BUSINESS
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IMPACT STUDY OF SUSTAINABILITY

Unlocking the full potential of businesses

Halme, K., Uitto, H., Salminen, V. (4FRONT); Evers, G., Quintana-Holguin, F., Ansems, S. (Technopolis Group)

Authors: Halme, K., Uitto, H., Salminen, V. (4FRONT);
Evers, G., Quintana-Holguin, F., Ansems, S. (Technopolis Group)

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EXECUTIVE SUMMARY

This study assesses Business Finland's RDI's funding's contribution to sustainability, one of its three strategic target areas for 2020–2025. The study examines both customer-level impacts, i.e., how Business Finland's funding influences company behaviour and outcomes, and societal impacts, including Finland's position as a global leader in sustainable innovation. Sustainability has become a defining feature of Finnish industry competitiveness and a key priority in both EU and national policy contexts, where regulation such as the EU Taxonomy and CSRD have significantly raised requirements for climate-related accountability. Against this backdrop, Business Finland has demonstrated progress in embedding sustainability into its operations, yet implementation has been uneven, with gaps in funding targeting, internal capacity, and impact measurement.

The relevance of sustainability among Business Finland's clients has grown markedly since 2020, but progress within the organisation itself has been gradual. Several initiatives, such as the CASB project, the Superpower evaluation, the DMA study, and the updated Sustainability Handbook, have helped structure Business Finland's sustainability framework. However, the integration of sustainability into funding operations remains incomplete. Business Finland's sustainability KPIs mainly track internal activities and service transactions rather than external outcomes or impacts, and its monitoring does not yet align with EU-level standards for financial and sustainability reporting. While Business Finland's funding has advanced development of sustainable business models and solutions, the strongest sustainability drivers have been corporate strategy and market demand, not Business Finland or its funding conditions.

Study findings confirm that Business Finland's funding has significant additionality. Many sustainability-oriented RDI projects would not have materialised without public support. However, behavioural additionality, such as increased environmental awareness among less sustainability-oriented firms, remains limited. Roughly half of funded projects report receiving no sustainability-related advisory support or incentives beyond funding. While frontrunner companies benefit from Business Finland's networks and visibility, followers lack adequate incentives or guidance. Moreover, internal resources and expertise for assessing sustainability impacts across projects are insufficient, constraining the agency's ability to prioritise high-impact investments.

During this strategy period, Business Finland has also increased its emphasis on leading companies and ecosystems. Such actions are particularly relevant for topics in which large systemic transitions are taking place (e.g. Green and digital transition) and competitive advantage is created in collaborative ecosystems. The thematic cases in this study indicate that Business Finland is also boosting such systemic transitions, although these are uncertain and

will take long time to materialise. Business Finland is also promoting sustainable innovation though its two missions and several thematical. programmes.

Despite these challenges, Business Finland's RDI funding has enabled strong progress in sustainable technology development, pilot solutions, and process improvements. Around 75 percent of funded RDI projects have sustainability objectives, and projects with such goals tend to outperform others in environmental outcomes and export growth. Yet the systemic transformation needed to achieve national-level objectives, such as decoupling economic growth from resource use, remains incomplete. The study highlights the importance of external enablers, including regulatory frameworks, procurement reforms, and financing mechanisms, to scale up innovations beyond the proof-of-concept stage.

To increase its sustainability impact, six key recommendations are proposed. First, Business Finland should adopt a systemic approach that combines support for frontrunners with engagement of followers, establishing clear pathways to scale sustainable innovations in collaboration with Tesi and Finnvera. Second, sustainability should be more deeply integrated into funding criteria through dedicated instruments or incentives, and Business Finland should take a more proactive role in raising awareness among clients. Third, complementarity with other funding bodies must be improved to bridge the gap between early-stage innovation and industrial-scale deployment. Fourth, Business Finland needs to strengthen its internal sustainability expertise, leadership culture, and resource allocation, ensuring consistent project assessment standards across sectors. Fifth, impact measurement must evolve from activity-based indicators to outcome-level metrics and align with national and EU reporting standards. The indicators may cover e.g., CO_2 reduction, biodiversity impact, and SDG alignment. Finally, Business Finland should reinforce alignment with international and national policy priorities, expanding cooperation with ministries, EU initiatives, and peer funding agencies to amplify Finland's visibility and leadership in the global sustainability transition.

1. INTRODUCTION

1.1 SCOPE AND OBJECTIVE OF THE STUDY

Business Finland has commissioned an impact study to review sustainability of their R&D funding. The study has been conducted by 4FRONT and Technopolis B.V and was completed in October 2025.

The purpose of this assignment is to assess Business Finland's impact on sustainability, one of Business Finland's three strategic target areas. Business Finland has two strategic goals for sustainability – one for the customer level and one for the societal impact level. This impact study covers both the impact on customers as well as the societal impacts and externalities. The focus of the impact study is on funding customer companies. While previous impact study on sustainability (2022) focused primarily on the implementation of sustainability on organisational level, the focus in this study is on (external) impacts.

At the customer level, Business Finland aims to support the development of new sustainable solutions and operations, enhance environmental and social responsibility awareness, and promote new carbon handprint

and lifecycle-based business models. On a *societal level*, Business Finland strives to position Finland as a global leader in sustainable development. This includes reducing carbon emissions, promoting growth decoupled from resource use, and advancing the UN Sustainable Development Goals (SDGs). In this tender, sustainability encompasses both achieving the UN SDGs and assisting customers in meeting ESG (Environmental, Social, and Governance) requirements.

The main study questions, as defined in the Terms of Reference, are: 1) What kind of impacts has Business Finland's funding had on customer companies in terms of following impact targets? 2) How have the strategic goals of sustainability been met? What kind of externalities have been achieved?

1.2. STUDY APPROACH AND ANALYTICAL FRAMEWORK

Our approach for the impact study is based on combining the intervention logic model (theory of change) with the frameworks for understanding sustainability transitions and the impact of R&D in these transitions (see Figure 1). This allows us to examine how Business Finland funding can – through its impact on customers – drive broader environmental and societal changes.

In practice, the approach elaborates on the Business Finland impact model for sustainability and investigates sustainability on two levels: compliance level (sustainability as a requirement) and handprint level (sustainability as an opportunity). This model, illustrated in Figure 1, helps to provide a logical framework for understanding the impact of Business Finland funding on customers as well as the role of Business Finland in supporting the broader sustainability transitions.

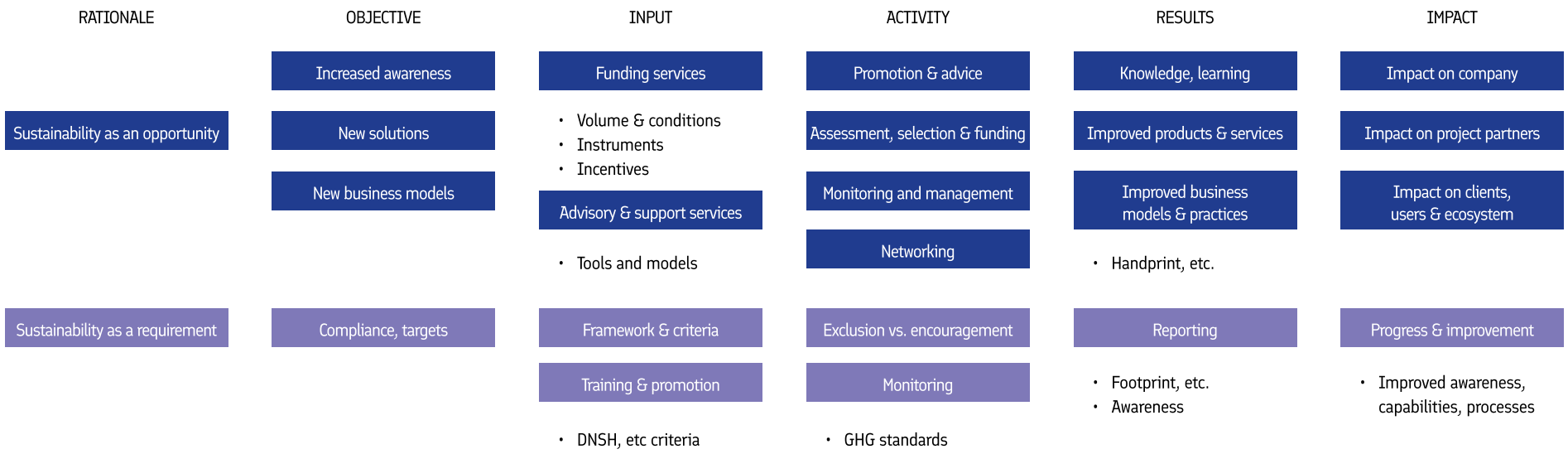

FIGURE 1. ILLUSTRATION OF THE TWO COMPLEMENTARY SUSTAINABILITY IMPACT LOGICS OF BUSINESS FINLAND'S FUNDING. SOURCE: AUTHORS.

