Tax footprint, management and control in 2021
Tax footprint

A company’s tax footprint illustrates the extent to which the company's activities generate tax revenues for society and the distribution of the tax effect between countries. VTT reports paid and collected taxes as part of its tax footprint. Transparent tax footprint reporting is an essential part of VTT’s responsibility activities. VTT complies with local legislation on the payment, collection and reporting of taxes. In its tax practices, VTT follows the guidelines issued by the Prime Minister's Office to the state-owned companies.

Timely and high-quality management of tax returns and other statutory obligations is a key element of VTT’s tax management. VTT’s tax footprint report covers taxes and tax-like charges, which VTT has a statutory obligation to pay or collect.

At the end of the fiscal year, in addition to the parent company, VTT Group consisted of four wholly owned subsidiaries: VTT Ventures Ltd, VTT International Ltd, VTT SenseWay Oy and VTT Holding Oy. At the end of the financial year, VTT Ventures Ltd owned 20 associated and other companies (so-called spin-off companies) and VTT Holding Oy six other companies. VTT Ventures Ltd’s associated companies are not included in VTT Group’s tax footprint reporting. VTT does not have subsidiaries in countries seen as tax havens.

Like other limited liability companies, the parent company and its subsidiaries are subject to income tax and value added tax based on the Act on the Taxation of Business Income and the Value Added Tax Act.

In accordance with the act on VTT’s incorporation (Act on the limited liability company called VTT Technical Research Centre of Finland Ltd (761/2014)), the state of Finland compensates VTT for the share of value added tax included in costs of purchases and rent of office premises for activities other than business activities based on commercial principles as referred to in Section 1 subsection 1 sub-topic 1 of the Value Added Tax Act (1501/1993). The compensation is adjusted annually on the basis of the most recent value added tax accrued for the company.

The parent company’s taxable income in 2021 was EUR 12.4 million. The parent company has confirmed losses as well as statutory provisions entered in its opening balance sheet. The use of these statutory provisions against realised costs does not constitute taxable income. The statutory provisions have not been recognised as deferred tax assets in the parent company’s financial statements. However, deferred tax assets have been accounted for in the consolidated financial statements in accordance with the prudence principle, by recording EUR 1.6 million in deferred tax assets. The Group’s subsidiaries also have confirmed losses, but in accordance with the prudence principle, no deferred tax assets were recognised in the consolidated financial statement.
The Group’s effective income tax rate in 2021 was 13%. The majority of taxes were paid in Finland.

In the financial year 2021, the Group’s parent company received EUR 109.3 million (previous year: EUR 107.7 million) in government grant. A total of EUR 4.3 million (0 euro) of government grant was carried over from the previous year making the total amount of government grant available EUR 113.6 million (EUR 107.7 million). VTT used EUR 100.6 million (EUR 103.4 million) of the government grant.

As part of the government grant, the parent company received VAT compensation from the Ministry of Economic Affairs and Employment for value added tax included in costs of purchases and rent of office premises for activities other than business activities based on commercial principles. EUR 17.0 million of VAT compensation was used during the financial year (previous year: EUR 19.0 million). In addition, the parent company received EUR 0.5 million of government special grant for the decommissioning of FIR1 research reactor and restoration of Otakaari 3 research facility, and EUR 1.0 million for building a quantum computer.

The parent company received EUR 4.3 million in investment grants (EUR 6.2 million).

The tax reporting of VTT Group is audited by VTT’s auditor Authorized Public Accountants KPMG Oy Ab to the extent that such reporting is included in VTT’s financial statements.
Governance and control system

In all decision-making and governance, the company complies with Finnish laws and regulations and the Articles of Association. The tasks of VTT’s and its subsidiaries’ various bodies are governed by the laws of Finland. VTT complies with the corporate governance principles defined by the Board of Directors, which are based on the Finnish Companies Act. VTT is committed to the Finnish Corporate Governance Code.

According to the Board of Directors’ evaluation, the members of the Board are independent of the company and its significant shareholder (recommendation 10).

