

**General terms and conditions for young innovative companies**

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## 1 Funding for young innovative companies

Tekes provides young innovative companies with grants and loans (hereafter "funding"). The funding is in the form of phase funding. A new funding decision can only be made after the targets set for the previous phase have been achieved.

Funding is only granted for activities that are carried out before eight years have elapsed from the entry of the company in the Trade Register.

A young innovative company must meet the following requirements

- it is small in size
- it is not publicly listed
- less than five years have elapsed from the entry of the company into the Trade Register when financing is granted,
- it has not been established through merger
- it has not yet distributed any profits
- it has invested at least ten per cent of all its business expenditure in research and development at least during one year in the three-year period preceding the granting of the aid. If the company is newly established and does not have any financial history the ten-per cent level must be achieved in the financial statements of the first accounting period. The company must present an auditor's report on its expenditure. The statement template is available on Tekes website.

### 1.1 Applicable laws

These terms and conditions apply to funding that Tekes has granted under the annual state budget, the Act on Discretionary Government Transfers (688/2001), the Act on State Lending and State Guarantees (449/1988), the Act on the General Terms and Conditions of Business Subsidy (786/1997) and Chapters 1 and 3 of the Government Decree on Funding for Research, Development and Innovation (1444/2014). The funding is State aid that is permitted under Article 22 of the General Block Exemption Regulation (Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty; Official Journal of the European Union, L 187, 26 June 2014, page 1).

These terms and conditions have been issued under section 11(4) of the Act on Discretionary Government Transfers and section 3 of the Act on State Lending and State Guarantees.

### 1.2 Openness of funding and exchange of information

The name of the recipient, Business ID, size, sector, region, funding type, day of granting and the amount of funding granted and paid are public information after the approval of the funding decision.

When the recipient disseminates information about the project or its results, it must disclose that Tekes has provided funding for the company.

Under the Act on the Client Information System of Enterprise Services (1039/2010), the Ministry of Employment and the Economy, Finnvera, Tekes, ELY Centres and TE Offices may exchange client information relating to a recipient.

Tekes may also require information from other authorities and funding bodies (such as the Finnish Tax Administration, municipalities, banks, capital investors, Sitra and the Foundation for Finnish Inventions) for the purposes of payment and supervision of funding. Tekes may, notwithstanding confidentiality provisions relating to business and trade secrets, contact these authorities and funding bodies in order to obtain or provide information associated with the recipient and this project. By signing the acceptance notification (Y1), the recipient agrees to the exchange of information.

The recipient must submit the annual accounts and the auditing reports to the Finnish Patent and Registration Office as laid down in the law.

## 2 Monitoring of costs

The recipient must arrange its accounting so that the costs arising from the project can be itemised and their connection with the accounting and the cost statements can be verified.

Monitoring of the working hours allocated to the project must be in accordance with section 3.3.

## 3 Eligible costs

### 3.1 Principles

The following expenditure can be declared as eligible costs:

- expenditure that has arisen from the project during the duration of the project
- expenditure that has been entered in the accounts of the recipient
- expenditure that is in net amount and VAT-exempt.

The costs can be accepted with VAT if the recipient is not liable to pay VAT. The costs on which VAT is payable, may also be declared if they are connected with VAT-exempt operations and the VAT will be payable by the recipient.

Expenditure allocated to the project relating to an order placed before the commencement of the project phase is eligible only when the order can be cancelled if the project does not begin.

The expenses must be fully paid when they are reported to Tekes. The costs must be based on the corresponding expenditure payment records. This does not apply to calculatory costs allocated to the project.

The recipient must, on request, provide the information and documents required as part of the project cost monitoring. These may include copies of receipts, invoice itemisations and the selection criteria for purchased services.

Tekes has the right not to accept costs presented to it if their relevance to the project is not clearly substantiated or they are too large in view of the project results and aims.

Tekes may, at its discretion, accept certain cost statement items in accordance with an accounting practice that is based on unit costs derived from the recipient's own expenditure records. The use of this method must be agreed on a project-specific basis.

Tekes or a party authorised by Tekes has the right to audit the reliability of the accounting system. Tekes may also require that an independent auditor issues a statement on the reliability of the accounting systems.

### 3.2 Procurement procedures

When the funding by Tekes or other public funding covers more than 50 per cent of the cost of a purchase, the recipient must observe the provisions of the Action Public Contracts (348/2007). A competitive bidding process for public procurement must be carried out if the estimated total value of the purchase (excluding VAT) is at least EUR 30,000. If the statutory competitive bidding has not taken place, the aid may not cover more than 50 per cent of the purchase. No competitive bidding is required if the purchase is only allocated to the lending phase.

