

**BUSINESS
FINLAND**

**SOCIAL
RESPONSIBILITY
REPORT 2020**

Translated from the original Finnish version



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1 REVIEW BY THE DIRECTOR GENERAL

STRATEGY AND SUSTAINABILITY

Business Finland underwent a reform in 2020. Over the course of the year, Business Finland prepared a new strategy, renewed its organization, and assisted companies affected by the COVID-19 crisis by means of funding for disruptive circumstances. Our new strategy extends until 2025. The key changes in the strategy will be reflected as a more client-oriented service and a better employee experience. We are more proactive and seize the opportunities provided by major social changes. Sustainability is at the heart of our strategy and operations.

Through the strategy, we will invest in three core areas: economic growth, sustainability and strengthening of competitiveness. A healthy economy is a prerequisite for wellbeing. We promote the growth of the Finnish economy to create comprehensive wealth and wellbeing in Finland. Sustainable development enables economic growth in the long term. The demand for sustainable solutions creates new and rapidly growing market opportunities. Sustainability includes three dimensions: economic, ecological, and social sustainability. Ensuring competitiveness is a prerequisite for creating prosperity and wellbeing in the long term. Our task is to promote and support the devel-

opment of Finnish expertise, so that Finland will succeed globally also in the future.

The theme of sustainability is also strongly reflected in tourism. Visit Finland has developed a program and a label called Sustainable Travel Finland designed for tourism companies and destinations in Finland. The idea with the Sustainable Travel Finland label is to provide companies and destinations with a concrete toolkit for sustainable tourism that makes it easier to adopt sustainable practices and choices in their everyday business. The first couple of dozen companies received their Sustainable Travel Finland labels in June.

In spring 2020, Business Finland launched a survey into its impact on achieving low-carbon emissions and its role in this work. The survey was carried out by Gaia Consulting Oy. According to the report, Business Finland has funded low-carbon energy solutions with an estimated two billion euros between 2006 and 2019. At the same time, Business Finland has challenged Finnish companies to join the growing international low-carbon solution markets. Persistent investments have created business for Finnish companies, promoted the trailblazer status, and reduced emissions.

BUSINESS FINLAND IS MORE CLIENT-ORIENTED

The main objective with the strategy is to ensure that Business Finland's experts and services assist Finnish companies, research organizations, and public organizations to succeed globally, develop sustainable solutions and functions, and boldly renew their operations.

In addition to the new strategy, Business Finland renewed its organization in 2020. The new organizational structure is clearer and more client-oriented. Measures related to the organizational change were made the latter part of 2020, and the new organization was introduced on 1 January 2021.

COVID-19 also had an impact on Business Finland's work. The entire organization started working from home in March, and learning to use the new tools and working methods required a major learning effort from the personnel.

In the most recent employer image survey of employer branding expert organization Universum in 2020, professionals from the commercial sector chose Business Finland as the most attractive employer in the public sector, for the second year in a row. Business Finland also reached the top ten among all Finnish employers in the commercial sector for the first time (ranking 9).

BUSINESS FINLAND ALLOCATED ALMOST ONE BILLION EUROS IN FUNDING FOR DISRUPTIVE CIRCUMSTANCES DURING THE CORONAVIRUS YEAR

Business Finland's year 2020 was characterized by the COVID-19 pandemic. Business Finland granted a total of EUR 1,052.6 million of funding for in disruptive circumstances in the form of grants and loans to a little over 20,000 projects. Most of the applications were processed by the end of August. Most funding was granted to the retail sector, industry, and the tourism and hospitality industry. Approximately half of the companies use the funding for disruptive circumstances to develop digital solutions. During the crisis, Business Finland's support assisted companies in coping with the negative effects of the coronavirus pandemic.

Nina Kopola

2 MANAGING SOCIAL RESPONSIBILITY AND KEY THEMES IN BUSINESS FINLAND

Business Finland discharges a service duty handed down by the Finnish state and assigned to it by law. For that reason, social responsibility is a key part of Business Finland's operations, and it is managed as a part of everyday activities. Business Finland boosts new, sustainable growth in Finland through innovation and international cooperation. Business Finland is working for Finland. The performance agreement made with the Ministry of Economic Affairs and Employment every year sets out Business Finland's targets for the forthcoming year, as well as the indicators used to measure performance against the targets. Business Finland reports on the achievement of these targets in the Funding Agency's annual report. The same targets also direct the social responsibility of Business Finland.

The key themes and main principles of Business Finland's social responsibility have remained the same as in the previous years. The key themes and main principles for social responsibility consist of four main themes, each with related sub-areas. These four key themes constitute the core of Business Finland's operations, and they are inextricably linked. None of the themes can be prioritized over the others. Business Finland's strategy

states that Business Finland works in the interests of Finland and Finnish society, and this can be considered the starting point for all of Business Finland's activities. Finland wants to be a responsible actor also on the international stage, and operating responsibly in Finland's best interests will also advance this goal. Operating in the best interests of society requires responsible activities when providing funding and expert services and in Business Finland's own operations. A good customer experience, meanwhile, is closely connected to a good employee experience. Business Finland realizes its work in the best interests of Finnish society through its clients, and it is important that the work involves listening to the clients. We receive valuable feedback from our clients and other external stakeholders in order to develop our operations.

The key themes and main principles have been found to be important in discussions by the leadership team and the Board of Directors. When the themes were defined in 2018, persons responsible for the different functions in Business Finland were interviewed and feedback received from stakeholders on Business Finland's operations was taken into account.

In 2021, Business Finland will re-examine the key themes and main principles, and update them to comply with the strategy for the new strategy period that begins in 2021.

The key themes and main principles of Business Finland's social responsibility in 2020 are described below. The effects of Business Finland's key social responsibility themes and main principles, both direct and indirect, as well as the areas affected by the effects, are described in the same connection.

BUSINESS FINLAND IS A RESPONSIBLE FUNDER AND SERVICE PROVIDER

Business Finland's key customer service value is trust. Business Finland complies with Finnish and EU legislation, as well as the laws and methods of the countries in which it operates, good governance, and regulations on conflicts of interest. The Code of Conduct, which brings together Business Finland's principles for responsible operations, guides Business Finland's operations. Business Finland also takes into account the UN Sustainable Development Goals in its operations. Business Finland monitors the use of its funding and keeps track of the quality of its operations through regular audits. Business Finland complies with the Act on the Openness of Government Activities but restricts access to confidential data through operating instructions and information system solutions.

The effects of Business Finland's funding and expert services are directly targeted to the clients receiving the funding or expert service. Indirect effects also affect Finnish society through the creation of new jobs and the growth of export and the economy.

BUSINESS FINLAND WORKS IN THE BEST INTEREST OF FINNISH SOCIETY

Business Finland works in Finland's best interests. Business Finland creates new growth by helping companies to internationalize, by supporting and funding innovation, and by attracting foreign investors and visitors to Finland. Business Finland knows its financial responsibilities.

In this respect, the immediate effects affect Business Finland's clients. Indirect effects affect Finnish society through the creation of new jobs and the growth of export and the economy, for example.

BUSINESS FINLAND OPERATES RESPONSIBLY AND AIMS FOR A POSITIVE EMPLOYEE EXPERIENCE

Good governance and Business Finland's Code of Conduct guide operations in Business Finland. Business Finland aims to prevent and reduce the harmful environmental impact from its operations and promote the sustainable use of natural resources. Business Finland aims to make responsible purchases.

Business Finland's regional activities promote the accessibility of its services and take into account its clients' needs and special characteristics in all the regions in Finland and around the world.

Personnel wellbeing and motivation are important to Business Finland. Business Finland's decision-making takes into account the impact on personnel wellbeing. Business Finland values diversity and promotes equal treatment and non-discrimination in recruitment, remuneration, development of personnel competences, and career progression. Business Finland does not tolerate harassment, abuse, or bullying of any kind in its work community.

In terms of responsibility and good governance, the results affect on one hand Business Finland's clients and stakeholders and on the other also Business Finland's personnel. The environmental effects of Business Finland's own operations mainly concern energy consumption at the offices and travel. The effects are mainly limited to environment in Finland, but through travel and the foreign offices also elsewhere in the world. The regional operations of Business Finland affect Business Finland's clients, both regionally and internationally. A positive employee experience is connected to a positive customer experience and, in this way, has a direct impact on Business Finland's personnel and also on Business Finland's clients. It also has an indirect impact on Finnish society and its wellbeing.

BUSINESS FINLAND OPERATES IN A CLIENT-ORIENTED MANNER AND COOPERATES WITH STAKEHOLDERS

Business Finland continuously develops its customer service to optimally assist its clients. Business Finland regularly monitors customer satisfaction and the feedback received from clients. Business Finland also works in active cooperation with other stakeholders, listens to the feedback from stakeholders, and makes use of the feedback in its operations.

Stakeholder cooperation has a direct impact on the operations of the clients and stakeholders, as well as on Business Finland's operations. Indirect effects of stakeholder cooperation influence, for example, the operating environment of companies, innovation policy, and R&D&i activities in Finland.

3 BUSINESS FINLAND AS AN ORGANIZATION



3.1 OWNERSHIP STRUCTURE AND COMPANY FORM

Business Finland started its operations at the beginning of 2018 when Tekes, the Finnish Funding Agency for Innovation, and Finpro, which provided internationalization services, were merged. Business Finland consists of the Innovation Funding Agency Business Finland (the Funding Agency), which falls under the administration of the Ministry of Economic Affairs and Employment, and Business Finland Limited (the Company), which is a special-purpose company managed by the Funding Agency and wholly owned by the state. The Funding Agency and the Company form a functional entity and are managed through a common strategy. The performance agreement for the Funding Agency for 2020 also applies to the Company. Business Finland Oy Group consists of Business Finland Oy, FinChi Innovation Center Company Ltd operating in Shanghai, China, Business Finland USA Inc. operating in the USA, and Finpro Finland Oy, which is registered in Finland and does not have any active operations. Business Finland Oy is the parent company of the Group, and the other companies are fully owned subsidiaries.

Capital investment company Business Finland Venture Capital Ltd also operates under the Funding Agency.

The Business Finland entity is part of the Team Finland network. Team Finland is a network of public entities that offers internationalization services to companies and coordinates the services offered by different entities into a client-oriented package. The steering of the Team Finland network is the responsibility of the Ministry of Economic Affairs and Employment and the Ministry for Foreign Affairs, while Business Finland is responsible for the operational coordination of the network at the national level and Centres for Economic Development, Transport and the Environment (ELY Centres) coordinate local activities.

3.2. SIGNIFICANT CHANGES AND EVENTS IN THE ORGANIZATION

Significant changes took place in Business Finland in 2020. Business Finland renewed its strategy and organization. The new strategy and organizational structure changed the operating models, which is why co-operation negotiations on a significant change in the role of approximately 100 persons were conducted. The new organizational structure also led to a recruitment process in the senior and middle management.

The COVID-19 pandemic also had a significant impact on Business Finland's operations. Business Finland launched new financial services to support companies suffering from the coronavirus and granted funding for

disruptive circumstances totaling EUR 1,052.6 million in the form of grants and loans to slightly more than 20,000 projects. To implement the service, a funding handler team was quickly set up to prepare the presentation of funding projects and the processing of the projects' final reports. The team was partially assembled from within the Business Finland organization, but nearly 60 temporary employees were also hired. Due to the restrictions caused by the coronavirus, the work and management of the disruption funding team, including induction of the employees, were handled virtually. In 2020, Finnish Parliament granted both authorizations and appropriations for grants and loans due to the pandemic through several supplementary budgets. The disruption funding also affects the comparability of data with regard to financial figures, the number of clients, and funding data.

Due to the restrictions caused by the pandemic, Business Finland's employees have mainly worked remotely since mid-March. Learning to use the new tools and working methods has required a major learning effort from the personnel.

In 2020, the offices in Myanmar and Hong Kong were closed in the international network of Business Finland Oy.

Clarifications in the legislation on Business Finland were prepared together with the Ministry of Economic Affairs and Employment in 2020. The preparatory work will continue in 2021. The main focus in the preparations has been in clarifying the duties of the Funding Agency and

the Company. The legislative amendment is based on a decision made by the Deputy Parliamentary Ombudsman on March 19, 2019 (EOAK/883/2018).

3.3 BRANDS, PRODUCTS, AND SERVICES

Business Finland provides funding and expert services to companies who aim to bold growth of their operations and renewal on the international markets. Research organizations and public organizations cooperating with the companies are also Business Finland's clients. Business Finland's services include services related to export and internationalization, building ecosystems, funding, programs, and to promotion of tourism and investments in Finland.

Business Finland assists Finnish companies in entering the global market and advises companies at all stages of the internationalization process. Business Finland identifies promising business opportunities on the market and assists in finding suitable partners and contacts. Business Finland also offers advice on European Union research and innovation funding and arranges trips by delegations to enable companies to meet potential clients.

Business Finland provides funding for research, product development, and a wide range of business development needs.

The programs of Business Finland offer the internationalization and innovation funding services of Business Finland as packages that have been customized in

accordance with the goals and target groups of each program. For ecosystems, Business Finland offers networking, internationalization, and funding services.

Visit Finland, which is an active national tourism industry expert operating as part of Business Finland, is responsible for promoting tourism in Finland. Visit Finland assists travel companies operating in Finland to internationalize, develop, sell, and market competitive and high-quality travel products.

Invest in Finland, a part of Business Finland, assists foreign companies in identifying business opportunities in Finland, generates information about Finland as an investment target, as well as develops and coordinates national investment acquisitions by actively networking with regional and international actors.

Business Finland's main brands under the Business Finland umbrella are the above-mentioned Visit Finland and Invest in Finland. Our most important brands also include Good News from Finland. Good News from Finland is a service that compiles positive and globally interesting news topics related to Finnish business and innovations. Business Finland is also closely connected to the Team Finland brand.