1.3. METHODOLOGY, DATA SOURCES AND REPORT STRUCTURE

Our methodological approach is based on a combination of quantitative data analyses and qualitative methods. A summary of the study questions and primary data sources and methods is depicted in Table 1.

Chapter one of the report provides an introduction to the report, explaining the study questions, followed with Chapter two providing the overall context of Business Finland's sustainability objectives internationally, nationally and within the Business Finland itself. Chapter three is a descriptive analysis of Business Finland's sustainability actions, focusing in particular on all aspects of sustainability in funding and its monitoring and management. Chapter four discusses the sustainability results achieved, the impact of sustainability actions as well as the additionality of Business Finland in sustainability topic. Emphasis is on the customer perspective.

Chapter five provides the study conclusions and recommendations made on those bases.

Further information is annexed to the report, such as responses to individual study questions, survey questionnaire, impact pathway case studies as well as international and domestic benchmark cases.

EVALUATION CRITERIA	
Inputs	• BF's contributions to sustainability in the customer interface • BF instruments and services in promoting customers' sustainability activities • Level of ambition for sustainability • BF's market niche/role in sustainability investments
Activities	• Evolution of BF's sustainability strategy/ processes • Additionality of BF services to customer's sustainability inputs and operations • Differences between companies by size and industry
Results	• Concrete sustainability transformations at companies • Comparison of benefits for different company groups • Comparison of additionality of different BF services/activities • Impacts of BF activity on awareness of customer companies • Role of BF funding requirements in commercialising sustainability activities
Impacts	• Impacts of sustainable development activities on Finland (nationally and globally) • BF's activities role/contribution to Finland's national goals (e.g. Finland's carbon neutrality, etc.) and EU/ global goals • Achievement of BF's sustainability goals • Externalities / spillovers of sustainability activities • Impacts of BF's operations on the different areas of sustainability (ecological, social, economic)
Common questions	• Current state of the sustainability theme in BF, implementation of recommendations • Cooperation with other public actors and activities in promoting sustainability • Developing an approach to continuously monitor the impacts of BF on sustainability • Future guidelines on how BF can improve its activities, deepening the recommendations of the previous evaluation & lessons from benchmarks
Benchmarking	• BF results compared to other similar organizations • Practices for using and tracking data & updating situational picture, KPIs • Strategic similarities (and differences) between the organizations • Implementation of sustainability activities (compared to previous recommendations)

TABLE 1. STUDY QUESTIONS.

WORK PHASE	
Literature review	Literature review covered the following topics and sources: • Recent academic and grey literature regarding the relationship between sustainability and innovation, as well as the impacts of R&D funding on innovation and externalities. • Sustainability indicators and progress reports to assess the current status, strengths and weaknesses of sustainable innovation in Finland (e.g. Eurostat, IMF Climate Change Dashboard, OECD, UN, Eco-Innovation Index) • Previous Business Finland studies and evaluations to summarise evidence of Business Finland's impact on sustainability goals. • Technology and market trends regarding sustainability to provide insights for future trends and scenarios (Sources: OECD, EU publications, technology reports) • EU regulation, particularly on how the EU Green Taxonomy impacts funding allocation and ESG requirements (Sources: EU Taxonomy regulation, European Banking Authority) • Policy trends and initiatives (especially regarding R&D and sustainability) to support the benchmarking and selection of initiatives/organisations for benchmarking.
International benchmarks	Benchmarking identified the key lessons from benchmark organisations that have the similar objective to advance sustainability among companies and contributing to overarching sustainability goals. The benchmarked organisations were: Vinnova, Climate-KIC, BPI France, and Innosuisse. Key steps of the work included: • Identification and review of documentation (including available statistics, data and KPIs) • Consultation with representatives of the selected organisations (two per organisation)
Quantitative analysis	Quantitative analysis included several steps and sources: • Analysis of Business Finland funding data per sustainability classification • Text mining analysis of project abstracts • Econometric analysis (diff-in-diff) of financial company level data to compare economic outcomes between the companies that participated in Business Finland projects with a sustainability focus to similar companies involved in Business Finland projects without a sustainability focus
Impact survey	The objective was to collect structured feedback from Business Finland RDI funding beneficiaries regarding the concrete results and impacts of the Business Finland funding for the companies' sustainability activities. The analysis focused on activities at beneficiaries' level, results of the projects and anticipated impacts on the society. • The survey was sent to 4307 beneficiaries and received 312 number of responses. • The scope was RDI funding projects during years 2019–2023
Stakeholder analysis	The stakeholder analysis employed a forward-looking approach to identify and map key actors critical to understanding and enhancing the sustainability impacts of Business Finland's funding in the future. • Mapping of roles, activities and interests: Each stakeholder's role, interest, and activities on sustainability outcomes will be assessed based on analysis of available documents (e.g. annual reports, strategies, websites). • Interviews with selected key stakeholders: to analyse stakeholders' views on the impact and role of Business Finland in sustainability and identify lessons and ways to improve the impact of Business Finland activities in the future. • 10 external interviews and 6 internal Business Finland interviews • Tesi, Finnvera, MEAE, EK, Teknologiateollisuus FIBS Ry
Impact pathways	The study conducted 5 case studies focusing sustainability innovations. The case studies were utilising impact pathway analysis. The method provides a qualitative approach to explore and illustrate the effects of Business Finland's funding on sustainability based on the foundation of data and evidence.

TABLE 2. STUDY METHODS AND SOURCES.

2. BACKGROUND AND CONTEXT

This chapter describes developments in the broader operating environment, including current state of sustainability and corporate responsibility in the Finnish industry as well as recent development in sustainability related regulation and Finnish national funding landscape.

2.1. DEVELOPMENT OF THE BROADER OPERATING ENVIRONMENT

2.1.1. CURRENT STATE OF SUSTAINABILITY IN FINNISH INDUSTRY

Finland ranks as one of the leading countries in terms of eco-innovation, topping the European Commission's Eco-Innovation Index with a score of 180.8 in 2024 (EU average = 100 in 2014). This reflects strong performance in environmental R&D, academic publishing, and the systemic support for innovation activities. However, while Finland excels in eco-innovation inputs and outputs, it performs poorly in material productivity (USD/kg) and CO_2 productivity (GDP per CO_2 unit) — both essential indicators of sustainable economic efficiency.

