



Business Overview 2023

Dare to grow.

Tesi

Tesi

- We work for the success of Finnish startups and growth companies
- We develop and serve the Finnish venture capital and private equity market
- We invest in venture capital and private equity funds, and also directly in startups and growth companies
- We operate on market terms, as a minority owner
- We advance sustainability both in venture capital and private equity industry and in companies
- Our goal is to maximise our positive social impact through our operations
- We offer information and experience to companies, investors and policymakers
- We are an investment company 100% owned by the Finnish state

Annual Report 2023

Tesi's (Finnish Industry Investment Ltd) Annual Report comprises four sections. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website [tesi.fi](https://www.tesi.fi).

- **Business Overview:**
Strategy, value creation, investment operations and sustainability
- **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 CEO



X (Twitter)

[@TesiFI](https://twitter.com/TesiFI)



LinkedIn

[Tesi](https://www.linkedin.com/company/tesifii)



Instagram

[TesiFii](https://www.instagram.com/tesifii)



Bluesky

[TesiFii](https://bsky.app/profile/tesifii)



Threads

[TesiFii](https://www.threads.net/@tesifii)



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Tesi's Annual Report 2023 consists of four sections. This is the Business Overview, which covers strategy, value creation, investment operations and sustainability.

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Fiscal year 2023

Sights set on sustainable growth.

2023 in brief

1.1.-31.12.2023



new investments
and commitments



invested in Finland by Tesi's
international investor partners



total capital raised by Tesi's
portfolio funds



Tesi's loss



Tesi personnel
on average

31.12.2023



portfolio funds



direct portfolio companies



funds-of-funds

CEO's Review

Boldness builds growth

The global economy has been turbulent for a couple of years now, and despite all hopes fiscal year 2023 did not yet mitigate the challenging economic climate: costs and interest rates have remained persistently high, and the markets are unstable and sluggish. Throughout Europe, major private investors have tightened their purse strings, and the Helsinki Stock Exchange has remained silent – the year was a record low for IPOs. There is a glimmer of light ahead, though, because companies still have an appetite for growth despite the challenges. Fiscal year 2024 can be approached with cautious optimism.

A number of surveys indicate that international investors are more cautious than earlier. Larger investment rounds – especially for companies in their later growth stages – have either not materialised or have been delayed. The impact on Finland's growth company landscape can be profound: some three-quarters of the funding raised by Finnish startups in the past few years has come from abroad.

Tesi's role as a stabilising counterforce becomes crucial in uncertain times. When financial markets are challenging, the development of promising funds and companies must be supported even more energetically.

To ensure that the promising growth trajectory of Finnish companies in recent years does not stall from a lack of funding, action needs to be taken on two fronts: Finland's financing base must be on a strong

footing, and more international money must be attracted to Finland. Finland, as a country, and Finnish companies must be attractive to investment also in the future.

TIME CALLS FOR BOTH BOLDNESS AND PATIENCE

The development of the VC & PE sector, startups and growth companies is not a quick sprint but a long journey – growth must be built with patience.

Patience does not exclude the need for risk-taking, though. We must have sufficient boldness and resources to help promising companies grow. Only in this way can Finnish companies compete in international markets.



It is clear that new innovations do not emerge without bold and determined entrepreneurs.

WE BUILD SUSTAINABLE GROWTH

Sustainability is an important strategic focus for Tesi. We examine it from two perspectives: we look at the responsibility of our own operations, and at the impact our activities have on the environment and the society around us.

Although the past few years have brought entirely new challenges – a global pandemic and a war of aggression in Europe – we must not forget issues that were already on the agenda, such as mitigating climate change and promoting diversity.

Two-thirds of our direct investments are already directed towards companies promoting a clean transition. We believe that these companies have great potential to make an impact: many future technologies will emerge from this group of companies, particularly in the energy production, food production, and construction sectors.

Potential nevertheless needs funding to fuel it. Our latest survey of deep tech companies and their financing indicates that their estimated funding requirement during the coming year amounts to around

half a billion euros.

Alongside our investment operations, we promote sustainability over a broad front in our portfolio companies – and, in practice, beyond them. In 2023, we launched three freely-available sustainability tools, organised seminars and events on the topic of sustainability, and published market information about the sustainability activities of Finnish VC & PE funds.

TOGETHER WE ARE MORE

We updated our strategy in autumn 2023 to encapsulate our goal: Finland has the strongest and most competitive startup and growth company ecosystem in Europe, driven by a strong venture capital and private equity market.

However, success is difficult – if not impossible – to build alone. Finland, as a small country on the edge of Europe, needs partners. For this reason, deepening our networks is one of our strategic goals. The Nordic pioneering spirit so much admired in Silicon Valley can be harnessed even more effectively by strengthening cooperation between the Nordic and Baltic countries. As a result, larger joint Nordic VC & PE funds could compete in size with their European peers, and so have even broader shoulders on which to support

companies from the North.

Finland's NATO membership and the country's resulting access to the NATO Innovation Fund can offer interesting opportunities here, especially for Finnish deep tech companies.

LOOKING TOWARDS THE FUTURE

Tesi's Growth Company Pulse Survey of SME's, conducted at the end of 2023 and published in January 2024, offers a faint glimmer of light on the horizon: we may have passed the worst of the economic dip in 2023. A pick-up in investment activity is expected in many sectors.

Guided by cautiously positive prospects, we need to focus on the future with determination. It is important to identify the means by which Finland can be a globally competitive leader for growth ten years on from now. We also need to persistently and systematically pursue ambitious goals for sustainable growth.

ROUNDING UP

My first eventful year as Tesi's CEO is now behind me. There is a good reason why venture capital and private equity investing is called "people's business". I have had the opportunity to work with a skilled,

ambitious and cohesive work community. On top of that, I have been able to continue my previous work in the Finnish and international investment, startup and growth company ecosystem. Tesi's amazing network of cooperation has expanded even further!

Tesi, now approaching its 30th birthday, is on the threshold of the biggest transformation in its history. Last summer, together, we started building the foundations for the larger venture capital and private equity investment company outlined in Finland's Government Programme. The new company will comprise Tesi, the Finnish Climate Fund, Business Finland Venture Capital, and Oppiva Invest, and it will begin operating at the start of 2025. Our goal is that the new company will provide the best service in Europe for Finnish startups and growth companies, as well as for venture capital and private equity investors. With solid expertise, data-driven management, and the support of strong networks behind us, we can contribute to building the best growth platform for Finland's future entrepreneurs and companies. Simultaneously, we will enhance our impact on industrial policy and the society.

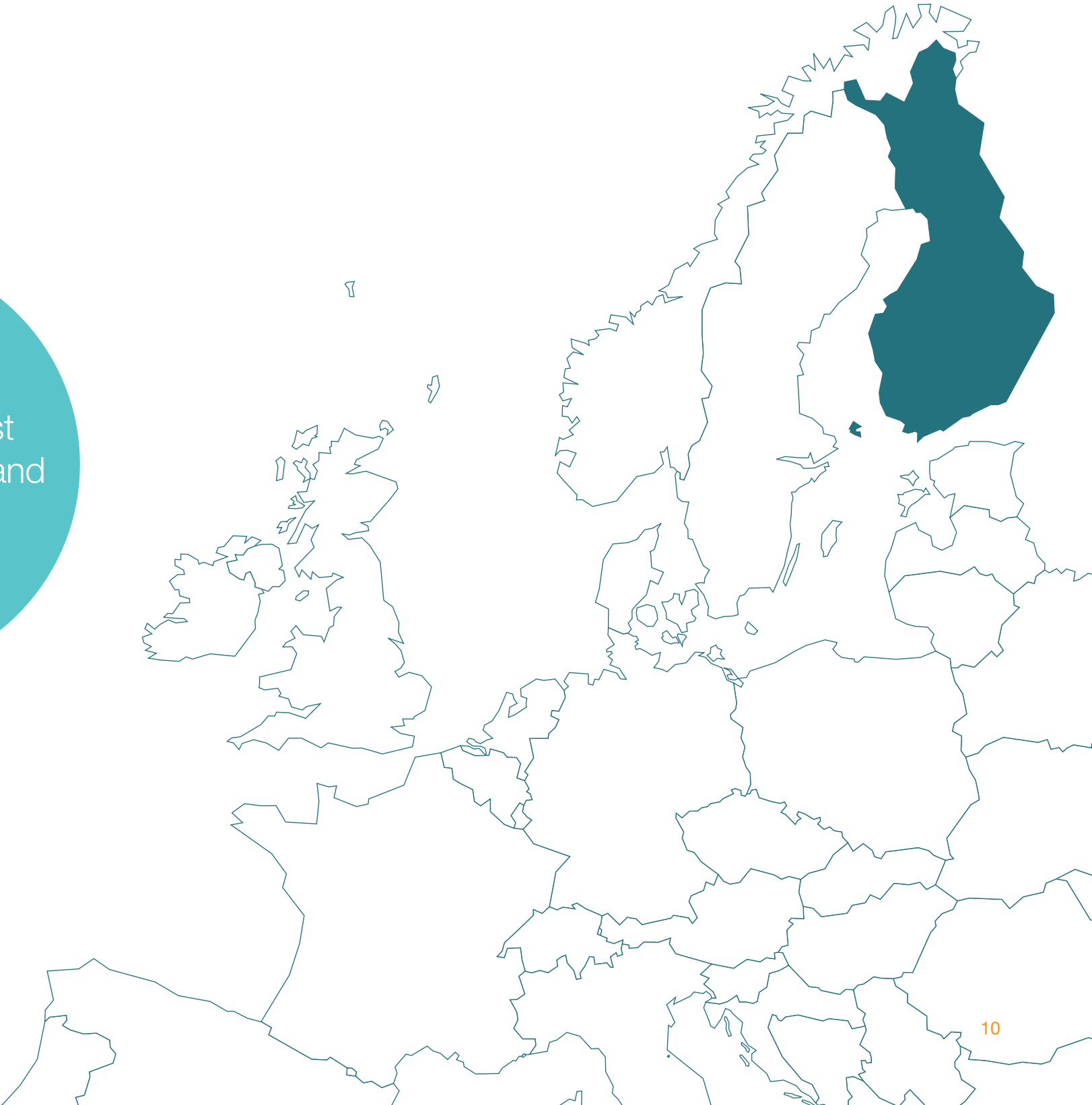
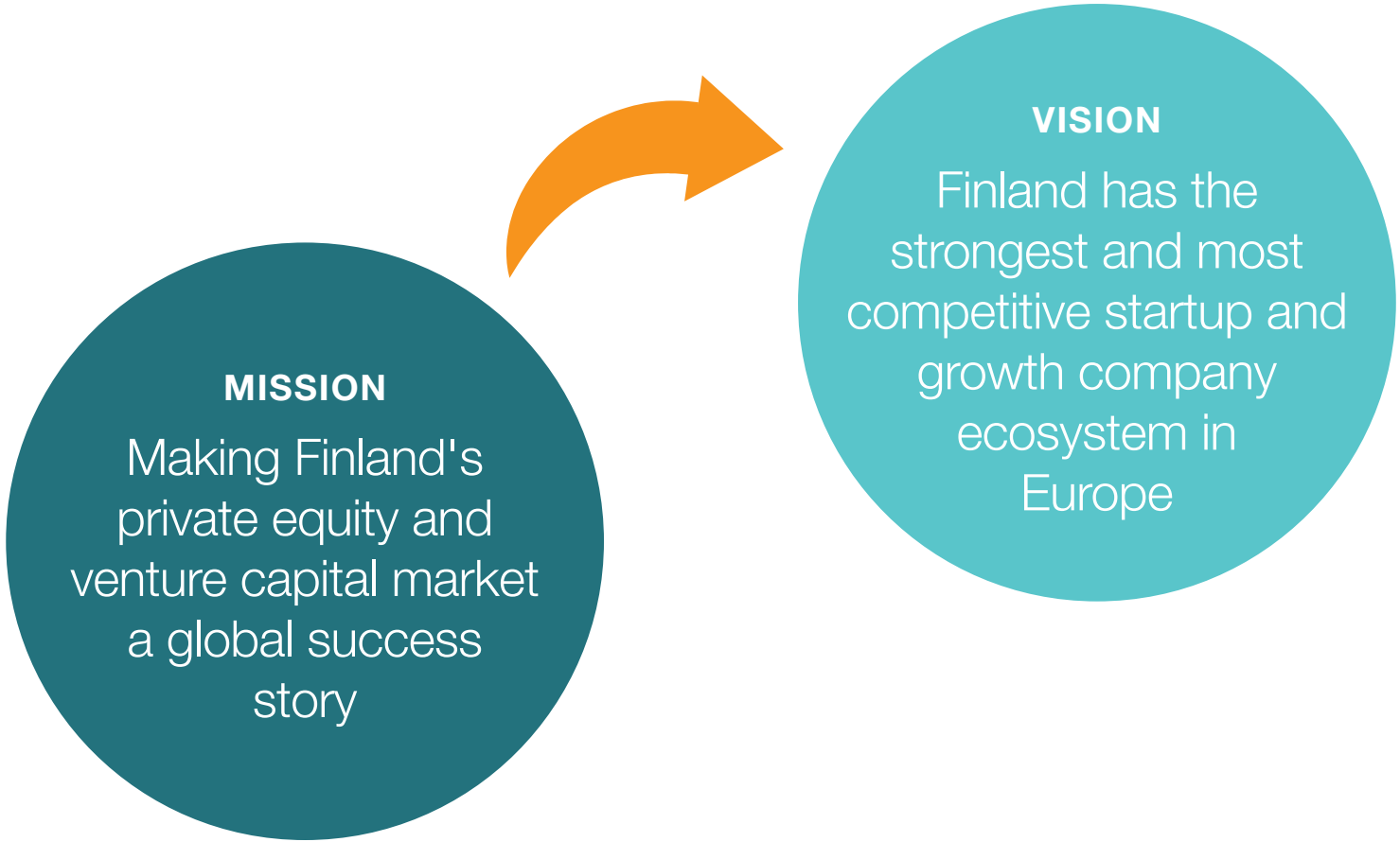
Pia Santavirta