3.4 SIZE OF THE ORGANIZATION

The total number of employees (persons with an employment contract with Business Finland) was 680 people on December 31, 2020 (in 2019: 619). A total of 133 people had an employment contract with the Funding

Agency (in 2019: 125, in 2018: 260) and 547 people with the Company (in 2019: 494, in 2018: 335). The number and structure of personnel is described in more detail in Chapter 6.1.

In 2020, the Funding Agency has access to a total of EUR 1,716.6 million in budgeted appropriations and EUR 47.5 million in appropriations carried forward from previous years, totaling EUR 1,764.1 million. This amounted to an increase of 142% from the previous year. In 2020, Parliament granted more authorizations and appropriations for grants and loans through several supplementary budgets due to the coronavirus pandemic. In addition to the above-mentioned funding, the Funding Agency had access to appropriations from the Ministry for Foreign Affairs totaling EUR 5.8 million (including appropriations of EUR 4.7 million carried over from previous years).

Operating income of Business Finland Oy and its subsidiaries, excluding de minimis appropriations (EUR 770 million), amounted to approximately EUR 88.6 million in 2020. The corresponding figures in 2019 were EUR 90.4 million and de minimis appropriations of EUR 13.7 million. Of the 2020 operating income, EUR 83.3 million were services sold to the Funding Agency. The large increase in the de minimis appropriations was due to the funding for disruptive circumstances created due to the pandemic. The finances of the Funding Agency and the Company are reported in more detail in the respective organizations' financial statements.

In 2020, funding totaling EUR 2,722 million was applied from Business Finland (in 2019: EUR 843.5 million). The funding for disruptive circumstances amounted to EUR 1,668 million of this amount. A total of 35,027 funding applications were submitted (in 2019: 6,803), of which 29,287 were for disruption funding. A total of EUR 1,734 million of funding was granted (in 2019: EUR 588.7 million), of which funding for disruptive circumstances amounted to EUR 1,053 million. A total of EUR 1,612 million of the funding was granted to companies (in 2019: EUR 477.1 million), and a total of EUR 1,053 of this sum was funding for disruptive circumstances. A total of EUR 123 million of funding was granted for research purposes (in 2019: EUR 111.7 million). EUR 1,029 million of the granted funding to 22,321 projects were funding decisions made by Business Finland Oy. Of these, EUR 994 million was funding for disruptive circumstances. The amounts of funding applied and granted include membership fees. In 2020, EUR 28.0 million of the funding granted was membership fees.

In 2020, Business Finland had a total of 23,070 corporate clients operating in Finland, of which 18,290 received funding for disruptive circumstances. The number of clients excluding disruption funding clients in 2020 was 6,900 (in 2019: 7,800, in 2018: 7,700). The figures do not include clients of Invest in Finland or Visit Finland. In 2020, Business Finland's clients included a total of 37 research organizations (in 2019: 34, in 2018: 29),



the majority of which were universities, institutions of higher education, and universities of applied sciences all around Finland.

3.5 GOVERNANCE

The Funding Agency has a Board of Directors that steers, monitors, and supervises the operations of the Business Finland entity and decides on the overall strategy and other general policies, taking into account objectives set by the Ministry of Economic Affairs and Employment and the principles and policies of ownership steering.

Business Finland's Audit Committee assists the Board of Directors in managing its supervisory responsibility. The Audit Committee assists the Board of Directors to ensure, with regard to the entire Business Finland entity, that accounting is properly organized and that internal control, risk management, the compliance function, Internal Audit, and auditing have been arranged in accordance with laws, regulations, and principles confirmed by the Board of Directors.

The Director General of the Funding Agency is fully responsible for the operational management of Business Finland. The Director General manages the entity consisting of Innovation Funding Center Business Finland and Business Finland Oy, and is responsible for the overall development of the operations and monitors that the duties assigned to Business Finland are carried out efficiently and appropriately. The leadership team assists

the Director General in managing the Business Finland entity and the Funding Agency.

Business Finland Oy's annual general meeting decides on the matters within the meeting's remit as specified by law and the articles of association. The Business Finland entity operates as a single functional entity in which Business Finland Oy's Board of Directors primarily ensures that the owner's wishes are realized in the Company.

The Ministry of Economic Affairs and Employment nominates Team Finland's leadership team, which consists of some of the most influential members of the Team Finland network and stakeholders. Team Finland's leadership team manages the coordination of Team Finland's network and operations, as well as continuous development.

3.6 REPORTING PRACTICES

Business Finland was established on January 1, 2018. Business Finland's first social responsibility report was prepared for the financial year January 1 to December 31, 2018 and the next for the financial year January 1 to December 31, 2019. The data from 2018 and 2019 is used as benchmark data in this report for 2020, where applicable. Part of the information is taken from the financial statements of the Funding Agency and the Company, where comparison data is also available, or the re-

port states that the information is available in the above documents.

The social responsibility report covers Business Finland as a single entity, differentiating the information for the Funding Agency from the Company where necessary. Business Finland Venture Capital Oy prepares its own social responsibility report. This report covers the realization of Business Finland's social responsibility in line with the key themes and main principles specified in Chapter 2 for the financial year from January 1 to December 31, 2020. Business Finland's social responsibility is reported annually. The report has been prepared in accordance with the GRI Standards for Corporate Responsibility Reporting Framework: Core option. The report has not been externally audited.

The strategy reform of Business Finland will influence the 2021 report, the key themes of social responsibility, and the structure of the report. Furthermore, central government will adopt a unified responsibility reporting scheme on which the State Treasury will issue instructions in 2021. This will also influence the content and structure of the 2021 report.

4 BUSINESS FINLAND'S OPERATIONS AS A RESPONSIBLE FUNDER AND PROVIDER OF SERVICE FUNCTIONS

4.1 CORPORATE RESPONSIBILITY AND GOVERNANCE

Business Finland must operate responsibly in order to meet the targets set for its operations. Business Finland complies with laws, regulations, operating methods, and good governance in Finland, the EU, and the countries in which it operates. Business Finland's operations are closely regulated. The operations are governed by relevant special legislation, national and European regulations on state aid, and, with regard to the company-form operations, the Limited Liability Companies Act. When carrying out public administrative tasks, Business Finland complies with general legislation on governance. The core tasks of Business Finland are laid down in the Act on Innovation Funding Centre Business Finland and a limited liability Company called Business Finland (1146/2017). The work of Business Finland is also guided by a performance agreement signed with the Ministry of Economic Affairs and Employment and other guidelines.

In addition to laws, regulations and performance agreements, Business Finland has general rules and guidelines that guide the way Business Finland operates

with regard to its clients, personnel, and partners in all of its functions. The most important of these are the Business Finland Code of Conduct, Guidelines on Affiliations, risk management policy, management principles, the information security policy, data protection guidelines, and different types of security guidelines. With regard to human resources, the most important guidelines and policies are the equality plan, the early intervention model, policies on the use of personnel resources, accidents and occupational diseases, inappropriate behavior and its management, the substance abuse model, sanctions for neglects and violations, training support, guidelines for threatening customer service situations, and the occupational health and safety program. Business Finland's customer service work is also guided by a customer service handbook. Instructions, policies, and regulations relating to funding activities have also been compiled into a handbook.

The Business Finland Code of Conduct brings together the main principles of responsible operations, which include the principles of good funding and general good operations principles, policies on the openness and confidentiality of information and operations, principles

concerning operating in the working community and a description of the target work culture, guidelines on disqualification and insider information, and policies and guidelines concerning malpractice. These principles are described in more detail in the following chapters. It is important that people are able to trust Business Finland. Trust is upheld by operating responsibly. Business Finland requires all of its employees to comply with the ethical guidelines. Business Finland also expects its contractual partners to adhere to these principles in their activities related to the contractual relationship. Business Finland's Board of Directors approved the Code of Conduct at the end of 2018. Work on cascading the policies continued in 2019. An online training course was prepared to help the organization cascade the policies, and all of Business Finland's employees are required to complete it. This online training course is also part of the orientation of a new employee.

To avoid conflicts of interest and ensure neutrality, Business Finland complies with the disqualification regulations and internal principles applicable to its operations or the pertinent part thereof. The Business Finland Code of Conduct includes principles on bribery, anti-corruption, and hospitality. Business Finland's internal PR and hospitality instructions are also followed. Business Finland does not accept or offer any monetary or other gifts that could harm Business Finland's reputation or public trust in Business Finland.

Business Finland treats its clients in an unbiased, equal, and appropriate manner. Business Finland does not accept money laundering or any other unlawful activities in its operations. Business Finland always handles the information received from its clients with utmost care in accordance with law and as required to ensure confidentiality. Business Finland arranges competitive tendering processes in an appropriate and unbiased manner as required by legislation and by its procurement guidelines. Business Finland aims to use public funds as efficiently and prudently as possible.

Business Finland complies with information security guidelines and rules, and adequate care and caution are applied when processing data and using information systems. Business Finland complies with applicable laws whenever it processes data, and ensures that privacy is protected when processing personal data. In 2020, there were a total of nine reported data security non-conformances, but they did not include any reports of confidential client data ending up in the wrong hands.

In 2020, one data subject submitted a notification of a data protection non-conformance and Business Finland detected another non-conformance. The two data protection non-conformances were connected to a human error and a technical error. No malpractice involving data protection has been detected. Neither of the cases was a high risk case, and no report was submitted to the Office of the Data Protection Ombudsman. Business Finland has revised its practices to prevent the reoccurrence of these non-conformances.

Business Finland intervenes in all cases of malfeasance, and all employees are obliged to report any suspected malfeasance. During 2020, a guidelines on malfeasance in the Company's funding operations was prepared and approved. It describes the process the Company must follow in case of suspected malfeasance in funding operations. Business Finland conducts background checks on its clients to prevent, for example, money laundering and support for illegal or unethical activities. The owners, financial standing, and existing business operations of all funding clients are checked in connection with the background checks. Other funders of the client company are also investigated. A client's business operations are investigated when assessing how a project for which funding has been sought relates to the development of the client's business and to which business operations it is related if the client has several business operations. All detected cases of malfeasance are presented in Chapter 10 of the Funding Agency's annual report.

Business Finland's website includes a whistleblower channel through which clients, employees, and representatives of other stakeholders can report any unethical or illegal activities they have observed. Notifications can be submitted anonymously, and all notifications are handled in confidence. Internal Audit is responsible for the processing of notifications.

Business Finland's Guidelines on Affiliations approved by the Board of Directors state that persons engaged in

customer service work and funding operations cannot, as a rule, be Board members or CEOs, or have any other position in any profit-making organizations. Exceptions to this rule may be possible. Employee affiliations have been collected in the personnel information system. Guidelines on Affiliations for Board members were approved in 2019.

The purpose of Business Finland's Internal control is to ensure that finances and the operations are legal, the operations remain profitable, the assets under Business Finland's management have been secured, and true and fair information is available for the needs of management and external steering. The foundation of Internal control consist of a functional control environment, goal orientation and accountability, as well as controls, systems, and risk evaluation. Internal control is an inseparable part of all core operations and their management. The support of internal control ensures and supports the internal control that is executed as part of core operations. Internal audit verifies the effectiveness of internal control. The Funding Agency monitors Company's operations and can audit the Company's state aid operations to the extent necessary. As a significant user of public funding, Business Finland has emphasized supervisory responsibility for the appropriate use of the funding granted and paid by it.

The state of Internal control is assessed with internal risk surveys and reports, a variety of surveys and personnel discussions, and external assessments of Business

Finland's operations. Internal Audit also provides an annual assessment and statement of assurance on the state of internal control. The assessment and statement of assurance of internal control is presented in Chapter 8 of the Funding Agency's annual report.

Business Finland's risk management is carried out in cooperation by the Funding Agency and the Company. Business Finland has common risk management policy approved by the Board of Directors and common risk mappings are carried out. Business Finland's risk management is integrated into operational processes so that risks are identified and management methods are planned in connection with each function. Business Finland's risk management team supports the coordination, monitoring, and reporting of risk management. In 2020, risk management focused particularly on the risks connected with the funding for business development in disruptive circumstances granted by Business Finland and the means to manage these risks. This work will continue in 2021.

Risk management measures are focused to the most notable risks. Operational support and assurance policies have been established in key areas of operational decision-making. Risks are monitored through planning and reporting. A separate risk management process supports and verifies the realization of risk management. The most notable risks are reported twice a year to the management of Business Finland. In addition, Business Finland's key operational risks have been reported for the internal needs of Business Finland.

The effectiveness of the risk management process is assessed as part of the normal monitoring of operations. The effectiveness of the risk management system is regularly assessed through self-evaluations in accordance with the ISO 31000 assessment framework, assessments supported by Internal Audit, or data collection or the assessment of data assisted by an external expert. The effectiveness and development needs of Business Finland's risk management are discussed annually by the leadership team, the Company's Board of Directors, the Audit Committee, and the Board of Directors.

Business Finland's values are reflected in the daily work of the personnel with clients, partners, and colleagues. They create a foundation for Business Finland's operations and help Business Finland achieve its strategic goals. They are the cornerstones of Business Finland's culture. The values have been included in the recruitment and induction process and remuneration. Business Finland's values are:



FIGURE 1: BUSINESS FINLAND'S VALUES

Finland is committed to promoting the OECD's Guidelines for Multinational Enterprises, which were updated in 2011. In 2011, the UN published the United Nations Guiding Principles on Business and Human Rights (UNGP). A national program to implement the UN's principles was approved in Finland in 2014. Business Finland also supports these principles in its operations. Furthermore, Business Finland takes the UN's Sustainable Development Goals into consideration in its operations.

Both the Funding Agency and the Company are involved in several associations and advocacy organizations. European Space Agency (ESA) is an independent organization, common to the Member States. Finland approved the treaty and joined in 1995. The Agency promotes European research and development through co-operation programs. Business Finland and Ministry of Economic Affairs and Employment fund Finland's ESA membership and participation in ESA programs. Business Finland is responsible for national decision-making with regard to voluntary programs.