DIMENSION/INDICATOR	2017	2018	2019	2020	2021	2022	2023	2024
1. Eco-Innovation Inputs	**145.4**	**131.4**	**129.3**	**134.5**	**147.3**	**169.9**	**176.9**	**175.6**
1.1. Governments environmental and energy R&D appropriations and outlays	111.4	98	90.6	100.3	119.3	149.8	155.8	155.8
1.2. Total R&D personnel and researchers	192.6	177.9	183.2	182.1	186.3	197.9	206.3	203.2
2. Eco-Innovation Activities	**141.5**	**135.7**	**142.1**	**140.4**	**144.1**	**149.1**	**159.3**	**169.5**
2.1. Number of ISO 14001 certificates	141.5	135.7	142.1	140.4	144.1	149.1	159.3	169.5
3. Eco-Innovation Outputs	**230.4**	**199.4**	**214**	**236.3**	**230.3**	**231.1**	**216.4**	**206.3**
3.1. Eco-innovation related patents	151.6	134.5	149.5	146.1	139.9	138.2	130.3	108.7
3.2. Eco-innovation related academic publications	585.6	492.4	504.6	643.2	638	650	605.1	646.5
4. Resource Efficiency Outcomes	**60.2**	**60.2**	**64.3**	**65.8**	**70.8**	**83.6**	**87.1**	**98.8**
4.1 Material productivity	7.1	11.8	7.5	11.4	11.3	16.2	17.3	26.2
4.2 Water productivity (GDP/total freshwater abstraction)								
4.3 Energy productivity	70.7	69.9	71.9	71.1	74.9	79.6	77.2	83.1
4.4 GHG productivity	94	89.3	104.4	105.5	116.7	144.7	156.7	175.5
5. Socio-Economic Outcomes	**237.2**	**237.2**	**237.2**	**237.2**	**231.6**	**236.9**	**237**	**236.1**
5.1 Exports of environmental goods and service sector	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9
5.2 Employment in environmental protection and resource management activities	280.6	280.6	280.6	280.6	260.8	279.5	279.8	276.9
5.3 Value added in environmental protection and resource management activities	248.1	248.1	248.1	248.1	248.1	248.1	248.1	248.1
6 Eco-Innovation Index	**166.5**	**157.2**	**160.8**	**166.1**	**168.2**	**178.6**	**179.4**	**180.8**

TABLE 3. FINLAND'S PERFORMANCE IN THE ECO-INNOVATION INDEX. SOURCE: EUROPEAN COMMISSION. NUMBERS REPRESENT FINLAND'S INDEX SCORE (EU AVERAGE = 100).

FINLAND PERFORMING POORLY IN IMPACT OUTCOMES SUCH AS MATERIAL AND CO_2 PRODUCTIVITY

As highlighted in the Eco-Innovation Index, Finland is performing poorly in both material productivity and CO_2 productivity. Material productivity has remained constant from 2017 to 2023, around USD 1.5 per kilogramme, which is significantly below its closest counterparts. CO_2 productivity has seen small improvement over the time. Finland's economic structure can partly explain poor performance in aggregate level because the economy is heavily based on energy- and resource-intensive industries such as forestry, metals, and chemicals, which naturally generate higher emissions and material use relative to economic output.

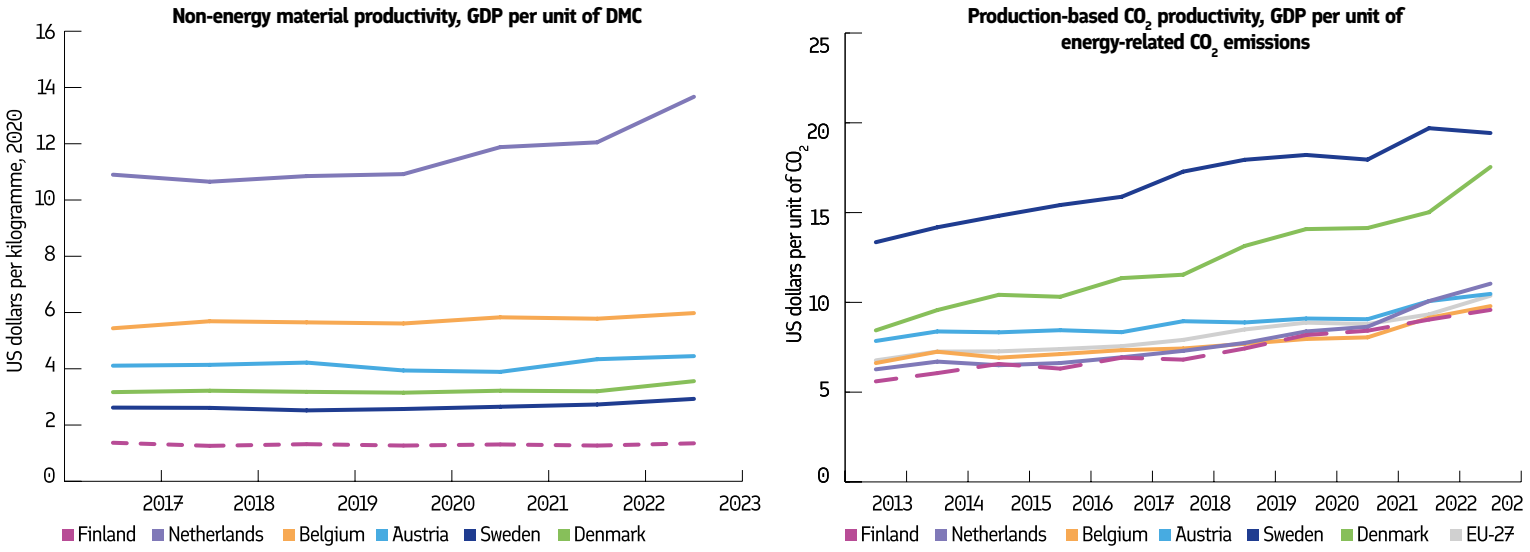

FIGURE 2. LEFT: NON-ENERGY MATERIAL PRODUCTIVITY, USD PER KG. RIGHT: PRODUCTION-BASED CO_2 PRODUCTIVITY. SOURCE: OECD GREEN GROWTH INDICATORS. [1]

1 OECD Green Growth Indicators: *Non-energy material productivity* is calculated as GDP generated per unit of materials consumed (USD/kg). Domestic Material Consumption (DMC) refers to the apparent consumption of materials; it is calculated as the sum of domestic consumption of biomass for food and feed, construction minerals, industrial minerals, metals and wood. *Production-based CO_2 productivity* is calculated as real GDP generated per unit of CO_2 emitted (USD/kg). Included are CO_2 emissions from combustion of coal, oil, natural gas and other fuels.

FINNISH GOVERNMENT IS INVESTING HEAVILY IN ENVIRONMENT RELATED R&D

The Finnish government has substantially increased the share of environment related R&D budget, especially since 2020. As of 2023, nearly seven percent of all government R&D allocations are directed toward environment-related goals — well above its closest counterparts (Austria, Belgium, Denmark, Netherlands and Sweden). This reflects a strategic policy shift toward climate and green transition. According to the Eco-Innovation Index Finland ranks high in both public appropriations and human capital (R&D personnel), as well as in the number of ISO 14001 environmental management certificates.

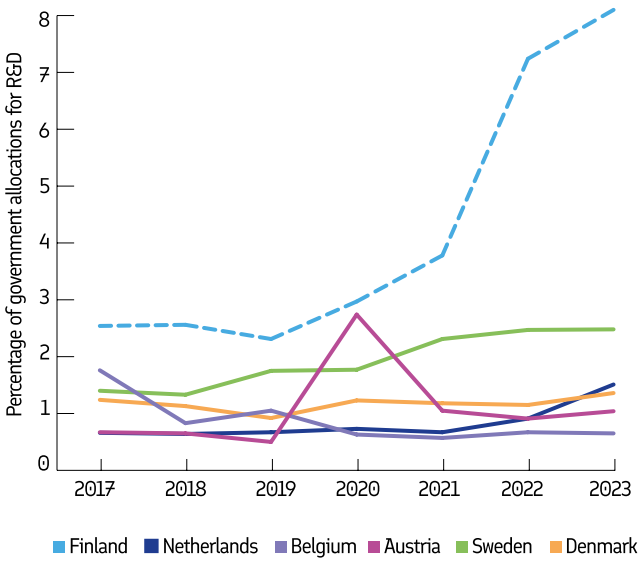

FIGURE 3. ENVIRONMENT RELATED GOVERNMENT R&D BUDGET, PERCENTAGE OF GOVERNMENT ALLOCATIONS FOR R&D. SOURCE: OECD GREEN GROWTH DATABASE. [2]

INNOVATION AND INVESTMENT ACTIVITY

Finland's innovation system is characterised by strong research performance and academic output. Between 2017 and 2024, Finland consistently published a high volume of eco-innovation-related academic publications, far outpacing other countries in the benchmark group. However, green patenting activity is not proportionally high, suggesting that academic insights are not always commercialised or scaled. In fact, the index value for Finland's green patenting has been declining steadily from 2017 to 2024. The latest score, 108.7 (100 = EU average in 2014), reveals that the number of patents is only 8 percent higher than EU average in 2014.

