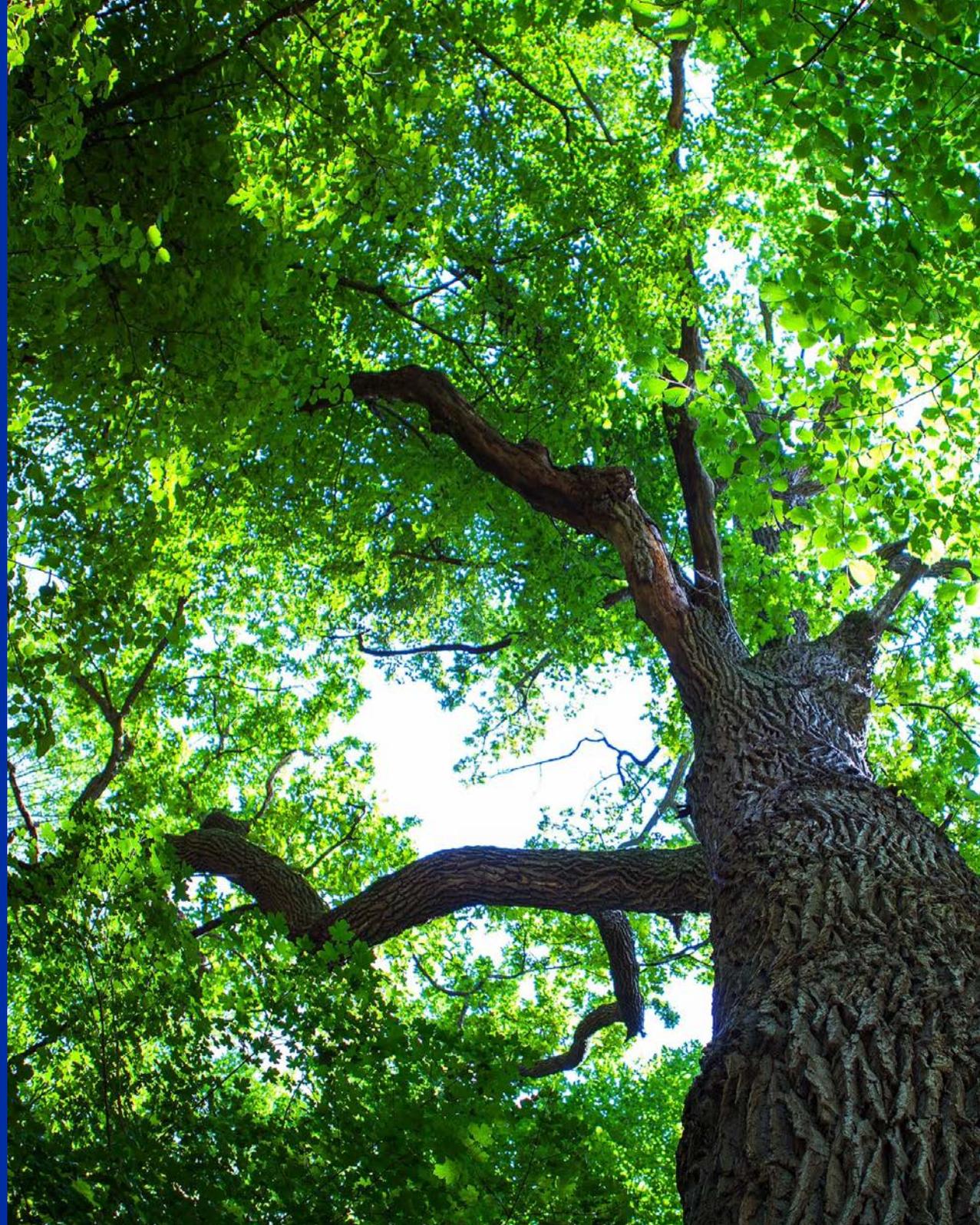


**BUSINESS
FINLAND**

**SOCIAL
RESPONSIBILITY
REPORT
2018**

Business Finland's Management Board, February 11, 2019
Business Finland's Board of Directors, February 27, 2019
Business Finland Oy's Board of Directors, March 14, 2019

Translated from the original Finnish version



CONTENTS

| | |
|---|----|
| 1. Review by the Director General..... | 3 |
| 2. Managing social responsibility and key themes at Business Finland | 5 |
| 3. Business Finland as an organization | 8 |
| 3.1 Ownership structure and company form..... | 8 |
| 3.2 Business sectors, brands, products, and services ... | 8 |
| 3.3 Size of the organization | 9 |
| 3.4 Governance | 10 |
| 3.5 Reporting practices | 11 |
| 4. Business Finland's operations as a responsible funder and provider of service functions | 12 |
| 4.1 Corporate responsibility and governance | 12 |
| 4.2 Funding and expert services | 14 |
| 5. Impact | 16 |
| 5.1 The impact of our operations | 16 |
| 5.2 Sustainable development..... | 18 |
| 5.3 Finances | 18 |
| 6. Business Finland's own operations | 21 |
| 6.1 Personnel | 21 |
| 6.2 Procurement | 28 |
| 6.3 Regional operations (in Finland and abroad) | 29 |
| 6.4 Direct environmental impact of our operations.... | 30 |
| 7. Clients and other stakeholders..... | 31 |
| 7.1 Clients | 31 |
| 7.2 Other stakeholders..... | 34 |
| 8 GRI content index..... | 35 |

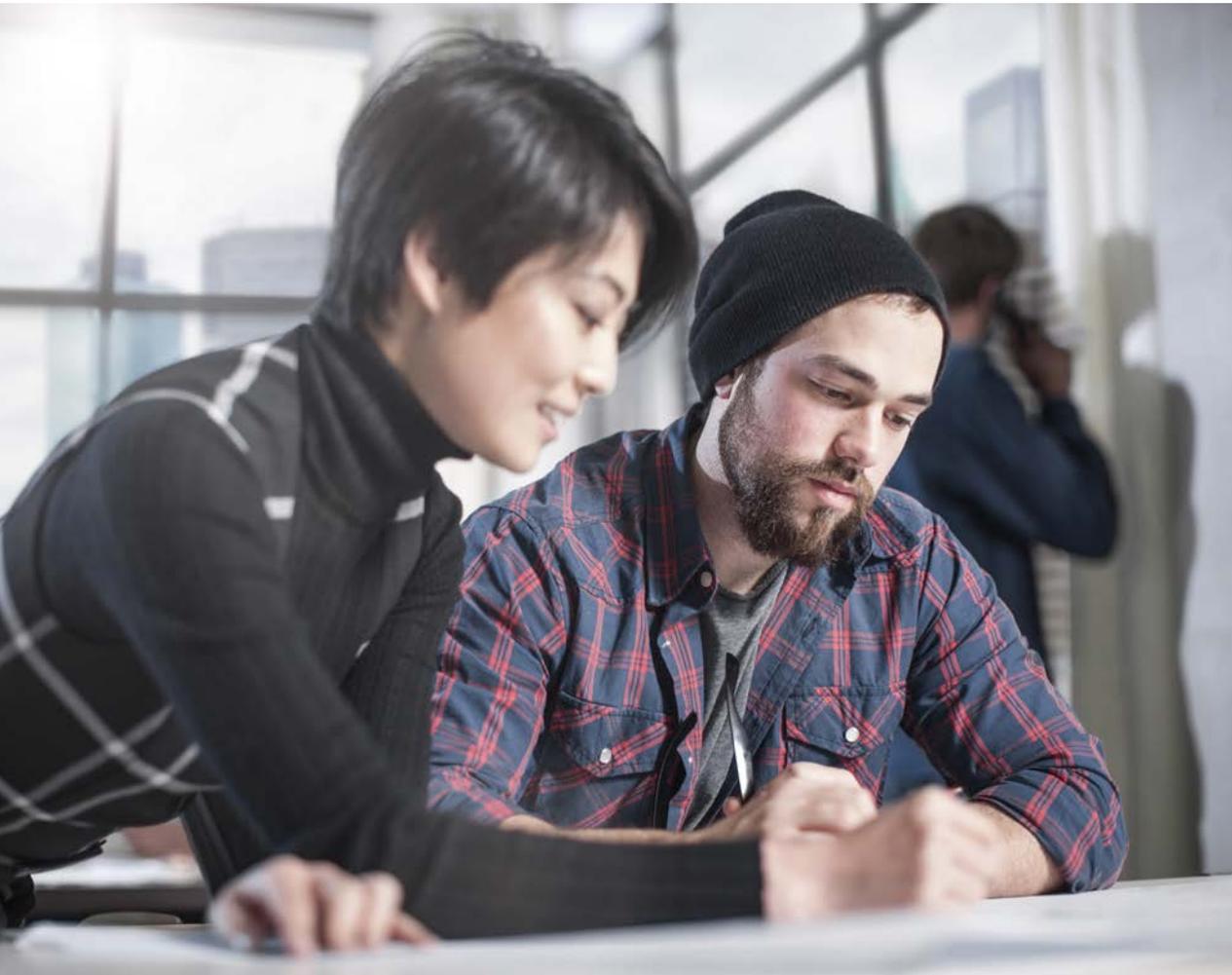
1. REVIEW BY THE DIRECTOR GENERAL

Business Finland began operating at the start of 2018 with the merger of Tekes, the Finnish Funding Agency for Innovation, and Finpro, a provider of internationalization services. Although the process is still underway in some areas, the most significant changes have already been successfully executed. In the midst of the upheaval, we have concentrated on serving our clients – Finnish businesses – while continuously developing our service offering. We have monitored the progress of the integration process in-house and with external indicators. According to the feedback we have received, we have been at least moderately successful in establishing the role and duties of our new organization and in ensuring recognition. We are in a good place to continue building on the important work of our predecessors in the interests of Finnish society.