The recipient must prove that competitive bidding has taken place by attaching a copy of the contract notice published in HILMA ([hankintailmoitukset.fi](http://hankintailmoitukset.fi)) to the cost statement, or by stating why the direct award procedure has been applied.

### 3.3 Wages and salaries

#### a) Working time monitoring

The recipient may declare the wages and salaries without working time monitoring if Tekes only provides it with funding for young innovative companies.

If the recipient also simultaneously receives other funding granted by Tekes, each person working for the project must keep records on their working time on an hourly basis.

- Persons that do not come under the Working Hours Act or that do not have any specific working hours, must, in addition to the working hours allocated to the project, also keep records of their total working time.
- The project-related working hours must be allocated to the days on which the work has been done.
- The accountable project leader or the employee's supervisor must approve the working hours at least on a monthly basis. The approval must be entered in the monitoring system.

Tekes has the right not to accept the wages and salaries in whole or in part if the monitoring of the working time has not been in accordance with the above terms and conditions.

The material related to working times monitoring, hourly monitoring reports and approved monthly summaries must be kept for a period of five years after the payment of the last project funding instalment.

#### b) Declared wages and salaries

Tekes may accept all planned wages and salaries subject to withholding tax as eligible costs. Performance-related pay and other similar items may also be declared if they are an established part of the recipient's wage/salary payment regime.

If the recipient also receives other Tekes funding, it may only declare the proportion of a person's salary that corresponds to the effective working hours allocated to the project and that is based on the monitoring of the working time.

The amount of wages and salaries declared to Tekes

- may not substantially differ from what has been paid to the person in question for corresponding work before the project
- must correspond to the compensation paid to the person by the recipient for other work during the project.

Tekes may, at its discretion, accept the payment of a reasonable salary to a person working for the project who has not been paid any salary for any work before the project.

If the remuneration paid for the work is classified as trade income and not as wages or salary, the recipient must declare it under "Purchases" in its cost statement.

The recipient must report on a wage/salary specification template any wages and salaries paid to persons coming to Finland from or working outside Finland.

### 3.4 Indirect personnel costs

A maximum of 30 per cent of the eligible wages/salaries can be accepted as indirect personnel costs.

Indirect personnel costs include

- social security costs
- other employment costs, such as ordinary personnel training, fringe benefits, workwear and protective clothing.

Tekes has the right to verify all indirect personnel costs and provide the funding on the basis of actual indirect personnel costs when these remain under the level approved in the cost estimate.

### 3.5 Purchases

Purchases may include all costs incurred by the recipient as a result of the project and the costs accruing in the recipient's office outside Finland, in accordance with the approved plan and invoicing.

Purchases from outside the European internal market must be entered under 'Other purchases' in the cost statement. The European internal market means the area comprising the European Economic Area and the Swiss Confederation.

#### **Purchases from other companies in the same group**

Purchases from a group company can be accepted if there is reference to them in the special terms and conditions of the funding decision. Purchased services may account for a maximum of 50 per cent of the eligible project costs.

The group company must observe these general terms and conditions. The recipient must ensure that the group company arranges the project accounting and working time monitoring in a manner that is in accordance with these terms and conditions.

The group company must provide the recipient with an invoice for the services purchased for the project. Tekes may accept costs that the recipient has paid and that the seller has incurred by providing the service. Group-internal administrative costs and items paid as administrative fees are not eligible project costs.

Tekes will accept the paid purchased services without profit. In order to demonstrate the non-profit nature of the services, the group company must provide Tekes with a separate cost statement of the costs arising from the project.

The costs must be declared on the cost statement template Y3, wage/salary specification template Y4 and the accountable project leader declaration Y5. The accountable project leader declaration must be signed by the person authorised to sign for the group company. The templates are available on Tekes website.

The recipient must submit the cost statements of the group companies and, as part of the final report, an auditor's report detailing the costs of the group company. The auditor's report must be on a template provided by Tekes. The auditor's report must be prepared by an independent auditor. The report template is available on Tekes website.

A maximum of 30 per cent of the eligible wages/salaries can be accepted as indirect personnel costs.

#### **Purchases from foreign group companies**

Direct project costs are accepted as eligible costs. Indirect personnel costs are not accepted as eligible costs. Exchange rates on the date of payment are applied to invoices submitted in a foreign currency.