Development of environment-related technologies (share of domestic inventions) shows a relatively flat trajectory in Finland. In contrast, countries like Denmark and Austria have seen higher percentages of environment-re-

2 OECD Green Growth Indicators: Government budget for R&D refers to Government Budget Allocations for Research and Development (GBARD), that measure the funds that government allocate to R&D to meet various socio-economic objectives. These objectives are defined using the Nomenclature for the Analysis and Comparison of Scientific Programmes and Budgets (NABS 2007) classification. Estimates of environment-related government RD&D are reported from the funder perspective as budget (rather than as expenditure from the performer perspective). This indicator is based on the socioeconomic objective "environment" which includes research directed at the control of pollution and on developing monitoring facilities to measure, eliminate and prevent pollution. It is expressed as a percentage of all-purpose GBARD.

lated domestic inventions. This hints at a potential innovation-to-market gap, where Finland's strong research does not fully translate into tangible green technology breakthroughs.

In terms of exports of low-carbon technology products (share of total exports), Finland has experienced modest growth trajectory during the measured years. Compared to its closest counterparts, Finland performs moderately well in exports of low-carbon technologies, with around 6–7 percent of total exports coming from this sector. This is below Sweden and Denmark, both of which show higher green export shares and more consistent growth.

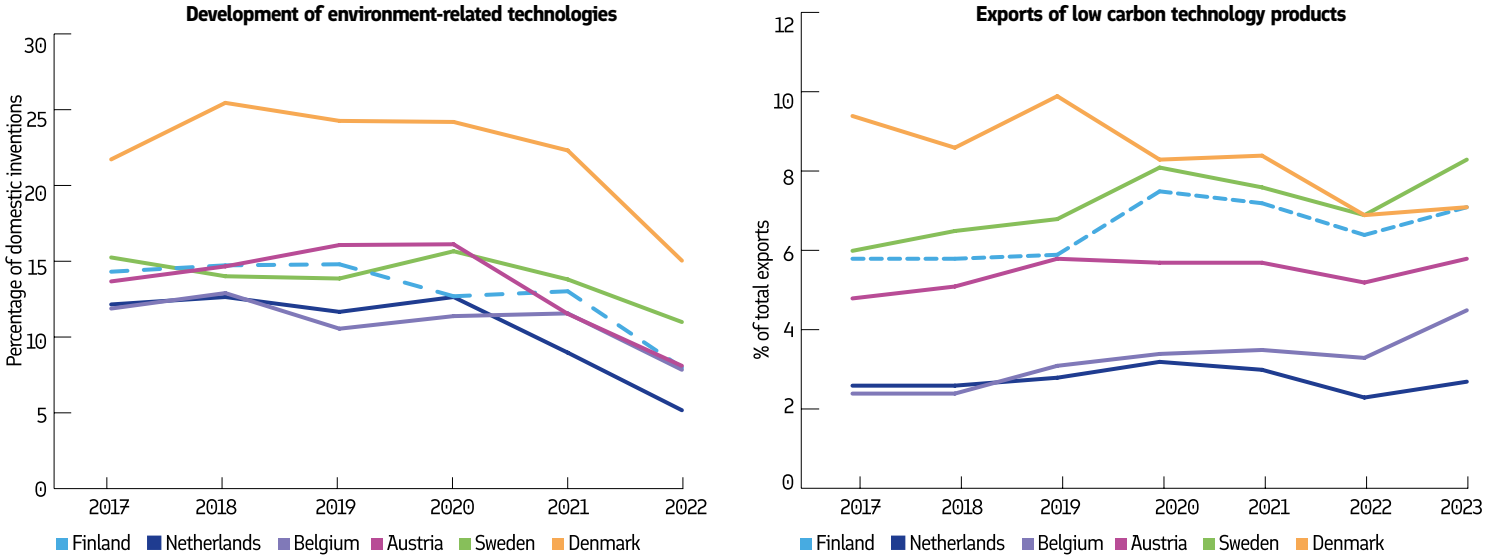

FIGURE 4. LEFT: DEVELOPMENT OF ENVIRONMENT-RELATED TECHNOLOGIES, PERCENTAGE OF DOMESTIC INVENTIONS. SOURCE: OECD GREEN GROWTH DATABASE, 2022. RIGHT: EXPORTS OF LOW CARBON TECHNOLOGY PRODUCTS AS A SHARE OF TOTAL EXPORTS. SOURCE: IMF CLIMATE CHANGE DASHBOARD. [4]

3 OECD Green Growth Indicators: The number of environment-related inventions is expressed as a percentage of all domestic inventions (in all technologies). Changes in 'environmental' technological innovation can then be interpreted in relation to innovation in general. Indicators of technology development are constructed by measuring inventive activity using patent data across a wide range of environment-related technological domains (ENVTECH), including environmental management, water-related adaptation, and climate change mitigation technologies. The counts used here include only higher-value inventions (with patent family size ≥ 2).

4 IMF Climate Dashboard: Low carbon technology products produce less pollution than their traditional energy counterparts, and will play a vital role in the transition to a low carbon economy. Low carbon technologies include mechanics like wind turbines, solar panels, biomass systems and carbon capture equipment.

2.1.2. CURRENT STATE OF CORPORATE RESPONSIBILITY IN LARGE FINNISH COMPANIES

The *Sustainability in Finland 2025* study[5] by FIBS provides an overview of how Finland's largest companies are approaching sustainability in their strategies, practices, and governance. The study shows how sustainability has moved from being a peripheral theme to becoming a strong guiding force in corporate decision-making. A clear majority of companies report that sustainability shapes their business models, and **over sixty percent state that their entire strategy has been built to support sustainable development objectives (in our survey, 68 % of large companies that are Business Finland customers state the same).**

The study highlights that companies are making concrete moves. More than three-quarters report developing innovations that directly address sustainability challenges, and a similar share confirm that they have made investments with sustainability as the main driver in the past three years. At the same time, the research uncovers an ambition gap in climate and nature targets. While nearly four-fifths of companies have achieved measurable reductions in their greenhouse gas emissions, fewer than half have set net zero targets, and only around a third have formulated targets related to biodiversity.

The perceived cost–benefit ratio of sustainability work remains a challenge. Only about half of respondents believe that the benefits of sustainable business outweigh the resources invested. This suggests that public support continues to play a crucial role in de-risking early-stage investments and allowing companies to pursue sustainability innovations that may not yet be fully competitive with established, less sustainable technologies.

The study also shows how regulation and reporting requirements are shaping company behaviour. The EU's CSRD directive and the Green Taxonomy have already encouraged companies to go beyond minimum compliance, with three-quarters of respondents stating that they exceed legal obligations in their sustainability work (in our survey, only 7 percent of the large companies stated that regulation was the main driver for increasing sustainability). Finally, collaboration has emerged as a core feature of corporate sustainability efforts: almost all companies report working with customers and suppliers, and more than eighty percent engage in sustainability collaboration with peers in their own sector.

2.1.3 DEVELOPMENT OF THE EUROPEAN REGULATORY FRAMEWORK

The evolving EU regulatory landscape is shaping how national innovation agencies, funders, and companies integrate sustainability into their operations and reporting.

5 FIBS. Yritysvastuu 2025 –tutkimus: Raportti, tiivistelmä ja paljon muuta. **https://fibsry.fi/uutishuone/tilaisuusmateriaalit/yritysvastuu-2025-tutkimus-raportti-tiivistelma-ja-paljon-muuta/**

This section outlines the most relevant EU-level directives and standards that inform expectations on sustainability-related performance, transparency, and due diligence. These regulatory developments are particularly relevant for Business Finland and its stakeholders, as they influence both strategic alignment and the operational frameworks within which funded companies operate.

