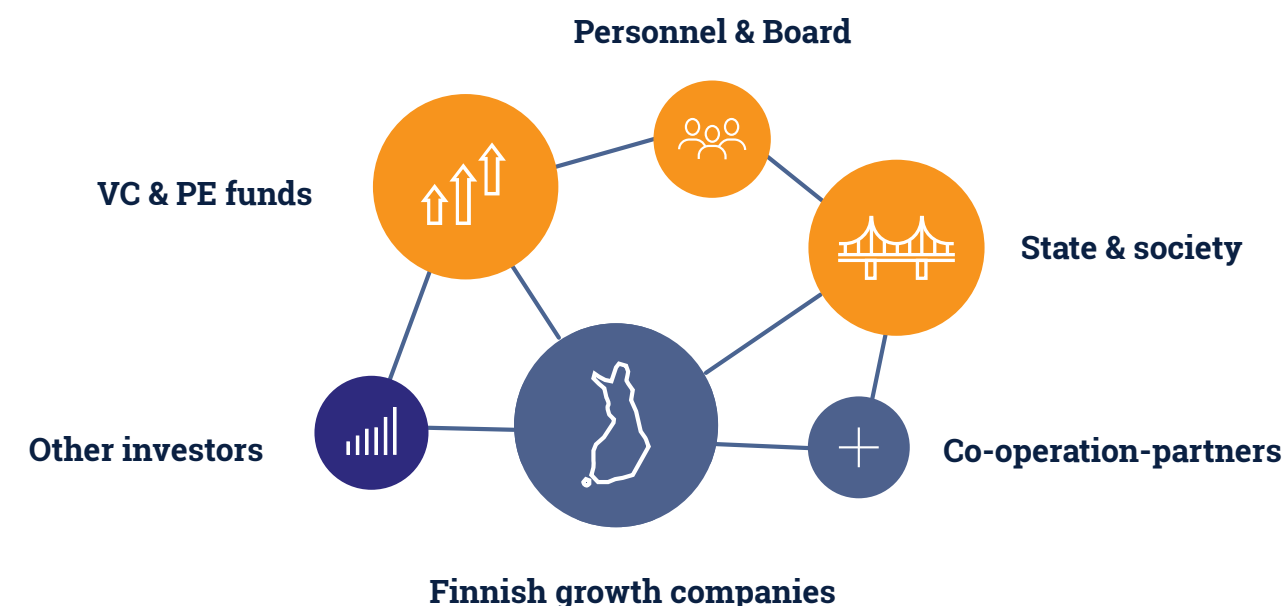
At the end of 2021, we had holdings in 109 funds and direct investments in 119 companies. We have the Chair on the advisory boards of 33 funds, are a member on the advisory board of 43 funds and an observer on the advisory board of two funds. We participated in the board work of 67 companies, either as an observer or as a member. We are an active in-

vestor, and we support funds and their general partners resolve problematic situations and operational discontinuities. We cooperate continuously with other institutional investors and hold regular discussions with them.

We are a member of the Finnish Venture Capital Association FVCA; of Invest Europe, the association representing Europe's VC & PE investors; of Finsif (Finland's Sustainable Investment Forum) and of FIBS (Finnish Business & Society). We are a part of Team Finland. In 2021, we collaborated around themes important to Finland's growth company ecosystem. In addition to Slush, Arctic 15, Directors' Institute Finland (DIF), Sitra and Business Finland, we also collaborated with Kasvuryhmä (Growth Collective Finland) and Inklusiiv.

As a state-owned investment company, we operate under the guidance of Finland's Ministry of Economic Affairs and Employment, and

“ We have a seat on 78 advisory boards and on 67 boards of directors.



we engage in active dialogue with the owner. During the corona crisis we have endeavoured to help both companies and public authorities through financial instruments planned in cooperation with other investors and by producing market data and analyses about the situation faced by growth companies. Tesi's Advisory Board, comprising societal influencers nominated by Tesi's Board of Directors, convened four times in 2021.

We liaise and share information with our partners in work groups, and at meetings and events, as well as through our own communication channels (website, social media, and news-

letters). During 2021, we participated in numerous events together with our partners, and we arranged a Kasvukäyrällä ('On the growth curve') event that addressed post-pandemic growth capabilities of Finnish companies.

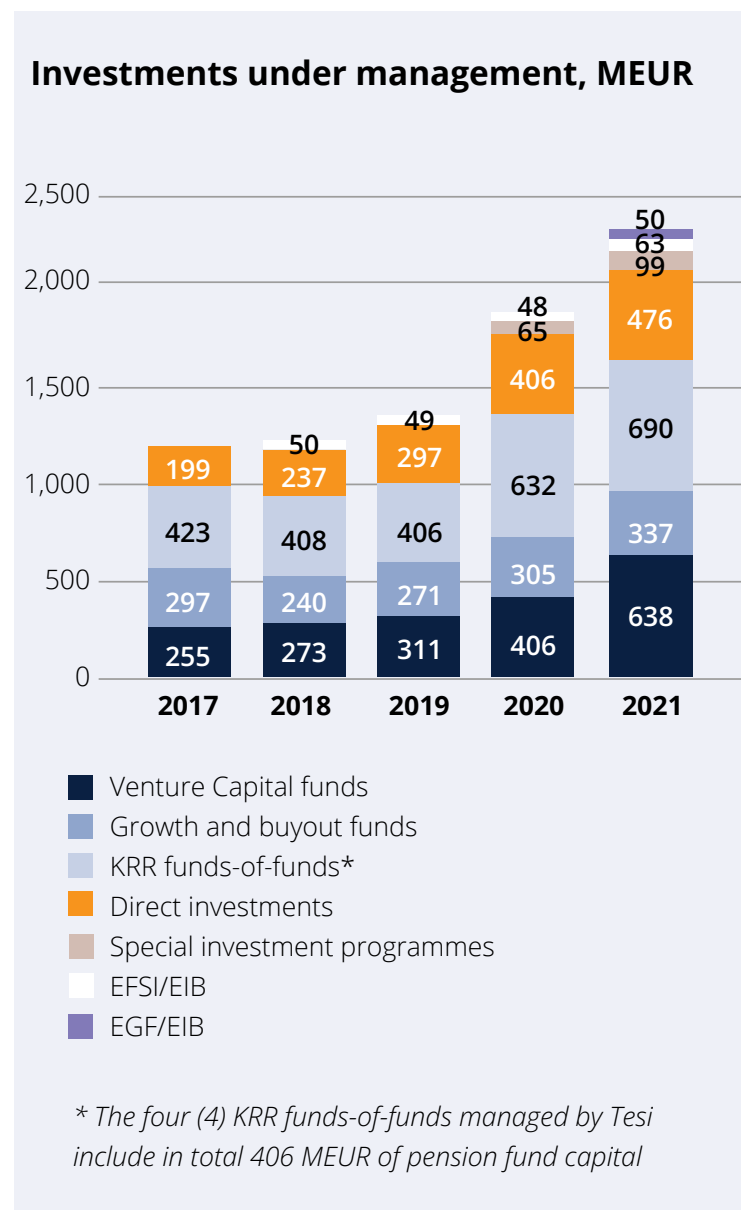
Respondents to the Corporate Image Survey conducted in 2020 particularly mentioned Tesi's expert knowledge, dynamism, and positive mindset. Respondents wanted Tesi to focus on combating the coronavirus crisis, and also on the long-term approach, sustainable development, responsibility, data, public profile, and internationalisation. We will continue to improve our activities based on this feedback in 2022.

Our investment operations

FISCAL year 2021 was one of growth for Finland's VC & PE market. General economic growth has been rapid despite the pandemic, and investment valuations have risen. Tesi's investment valuations and profit rose significantly.

Despite the challenging circumstances, and alongside special investment programmes to mitigate the impacts of the pandemic, we were able to continue our normal investment activities. At the end of 2021, our investments under management totalled EUR 2.4 billion, of which 71% were in funds (72% in 2020). We had investments in 109 funds and four funds-of-funds, in addition to 119 direct investments in companies.

Tesi makes its investments primarily as a long-term owner and hand-in-hand with other investors. In 2021, we made investments and commitments amounting to EUR 207 million (MEUR 248 million in 2020). These figures include fund investments, direct investments, Stabilisation and Venture Bridge financing to combat the pandemic, as well as the investment operations transferred from Finnvera.

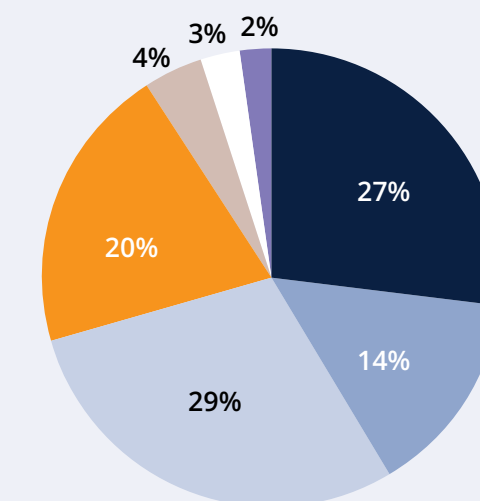


In autumn 2021, we acquired all Finnvera's remaining venture capital operations. The transaction clarifies the Finnish state's VC & PE schemes while ensuring uninterrupted continuation of the portfolio companies' ownership and follow-on financing. The transaction included the acquisition of EAKR-Aloitusrahas-to Ltd and a 19.71% share in Innovestor's Kasvurahas-to I LP.