The company has deviated from the Corporate Governance Code (2020) as follows:

- Recommendation 2 – issues to be addressed at the general meeting are agreed directly with the State owner (Ministry of Economic Affairs and Employment)
- Recommendation 3 – The members of the Board did not participate in the Annual General Meeting of 2020.
- Recommendation 23 – Remuneration and shareholding of the Board of Directors. VTT is a wholly state-owned limited liability company, the ownership of which is fully held by the State. For this reason, VTT does not pay Board and committee remuneration in shares. In matters related to rewards reporting, VTT complies with the principles of State ownership steering.


VTT and its subsidiaries form a group in accordance with the Finnish Limited Liability Companies Act. VTT prepares its consolidated financial statements, the parent company’s financial statements and its annual report in accordance with the Finnish Accounting Act, the Finnish Accounting Ordinance and the Finnish Limited Liability Companies Act.
Internal control

Internal control and risk management aim to ensure the identification, assessment and monitoring of risks affecting the company's business activities.

All planning and reporting procedures are used as tools for internal control and risk management.

The control environment is based on the values defined in the strategy, and on defined and monitored processes and guidelines. Performance targets, from which personal targets are derived and agreed in development discussions, are set in accordance with VTT’s interactive strategic and action planning procedure.

As particular operational risks to VTT's branch of industry, VTT has identified surveillance and espionage targeting information systems, especially in the cyber environment. This risk has become increasingly emphasised as remote working has expanded over the past year. Effective management of cyber risks requires continuous development of risk management methods both in information systems and in the physical environment. Violation of ethical norms, either unintentionally or as a consequence of negligent actions, was also given particular attention in the risk assessment. The tensions caused by the international political situation contributed to supplementing the export control guidelines.

VTT's sustainability programme was completed, and the Code of Conduct was updated to observe the programme's priorities. Six internal non-compliance notifications were received via whistleblowing channel. Three cases have been investigated and closed, and one is being investigated. Two notifications did not require initiating an investigation after the initial inquiry. A preliminary inquiry was completed in accordance with the process concerning two alleged violations of the Responsible Conduct of Research (RCR). The Ethical Committee released 22 statements concerning issues related to research ethics.
Salary and remuneration report

At VTT, rewarding is a key management tool deployed in support of the organisation’s strategy and the achievement of its goals. Rewarding supports the achievement of excellent results, competence development and continuous improvement of operating methods. In its rewarding practices, VTT aims to be transparent, fair and equitable.

One of the most important elements of financial remuneration is our bonus scheme that allows us to flexibly reward excellent performance. The bonus scheme covers all our human resources, excluding employees eligible for the Leadership Excellence award. About 390 members of staff were rewarded for promoting excellent performance and helping VTT to reach its goals in 2021. In addition, we awarded the Customer Excellence award to six teams (55 persons) for exceptional and exemplary customer work or its development in 2021. The Leadership Excellence award covers approximately 55 VTT management members.

VTT observes the State’s remuneration policy. The VTT Board adopts VTT’s universal remuneration principles and policy annually on the basis of the Human Resources and Remuneration Committee’s proposals. All decisions on employees’ remuneration are made in accordance with VTT’s approval principles (the one-over-one rule).

Benefits, remunerations and rewards

In addition to the President & CEO, the VTT Executive Leadership team includes seven members and a personnel representative.

Neither the President & CEO nor other managers have any benefits, additional pensions or option rights beyond ordinary fringe benefits (telephone benefit).

In 2021, the monthly salary of President & CEO Antti Vasara was EUR 23,000. His total wages include his monthly salary and all fringe benefits (telephone benefit). A holiday bonus is paid in addition to the monthly salary. The retirement age of the President & CEO is 65, and there are no pension arrangements in excess of the statutory level in place for him. The President & CEO has a three-month notice period for resignation. In the event of dismissal by the company, the notice period is six months. The employment contract of the President & CEO does not include any special severance pay clauses.
The salaries and rewards of the President & CEO and the management team are decided by the Board. The table below shows the salaries and other remunerations paid to the company’s management team, including the President & CEO, in 2021 and Leadership Excellence rewards for 2020 paid in 2021.