Business Finland works toward the success of Finland and Finnish businesses. When we talk about funding innovation and growth, we are talking about the future of Finland as a whole. Wellbeing can only be a product of growth, and it is our duty to create new growth. We are doing this by helping businesses to modernize and develop through technology and innovation, promoting

international networking, and improving the quality of working life. Further objectives of our operations are to increase added value, strengthen business growth and international competitiveness, boost exports, increase foreign investment and capital investment in Finland, promote tourism in Finland, and, over the long term, improve productivity and create employment and wellbeing. Every year, we provide approximately half a billion euros in funding for innovations. As a public entity, we have a great responsibility. It must be possible for people to believe in our operations and trust us, and trust can only be earned by operating openly and honestly. We want to be trustworthy – that is why everything we do is governed by Business Finland's corporate responsibility principles.

In 2018, we published Business Finland's corporate responsibility policies in the form of a Code of Conduct. The document brings together the key principles underlying responsible conduct, forming the basis for how we work. In addition to this, the processes for monitoring funding were revamped and set out in more detail. In the future, Business Finland will aim to focus greater attention on corporate responsibility and ethical funding, as well as on which companies and projects are funded by



Business Finland. A further aim is to elaborate and develop the reporting on responsible operations. The UN's Principles for Responsible Investment act as a good rudder: they define responsible investment as investment activities that take factors related to the environment, society and governance into account when investment decisions are made.

This is Business Finland's first social responsibility report. This report consolidates the focus areas for corporate responsibility work covering all of Business Finland's operations¹. Every year, we make a performance agreement with the Ministry of Economic Affairs and Employment, setting out the targets for the forthcoming year, as well as the indicators used to measure performance against the targets. We report on the achievement of these targets in the areas of social impact, operational efficiency, and the management and development of human resources in our annual report. In the future, we will regularly report on social responsibility themes, targets, and actions that are important to us every year. The social responsibility report applies the core requirements of the GRI standard framework for corporate responsibility reporting.

¹ Business Finland consists of separate administrative entities, the Innovation Funding Agency Business Finland and Business Finland Oy.

2. MANAGING **SOCIAL RESPONSIBILITY** AND **KEY THEMES** AT 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 our everyday activities. Business Finland is making Finland the world's most attractive and competitive innovation environment, where companies find it easy to grow, regenerate, and succeed. Business Finland is working for Finland. The performance agreement made with the Ministry of Economic Affairs and Employment every year sets out the 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 target areas are social impact, operational efficiency, and the management and development of human resources. The performance agreement for 2018 concerned the Funding Agency and the Company.

The key themes for Business Finland's social responsibility consist of four main themes, each with related sub-areas. These four 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 also wants to be a responsible actor on the international stage, and operating responsibly in Finland's interests will also advance this goal. Operating in the interests of society requires responsible activities when funding and expert service are offered and in Business Finland's own operations. A good client experience, meanwhile, is closely connected to a good employee experience. Business Finland realizes its work in the interests of Finnish society through its clients, and it is important that the work involves listening to clients. We also receive valuable feedback from our clients and other external stakeholders in order to develop our operations.

The key themes are from Business Finland's strategy, and they were found to be important in discussions by the management board and the Board of Directors. The key themes and their sub-areas were defined in more detail by interviewing the personnel responsible for different functions at Business Finland. The selection of topics also took into account the feedback received from stakeholders concerning our operations. The results of an image study conducted by Business Finland were also used to define the key themes. In the coming year, the plan is to increase the involvement of stakeholders in defining and prioritizing the key topics of social responsibility.

The key themes in Business Finland's social responsibility are listed below.

BUSINESS FINLAND OPERATES AS A RESPONSIBLE FUNDER AND PROVIDER OF SERVICE FUNCTIONS

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 guides all of Business Finland's operations. Business Finland takes the UN's Sustainable Development Goals into consideration 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's key client value is trust. Business Finland complies with the Act on the Openness of Government Activities, but it restricts access to confidential data through operating instructions and information system solutions.

BUSINESS FINLAND WORKS IN THE INTERESTS OF FINNISH SOCIETY

Business Finland works in Finland's interests. Business Finland is turning Finland into an attractive and competitive innovation ecosystem. 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.



BUSINESS FINLAND OPERATES RESPONSIBLY, AND ITS PERSONNEL ENJOY A GOOD STANDARD OF WELLBEING

Corporate governance and the Code of Conduct guide all of Business Finland's activities. Business Finland aims to prevent and reduce the harmful environmental impacts of 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 account of its clients' needs and special characteristics, in Finland's regions 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, developing the competences of personnel, and career progression. Business Finland does not tolerate harassment, abuse, or bullying of any kind in its working community.

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

Business Finland continuously develops its client service so that it can help its clients in the best possible way. Business Finland regularly monitors client satisfaction and the feedback received from clients. Business Finland works in active cooperation with other stakeholders, listens to the feedback from stakeholders, and makes use of feedback in its operations.

3. BUSINESS FINLAND AS AN ORGANIZATION

3.1 OWNERSHIP STRUCTURE AND COMPANY FORM

At the beginning of January 2018, the innovation funding provider Tekes and Finpro – which offered internationalization, investment and tourism promotion services – merged to form Business Finland. Business Finland consists of the Innovation Funding Agency Business Finland (the Funding Agency), which is 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. Business Finland Oy Group consists of Business Finland Oy, the 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.

The Business Finland entity is also closely related to Business Finland Venture Capital Ltd, which makes capital investments under the guidance of the Funding Agency. The Funding Agency's activities are supervised

and controlled by the Ministry of Economic Affairs and Employment. The Business Finland entity is part of the Team Finland network.

3.2 BUSINESS SECTORS, BRANDS, PRODUCTS, AND SERVICES

Business Finland makes use of its special characteristics as a government agency and a company in order to realize the benefits it is aiming toward. The aim is for the Company to meet the needs of companies in the client interface. The Funding Agency is the interface towards political advocacy, offering established procedures for ensuring the responsible use of public money.

Business Finland offers funding and expert services to startups, SMEs, midcap companies, large enterprises, research organizations, and client groups and networks consisting of different organizations. Business Finland offers funding when companies aim to enter international markets and want to develop their businesses with the help of innovations. This is how Business Finland shares the risk related to growth and creating new busi-

ness. Business Finland also provides advice and sparring on applications for European and international funding.

Business Finland's expert services cover the various areas involved in internationalization in accordance with clients' needs and growth phases. Business Finland offers services related to networking, helps its clients to identify market opportunities, and develops innovation and renewal. 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's programs are funding and expert service entities that enable Business Finland to provide its clients with networks and information in support of international business development.

Visit Finland, a part of Business Finland, is a national tourism expert and active operator responsible for promoting tourism from foreign countries to Finland. Visit Finland's mission is to develop Finland's international image in the field of tourism. Visit Finland also collects and analyzes market data on the needs of tourism businesses, and it supports tourism companies and regions in internationalization, product development, and productization.

Invest in Finland, a part of Business Finland, helps foreign companies to identify business opportunities in Finland, generates information about Finland as an investment target, and develops and coordinates national investment acquisition work by actively networking with regional and international actors.

Business Finland's main brands under the Business Finland umbrella are the foregoing 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 related to the Team Finland brand. 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.

3.3 SIZE OF THE ORGANIZATION

On December 31, 2018, Business Finland had a total of 601 employees, of whom 260 worked in the Funding Agency and 341 worked at the Company (the figure for the Company includes employment relationships in Finland and abroad, as well as 6 personnel working abroad who are not technically employed by Business Finland Oy). On December 31, 2018, the Company had 15 agency-hired personnel, of whom 8 worked abroad. On December 31, 2018, the network abroad also included 35 personnel who were not in employment relationships with Business Finland.