With fund investments, we develop the Finnish venture capital and private equity market over the long term. We gave commitments amounting to EUR 136 million to 19 funds (EUR 82 million to nine funds in 2020). Funds accounted for altogether 66% of our investments and commitments during the year (59% in 2020).

Our collaboration with the European Investment Bank (EIB) was extended at the end of the year when we signed up to a EUR 100 million co-investment facility for Finnish SMEs. The EIB financing falls under the European Guarantee Fund (EGF), with Tesi managing the co-investment facility that started at the beginning of 2022. [Read the press release.](#)

Tesi's investments under management 31.12.2021, 2,352 MEUR



- Venture Capital funds 27%
- Growth and buyout funds 14%
- KRR funds-of-funds 690 29%*
- Direct investments 20%
- Special investment programmes 4%
- EFSI/EIB 3%
- EGF/EIB 2%

* The four (4) KRR funds-of-funds managed by Tesi include in total 406 MEUR of pension fund capital

CASE

Dispelix: Smarter lenses

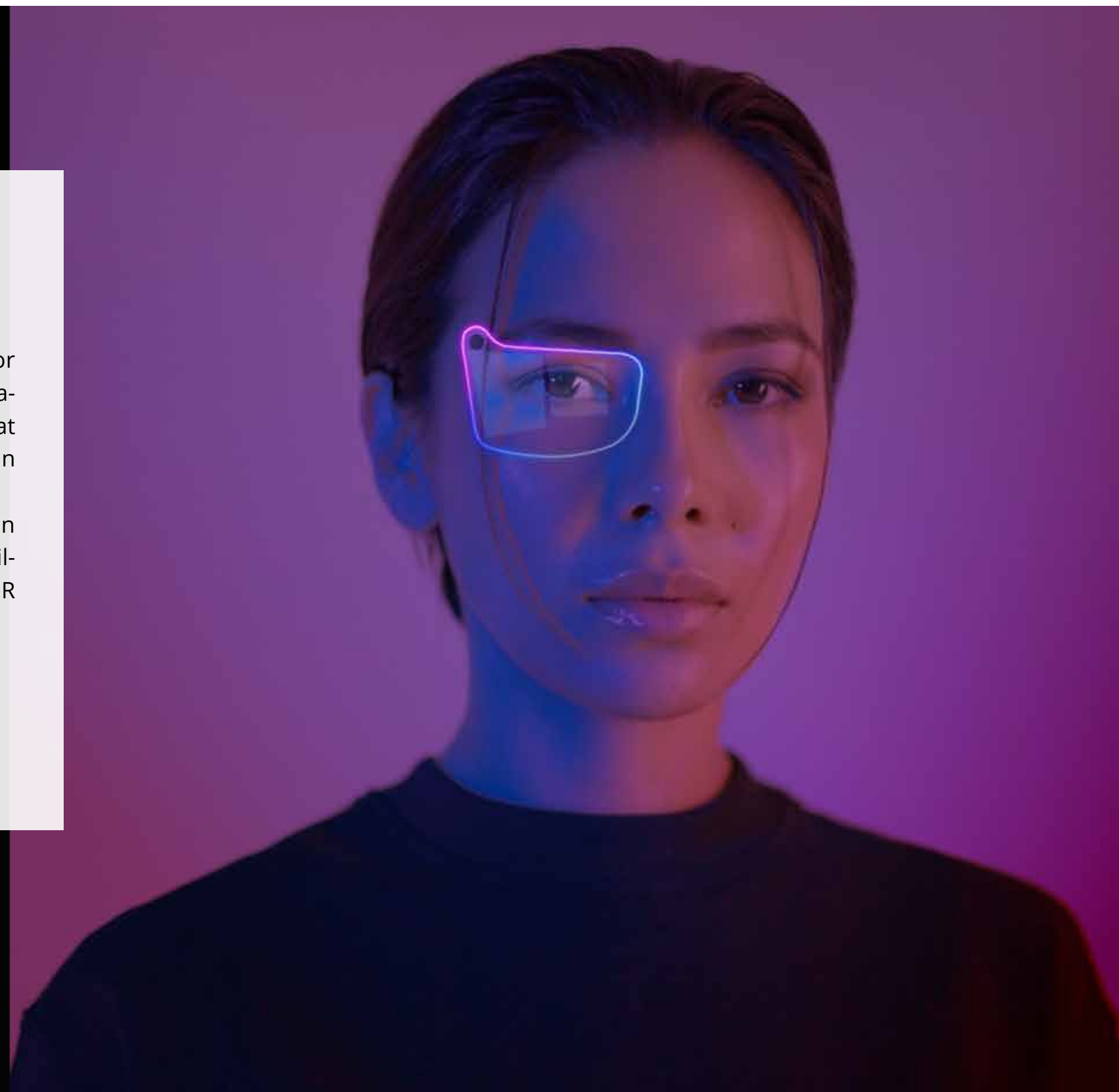
DISPELIX develops lenses for augmented reality (AR) glasses and headsets that are lightweight, cost-efficient and produce a high-quality image. The company's waveguide technology enabling these properties make Dispelix a game-changer.

"Dispelix's technology lets companies interact with their work community, partners and customers no matter where they are geographically. Work-related travel decreases and so do emissions, while attracting international talent is easier since people can work remotely," comments Keith Bonnici, Investment Di-

rector on Tesi's Venture Capital team. "For these reasons Tesi actively invests in companies like Dispelix and Varjo Technologies that make Finland one of the global forerunners in 'metaverse' development."

Tesi made its first investment in Dispelix in 2018. The company has raised EUR 43.2 million in growth funding so far, including EUR 28.4 million raised in November 2021.

▶ [Read more](#)



CASE

Injeq: Needles guided by intelligence

INJEQ, a Tampere-based tech startup, is developing intelligent medical technology that makes lumbar punctures and medical injections easier and safer. Lumbar punctures are critical in treating childhood leukemia, and Injeq's needle knows the position of its tip, taking the safety and success of lumbar punctures to a new level. In December 2021, the company received CE Mark certification for its needle technology as the fruit of its demanding work, opening the door to a European-wide market.

"Injeq is one of the older companies in

EAKR-Aloitusrahassto I's portfolio that was transferred from Finnvera to Tesi in autumn 2021. It was inspiring to see the company's strong expertise receive recognition, paving the way to pan-European sales and the next step of growth – now supported by Tesi's skilled ownership," explains **Kalle Åström**, EAKR Portfolio Manager at Tesi.

▶ [Read more](#)



CASE

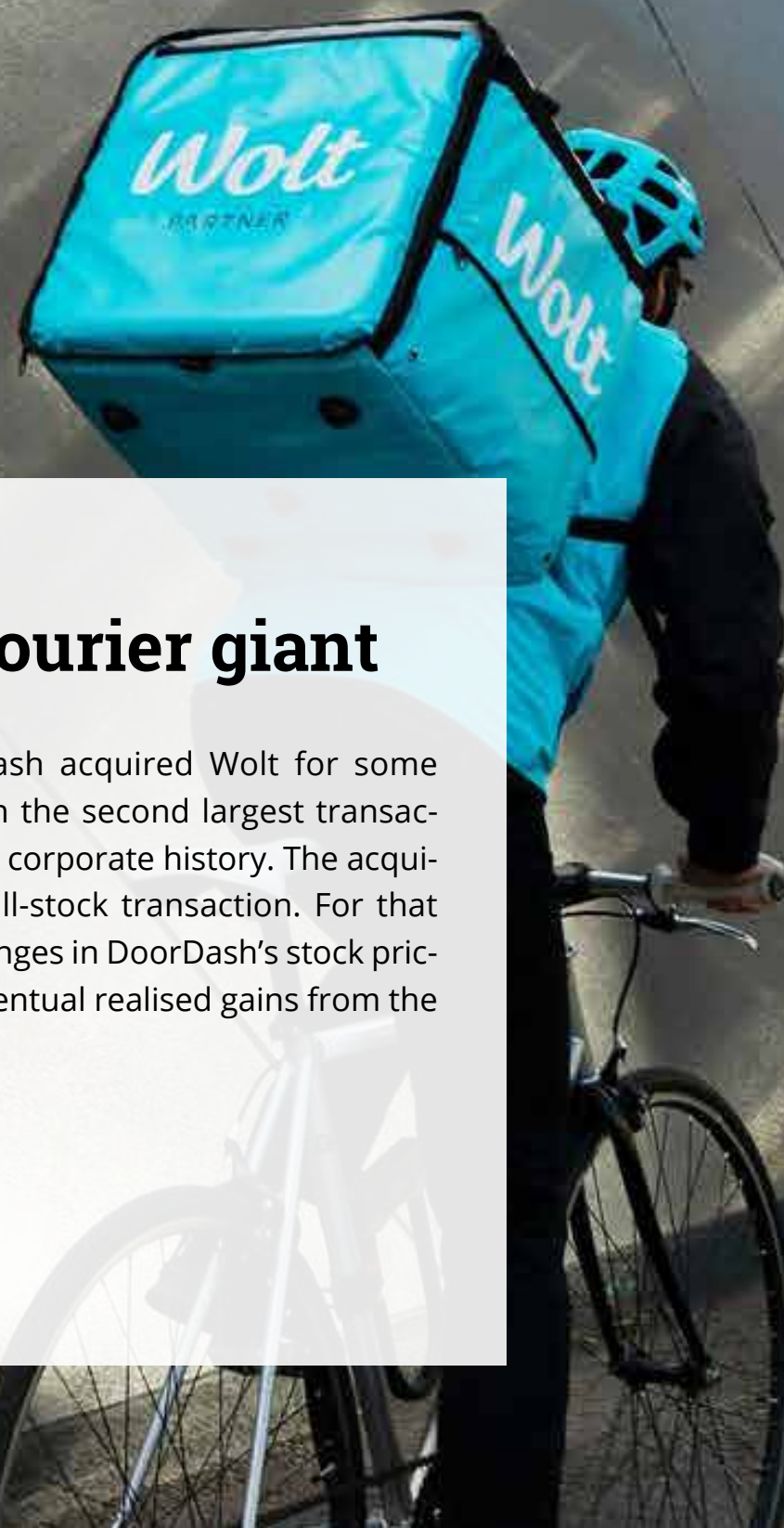
Wolt: From Slush to a global courier giant