A woman with short dark hair, wearing a bright green turtleneck sweater and a black VR headset, stands in a library. She is looking slightly to her right. The background is a large, multi-story wooden bookshelf filled with books. A staircase with a glass railing is visible on the right side of the frame.

Strategy, value creation and investment operations

Finland has the strongest and most competitive startup and growth company ecosystem in Europe

Tesi is a market-driven private equity and venture capital investor and market developer



Tesi is a market-driven private equity and venture capital investor

We're developing the private equity markets in a **market-driven** and **profitable** manner by investing in private equity funds and growth companies **together with private** investors. Tesi has an **industry-focused** mission aimed at promoting economic growth, innovation, and investments.



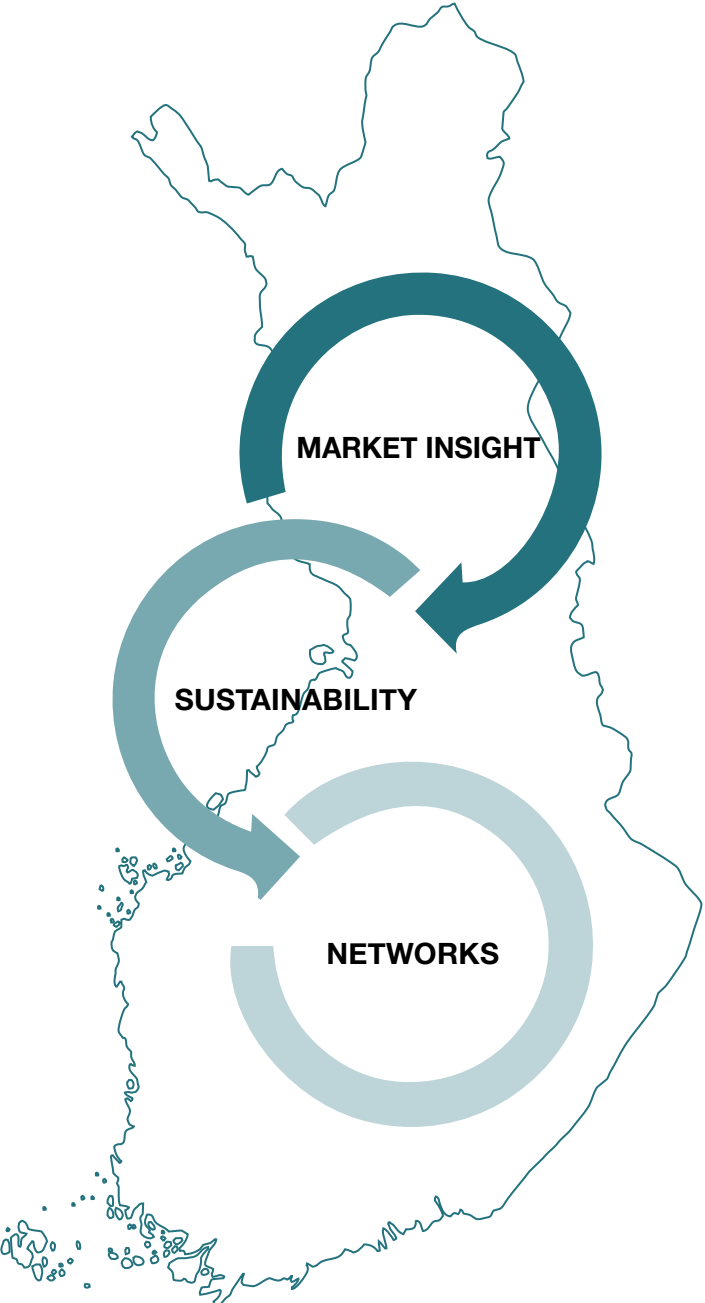
More private and EU-driven growth capital for companies



Growth and new globally competitive industry hubs



Tesi is the best in Europe in its field



We promote the growth and internationalisation of Finnish companies and we pursue our industry-focused mission

Tesi has an industry-focused mission aimed at promoting economic growth, innovation, and investments: We develop Finland's venture capital and private equity market and we promote the growth and internationalisation of Finnish companies. We strengthen the financing base for them in three ways: by investing in venture capital and private equity (VC & PE) funds, making direct investments in startups and growth companies, and channelling private capital and EU funding to support companies' growth.

Our objective is to increase the supply of private capital by offering financing that supplements it. 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 hand-in-hand with private investors, and we operate mainly as a minority investor and minority owner. We target investments made on special grounds to promote national

industrial policy at sectors undergoing, or expected to undergo, major structural renewal.

We develop Finland's venture capital and private equity market by also investing in international funds. Since the VC & PE industry is strongly international, it is essential for the formation of expertise, networks and investor syndicates that our fund investment activities extend beyond Finland. We invest especially in international funds that also invest in Finnish startups and growth companies. Attracting international capital to Finland requires strong international networks. Alongside investments, we build a network of co-in-

” Our objective is to increase the supply of private capital by offering financing that supplements it.

vestors for Finnish growth companies and help Finnish VC & PE funds find international fund investors.

We build our operations on researched knowledge, in addition to long experience. We also produce insightful information about the venture capital and private equity industry, and about startups and growth companies, and make it available to our various stakeholders.

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

We promote sustainability on two fronts. Firstly, we help VC & PE funds and companies in developing their sustainability activities – for instance, by pro-

viding them with practical, purpose-designed tools. Secondly, we invest in funds and companies that build sustainable growth.

The supply of equity funding varies greatly in Finland, depending on the size of the financing requirement 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.

Alongside our own investment operations, we manage off-balance-sheet funds created with institutional investors in which we are also an investor. We also channel EU funding into Finland.

As a 100% state-owned investment company, our operations are based on Finland's laws, decrees, and ownership steering by the Finnish Prime Minister's Office.

We aim for changes in the market

In line with our vision, we want Finland to have the strongest and most competitive ecosystem of startups and growth companies in Europe. We have set out the following steps to accelerate this change:

x1,5

The financing base strengthens

Increase in the size of Finnish venture capital and private equity funds by a factor of 1.5 towards the international level.

x2

More new starts

At least double the number of research-based companies are founded compared to the current number (going forwards, about fifty companies per year).

10,000

Continuing development of deep techs

Doubling of net sales of the deep tech sector to two billion euros, with the sector employing over 10,000 people.

x2

More financing for mid-sized industrial enterprises

Doubling of the number of PE-backed mid-sized growth companies (ie, mittelstand), and creation of more new industrial-scale tech companies in Finland.

€

EU and NATO: Channelling of international capital channelled into Finland

Going forward, more EU funding will be channelled into supporting the growth of Finnish companies. Cooperation with NATO Innovation Fund develops, providing Finnish companies with both growth financing and valuable opportunities for collaborating with NATO member countries.

Our investment operations

We invest from our own balance sheet in venture capital and private equity funds and directly in start-ups, growth companies and industrial enterprises of importance to Finland. We also invest in Finnish VC & PE funds the capital that Finnish institutional investors entrust us to manage, and we channel EU financing to Finnish companies.

When selecting our investments, we prioritise the themes outlined in our strategy. We believe that deep tech, the clean economy and health & life sciences

are currently the growth sectors of the future. That means we can build sustainable growth in these sectors and form clusters of expertise around them that generate high added value and new growth in Finland.

Roughly one-half of the total sum of our investments is targeted at fund investments and the remainder at direct investments.

At the end of 2023, our investments under management amounted to EUR 2.5 billion. Of this, our own balance sheet accounts for EUR 1.9 billion and other

investments under management for EUR 599 million.

At the end of 2023, we were owners in 556 Finnish companies, either directly or indirectly through funds.

We are an active owner and we take part in the operations of our investees. During the year, we chaired the advisory boards of nine investment funds, and we were a member of 74 and an observer on three advisory boards. We participated in the board work of 67 companies, either as an observer or as a full member.

OUR FUND INVESTMENTS

We invest in both Finnish and international venture capital and private equity funds. In Finnish projects, we are often an anchor investor with the goal of increasing the size of Finnish funds to better match the international scale. We often invest in new teams as we want to strengthen the transformation and growth of the market.

At the end of 2023, we were involved as an investor in a total of 119 investment funds, including the KRR funds-of-funds we manage. We gave new investment commitments totalling EUR 161 million to altogether nine Finnish and international funds.

In 2023, we gave investment commitments* to the

following funds: UB Forest Industry Green Growth Fund I, Pale Blue Dot II, NATO Innovation Fund, KRR V, Voima Ventures Fund III, Virta Sijoituspooli II, Armada Fund IV, and IPR.VC Fund III.

OUR DIRECT INVESTMENTS

We invest in Finnish unlisted startups and growth companies, and we also finance the growth of significant industrial enterprises focusing on Finland.

When making our initial investment we already look ahead to the next financing rounds they will need. We also make follow-on investments in our portfolio companies together with other co-investors.