The Budget included funding allocated to the Funding Agency of EUR 675.6 million (including appropriations of EUR 83.9 million carried over from previous years). In addition to the foregoing funding, the Funding Agency had access to appropriations from the Ministry of Economic Affairs and Employment, the Ministry of Transport

and Communications, and the Ministry for Foreign Affairs totaling EUR 99.4 million, as well as capitalized returns of EUR 0.3 million on operating expenses. Business Finland Oy's operating income in 2018 was approximately EUR 71 million, mostly from the sale of services to the Funding Agency. The finances of the Funding Agency and the Company are reported in greater detail in the respective organizations' financial statements.

The amount of funding sought from Business Finland in 2018 amounted to EUR 958 million across 6,061 applications, including new applications and phase decisions. A total of EUR 565 million of funding was granted to 4,040 projects. EUR 451 million of funding was granted to companies and EUR 114 million was granted for research.

Business Finland had a total of 7,700 client relationships in 2018. This figure includes the client relationships of the Funding Agency and the Company, as well as Business Finland's shared company clients operating in Finland. Overlapping client details have been eliminated from the figures, which also do not include the clients of Invest in Finland and Visit Finland. In addition to the foregoing, Business Finland had 29 research organizations as clients in 2018. Invest in Finland contacted approximately 1,000 new potential investors in 2018.

3.4 GOVERNANCE

The Funding Agency has a Board of Directors that steers, monitors, and controls the operations of the Business Finland entity and decides upon general operating policies, taking into consideration the targets set by the Ministry of Economic Affairs and Employment and the principles and policies of owner steering.

The Director General of the Funding Agency manages, monitors, and develops the Funding Agency and the entity consisting of the Funding Agency and the Company. The Director General is accountable to the Ministry of Economic Affairs and Employment for the profitability of operations and for reaching the targets. The management board 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 in 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 management board, which consists of some of the most influential members of the Team Finland network and stakeholders. Team Finland's management board manages the coordination of Team Finland's network and operations, as well as continuous development.



3.5 REPORTING PRACTICES

Business Finland was established on January 1, 2018. This was Business Finland's first year in operation, and this is Business Finland's first social responsibility report. Finpro Finland Oy prepared a social responsibility report in 2017. The company's operations changed substantially when Business Finland was established, and the details in the social responsibility report for 2017 are no longer comparable with the details in this report. For this reason, Business Finland has not presented comparable data for every aspect of its social responsibility report. The details concerning finances and some of the information about personnel were taken from the financial statements of the Funding Agency and the Company. Comparison data is also available in these entities' financial statements. 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 Ltd prepares its own social responsibility report. This report covers the realization of Business Finland's social responsibility in line with the key themes specified in section 2 for the financial period from January 1 to December 31, 2018. Business Finland reports on its social responsibility annually. The report follows the core requirements of the GRI standard framework for corporate responsibility reporting. The report has not been externally audited. Business Finland will endeavor to develop its social responsibility reporting in 2019.

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 the laws, regulations, operating methods, and good governance in Finland, the EU, and the countries in which it operates.

Business Finland's Code of Conduct brings together the most important principles of responsible operations as described in more detail in the next section. It is important that people are able to trust Business Finland. Trust is upheld by operating responsibly. Business Finland requires every one of its employees to operate in accordance 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. An online training course was prepared to help the organization cascade the policies, and all of Business Finland's employees were required to complete it. Work on cascading the policies will continue in 2019.

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. Business Finland never accepts or offers monetary gifts or gifts that might harm Business Finland's reputation or public trust in Business Finland. Business Finland intervenes in the event of malfeasance, and every employee is obliged to report suspicions of malfeasance. A whistleblower channel was introduced on Business Finland's website in the second half of 2018 to enable Business Finland's clients, employees, and other stakeholders to report any unethical or unlawful actions they have observed. Notifications can be submitted anonymously, and all notifications are handled in confidence. Internal Audit is responsible for processing notifications. No notifications were submitted in 2018.

Business Finland's policies on affiliations were prepared in 2018, and the Board of Directors approved them at the end of the year. The work on cascading the affiliation policies will take place in 2019. The affiliation policies state the following: As a rule, individuals involved in work with clients and financing activities may not hold board

memberships or serve as managing directors or in other positions in for-profit companies. Exceptions to this rule may be possible.

Business Finland does not tolerate any form of harassment, abuse or bullying in its working community.

Business Finland treats its clients in an unbiased, equal, and appropriate manner. Business Finland knows its clients. Business Finland does not accept money laundering or other unlawful activities in its operations. Business Finland always handles the information received from its clients with the utmost care in accordance with the law and as required to ensure confidentiality. Business Finland runs 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 the applicable laws whenever it processes data, and it ensures that privacy is protected when processing personal data.

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. A separate risk management process supports and verifies the realization of risk management. Business Finland's common risk management policies were approved in the fall of 2018. When risks are taken, the im-

pacts and returns must be greater than the investments over the long term. In its strategic choices and allocations of funding and other resources, Business Finland is willing to accept greater risks than entities operating on market terms, providing that the potential returns for the national economy and society are estimated to be sufficiently large. Business Finland's existence is founded on the idea of taking such risks and sharing risks related to innovation activities in the Finnish economy.

Business Finland's values were introduced in April 2018. The values steer the way that Business Finland's personnel do their work. They are the new cornerstones of Business Finland's culture. Business Finland's values have been integrated into the recruitment and orientation process, as well as into remuneration. Business Finland's values are:



WITH PASSION



THINK BIG



ALL TOGETHER



WITH SISU

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

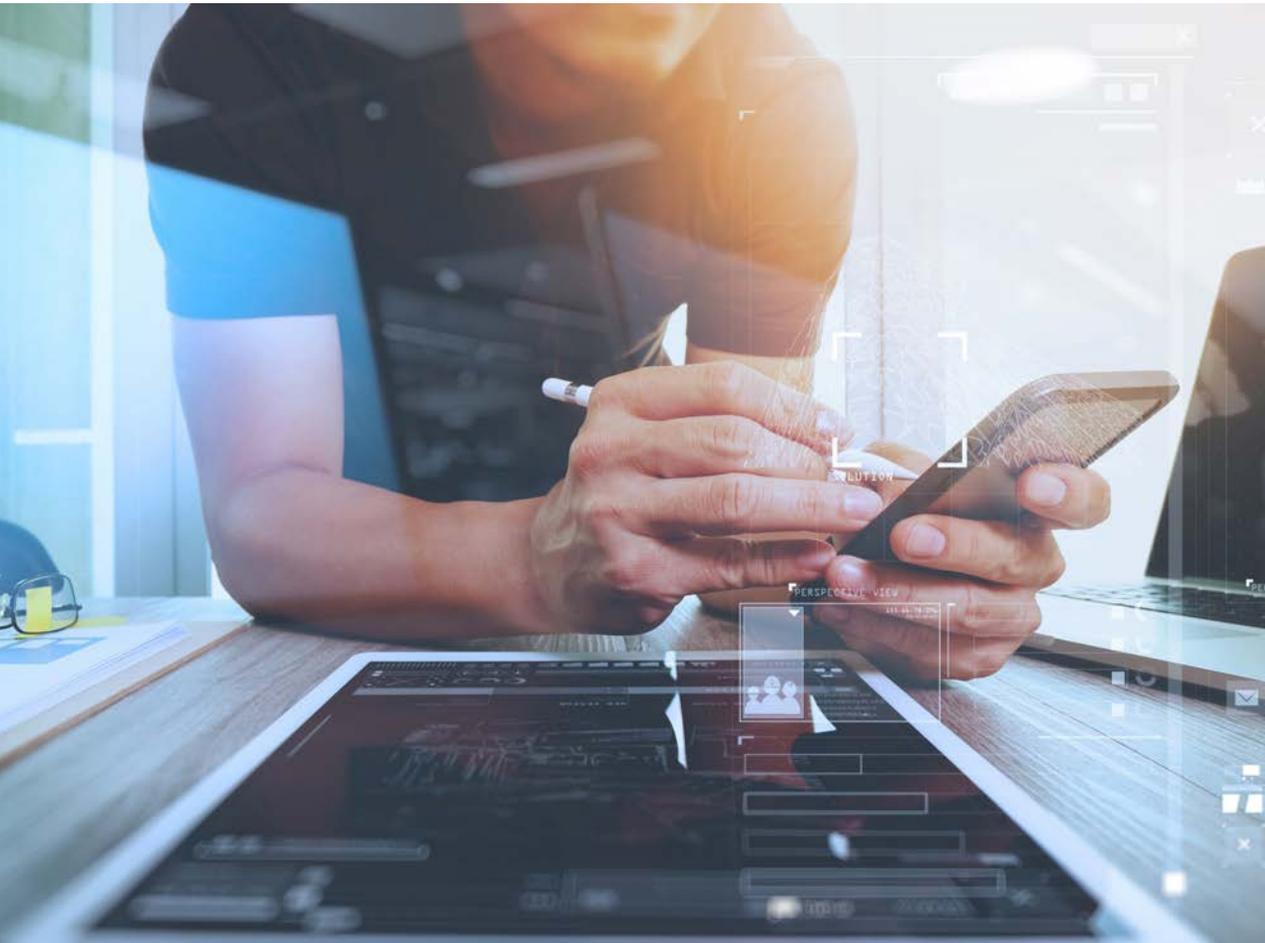
Business Finland is a member of several associations and advocacy organizations. The key organizations in which Business Finland is a member are the European Space Agency (ESA), the EUREKA Secretariat, the Nordic Energy Forum (NEF), TAFTIE, and the European Trade Commission (ETC).