WOLT is a Finnish technology company providing a platform for people to order courier transport for food and goods from restaurants and shops. Founded by a guiding force in Finland's Slush startup and tech event in 2014, the company now has over 4,000 employees, with over 2.5 million customers worldwide using its platform each month.

Wolt is a portfolio company of Lifeline Ventures and Inventure, both of which are Tesi's portfolio funds. In November 2021, US food

courier DoorDash acquired Wolt for some EUR 7 billion, in the second largest transaction in Finland's corporate history. The acquisition was an all-stock transaction. For that reason, the changes in DoorDash's stock prices affect the eventual realised gains from the transaction.

[▶ Read more](#)



” The KRR funds-of-funds are a fine example of cooperation between, for instance, Tesi and Finnish pension and insurance companies.

The KRR funds-of-funds (KRR I-IV) are a means of cooperating with Finnish pension institutions to create a venture capital and private equity investment instrument that channels institutional capital into growth companies via funds. The KRR funds-of-funds that Tesi manages act as anchor investors. In 2021, the KRR funds-of-funds invested EUR 50 million in four target funds. By the end of 2021, the four KRR had invested altogether EUR 466 million in 40 funds. KRR portfolio funds have in turn invested in over 300 Finnish companies.

During the corona crisis, and alongside our normal investment activities, we have made investments from the temporary Stabilisation and Venture Bridge programmes. We made investments totalling EUR 10.8 million from the Stabilisation programme in six companies

(in 2020 EUR 57 million in 12 companies). We made investments amounting to EUR 15.6 million in 20 companies from the Venture Bridge programme (in 2020 EUR 14 million in 15 companies). We received a total of 35 applications for these programmes (77 in 2020), of which eight were for the stabilisation programme (41 in 2020) and 27 were for Venture Bridge (36 in 2020).

We made several direct investments in companies that have a societal impact, enabling their transformation and growth. In 2021, we made direct investments amounting to EUR 44.7 million in 36 companies (EUR 38 million in 19 companies in 2020). Of these, EUR 29.3 million were first-round investments in 27 companies (EUR 24 million in six companies in

” The special investment programmes during the corona crisis were our way of responding flexibly to the bottlenecks the pandemic created in the VC & PE market.

2020). The acquisition of EAKR-Aloitusrahasto from Finnvera appreciably increased our direct investments. At the time of the transaction, EAKR-Aloitusrahasto had investments in 23 portfolio companies, the number stayed unchanged for the rest of the year.

First-round investments per our normal operations included: HEI Schools (Helsinki International School Group), an exporter of Finnish early education content; Virta (Liikennevirta), a provider of charging equipment and systems for electric vehicles; Puurakentajat (Puurakentajat Group), a specialist in timber construction; and Finnforel, a company utilising water recirculation in fish farming.

Capital returned from funds in 2021 amounted to some EUR 186 million, and we also received some EUR 66 million from dividends, earnouts and exits. The acquisition of Kotkamills Group by the Austrian Mayr-Meinhof Group was finalised, and Tesi sold its shares in LeadDesk Plc in an accelerated book-building to a limited number of institutional investors. Other exits included HopLop, Viafin Service, Verto Analytics (bankruptcy) and Zervant. Returns from exits create a solid base for our future investment operations.

CASE

Finnforel: Ecologically farmed fish a new export?

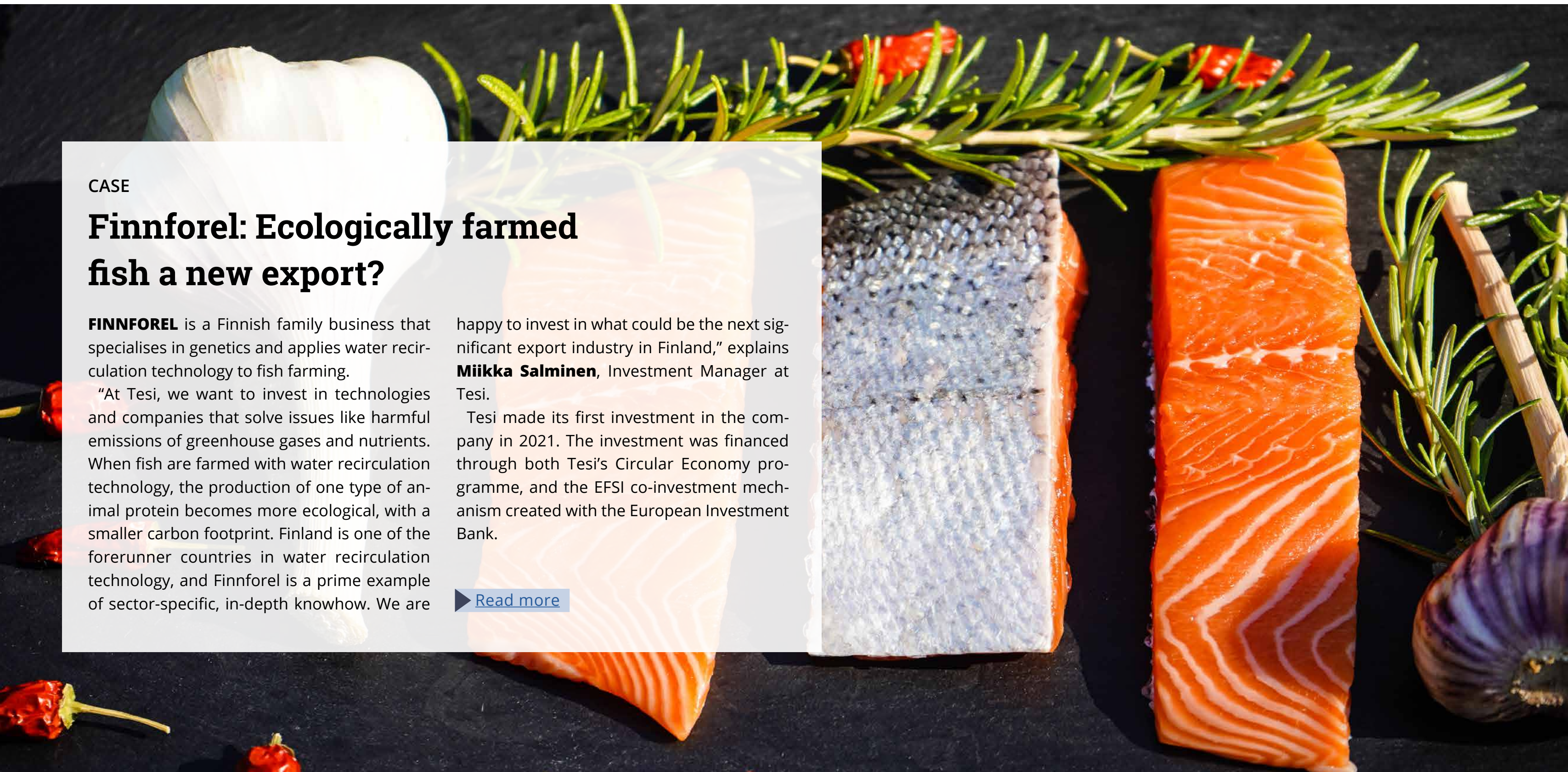
FINNFOREL is a Finnish family business that specialises in genetics and applies water recirculation technology to fish farming.

“At Tesi, we want to invest in technologies and companies that solve issues like harmful emissions of greenhouse gases and nutrients. When fish are farmed with water recirculation technology, the production of one type of animal protein becomes more ecological, with a smaller carbon footprint. Finland is one of the forerunner countries in water recirculation technology, and Finnforel is a prime example of sector-specific, in-depth knowhow. We are

happy to invest in what could be the next significant export industry in Finland,” explains **Miikka Salminen**, Investment Manager at Tesi.