At the end of 2023, we were involved as investors in 121 companies. During the year, we made 33 investments totalling EUR 74 million. Seven of these were initial investments: in Valoo, Algorithmiq, Carbo Culture, Elcoline Group, Enifer, Ultimate Enterprises and in one company under the corona-specific stabilisation special investment programme.

KRR FUNDS-OF-FUNDS

Alongside our own fund investments, we manage the KRR funds-of-funds. The investors in KRR funds



DEEP TECH

- Defence technology



CLEAN ECONOMY

- Circular economy
- Urban sustainability
- Sustainable food production



HEALTH & LIFE SCIENCES

* In addition, we made a commitment to a Nordic venture capital fund, the details of which will be published after its final closure.

include Finnish institutional investors as well as Tesi. The purpose of the KRR funds is to offer institutional investors a resource-efficient way of investing with controlled risk in Finnish VC & PE funds.

A total of EUR 500 million of large Finnish institutional investor's capital has been channelled into Finnish VC & PE funds through the fund operations of the KRR funds-of-funds (KRR I-V).

Read more about KRR funds-of-funds on [page 16](#).

EUROPEAN INVESTMENT BANK'S INVESTMENT PROGRAMMES

Tesi manages two co-financing programmes created with the European Investment Bank (EIB). The EFSI programme, launched in 2018, will receive EUR 50 million from the European Investment Bank (EIB) and EUR 50 million from Tesi. By the end of 2023, investments from the programme had been made in six Finnish companies, with Tesi's share totalling EUR 43 million. In 2023, three investments were made, with Tesi investing a total of EUR seven million.

The EUR 100 million EGF financing programme for Finnish SMEs, co-launched with the EIB in 2022, continued its operations. Four investments were made, in which Tesi's share was EUR five million (in 2022, there were three investments amounting to EUR 6 million). The EIB share in this programme also is EUR 50 million, coming from the European Guarantee Fund (EGF).

PANDEMIC-ERA SPECIAL INVESTMENT PROGRAMMES

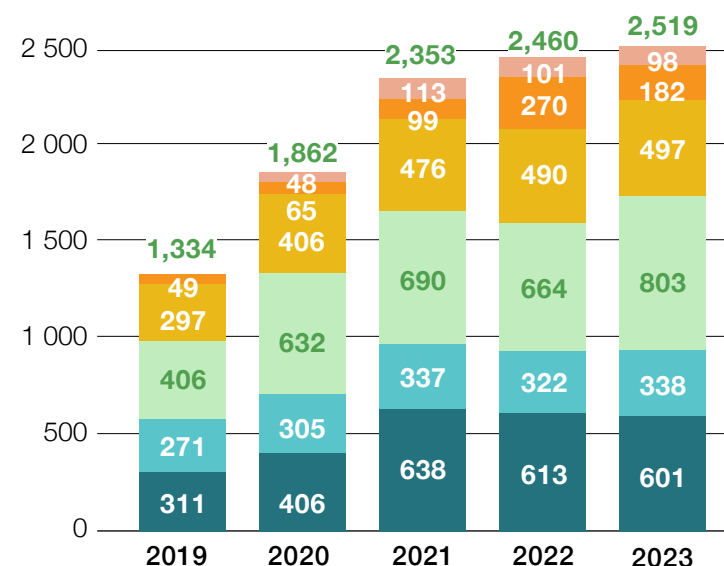
The temporary Stabilisation and Venture Bridge special investment programmes launched in 2020 to meet the challenges of the coronavirus pandemic were closed to initial investments in 2022, but we continued to make follow-on investments in 2023. In 2023, we made a total of eight follow-on investments amounting to EUR 26 million. In total, we have invested a total of EUR 301 million in 63 companies and two VC & PE funds from the programmes.

RETURNS AND EXITS FROM OUR INVESTMENTS

We received capital returned from funds in 2023 amounting to some EUR 74 million (EUR 120 million in 2022), and altogether EUR 25 million from dividends, earnouts and exits (EUR 17 million).

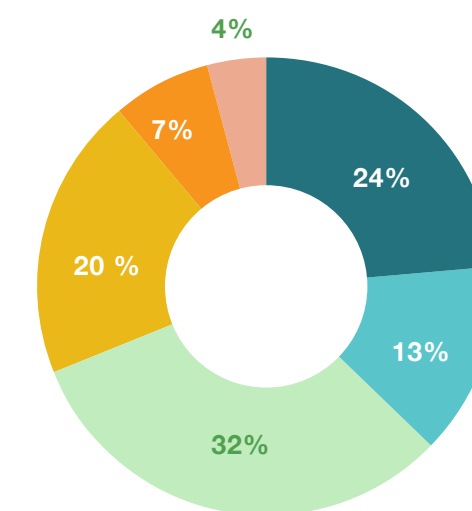
We exited from our investments in Aidon, Coronaria, Firecon Group, Kide Science, Nanocomp and Traplight. We also exited from two portfolio companies we had invested in through the corona-specific stabilisation programme. Our portfolio companies Matchmade (Shark Punch, Inc.), Revonte, Puurakentajat Group and one of our investees under the stabilisation programme declared bankruptcy.

Tesi's investments under management, MEUR*



- Venture capital funds
- Growth and buyout funds
- KRR funds-of-funds**
- Direct investments
- Special investment programmes***
- EIB mandates****

Tesi's investments under management 31.12.2023, MEUR 2 519*



- Venture capital funds
- Growth and buyout funds
- KRR funds-of-funds**
- Direct investments
- Special investment programmes***
- EIB mandates****

* Figures include unpaid investment commitments.

** The five (5) KRR funds-of-funds managed by Tesi include in total MEUR 500 of pension fund capital.

*** Corona-specific special investment programmes, from which two (2) fund investments have also been made.

**** Co-financing facilities created by the European Investment Bank (EIB) and Tesi, managed by Tesi through subsidiary.



CASE

KRR V fund-of-funds raised in 2023

In addition to our fund investments, we manage the KRR funds-of-funds (Kasvurahastojen rahastot), which invest in Finnish venture capital and private equity funds. KRR serves as an anchor investor alongside Tesi in Finnish funds.

In 2023, Tesi launched its fifth KRR fund with a size of EUR 200 million. Other investors besides Tesi included Keva, LocalTapiola, OP Financial Group, State Pension Fund of Finland, Ilmarinen, Elo Mutual Pension Insurance Company and Veritas. Each KRR fund managed by Tesi is also invested in by Tesi. The first KRR fund-of-funds was raised in 2008.

The KRR funds-of-funds develop the VC & PE sector on two fronts. Firstly, they offer Finland's institutional investors, such as pension insurance companies, the opportunity to invest in Finnish VC & PE funds efficiently in terms of costs and resources as well as allowing diversification of the risk.

Secondly, with KRR's support, Finnish VC & PE

funds can grow in size and finance the growth and internationalisation of an increasing number of promising startups and growth companies.

KRR invests in funds whose investment professionals have the best capabilities to grow and internationalise Finnish companies through their expertise, experience and networks. Tesi requires the managers of its portfolio funds to operate sustainably and follow a sustainable investment policy in their investment processes and fund management.

Commitments amounting to EUR 568 million had been given to 48 VC & PE funds through the KRR funds-of-funds by the end of 2023. KRR portfolio funds have in turn invested in some 350 Finnish startups and growth companies.

The KRR V fund-of-funds is a sustainable fund complying to the provisions of Article 8 of the SFDR (Regulatory Framework on Sustainable Finance).

Bold solutions together – our partners and networks

Our vision is to create in Finland Europe's strongest and most competitive ecosystem of startups and growth companies. We believe that by acting in line with our values – finding bold solutions together – we can achieve our goals.

Our main stakeholders are our own personnel, our Board of Directors and owners, venture capital and private equity funds, and Finnish startups and growth companies. Our key stakeholders also include other actors in the venture capital and private equity market, our numerous partners, the media, policymakers and social influencers. 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 our newsletters). We systematically monitor and enhance the growth of our reach. In 2023, we reached a record number of people across all our channels.

During the past year, we actively participated with our partners in numerous events in the investment sector, and we also organised our own events. We

held Tesi's summer party, nowadays a tradition, for a wider spectrum of stakeholders, where we presented Tesi's latest reviews and reports. We held a Sustainability Forum for experts in management positions and for sustainability specialists in both growth companies and investment companies. Our autumn event attracted key stakeholders in Finnish and international VC & PE markets. We brought together Finnish and international fund investors and VC & PE investors to promote fundraising for investment funds. We also organised networking and information events for university students and junior employees of investment firms, with the aim of promoting important interaction and the sharing of useful information.

” In 2023, we reached a record number of people across all our channels.

With our sister organisations, Finland's Ministry of Economic Affairs and Employment, and local players we completed the ViSiRa (Green Transition Financing) tour of Finland that we started in 2022. We also continued to organise information events associated with the publication of our reviews, and we surveyed our partners' perceptions of Tesi. Read more about our reviews and about our partners' evaluations on [page 18](#).

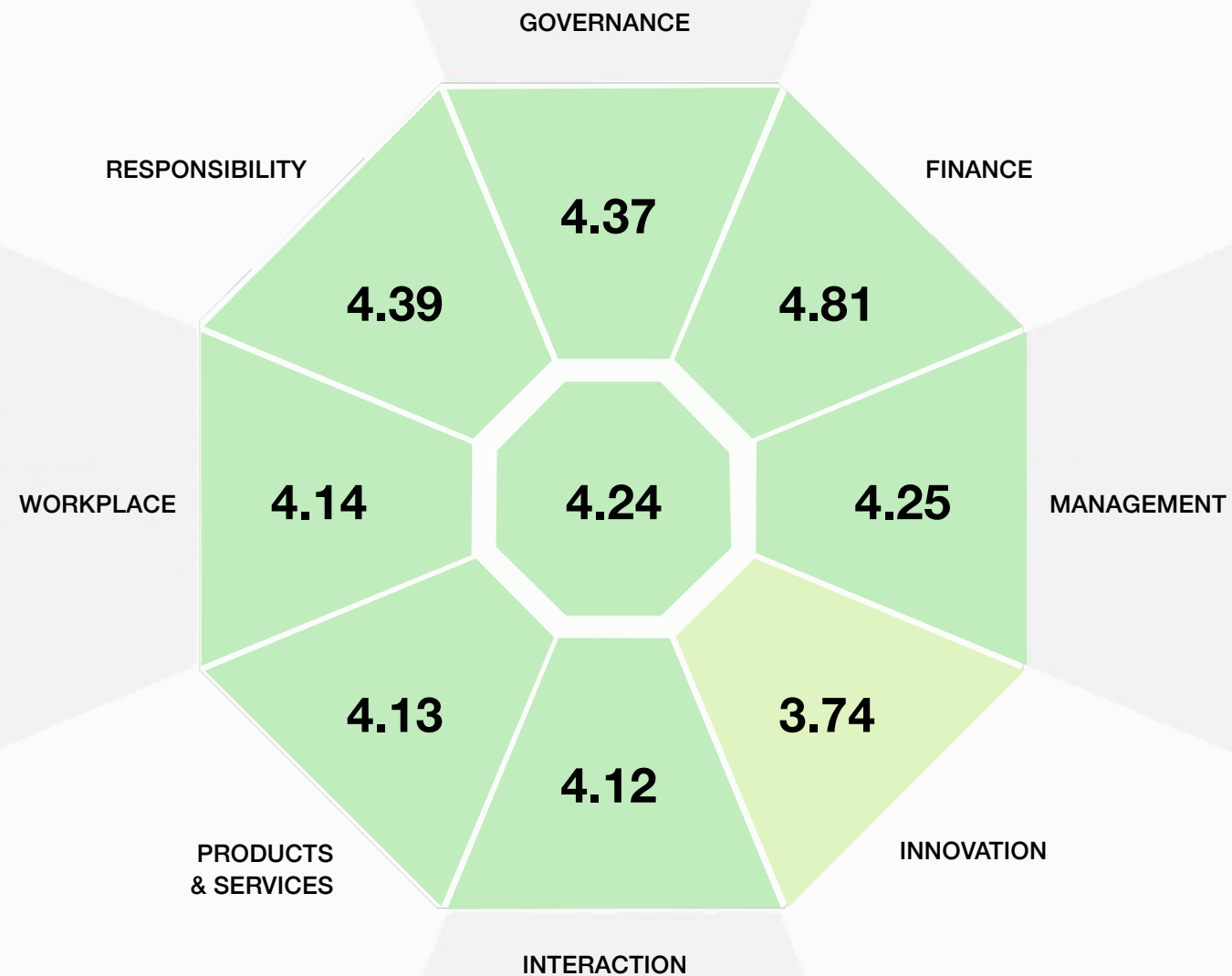
We are part of Team Finland, which accelerates the internationalisation of Finnish companies. As a state-owned investment company, we operate under the guidance of Finland's Ministry of Economic Affairs and Employment and we engage in active dialogue with the owner. During the coronavirus pandemic, alongside our normal investment operations we offered assistance through our special investment programmes, which are now closed to initial investments. In broad-based cooperation with our partners, we produced market insights and analyses of the status of Finnish startups and growth companies.