European Green Deal[6] and **Fit for 55 Package:**[7] The Green Deal is the EU's overarching strategy for achieving climate neutrality by 2050. It establishes the long-term policy direction for transitioning to a sustainable, resource-efficient economy and reducing environmental degradation. It serves as a political mandate for the development of specific regulations and funding instruments that support the green transition. The Fit for 55 Package, adopted in 2021, is a legislative roadmap designed to implement the Green Deal's medium-term objective: reducing net greenhouse gas emissions by at least 55 percent by 2030. While neither instrument imposes direct obligations on companies, they provide the strategic foundation for EU regulatory initiatives such as the CSRD, EU Taxonomy, SFDR, and CSDDD that will be presented below.

Corporate Sustainability Reporting Directive – CSRD:[8] The CSRD significantly expands the EU's sustainability reporting obligations. It requires large companies and listed SMEs to disclose detailed information on environmental, social, and governance (ESG) issues. By replacing the earlier Non-Financial Reporting Directive (NFRD), the CSRD aims to improve transparency, comparability, and reliability of sustainability data. It applies to around 50,000 companies across Europe and introduces mandatory third-party assurance and digital tagging.

In February 2025, the EC published the **Omnibus I proposal,**[9] which introduces targeted amendments to the CSRD and other sustainability-related legislation. If adopted, the proposal would postpone the deadline for adopting sector-specific European Sustainability Reporting Standards (ESRS) and standards for non-EU (third-country) companies by two years, until 30 June 2026. The objective is to reduce the administrative burden on companies and allow additional time for compliance. Importantly, the general CSRD reporting obligations for large EU companies (more than 1,000 employees) from financial year 2024 remain unchanged.

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6 European Commission. *The European Green Deal:* **https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en**

7 European Commission. *Fit for 55: Delivering on the proposals:* **https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal/fit-55-delivering-proposals_en**

8 Directive (EU) 2022/2464: **https://eur-lex.europa.eu/eli/dir/2022/2464/oj**

9 Proposal for a Directive (EU) 2025/0044 (COD): **https://finance.ec.europa.eu/document/download/29624c4a-94e1-4b47-b798-db7883f79c87_en?filename=proposal-postponing-requirements-csrd-transposition-deadline-application-csddd_en.pdf**

European Sustainability Reporting Standards – ESRS:[10] Developed under the CSRD by the European Financial Reporting Advisory Group (EFRAG), it defines the content and format of corporate sustainability reports in the EU. These standards include sector-agnostic and sector-specific metrics, covering a wide range of topics such as climate change, pollution, workforce, and governance. Companies must report based on a double materiality perspective — considering both their impact on the environment/society and the financial risks faced. These common standards are aligned with those of the ISSB (International Sustainability Standards Board) and the GRI (Global Reporting Initiative) to ensure interoperability between EU and global standards.

EU Taxonomy Regulation:[11] The EU Taxonomy provides a classification system for environmentally sustainable economic activities. It establishes criteria for determining whether an activity substantially contributes to one or more of six environmental objectives (e.g. climate change mitigation, circular economy), does no significant harm to others, and complies with minimum safeguards. The taxonomy guides both investors and companies in identifying and financing green activities and is referenced in both the CSRD and SFDR frameworks.

Sustainable Finance Disclosure Regulation – SFDR:[12] It applies to financial market participants, including asset managers, insurers, and pension funds. It requires them to disclose how they integrate sustainability risks and consider principal adverse impacts in their investment decisions. Financial products must also be categorised based on their sustainability ambition (e.g. Article 6, 8, or 9 funds). The SFDR enhances transparency and aims to prevent greenwashing in the financial sector.

Corporate Sustainability Due Diligence Directive – CSDDD:[13] The CSDDD introduces binding due diligence obligations for large EU and non-EU companies operating in the EU. It requires firms to identify, prevent, and mitigate negative human rights and environmental impacts in their operations, subsidiaries, and value chains. The directive also introduces a duty for directors to oversee the integration of due diligence into corporate strategy. While not yet in force, the CSDDD signals a shift toward enforceable corporate accountability for sustainability.

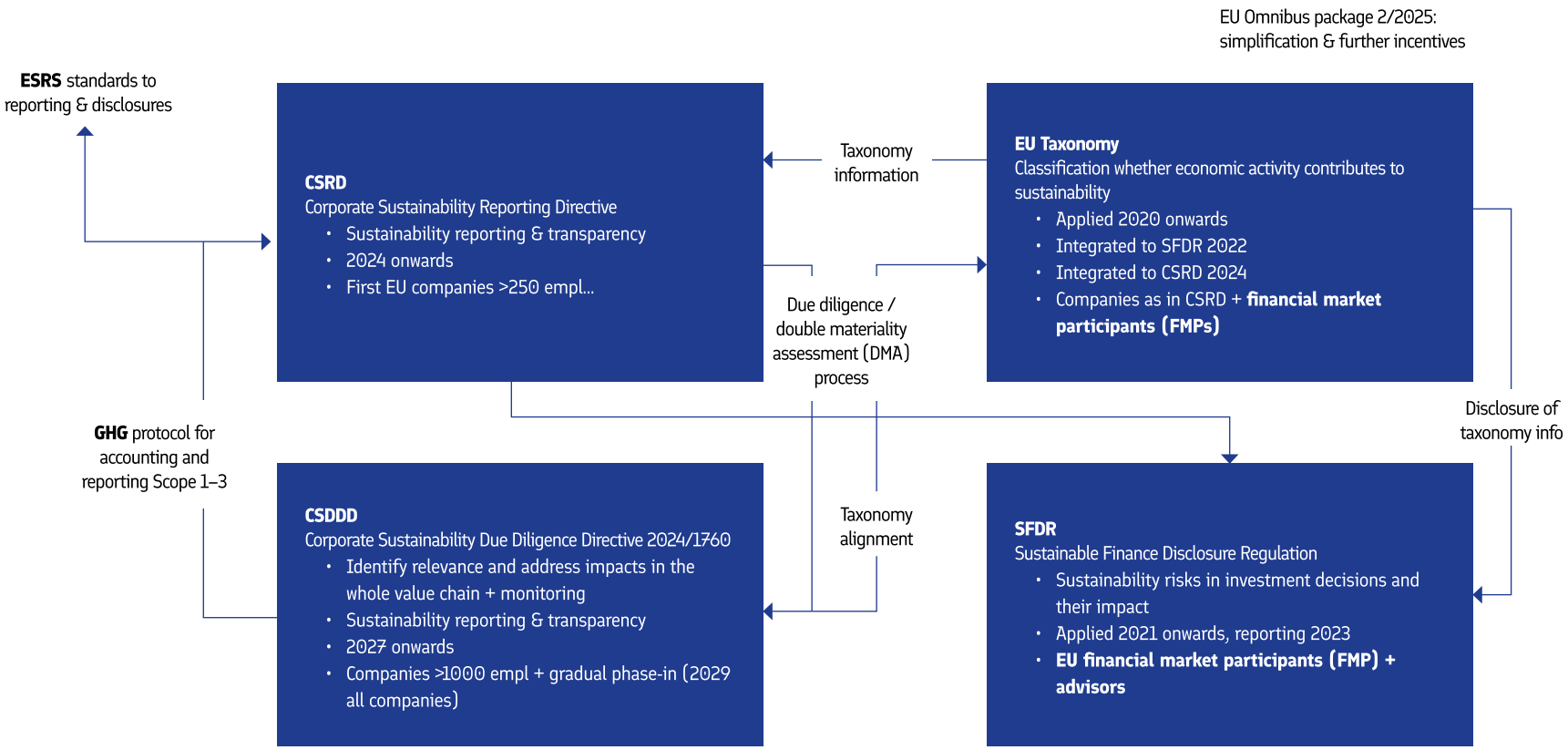
Greenhouse Gas (GHG) Protocol:[14] The GHG Protocol is a globally recognised standard for measuring and reporting greenhouse gas emissions, developed by the World

10 Delegated Regulation (EU) 2023/2772: **http://data.europa.eu/eli/reg_del/2023/2772/oj**
11 Regulation (EU) 2020/852: **http://data.europa.eu/eli/reg/2020/852/oj**
12 Regulation (EU) 2019/2088: **http://data.europa.eu/eli/reg/2019/2088/oj**
13 Directive (EU) 2024/1760: **http://data.europa.eu/eli/dir/2024/1760/oj**
14 Greenhouse Gas Protocol: **https://ghgprotocol.org**

Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). While it is not an EU legislative instrument, it serves as the methodological foundation for many EU-level sustainability reporting requirements. For instance, the CSRD and ESRS refer to the GHG Protocol for calculating and disclosing Scope 1 (direct), Scope 2 (indirect from energy), and Scope 3 (value chain) emissions. Its widespread use makes it a key reference standard for companies aiming to align with EU climate disclosure expectations.