Tesi made its first investment in the company in 2021. The investment was financed through both Tesi’s Circular Economy programme, and the EFSI co-investment mechanism created with the European Investment Bank.

▶ [Read more](#)



CASE

Kotkamills: More responsibility in board production

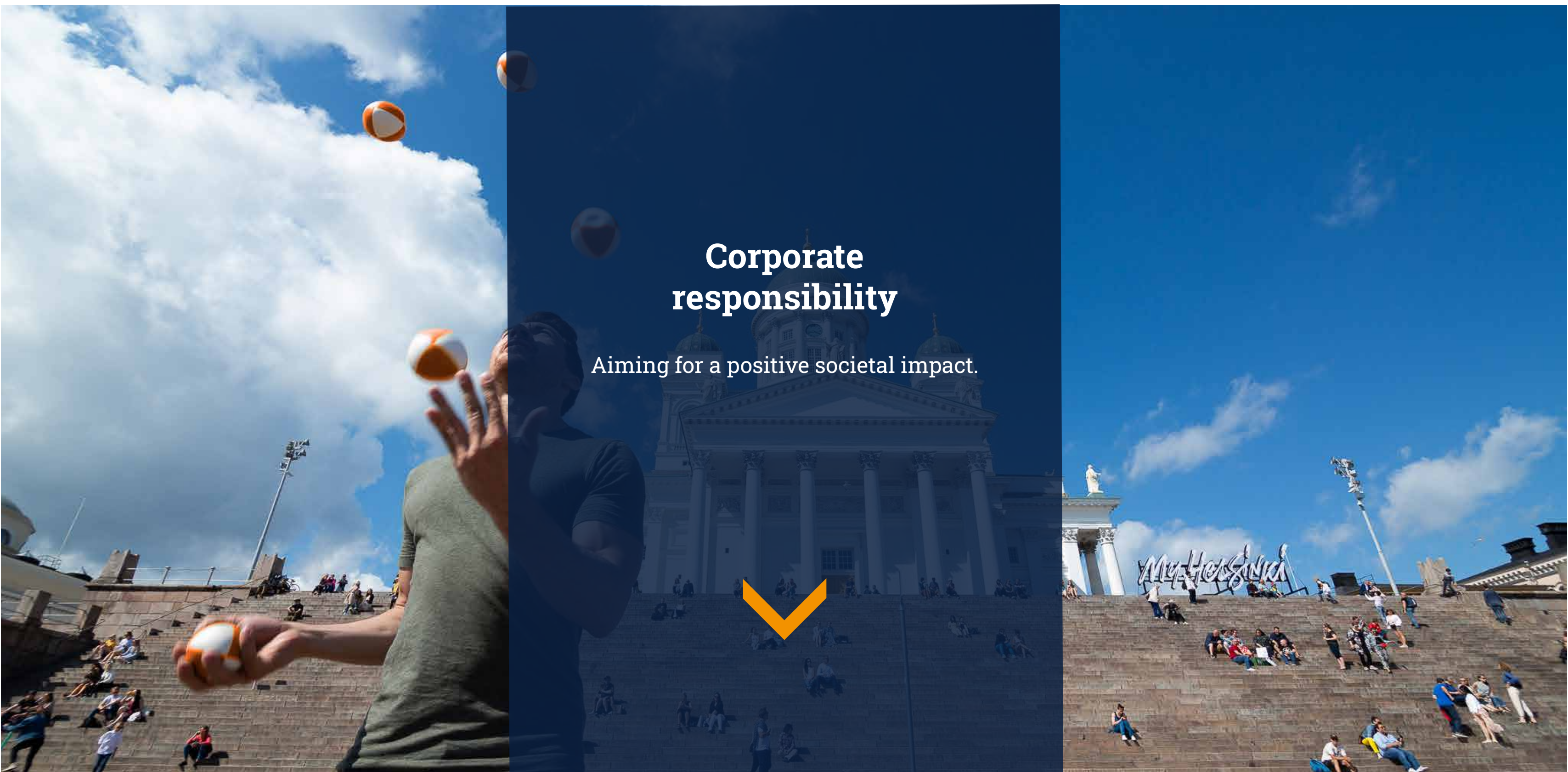
KOTKAMILLS specialises in the production of barrier board, both folding boxboard and food-service board, and saturating base kraft paper at its integrated mill. In addition, Kotkamills is also a producer of whitewood. Responsibility underpins the company's operations: all its products are environmentally friendly, recyclable and safe to use.

Tesi and MB Funds acquired Kotkamills together with co-investors and the company's management team in 2015. Tesi exited from

its investment officially in August 2021 when competition authorities approved the sale of Kotkamills to the larger cartonboard and folding board manufacturer Mayr-Melnhof Group. Tesi will plough back the returns on its investment into eliminating market bottlenecks.

[▶ Read more](#)





Corporate responsibility

Aiming for a positive societal impact.



Managing corporate responsibility

TESI'S corporate responsibility is an important strategic target for development. Our concept of corporate responsibility includes not only responsibility in our own activities but also the societal impact of our operations. The main impacts of our operations are produced by our investment operations, so we pay particular attention to our investment-related activities. Our aim is to maximise our positive net societal impact by creating value in our target funds and companies.

We implement the sustainable develop-

“ Through our own operations, we promote the alignment of companies' business operations with sustainable development objectives.

ment objectives of Finland's Government Programme and the UN's Agenda 2030. Finland's state ownership guidelines on corporate responsibility and on remuneration practices guide the development of our operations.

Tesi's Board of Directors approves the company's corporate responsibility policy and responsible investment principles, and monitors them. The Board also approves the goals for corporate responsibility when formulating Tesi's action plan and remuneration targets. The CEO is responsible for managing corporate responsibility, and all personnel are responsible for implementing it in their own work.

In 2021, we established a steering group charged with goal-oriented management of corporate responsibility. The group prepares proposals on the overall management of corporate responsibility for decisions by the Management. The Chair of the steering group is an appointed member of the Management and is tasked with ensuring that corporate responsi-

“ We aim at being a pioneer in managing corporate responsibility in VC & PE sector.

bility issues are on the Management's agenda.

We report annually on how we implement corporate responsibility in a dedicated section of the Annual Report. We report on our corporate responsibility to our owner, the Ministry of Economic Affairs and Employment of Finland, at the Annual General Meeting. We report on our impact separately, and we do this later so that we receive the most comprehensive data possible on the development of our portfolio funds and companies.

The development of and targets for corporate responsibility are addressed each year as a part of the company's action planning.

CORPORATE RESPONSIBILITY POLICY

- Responsibility is one of our operating principles and an underlying element of in our investing and decision-making processes.
- Tesi's Board of Directors approves the corporate responsibility policy and monitors compliance with it.
- The CEO manages corporate responsibility, and all personnel are responsible for implementing it in their own work.
- We promote sustainable development and responsible business operations in collaboration with other investors, management companies, our portfolio companies, and our other stakeholders.
- We comply with legislation and with good corporate governance principles, we conform to international norms and agreements on employee rights and the environment, and we require no less of the companies and funds in which we invest.
- We report openly on our own operations and on how we develop responsible investment.

Responsible investment

RESPONSIBLE investment is guided by the principle that corporate responsibility will be integrated into investment processes and skilled ownership. When making an investment decision, we need to see that the investee company or fund is willing to develop its responsibility and that we will be able to influence the development of its operations together with our partners. Our aim is to maximise our positive impact by creating value in our portfolio companies, while through our operations promoting the alignment of companies' businesses with sustainable development objectives.

When screening potential investees, we address the risks and opportunities of the investees' environmental, social and governance (ESG) aspects as well as their economic impacts. If there is no framework for responsibility, we do not invest.

As an owner, we operate responsibly and interactively with our portfolio funds' general partners and with our co-investors. In collaboration with market players, we share informa-

” Responsible investment is guided by the principle that corporate responsibility will be integrated into investment processes and skilled ownership.

tion and develop new operating models that enable the more versatile evaluation, measurement and monitoring of investment impacts.

We have selected five impact themes from the sustainable development goals (SDGs) listed in the UN's Agenda 2030 so that we can promote their achievement by investing in them. These themes will form the framework for guiding how we support and encourage companies to solve present and future challenges: Sustainable production and efficient use of resources; Sustainable Consumption and Cities; Renewable Energy and Energy Efficiency; Health and Wellbeing; and Learning and Equality.