The cooperation within the framework of Eureka and Mission Innovation is a good example of Business Finland's comprehensive, even global, involvement in the operations of international organizations or agreement systems promoting innovation. International tasks such as the EU Framework Program for Research and Innovation, ESA, IEA, and the Nordic Council of Ministers (Nordisk Energiforskning NEF and Nordisk Innovation NI) are special responsibilities assigned to Business Finland

by the Ministry of Economic Affairs and Employment. Other key organizations or associations in which Business Finland is involved in are TAFTIE and ETC (European Travel Commission). The Company is also a member of employers' association Palta.

4.2 FUNDING AND EXPERT SERVICES

Business Finland shares the innovation risks of its corporate clients by providing funding to companies willing and able to grow internationally and accelerating market entry through international growth advisory services.

The COVID-19 pandemic that started in 2020 caused significant business disruptions in all industries. Business Finland has supported companies in many ways to help them recover from the acute crisis. Right after the crisis began, Business Finland launched two new funding services: preliminary study on business in disruptive circumstances and business development funding in disruptive circumstances, the aim of which was to assist companies in surviving the acute crisis with the help of research and development operations. In summer 2020, a research and development loan in disruptive circumstances was also made available by the Funding Agency. The application period closes at the end of June 2021.

Business Finland Oy was responsible for the implementation of funding services in the form of grants, and a temporary project organization was created for disruption funding. For these funding services, Business Finland was granted an additional authorization of one

billion euros, which was invested in its entirety in projects proposed by companies. The significant increase in funding authorization increased the need for proactive risk management. The employees of the Funding Agency responded to this need by, for example, providing advice to experts during the preparation and follow-up stage and by realizing project quality audits and inspections. An audit commissioned by the Ministry of Economic Affairs and Employment on the disruption funding process of Business Finland was performed in late spring 2020, and the operations were found appropriate.

Business Finland has also provided up-to-date information for companies on the pandemic through its international network and made the terms and criteria of its normal funding services more flexible in certain respects. For example, companies have been offered the opportunity to change the implementation schedule of their project and revise their loan repayment schedules. Business Finland has introduced the Commission's temporary support schemes that allow for a more flexible interpretation of the prerequisites of funding for companies during the disruption caused by the pandemic.

In late March 2020, as a result of the pandemic, both foreign investments and the promotion of foreign investments experienced a dramatic stop. Worldwide, companies started to defend their current business and put expansion projects on hold. For example, the OECD and the Financial Times estimated that foreign investments decreased globally by 30–50% in 2020 compared to the

previous year. With the closure of borders and the travel restrictions, companies' visits to Finland became almost impossible – it is not possible to make any major strategic investment decisions without visiting the target country.

Already at the beginning of April 2020, Invest in Finland prepared a new operating strategy in response to the changed market situation. Customer service work and marketing became completely digital, and clients were served in a variety of virtual environments. As a result of the rapid adjustment measures and incredible flexibility – and a hint of luck – 2020 was a successful year despite the difficult market situation.

In 2021, Business Finland will prepare ethical principles guiding its operations, which will also be taken into account in funding operations. At present, Business Finland's funding and expert services are guided by the following principles of responsible operations:

- The customer service and funding operating model has been reviewed in cooperation with the Ministry of Economic Affairs and Employment to ensure that Business Finland undoubtedly and clearly operates according to the rules and regulations. This work has served as the foundation for the proposed amendments and clarifications to the Act on Innovation Funding Centre Business Finland and a limited liability Company called Business Finland. A new version of the Act was prepared in 2020, but after circulation for comments, further

preparation of the legislative amendments was postponed to 2021.

- Business Finland selects the recipients of funding based on predetermined criteria for international growth by evaluating the company and the project as a whole.
 - Business Finland evaluates the benefit of the project to society in the long term, taking into account the project's impact on other organizations and its direct impact on the environment and society.
 - Business Finland manages the risks related to funding by means such as productizing its funding into service packages corresponding to the company's capabilities. If necessary, Business Finland first assists companies in developing their internationalization readiness and innovation capabilities to a sufficient standard before encouraging them towards more significant strides with the help of research and development funding.
 - Business Finland always assesses its clients as a whole to ensure that Business Finland's funding is allocated to the right organizations in terms of international growth at the right point in the growth trajectories of these organizations. This enables Business Finland to save its own resources – such as time and money – as well as those of its clients.
 - Business Finland publishes details of its funding on its website.
- Business Finland conducts audits into the use of the funding it has granted. The right to carry out audits on the finances and activities of a recipient of state aids is based on the Act on Discretionary Government Transfers. The aim of the audit is to ensure that the projects funded by Business Finland are implemented according to the funding decision and its terms and that the project implementation corresponds to the information provided to Business Finland. Business Finland utilizes the audit results to develop and advance its operations.
 - Business Finland also conducts quality audits of its state aid operations. Quality audits assess the quality of the preparatory work behind funding decisions and the monitoring work throughout the duration of the project.
 - Business Finland assesses the risks associated with its funding and expert services. The assessments involve identifying the main risks, evaluating the probabilities and impact of the risks, and planning the means to manage the risks. The results of the risk assessments are utilized to develop the operations.
 - Business Finland conducts background checks of its clients to avoid supporting money laundering and unlawful or unethical activities.

In 2020, Business Finland started an investigation to determine the significance and role of responsibility and sustainability in funding. The goal is to pilot different approaches to the assessment of sustainability and responsibility in Business Finland's funding operations by the end of 2021. The pilot projects will generate knowledge and expertise that can be used to plan concrete indicators for assessing responsibility and sustainability.

4.3 PROMOTION OF TOURISM

The theme of sustainability is also strongly present in tourism. Visit Finland has developed a program and a label called Sustainable Travel Finland designed for tourism companies and destinations in Finland. During the COVID-19 pandemic, Visit Finland has also actively worked to revitalize tourism.

SUSTAINABLE TRAVEL FINLAND – SUSTAINABLE TOURISM PROGRAM

The Visit Finland unit of Business Finland has developed the Sustainable Travel Finland (STF) program and label intended for Finnish tourism companies and destinations. After piloting, the program was launched for businesses on June 1, 2020.

Companies and destinations that have been awarded the STF label have access to a continuous development model, latest information on sustainable development of tourism, marketing support, and additional visibility through Visit Finland's channels.

TOURISM COMPANIES AND DESTINATIONS INCLUDED IN THE STF PROGRAM (STATUS ON JANUARY 30, 2021)

- 50 tourism destinations in Finland are aiming for the STF destination label
- 530 companies have entered the program
- 67 companies in 32 cities/municipalities have already been awarded the label
- One destination or tourism area (Posio) has received the STF label

An online guide has been created to support the Sustainable Travel Finland program. It is a comprehensive set of basics for sustainable tourism and familiarizes the reader with the content of the STF program. An update of the online guide started at the end of 2020 and will be completed in March 2021. The update will improve readability, update links and reports, as well as add new packages, such as health-safe tourism, ethical animal tourism, circular economy, and sustainable tourism indicators.

The indicators will be one of the criteria for the STF path. Furthermore, they will enable the measuring of the qualitative sustainability of tourism in addition to quantitative indicators. The indicators take into account attitudes of the local residents on tourism, the number of

accessible tourism products, accessibility of the destination by means of public transport, and carbon footprint caused by tourism, among other aspects.

Visit Finland Academy includes a one-day training course specifically designed to support the STF program, and an expansion of the training concept was started in 2020. There will be training courses on inclusive tourism, health-safe tourism, and the carbon footprint of tourism.

REVIVING TOURISM

Since the beginning of the COVID-19 crisis in early 2020, Visit Finland has established a recovery working group. The group's task was to collect up-to-date information from the authorities on the COVID-19 situation in Finland for the Finnish tourism industry (the Visit Finland website) and for Visit Finland's target markets (through representatives operating on the market). In addition, up-to-date information was collected on Visitfinland.com on what individual travelers should consider when coming to Finland. As soon as the travel restrictions to Finland entered into force, representatives operating on the global market received a huge flood of questions from international travel operators. The restrictions were found to be unclear and there was a great need for further information.

Visit Finland also collected information of another type, that is, Visit Finland's representatives operating on the market regularly updated information on the development of the COVID-19 situation in the target markets and

travel restrictions. Visit Finland strived to keep up with the situation to determine which markets might open to travel and what kind of marketing measures should be carried out there.

During the spring and fall, Visit Finland organized several webinars for both representatives of the Finnish tourism industry and international travel agents in their target markets. Visit Finland collected up-to-date information on the COVID-19 situation for these webinars.

However, in summer 2020, it was established that the pandemic is a longer-term crisis and the situation is changing rapidly. This also changed the data collection needs. The actual recovery team was dismantled and the work continued in line teams. Since then, information has been updated in the aforementioned ways, and the work continues.

5 IMPACT

5.1 TOWARDS THE IMPLEMENTATION OF THE NEW STRATEGY

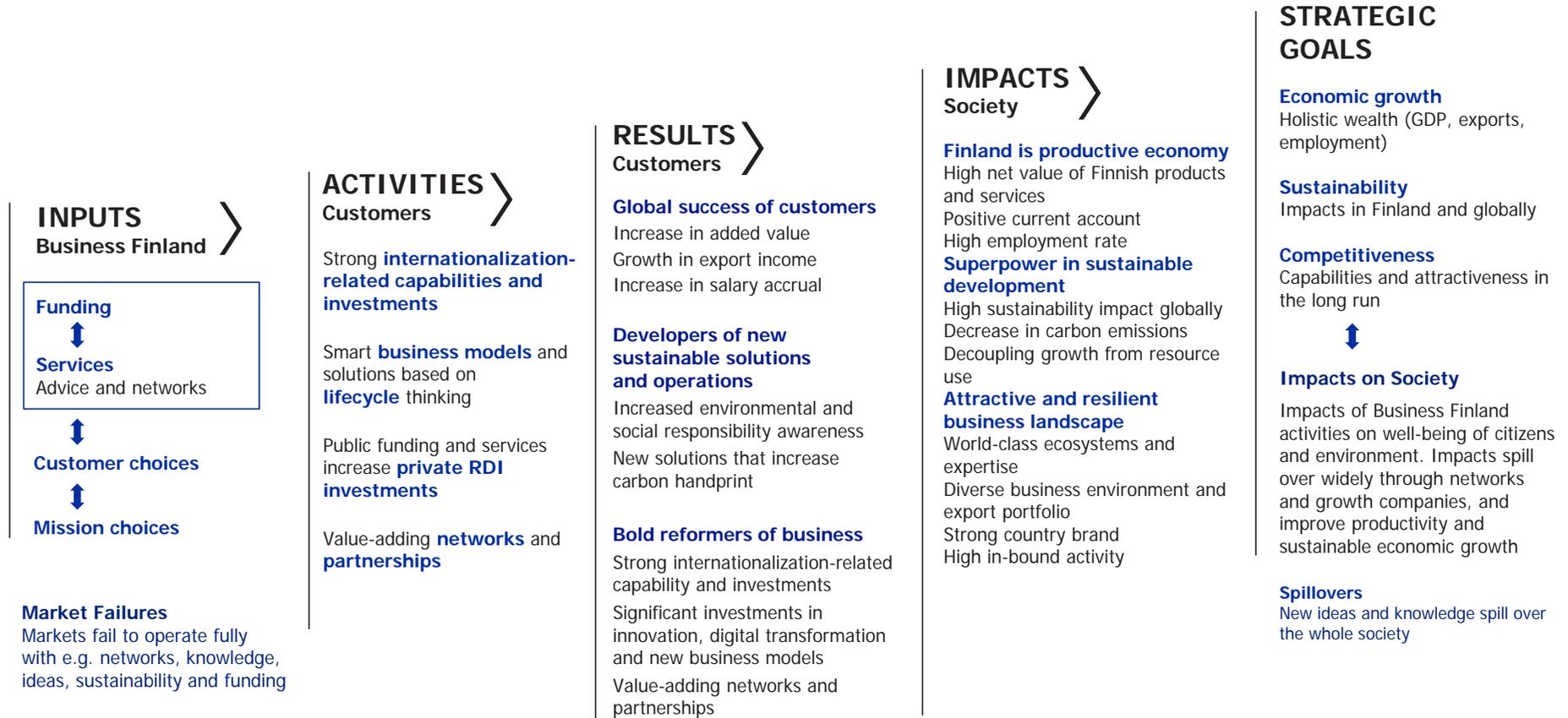
According to the new strategy, Business Finland carries out its tasks by focusing on economic growth, sustainability, and competitiveness. These core areas are inextricably linked to Business Finland's goals. Client-level goals are directly based on the value we create for our clients. In turn, the operations and value creation of the clients are reflected to society. The social objectives are closely linked to Business Finland's goal of creating wealth for Finland. They reflect the value that Business Finland wants to produce for Finnish taxpayers and society in general. The link between Business Finland's operations and objectives at the level of society is not directly visible, as other actors are also involved in these objectives. For this reason, Business Finland's contribution to the achievement of these goals is measured with impact assessments.

Participation in economic growth is still important for Business Finland, as it is the foundation of prosperity. For Business Finland's clients, economic growth is particularly related to the ability to generate added value

and increase export revenue, while at the level of society this is reflected in, for example, an improvement of Finland's current account. The goal is to maximize added value created in Finland and attracted to Finland. Business Finland's operations should lead to the production and accumulation of added value, export income, and wages among Business Finland's clients in Finland. By increasing the added value of the private sector, Business Finland contributes to the growth of Finland's GDP. The increase in the added value of exports is also crucial to improving the position of Finnish companies in global value chains. An impact assessment measures the added value introduced by the clients to economic growth.

Sustainability includes ecological, economic, and social sustainability. From the perspective of effectiveness, sustainability can be assessed as a prerequisite for long-term economic growth and competitiveness. Moreover, decoupling economic growth from the use of resources is essential to ensure long-term sustainable growth. This means that, as a society, we must find sustainable solutions that enable economic growth without spending more resources.