Foreign group companies must submit the cost statements and auditor's reports prepared by independent auditors. The auditor's report, which must be on a template provided by Tekes may be in Finnish, Swedish or English. The templates are available on Tekes website.

#### **Purchases from other associated companies**

Services purchased from other associated companies are not eligible costs. Companies are considered each other's associated companies if at least 20 per cent of the other company's share capital or corresponding equity is directly or indirectly owned or controlled by the other company. Tekes may also consider companies as associated companies if the other company has a controlling interest in the other company or can in other ways influence where the other company makes its purchases. Such a

situation may arise when the companies have a common Board member, an accountable person, a family member, an employee and/or a funding body.

### 3.6 Ineligible costs

The following costs are not accepted as eligible costs

- costs for export-related activities (running costs directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity)
- expenditure arising from voluntary insurance payments, financing costs, gifts and stipends
- the recipient's funding share for a project implemented in a research organisation
- any financing, administration, insurance, repair, maintenance or equivalent costs arising from acquisitions financed through a part payment agreement
- costs that are not essential and/or reasonable concerning the achievement of the goals referred to in the funding decision
- other costs that are not included in the project plan
- costs for which public funding that may not be combined with other types of public funding is allocated (for example, the payroll costs of a person who has received a startup grant for the same period)
- payroll costs for which a pay subsidy has been received
- services containing other public funding.

## 4 Other public funding

The recipient must include the information on all other public funding to the project in the cost statement (funding from the state, municipality or other public organisation or foundation). Funding granted by the European Union must also be reported.

Simultaneously with this funding, the recipient may receive other public funding only for those costs for which it does not receive Young Innovative Companies funding. If the recipient receives other public funding without identifiable eligible costs, the other public funding is taken into account when the maximum funding of the young innovative company is determined. If necessary, Tekes will reduce its own contribution to ensure that the maximum amount is not exceeded.

## 5 Reporting

The accountable project leader must submit reports on the project's progress through Tekes online service. The costs allocated to the project must also be declared online.

An extract from the nominal ledger or receipt-specific itemisation (N6) and the wage/salary specification (Y4) must be appended to the cost statement submitted through the online service. An auditor's report must also be submitted as part of the interim and final reports (see section 6).

The recipient must present all expenditure accepted as project costs as part of the final report at the latest. No new project costs can be presented after the approval of the final report.

The costs that have been preliminarily approved on the basis of the interim report must also be included in the final report. Tekes will only give its final approval to the costs after it has received the auditor's report.

## 6 Auditor's report

The recipient must submit an auditor's report prepared by an independent auditor as part of the interim and final reports. The report template is available on Tekes website.

The auditor must give special consideration to ensuring that project accounting, the monitoring of working time and the integrity of the traceability chain are in accordance with these terms and conditions.

The costs arising from the auditor's report produced by the project auditor can be accepted as direct project costs. The recipient must provide Tekes with a copy of the audit invoice and payment receipt/copy of the bank statement as part of the final report.

Tekes has the right to deliver the auditor's report to other authorities for the purposes of funding supervision.

## 7 Payment of funding

Tekes will provide the funding on the basis of approved reports and cost statements.

The funding will be deposited into the bank account indicated by the recipient in the acceptance notification. The notification must be signed by a person that has the right to sign for the organisation.

If the project has accumulated a sufficient amount of eligible costs, at least 10 per cent of the funding granted for the project will only be paid after the approval of the interim or final report.

A maximum of 30 per cent of the first loan instalment can be paid in advance.

The final loan instalment is 20 per cent of the principal of the loan granted by Tekes. It will be paid after the approval of the final report if the project has accumulated a sufficient amount of eligible costs.

If the final report shows that, including the advance payments, the loan payments exceed the eligible costs, the recipient must return the excess amount.

Tekes also has the right to withhold payment of the full loan amount intended to cover the costs detailed in the interim report if the project costs do not accrue as planned.

The State Treasury is responsible for administering the loan and the related practical payment arrangements. The loan recipient must comply with the terms and conditions set out in the bond issued by the State Treasury.

The recipient must apply for the final funding instalment from Tekes when it submits the final project report and the final cost statement. Any funding that the recipient applies for after that will not be granted. The loan must be drawn at the State Treasury within six months of the date of the payment decision letter issued after the final report and final cost statement.

Entitlement to the granted funding or part of it will lapse if the recipient does not submit the requested reports or further information by the due date specified in the funding decision or separately notified by Tekes. Furthermore, Tekes will recover any funding already paid, with interest.