In addition to Slush, Arctic15 and the Directors' Institute Finland (DIF), we also collaborated with the Finnish Venture Capital Association (FVCA), Kasvuryhmä (Growth Collective Finland) and Inklusiiv. We expanded our cooperation network by starting to collaborate with the Finnish Family Firms Association and the Finnish startup community. Our aim with these partnerships and events is to broaden our impact on the development of Finland's investment industry and to promote the growth and internationalisation of Finnish companies. Check out all our partnerships on [pages 19–20](#).

Tesi's Advisory Board (TAB), appointed as an advisory body by Tesi's Board of Directors, is a key element in our community relations network.

We operate as an active investor and, where necessary, support the General Partners of investment funds in resolving problems. We cooperate continuously with other institutional investors and hold regular discussions with them. We also build co-investment networks with both international and foreign investors.

Luottamus & Maine, spring 2023, views of Tesi by Finnish VC & PE investors and startups and growth companies



CASE

Tesi is trusted and our operations are valued

During 2023, our stakeholders' views on us were surveyed twice in different contexts.

The aim of the conducted Luottamus & Maine (Trust & Reputation) survey in April 2023 was to identify how Tesi's portfolio – VC & PE funds and growth companies – perceive Tesi and to use the results to analyse Tesi's strengths and key development targets.

The results show that Tesi has an excellent reputation amongst its investees and that Tesi is trusted. The survey addressed eight perspectives: responsibility, governance, finance, management, innovations, interaction, products & services, and image as an employer. Altogether 106 people responded to the questionnaire. The response rate was high, 41%, and the average rating was 4.24 (on a scale of 1–5). Finance, responsibility and governance, in particular, received high ratings from Tesi's investees. On the other hand,

there was room for development with regard to Tesi's capacity for renewing and developing.

In August 2023, an evaluation commissioned by Finland's Ministry of Economic Affairs and Employment, and conducted by 4FRONT, on Tesi's operations, role and impacts on the Finland's venture capital and private equity market in the 2015–2022 period was published.

The evaluation concluded that Tesi plays a significant role in Finland's venture capital and private equity market and provides high-quality and expert services. Tesi has also become an important player in producing information, providing sparring and building networks. The findings show that the uncertain market climate and market disruptions magnify the importance of a state investor with a long investment horizon. [Read more about the evaluation on our website.](#)

Tesi's partnerships and memberships 2023



[AaltoPEC](#)

Student organization at Aalto University
(Aalto Private Equity Club)



[Directors' Institute Finland](#)

Association promoting good
governance practices



[European Women in VC](#)

Community of female venture capitalists



[EVFIN](#)

European network for venture fund investors
(The European Venture Fund Investors Network)



[Female Foundry](#)

Community of women founders in the venture
capital and private equity industry



[FiBAN](#)

Early-stage investor collaboration body
targeting companies



[FIBS](#)

Nordic region's largest CSR network
(corporate social responsibility)



[FINSIF](#)

Responsible investment network



[Board Professionals Helsinki](#)

National network for board professionals



[The Helsinki Region Chamber of Commerce](#)

Network providing development and advisory
services to 21 municipalities in the Helsinki region



[ILPA](#)

International association for
limited partners



[Inklusiiv](#)

Consultancy firm focusing on diversity



[Invest Europe](#)

European industry association for venture capital and private equity



[Finnish Venture Capital Association](#)

Advocacy organization for Finland's venture capital and private equity industry



[Kasvuryhmä](#)

Community for medium-sized growth companies (Growth Collective Finland)



[The Finnish Family Firms Association](#)

Community for family businesses



[Nordic Innovation House](#)

Nordic community of startups and investors in the USA



[Finnish Startup Community](#)

Startup community in Finland



[Nordic Venture Network](#)

Network of Nordic venture capital investors



[Tech Tour](#)

Europe's largest community of technology companies and investors

Up-to-the-date market insights

During 2023, we further developed our data model, which is used for managing financial information, preparing forecasts and enhancing investment activities. It is also used to collect a wide range of market data and as a tool for analyses conducted by Tesi's experts.

We share data with the market, including information about the financing of growth companies in different sectors and the development of knowledge ecosystems. Sharing market data is part of our strategy, and producing and sharing it is part of our mission to develop Finland's venture capital and private equity market.

WE PUBLISHED NINE MARKET STUDIES IN 2023:

- [Finnish general partner sustainability study](#)
- [Diversity review](#)
- [Survey of investment returns from the Finnish PE & VC market](#)
- [State of Finnish marine industry survey](#)
- [Composition of Finnish company boards review](#)
- [Health & life sciences study](#)
- [Urban tech and sustainable cities study](#)
- [Deep tech study Finland review](#)
- [FoodTech in Finland review](#)

CASE**Voima Ventures – growing deep tech companies important for Finland**

Voima Ventures is one of the few Nordic GPs that invest solely in science and deep tech. The first closing of Voima's third fund took place in June 2023 at a size of EUR 90 million. The fund will focus on investing in Nordic and Baltic startups. Its target size is EUR 120 million.

In addition to Tesi, investors in the fund include the European Investment Fund (EIF), VTT (Technical Research Centre of Finland), Saminvest from Sweden, and the Finnish pension funds Nordea Life and Elo.

“The new fund raised by Voima Ventures makes more growth financing options available for deep tech startups that are crucially important to Finland and

also broadens the landscape of Finland's deep tech funds. We are also glad to continue supporting a local GP in their ongoing internationalisation efforts. All-in-all, Voima Ventures represents a fine example of our core investment strategy,” comments **Tapio Passinen**, Investment Director from Tesi's Fund Investments team.

In addition to Tesi, the KRR IV fund-of-funds managed by Tesi also invested in the new fund. Neither Tesi nor the KRR funds-of-funds it manages had invested in the funds previously raised by Voima Ventures.

CASE

NATO Innovation Fund provides new opportunities for financing and cooperation

In early summer 2023, Finland joined the billion-euro NATO Innovation Fund (NIF), with Tesi investing EUR 33 million in the fund. This opened up new financing and cooperation opportunities for Finnish deep tech startups and the VC funds investing in them, in line with Tesi's strategic goals.

The size of the new fund is one billion euros, and 22 NATO members committed to the fund at the 2022 Madrid Summit. NATO's Innovation Fund started operating around the time of NATO's Vilnius Summit in July 2023.

"We develop international networks and we channel international capital and expertise into Finland. Tesi's investment will make NATO's Innovation Fund and

its cooperation networks available to Finnish venture capital funds and startups," says Tesi's CEO **Pia Santavirta**.

NATO's Innovation Fund closely cooperates with NATO's Science and Technology Organization (STO) and complements NATO's Defence Innovation Accelerator for the North Atlantic (DIANA). At the end of 2023, altogether 44 companies from member countries had been selected for the DIANA accelerator programme. One of those selected was Finnish software company GIM Robotics.

[Read more on our website.](#)

CASE

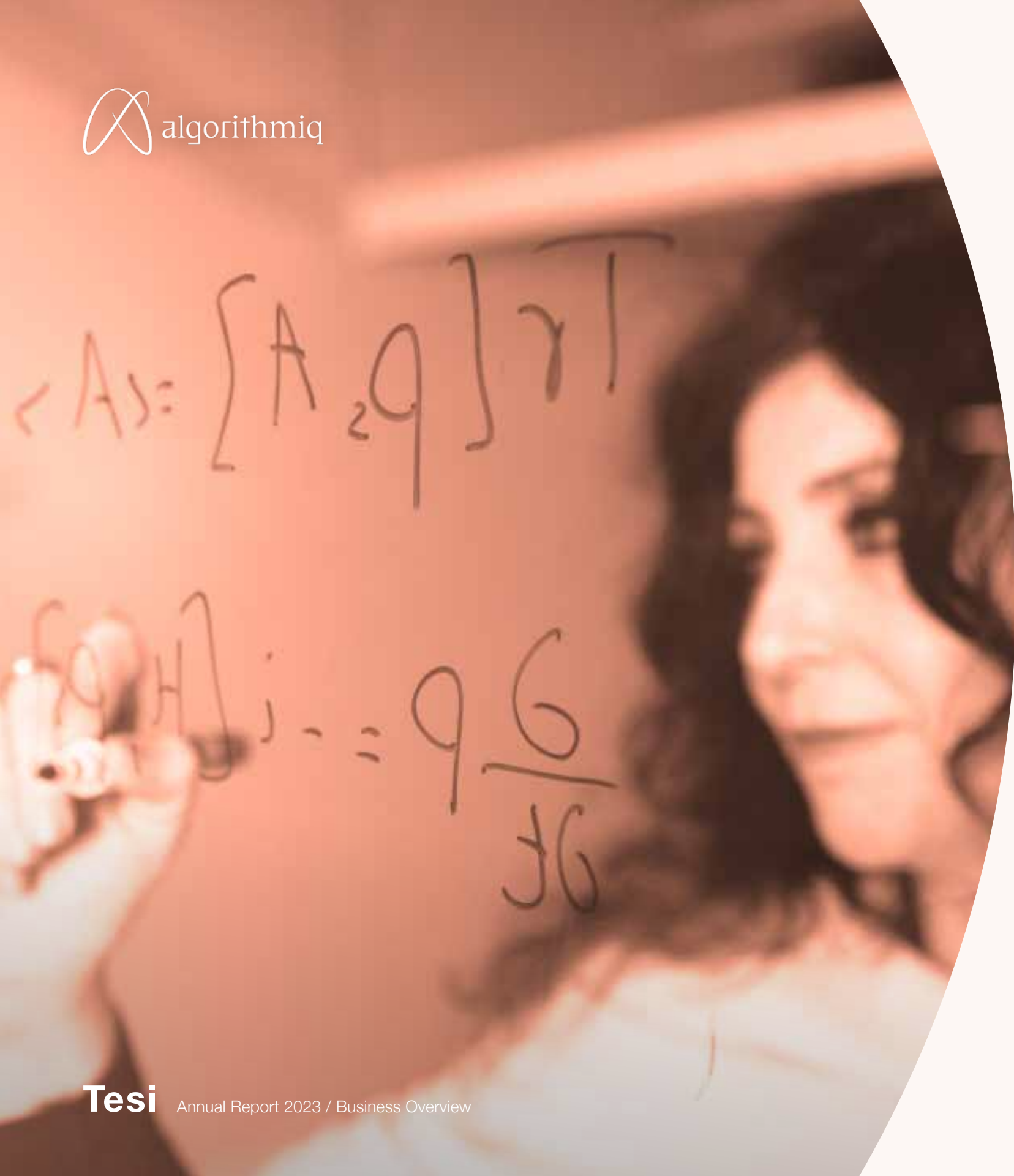
Pale blue dot – promoting sustainable development through investment

Pale blue dot (PBD), a Swedish venture capital firm with also some Finnish background, announced its second fund at the size of EUR 93 million in early summer 2023. Investing in seed and early-stage tech companies mainly in Northern Europe, PBD specialises in impact investments that promote sustainable development. Sustainability and impact therefore form the core of its operations.