RESPONSIBLE INVESTMENT PRINCIPLES

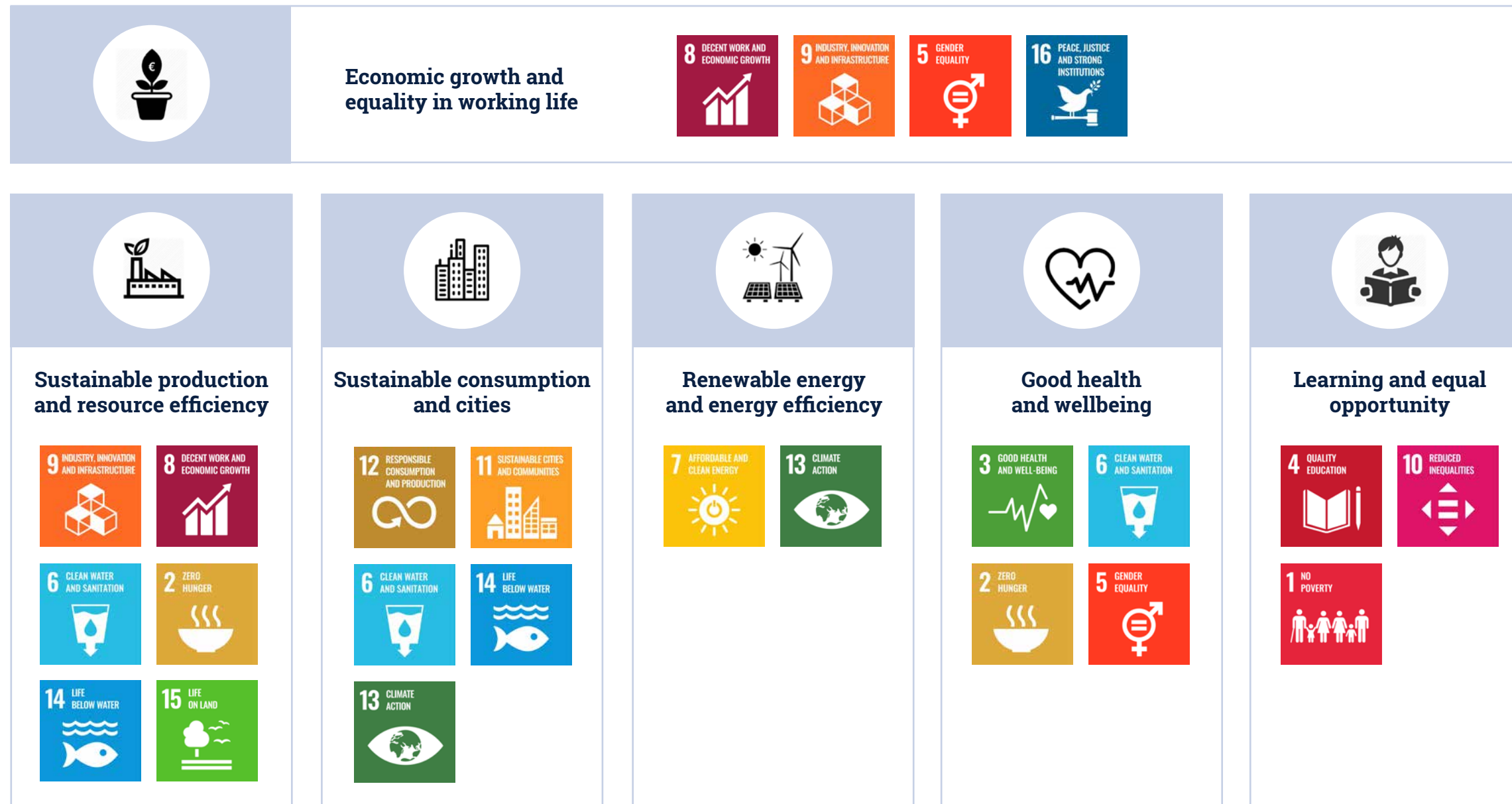
- The guiding principle for responsible investment is to integrate responsibility aspects into investment operations and active ownership.
- The development of corporate responsibility is one element in long-term value creation in a company.
- We promote development of the corporate responsibility policies and practices of our portfolio funds and companies
 - » work on boards and advisory boards
 - » active dialogue with funds' general partners and with company management
 - » intervention process if irregularities are found.
- We require general partners behind the funds in which we invest:
 - » to follow the principles of responsible investment (e.g. the UN's PRI principles) and to include them in shareholders' agreements or fund agreements

» to report on the status of portfolio companies' corporate responsibility and on the responsible investment activities of the management company.

- We require portfolio funds and companies to comply with legislation and good corporate governance principles as well as to respect international norms and agreements on human rights, labour rights, the environment and anti-corruption measures.
- Different aspects of corporate responsibility are given priority in different companies. We focus on matters pertinent to the individual portfolio fund or company.

” The development of corporate responsibility is one element in long-term value creation in a company.

Themes for impact investment



Targets, meters and actions

OUR 2021 TARGETS for responsibility and impact focused mainly on the management of corporate responsibility, on responsible investment, and on creating and adopting processes and practices that enhance our impact.

Our successes in this include:

- The practical management of corporate responsibility has become more integrated into our activities throughout the organisation. We updated the key themes and goals of corporate responsibility and clarified the organisational responsibilities and the actions needed to reach the goals.
- The themes for impact investing are now in use and the ESG tool for investment activities has been adopted.
- Keeping the spotlight on corporate responsibility and impact, and maintaining discussion about them, is part of our liaison process with portfolio companies and fund managers. ESG discussions are held each year and form the basis for action and practical development.

We plan improvements in:

- There were only an average two training days for our own personnel in 2021, while our target was an average five training days per employee.
- Updating the principles of responsible and impact investing was postponed until 2022.
- Full commissioning of the ESG annual evaluation tool for investment operations and adopting the impact assessment tool.

Strategic development priorities for corporate responsibility in 2022 were incorporated as an element in the action plan in which all personnel participated:

- Developing the management of corporate responsibility
- Responsible investment policy, investment documents and proposals
- Development of responsible investment in the investment process
- Portfolio perspective and reporting in investment activities
- Development of personnel skills, stakeholder collaboration and communications

In 2022 we will pursue our corporate responsibility goals through the practical management of corporate responsibility: taking a systematic approach, formulating and actively adopting tools, and integrating the development team's corporate responsibility work into our everyday practices. We want to develop our skills and further improve wellbeing at work.

TARGETS FOR CORPORATE RESPONSIBILITY IN 2022

- Assessing responsibility and impact is systematically embedded into deal flow. All new potential investments will be subject to an ESG review (in conjunction with due diligence) before the investment decision.
- of responsibility and impact aspects will advance in our portfolio funds and companies. We will support our portfolio companies in determining indicators to measure impact.

We will also prioritise adoption of a new risk management model, enhancement of personnel expertise, and development of corporate responsibility reporting, all of which support and promote responsible and impactful operation in Tesi.

Framework and material topics of corporate responsibility

WE updated Tesi's corporate responsibility framework and material topics under it in 2021. The framework gives us a structure for managing, measuring, and communicating goal-oriented corporate responsibility.

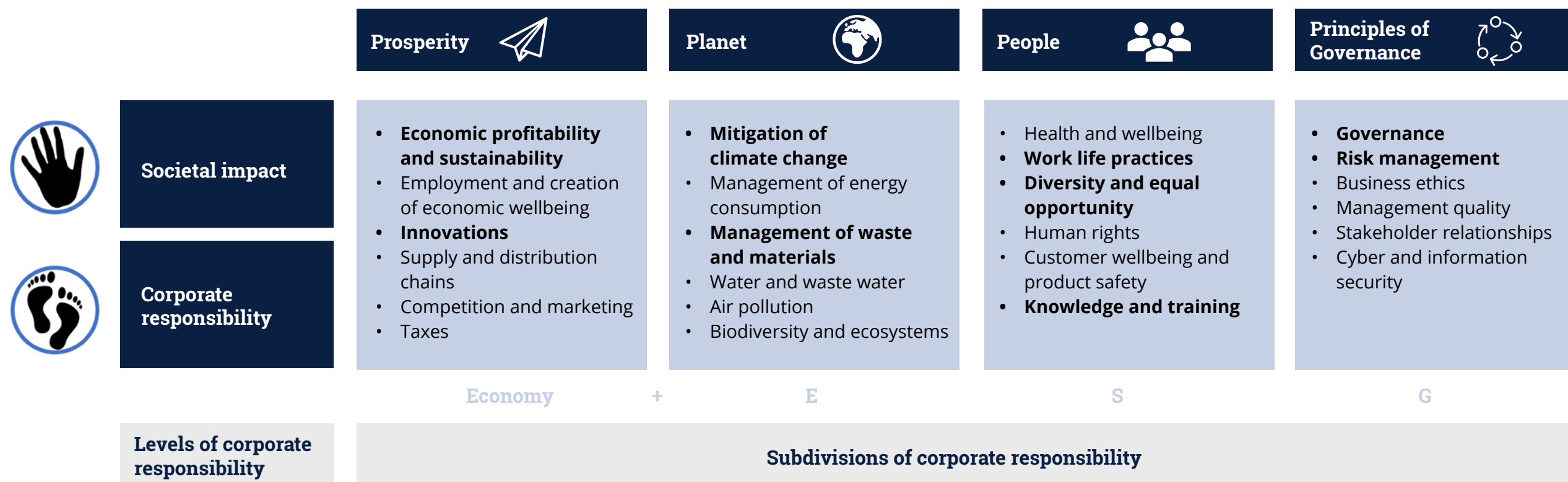
The framework includes both responsibility

for our own activities (footprint) and the indirect societal impact of our activities (handprint). It addresses four aspects of responsibility: wealth, environment (E), people (S, or, social) and governance (G). Several standards and recommendations are used as source material for

the framework, including GRI, SASB, WEF (SCM) and the EU Sustainable Finance Action Plan.