Tekes has the right to withhold funding in connection with the interim report if the sum to be paid is too small when compared with the total funding.

## 8 Reporting after the completion of the project

Tekes will continue to evaluate the impact of projects after their completion. If necessary, the recipient must report on project results for five years after the completion of the project.

The recipient must, on request, provide the data on the realisation of the plans and forecasts that it had presented during the processing of the application and the implementation of the project. Tekes may request a report on how the business targeted in the project has developed.

Tekes must have the right to audit the recipient's annual accounts and auditing statements kept in the Finnish Patent and Registration Office database for a period of five accounting periods following the completion of the project and to commission an analysis of the recipient's annual accounts from another public funding agency.

## 9 Changes to a project

The recipient must submit an application to Tekes in advance if the project deviates from the original project plan in the following aspects:

- significant changes to the project plan
- changes to the schedule
- changes to a reporting deadline
- appointment of a new accountable project leader
- changes to bank details.

The recipient must immediately notify Tekes of other significant changes to the project, for example if there are changes to key personnel resources.

The application can be submitted on the project change template available on Tekes website. Send the application via the following secure connection: <https://asiointi.tekes.fi/suojaposti>.

## 10 Project transfer, IPR and approval of corporate reorganisation.

The funding decision may not be transferred to a third party.

The recipient must ensure that the ownership, title and industrial property rights to the results generated in the project belong to the recipient in accordance with the law or under a separate agreement. If the recipient uses industrial property rights belonging to third parties (incl. employees and owners) in the project, the recipient must ensure that it possesses adequate rights for using these industrial property rights in the business operations carried out in accordance with the project plan.

The recipient must notify Tekes in advance if, during the project, within five years of payment of the final funding instalment and before the principal and interest on a loan have been settled in full, it

1. sells, gives as security or otherwise assigns business or any part thereof generated in the project
2. sells, gives as security or otherwise assigns industrial property rights or other rights generated in the project
3. moves its business operations abroad, or
4. undertakes other significant business changes or reorganisation (such as merger, division, significant changes in ownership, and significant personnel cutbacks that affect the operations funded by Tekes).

Tekes must give its approval to the measures referred to in this section that are carried out outside the European internal market or that may undermine the realisation of the targeted project impacts or that make it more difficult for the recipient to repay the loan. No approval is needed if licensing is an integral part of the business originally targeted as part of the project.

Tekes may give its approval if the targeted project impacts can, for the most part, be achieved and the loan repayment secured despite the changes.

Tekes has the right to claw back the funding under section 15 of these general terms and conditions if the recipient breaches the provisions laid down in this section.

## **11 Amendments to lending terms**

In the event that the achievement of the recipient's business targets is significantly delayed due to barriers to market entry or if the innovative development work that the business is based upon proves to require more time than anticipated, the loan term may be extended to a maximum of ten years. The grace period may not exceed five years. The principal and interest of the loan may not be waived.

If the recipient has essentially neglected its loan repayment obligations Tekes may only make changes to the lending terms on extremely weighty grounds.

## **12 Monitoring by the authorities**

The recipient must provide Tekes with correct and adequate information so that Tekes can monitor adherence to the terms and conditions of the funding decision and the implementation of the project.

Tekes, the National Audit Office, the European Commission and the European Court of Auditors have the right to audit the finances and operations of the recipient as required by the payment of the funding and supervision of its use.

The audits can be performed by other authorities or auditors authorised by Tekes to carry out the task. An external expert may, at Tekes' request, assist in the performance of the audit.

The right to audit will remain in force for five years from the payment of the last project instalment. All project documentation and other material necessary for the supervision and audit must be kept for the same minimum period.

The recipient must assist in the audit and provide the auditor with the necessary information free of charge.

The auditor has the right to seize any material subject to audit, if auditing so requires. A written record must be drawn up of any seizure of materials during an audit. The record must state the purpose of seizing the material and what has been seized. The seized material must be returned immediately when it is no longer needed for the audit.

The party performing the audit has, to the extent required by the audit, the right to enter the premises managed or used by the recipient. This applies to the business, storage and other similar premises used for practicing a profession or a business and other areas that are relevant to the granting of the funding and the supervision of its use. Audits may not be carried out in premises covered by domestic peace.