“There is a lack in Northern Europe, but especially in Finland, of an early-stage investor that focuses both

on climate tech and on investments targeting even the founding moments of a company. Since in Pale blue dot both these strategies meet, we have decided to continue supporting them into their second fund. The fund will be screening Finland for world-class climate tech prospects and entrepreneurs,” comments **Matias Kaila**, Director of Tesi’s Fund Investments team.

Tesi also invested in Pale blue dot’s first fund in 2021.



CASE

Algorithmiq – quantum computing for drug development

Algorithmiq is a deep tech startup developing quantum computing algorithms and solutions for drug development and discovery. The company’s algorithms can be used to accelerate and optimise drug development by simulating the chemical activity of molecules. Algorithmiq aims to make current quantum computing solutions commercially viable over the next three years.

Announced in June 2023, the new EUR 14 million Series A growth financing round was led by Inventure. Tesi, Presidio Ventures (the corporate venture capital arm of Japan’s Sumitomo Corporation), and London-based Thames Trust participated in the round, together with current backers. The European Invest-

ment Bank (EIB) also invested in the round through [Tesi’s and the EIB’s co-financing facility](#).

“We are excited to support Algorithmiq’s ambitious world-class team. Drug discovery is one of the most impactful application areas for quantum computing, and Algorithmiq has already demonstrated impressive technical results. Thematically, the investment fits spot-on into our investment strategy: the company has a high disruption potential, and it is operating in the intersection of two of our focus areas, deep tech and life sciences,” comments **Joni Karsikas**, Investment Director at Tesi.

Tesi’s investment was its first in the company.

CASE

Enifer – an alternative protein source from fungi

Finnish foodtech company Enifer announced in April 2024 that it had raised EUR 11 million in growth funding. The investment round was led by AquaSpark, a Dutch venture capital firm focusing on the aquaculture sector. Valio, Tesi and also seed-stage investors Nordic FoodTech VC and Voima Ventures participated in the round.

Enifer was founded as a spin off from VTT (Technical Research Centre of Finland) in 2020. The mycoprotein powder PEKILO® developed by the company is a replacement for the soy protein in the fish feed industry and is planned as a wider protein supplement in the food industry in the future. Widely used in fish

feed industry today, soy has ecological issues when it comes to farming it. These issues can be mitigated with a mycoprotein alternative.

“Production of alternative protein sources is estimated to have the best positive climate impact in relation to the invested capital. The company is at the forefront of local food tech startups, and it possesses a verified technology that the team has managed to commercialise. The company is a fine addition to Tesi’s portfolio regarding sustainable food production,” comments **Jan-Patrick Haikkola**, Investment Manager at Tesi.

Tesi’s investment was its first in the company.



CASE

Coronaria – a successful exit from a successful investment

Coronaria is one of the largest healthcare service providers in Finland. The company provides nationwide vision care, specialised care, oral health care and a diverse range of rehabilitation services. Coronaria is a member of the Finnish health and wellbeing Cor Group family.

Tesi made its first investment in the company in 2013 and has been a patient owner since then right up to Tesi's exit in late spring 2023.

“During our long-running ownership, Coronaria has seen its net sales grow from EUR 39 million to EUR 369 million. Furthermore, Coronaria has had a significant role in developing, for instance, vision care and rehabilitation services in Finland. We're happy to have invested in the company and we're pleased with their development over the years,” says **Juuso Puolanne**, Investment Director at Tesi.



SISU

CASE

Sisu Auto – Finnish vehicles for demanding conditions

Sisu Auto is a Finnish manufacturer of military vehicles for demanding conditions. The company has national significance and export potential. To strengthen the financing on which growth is based, Tesi (Suomen Teollisuussijoitus Oy) became an owner in Sisu Auto, acquiring a 19.9% holding that was announced in early Autumn 2023.

”As an investment company fully owned by the

Finnish state, Tesi has an industrial policy mandate to advance both transformative economic growth as well as investments in Finland. The vehicles manufactured by Sisu Auto that have proved their worth, and the start of mass production that enables a new growth leap, both fit into our mandate well,” says **Jussi Hattula**, Director of Tesi’s Growth and Industrial Investments team.



Sustainability

Managing sustainability and responsibility of our own operations

Key figures for sustainability



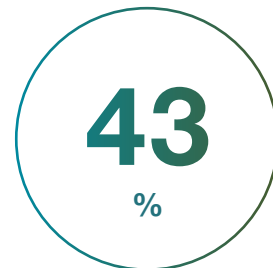
of new investees
– ESG DD conducted



of new investees
– impact assessment
performed



Tesi's carbon
footprint



of Tesi's Board of
Directors are women



grading for personnel
wellbeing in Tesi

* excluding investees' emissions (Scope 1-2)

Managing sustainability

Tesi's sustainability is an important strategic target for development. There are two dimensions to our overall sustainability: responsibility and impact. Responsibility refers to the responsibility for our own activities with regard to the environment, the economy, people and corporate governance. Impact is the positive impact that through our operations we make on society and/or on the environment. The main impacts of our operations are produced by our investment operations, so we prioritise developing our investment-related activities.

Alongside our investment operations, we promote sustainability through broad-based support of the sustainability activities of companies and investment funds – for instance, by providing them with practical tools. In 2023 we published three tools with full instructions on how to use them. Read more about these tools on [page 37](#).

We implement the sustainable development objectives of Finland's Government Programme and the UN's 2030 Agenda. 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 principles for responsible and impactful investment that it follows, and is responsible for compliance with them. The Board also approves the goals for sustainability when formulating Tesi's action plan and remuneration targets. The CEO is responsible for managing sustainability and all personnel are responsible for implementing sustainability in their own work.

We report on sustainability every year with respect to the responsibility of our operations in our Annual Report. We report on our responsibility performance to our owner (Finland's Ministry of Economic Affairs and Employment) at the Annual General Meeting. We report on performance in the other dimension of sustainability – impact – in our separate Impact Review. We do this at a later stage so that we receive the most comprehensive data possible on the development of our portfolio funds and companies. The development of sustainability and the targets set for it are addressed each year as a part of the company's operational planning.

CORPORATE RESPONSIBILITY POLICY

- Sustainability is one of our operating principles and an underlying element in our investing procedures and decision-making processes.
- Tesi's Board of Directors approves the corporate responsibility policy and monitors compliance with it.
- The CEO is responsible for managing sustainability and all personnel are responsible for implementing sustainability in their own work.
- We promote sustainability in collaboration with other investors, management companies, our portfolio companies, and our other partners.
- We comply with legislation and with good corporate governance principles, and we conform to international norms and agreements on employee rights and the environment. We also require that our investees do likewise.
- We report openly about our own operations and about how we develop responsible and impactful investment.

Responsible and impactful investing

The guiding principle for sustainable and impactful investing is to integrate sustainability 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 sustainability and that we will be able, together with our partners, to influence the development of its operations. Our aim is to maximise our positive net impact by creating value in our portfolio companies and also, through our operations, promoting the alignment of Finnish 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 they do not have a framework for

responsibility in place, we do not make an investment. Furthermore, we examine the potential positive impact of an investment, and we produce an evaluation on how to magnify that impact in the near term.

We operate as an owner sustainably, and also interactively with our portfolio funds' management companies and our co-investors. In collaboration with market players, we share information and develop new operating models that enable more versatile assessment, measurement and monitoring of the impacts of VC & PE investment. During 2023, we deployed tools and resources that we developed ourselves for assessing both responsibility and impact: for instance, a tool for managing the S and G issues of sustainability and an ESG Handbook outlining practical steps for improving sustainability.

PRINCIPLES OF RESPONSIBLE AND IMPACTFUL INVESTMENT

- For us, sustainable investment means addressing both responsibility and impact aspects when screening prospective investments and when developing and growing portfolio companies. [The framework we developed](#) forms our basis for sustainable investment operations.
- We use the [UN's Principles of Responsible Investment](#) as the baseline for responsible investment. [Read more about the impact of Tesi's investments in our Impact Review](#), which is published every autumn.
- We promote development of the sustainability policies and practices of our portfolio funds and companies
 - in work on boards of directors and advisory boards
 - through active dialogue with the GPs of funds and with company managers
 - by offering a process for addressing identified deficiencies.
- We try to commit managers of portfolio funds by contract to follow the UN's Principles of Responsible Investment and to prepare sustainable investment policies and instructions. We encourage managers to integrate these principles into their investment operations when preparing, managing and exiting investments, and also to actively train their personnel and to support their portfolio companies in their sustainability activities.

Targets, metrics and actions

One of our main company-wide sustainability targets for 2023 is to develop how we measure our carbon footprint. Our focus is on getting investees actively managed by Tesi to measure their Scope 1 and 2 emissions of greenhouse gases (GHGs). The target was to maximise the number of Tesi's investees committed to calculating the GHG emissions produced by their own operations (Scope 1 and 2 emissions as per GHG Protocol) in 2023.

We helped measure carbon footprint by developing sustainability materials and an emission calculator that are freely available to all companies for measuring their GHG emissions. Tesi employees have supported our portfolio companies – VC & PE funds as well as startups and growth companies – in calculating their carbon footprints.

The work paid off, and we reached our targets for calculation of carbon footprint: 68% of our active portfolio companies committed to calculating the carbon footprint of their own operations. We continued our sustainability work, which has got off to a good start, and conducted ESG-DD and impact assessments for all our new investments.

Other measures related to sustainability included internal training for personnel on the sustainability tools we have developed and on changes in sustainability reporting. Read more about these tools on [page 37](#).