FIGURE 2: BUSINESS FINLAND'S IMPACT MODEL



Competitiveness is the key to ensuring prosperity in the long term. The duty of Business Finland is to strengthen the long-term competitiveness of its clients by supporting them in developing the capabilities needed for renewal and flexibility. Simultaneously, Business Finland aims for a dynamic, versatile, and agile Finnish business environment that favors innovation and can adapt to unforeseen circumstances. This means that Business Finland can support economic growth in the long term. Impact assessment is a suitable tool for measuring Business Finland's effects on structural competitiveness factors such as capabilities, innovation, long-term structural change, and Finland's attractiveness factors such as foreign investments, tourists, and talented employees.

The effectiveness of Business Finland and the development of the core areas are monitored through impact assessments agreed with the Ministry of Economic Affairs and Employment (economic growth, sustainability, competitiveness). Other assessments are also commissioned in accordance with the assessment plan agreed with the Ministry.

Business Finland's impact assessment is based on an impact model describing added value (additionality). Taking into account different needs, the impact model has also been developed to describe different client segments and instrument-specific results and effects. The impact model is also suited to utilizing impact data by means such as core area specific impact paths. At the same time, the utilization of impact data in Business

Finland's strategic decision-making, proactive impact, and external communications are being reinforced.

With regard to 2020, the effectiveness of Business Finland, in other words the achievement of the two strategic goals set in the performance agreement, was primarily monitored through impact assessments made by experts. The goals for 2020 were:

1. international growth for companies and
2. world-class ecosystems and a competitive business environment for companies to support growth.

The impact assessments produced the following results on Business Finland's clients in 2020:

- **Service exports and structural reforms** – the investigation examined the impact of public R&D&I funding and export services on the growth of EU service exports in 2010–2017 using statistical methods. Service exports of the subsidized (Tekes, Finpro) SMEs doubled but statistically, the growth did not significantly deviate from the reference companies.
- **An assessment of public R&D funding** commissioned by the European Commission began in 2015 and ended in 2020. According to the assessment, R&D funding had a positive impact on the increase in the number of employees and the intensity of R&D in the long term. The effectiveness persisted

for up to 8 years. R&D investments in companies growing more than public R&D funding was a good result. According to the assessment, the growth of commercialization and thus added value in the subsidized companies should be made faster.

- **An assessment on goals related to growth companies** commissioned by Business Finland studied, using econometric methods, the effects of the use of Business Finland's export promotion services (Finpro's services and R&D financial instruments related to export promotion) on SMEs (turnover, export of goods, jobs, added value, profitability) in 2009–2017. The main result was that the turnover of companies that used Finpro's export promotion services increased more than the turnover of other companies. Market entry of companies entering the advanced markets in Europe and the US was also assessed. The biggest obstacles to the international growth of SMEs were expertise and poor market knowledge.
- **The assessment of human-oriented programs** focused on creative sectors, intangible value creation, and programs based on a human-centered approach. The effects of the programs are visible as growth of the companies, the speeding up of innovations, internationalization, and learning. In addition, positive changes in networking and partnerships, capabilities and operating methods were observed. Participation in the programs had a statistically significant impact on the turnover growth

and the number of employees. The assessment found that these were programs of a new type that were realized at the correct time.

- According to the **assessment of food programs**, the exports of the program participants have grown faster than in the industry at large. It was noted in a statistical analysis that the growth of the exports of the participating companies has been faster than their turnover growth. The conclusion of the assessment was that the activities should be continued, but there is room for clarification in the setting of targets and the program follow-ups.

Projects funded by Business Finland that ended in 2020 created a total of 2,044 (in 2019: 2,400) new or improved processes, services, products, or applications, as well as 657 (in 2019: 1,303) patents or patent applications. The number of improved processes, services, products, and applications decreased by 14% and the number of patents by 50% from 2019. In recent years, the focus of Business Finland's funding has shifted from multiannual research and R&D projects to short-term research and R&D projects, such as Tempo projects, which often do not create patents. Most patents come from public research and R&D funding projects, of which clearly fewer were concluded in 2020 than in previous years. The reduction in the number of improved processes, services, products, applications, and patents can also be explained by a lightening of the final reporting requirements for small de minimis projects: separate follow-up questions on these issues were

deleted. Exports by the SMEs receiving Business Finland funding increased by 23% in 2016–2019, and their revenues increased by 22% over the same period (companies that concluded their projects in 2012–2016). Business Finland’s SME clients expect from their 2020 projects turnover of EUR 8.1 billion and exports worth EUR 7 billion (including disruption funding).

Effectiveness is also measured with indicators in accordance with the performance agreement signed with the Ministry of Economic Affairs and Employment. More detailed information on impact assessments and the achievement of the goals is reported in Chapters 2 and 3 of the Funding Agency’s annual report.

5.2 SUSTAINABILITY

For a long time now, Business Finland has taken into account sustainable development goals in its operations – society’s commitment to sustainable development was made at an early stage. Business Finland updated its strategy in 2020. The new strategy period will start from 2021. With its new strategy, Business Finland is increasingly ambitious in how much it invests in improving sustainability in everything it does. Sustainability is at the heart of Business Finland’s new strategy. Sustainability applies to all of Business Finland’s core processes and includes all three dimensions of sustainability: economic, ecological, and social sustainability. Business Finland improves sustainability through its clients and by ensuring the sustainability of its own operations.

Business Finland does not only focus on increasing its clients’ awareness of environmental and social responsibility, but also helps them develop solutions that create positive development effects in different markets around the world. A stronger emphasis on sustainability still requires from Business Finland planning of the practical implementation process and of how it will be reflected in Business Finland’s offering and working methods. In early 2021, Business Finland will start a new development package, a sustainability change agent, which will define a roadmap for Business Finland’s actions in the strategy period 2021–2025 with regard to sustainability.

In its program activities, Business Finland is committed to taking into account the UN’s program for Sustainable Development Goals (SDG) which pays equal attention to the environment, economy and people. The challenges of sustainable development are socially significant and offer new business opportunities for Finnish companies.

The ongoing Business Finland programs are focused on the health sector, clean energy, sustainable manufacturing, smart mobility, and the circular economy, including responsible consumption. Program activities also support climate change targets. In particular, Beam (Business with Impact), a program realized by Business Finland in cooperation with the Ministry for Foreign Affairs that ended in 2019, was at the core of operations in line with the SDG goals, as it aimed for economical and developmental effects. In the Beam program, the

opportunities for business operations in the context of the UN Sustainable Development Goals were transferred via training organized in cooperation with the Ministry of Foreign Affairs' Finnpartnership program to companies interested in it. After Beam, these operations will continue as a Developing Markets Platform service package that also supports Business Finland's other programs. Business Finland's program Sustainable Manufacturing Finland assists companies in better understanding the business opportunities related to combating climate change and promotes sustainable innovation activities.

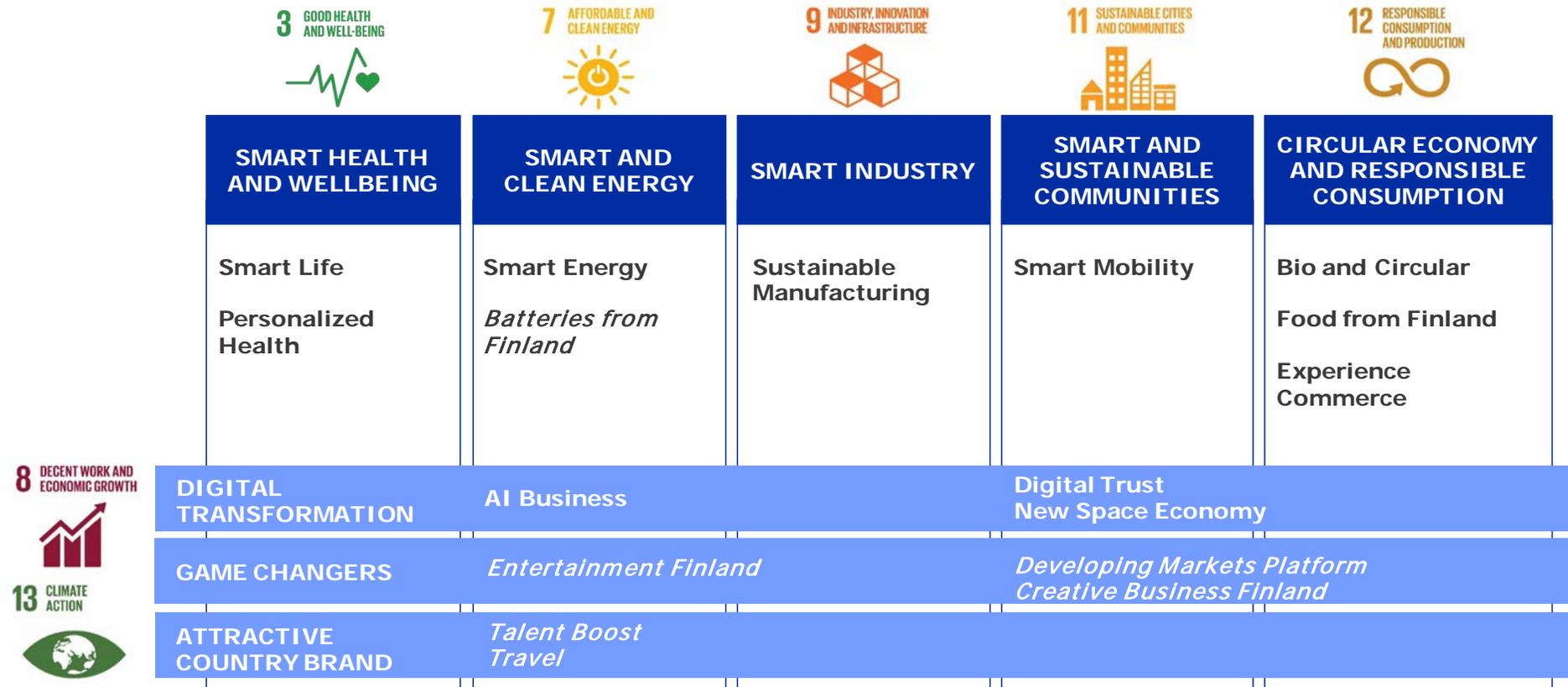
Business Finland contributes to the Government's circular economy promotion program. Business Finland's R&D&I and investment funding for circular economy supports projects that have a significant impact on emissions reduction or employment and that promote the systemic change towards the circular economy. The goals in 2020 were the participation of companies operating in Finland in battery and battery recycling projects IPCEI (Important Projects of Common European Interest) projects, the promotion of innovative circular economy public procurement (including digital platforms), and the promotion of piloting and demonstration projects. These goals are also discussed in Chapter 3.2.3 of the Funding Agency's annual report.

In 2020, Business Finland had four programs in the fields of bioeconomy, circular economy, and cleantech: Bio and Circular Finland, Smart Energy Finland, Sustainable Manufacturing Finland, and Smart Mobility Finland.

There was also a separate activation campaign on the battery industry, Batteries from Finland. The Business Finland programs have promoted the establishment of cooperation networks and international partnerships, offered internationalization services, and targeted measures to selected markets. The COVID-19 pandemic challenged Business Finland's program operations, but we managed to create virtual networking events where companies were able to present their solutions to potential customers and partners. An excellent example of this was a week-long virtual Japanese delegation program in the fields of bioeconomy and circular economy. A special measure in 2020 was including EU services for companies, research organizations, and public actors in the programs to provide information on the use of the EU's cooperation and funding opportunities. The Sustainable Manufacturing Finland program, in particular, arranged regular EU information events. At best, 200 people attended these events.

Companies' innovation activity in the fields of bioeconomy, circular economy, and cleantech clearly grew over the course of the year. With a total of EUR 274 million, Business Finland funded 377 corporate projects and 98 research projects, which are expected to generate new revenue and exports worth billions of euros and create thousands of new jobs. The funded ecosystem and network projects are developing solutions related to, for example, the recovery of plastic waste from water systems, the recycling of plastics, the recycling and traceability of

FIGURE 3: BUSINESS FINLAND PROGRAMS 2020



BF programs open new business opportunities and speed up solutions to the challenges of sustainable development. UN Sustainable Development Goals indicate promising markets.

battery minerals, and the recycling of waste from electronic equipment. In addition, five of the six ecosystems launched through a challenge competition directed at leading companies were strongly directed towards the fields of bioeconomy, circular economy, and cleantech.

In cooperation with the Ministry of Economic Affairs and Employment, Business Finland has challenged Finnish companies to become more integrated into European battery value chains and the IPCEI (Important Projects of Common European Interest) projects prepared under the management of Germany and France. At the end of 2019, the European Commission approved the first joint European project for battery-based research and innovation involving four Finnish companies. The sections by the Finnish companies are connected to raw materials, advanced materials, and the reuse and recycling of batteries and raw materials. Business Finland made funding decisions regarding the first IPCEI in 2020.

In cooperation with the Finnish-Russian Chamber of Commerce (FRCC), opportunities and objects related to the waste sector on the Russian market have been examined. Simultaneously, Business Finland and the FRCC have identified potential Finnish companies that could offer solutions to waste and circular economy challenges. During the year, the building of networks was continued actively, a large number of remote events were arranged, Finnish companies were committed to the activities, and marketing materials were prepared. The business network consists of nearly 100 companies.

In the performance agreement, indicators related to low carbon and the circular economy include an increase in the number of R&D&i funding clients investing in low-carbon solutions and the circular economy, as well as funding for low-carbon solutions and solutions promoting the circular economy. The achievement of these indicators is reported in Chapter 3.2.2 (Table 1) and Chapter 3.2.3 (Table 3) of the Funding Agency's annual report.

In spring 2020, Business Finland launched a survey on its effects to achieve low-carbon solutions and its role in this work. The survey was carried out by Gaia Consulting Oy from April to August 2020. The survey was based on data submitted by Business Finland, previous surveys, and an analysis of 17 large-scale enterprises. According to the report, Business Finland has funded low-carbon energy solutions with an estimated two billion euros in 2006–2019. During the same period, Business Finland has challenged Finnish companies to join the growing international markets for low-carbon solutions. Persistent investments have created business for Finnish companies, promoted the trailblazer status, and reduced emissions.