4.2 FUNDING AND EXPERT SERVICES

The common principles guiding responsibility in funding and expert services:

- Business Finland shares the risks of its corporate clients' innovation activities by offering funding to companies willing and able to seek international growth in order to eliminate the bottlenecks hindering growth.
- 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 over the long term, taking into account the project's impacts on other organizations and its direct impacts 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 helps companies to develop their internationalization readiness and innovation capabilities to a sufficient standard before encouraging them toward more significant strides with the help of research and development funding.
- Business Finland always assesses clients as entities 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 knows its clients and conducts background checks to avoid supporting money laundering and unlawful or unethical activities.
- 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 conduct audits of the finances and operations of recipients

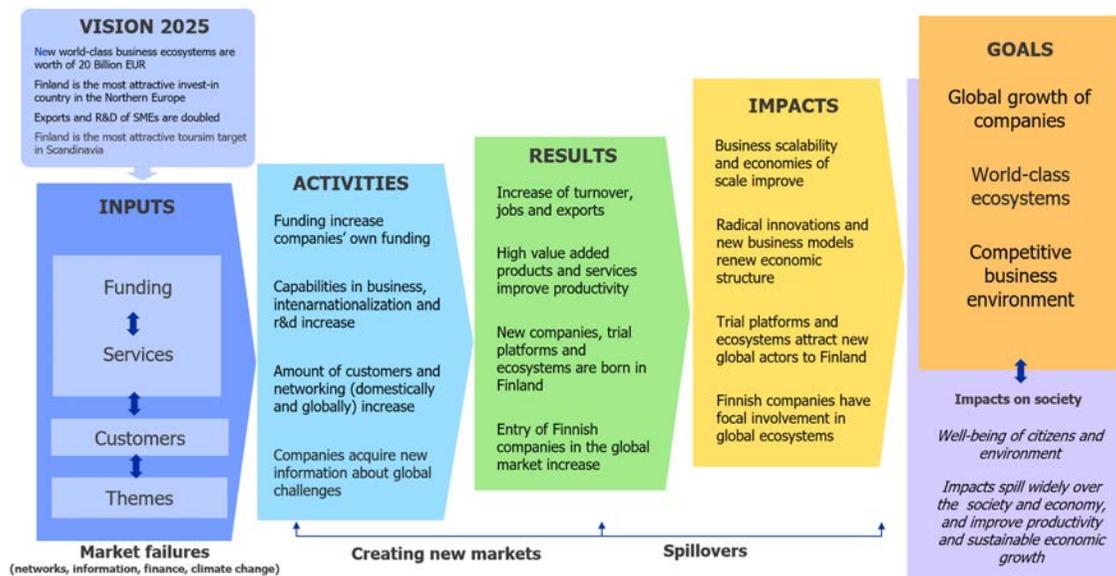


of state aid is based on the Act on Discretionary Government Transfers. The aim of the audit is to ensure that the projects funded by Business Finland are implemented according to the funding decision and its terms and that the project implementation corresponds to the information provided to Business Finland. Business Finland utilizes the audit results to develop and advance its operations.

- Business Finland also conducts audits of the quality 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 impacts of the risks, and planning the means of managing the risks. The results of risk assessments are utilized to develop operations.
- Visit Finland has shifted the sector's focus toward sustainable tourism and the principles of responsible operation. Visit Finland has also produced two guides for the responsible development of companies and regions: *Tips for Sustainability Communications* and *Tools for Sustainability and Communication*.

5. IMPACT

BUSINESS FINLAND'S IMPACT MODEL



5.1 THE IMPACT OF OUR OPERATIONS

Business Finland works in Finland's interests. Business Finland aims to make a direct impact on wellbeing based on innovation, productivity, structural renewal, and growth. Over the long term, the results carry further than individual projects through capabilities.

The results of the funding we grant and the expert services we provide manifest themselves in the form of new expertise and innovation. The impacts spread far and wide via networks and innovative companies and they increase productivity and economic growth. The impacts of the innovation activities funded by us are reflected in the wellbeing of citizens and the environment.

Our impact assessments analyze the impacts of public research and development work and innovation funding, including internationalization services and "invest-in" services, on companies, industries, and the economy as a whole. Impact assessments seek to demonstrate that public money has been used as effectively as possible. We also use the results of assessments to develop our operations and allocate funding and services.

Business Finland's impact and performance against targets are monitored using goal-oriented impact analyses agreed with the Ministry of Economic Affairs and Employment. Business Finland has three goals: 1) Global growth for companies; 2) World-class ecosystems; 3) A competitive business environment, for which an external evaluation is commissioned to analyze developments toward the goal.

Business Finland's impact model is an aid in developing internal tools such as the assessments used to select projects for funding and to enable more functional management of client relationships and ecosystems. The impact model was developed to describe different client segments and the results and impacts of specific instruments. The impact model is also suited to utilizing impact data by means such as impact paths, which are prepared for various themes (including cleantech, the bioeconomy, digitalization, and health). At the same time, the utilization of impact data in Business Finland's strategic decision-making, proactive impacts, and external communications are being reinforced.

More detailed information on impact assessments and the achievement of impact targets is reported in section 3 of the Funding Agency's annual report.

The projects funded by Business Finland and completed last year gave rise to 2,906 new or improved processes, services, products, or applications, as well as 1,303 patents or patent applications. Exports by SMEs receiving Business Finland funding increased by 24% from 2014 to

2017, and the revenues of these companies increased by 20% over the same period. Our SME clients are expecting to earn revenues of EUR 8.8 billion and make exports worth EUR 6.9 billion thanks to their projects in 2018.

Last year, more than EUR 475 million was invested in Finland from abroad, representing year-on-year growth of 44%. The investments made in Finland by foreign companies will result in the creation of an estimated 1,180 new jobs. These estimates are based on information provided by the companies in the planning phase. Last year, Invest in Finland made contact with over 1,000 new international clients, over 100 of whom visited Finland. Between 2008 and 2015, Finland attracted more direct investment than any other Nordic country. The companies assisted by Invest in Finland paid EUR 185 million in corporation tax and EUR 436 million in income taxes between 2012 and 2017.

At the time of writing, no confirmed figures were available for Visit Finland's results, but estimates indicate that earnings from international tourism increased to more than three billion euros in 2018 (EUR 3,025 million), which represents growth of approximately 1% on the all-time high set in 2017 (EUR 2,990 million). The number of overnight stays by foreign visitors also increased to 6.8 million in 2018, which represents growth of approximately 1% on the record year of 2017 (approximately 6.7 million). Statistics Finland will confirm the actual data for 2018 in April or May 2019.

5.2 SUSTAINABLE DEVELOPMENT

Business Finland takes the UN's Sustainable Development Goals into consideration in its operations. The UN's Sustainable Development Goals are reflected in Business Finland's operations in many ways: they are either among Business Finland's core goals or are a strong focus of Business Finland's operations. The goals may also manifest themselves in Business Finland's operations through various partnerships.

5.3 FINANCES

The Budget included funding allocated to the Funding Agency of EUR 675.6 million (including appropriations of EUR 83.9 million carried over from previous years). In addition to the foregoing funding, the Funding Agency had access to appropriations from the Ministry of Economic Affairs and Employment, the Ministry of Transport and Communications, and the Ministry for Foreign Affairs totaling EUR 99.4 million, as well as capitalized returns of EUR 0.3 million on an operating expense item.