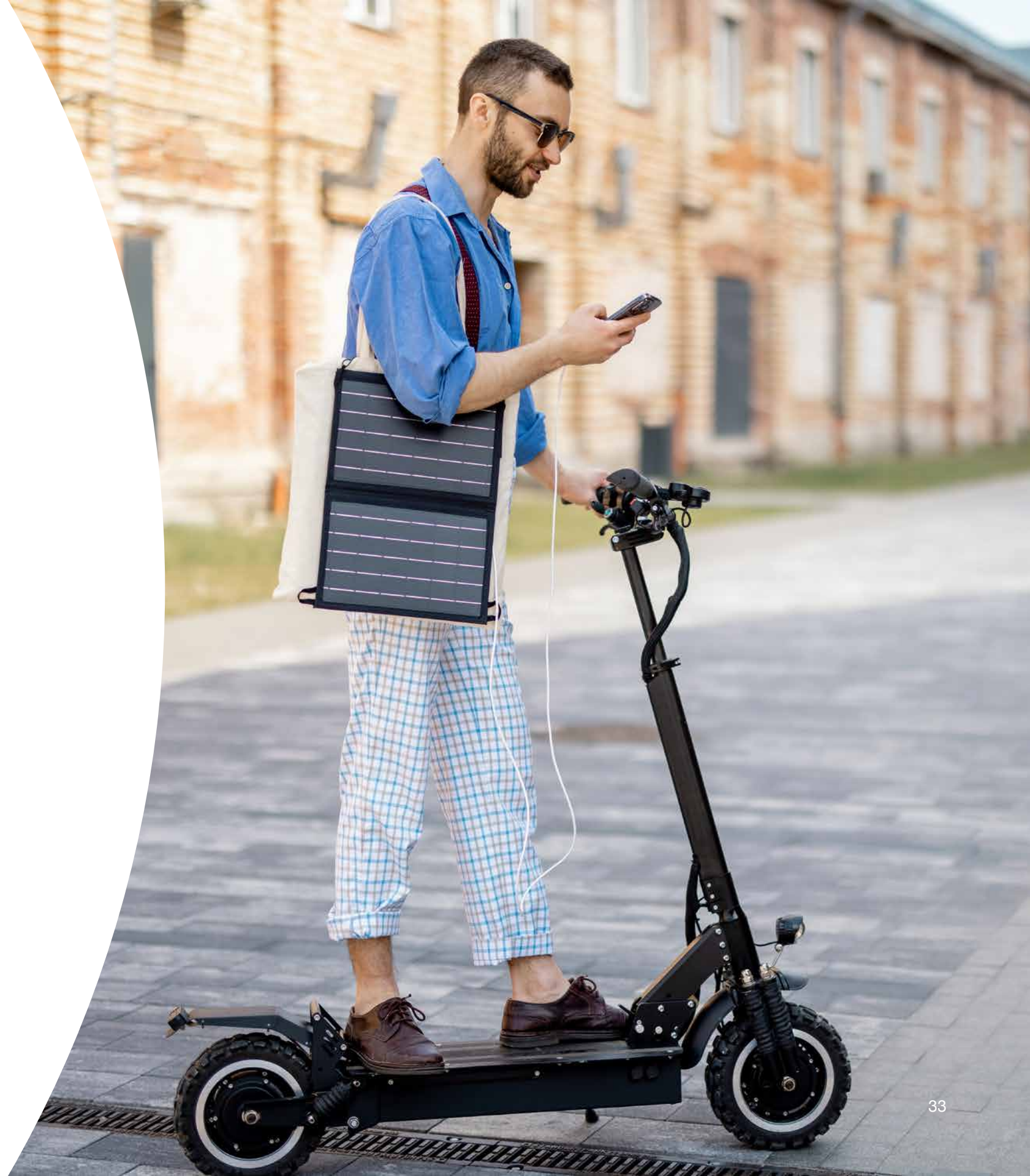
For us, sustainability is an important strategic priority, and 30% of our company-wide bonus targets are related to responsibility and impact.

SUSTAINABILITY TARGETS FOR 2024

In 2024 we raise the level of ambition in the carbon footprint calculations made by investees. In addition to Scope 1 and 2 emissions, we also promote addressing Scope 3 emissions – in other words, the goal is to achieve a more comprehensive overview of our investment portfolio's carbon footprint.

In addition, some of our teams have their own targets for sustainability.

” 68% of our active portfolio companies committed to calculating the carbon footprint of their own operation.



Sustainability framework and material topics

Tesi's sustainability framework sets guidelines for our investing activities and other operations. It supports the management, measurement and communication of our sustainability actions. The framework includes both responsibility for our own activities (footprint) and the indirect impact of our activities (handprint). Within the framework, we have divided responsibility into four main themes: prosperity, environment (E), people (S), and governance (G). Several standards and recommendations are used as source material for the framework, including GRI1, SASB2, WEF (SCM)3 and the EU Sustainable Finance Action Plan.

Tesi's material aspects are derived from a stakeholder survey conducted in 2020, the work of our team dedicated to the theme of sustainability, and comments from our other teams. The material aspects are: economic prosperity and sustainability; innovation activities; mitigation of climate change; management of wastes and materials; diversity and equal opportunity; skills and education; practices in working life;

corporate governance, and risk management.

The material aspects we selected as a focus in 2023 are the mitigation of climate change, employment practices, and good corporate governance.

We will support mitigation of climate change most effectively through our portfolio by encouraging companies to create solutions for slowing down climate change and adapting to it, as well as by promoting and requiring the measurement and reduction of emissions. To support the work of our portfolio companies and funds, we have prepared a tool, and instructions on how to use it, for measuring carbon footprint that are freely available to everyone. Furthermore, the calculation of both Tesi's and Tesi's investees' GHG emissions was included in 2023 and is now included in Tesi's company-level targets for 2024.

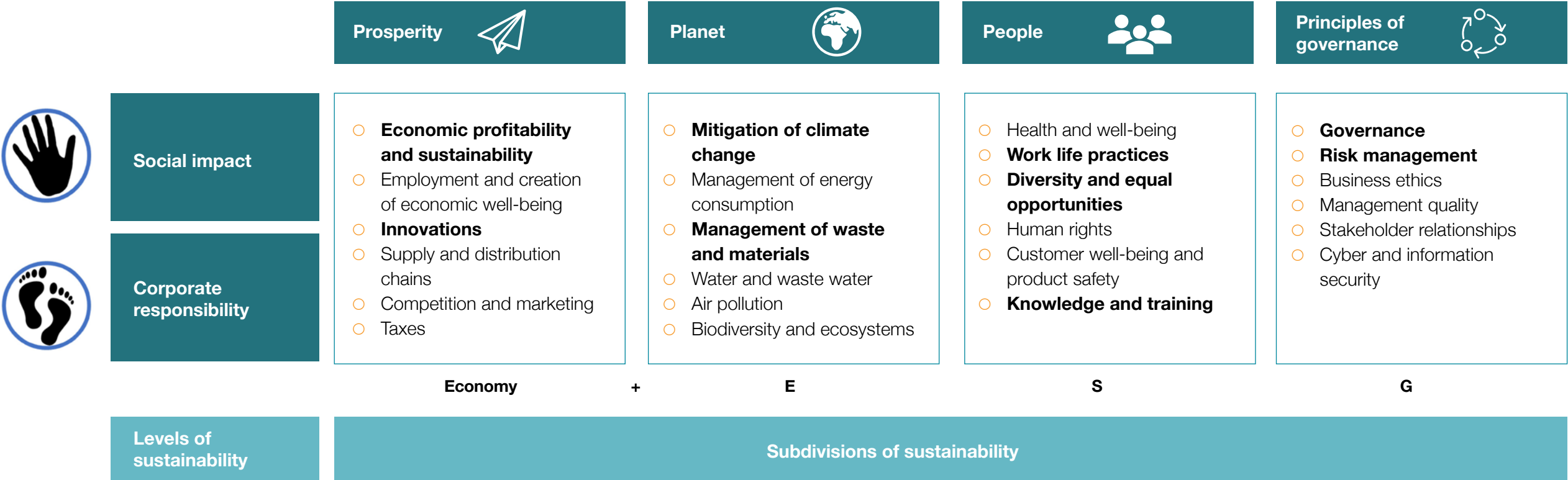
To obtain a skilled workforce, companies need to be able to utilise expertise and talent more widely and comprehensively. This will be achieved in a sustainable way only if sound employment practices are

applied. We promote this by encouraging compliance with good employment practices in both our investment portfolio and the wider market.

As a VC & PE investor, we have a very comprehensive overview of GPs and Finnish companies. We share our own good practices and market insights, as well as the good practices we observe in the market, with both our portfolio companies and other players in the venture capital and private equity market. We also annually monitor the development of diversity in investment teams and in the boards of directors of Finnish companies.

” The material aspects we selected as a focus in 2023 are the mitigation of climate change, employment practices, and good corporate governance.

Sustainability framework



Prosperity – a more productive economy, more sustainable wellbeing

The Prosperity concept in our sustainability framework addresses how, through our operations, we can build sustainable prosperity over the long term for our owners, employees and the wider society. The material aspects of this concept of prosperity that we have prioritised are economic profitability & sustainability, and innovations.

TESI'S 28 YEARS OF OPERATION

- Our operations have accumulated retained earnings of EUR 859 million.
- The total capital that the Finnish state has injected into Tesi, EUR 929 million, has grown into EUR 1,788 million of shareholders' equity.
- The imputed return on investment (internal rate of interest) for the Finnish state, taken over the whole period of Tesi's operation, has been approximately 6% after taxes.
- Over EUR 100 million in income taxes paid to the Finnish state over the last 10 years
- Total taxes paid to the Finnish state in 2023 totalled EUR 15.3 million.

Our operations have a significant impact on the creation of new funds and on the development of Finland's VC & PE industry. Our direct economic impacts consist of direct investments, capital calls paid to portfolio funds and companies, payments to suppliers of goods and services, employee benefit costs, income taxes paid, and investments.

Innovations are the lifeblood of transformation and growth. In our own operations, this means continuous development and evolution of our procedures as well as co-development, along with other players, of new instruments and practices that will advance the VC & PE market. We have considerably enhanced our capabilities for producing, utilising and sharing insightful information about Finland's VC & PE market and Finnish growth companies.

Read more about our impact on the market in our [Impact Review](#).

” **Our operations have a significant impact on the creation of new funds and on the development of Finland's VC & PE industry.**

Key figures

	IFRS 2023	IFRS 2022	IFRS 2021
Group's investments and commitments, MEUR	1,921	1,958	1,837
No. of portfolio companies, directly and through funds	1,788	1,188	1,112
Consolidated profit	-51	-26	338
Group, shareholders' equity	1,788	1,929	1,755
New commitments during fiscal year	235	297	207
Government investments in Tesi since 1995, total	929	1,019	819

Capital flows by stakeholder group, EUR thousand

	IFRS 2023	IFRS 2022	IFRS 2021
Customers Net sales	-	-	-
Portfolio companies Direct investments paid	74,437	202,519	71,077
Repayments of investments and sales proceeds	110,288	34,525	69,287
Portfolio funds Capital calls paid to funds	96,724	110,274	121,518
Cash flows received from funds	74,285	119,834	185,904
Suppliers of goods and services Other operating expenses	5,003	4,404	3,542
Personnel Salaries and fees	6,599	5,820	5,006
Pension expenses	975	871	733
Other employee costs	261	190	168
Employee costs, total	7,834	6,881	5,907
Public sector Income taxes	10,800	14,238	29,250
Charitable bodies Donations given	4	14	3
Shareholders Dividends paid to the owners	0	0	0
Equity repayment*	90,000	0	0
Investments Investments in tangible and intangible assets	1	251	42

* The return of MEUR 90 in capital to Tesi's owner, the Finnish state, at the start of the year. The returned capital came from exiting investments under the corona-specific Stabilisation and Venture Bridge special investment programmes. The returns and capital from the programme are returned in full to the state.



CASE

Tesi's ESG toolkit

In 2023 Tesi published three freely-downloadable sustainability tools.

The SG Matrix provides assistance in developing aspects associated with people (S) and governance (G) in startups and growth companies. The matrix covers more than 50 topics relating to social responsibility (S) and the principles for good corporate governance (G). The tool can also test the impacts that growth in personnel will have on statutory obligations and practices.