5.3 FINANCES

In 2020, the Funding Agency had access to a total of EUR 1,716.6 million in budgeted appropriations and EUR 47.5 million in appropriations carried forward from previous years, totaling EUR 1,764,1 million. This amounted to an

increase of 142% from the previous year. In 2020, Parliament granted more authorizations and appropriations for grants and loans through several supplementary budgets due to the coronavirus pandemic. In addition to the above-mentioned funding, the Funding Agency had access to appropriations from the Ministry for Foreign Affairs totaling EUR 5.8 million (including appropriations of EUR 4.7 million carried over from previous years).

The Funding Agency had authorizations totaling EUR 1,920 million. In 2019, the corresponding figure was EUR 596 million. The increase from last year was 237%. As a result of the pandemic, Parliament significantly increased both the grant and loan authorizations.

A total of EUR 1,383 million was available to support R&D and innovation activities, of which temporary funding for disruptive circumstances amounted to EUR 980 million. The grant authorization was used almost in its entirety. A total of EUR 447 million of loan authorization was in use for R&I activities, of which EUR 300 million were temporary research, development, and innovation loans. The “disruption loan” was intended for domestic companies the business of which had suffered from the COVID-19 pandemic. A total of EUR 248 million of the loan authorization was not used, of which EUR 200 million can be transferred to the 2021 authorizations.

In the 2020 budget and supplementary budgets, the Funding Agency received an operating expenditure appropriation of EUR 112.3 million (in 2019: EUR 97.5 million). The increase in appropriations from the previous

year was 15%. EUR 23.8 million was allocated to the operating expenses of the Funding Agency and EUR 88.5 million to services purchased from the Company. Operating expenditure appropriations carried over from previous years totaled EUR 18.3 million (2019: EUR 16.6 million).

Of the available appropriations (EUR 130.6 million) EUR 97.9 million (75%) was used. Deferrable appropriations totaled EUR 32.6 million (2019: EUR 18.3 million). Due to pandemic, almost no events were organized and travel came to a halt. This is why less appropriations were used than expected. More detailed information on the finances of the Funding Agency is presented in Chapter 7 of the financial statements: Financial statements analysis.

In the 2020 financial statements of Business Finland Oy, funding for the basic and program activities, based on the service agreement between the Company and the Funding Agency, amounted to EUR 83.28 million. In addition, the Company received EUR 0.516 million of project-specific aids from the Agency. The Company’s other income of EUR 1.694 million consisted of participation fees, costs still charging, and aids. Furthermore, EUR 770.199 million in appropriations from Innovation Funding Agency Business Finland for de minimis funding decisions was allocated to Business Finland’s profit and loss account. Most of this sum was allocated to the funding for disruptive circumstances.

Profit for the financial year 2020 was EUR 1.660 million. Operating result showed a profit of EUR 0.536 million. Return from investment assets, a total of EUR 1.130 million, had a significant impact on the result for the period. Business Finland Oy's investment assets are not part of the Company's operational business. The investments assets are managed by an external asset manager. The emphasis in investments is on Finnish companies. Investments are made in funds; no direct equity investments are made. On the balance sheet date, the market value of Business Finland Oy's portfolio was EUR 20.203 million and the book value was EUR 18.273 million.

Mandatory provisions were made in the financial statements of Business Finland Oy due to a trial of Business Finland's US-based subsidiary (EUR 163,000), a potential trial against a former lessor in the US (EUR 33,000), and a trial in Germany (EUR 20,000). The case in Germany involves receivables from a former service provider. A mandatory provision regarding this receivable was made in 2019 (EUR 189,000), which is still on the balance sheet of Business Finland Oy.

Overdue receivables were recovered in trade receivables. The allowance for bad debt on December 31, 2020 was EUR 97,000, compared to EUR 143,000 the previous year. In 2020, a total of EUR 13 million was entered in credit losses.

Business Finland Oy's financial statements for 2020 provide a more detailed account of the Company's finances and the finances of the Business Finland Oy Group.

In 2018, Business Finland Oy's subsidiary filed a civil lawsuit in the US against a former employee of the company based on suspected financial malfeasance of the former employee between 2011 and 2017. The amount of ambiguous expenses in the accounts between 2011 and 2017 is substantial, totaling some USD 4.8 million. As the lawsuit has proceeded, the suspicions of the malpractice has become stronger. The case will be processed by the court of first instance in accordance with local laws and procedures. In 2020, positive interim decisions and part judgments were made in the case, but the case as a whole is still pending.

BUSINESS FINLAND OY'S TAX FOOTPRINT REPORT

Business Finland Oy is a non-profit entity fully owned by the State of Finland which does not, in accordance with its articles of association, distribute its assets in the form of dividends or any other distributions. The funding of the limited liability company is mainly based on a service agreement signed with the Funding Agency, according to which Business Finland Oy invoices the costs of both basic operations and programs from the Funding Agency, based on cost equivalence. Additionally, where applicable, the Company also invoices clients for the expenses caused by a third party. Some of the projects have also received funding from other sources, including the EU.

Since 2019, Business Finland Oy has had no operations subject to income tax in Finland. In 2019, activities governed by the Act on the Taxation of Business Income

in Finland consisted of the sales of a Shipping Handbook. The Shipping Handbook has been provided free of charge since the beginning of 2020. The Company has offices abroad that do not constitute independent foreign branches engaged in business activities. The branches do not practice any activities subject to income tax at their locations.

Business Finland Oy has three subsidiaries: Business Finland USA Inc., Finchi Innovation Center Company Ltd, and Finpro Finland Oy. Finpro Finland Oy does not have any active operations. All the expenses of Business Finland USA Inc. are charged from the parent company and it is a part of the Business Finland Oy's operational business. Business Finland USA Inc. does not have any taxable income. FinChi Innovation Center Company Ltd in China leases premises and sells different supporting services to Finnish companies looking for a place for establishment in China. FinChi Innovation Center Company Ltd pays income tax locally in China. The income tax for 2020 amounted to approximately EUR 15,000 and the impact of Finchi on the Group's profit was EUR 188,000.

The taxes paid by Business Finland Oy mainly consist of value added tax and employer contributions. Business Finland Group does not practice any transfer pricing or any tax planning related to the transfer of income. Taxes are paid locally at the place where they are generated.

Tax matters are managed at the Group level, where taxation decisions are made. If necessary, tax experts

are used, and the Tax Administration can be consulted to clarify the taxation practices.

The tax footprint of Business Finland Oy is reported in Business Finland Oy's annual report and Business Finland's social responsibility report. The information in the tax footprint report is based on figures from the Group's accounting systems. Taxes and fees are classified by tax type.

The tax footprint reporting complies with the materiality principle in terms of the geographical breakdown. In 2020, no single country met the 10% share of the Group's operating income, which is considered the materiality limit. Hence, the geographical breakdown in 2020 is Finland and other countries.

BUSINESS FINLAND GROUP TAX FOOTPRINT, €	FINANCIAL YEAR 2020			FINANCIAL YEAR 2019		
	Finland	Other countries	In total	Finland	Other countries	In total
Taxes paid for the financial year						
Corporate income tax	-	2 965	2 965	-	14 334	14 334
Other taxes	21 580	733	22 313	20 381	346	20 727
Pensions and social security contributions	1 329 695	991 422	2 321 117	975 788	931 013	1 906 802
ACCRUED TAXES FOR FINANCIAL YEAR						
Corporate income tax	-	14 273	14 273	-646	7008	6362
INDIRECT AND OTHER COLLECTED TAXES IN THE FINANCIAL YEAR						
VAT, sales	22 323 822	-	22 323 822	22 837 256	-	22 837 256
VAT, purchases	7 105 549	15 353	7 120 903	8 163 813	30 600	8 194 413
Salary taxes withholding	8 481 966	602 521	9 084 487	7 510 031	322 265	7 832 296
Other taxes	-	-	-	-	-	-
Headcount 31.12.	441	119	560	404	103	507

6 BUSINESS FINLAND'S OWN OPERATIONS

6.1 PERSONNEL

HUMAN RESOURCE MANAGEMENT

In 2020, Business Finland's new strategy and an organizational structure supporting it were established.

In addition to the leadership team, the Board of Directors, and the strategy unit, a Future Force team, the members of which were elected from amongst the employees, was at the core of the strategy process. It supported the establishment of the organization's main policies. The clarification of the organizational structure took place by involving the employees in different ways.

The new strategy and organizational structure changed the operating models, which is why co-operation negotiations on a significant change in the role of approximately 100 persons and on more minor changes in the roles of others were conducted. The goal was to place the employees in the new organization and new roles by considering their career ambitions as far as possible.

The new organizational structure led to a recruitment process in the senior and middle management. There was a great deal of interest in supervisory positions. When se-

lecting the employees, the focus was on coaching skills.

Management was developed by providing training to the last group according to the plan on the principles of coaching. In addition, the implementation of the management principles was followed by a survey where the supervisors received feedback from their subordinates. The Business Finland leadership team also developed its coaching expertise and leadership team work skills with the support of an external coach. The coaching methods used included regular self-reflection and a reading circle.

Due to the COVID-19 pandemic, companies were offered funding for disruptive circumstances as a whole new service. To implement the service, a funding handler team was quickly set up to prepare funding projects and the processing of projects' final reports. The team was partially assembled from within the Business Finland organization, but nearly 60 temporary employees were also hired. The operations were organized by establishing a fixed-term project organization until August 31, 2021. An important point is that the work and management of the disruption funding team, including induction of the employees, were handled fully virtually due to the restrictions caused by the pandemic.

COVID-19 forced the entire organization to start using virtual working methods almost exclusively. The transition was surprisingly smooth after the initial learning curve. Wellbeing of the employees was supported with training courses and small gifts. Team spirit was boosted with virtual coffee breaks for the units and teams, for example.

PERSONNEL GOALS

Business Finland monitors the development of personnel satisfaction, the management index, and the number of employees in customer service, the assessment and implementation of which are reported in Chapter 6 (Table 11) of the Funding Agency's annual report. Staff mobility or job rotation is also monitored. In 2020, it was 8.8%. Mobility includes Business Finland's internal recruitments and internal job rotation, as well as job rotation with partner organizations. The COVID-19 pandemic postponed plans to promote full-scale job rotation between Finland and the foreign offices, however.

NUMBER AND STRUCTURE OF PERSONNEL

Business Finland's total number of employees (persons with an employment contract) was 680 employees on December 31, 2020 (2019: 619 employees). A total of 133 people had an employment contract with the Funding Agency (in 2019: 125) and a total of 547 people with the Company (in 2019: 494). Compared to 2019, the

number of personnel increased by 10%, mainly due to the fixed-term need for resources required for the disruption funding. In 2020, a total of 96 new employees joined the Company, 18 of whom work abroad. Some of the recruitments abroad were new and others were substitute recruitments, which is why the increase in Business Finland's international network in 2020 was +15 people. This figure includes employees hired on site and posted employees, but not trainees. The pandemic slowed down recruitment plans, some of which were postponed to 2021. A total of 20 new people started work at the Funding Agency in 2020.

The Company had 13 interns in Finland and 17 abroad in the EDUFI program in 2020.

Additionally, at the end of the year, the following people worked at the Company:

- 8 people in Business Finland USA Inc.
 - 5 people in FinChi Innovation Center Ltd.
 - 43 people abroad, hired by a third party (not having a direct employment relationship with Business Finland but doing Business Finland's work)
- The size of this group increased due to a revision of the employment classification system in 2020.
- Two agency-hired employees in Finland

	FUNDING AGENCY	COMPANY
Total	133	547
male	59	248
female	74	299
permanent	118	450
temporary	15	97
permanent female	64	244
permanent male	54	206
BY REGION		
Helsinki	117	359
rest of Finland	16	82
other countries	-	106
permanent Helsinki	102	293
permanent rest of Finland	16	71
permanent other countries	-	86
part time	2	20
full time	131	527
full time female	73	285
full time male	58	242
AVERAGE AGE		
male / female	53,1/ 50,5	49,4/ 44,7

TABLE 1. PERSONS WITH AN EMPLOYMENT RELATIONSHIP WITH BUSINESS FINLAND ON DECEMBER 31, 2020

The tables below present the persons in an employment relationship with Business Finland on December 31, 2020 (Table 1), the proportion of women among the personnel and in the different personnel groups (Table 2), and the proportion of different age groups in the personnel groups (Tables 3 and 4). The figures have been calculated from the personnel employed by Business Finland (Table 1). Leadership team members are considered part of the management.

FEMALE EMPLOYEES	FUNDING AGENCY 2020	COMPANY 2020	FUNDING AGENCY 2019	COMPANY 2019
of personnel	56 %	55 %	57 %	55 %
of experts	54 %	56 %	57 %	55 %
of superiors	67 %	50%	67 %	53 %
of management	50 %	30 %	50 %	14 %

TABLE 2. PROPORTION OF WOMEN AMONG THE PERSONNEL AND IN THE VARIOUS PERSONNEL GROUPS ON DECEMBER 31, 2020.

	UNDER 30	30 – 50	OVER 50
management and superiors	0 %	35 %	65 %
experts	13 %	43 %	44 %
total	12 %	43 %	45 %

TABLE 3. PROPORTION OF DIFFERENT AGE GROUPS IN THE PERSONNEL GROUPS ON DECEMBER 31, 2020, THE COMPANY.

	UNDER 30	30 – 50	OVER 50
management and superiors	0 %	11 %	89 %
experts	4 %	28 %	68 %
total	4 %	27 %	69 %

TABLE 4. PROPORTION OF DIFFERENT AGE GROUPS IN THE PERSONNEL GROUPS ON DECEMBER 31, 2020, THE FUNDING AGENCY.

The Board of Directors of Business Finland has seven members, including three women and four men. Two of them are between 30 and 50 years of age and the rest, or five people, are over the age of 50.

Information and indicators related to personnel are also reported in Chapter 6 of the annual reports of both the Funding Agency and the Company.