EUR 491.3 million of the research, development, and innovation appropriations for 2018 was put to use in 2018. The largest portion of this sum (EUR 281.4 million) was allocated to supporting research, development, and innovation activities (section 32.20.40), and 93% of this amount was put to use. EUR 37.2 million of separate appropriations for business subsidies was used in 2018. Of the separate appropriations for business subsidies, EUR 16 million was initially allocated to appropriations for energy subsidies, and EUR 11.4 million of this sum was used. More detailed information on the use of appropriations is reported in section 7.2 of the Funding Agency's financial statements.

The appropriations for the Funding Agency's own activities were for operating expenses, a transferable appropriation for project and program activities, appropriations awarded for purchasing services from the Company, productivity appropriations, and the right to use a three-year transferable appropriation to develop growth ecosystems and innovative public procurement. In 2018, the Funding Agency had access to a total of EUR 87.2 million in appropriations for operating expenses granted in the 2018 State budget. These appropriations for operating expenses also include the transferable appropriation for project and program activities and the appropriations awarded for purchasing services from the Company. A total of EUR 11.7 million was available in appropriations for operating expenses carried over from previous years.

EUR 82.3 million (83%) of the appropriations was used. More detailed information on the use of these appropriations is also reported in section 7.2 of the Funding Agency's financial statements.

The Funding Agency had access to authorizations totaling EUR 493 million (including authorizations other than those directly allocated to the Funding Agency by parliament). Almost 100% of the authorizations were used, with the exception of the ERDF authorizations.

The Funding Agency earned EUR 0.3 million in income from operations. Operating expenses amounted to EUR 87.9 million. The largest cost items were purchases of services (EUR 57.9 million) and personnel costs (EUR 20.5 million). The costs of transfers, totaling EUR 351.7 million, consist of grants and disbursements for structural fund projects. The Funding Agency's balance sheet total was EUR 1,059.8 million. A more detailed itemization of income and expenses was reported in sections 7.3, 7.4, and 11–13 of the Funding Agency's financial statements.

The Funding Agency and the Company make an annual service agreement specifying the Company's activities based on statutory duties and the annual compensation payable for these. This compensation is Business Finland Oy's operational funding, in large part. The Company does not seek to make a profit on its operations. Any profit that the Company makes is used in full for activities in line with the Company's duties.



Business Finland Oy's income in 2018 was EUR 71 million, consisting of approximately EUR 5 million in operating income, separate grants for specific projects of EUR 11.8 million, basic funding for operations of EUR 49.9 million, representing the sale of services to the Funding Agency, and a donation of EUR 4.2 million from Finpro ry. The largest item of operating expenditure is personnel costs, which totaled approximately EUR 27 million, with salaries and bonuses accounting for EUR 21.6 million of this. The balance sheet total was EUR 32.2 million, and equity amounted to EUR 13.7 million. These figures were taken from Business Finland Oy's financial statements for 2018, which provide a more detailed account of the Company's finances and the finances of the Business Finland Oy Group.

Business Finland Oy is a non-profit entity, and the only aspect of its operations subject to corporation tax is the production of the Shipping Handbook. Business Finland Oy recognized income taxes of EUR 6,060.62 for 2018 in its financial statements. USA Inc. made zero profit in 2017 and 2018, and no deferred income taxes are recognized for either year in the financial statements. Income taxes of EUR 13,343.27 were recognized in FinChi's financial statements.

Business Finland suspects that a former employee of the company in the United States was engaged in financial malfeasance between 2011 and 2017. Malpractice is suspected to have occurred at Finpro USA Inc., a US-based subsidiary of Finpro Oy offering internationalization services to Finnish companies, before the Business Finland organization was established. Substantial amounts of ambiguous expenses were entered into the accounts between 2011 and 2017 in an approximate sum of USD 4.8 million. Some of the ambiguous expenses may turn out to be justified. Business Finland has initiated a civil lawsuit in the USA in order to investigate the matter and recover any funds that may have been misappropriated from the company. The schedule of the legal process is not yet precisely known, but the case is expected to proceed in 2019.

6. BUSINESS FINLAND'S OWN OPERATIONS

6.1 PERSONNEL PERSONNEL MANAGEMENT

Business Finland began operating on January 1, 2018. The vision, strategy, client work model, program work, and organizational structure were prepared under the leadership of Business Finland's Change Management Group with the involvement of the personnel. The BF info practice, whereby relevant matters are reviewed under the leadership of the Director General, was put in place in 2017 and continued in 2018.

Personnel were recruited to Business Finland's management and middle management in the spring. Recruitment took the form of an open application process within Business Finland. The evaluations emphasized the competences related to Business Finland's management principles, which were defined in the fall of 2017. The selections highlighted the capabilities of employees to build the new Business Finland entity in line with the management principles.

The placement of personnel within the new organization and in new units was finalized by the end of April, and the personnel in the new units were able to get to know each other one month before operations officially began on June 1, 2018. Several information events, in-

ternal training courses, and events to support the new operations were held throughout the year. Many of these were also related to the revamped, harmonized processes and new operating methods.

Business Finland is committed to its responsible personnel policy. Business Finland's operating methods and areas such as the remuneration system were harmonized and revamped throughout the year in cooperation with representatives of the personnel. The Company and the Funding Agency have cooperation committees in which the people working in Finland – or their unions – are equally represented. The minutes of committee meetings are opened up to everyone at Business Finland.

PERSONNEL TARGETS

The Act concerning Business Finland (1146/2017) obliges Business Finland to shift the focus of its personnel so that the majority of client-facing work is done by the Company. For this reason, Business Finland conducted its first business transfer from the Funding Agency to the Company on January 1, 2018, resulting in 42 people moving to the Company. A further transfer of 123 people was completed in the fall for execution on January 1, 2019. The roles of experts in client-facing work were decisive in



determining whether the expert would be transferred on January 1, 2019. An internal recruitment campaign was conducted in 2018 to transfer senior and middle management tasks from the Funding Agency to the Company. In line with the policy of the Ministry of Economic Affairs and Employment, the Company began expanding the resources dedicated to Business Finland's international operations in 2018. An amendment to a government decree was prepared in the fall concerning the transfer of small funding decisions covered by de minimis rules and worth less than EUR 100,000 to the Company. The amendment was approved in December and took effect on January 1, 2019. Other funding decisions and proposals are concentrated at the Funding Agency.

The business transfers and the changes related to the roles and job descriptions of experts have given rise to uncertainty among the personnel, and not everybody has been pleased with the changes in the working conditions. Efforts have been made to balance out these matters through proactive communication well in advance of any final decisions. In addition, the changes in the working conditions and concessions by the employer have been agreed upon, and the Company's working conditions have been subject to further development. These matters have been handled in accordance with the principles of co-determination.

Group-form training in change management was arranged for the personnel and supervisors over the course of one year, along with the opportunity for individual

| | FUNDING AGENCY | COMPANY |
|---------------------|-----------------------|----------------|
| Total | 260 | 341 |
| male | 134 | 136 |
| female | 126 | 205 |
| permanent | 253 | 292 |
| temporary | 7 | 49 |
| permanent female | 121 | 177 |
| permanent male | 132 | 115 |
| By Region | | |
| Helsinki | 194 | 214 |
| rest of the Finland | 66 | 23 |
| other countries | - | 104 |
| part time | 9 | 7 |
| full time | 251 | 334 |
| part time female | 7 | 6 |
| part time male | 2 | 1 |
| full time female | 119 | 199 |
| full time male | 132 | 135 |
| Average age | | |
| male / female | 50,5/53,4 | 49 / 44,7 |

coaching sessions. The Auntie service was introduced for personal change coaching, and occupational health services were used when necessary.

NUMBER AND STRUCTURE OF EMPLOYEES

On December 31, 2018, Business Finland had a total of 601 employees, of whom 260 worked in the Funding Agency and 341 worked at the Company (the figure for the Company includes employment relationships in Finland and abroad, as well as 6 personnel working abroad who are not technically employed by Business Finland Oy).

On December 31, 2018, the Company had 15 agency-hired personnel, of whom 8 worked abroad. On December 31, 2018, the network abroad also included 35 personnel who were not in employment relationships with Business Finland. The Company had 47 interns in 2018.

PERSONNEL TURNOVER AND DURATION OF EMPLOYMENT

The decrease in the number of personnel at the Funding Agency and the corresponding increase in the number of personnel at the Company were due to the business transfer executed on the basis of the Business Finland Act on January 1, 2018, whereby 42 people were transferred to Business Finland Oy. A further contributing factor was the internal recruitment campaign, which resulted in senior and middle management positions being transferred from the Business Finland Funding Agency to the Company. The business transfer executed on January 1, 2019 will shift the weighting of personnel even further toward the Company as 123 people will move.