The ESG Handbook is in PDF format and consists of three units. The first two units address the convergence of sustainability and strategy: how to determine the E, S and G issues pertinent to the company, and how to embed the focus areas identified as important to the company into its strategy. The last unit lists practical guidelines for developing sustainability in 17 different areas.

The carbon neutrality tool includes both the basics for reducing greenhouse gas emissions as well as practical instructions and examples for starting carbon footprint calculations. Also included is an easy-to-use, Excel-based carbon footprint calculation tool.

"We want to strengthen the opportunities for both companies and VC & PE investors to promote sustainability on a broad front, and to be involved in creating a competitive advantage also in international markets. One of our values – Together – reflects our desire to work together for a common goal also in the development of sustainability and to share the keys to success with a wider audience," comments **Selja Ryöppy**, Sustainability Manager heading Tesi's sustainability activities.

All these materials and tools are available on [our website](#).

Tax footprint and principles on 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 investing in Finnish funds, we also make investments in international funds. VC & PE investment involves careful consideration of tax issues in the investment 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 VC & PE sector, 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, according 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 also 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.

[Read more about our Impact Review.](#)

[Read more about our 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 thousand

	2023	2022	2021
Net sales (Group companies do not have any net sales)	-	-	-
Profit before taxes	-68,759	-33,233	417,880
Number of personnel	51	48	44

Taxes paid and taxes payable, EUR thousands

	2023	2022	2021
Income taxes	10,800	14,238	29,250
Employer's contributions	1,236	1,060	901
VAT that has not been deducted *	942	823	660
Asset transfer tax	30	45	76
Taxes paid, total	13,008	16,166	30,887
Employee tax payments (PAYE)	2,337	1,711	1,665
Taxes payable, total	2,337	1,711	1,665
Taxes paid and taxes payable, total	15,345	17,877	32,552

* 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 Environment concept in our sustainability framework covers mitigation of climate change, management of energy usage, management of wastes and materials, treatment of water and wastewater, reduction of air pollution, and the protection and remediation of biodiversity and ecosystems. The material aspects of this concept of environment that we have prioritised are the management of wastes and materials and, particularly, the mitigation of climate change.

The environmental impacts of materials used in our own operations are rather small, but we try to reduce them in all our activities. In 2023, we continued our work on developing calculation of our own emissions and refined the calculation to include more detail. For example, travel was monitored more closely and we investigated how to enable emission-free energy consumption in our real estate. We enlisted service providers to analyse the carbon footprints of our projects and operations. Promoting the carbon footprint calculation of portfolio companies and fund managers

was also included in the company-level remuneration targets set by Tesi's Board of Directors.

We try to reduce carbon dioxide emissions caused by our employees by enabling good remote meeting practices and tools – all our internal events can also be attended remotely. We encourage our personnel to use public transport. We offer our personnel employer-subsidised commuter tickets and employer-subsidised bicycles.

We shared best practices – on addressing biodiversity, for instance – at an ESG seminar we organised for our portfolio companies and funds.

We promote material efficiency and carbon neutrality in our investment operations – for example, through our Circular Economy programme. We invest directly, or indirectly through funds, in companies that are directly involved in solving environmental problems: around two-thirds of our investments contribute to a clean transition.



Tesi's carbon footprint

Since 2022, we have been calculating our carbon footprint using the internationally accepted [GHG Protocol](#) methodology. The GHG Protocol is the world's most widely-used and recognised greenhouse gas accounting standard for calculating and reporting an organisation's carbon footprint. The Protocol divides emissions into three different classes, or Scopes, of emissions. Scope 1 and Scope 2 include the greenhouse gas emissions an organisation causes directly by its own operations and indirectly when the energy it purchases and uses is produced. Scope 3 encompasses indirect greenhouse gas emissions in an organisation's value chain. Scope 3 includes 15 categories.

At Tesi, as in other finance sector players, the majority of emissions are generated by investees (Scope 3, category 15). In 2024, we want to refine our understanding of investees' emissions and the way they report them. Previously, companies' emissions were modelled using the Upright Project, but this year we want to use the figures reported by the

companies themselves. For this reason, our annual reporting for 2023 will focus on the greenhouse gas emissions generated by Tesi's own operations (ie, Scopes 1 and 2), and our Impact Review (to be published in autumn 2024) will focus in more detail on emissions generated in the value chain (ie, including emissions by investees).

The greenhouse gas emissions caused by our own operations (Scopes 1 and 2) are close to the previous year's figures. As in the previous year, Tesi does not own vehicles that would generate emissions in Scope 1. Emissions in Scope 2 are generated by office heating, as it is currently not possible to get emission-free district heating in office premises. However, electricity and cooling are emission-free, as in the previous year.

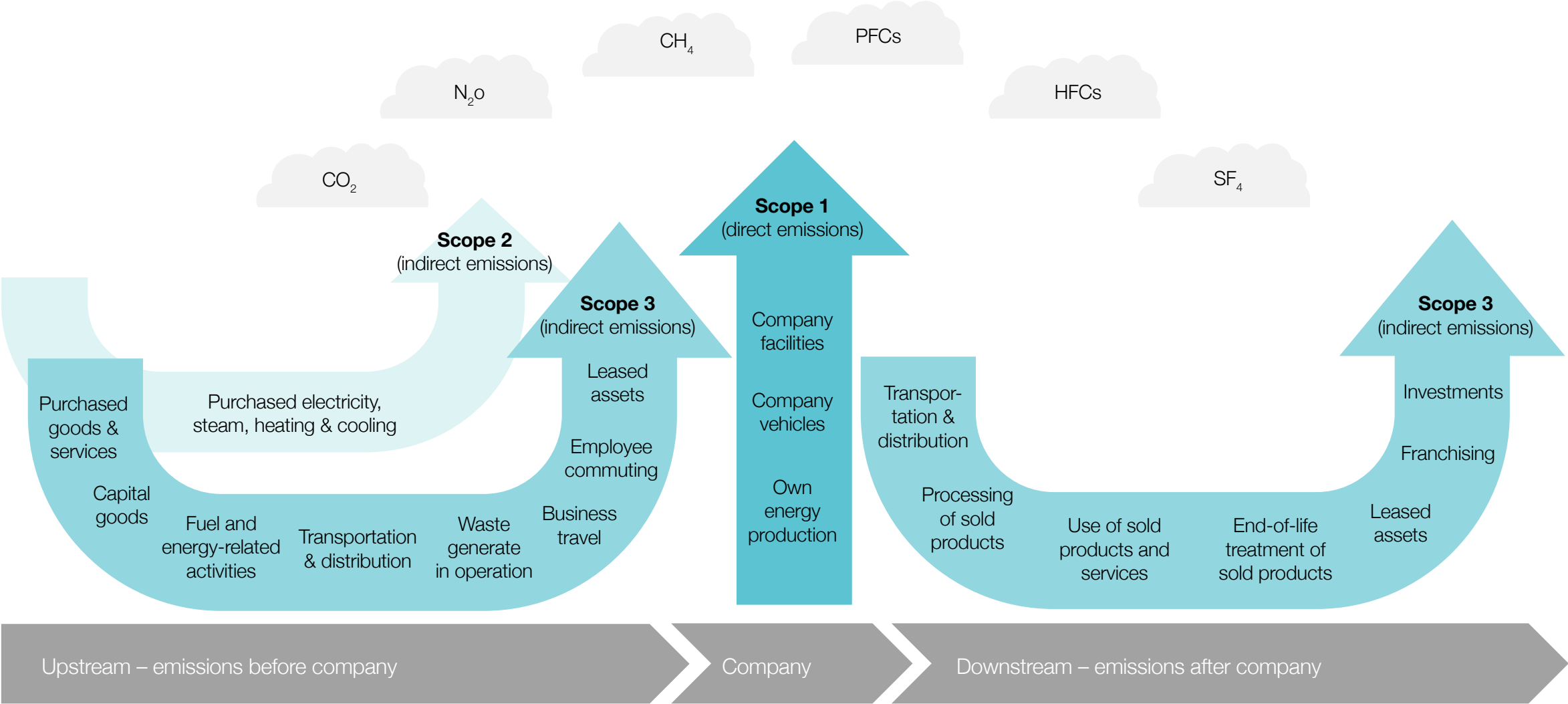
Based on the previous year's calculations, most of Tesi's emissions are generated in the value chain (Scope 3), where the largest emission sources are related to travel and our investments. These emissions will be examined in more detail in an Impact Review to be published in autumn 2024.

Tesi's carbon footprint by emission scope, t CO2e

	2023	2022
Scope 1	0	0
Scope 2	18*	13
Scope 3	To be reported in the Impact Review in H2/2024	55,182 (including investments)

* All emissions from Tesi's own operations come from district heating, which is currently not available emission-free for office premises. The rest of the energy used in Tesi's offices (electricity and cooling) is emission-free. There was no major change in the energy consumption of district heat between 2022 and 2023 (+0.4%). The difference between the figures in the table is mainly due to the change in the emission factor of district heat received from Helen Ltd (+23%).

Formation of carbon footprint



People – producing results together

The People concept in our sustainability framework covers the impacts of our operations on occupational health & safety, employment practices, diversity & equal opportunity, human rights, customer wellbeing & product safety, and expertise & training.

Of these, the material aspects prioritised in our operations are diversity & equal opportunity, expertise & training, and – in particular – employment practices. Our goal is a committed, skilled, motivated and contented personnel in both our own and our investees' organisations. We want to improve the image of the investment industry and increase the understanding of diversity among players in the sector. We encourage and require compliance with good employment practices in all our portfolio companies and in the management companies of our portfolio funds.

PERSONNEL AND CORPORATE CULTURE

We communicate transparently about our operations, and our values – boldly solutions 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.

One of our values – together – is implemented through employee participation in a broad spectrum of activities. Since 2021, the personnel have had a six-monthly rotating representative in the Management Team who regularly organises personnel discussion sessions. The deliberations of these sessions are communicated onwards to the Management Team to keep its members informed. The Management Team's agendas and summaries are also distributed to all personnel.

FISCAL YEAR 2023

- A new incentive scheme was introduced. The new incentive scheme mainly comprises company-level and team-level targets to emphasise working together. There was also a desire to clarify the incentive scheme.
- The newly appointed CEO met the whole staff in 1-to-1 conversations at the beginning of the year. After summer, the CEO and the newly appointed Head of People & Culture both met all Tesi employees in another round of personal conversations.
- Employee satisfaction was monitored with concise quarterly reviews conducted during the year. The feedback received was used

to improve Tesi's operations in line with the principle of continuous development.

- Internal communication has been in line with set goals. The openness of management was one aspect that personnel rated highly and that has clearly improved compared to earlier reviews.

HIGHLIGHTS FROM THE PERSONNEL REVIEW – TEAM SPIRIT, OPENNESS AND COMMUNICATION AS EVERYDAY RESOURCES

- The response rate to the employee review was excellent, 96%.
- Generally, employees experienced positive development in 2023: company-wide, all indicators of overall satisfaction and most comparable meters showed improvement.
- Some 78% of Tesi employees (80% in 2022) felt that they coped fairly well or very well.
- Communication about the upcoming merger of state-owned investors was rated as very good: Some 82% of Tesi employees believed they had received sufficient information about the progress of the merger.
- Tesi employees are still united by their experience of responsible and impactful

business activities. The practices of combining remote work and in-office work are at an excellent level and, as in previous years, employees' awareness and implementation of Tesi's values are improving.

- Areas for development include how employees regard the meaningfulness of their work, inter-team cooperation, and the even distribution of work.
- Tesi employees regarded team spirit, openness, and communication as important everyday resources.