The evolving EU regulatory landscape has direct implications for Business Finland and its stakeholders, shaping expectations around sustainability reporting, due diligence, and access to sustainable finance. Staying aligned with these developments supports Business Finland's role in guiding companies through the transition. While EU regulations mentioned above are primarily addressed to private companies and financial institutions, Business Finland is indirectly influenced by them. As a national innovation agency supporting private sector development, Business Finland is increasingly expected to align its funding strategies and mechanisms with the principles underlying these regulations, thereby strengthening its ability to prepare companies for compliance and reinforcing the relevance of its sustainability initiatives. The figure below illustrates how key EU regulations and standards interconnect across disclosure, classification, and due diligence requirements. Nonetheless, public funding organisations that manage or distribute EU funds (through the Recovery and Resilience Facility – RRF, or Cohesion Policy instruments) are subject to additional sustainability requirements. In these cases, compliance with requirements such as Do No Significant Harm (DNSH), climate mainstreaming, and sustainability becomes mandatory under EU regulations, including the RRF Regulation[15] and the Common Provisions Regulation[16]. Although Business Finland's national programmes are not directly bound by these rules unless EU co-funding is involved, alignment with these principles reflects good practice and anticipates future policy developments.

15 Regulation (EU) 2021/241: **http://data.europa.eu/eli/reg/2021/241/oj**
16 Regulation (EU) 2021/1060: **http://data.europa.eu/eli/reg/2021/1060/oj**



CSDDD: "although financial undertakings are not concerned, they are required to adopt and put into effect a climate transition plan, **including absolute emission reduction targets for Scope 3..**"

Financial Market Participants (FMPs) are entities engaged in investment activities, credit insititutions and related advice

FIGURE 5. ILLUSTRATION OF THE REGULATORY FRAMEWORK OF SUSTAINABILITY REPORTING IN EUROPEAN ORGANISATIONS.

2.1.4. EVOLUTION OF THE FINNISH FUNDING LANDSCAPE

POLICY BACKGROUND AND POSITIONING OF OTHER NATIONAL FUNDING AGENCIES

The government programme of Prime Minister Petteri Orpo (2023) emphasises a growth-oriented, innovation-driven approach to sustainable development. Innovation and RDI (research, development, and innovation) activities are primarily positioned as enablers of long-term economic growth, industrial renewal, and national competitiveness. The government aims to increase Finland's RDI investments to four percent of GDP by 2030, with a strong focus on strengthening public-private partnerships, facilitating strategic investments, and creating globally competitive ecosystems. Particular emphasis is placed on clean transition technologies, energy solutions, and digitalisation, which are seen as key drivers of sustainable economic renewal. The government highlights the importance of creating an attractive and predictable investment environment and leveraging RDI to foster resilience and strategic autonomy.

In line with the programme of Prime Minister Petteri Orpo's government, the state's venture capital activities have been streamlined by consolidating them under the Finnish Industry Investment (Tesi) Group. As part of this process, the Ministry of Economic Affairs and Employment

decided to terminate the operations of the Climate Fund in their entirety. Some of the Climate Fund's operations were integrated as part of new larger Tesi.

Tesi integrates sustainability into both its own operations and its core investment activities, aiming to generate positive societal and environmental impact alongside financial returns. Its sustainability framework combines responsibility for environmental, social, and governance (ESG) factors with impact through value creation in portfolio companies. Tesi requires investees to actively develop sustainability and report annually on progress, while also assessing funds on their integration of ESG principles. In 2024, Tesi advanced carbon footprint measurement by encouraging portfolio companies and fund managers to calculate GHG emissions across Scopes 1–3, providing freely available tools and a calculator to support this effort. It also updated its ESG matrix and introduced a new ESG reporting framework with stakeholders to standardise assessment and monitoring.

Finnvera, a Finnish export credit agency, is integrating sustainability into its financing operations with the long-term goal of aligning with the Paris Climate Agreement's 1.5°C target. It directs funding toward projects with positive climate impacts and offers financial incentives for low-emission technologies, granting around EUR 500 million in guarantees for climate-aligned projects in 2024. Climate and digital loans also support SMEs, with EUR 73 million allocated under the InvestEU scheme. Finnvera measures and monitors the climate impacts of its portfolio, tracking emissions per euro financed and aligning with science-based pathways (SBTi, GHG protocol, PCAF). It manages climate risks through ESG assessments, stress-testing companies against climate scenarios, and enforcing a fossil fuel financing ban in line with Finland's COP26 commitments. Additionally, Finnvera participates in global coalitions such as the Net-Zero Export Credit Alliance and E3F to influence export finance regulation.

Figure 6 below illustrates the different nature or approaches of investors regarding sustainability. In short, it is a question of how much sustainability is emphasised in the anticipated impact of funding decisions. On the left hand, traditional investments are purely driven by anticipated economic impact, and on the right-hand side, the philanthropic investments are purely driven by the sustainability impact of investments. In the Finnish public investment funding landscape Climate Fund used to position itself as an impact investor in sustainable financing, while other public funders (Tesi, Finnvera, Business Finland) are making investments decisions mainly on anticipated economic impact. Today, Climate Funds operations are terminated.

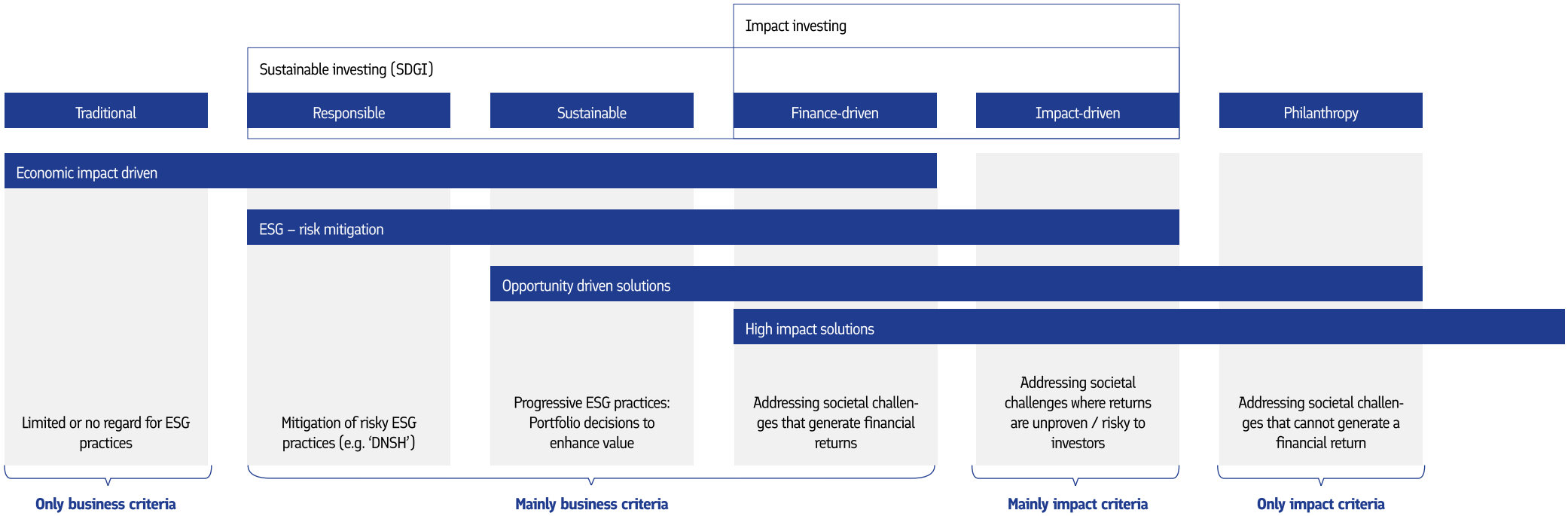


FIGURE 6. ILLUSTRATION OF THE DIFFERENT NATURES OF SUSTAINABLE INVESTING. SOURCE: ADAPTED FROM C-CHANGE 2017.