The material topics are derived from a stakeholder survey conducted in 2020, the work of our corporate responsibility development team, and comments from our other teams.

The themes are economic viability and sustainability, innovations, climate change, waste and materials, diversity and equal opportunity, skills and education, practices in working life, corporate governance, and risk management.



Wealth – more productive economy, more sustainable wellbeing

THE CONCEPT of wealth in our corporate responsibility framework addresses how we can build sustainable wealth over the long term for our owners, employees, and whole society through our operations. The most prominent strategic themes under wealth are economic profitability & sustainability, and innovation.

TESI'S 26 YEARS OF OPERATION

- Our operations have accumulated gains of EUR 936 million.
- The total capital that the Finnish state has injected into Tesi, EUR 819 million, has grown into shareholders' equity of EUR 1,755 million.
- The imputed return on investment (internal rate of interest, IRR) for the state, taken over the whole period of operation, has been approximately 7.4% after taxes.

Our operations have a significant impact on the creation of new funds and on the development of Finland's venture capital and private equity market.

Our direct economic impacts consist of direct investments to companies and investment commitments to funds, payments to suppliers of goods and services, employee benefit costs, income taxes paid, and investments.

Innovations are essential for transformation and growth. In our own operations this means continuous development and evolution of our procedures and co-development, along with other players, of new instruments and practices that will improve the venture capital and private equity market. We have considerably enhanced our ability to produce, utilise and share insightful information about the venture capital and private equity market and growth companies.

Key figures

	IFRS 2021	IFRS 2020	IFRS 2019
Group's investments and commitments, (MEUR)	1,302	1,066	978
No. of portfolio companies, directly and through funds	1,112	843	719
Consolidated profit	338	179	78
Group, shareholders' equity	1,755	1,417	1,088
New commitments during fiscal year	207	248	133
Government investments in Tesi since 1995, total	819	819	669

Economic capital flows by stakeholder group, EUR thousands

		IFRS 2021	IFRS 2020	IFRS 2019
Customers	Net sales	-	-	-
Portfolio companies	Direct investments paid	71,077	101,903	43,286
	Repayments of investments and sales proceeds	69,287	30,911	9,705
Portfolio funds	Capital calls paid to funds	121,518	73,565	74,810
	Cash flows received from funds	185,904	62,714	67,666
Suppliers of goods and services	Other operating expenses	3,542	3,873	3,494
Personnel	Salaries and fees	5,006	4,622	4,178
	Pension expenses	733	622	694
	Other employee benefit costs	168	104	94
	Employee benefit costs, total	5,907	5,348	4,966
Public sector	Income taxes	29,250	7,018	6,875
Charitable bodies	Donations given	3	3	3
Shareholders	Dividends paid to owners	0	0	0
Investments	Investments in tangible and intangible assets	42	0	0

TAX FOOTPRINT AND PRINCIPLES APPLICABLE TO TAXATION

Tesi's Board of Directors outlines the taxation principles applicable to the company's operations. We address taxation in our business planning and related decision-making as one factor in achieving our business targets and in ensuring a balanced position in terms of taxation. We do not accept tax evasion and we do not engage in aggressive tax planning. In handling Tesi's tax affairs, the thorough completion and timely submission of tax returns are important, as also is fulfilling all other requirements and obligations set by legislation.

In addition to Finnish funds, we also make investments in international funds. Venture capital and private equity investing involves careful consideration of tax issues in the screening stage. We pay taxes to Finland on all our income under the provisions of Finnish tax legislation. We do not receive any preferential tax benefit from international fund investments.

In accordance with established practice in the venture capital and private equity industry, we invest in funds that are flow-through entities as regards taxation. This means the fund itself is not liable to tax, but instead the income the fund generates is taxed at the investor level, accord-

“ We only invest in funds that are domiciled in a country or place that has signed a data exchange agreement with Finland.

ing to the investor's own tax status. This avoids double taxation.

We report the taxes we pay in compliance with the accounting practices applicable in Finland, and we declare the geographical domiciles of fund investments and other information as required by the instructions applicable to state-owned companies in Finland. We only invest in funds that are domiciled in a country or place that has signed a data exchange agreement with Finland.

[Link to Tesi's Impact Review](#)

[Link to Financial Statements](#)

In this report the essential taxes and tax-like payments are classified by the type of tax. In line with the materiality principle, the following taxes have not been reported owing to their insignificant amount: excise duty, tax on certain insurance premiums, and withholding tax.

Key figures for taxation, EUR thousands

	2021	2020	2019
Net sales (Group companies do not have any net sales)	-	-	-
Profit before taxes	417,880	221,199	95,4485
Number of personnel	44	35	37

Taxes paid and taxes payable, EUR thousands

	2021	2020	2019
Income taxes	29,250	7,018	6,875
Employer's contributions	901	726	788
VAT that has not been deducted **	660	729	686
Asset transfer tax	76	29	58
Taxes paid, total	30,887	8,502	8,407
Employee tax payments (PAYE)	1,665	1,454	1,425
Taxes payable, total	1,665	1,454	1,425
Taxes paid and taxes payable, total	32,551	9,956	9,832

** Finnish Industry Investment Ltd's group companies do not have any sales subject to value-added tax (VAT). For this reason, these companies cannot deduct or offset VAT from their purchases.

Environment – climate first, with the big picture in mind

THE CONCEPT of environment in our corporate responsibility framework covers: the impacts of our operations on living and lifeless nature; the measurement, monitoring and prevention of emissions; efficiency in the use of natural resources; energy efficiency and minimisation of the use of fossil fuels; the use of renewable and recyclable materials; and biodiversity and the protection and remediation of natural ecosystems. The most prominent strategic theme of this concept of environment are climate change, as well as waste and materials.

The environmental impacts of our own operations are rather small, but we promote addressing them in all our activities. We monitor the eco-friendliness of our procedures and practices by monitoring work-related travel and the consumption of electricity and paper.

We endeavour to reduce carbon dioxide emissions produced by travel by encouraging videoconferencing and the use of public trans-

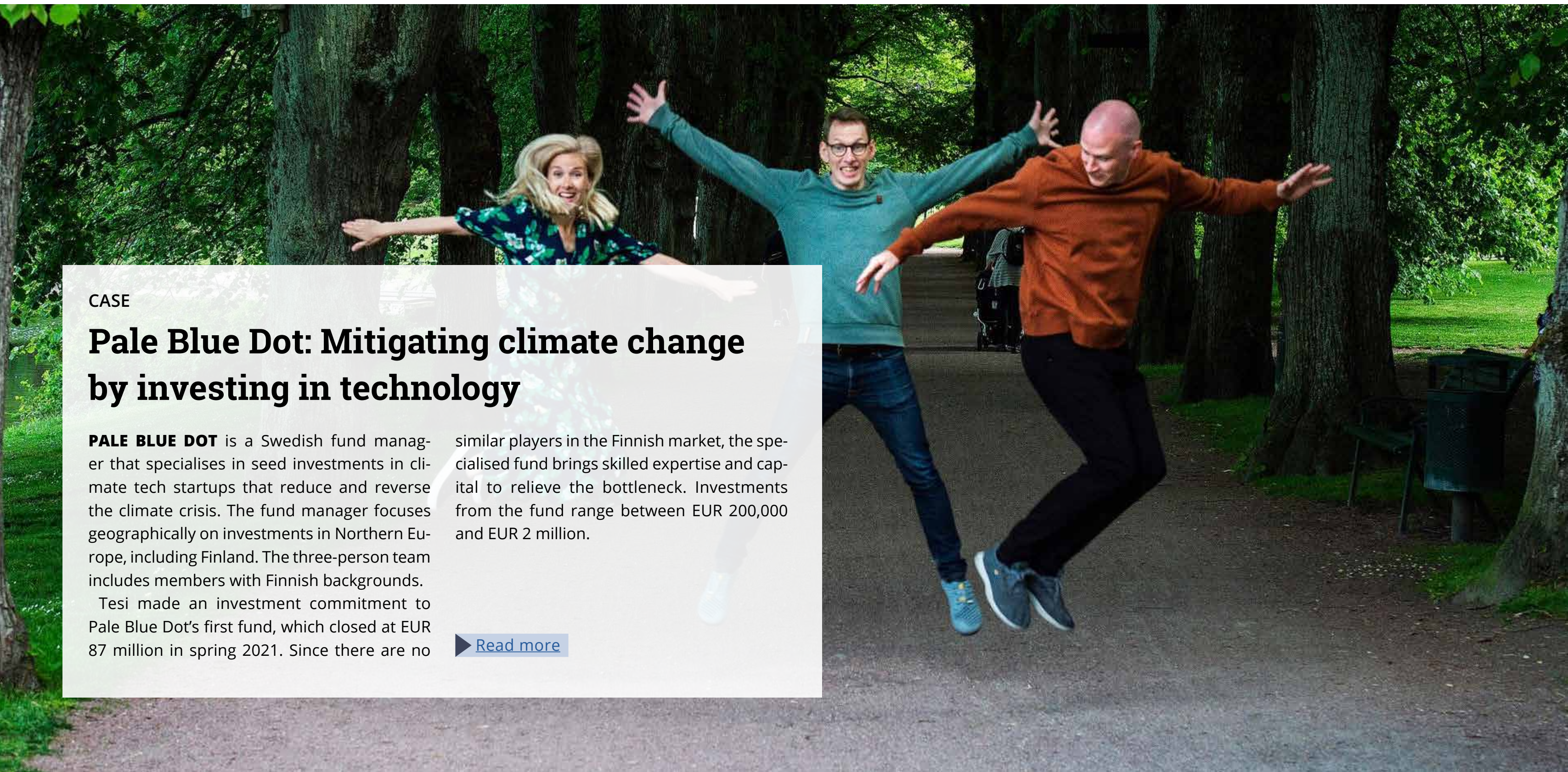
port. We offer our personnel employer-subsidised commuter tickets and bicycles. We want to make hybrid work as trouble-free as possible by ensuring the smooth functioning of meeting procedures and providing the proper tools. In 2021, we mainly worked remotely owing to the corona pandemic, and work-related travel remained much reduced.