We encourage our personnel to participate in life-long learning and to develop their professional skills. A priority for development in our own activities in 2023 was enhancing the communications capabilities of Tesi employees. During the year, we organised nine different training sessions on communication skills, and 87% of employees (including trainees) attended at least one session. Some 97% of the participants felt they had learned something new. The training sessions included media coaching and small working groups on how to give presentations in working life.

Our HR department and our occupational safety & health committee are responsible for promoting well-being at work. We support and regularly monitor both

wellbeing at work and coping at work in many different ways. All our personnel are covered by an occupational health service. Our sick leave rate was 1.1% (2% in 2022). We factor our employees' differing life situations into a flexible personnel policy. Some 88% of employees feel that Tesi invests in taking care of the wellbeing of its personnel. Tesi provides employee benefits associated with wellbeing and mobility, most of which are available to both permanent and fixed-term employees.

We conduct personal development interviews (PDIs) with all personnel twice a year. These discussions help us to tangibly implement and guide our strategic objectives at both the team level and the individual level. The process and documentation were enhanced in 2023 and these improvements will be introduced from the beginning of 2024.

We want to be a safe and equal-opportunity workplace where discrimination, bullying and harassment are not accepted.

Our bonus scheme covers all our personnel. Read more in our [Remuneration Report 2023](#).

TOGETHER TOWARDS A MORE DIVERSE TOMORROW

When recruiting, we pay attention to the diverse backgrounds and strengths of applicants because we believe that diversity of background and scope of experience expand perspectives in teams and create

new solutions.

Venture capital and private equity investors play a crucial role in selecting the companies that receive more resources for growth and the technologies that are developed. 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.

In 2023, we promoted the improvement of diversity in the investment industry by conducting research and by collaborating in communications and events with, inter alia, Inklusiiv, the Finnish Venture Capital Association, the Level 20 community, European Women in VC, and Female Foundry. More information about our partnerships can be found on [pages 19–20](#).

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. Tesi has had a Whistleblowing channel in use since 2020. Our Whistleblowing channel offers our portfolio companies and portfolio funds, our employees and our other partners a confidential means of initiating investigation of any suspected misconduct or unethical activities.

Read more about our [Diversity Review](#) and our survey of the [Composition of Boards of Finnish companies](#). We also report on diversity and inclusion in our investees as a part of our [Impact Review](#).

Personnel in figures

	2023	2022	2021
No. of personnel at 31 Dec 2023*	59	48	45
Permanent	54	44	42
Fixed	5	4	6
Women	23	16	16
Men	36	32	32
Women in personnel	39%	33%	31%
Women in the Management team	38%	29%	25%
Women in Investments teams	16%	16%	20%
Average age	38	40	40
Average age in the Management team	47	49	48
Average age in Investment teams	39	40	39
Education of personnel			
Higher education degree	78%	90%	-
Personnel turnover**	5%	4%	3%
Employees left (permanent)	3	2	1
New employees	10	4	11
Sickness absence per 7,5 hours	1%	2%	3%
Accidents	0	1	0
Average training days per person	2.4	3.6	2.5
Average length of employment, years	6	5.9	4.5
Trainees during the year	9	8	7
Female trainees	44%	25%	43%
Average age of trainees	25	26	26

* Trainees included

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



CASE

Tesi's trainee programme – new professionals for the market, fresh insights for Tesi

In cooperation with other market players, Tesi aims to build Europe's strongest and most competitive startup and growth company ecosystem in Finland by investing in venture capital and private equity funds and directly in companies, and by sharing market insights. The trainees who work at Tesi almost all year round play a key role in this.

In Tesi's Trainee Programme, late-stage university students and recent graduates are given the opportunity to become familiar with investment activities under the guidance of experienced professionals and to show their abilities in the diverse field of corporate and VC & PE funds. "The goal of our Trainee programme is to introduce new professionals into the investment

industry. We make sure that trainees are fully involved from day one – for example, in the activities of investment teams, and in preparing and presenting investment decisions to both the management team and our Board of Directors. Building international networks also starts here with us," says **Pia Santavirta**, Tesi's CEO.

Direct investment and fund investment teams recruit trainees twice a year. The traineeships, which last about six months, take place in the spring and autumn. Other teams, meanwhile, induct trainees as needed. Tesi employs trainees almost all year round, except for the summer holiday season.

Corporate governance – reliability and risk management

The Governance concept comprises 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, cybersecurity, risk management, identification and awareness of opportunities, and the company's activities in relation to its main stakeholders. Of all these aspects, we have prioritised risk management and, in particular, corporate governance as key themes.

As a VC & PE investor, we have a very comprehensive overview of fund managers and Finnish companies. We share our own best practices as well as the good practices we observe in the market for the benefit of not only our own portfolio companies but also for the good of all Finland's investment market. 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.

[Corporate Governance Statement](#).

SIGNIFICANT LEGISLATIVE PROJECTS AND DATA SECURITY

Tesi's compliance activities in 2023 included monitoring of the regulatory framework for the investment sector and training personnel on pertinent subjects.

The most thoroughly monitored of these subjects was the EU's Sustainable Finance regulatory framework, which will have a major impact on the investment industry. The framework will impose new obligations on managers of alternative funds, such as Tesi Fund Management, which manages our KRR funds-of-funds.

The EU's Sustainable Finance Disclosure Regulation (SFDR) entered into force on 10 March 2021, while the Regulatory Technical Standards developed under the SFDR entered into force on 1 January 2023. Tesi Fund Management Oy's SFDR-compliant disclosures and Tesi's Principles of Responsible and Impactful Investment are published on [Tesi's website](#). We worked

throughout the year to ensure compliance with the Regulatory Technical Standards that entered into force in 2023. Training sessions and study material on the subject have been provided to fund teams.

We monitored the progress of the national transposition of the EU's Corporate Sustainability Reporting Directive (CSRD). The requirements enter into force in stages as from 1 January 2024. The CSRD obliges large companies and listed SMEs to report sustainability data – such as information about environmental impacts, human rights impacts, and factors relating to good corporate governance – as a part of their financial statements. Training on the subject was arranged for Tesi's investment teams, enabling them to better support portfolio companies in their preparations to meet the requirements.

We have also monitored the progress of the EU's proposed corporate social responsibility legislation. On 23 February 2022, the European Commission published its proposed Corporate Sustainability Due Diligence Directive (CSDD). The proposal is now very advanced and aims to establish common ground rules for all companies operating in the EU and to promote respect of human rights and the environment in

global value chains.

Amendments to Finland's merger control entered into force in 2023. The supervision of mergers and acquisitions under Finland's Competition Act was tightened with legislative amendments that lower the turnover thresholds for notifiable mergers and acquisitions. The amendments were applied to mergers and acquisitions notified to the Finnish Competition and Consumer Authority (FCCA) on or after 1 January 2023. We have trained our investment teams on the subject.

We have monitored legislation, and also issued and updated the associated internal communications and instructions, to ensure compliance with international sanctions.

Work on ensuring compliance with data protection regulations has also been ongoing in Tesi throughout 2023. We have further developed our existing processes and documentation. Data security training was arranged for all personnel.

Additionally, we gathered information about legislation pertinent to the sector, and amendments to it, and regularly distributed the information collected to our personnel.

Reporting principles

The period for reporting responsibility covers the fiscal year 2023. 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-Aloitusrahassto 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 responsibility figures.

We prepare a 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 financial statements); the Corporate Governance Statement; and the Remuneration Report. The Board of Directors approves the Responsibility Report. We have pub-

lished 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. We also refer to the GRI standard's reporting framework in our reporting. The report is not verified, but the economic performance indicators presented in it are derived from audited information. For further information about the report, please contact Saara Vettenranta, Communications Manager (saara.vettenranta@tesfi.fi). We prepare a Responsibility Report annually as a section of the Business Overview of the Annual Report.

” We prepare a Responsibility Report annually as a section of the Business Overview of the Annual Report.



GRI content index

Statement of use	Tesi has reported the information cited in this GRI content index for the fiscal year 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION	ADDITIONAL INFORMATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Business overview, pp. 2, 6	
	2-2 Entities included in the organization's sustainability reporting	Business overview p. 46	
	2-3 Reporting period, frequency and contact point	Business overview p. 46	
	2-4 Restatements of information	GRI content index	No significant changes in reporting.
	2-5 External assurance	Business overview p. 46	
	2-6 Activities, value chain and other business relationships	Business overview pp. 9-20	
	2-7 Employees	Business overview pp. 6, 42-43	
	2-9 Governance structure and composition	Corporate governance report pp. 6-9	
	2-10 Nomination and selection of the highest governance body	Corporate governance report p. 6	
	2-11 Chair of the highest governance body	Corporate governance report p. 7	
	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. 31	
	2-15 Conflicts of interest	Corporate governance report pp. 7-9, 11-13	
	2-16 Communication of critical concerns	Business overview p. 13	
	2-18 Evaluation of the performance of the highest governance body	Corporate governance report p. 7	
	2-19 Remuneration policies	Remuneration report pp. 5-6	
	2-20 Process to determine remuneration	Remuneration report pp. 5-6	
	2-21 Annual total compensation ratio	Remuneration report pp. 5-6	
	2-22 Statement on sustainable development strategy	Business overview p. 31	
	2-23 Policy commitments	Business overview p. 31	

	2-27 Compliance with laws and regulations	Corporate governance report p. 5; Business overview p. 31	
	2-28 Membership associations	Business overview p. 19-20	
	2-29 Approach to stakeholder engagement	Business overview p. 17	
	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 2021	3-1 Process to determine material topics	Business overview p. 27	
	3-2 List of material topics	Business overview p. 28	
	3-3 Management of material topics	Business overview pp. 34-45	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Business overview pp. 14-15, 36	
	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. 36	
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	GRI content index	Will be reported in Tesi's impact review H2/2024
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Corporate governance report, pp. 14-16	
	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance report, pp. 14-16	
	205-3 Confirmed incidents of corruption and actions taken	GRI content index	No cases in 2023
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI content index	No cases in 2023
GRI 207: Tax 2019	207-1 Approach to tax	Business overview, p.38	
	207-2 Tax governance, control, and risk management	Business overview p. 38	
	207-3 Stakeholder engagement and management of concerns related to tax	Business overview p. 38	
	207-4 Country-by-country reporting	Business overview p. 38	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Business overview p. 40-41	
	305-2 Energy indirect (Scope 2) GHG emissions	Business overview p. 40-41	
	305-3 Other indirect (Scope 3) GHG emissions	GRI content index	Will be reported in Tesi's impact review H2/2024
	305-5 Reduction of GHG emissions	Business overview p. 39	

GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Business overview p. 43	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Business overview p. 43; Remuneration report p. 5	
	401-3 Parental leave	GRI content index	Statutory parental leave
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Business overview pp. 42-43	
	403-2 Hazard identification, risk assessment, and incident investigation	Business overview pp. 42-43	
	403-3 Occupational health services	Business overview pp. 42-43	
	403-6 Promotion of worker health	Business overview pp. 42-43	
	403-9 Work-related injuries	Business overview p. 43	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Business overview p. 43	
	404-2 Programs for upgrading employee skills and transition assistance programs	Business overview pp. 42-43	
	404-3 Percentage of employees receiving regular performance and career development reviews	Business overview pp. 42-43	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Business overview p. 43	
	405-2 Ratio of basic salary and remuneration of women to men	Business overview p. 43	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	GRI content index	No cases in 2023



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