## **13 Discontinuation of payments**

Tekes may order the interruption of the payment of the funding on following grounds:

1. Tekes has reasons to suspect that the recipient does not provide Tekes with correct or adequate information or the information that has been requested or uses the funding in a manner that is in violation of the funding decision.
2. The grounds on which the funding was granted have essentially changed. Such changes include situations where
  - a. the recipient deviates from the project plan without a written authorisation granted by Tekes
  - b. there is a substantial deterioration in the recipient's financial position in relation to the anticipated trend
  - c. the company loses its own capital
  - d. the company seeks corporate reorganisation
  - e. the company accumulates tax debts
  - f. the company has failed to adhere to the repayment obligations concerning the loans granted by Tekes.
3. payment of the funding must be interrupted under the European Union legislation.

If the grounds for the interruption are not corrected within the time specified in the decision to interrupt funding, Tekes has the right to discontinue the funding and to claw back the funding already paid in whole or in part.

## 14 Repayment of funding

The recipient must, without delay, repay any funding or part thereof received through error, in excess or manifestly without cause. Amounts of less than ten euros need not be repaid. The recipient must contact Tekes before the repayment of funding.

## 15 Claw-back of funding

### 15.1 Statutory claw-back

Tekes will issue a decision ordering the discontinuation of the payment of funding and the claw-back of funding already paid if the recipient has

1. failed to repay funding or part thereof that must be repaid under section 14 of these general terms and conditions
2. used the funding for a purpose essentially different from that for which it was granted
3. provided false or misleading information about a matter that has been essential to the granting of the funding, its amount or terms and conditions
4. otherwise essentially violated against provisions concerning the use of the funding in a manner comparable to paragraphs 1-3.

### 15.2 Discretionary claw-back

Tekes may order the discontinuation of funding and the claw-back of funding or part thereof already paid if

1. false or misleading information has been provided for the purpose of payment or supervision of the funding, information has been concealed, the provision of the required information has been refused or the information requested by Tekes has not been provided by a specific date
2. the funding has not been used in compliance with the funding decision
3. the recipient has refused to assist in the project audit
4. the recipient has terminated the project for which the funding was granted, reduced or altered it substantially or transferred it to another party
5. the recipient has been subjected to recovery proceedings, placed into liquidation or bankruptcy, or made subject to reorganisation proceedings
6. the claw-back of funding is required under European Union legislation
7. the recipient otherwise acts in a manner comparable to the matters in this section.

### 15.3 Interest

The recipient must pay interest on the amount to be repaid or clawed back.

The interest is applied from the date of payment. It is calculated as an annual interest to which three percentage points are added. The annual interest is determined in accordance with section 3(2) of the Interest Act (633/1982).

### 15.4 Penalty interest

If the recipient has not paid the amount to be repaid by the due date set by Tekes, an annual penalty interest must be paid on the amount.

For the period after the due date, the penalty interest is in accordance with the interest rate referred to in section 4(1) of the Interest Act (633/1982).

### 15.5 Moderation of grant claw-back

Tekes may decide that a part of the sum to be repaid or clawed back, and any interest or penalty interest on it, will not be clawed back if repayment in full is unreasonable in light of the financial standing and circumstances of the recipient or in relation to the type of property acquired with the grant or in relation to the procedure on which the claw-back is based or because of a change in circumstances.

On extremely weighty grounds, Tekes may decide not to collect the sum to be repaid or clawed back and the interest or penalty interest on it at all.

### 15.6 Claw-back time limitation

The funding and interest or penalty interest on it will not be clawed back if ten years have elapsed from the payment of the final instalment of funding for the project.

## 16 Tekes' right of offsetting

The grant to be repaid or clawed back and the interest on it may be deducted from the other grants paid to the recipient. The State Treasury is entitled to exercise the same right of offsetting in relation to loans granted by Tekes.



**17 Misuse**

If, during the course of the project, there is reason to suspect that the recipient or a person acting on the recipient's behalf has committed a criminal offence under the Criminal Code (19 December 1889), with Tekes as the injured party, Tekes will take the required action in the matter.

**18 Order of application**

In the event of a conflict between the funding decision and the appendices to it, the following order of application will apply:

- |  |  |
|--|--|
| 1) the funding decision and any special terms and conditions thereof | 4) the project plan                                      |
| 2) these general terms and conditions                                | 5) the funding application and the appendices to it      |
| 3) the cost estimate   | 6) any other documents relevant to the funding decision. |

**Disclaimer**

This English translation of these general terms and conditions is provided for guidance only. Tekes shall not guarantee the accuracy of the translated text. For interpretation purposes, the Finnish-language version shall apply.

**Appendices Funding decision acceptance notification (Y1)**