EQUALITY AND NON-DISCRIMINATION PLAN

Business Finland follows an equality and non-discrimination plan, including measures to prevent discrimination and promote equality. The plan also describes the placement of male and female employees in different positions and the results of a salary survey. In addition, the plan explains how previous measures to promote equality have been realized and what kind of measures are to be taken to promote equality in the near future. The plan is prepared for two years at a time. In 2020, a salary survey as required by the Act on Equality between Women and Men was carried out as part of the equality and non-discrimination plan. Diversity among the personnel is celebrated, and discrimination is forbidden in every form. These principles apply to Business Finland's operations both in Finland and abroad. The co-operation committees of the Funding Agency and the Company monitor the implementation of the measures and update the plan every year.

In 2020, one notification was submitted to the employer to investigate whether the declarant has been sub-

jected to discrimination at work. An investigation into the matter is under way in accordance with the workplace process.

EMPLOYER IMAGE

In the most recent employer image survey of employer branding expert organization Universum in 2020, professionals from the commercial sector chose Business Finland as the most attractive employer in the public sector. Business Finland was at the top of the Finnish public sector for the second year in a row. Business Finland also reached the top ten among all Finnish employers in the commercial sector for the first time (ranking 9). In addition, Business Finland ranked among the twenty best Finnish employers in the category of humanities, climbing to the 19th position.

In a Universum survey conducted among students in 2020, Business Finland was ranked 12th in the commercial sector, the second-best Finnish employer among public sector employers. There was an improvement of 12 positions compared with the results of the corresponding student survey the previous year.

REMUNERATION SYSTEM AND PERFORMANCE-RELATED BONUSES

The Company and the Funding Agency harmonized their remuneration systems as far as possible in 2019. The Hay Job Evaluation system is used to evaluate the degree

of difficulty of the duties. The performance of employees is assessed on the basis of the same criteria. There is an annual salary adjustment process in which each person's salary is reviewed against the market salary and their performance. Annual salary increases are granted on the basis of this process. In addition, a one-time bonus model is used: individuals or teams can be rewarded for annual performance exceeding the expectations. Personnel training on openness about salaries was arranged in the Company at the beginning of 2020.

The performance-related bonuses awarded by the Company are determined in accordance with the State's bonus model. In 2020, a performance-based bonus of 3.0% was paid on the basis of the 2019 performance targets. The targets track the goals passed down to the Company by the ministry, and the performance-related component only begins to take effect once the performance has surpassed the target. In the fall, preparations for an amendment of the performance-based bonus model in 2021 was started with the Employee Council.

Performance-related bonuses for the members of the leadership team of the Company are determined in accordance with the general performance-related bonus model for all employees within the limits set in policies concerning state-owned enterprises.

Four employees of Business Finland from different parts of the organization were rewarded with a sum corresponding to their salary for two weeks for their operations in accordance with the values. The employees participated in the selection of the bonus recipients.

The salary structure of posted employees was changed to correspond to the market practice while enabling future salary development in accordance with the remuneration models.

PERFORMANCE APPRAISALS

Business Finland has two rounds of performance appraisals every year, covering the entire personnel. At the beginning of the year, targets are agreed for next year and the previous year's results are reviewed. In autumn, a new performance appraisal is held where the targets are adjusted and competence development needs are discussed, including the longer term career plans. Performance appraisals highlight the current competence and development needs and wishes of individuals and teams. The performance appraisal process develops the feedback culture of Business Finland and supports the employees in being active in their own careers and steering their own development in the right direction. Performance appraisals are documented in the personnel system. The coverage of performance appraisals in 2020 was 93.5%.

TRAINING AND COMPETENCE DEVELOPMENT

Business Finland has a global policy for developing personnel competences and professional training. The goal with personnel competence development is to strengthen top expertise by developing, maintaining, and updating the know-how and expertise of the employees. The

changing demands of expert work in a constantly changing operating environment also require the anticipation of competence needs to ensure that the development meets future needs and supports the implementation of Business Finland's strategy.

Competence development in Business Finland is based on the "70-20-10" framework for continuous learning (learning as part of work duties – learning from others – formal training). The strengthening, self-steering, and systematic nature of the individual development needs in competence development are supported by, for example, a "career dreams" model and regular coaching discussions.

Self-steering and flexibility in own development are also supported by a six-month Learning Day pilot launched by Business Finland. The concept encourages voluntary development and the creation of continuous learning routines. During the pilot period, each employee can choose to use one working day per calendar month to develop their competence.

Individual development methods are agreed upon in regular discussions with the supervisor. Individual development can refer to training or workplace learning, for example. The employees can also develop their expertise at the employer's expense.

The focus was on strengthening common operating models and the operating culture at international regional meetings around the world, some of which were virtually organized due to the COVID-19 pandemic.

The meetings covered shared operating methods, forms of cooperation, and the development of teamwork.

To support optimal personnel operating models in the exceptional circumstances caused by the pandemic, Business Finland started discussions covering the entire organization on taking care of yourself and your colleagues. In addition, situation management skills were strengthened through coaching team discussions and change management training led by HR management, as well as by arranging two educational webinars on best remote working practices and four training webinars on challenging discussions during customer service work.

Six general M-Files (the document management system adopted by Business Finland) training sessions and several general and team-specific M-Files clinics were arranged to ensure the technical competence required to use the shared operating environment. Online self-study materials on the cooperation platform Teams were published to supplement the previously arranged clinics.

Task and job rotation is one of our key models to promote the development of competence and cooperation skills as part of workplace learning. The restrictions caused by the COVID-19 pandemic postponed plans to promote full-scale job rotation between Finland and the foreign offices, however. Nevertheless, internal job rotation was realized through temporary posts and recruitment across the service areas in Finland, as well as between the Finnish and foreign offices to a certain extent. For example, extensive internal job rotation was arranged

in Finland in the spring due to the disruption funding when some of the employees were transferred to the disruption funding project organization. Internal mobility was also realized in the form of a few employees switching countries. Another example of successful job rotation was the transfer of two people to a partner organization (the Ministry for Foreign Affairs). In 2020, internal job rotation in Business Finland reached 8.8% of the total personnel (the Funding Agency and the Company).

HR arranged induction for new employees in Business Finland virtually due to the restrictions caused by the pandemic. Furthermore, a departure discussion is arranged by the supervisor or HR with all departing employees, and all issues raised at these discussions are monitored at the leadership team level. No training was arranged for people retiring from Business Finland in 2020.

EMPLOYEE SATISFACTION

In March, the Business Finland organization (the Funding Agency and the Company) carried out a Signi personnel survey, the purpose of which is to determine the most relevant issues for the personnel and how they are realized at the workplace. The survey results are reported on a scale from 0 to 100, with a score over 80 considered as good and a score under 60 considered as poor. The response rate was extremely high, 88% of the employees. The employees clearly want to influence matters at their workplace. The employees were thanked for their excellent response rate with a small delicacy surprise. Origi-

nally, the plan was to have cake and coffee together as a form of thanks, but this was not possible due to the pandemic.

According to the survey, the five most important matters for the personnel are: 1) meaningful tasks, 2) the opportunity to use their own competence, 3) the opportunity to influence their own work, 4) reliable management, and 5) work-life balance. The results indicate that all of these had improved from the 2019 survey. Overall satisfaction also improved from 2019 to 66 (2019: 61). However, none of the most meaningful matters were realized at a good level according to the survey results. Vagueness of roles and decision-making was fairly strongly emphasized in the survey. Improving this issue was made one of the key starting points in the organizational reform of fall 2020. Competence development was selected as the joint development theme for the entire organization.

EMPLOYEES' WORKING CAPACITY AND WELLBEING AT WORK

The organizational change connected with the strategy reform caused some uncertainty among the employees. The employees were supported during the change by arranging training courses on living with change and group training for those willing to attend. An Auntie service and the occupational health care services were also available for those who needed support. The goal with the change was to take into account, as far as possible, the employees' wishes concerning their roles and work duties.

Personnel benefits amounting to EUR 600 per year were offered to the employees through ePassi. ePassi is intended for Business Finland employees working in Finland, and it can be used to pay for sports, culture, commuting to and from work, or lunch, for example. A practice corresponding to ePassi was also prepared for the non-Finnish employees in 2020.

Special attention has been paid to ergonomics in Team Finland's office premises. All desks are electric so that the employees can work standing up. A BreakPro exercise program for break times has also been introduced. Occupational health services have also guided personnel with ergonomics at the office, when needed.

As the working from home due to COVID-19 continued, the employees received an extra EUR 100, the "remote work money", to improve their remote working conditions in a manner of their choosing.

Business Finland Oy has a cottage in Vierumäki, Finland, and the employees have been able to rent the cottage and utilize the diverse recreation and exercise opportunities in the region, as far as permitted by the limitations during this exceptional situation.

Business Finland's leisure club, Huppari, organized a remote First of May party and a remote Christmas party for the employees.

ACCIDENTS AND OCCUPATIONAL HEALTH AND SAFETY

Business Finland's occupational health and safety operations are mainly targeted at the physical and psycho-

social work environment. The employer is responsible for occupational safety at the workplace and the working environment. The Funding Agency and the Company both have occupational health and safety managers and occupational health and safety delegates who can be contacted in the event of any questions about occupational health and safety. The occupational health and safety committees of both the Company and the Funding Agency meet every 2–3 months. Each year, the occupational health and safety committee's action plan is reviewed and any needs to change the occupational health and safety action plan are reviewed. In 2020, the focus of occupational health and safety activities was in occupational health and safety issues related to the pandemic, remote work issues, and support for mental wellbeing. The company held occupational health and safety elections in December.

In addition to integrating risk management into everyday management and operations, the risks to factors such as wellbeing at work are analyzed regularly. The most recent risk assessment took place at the end of 2018. A separate risk assessment on travel safety was conducted in 2019. As a result of the risk assessment, Business Finland's travel safety process and guidelines were developed in 2020, but this work is still ongoing. A risk assessment of the occupational health and safety risks caused by COVID-19 was carried out by HR in 2020.

In fall 2020, the occupational health care service provider carried out a job survey at Business Finland's of-

ices in Finland. The survey was carried out for the first time during the existence of the Business Finland organization. A total of 381 employees from the offices in Finland replied to the preliminary data survey. According to the survey results, the main factors affecting the burden from the work include the strain caused by long-term sitting and the high workload. The employees mainly worked from home in 2020, and ergonomics at the home office were found poorer than at the office, which was to be expected. On the other hand, the responses indicate that for some employees, remote working has had a positive impact on the ability to cope at work.

The Funding Agency had three and the Company seven occupational accidents in 2020. Occupational accidents typically occur on business trips or while the employee is commuting to or from work. Due to the transition to working from home, a group accident insurance policy was taken out for the Company's employees in the spring. It offers more insurance coverage for accidents occurring during a remote working day than the statutory accident insurance. The coverage offered to the employees of the Funding Agency corresponds to the statutory insurance coverage.

SICK LEAVES

The number of absences due to illness among the Company's employees in Finland was 4.3 days per person in 2020. The personnel at the Funding Agency took an aver-

age of 4.9 working days of sick leave per person-year of work in 2019.

Sick leaves in whole of Business Finland have decreased to some extent from the previous year. However, the number of sick leave days due to mental health issues has started to increase, mainly due to the pandemic and the challenges caused by it.

OCCUPATIONAL HEALTH CARE

Business Finland offers its personnel comprehensive occupational health care services with Mehiläinen. The services are available to employees working in Finland and employees sent abroad from Finland. For personnel who work abroad and were recruited locally, occupational health care is arranged either through insurance policies or via the local health care or social security system.

Occupational health care services can be divided into preventive measures, medical care, and separately agreed additional services. The occupational health care services aim to support wellbeing at work while considering the nature of the working duties, such as mental strain and ergonomics, and special requirements regarding employees sent abroad. The common goals of the occupational health care services include promoting wellbeing at work and productivity, managing absences due to illness, and reducing the health and safety risks associated with work. Occupational health care service guidelines are available to the employees in Finnish and English.

APPLICATION OF COLLECTIVE AGREEMENTS AND COLLECTIVE BARGAINING

The collective agreements for State employees and civil servants apply to all the employees at the Funding Agency. In addition, the Funding Agency has its own local collective bargaining agreement concerning the remuneration system. Business Finland Oy is a member of Palta, the representative association for service sector businesses and organizations, but no collective agreement applies. Instead, the terms of employment are determined in an employment manual, which has been locally agreed.

6.2 PROCUREMENT

The annual value of procurement in both of the Business Finland organizations is approximately 54 million euros. In general, acquisitions are divided as follows: administrative services, ICT purchases, maintenance of buildings and areas, and expert and office services. In 2019, the Company acquired goods and services from a total of 2,422 suppliers and service providers. The figure includes both Finnish and foreign suppliers. Business Finland operates at 40 different locations abroad and makes a lot of small purchases from local suppliers.

The purchases are budgeted, planned, and scheduled annually. Procurement at Business Finland is governed by the Act on Public Procurement and Concession Contracts, the Procurement Directive, as well as Business Finland's procurement implementation principles and

the Procurement Policy. This chapter presents the main features of Business Finland's procurement implementation principles and the principles on responsible procurement. The procurement implementation principles are currently being adapted to the strategy that entered into force on January 1, 2021 in Business Finland.

INTRODUCTION TO THE PROCUREMENT IMPLEMENTATION PRINCIPLES

The procurement implementation principles define how Business Finland is developing its procurement function and purchases, and how they are implemented. The procurement implementation principles are based on Business Finland's strategic priorities and they also implement the obligations and objectives set out in the National Public Procurement Strategy (2020). The strategic targets are productivity and efficiency, expertise and innovativeness, cooperation and partnership, responsibility and sustainable development.

Constant development of the procurement function is important to advance the efficient use of the public funds, to make purchases that support quality, responsibility and sustainable development, and to achieve savings. A procurement function that is proactive and oriented towards development supports Business Finland's efforts to develop and guarantees the operating conditions of Business Finland. Open and constructive co-operation with government procurement agencies,

other contracting entities, and companies also supports the development of procurement.