<table>
<thead>
<tr>
<th>Wages and salaries*</th>
<th>Rewards</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>President &amp; CEO</td>
<td>286,546</td>
<td>29,135</td>
</tr>
<tr>
<td>Rest of the leadership team</td>
<td>1,006,155</td>
<td>95,829</td>
</tr>
<tr>
<td>Total</td>
<td>1,292,701</td>
<td>124,964</td>
</tr>
</tbody>
</table>

*Fringe benefits and holiday bonuses are included in wages and salaries.

**Attendance fees of Board members in 2021:**

<table>
<thead>
<tr>
<th>Board</th>
<th>Participation</th>
<th>Human Resources and Remuneration Committee</th>
<th>Audit Committee</th>
<th>Monthly payments in total</th>
<th>Meeting specific payments in total</th>
<th>Committee’s meeting specific payments in total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiitinen Pekka Tapio</td>
<td>11/10</td>
<td>6/6</td>
<td>3/3</td>
<td>20,700 €</td>
<td>6,300 €</td>
<td>5,200 €</td>
<td>32,200 €</td>
</tr>
<tr>
<td>Antila Heli</td>
<td>11/11</td>
<td>2/2</td>
<td>3/3</td>
<td>9,300 €</td>
<td>6,300 €</td>
<td>2,800 €</td>
<td>18,400 €</td>
</tr>
<tr>
<td>Kola, Jukka</td>
<td>11/11</td>
<td>4/4</td>
<td>1/1</td>
<td>9,300 €</td>
<td>6,300 €</td>
<td>2,900 €</td>
<td>18,500 €</td>
</tr>
<tr>
<td>Leiviskä Harri</td>
<td>11/11</td>
<td>no</td>
<td>4/4</td>
<td>11,550 €</td>
<td>6,300 €</td>
<td>2,300 €</td>
<td>20,150 €</td>
</tr>
<tr>
<td>Moisala Teemu</td>
<td>11/11</td>
<td>4/4</td>
<td>1/1</td>
<td>9,300 €</td>
<td>6,300 €</td>
<td>2,900 €</td>
<td>18,500 €</td>
</tr>
<tr>
<td>Muuranto, Erno</td>
<td>8/8</td>
<td>no</td>
<td>2/3</td>
<td>7,200 €</td>
<td>4,800 €</td>
<td>1,200 €</td>
<td>13,200 €</td>
</tr>
<tr>
<td>Pihlman, Marja-Riitta</td>
<td>11/11</td>
<td>4/4</td>
<td>1/1</td>
<td>11,550 €</td>
<td>6,300 €</td>
<td>2,900 €</td>
<td>20,750 €</td>
</tr>
<tr>
<td>Hietanen Matti</td>
<td>3/3</td>
<td>2/2</td>
<td>no</td>
<td>2,100 €</td>
<td>1,500 €</td>
<td>500 €</td>
<td>4,100 €</td>
</tr>
</tbody>
</table>

6 meetings 4 meetings

Tiitinen Pekka Tapio (Chairman), Human Resources and Remuneration Committee (Chairman), Audit Committee as of 29 April 2021; Antila Heli, Human Resources and Remuneration Committee until 29 April 2021, Audit Committee as of 29 April 2021; Leiviskä Harri, Audit Committee (Chairman); Pihlman Marja-Riitta (Vice-Chair), Audit Committee until 29 April 2021, Human Resources and Remuneration Committee as of 29 April 2021; Kola Jukka, Audit Committee until 29 April 2021, Human Resources and Remuneration Committee as of 29 April 2021; Moisala Teemu, Audit Committee until 29 April 2021, Human Resources and Remuneration Committee as of 29 April 2021; Muuranto Erno (as of 31 March 2021), Audit Committee (as of 29 April 2021); Hietanen Matti Human Resources and Remuneration Committee (until 31 March 2021).