Table 4 below summarises the role of role and importance of sustainability aspect within key public funding organisations in Finland.

	TESI	FINNVERA	BUSINESS FINLAND	RESEARCH COUNCIL OF FINLAND
Key measures / instruments	• Focus on sustainable investments in Finnish companies • Integration of ESG criteria into investment decisions • Support for green and digital transformation initiatives • Follows the UN's Principles for Responsible Investment (PRI) and evaluates ESG factors in its investment decisions • ESG tool for venture capital and private equity investors to assess sustainability in startups and growth companies	• Incorporates climate change impacts into its financing decisions and asset management. • A framework for sustainable investments in treasury operations. • Application of sector-specific climate criteria for export financing • Introduction of climate and environmental loans	• A holistic sustainability policy covering environmental, social, and economic aspects • Support for sustainable innovation and internationalisation • Encouragement of responsible business practices among clients	• Implementation of the Society's Commitment to Sustainable Development • Consideration of sustainability in research funding decisions • Monitoring of sustainability outcomes in funded projects
Key performance indicators	• Monitoring of ESG performance in portfolio companies • Reporting on sustainability impacts and outcomes	• Carbon footprint and handprint assessments • Share of thematic ESG investments in treasury portfolio • Monitoring of environmental and social risks in financed projects	• Monitoring and reporting on sustainability impacts of funded projects	• Assessment of how funded projects contribute to sustainable development goals • Reporting on sustainability integration in research activities

TABLE 4. THE ROLE OF SUSTAINABILITY IN FINNISH GOVERNMENT FUNDING ORGANISATIONS.

2.2. INTERNATIONAL BENCHMARKS – KEY FINDINGS

This section presents a cross-cutting analysis of four international organisations benchmarked for their approaches to sustainability: **Bpifrance** (France), **Vinnova** (Sweden), **Innosuisse** (Switzerland) and **Climate-KIC** (EU-level). The purpose is to identify key similarities, differences and lessons that can inform the development of Business Finland's own practices. The analysis focuses on strategic orientation, mission-driven approaches, instruments, ESG integration, advisory services, monitoring systems, and governance arrangements. Detailed descriptions of each organisation are provided in the Annex that is available upon request.

STRATEGIC ORIENTATION

All organisations frame sustainability as a central mandate, but the way it is operationalised differs. Bpifrance and Climate-KIC have dedicated governance structures and Vinnova and Innosuisse mainstream sustainability into all instruments, while Business Finland shows high-level ambition through strategic policies but faces challenges in systematic execution.

- Bpifrance positions itself as the "Climate Bank for entrepreneurs," anchoring its Climate Plan within the 2025–2029 strategic roadmap, supported by a Climate Department and regional coordinators.
- Vinnova integrates sustainability and gender equality across all funding programmes, aligning all activities with Sweden's Agenda 2030 objectives.
- Climate-KIC defines itself as a mission-driven agency dedicated exclusively to systemic climate transformation, with a European role in experimentation and mission delivery.
- Innosuisse aligns with the Federal Council's Sustainable Development Strategy 2030, embedding sustainability into all instruments and evaluation criteria rather than creating separate structures.
- Business Finland has adopted a sustainability policy, a climate roadmap and established a head of sustainability, and integrates sustainability into its strategic agenda (SPA3). However, implementation has been fragmented, resourcing limited and execution not systematic, leading to a gap between ambition and operationalisation

APPROACHES TO MISSION-DRIVEN AND SYSTEMIC INNOVATION

All organisations orient their activities toward addressing societal challenges through mission-driven or systemic approaches. The main difference lies in the variety of instruments and initiatives used, and in the extent to which sustainability is explicitly embedded in large-scale programmes.

- Bpifrance implements its Climate Plan through loans, equity, advisory services and partnerships with The French Agency for Ecological Transition (ADEME) to decarbonise SMEs and scale green sectors.
- Vinnova relies exclusively on grants, with flagship sustainability initiatives such as the Strategic Innovation Programmes and the Impact Innovation initiative, co-led with other public agencies.
- Climate-KIC leads transformative Deep Demonstrations across Europe and participates in three EU Missions, using place-based innovation portfolios.
- Innosuisse launched the Flagship Initiative in 2021, mobilising transdisciplinary consortia to address systemic challenges such as energy transition and digitalisation.
- Business Finland integrates sustainability into some of its thematic programmes, the Missions and Leading Company Initiative projects, which are seen as effective in steering systemic innovation. However, there is no dedicated sustainability funding instrument; all themes are treated equally, limiting the capacity to direct resources strategically. Moreover, the role of sustainability in each thematic programme varies significantly.

INSTRUMENTS AND FINANCIAL ENGINEERING

The range and flexibility of financial instruments differ widely. Some institutions rely exclusively on grants, while others combine loans, equity and capital market instruments.

- Bpifrance deploys a highly diversified toolkit, including thematic bonds (green, social, COVID-19, defence), green loans, diagnostics and thematic funds.
- Climate-KIC blends grants with venture capital, philanthropic resources, equity participation and advisory contracts.
- Vinnova operates only through competitive grant funding, encouraging collaborative consortia.
- Innosuisse combines innovation project funding with new instruments such as LabToMarket, international partnerships and flexible flagship consortia.
- Business Finland instruments are largely limited to grants and loan, and it has no dedicated sustainability funding instrument, meaning that sustainability is not directly prioritised in resource allocation.

ESG INTEGRATION AND SUSTAINABILITY SCREENING

Approaches to ESG integration range from comprehensive frameworks to project-level assessments. Financial institutions are subject to formal ESG regulations, while innovation agencies integrate sustainability into project evaluation.

- Bpifrance applies a robust ESG framework, with tools such as ESG Invest, the Climate Maturity Index, sectoral exclusions and DNSH monitoring; less than 2 percent of its portfolio is non-compliant.
- Climate-KIC has developed start-up screening tools (Adaptation & Resilience Tool, Circularity Tool) and contributed to the EU Taxonomy, but its processes remain largely qualitative.
- Vinnova incorporates sustainability and gender equality into every project evaluation, without dedicated ESG scoring or DNSH monitoring.
- Innosuisse assesses contributions to sustainability and excludes projects with negative impacts, relying on expert judgement rather than a points-based scoring system.
- Business Finland does not have systematic ESG assessments on project level. Business Finland has a thematic strategy which is steering some of the R&D funding into sustainability related topics.

Here, Bpifrance's leadership is partly structural: as a regulated financial institution active in capital markets, it must comply with SFDR, CSRD and EU Taxonomy. By contrast, the three innovation agencies are not subject to such requirements

NON-FINANCIAL AND ADVISORY SERVICES

All organisations complement financial support with advi-

sory and capacity-building services. The main difference lies in the breadth and consistency of these services, with some providing structured tools for diagnostics, training and coaching, while others show more fragmented or limited support.