With the procurement implementation principles, Business Finland aims for a more strategic and systematic approach to its procurement and the management of the supplier market. Another objective is to strengthen the control of the entirety of purchases, clarify the leadership and organization of the procurement function, and improve the quality and cost efficiency of the actions.

LEGALITY, ACCOUNTABILITY, AND SUSTAINABILITY

Business Finland complies with the Act on Public Procurement and Concession Contracts and the principles of good governance in all of its purchases. Procurement is also governed by legal practice, other laws, and official regulations (decisions in principle and guidelines issued by the Ministry of Finance, the Ministry of Economic Affairs and Employment, the Ministry of the Environment, and Motiva) and Business Finland's own Procurement Policy.

The goal of responsible and sustainable development means that Business Finland recognizes and takes into account the social impact of procurement when implementing purchases. When realizing procurement, Business Finland also strives to promote social justice and accountability. In its procurement, Business Finland considers environmental aspects and the principles of sustainable development, which are governed by decisions in principle of the Government and the action plan

called *Kestävät julkiset hankinnat* - Sustainable Public Procurements.

Business Finland ensures contractual operation by actively monitoring the delivery of the service provider or supplier. Business Finland pays special attention to cooperation during the agreement period and submits complaints when necessary. Cooperation with the supplier during the agreement period has a crucial impact to the success of the final result.

The goal is for Business Finland as the procurer being fair and impartial and striving to promote healthy competition through its operations. Whenever possible, purchases are divided into smaller parts to allow smaller companies to participate in the competitive bidding. As required by procurement legislation, the Act on the Contractor's Obligations and Liability when Work is Contracted Out, and other laws, Business Finland ascertains that the contracting parties have fulfilled their social obligations. As the majority of Business Finland's purchases are purchases of expert services, Business Finland rarely has the opportunity to verify the supplier's supply chain. Goods, such as office supplies and furniture, are purchased under framework agreements made by Hansel Ltd, the central purchasing body for the central and local governments in Finland. Hansel monitors the corporate responsibility of the suppliers in these framework agreements.

6.3 REGIONAL OPERATIONS IN FINLAND AND ABROAD

The extensive domestic network improves the accessibility of the services and strengthens Business Finland's ability to take into account the special features of different regions of Finland and local strengths that improve the conditions for growth of international business. Business Finland has 16 locations in Finland. Business Finland operates at 12 locations in connection with the local ELY Centre (Joensuu, Jyväskylä, Kajaani, Kuopio, Lahti, Lappeenranta, Mikkeli, Oulu, Rovaniemi, Seinäjoki, Turku, and Vaasa) and at three locations at joint premises with Finnvera plc (Helsinki, Pori, and Tampere). In Kemi, Business Finland is a tenant of the town's development company Digipolis. These arrangements makes it more convenient for client companies to access the services best suited for them. Since 2016, Business Finland's head office has been in Helsinki in the same office building as Finnvera and the Finnish Industry Investment Ltd, which has created a hub for the Uusimaa region, making client service more efficient and facilitating communication between service providers.

The services of Business Finland's global network bring new opportunities and growth for Finnish companies on the global market, which promotes the growth of Finnish trade. At the same time, the work of Business Finland, together with Team Finland, promotes Finland's country image in the countries where Business Finland operates.

The work done by Business Finland affects people and end customers globally and encourages the use of carbon neutral materials and energy-efficient solutions which, in turn, contributes to the fight against climate change.

In 2020, Business Finland operated abroad at 40 locations in 34 countries. The countries included Belgium, Spain, Austria, Norway, Poland, France, Sweden, Germany (2 offices), Denmark, Turkey, Russia (2 offices), the United Kingdom, Brazil, Canada, Chile, Mexico, Peru, the US (3 offices), Australia, South Korea, Indonesia, India, Japan, Kazakhstan, China (3 offices), Malaysia, Taiwan, Vietnam, South Africa, Kenya, Morocco, Nigeria, Saudi Arabia, and the United Arab Emirates. The Hong Kong and Myanmar offices were closed in 2020.

Business Finland's personnel includes people with 33 different nationalities. There are international experts at the Helsinki office in addition to the offices abroad. Thanks to their expertise, Business Finland is able to provide all of its clients with services that take into account international business environments and cultures, while paying attention to the special requirements of international entrepreneurs working in Finland.

Despite the difficult situation with COVID-19, companies' interest in Business Finland's export promotion services increased. Advisory events in the international network grew by 72% (in 2020: 4,253 pcs, in 2019: 2,474 pcs) and global contacts increased by 260% (in 2020: 4,118 contacts, in 2019: 1,581 contacts).

Finnish companies need support especially for clarifying their situational awareness, meeting new customers and partners, and finding new market opportunities. Exports are not easy in a world where travel is very difficult or even impossible.

6.4 DIRECT ENVIRONMENTAL IMPACT OF OUR OPERATIONS

Due to the nature of Business Finland's operations, the direct environmental impact is mainly linked to offices, energy consumption, and travel.

The head office of Business Finland is in a property owned by Ilmarinen Mutual Pension Insurance Company in the Ruoholahti district of Helsinki (Kiinteistö Oy Helsingin Lepakko). The property has the largest building-specific solar power plant in Helsinki which produces part of the property's electricity (the production corresponds to the electricity consumption of some 80 apartment buildings). The property also has a LEED certification (2018) that guides the environmental impact of the property and its tenants, in terms of energy efficiency, waste management, and recycling, for example. Furthermore, various efforts are made to minimize the various environmental effects in cooperation with the lessor.

The head office facilities are used jointly by Business Finland and Finnvera plc, and this joint working environment concept, combined with LED lighting solutions, clearly reduces the carbon footprint and energy consumption of the premises.

In Business Finland's operations as a whole, virtual meetings and other digital communications solutions reduce work-related travel, and the flexible remote working policy reduces commuting of the employees between their homes and their offices.

Due to the restrictions caused by the COVID-19 pandemic, Business Finland's employees have mainly worked remotely since mid-March, which has further decreased commuting. As employees are working from home, maintenance and energy consumption of the facilities has also been reduced by, for instance, adjusting the lighting. For example, only one quarter of the facilities at the head office have been in use, while the other facilities have been closed.

7 CLIENTS AND OTHER STAKEHOLDERS

7.1 CLIENTS

Business Finland offers funding and expert services to companies and research organizations with operations in Finland. In the case of expert services, clients may also be from outside of Finland. For example, the clients of Visit Finland and Invest in Finland are, as a rule, companies registered in countries other than Finland. When selecting its clients, Business Finland emphasizes their willingness and ability to grow, a good team and wide-ranging expertise, international competitive advantage of their business idea, as well as sufficient resources and internal financing. Business Finland wants to see the courage to renew business operations. Business Finland's entire range of services is not made available to the clients from the very start. Instead, more services become available as the company proceeds through its international growth path according to its objectives. Business Finland's financial services allow our clients to purchase assistance from the market for their growth and internationalization needs.

Business Finland's new strategy was approved in September 2020, and it contains a clearer emphasis

on developing the customer experience and customer satisfaction. The first measure to be realized was an assessment of the customer experience management. The assessment of customer experience management was carried out by an external partner, and it included both a survey and interviews with the members of the management who are the most important in terms of the theme. The management of customer experience was assessed using eight dimensions: systematic collection of understanding on the clients, customer experience strategy, planning of the customer experience, management of the customer experience, measuring of the customer experience, the organization's customer service orientation, client-oriented culture, and systems and processes to support the customer experience. According to the results, Business Finland is on level 2 on a four-stage assessment scale. On the basis of the assessment, the first measures were launched, including a series of workshops for defining the customer service path. A large number of employees throughout the organization participated in the workshops.

Business Finland strives to continuously improve its customer service insight to ensure that Business Finland

has the latest information on the clients' needs and on how Business Finland could rectify any market shortfalls related to the meeting of these needs. The first client-level surveys for Business Finland's Fokus and Key clients were also carried out in the fall. In addition, a feedback survey for clients who were refused the disruption funding due to the COVID-19 pandemic was arranged. Questionnaires will be sent to the recipients of the funding for preliminary study and business development for disruptive circumstances by the end of the projects in 2021.

Business Finland monitors its clients' willingness to recommend Business Finland with the NPS indicator (Net Promoter Score). In addition to funding clients, feedback is also collected from program activities, business delegation trips, Visit Finland's activities, Invest in Finland's operations, the international network of Business Finland, and Business Subsidies' operations. With regard to funding services, customer satisfaction is measured in two different stages. The first customer satisfaction survey will be sent to the client once a funding decision (a positive or negative one) has been made. The second customer satisfaction survey will be sent to the client once a decision on final payment has been made. The customer satisfaction survey was renewed at the turn of the year. The survey after the funding decision focuses on the application process for funding, whereas the survey sent after the final payment decision focuses on operations during the project period. If the client gives a very low rating in the survey, the project team will be notified.

The quality of Business Finland's services was mainly excellent. Figures describing customer satisfaction and the NPS are presented in Chapter 5.2 of the Funding Agency's annual report.

The customer relationship management model at the level of Business Finland is shared, which is why clients of Business Finland cannot be separated into clients of the Funding Agency and the Company. Roughly divided, the Funding Agency offers funding for research and development, and the Company offers de minimis funding, as well as guidance and expert services. In many cases, the same client uses funding, advisory, and expert services. In 2020, Business Finland had a total of 23,070 corporate clients operating in Finland, of which 18,290 received funding for disruptive circumstances. The number of clients excluding disruption funding clients in 2020 was 6,900 (in 2019: 7,800, in 2018: 7,700). The figures do not include clients of Invest in Finland or Visit Finland.

By size category and region, clients were divided in very much the same way as in previous years. The majority (approximately 80%) of Business Finland's funding and expert service clients were microenterprises and small enterprises (in 2019 and 2018: 80%). Most clients come from the province of Uusimaa (50%), followed by Pirkanmaa (9%), Southwest Finland (8%), and North Ostrobothnia (6%). The most common client industries were information and communications (22%), manufacturing (21%), and professional, scientific and technical

FIGURE 4: BUSINESS FINLAND'S CORPORATE CLIENTS OPERATING IN FINLAND BY MAIN INDUSTRY
(EXCLUDING CLIENTS WHO RECEIVED FUNDING FOR DISRUPTIVE CIRCUMSTANCES)

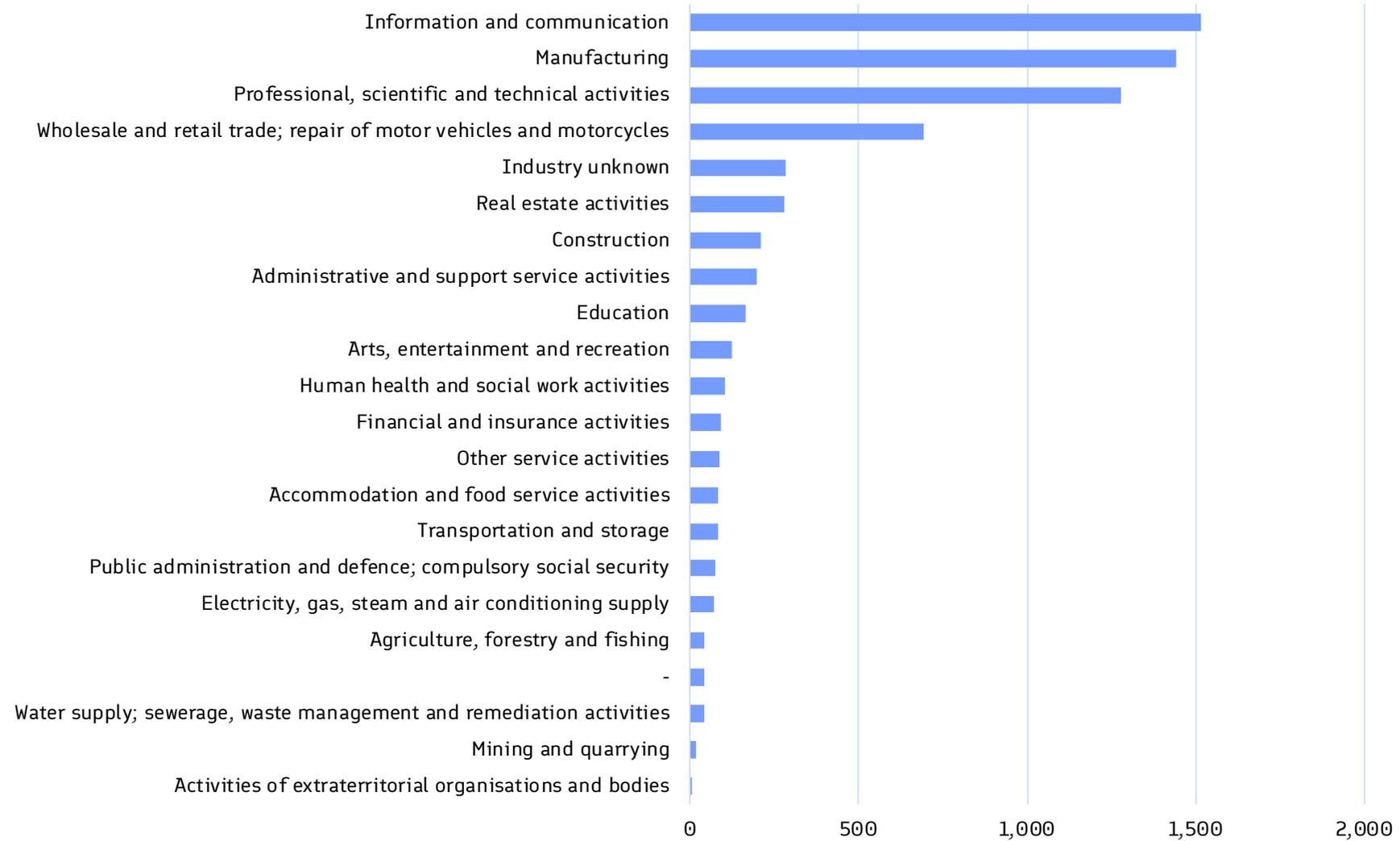
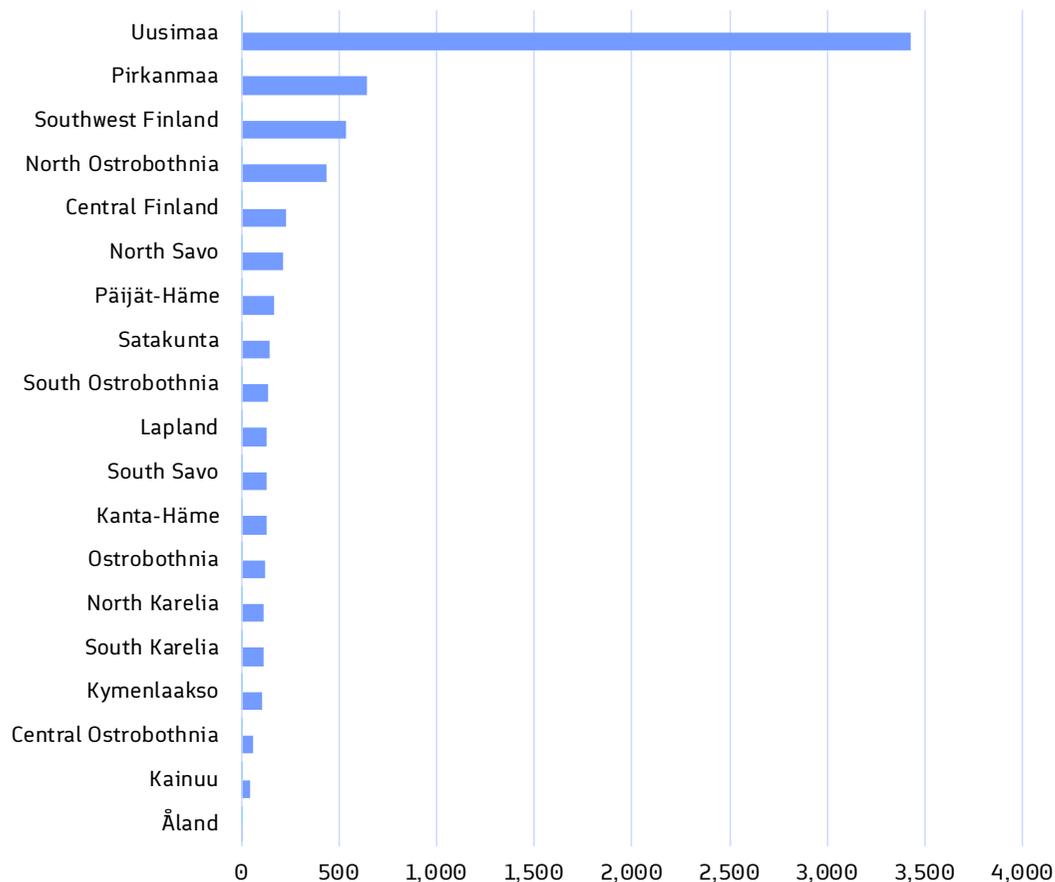