When Business Finland was established, one of the goals was a good employee experience. In the fall of 2018, the decision was taken to shift the weighting of human resources in Finland toward permanent employment relationships, enabling us to offer interesting positions and longer-term self-development opportunities and career prospects.

There were no dismissals or furloughs in 2018.

| | FUNDING AGENCY | COMPANY |
|---------------|----------------|---------|
| of personnel | 48,5 % | 60% |
| of experts | 36,5 % | 63,6% |
| of superiors | 70,0 % | 48,7% |
| of management | 25,0 % | 25% |
| of officials | 86,0 % | |

EQUALITY

Number of female employees on December 31, 2018

EQUALITY AND NON-DISCRIMINATION PLAN

Business Finland adheres to an equality and non-discrimination plan, which includes measures to prevent discrimination and to promote equality. The cooperation committees of the Funding Agency and the Company monitor the implementation of the measures and assess

and update the plan every year on the basis of the results in the previous period.

Employees are selected and treated according to their qualifications and expertise, and everyone is guaranteed equal opportunities. Diversity among the personnel is celebrated, and discrimination is forbidden in every form. The same principles apply in Business Finland’s operations abroad.

REMUNERATION SYSTEM AND PERFORMANCE-RELATED BONUSES

The Company and the Funding Agency have harmonized their remuneration systems. The performance-related bonuses awarded by the Company are determined in accordance with the State’s bonus model, and the upper limit for performance-related bonuses was 8% of the annual salary in 2018. 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.

The bonuses for members of the Company’s management board are determined in accordance with the common bonus model applying to all personnel and within the limits applying to State-owned companies.

PERFORMANCE APPRAISALS

Business Finland has two rounds of performance appraisals every year covering every member of personnel. At the beginning of the year, targets are agreed and the

previous year's results are reviewed. After the summer, the targets are adjusted, and the focus shifts to competence development needs. Performance appraisals are documented on the personnel system, and the personnel unit verifies that all of the appraisals are conducted as agreed. The percentage of coverage of performance appraisals required by the GRI standards was not available for 2018 due to the system development related to the changes to Business Finland.

TRAINING AND COMPETENCE DEVELOPMENT

Business Finland has a global policy for developing personnel competences and professional training. The aim of developing personnel competences is to improve, maintain, and update the know-how and expertise required to implement Business Finland's strategy.

Competence development primarily occurs as a part of each employee's work. In 2018, competence development focused on creating common operational models and a shared operating culture. Employees also have opportunities for competence development at the employer's expense. The means of development are specifically agreed during performance appraisals, and they may include training or on-the-job learning.

The management board decided that Business Finland's internal language would be English. The working community includes people who do not speak Finnish

natively – including at our locations in Finland – and the people working at our sites abroad are most often recruited locally. Language training will be arranged for willing participants to support this change.

The development of the client process and related tools continued. The process was put into practice by means such as clarifying the roles of experts doing client work. The aim of the development work is to better understand clients' businesses and needs in order to offer them the right services at the right time as conveniently as possible within the Team Finland entity. This has required the experts working in client-facing roles to simultaneously learn entirely new operating methods and let go of some old approaches while continuing to do high-quality day-to-day work with clients.

Business Finland has a comprehensive orientation program for new employees. Business Finland currently does not have any change coaching for people whose employment relationships are coming to an end.

PERSONNEL SATISFACTION

The Business Finland organization (the Funding Agency and the Company) conducted four Pulssi surveys throughout the year with the intention of monitoring the experiences and feelings of personnel during a time of change. For the year as a whole, the average response to the question, "How do you feel when you come to work?", was

6.13 on a scale from 1 to 10, and the value decreased toward the end of the year. Respondents were also able to leave comments on the survey. The response rate was around 50%. Over the year, the survey results showed a declining trend, and the results reflect the fact that a large number of changes have taken place in a short time and many of the changes (new work roles, the business transfer, the shift in the focus point of resources) directly affect individuals, leading to greater feelings of uncertainty.

The results were reviewed in the units. The confirmed actions are regular One2One discussions between supervisors and their subordinates, the frequency of discussions, and the amount of time that supervisors spend on supervisory work in general. In addition, efforts have been made to simplify the model for client work.

Following the Pulssi surveys in the year of the move, the intention is to implement a wider-ranging personnel satisfaction survey in 2019.

THE PERSONNEL'S WELLBEING AT WORK AND WORKING CAPACITY

The personnel went through many changes in 2018. Group-form training in change management was arranged for the personnel and supervisors over the course of one year, along with the opportunity for individual coaching sessions. The Auntie service was introduced for personal change coaching, and occupational health services were used when necessary.

The working capacity of employees was supported by means such as the ePassi occupational wellbeing benefit, worth EUR 600 in 2018. ePassi is intended for Business Finland's employees in Finland. ePassi can be used for sports, cultural activities, business trips, or lunches. Special attention has been paid to ergonomics in Team Finland's office premises, and efforts are made to teach employees to be aware of their working postures. Every new desk that is purchased is an electric desk that allows the employee to work standing up. An ErgoPro exercise program for break times has also been introduced.

Business Finland Oy has access to a leisure cottage in the Vierumäki recreational area. The Company's personnel can rent the cottage for a week or weekend for a low price and make use of the extensive sporting facilities in the area.

Business Finland's leisure club, the Huppari club, has arranged summer get-togethers and Christmas parties in Helsinki, as well as events such as sports trials. Employees have the opportunity to use the gym at the office in Ruoholahti free of charge and to attend exercise classes at low cost. There are also good facilities for commuting by bicycle.

ACCIDENTS AND OCCUPATIONAL HEALTH AND SAFETY

The Funding Agency and the Company both registered 10 occupational accidents in 2018. Occupational accidents typically occur on business trips or while the employee is commuting to or from work. The occupational accidents

involved slipping. No occupational diseases were diagnosed among Business Finland's personnel. Business Finland has its own guidelines for the Funding Agency and the Company concerning occupational accidents and occupational diseases. The occupational health plan is reviewed with the occupational health and safety organization, and the focus areas are increasingly shifting toward mental wellbeing and the risks associated with high workloads.

Business Finland's occupational health and safety operations are targeted at the physical and psychosocial work environment. The employer is responsible for occupational safety in the workplace and the working environment. In other countries, office security is the responsibility of embassies or other landlords. The Funding Agency and the Company both have occupational health and safety managers who can be contacted in the event of any questions about occupational health and safety and with suggestions for improvements. In addition, two occupational health and safety delegates have been elected: one in the Company and one in the Funding Agency. The occupational health and safety delegates receive training for their duties. The Funding Agency has an occupational health and safety committee, which convened five times in 2018. The committee makes proposals on matters such as purchases and training. The Company also has an occupational health and safety committee, which meets every 2–3 months. The occupational health and

safety committee acts as a channel toward the senior management. The key duties of the occupational health and safety committee are to make development proposals to the employer concerning occupational health and safety, monitor the implementation of the occupational health and safety action plan and occupational health service, and make related development proposals. A further duty of the occupational health and safety committee is to make proposals on the arrangement of occupational health and safety training, work guidance, and orientation, and to participate in activities aiming to maintain working capacity.

In addition to integrating risk management into everyday management and operations, the risks to factors such as wellbeing at work are analyzed regularly. At the same time, the existing management measures for the most relevant risks are updated, and new management measures are planned. Risk assessments are conducted by the organization's risk management function in cooperation with the HR department and occupational health and safety representatives. The results of risk assessments are communicated to the management board and the Board of Directors, as well as to the occupational health and safety representatives. The results of assessments are utilized to develop wellbeing at work and occupational safety. The most recent risk assessment took place at the end of 2018. A separate assessment of travel safety will be conducted in 2019.

ABSENCES DUE TO ILLNESS

The number of absences due to illness among the Company's employees in Finland was 2.4 days per person in 2018. The personnel of the Funding Agency, took an average of 6.6 working days of sick leave per person-year of work in 2018.

OCCUPATIONAL HEALTH

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. Agency-hired personnel receive occupational health care from their agencies. 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 additional services that apply to both individuals and the work community. The occupational health care offering is based on an annual plan: services have been selected 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 Business Finland and Mehiläinen include promoting wellbeing at work and productivity, managing absences due to illness, and reducing the health and

safety risks associated with work. Business Finland has occupational health care service guidelines, which are available to everyone in Finnish and English.

APPLICATION OF COLLECTIVE AGREEMENTS

The collective agreements for State employees and civil servants apply in the Funding Agency. 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 was locally agreed. In other words, collective agreements cover all of the Funding Agency's personnel and none of the Company's personnel.