We promote the efficient use of materials and carbon neutrality in our investments, particularly through the Circular Economy programme. In 2021, we made an initial investment from the programme in Finnforel, fish farmer utilising water recirculation, and follow-on investments in Swappie, an iPhone recycler, in FiFax, another water-recirculating fish farmer, and in Endev, a processor of waste sludge. An investment was also made from the Circular Economy programme in Pale Blue Dot I fund, which promotes sustainable development and specialises in climate technology investments.

” We see climate change as well as waste and materials as the most essential themes for environmental responsibility.

Our aim is to maximise our positive impact by creating value in our portfolio companies. We also invest, directly or through funds, in companies working to solve environmental challenges.

In 2021, we surveyed our portfolio companies to review the extent to which they had adopted CO2 calculations. The number of companies calculating their CO2 emissions has doubled in one year, now 13%, while CO2 calculations now form a rather higher proportion of corporate responsibility development targets. There is still room for improvement in calculations of greenhouse gas emissions.



CASE

Pale Blue Dot: Mitigating climate change by investing in technology

PALE BLUE DOT is a Swedish fund manager that specialises in seed investments in climate tech startups that reduce and reverse the climate crisis. The fund manager focuses geographically on investments in Northern Europe, including Finland. The three-person team includes members with Finnish backgrounds.

Tesi made an investment commitment to Pale Blue Dot's first fund, which closed at EUR 87 million in spring 2021. Since there are no

similar players in the Finnish market, the specialised fund brings skilled expertise and capital to relieve the bottleneck. Investments from the fund range between EUR 200,000 and EUR 2 million.

[▶ Read more](#)

CASE

Lamor: A market leader in environmental solutions and services

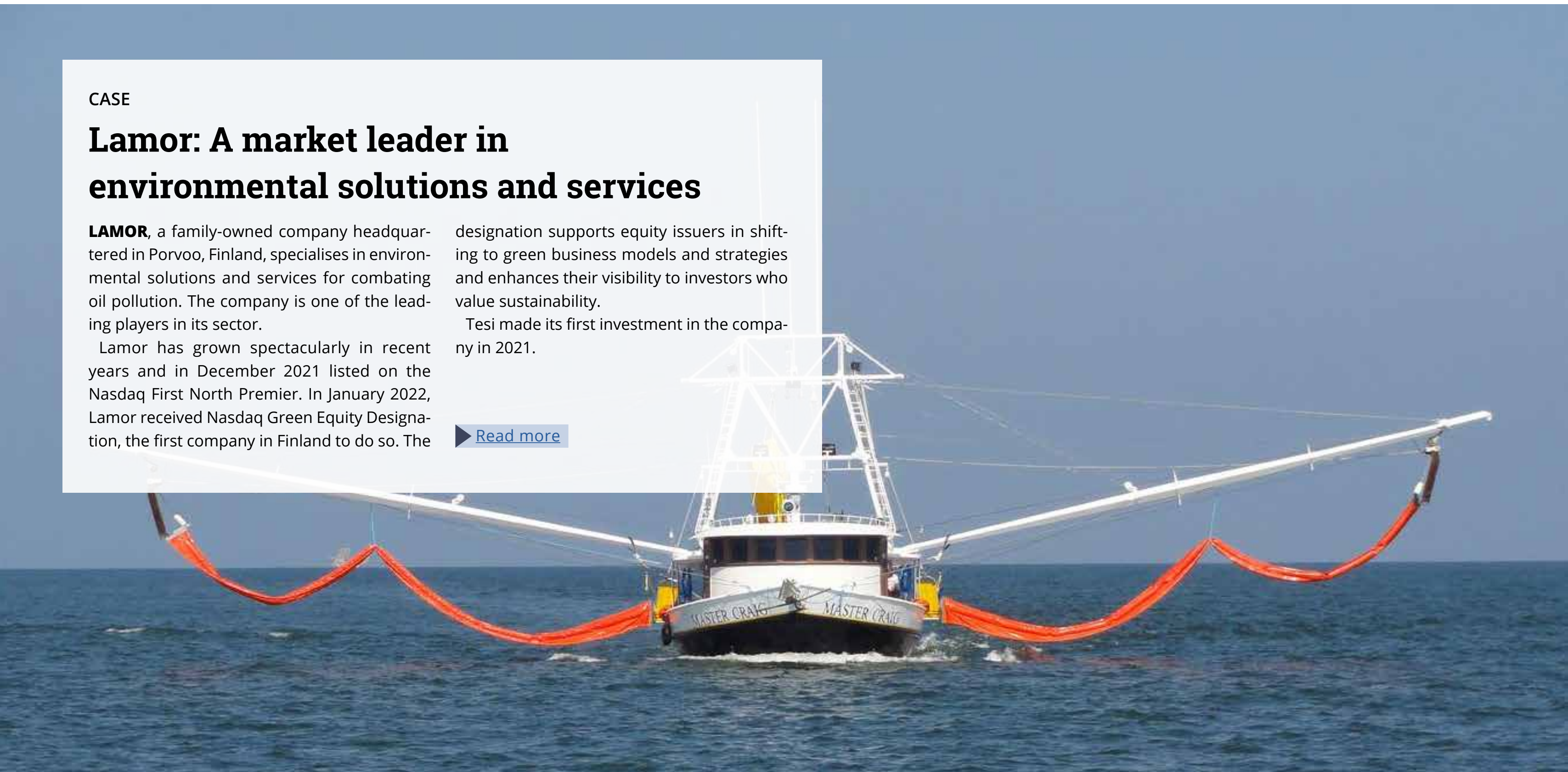
LAMOR, a family-owned company headquartered in Porvoo, Finland, specialises in environmental solutions and services for combating oil pollution. The company is one of the leading players in its sector.

Lamor has grown spectacularly in recent years and in December 2021 listed on the Nasdaq First North Premier. In January 2022, Lamor received Nasdaq Green Equity Designation, the first company in Finland to do so. The

designation supports equity issuers in shifting to green business models and strategies and enhances their visibility to investors who value sustainability.

Tesi made its first investment in the company in 2021.

▶ [Read more](#)



People – motivated, committed and contented personnel

THE CONCEPT of people in our corporate responsibility framework covers: the impacts of Tesi's operations on people, safety, health, wellbeing and opportunities in working life and in society; sustainable practices at work; procedures for promoting employee safety, health, diversity and inclusion; enhancement of personnel skills; actions to ensure the safety of goods and services and the wellbeing of customers as well as to safeguard human rights in customers' own operations and value chains.

The most prominent strategic theme of this concept of people in our operations are diversity and equality, skills and training, and workplace practices. Our goal is a committed, skilled, motivated and contented personnel in both our own and our investees' organisations.

PERSONNEL AND CORPORATE CULTURE

We want to be a safe and equal-opportunity workplace where discrimination, bullying and harassment are not accepted. We communicate transparently about our operations, and our values – Solutions, Boldly, Together – have proven to be excellent road signs. Our personnel's commitment and motivation strongly depend on all employees having equal opportunities to develop in the work they do, and to improve their skills and expertise in a versatile way.

“ Our goal is a committed, skilled, motivated and contented personnel in both our own and our investees' organisations

Priorities for development in our own activities in 2021 were corporate culture, psychological safety, and internal communications. In 2021, in addition to our standard personnel survey, we sounded out employees' opinions on these aspects as well as on how well hybrid work was proceeding.

EXTRACTS FROM THE PERSONNEL SURVEY AND REVIEWS

- Tesi personnel come to work willingly and with purpose. As a work community with a ringside view of VC & PE investing, our activities have a long horizon and are both impactful and meaningful. Working at Tesi allows a balanced life, while personnel's expertise, easy-going attitude and humour attract others to the company.
- In our personnel survey, Tesi as employer

received a rating of 4.4 and the meaningfulness of work at Tesi 4.2 (on a scale of 1–5, 4/2021). There is still room for improvement in, for instance, putting new matters into practice and in fully achieving equality in practice. The corona situation, in combination with numerous development projects, highlighted the importance of clarifying the larger picture, internal communications, interaction, and feedback.