FIGURE 5: BUSINESS FINLAND'S CORPORATE CLIENTS OPERATING IN FINLAND BY PROVINCE (EXCLUDING CLIENTS WHO RECEIVED FUNDING FOR DISRUPTIVE CIRCUMSTANCES)



activities (18%). The top of the industry distribution has remained highly similar when compared to 2019. The only change worth mentioning is that the order of information and communications and manufacturing has changed. The industry distribution was presented in a different manner in 2018, and thus it is not possible to compare the data in that respect.

Of the disruption funding clients, 93% were micro enterprises and small enterprises. Most of these clients came from the province of Uusimaa (41%), followed by Pirkanmaa (9%), Southwest Finland (9%), and North Ostrobothnia (7%). Among the industries of the disruption funding clients, the most common were professional, scientific and technical activities (17%), wholesale and retail trade; repair of motor vehicles and motorcycles (16%), industry (13%), information and communications (10%), construction (9%), and hotels and restaurants (9%).

Business Finland's clientele also includes research organizations. In 2020, Business Finland's clients included a total of 37 research organizations (in 2019: 34, in 2018: 29), the majority of which were universities, institutions of higher education, and universities of applied sciences all around Finland.

7.2 OTHER STAKEHOLDERS

A key aspect in Business Finland's stakeholder policy is evaluation of the strategic relevance, impact, and client value of cooperation. The stakeholder cooperation is guided by Business Finland's strategy: Business Finland creates wealth and wellbeing for Finland. From the perspective of the strategy, it is assessed whether cooperation with a specific organization is strategic and/or whether it has significant social impact, or whether the cooperation significantly contributes to the achievement of Business Finland's goals.

Business Finland engages in particularly close cooperation with the Ministry of Economic Affairs and Employment and the organizations included in its administrative branch, as well as the Ministry for Foreign Affairs. The Ministry of Economic Affairs and Employment is Business Finland's owner and performance manager. In addition to the above, strategic key stakeholders include Finnvera, VTT Technical Research Centre of Finland Ltd, the Academy of Finland, and the Finnish Innovation Fund Sitra. Business Finland is an active operator in the Research and Innovation Council, which guides and coordinates research and innovation policy. Business Finland also engages in close cooperation with ELY Centers and other regional actors, as well as with EU entities. Business Finland's international network has expanded significantly. The network engages in close cooperation with Finnish Embassies, as well as significant regional actors. Below are a few examples of Business Finland's stake-

holder cooperation. The cooperation with stakeholders is described in more detail in Chapters 3–5 of the Funding Agency's annual report.

In 2020, Team Finland cooperation focused on the implementation of the new strategy that was adopted in 2019. In the strategy, the network's basic tasks are to define the service steering of international companies, to make Finland known as a concentration of high-quality expertise, as well as to link foreign experts and investments to Finland. The Team Finland network plays an important role in the implementation of the export and international growth program (Viennin ja kansainvälisen kasvun ohjelma). The goals with the program, which extends to 2023, is to extensively promote the growth and internationalization of businesses and to support the emergence and development of business ecosystems worth billions of euros. The organizations that grant funding for Team Finland worked together to assist companies in coping with the COVID-19 crisis. Members of the Team Finland network worked in close cooperation to serve more than 10,000 clients. The services included customer advice, Team Finland contacts, funding, and joint events.

In 2020, Business Finland actively participated in the development of European R&D&I cooperation, particularly in the preparation of the content and practical implementation of the Horizon Europe program (2021–2027) managed by the Ministry of Employment and the Economy. Business Finland also actively participated in

the operations and development of the Eureka Cluster Program in 2020. Business Finland's office in Brussels (FiLi) continued its proactive data collection and the mediation of data to the headquarters, as well as supported Business Finland's management in its EU advocacy work.

Business Finland also actively participated in the planning and piloting of a new partnership model presented in the national R&D&I roadmap. The goals with the partnership model are to gather research and networks utilizing research into larger knowledge centers and ecosystems, as well as to strengthen cooperation between universities, research organizations, businesses, and other R&D&I actors. Cooperation between funders, such as the Academy of Finland and Business Finland, links the current operating models and funding services into a functional entity and ensures that the parties funded as a partnership network are committed to consistent goals. The development of the partnership model will continue in 2021.

Business Finland monitors customer satisfaction and the NPS in the manner described in Chapter 7.1 above. The performance agreement between Business Finland and the Ministry of Employment and the Economy for 2020 also includes two performance indicators related to stakeholder satisfaction: Visit Finland's stakeholder satisfaction and stakeholder satisfaction in Business Finland's Talent Boost operations. The cooperation related to the Talent Boost operations is discussed in Chapter 3.2.3. of the Funding Agency's annual report, and the

achievement of these indicators is reported in Chapter 5.2. (Table 10) of the Funding Agency's annual report.

Business Finland maintains a constant dialog with its largest stakeholder group, its clients, as well as with other interest groups representing customer organizations. Discussions with these parties have led to the question of whether, within the foreseeable terms of reference, Business Finland will be able to deliver on the expectations placed on it when it was established in terms of safeguarding and improving the service level. Above all, stakeholders are concerned about the division and weighting of resources between different functions. For example, stakeholders representing the export trade are concerned about the resources allocated to export promotion services. There is a further question over the position that Business Finland will be able to occupy within the innovation and business service system.

The targets of the Finnish Government's program are 75% of employment rate, the 4% of GDP for R&D and innovation funding, and Finland's carbon neutrality by 2035 are the central strategic objectives of the administrative sectors of Ministry of Employment and the Economy. Business Finland has a significant role to play as a driving force of these objectives and thus high expectations are placed on it. The objectives of the Government program are taken into account in Business Finland's performance agreement. In addition, Business Finland is considering with what changes in operating methods



and specific investments it could support in achieving the targets.

In spring 2019, Business Finland began extensive scenario work in anticipation of further strategy work. The scenario work looked at how alternative global evolution affect the competitiveness of Finnish companies, how they should be addressed, and what is the role of a public operator such as Business Finland in maintaining and increasing competitiveness. The scenarios were reviewed and updated in spring 2020 to take into account the prevailing COVID-19 status. The scenario work was done with the broad involvement of stakeholders and can also be used by partners in their own strategy work.

8 GRI CONTENT INDEX

NUMBER OF THE STANDARD	NAME OF THE STANDARD	LOCATION IN THE REPORT	COMMENTS
GRI 102 General disclosures 2016			
ORGANIZATIONAL PROFILE			
102-1	Name of the organization	Chapter 3.1	
102-2	Activities, brands, products, and services	Chapter 3.3, sectors: chapter 7.1	
102-3	Location of headquarters		Porkkalankatu 1, Helsinki
102-4	Location of operations	Chapter 6.3	
102-5	Ownership and legal form	Chapter 3.1	
102-6	Markets served	Chapters 6.3, 7.1	
102-7	Scale of the organization	Chapters 3.4, 5.3, 6.1, 7.1, Financial statements of the Funding Agency, chapters 5.1.1 – 5.1.2, 6-7, Financial statements of the Company, chapters 2-3, 6	
102-8	Information on employees and other workers	Chapter 6.1	
102-9	Supply chain	Chapter 6.2	
102-10	Significant changes to the organization and its supply chain	Chapters 3.2, 4.2, 5.3, 6.1, 7.1	
102-11	Precautionary Principle or approach	Chapters 2, 4.1, 4.2	

102-12	External initiatives	Chapter 4.1	
102-13	Membership of associations	Chapter 4.1	
STRATEGY			
102-14	Statement from senior decision-maker	Chapter 1	
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behavior	Chapter 4.1	
102-17	Mechanisms for advice and concerns about ethics	Chapter 4.1	
GOVERNANCE			
102-18	Governance structure	Chapter 3.5, Financial statements of the Company, chapter 6	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Chapters 7.1, 7.2	
102-41	Collective bargaining agreements	Chapter 6.1	
102-42	Identifying and selecting stakeholders	Chapters 4.2, 7.1, 7.2	
102-43	Approach to stakeholder engagement	Chapters 2, 4.1, 5.2, 7.1, 7.2, Financial statements of the Funding Agency chapters 3-5	
102-44	Key topics and concerns raised	Chapters 7.1, 7.2 (Financial statements of the Funding Agency chapters 3-5)	

REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Chapters 3.1 and 3.6	
102-46	Defining report content and topic Boundaries	Chapters 2 and 3.6	
102-47	List of material topics	Chapter 2	
102-48	Restatements of information	Chapters 3.2, 7.1 (Financial statements of the Funding Agency and the Company)	
102-49	Changes in reporting	Chapters 3.2	
102-50	Reporting period	1.1.2020 - 31.12.2020	
102-51	Date of most recent report	Chapter 3.6	1.1.– 31.12.2019
102-52	Reporting cycle	Chapter 3.6	
102-53	Contact point for questions regarding the report	GRI content index	Sari Turja, sari.turja@business-finland.fi
102-54	Claims of reporting in accordance with the GRI Standards	GRI content index Chapter 3.6	The report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	GRI content index	
102-56	External assurance	GRI content index	No external assurance

GRI 103: : MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its Boundary	Chapters 2, 4,5,6,7	Boundary: Business Finland / Innovation Funding Center Business Finland / Business Finland Oy
103-2	The management approach and its components	Chapters 2, 4, 5, 6, 7	
103-3	Evaluation of the management approach	Chapters 2, 4, 5, 6, 7, Financial statements of the Funding Agency chapters 2-3, 5-6, 8-10.	

Economics

GRI 201 ECONOMIC PERFORMANCE 2016

201-1	Direct economic value generated and distributed	Chapters 3.4, 5.3, Financial statements of the Funding Agency chapters 4-5, 7, 11-14, Financial statements of the Company chapter 3	
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GRI 203 INDIRECT ECONOMIC IMPACTS 2016

203-2	Significant indirect economic impacts	Chapter 5.1, Financial statements of the Funding Agency chapters 2-3	
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Social			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018			
403-2	Hazard identification, risk assessment, and incident investigation	Chapter 6.1	Partly reported
403-3	Occupational health services	Chapter 6.1	
403-6	Promotion of worker health	Chapter 6.1	
GRI 404: TRAINING AND EDUCATION 2016			
404-2	Programs for upgrading employee skills and transition assistance programs	Chapter 6.1	
404-3	Percentage of employees receiving regular performance and career development reviews	Chapter 6.1	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
405-1	Diversity of governance bodies and employees	Chapter 6.1	
GRI 406: NON-DISCRIMINATION 2016			
406-1	Incidents of discrimination and corrective actions taken	Chapter 6.1	
GRI 418: CUSTOMER PRIVACY 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Chapter 4.1	
GRI 419: SOCIOECONOMIC COMPLIANCE 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	Chapter 5.3	

BUSINESS FINLAND

Business Finland is an accelerator of global growth. We create new growth by helping businesses go global and by supporting and funding innovations. Our top experts and the latest research data enable companies to seize market opportunities and turn them into success stories.

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