6.2 PROCUREMENT

Purchases are budgeted, planned, and scheduled on an annual cycle. The responsible operation of Business Finland's procurement function manifests itself as follows:

- **Promoting sustainable choices**
Business Finland takes sustainable choices into consideration in its procurement activities in keeping with the relevant government resolution (April 8, 2009). The government resolution sets goals for the use of public funds and determines actions to be taken in order to reduce greenhouse gas emissions, waste generation and the chemical load on the environment, and to promote

sustainable use of natural resources and environmentally friendly innovations. Business Finland favors environmentally friendly products and services whenever possible. When services are procured, environmental aspects are taken into account in competitive tendering on a case-by-case basis following considered analysis.

- **Social responsibility in procurement**

Social responsibility in public procurement means that public bodies must take into account the impacts of their procurement activities on society at large. Business Finland endeavors to take social aspects into account in several ways and at various stages in the procurement process. However, it is useful to note that social requirements, as indeed all requirements on public procurement, must comply with the legal principles of the European Union. Thus, even responsible and sustainable procurement must be equal, non-discriminatory, transparent, proportional, and reciprocal.

- **Supplier audits**

All of Business Finland's contractual partners are required to meet their obligations under the Act on the Contractor's Obligations and Liability when Work is Contracted Out. As the majority of Business Finland's procurements are purchases of

expert services, Business Finland rarely has the opportunity to verify the supply chains of goods suppliers. Goods such as office supplies and furniture are procured under framework agreements made by Hansel Oy, the central government joint procurement unit. Hansel Oy monitors the corporate responsibility of suppliers with framework agreements.

6.3 REGIONAL OPERATIONS (IN FINLAND AND ABROAD)

Business Finland has 16 locations in Finland. The extensive Finnish network improves access to our services and strengthens our ability to take account of the special characteristics of Finland's various regions, as well as local strengths that improve the growth opportunities for international business.

Business Finland's locations are on the same premises as ELY Centers and/or Finnvera in most towns and cities. This arrangement makes it more convenient for client companies to access the services most suitable for them. Since 2016, Business Finland (then known as Tekes and Finpro) has had headquarters in Helsinki in the same office building as Finnvera and Finnish Industry Investment, which has created a hub for the Uusimaa region, making client service more efficient and facilitating contact between service providers.



On December 31, 2018, Business Finland had 38 offices in 31 countries. These offices are in Spain, the UK, Austria, Norway, Poland, Sweden, two offices in Germany, Denmark, Belgium, Turkey, two offices in Russia, Brazil, Chile, Mexico, Peru, three offices in the USA, South Korea, Indonesia, India, Japan, Kazakhstan, four offices in China, Malaysia, Myanmar, Taiwan, Vietnam, South Africa, Kenya, Nigeria, Saudi Arabia, and the United Arab Emirates. We expanded our international network in 2018, and the decision has been taken to open new offices in 2019.

Business Finland's personnel includes people with 29 different nationalities. There are international experts in 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 account of international business environments and cultures, while paying attention to the special requirements of international entrepreneurs working in Finland.

In order to improve its clients' internationalization capabilities and underpin increases in the rate of internationalization and exports, Business Finland operates in a team structure, combining expertise from the various substance areas and its international network. Business Finland launched its new internal team, the Global Industry Leadership Team, and operational model at the end of 2018. The team is tasked with analyzing and reacting to export opportunities that arise at short notice.

6.4 DIRECT ENVIRONMENTAL IMPACT OF OUR OPERATIONS

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

Video meetings and other digital communication solutions eliminate some of the need for work-related travel. A flexible remote work policy, which enables two days of remote work per week, contributes to reducing the amount of commuting required of the personnel.

Business Finland's headquarters are located in Ruoholahti, Helsinki, in premises shared with Finnvera plc. A solution implemented in the working environment in 2016 substantially reduced the carbon footprint and energy consumption of the premises used by these organizations. LED lighting was installed on the premises and, in 2016, the largest property-specific solar power plant in Helsinki was installed in the building. Solar power now meets a proportion of the building's electricity needs (generating an amount of energy corresponding to the electricity consumption of around 80 apartments).

The building has LEED certification (2018) and the organizations continue to cooperate on various means of minimizing their environmental impact.

7. CLIENTS AND OTHER STAKEHOLDERS

7.1 CLIENTS

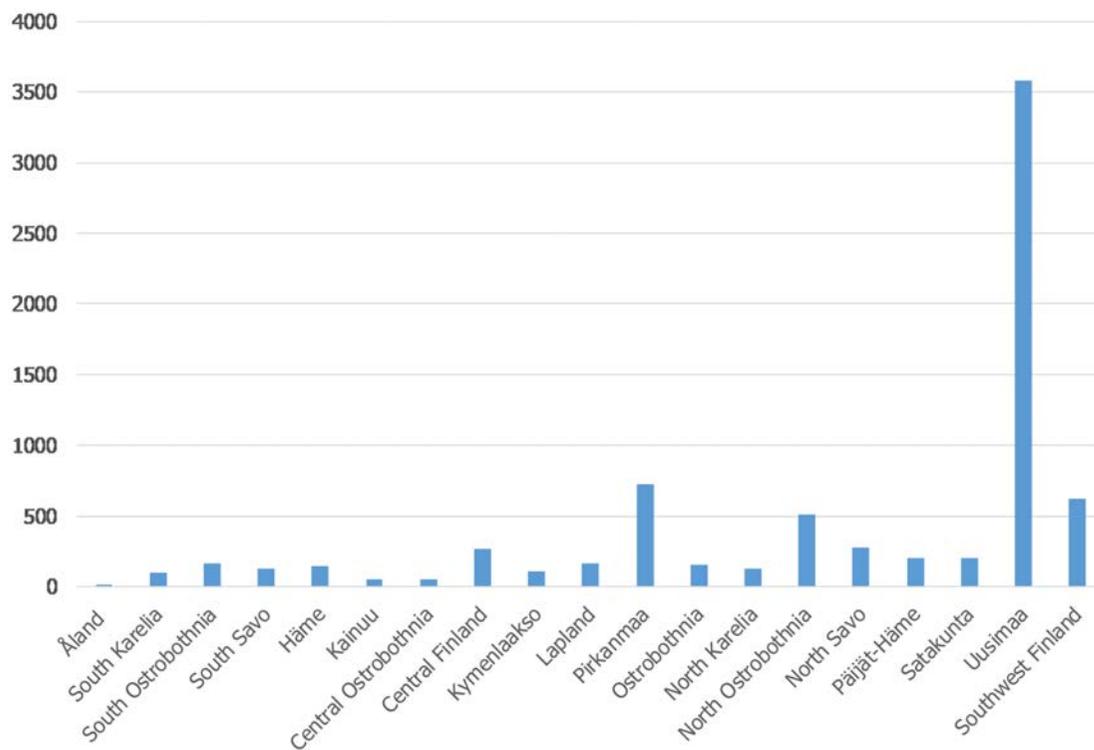
Business Finland offers funding services to companies and research organizations with operations in Finland. The clients using expert services may also be from other countries. For example, the clients of Visit Finland and Invest in Finland are mainly companies registered in countries other than Finland. Our client selection policy emphasizes the company's willingness and ability to grow, a good team with wide-ranging expertise, a business idea with an international competitive advantage, and sufficient in-house resources and financing. We want to see evidence of courage to renew the business. Our full range of services is not immediately available to clients: the range expands as the company makes progress toward the targets on its international growth trajectory.

We continuously monitor the quality of our client service, and we are developing toward a more integrated entity in changing circumstances. We have the most systematic feedback collection cycle for our most extensive service entity – funding services – and the grade awarded for the quality of services was a good 4.3 (on a scale of 1 to 5) throughout the year, while clients of the research,

development, and innovation funding service gave a net promoter score (NPS) of +66 in 2018.

The NPS is calculated by taking the percentage proportion of promoters (the respondents giving a grade of 9 or 10 when asked “How likely is it that you would recommend our service?” on a scale of 1 to 10) and subtracting the percentage proportion of critical respondents (giving a grade from 1 to 6). The NPS falls on a scale from -100 to +100. In general, a score above +50 is considered excellent.

The feedback given by clients of approximately 300 program activities (Digi, Bio & Cleantech, Consumer, and Health) implemented under ecosystem services varied between 4.2 and 4.3 (on a scale from 1 to 5). The average feedback for events conducted in Finland was also good at 4.1 (on a scale from 1 to 5). The overall feedback score for export promotion visits arranged by Business Finland was a good 4.1 (on a scale from 1 to 5), and the NPS was an excellent 8.5 (on a scale from 1 to 10). The average client feedback received for Team Finland visits was good at 4.1 (on a scale from 1 to 5). The client feedback for service transactions with Business Finland's international network was also good at 4.27 (on a scale from 1 to 5).