- Internal communications have developed very much and to some extent improved in autumn 2021 (89% of respondents). Internal communications received an overall rating of 3.9 (on a scale of 1–5, 11/2021).
- Some 96% of respondents felt that their hybrid workday went well or very well, and 82% felt they were able to cope with their work rather well or very well (11/2021).

Venture capital and private equity investing, and our strategic objectives demand solid expertise. We encourage our personnel to participate in lifelong learning and to develop their professional skills. The main focus for skills development in 2021 was on improving interaction skills, utilising our data models and data analysis, and on enhancing management.

All our personnel are covered by an occupational health service. The occupational health service is an investment in our personnel's well-being, and it focuses particularly on preventive healthcare. Our sick leave rate was 3% (2021: 1%). We factor in our employees' differing life situations with a flexible personnel policy.

We conduct target-setting and feedback discussions annually with all our employees. These discussions help us to tangibly implement and guide our strategic objectives at both the team and individual level. Our remuneration system

covers all our personnel. Read more about our [Remuneration Report 2021](#).

We also want to ensure that our portfolio funds and companies are aware of the social aspects of corporate responsibility and act responsibly in the social dimension.

Venture capital and private equity investors play a crucial role in selecting which companies receive more resources for growth and which technologies are developed. Investors generally finance entrepreneurs with whom they easily identify. For this reason, enhancing our diversity and inclusion is an important goal for us, and an aspect to be monitored in both our own and our investees' organisations. Read more about our [Diversity Review 2021](#). We will report on diversity in our investees as a part of our Impact Review in autumn 2022.

Personnel in figures

	2021	2020	2019
No. of personnel at 31.12.	45	35	37
Women in personnel	31%	26%	30%
Women in Management Team	25%	25%	14%
Women in investment teams	20%	16%	16%
Average age	40	40	41
Average age in management team	48	45	45
Average age in investment teams	39	40	39
Nationality other than Finnish	0%	0%	0%
Personnel turnover*	3%	22%	18%
New employees	11	7	6
Sickness absence per 7.5 hours	3%	1%	2.3%
Accidents, LTA	0	0	0
Average training days per person	2.5	2.5	4
Average length of employment, years	4.5	5.5	5
Trainees during the year	7	6	6
Women trainees	43%	50%	0%
Average age of trainees	26	25	24

* those left during the year / number of personnel per 31 December x 100

Tesi's Trainee Programme brings mutual benefit and fresh thoughts

TESI'S TRAINEE PROGRAMME offers university-level students who are nearing or have completed graduation experience in the venture capital and private equity world led by seasoned professionals. Trainees play an important role in promoting diversity in both Tesi's work community and in the finance sector, especially over the long term.

The application process for trainees for in-

vestment teams are arranged twice a year, while trainees for other teams are recruited as needed. During 2021, there were seven trainees at Tesi in the company's investment, development, and communications teams.

▶ [Read more](#)



Corporate governance – reliability and risk management

THE CORPORATE Governance section addresses the quality of the company's management bodies (Board of Directors, Management Team), strategy management, values and culture, corporate governance, internal processes, instructions, controls, monitoring of the regulatory environment and legal compliance, data security, risk management, identification and awareness of opportunities, and the compa-

” Confidentiality is a priority in venture capital and private equity investment, while good corporate governance is of special importance in internal activities.

ny's activities in relation to its main stakeholders. Of these, the selected strategic themes are corporate governance and risk management. Read more about our stakeholders on [page 13](#).

The importance of good governance and risk management is emphasised by the nature of our business and our role as a state-owned company. We comply in all applicable respects with the Corporate Governance Code of Finland's Securities Market Association, and we publish a Corporate Governance Statement as a section of our Annual Report. Tesi's Code of Conduct contains our main operating principles and instructions. We also support our investees in developing good corporate governance and risk management.

[Link to Corporate Governance Statement](#)

[Link to Code of Conduct \(in Finnish\)](#)

Reporting principles

The review period for corporate responsibility covers the fiscal year 2021. The report covers Tesi's own operations, within the limits set by the company as a legal entity, including its subsidiaries (Tesi Fund Management Oy, Tesi Industrial Management Oy, FEFSI Management Oy and EAKR-Aloitusrahasto Oy).

Tesi has a majority holding (66.4%) in the capital stock of Aker Arctic Technology Inc. (Aker Arctic). Aker Arctic's data is not included in Tesi's Corporate Responsibility Report.

We prepare a Corporate Responsibility Report annually as a section of the Business Overview of the Annual Report. The Annual Report comprises four sections: the Business Overview; the Financial Review (which includes the Board of Directors' Report and the finan-

cial statements); the Corporate Governance Statement; and the Remuneration Report. The Board of Directors approves the Corporate Responsibility Report. We have published Corporate Responsibility Reports since 2011.

Our reporting is guided by the Government Resolution (8.4.2020) on corporate responsibility, as part of the Finnish government's ownership steering policy. The report is also based on the GRI (Global Reporting Initiative) standard's reporting framework. The report is not verified, but the economic performance indicators presented in it are derived from audited information.

For more information about the report, please contact Susanna Aaltonen, Tesi's Communications Director (susanna.aaltonen@tesi.fi).

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION	ADDITIONAL INFORMATION
GRI 2: General Disclosures	2-1 Organizational details	Business overview, p. 2, 6; Financial review, p. 19	
	2-2 Entities included in the organization's sustainability reporting	Business overview, p. 36	
	2-3 Reporting period, frequency and contact point	Business overview, p. 36	
	2-4 Restatements of information	GRI content index	No restatements of information.
	2-5 External assurance	Business overview, p. 36	
	2-6 Activities, value chain and other business relationships	Business overview, p. 10-13	
	2-7 Employees	Business overview, p. 6, 32-34; Financial review, p. 11	
	2-9 Governance structure and composition	Corporate governance report, p. 7-9; Financial review, p. 11	
	2-10 Nomination and selection of the highest governance body	Corporate governance report, p. 6; Financial review, p. 11	
	2-11 Chair of the highest governance body	Corporate governance report, p. 8; Financial review, p. 11	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate governance report, p. 7	
	2-14 Role of the highest governance body in sustainability reporting	Business overview, p. 22	
	2-15 Conflicts of interest	Corporate governance report, p. 7-9, 13-14	
	2-16 Communication of critical concerns	Business overview, p. 13	
	2-18 Evaluation of the performance of the highest governance body	Business overview, p. 33, Remuneration report p. 5-6	
	2-19 Remuneration policies	Remuneration report, p. 5-6; Financial review, p. 11	
	2-20 Process to determine remuneration	Remuneration report, p. 5-6	
	2-21 Annual total compensation ratio	Remuneration report, p. 5	
	2-22 Statement on sustainable development strategy	Business overview, p. 22	
	2-23 Policy commitments	Business overview, p. 22	
2-27 Compliance with laws and regulations	Corporate governance report, p. 5; Business overview, p. 22; Financial review, p. 19-20		
2-28 Membership associations	Business overview, p. 13		
2-29 Approach to stakeholder engagement	Business overview, p. 13		
2-30 Collective bargaining agreements	GRI content index	All of Tesi's personnel are covered by a collective labour agreement, as applicable.	
GRI 3: Material Topics	3-1 Process to determine material topics	Business overview, p. 26	
	3-2 List of material topics	Business overview, p. 26	
	3-3 Management of material topics	Business overview, p. 26-35	

GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	Business overview, p. 14-20, 27-28; Financial review, p. 5-12	
	201-3 Defined benefit plan obligations and other retirement plans	GRI content index	Statutory pension scheme. Tesi does not offer supplementary pension schemes.
	201-4 Financial assistance received from government	Business overview, p. 27; Financial review, p. 25-26	
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	Business overview p. 25-35; Tesi's impact review	
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	Corporate governance report, p. 14-15	
	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance report, p. 14-15	
	205-3 Confirmed incidents of corruption and actions taken	GRI content index	No cases in 2021.
GRI 206: Anti-competitive Behaviour	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI content index	No cases in 2021.
GRI 207: Tax	207-1 Approach to tax	Business overview, p. 28	
	207-2 Tax governance, control, and risk management	Business overview, p. 28	
	207-3 Stakeholder engagement and management of concerns related to tax	Business overview, p. 28	
GRI 305: Emissions	305-5 Reduction of GHG emissions	Business overview, p. 29	
GRI 401: Employment	401-1 New employee hires and employee turnover	Business overview, p. 33; Financial review, p. 11	
	401-3 Parental leave	GRI content index	Statutory parental leave.
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	Business overview, p. 33	
	403-3 Occupational health services	Business overview, p. 33	
	403-6 Promotion of worker health	Business overview, p. 33	
	403-9 Work-related injuries	Business overview, p. 33	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	Business overview, p. 33	
	404-2 Programs for upgrading employee skills and transition assistance programs	Business overview, p. 33	
	404-3 Percentage of employees receiving regular performance and career development reviews	Business overview, p. 33; Financial review, p. 11	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Business overview, p. 33; Tesi's diversity review	
	405-2 Ratio of basic salary and remuneration of women to men	Remuneration report, p. 5	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	GRI content index	No cases in 2021.