The NPS for clients of the international network was excellent at +58. Clients were particularly satisfied with the support and advice provided by Business Finland’s personnel abroad, as well as their knowledge of local networks.

We strive to continuously improve our client insight to ensure that we have the most up-to-date understanding of our clients’ needs and how Business Finland can rectify any market shortfalls related to meeting these needs. Our funding services enable our clients to buy assistance for their needs related to growth and internationalization on the market. The quality of Business Finland’s services is reported in more depth in section 5.2 of the Funding Agency’s annual report.

Business Finland had a total of 7,700 client relationships in 2018. This figure includes the client relationships of the Funding Agency and the Company, as well as Business Finland’s shared company clients operating in Finland. The figures exclude overlapping client details. The figures do not include the clients of Invest in Finland or Visit Finland. The majority of clients are micro and small enterprises (approximately 80%). The main business sectors represented by clients are software and data processing (21%), other services (17%), and wholesale and retail (11%). The figure below shows the distribution of Business Finland’s clients by Finnish region.

The services offered by Business Finland can be roughly divided between the services offered by the Funding Agency and the Company and Business Finland's joint services.

For reporting purposes, Business Finland's company clients operating in Finland are roughly divided into clients of the Company and the Funding Agency and joint clients depending on which services they used in 2018. The Company's clients in this distribution are organizations participating in delegations, clients receiving advice from the international network, clients of the international network who have been offered wider-ranging market opportunities, and companies participating in Growth programs. The Funding Agency's clients include companies receiving innovation and business funding and clients with outstanding loan balances or projects in progress. Business Finland's joint clients include early-stage advice for project funding and international clients and advice for international expansion and more extensive development projects. The figures below include overlapping client details. In other words, the same client may use services from the Funding Agency and the Company or Business Finland's joint services. The figures do not include the clients of Invest in Finland or Visit Finland.

| FUNDING AGENCY | COMPANY | JOINT CLIENTS |
|----------------|---------|---------------|
| 7517 | 2505 | 2929 |

Business Finland's clients also include research organizations. In 2018, Business Finland had a total of 29 research organizations as clients, the majority being universities, higher education institutions, and universities of applied sciences in various parts of Finland.

Invest in Finland has helped foreign companies to identify business opportunities in Finland, generated information about Finland as an investment target, and developed and coordinated national investment acquisition work by actively networking with regional and international actors. In 2018, approximately 1,000 potential new investors were proactively contacted (2018: 984, 2017: 1,409). In 2018, the number of international companies visiting Finland to familiarize themselves with investment opportunities was 108 (2017: 140).

One of the key goals of developing public services for companies in recent years has been to provide easier access to suitable services. The efficiency of information exchange between service organizations has been boosted with the aim of ensuring that the information provided by a client company to one service organization does not need to be re-sent to other entities. The organizations serving internationalizing companies work together in the Team Finland network. The Ministry of Economic Affairs and Employment has tasked Business Finland with coordinating the network's activities.

7.2 OTHER STAKEHOLDERS

The stakeholder policies are a part of Business Finland's strategy, which Business Finland is implementing along with its most important stakeholders. A key aspect of the policies is to evaluate the strategic relevance, impact, and client value of cooperation.

Business Finland's strategic targets form the basis for defining stakeholders: 1) promoting the international growth of companies; and 2) creating world-class ecosystems and a competitive business environment for companies. These targets have been used as the basis for assessing whether cooperation with a certain organization is strategic and/or whether it has a significant societal impact or whether the cooperation promotes the achievement of Business Finland's targets.

Cooperation with Business Finland's stakeholders and partners is guided by Business Finland's strategy. Business Finland engages in particularly close cooperation with the Ministry of Economic Affairs and Employment and the organizations under its administration, as well as with the Ministry for Foreign Affairs. The Ministry of Economic Affairs and Employment is Business Finland's owner and performance manager. In addition to the foregoing, the key strategic stakeholders include Finnvera, VTT, the Academy of Finland, and 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 is extensive and still expanding. The network engages in close cooperation with Finnish Embassies, as well as significant regional actors. Business Finland's stakeholder policies were prepared in the fall of 2018, and the work will continue in 2019.

Visit Finland's stakeholder satisfaction is monitored using the indicators included in the performance agreement made by Business Finland with the Ministry of Economic Affairs and Employment. Visit Finland's stakeholder satisfaction at major events was 4.2 (on a scale from 1 to 5) in 2018.

Business Finland maintains a constant dialog with its clients as its largest stakeholder group, as well as with other interest groups representing client organizations. Discussions with these parties have led to the question of whether, within the foreseeable terms of reference, Business Finland is 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 system when Team Finland is modernizing and preparations for the regional government reform are made.

8 GRI CONTENT INDEX

| NUMBER OF THE STANDARD | STANDARD'S NAME | LOCATION IN THE REPORT | COMMENTS |
|-------------------------------|--|--|---------------------------|
| Organizational profile | | | |
| 102-1 | Name of the organization | Chapter 3.1 | |
| 102-2 | Activities, brands, products, and services | Chapter 3.2 | |
| 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 | Chapter 7.1 | |
| 102-7 | Scale of the organization | Chapters 3.3, 5.3, 6.1, 7.1, Financial statements of the Funding Agency, Financial statements of the Company | |
| 102-8 | Information on employees and other workers | Chapter 6.1, Financial statements of the Funding Agency, Financial statements of the Company | |
| 102-9 | Supply chain | Chapter 6.2 | |
| 102-10 | Significant changes to the organization and its supply chain | Chapter 6.1 | |
| 102-11 | Precautionary Principle or approach | Chapters 2, 4.1 and 6.4 | |
| 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 3.4 | |
| Stakeholder engagement | | | |
| 102-40 | List of stakeholder groups | Chapter 7.2 | |
| 102-41 | Collective bargaining agreements | Chapter 6.1 | |
| 102-42 | Identifying and selecting stakeholders | Chapter 7.2 | |
| 102-43 | Approach to stakeholder engagement | Chapter 7.2 | |
| 102-44 | Key topics and concerns raised | Chapter 7.2 | |
| Reporting practice | | | |
| 102-45 | Entities included in the consolidated financial statements | Chapters 3.1 and 3.5 | |
| 102-46 | Defining report content and topic Boundaries | Chapter 2 and 3.5 | |
| 102-47 | List of material topics | Chapter 2 | |
| 102-48 | Restatements of information | Chapter 3.5 | |
| 102-49 | Changes in reporting | Chapter 3.5 | |
| 102-50 | Reporting period | 1.1.2018 - 31.12.2018 | |

| | | | |
|--|--|--|---|
| 102-51 | Date of most recent report | Chapter 3.5 | |
| 102-52 | Reporting cycle | Chapter 3.5 | |
| 102-53 | Contact point for questions regarding the report | GRI content index | Sari Turja, sari.turja@businessfinland.fi |
| 102-54 | Claims of reporting in accordance with the GRI Standards | GRI content index | |
| 102-55 | GRI content index | GRI content index | |
| 102-56 | External assurance | GRI content index | No external assurance |
| GRI 103: Management approach | | | |
| 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 | |
| Economics | | | |
| GRI 201 Economic Performance | | | |
| 201-1 | Direct economic value generated and distributed | Chapter 5.3, Financial statements of the Funding Agency chapters 7, 11-13, Financial statements of the Company | |
| GRI 203 Indirect Economic Impacts | | | |
| 203-2 | Significant indirect economic impacts | Chapter 5.1, Financial statements of the Funding Agency chapter 3, Financial statements of the Company chapter 2 | |

| Social | | | |
|--|--|-------------|---|
| GRI 403: Occupational Health and Safety | | | |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Chapter 6.1 | |
| 403-3 | Occupational health services | Chapter 6.1 | |
| 403-6 | Promotion of worker health | Chapter 6.1 | |
| GRI 404: Training and Education | | | |
| 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 | partly reported, percentage not available |
| GRI 418: Customer Privacy | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Chapter 4 | no complaints or breaches recognized |
| GRI 419: Socioeconomic Compliance | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | Chapter 5.3 | No non-compliances recognized, some on-going processes regarding claims of non-compliance. These will be reported if they prove to be accurate. |

BUSINESS FINLAND

Business Finland is the Finnish innovation funding, trade, investment, and travel promotion organization, headquartered in Helsinki. Business Finland is fully owned by the Finnish Government. Business Finland employs 600 experts in 40 offices globally and in 20 regional offices around Finland.

Business Finland is part of the Team Finland network.

WWW.BUSINESSFINLAND.FI/EN