- Bpifrance offers diagnostics (Diag Éco-Flux, Diag Biodiversité), advisory programmes, training through its Climate Academy, and the Coq Vert community.
- Climate-KIC runs ClimAccelerator, Climathon and systemic advisory in Deep Demonstrations, while supporting EU Missions such as NetZeroCities.
- Innosuisse provides a multi-tiered coaching framework, awareness programmes, internationalisation support and innovation cheques for SMEs.
- Vinnova strengthens ecosystem-building and challenge-driven platforms, facilitating learning and dialogue with stakeholders.
- Business Finland has developed policies to include guidance, advisory services and networks. However, sustainability-related support is fragmented, and continuous competence-building is missing, particularly for SMEs.

MONITORING AND PERFORMANCE ASSESSMENT

Monitoring systems differ in scope and depth, reflecting the mandate and regulatory environment of each organisation. Some rely on regulatory frameworks with detailed indicators, while others use learning-oriented evaluation approaches.

- Bpifrance reports in line with EU regulations, including Green Asset Ratio, PAI disclosures, avoided emissions and biodiversity footprint.
- Climate-KIC applies a Monitoring, Evaluation and Learning (MEL) framework, combining output indicators with qualitative insights into systemic change.
- Vinnova tracks SDG alignment, collaboration levels and leverage, and conducts formative evaluations of long-term programmes.
- Innosuisse runs an annual Impact Monitor with around 200 indicators, including sustainability contributions, complemented by the Swiss Innovation Ecosystem Monitor.
- Business Finland's monitoring includes KPIs complemented by sustainability indicators in its Social Sustainability Report. The system covers organisational and funding levels, including footprint and handprint measures. However, the indicators focus mainly on activities, change across years, and have limited outcome orientation, so actual environmental and social impacts are not systematically captured.

GOVERNANCE FOR SUSTAINABILITY

Governance arrangements vary across the organisations, reflecting differences in mandate and institutional design.

Some have dedicated structures for sustainability, while others integrate it into general mandates without specialised units.

- Bpifrance has a formalised structure with a Climate Department and regional coordinators to oversee its Climate Plan.
- Climate-KIC combines a Supervisory Board, Strategic Advisory Council and Association Governing Board to represent its community.
- Vinnova integrates sustainability into programme governance, but without a dedicated unit or strategy.
- Innosuisse embeds sustainability into evaluation criteria and processes, though governance responsibilities remain within general structures.
- Business Finland has adopted a sustainability policy and climate roadmap, but execution has not been systematic, nor well-resourced and governance responsibilities remain fragmented. Moreover, there is no specific governance system for sustainability.

3. IMPLEMENTATION OF SUSTAINABILITY OBJECTIVES

This chapter investigates how sustainability has been integrated and implemented in Business Finland. It presents the sustainability objectives and key activities at Business Finland, sustainability in Business Finland's funding portfolio, and internal and stakeholder views on implementation.

3.1. SUSTAINABILITY OBJECTIVES OF BUSINESS FINLAND (SPA3)

Business Finland's **six strategic goals** are divided across the dimensions of customer and society. Sustainability is seen as a prerequisite for long-term growth and a market opportunity. Sustainability at Business Finland covers all three aspects: economic, ecological, and social. The organisation sees itself as a strategic actor in Finland's transition toward a sustainable and innovation-driven economy.

	ECONOMIC GROWTH	SUSTAINABILITY	COMPETITIVENESS
Customer	**Globally Thriving Companies:** Business Finland aims to support companies in becoming globally competitive by promoting: • An increase in added value • Growth in export income • An increase in salary accrual within supported firms	**Developers of New Sustainable Solutions and Operations:** The goal is to foster the development of solutions that contribute to sustainable business by encouraging: • Increased environmental and social responsibility awareness • New solutions that increase carbon handprint • Smart business models and lifecycle-based thinking	**Bold Reformers of Business:** Support is directed at companies undertaking transformative actions, including: • Stronger internationalisation capabilities and investments • Significant investments in innovation, digital transformation, and new business models • Value adding networks and partnerships
Society	**Productive Economy:** Business Finland supports a productive Finnish economy through: • High net value of Finnish products and services • A positive current account balance • A high employment rate	**Superpower in Sustainable Development:** Finland is positioned as a leader in sustainable development by focusing on: • High sustainability impact of innovations • Decreased carbon emissions • Decoupling economic growth from resource use	**Attractive and Resilient Business Landscape:** Business Finland promotes an enabling environment for innovation and business by advancing: • World-class ecosystems and expertise • A diverse and business-driven environmental export portfolio • A strong country brand • High levels of inbound investment and activity

TABLE 5. BUSINESS FINLAND'S CORE AREAS AND STRATEGIC GOALS 2020–2025.

The strategy was supplemented in 2022 with a **thematic content-driven sub-strategy**, which directs Business Finland's programmatic activities toward five sustainability focused growth opportunities:

- Digitalisation based boost for productivity,
- Comprehensive health and wellbeing,
- Carbon-neutral and resilient energy systems,
- Zero waste and circular economy, and
- Engaging immersive experiences.

The thematical aspects are also reflected in Business Finland's **missions**, which are aiming to accelerate sys-

temic change, help solve major global challenges and create value for society on a broad scale while identifying significant future market opportunities for Finnish companies. In practice, missions combine long-term strategic forecasting with assisting companies. In the future, missions will play a strong role in Business Finland's programmes, including those that have already started and those that will be started in the future.

Business Finland's **2023 Sustainability Policy** outlines its dual role in advancing sustainability both through its own internal operations and through the services it provides to customers. The policy highlights Business Finland's ambition to act as a driver of change by enabling Finnish companies to lead in global sustainability efforts. Business Finland's sustainability efforts are aligned with key UN Sustainable Development Goals, particularly those related to decent work and economic growth (Goal 8), industry, innovation and infrastructure (Goal 9), and climate action (Goal 13).

According to the Sustainability policy, sustainability considerations are embedded across Business Finland's service portfolio. In funding services, environmental, social and governance (ESG) criteria are systematically integrated into project evaluation. Specific funding instruments, such as those related to the EU Recovery and Resilience Facility (RRF) and programmes targeting developing markets (e.g., DevPlat), apply sustainability screening and adhere to the Do No Significant Harm (DNSH) principle.

3.2. KEY ACTIONS AND PROGRESS SO FAR

The key actions with regard to the implementation of Strategic Priority Areas (SPA3) during the 2020–2025 period include 1) the CASB project, which served as the basis for planning and organising sustainability policy in Business Finland, 2) the so-called Superpower evaluation in 2022, 3) the double-materiality analysis conducted at the end of 2023, 4) the update of the sustainability handbook and related process revisions, as well as 5) the Climate Roadmap and the plan for integrating sustainability in funding during 2025. The actions are explained in the following chapters.

THE CASB PROJECT

A large **Target Survey** to Business Finland customers was conducted as part of the internal CASB[17] project in 2021. The survey (N=3,271, n=571) explored, for the first time, the status, perceptions and needs of Business Finland clients towards sustainable development.

The findings called for better customer screening, stronger mandate to work with sustainability issues, new funding measures, among others. In line with this, a **CASB roadmap** with seven work packages for internal development of sustainability was elaborated.

SUPERPOWER EVALUATION 2022

During 2022 a comprehensive **consultative evaluation** was carried out on the operationalisation of SPA3 from the societal impact perspective.[18] The evaluation also took a long overview of Tekes / Business Finland's various sustainability actions before they were set as strategic objectives. The evaluation concluded that Business Finland has set itself high ambitions in sustainable development and that commitment was widely shared by its staff. However, at the time of the evaluation, there was still work to be done in putting this ambition into practice. Integration of sustainability in Business Finland core operations needed stepping up, if the strategic objectives were to be met. The evaluation gave number of suggestions for operationalisation of these strategic goals. The implementation of these recommendations is discussed later in the report.

DOUBLE MATERIALITY ANALYSIS 2023

During the end of 2023 and in the beginning of 2024 a **double materiality analysis (DMA)**, which was to serve as a basis for Business Finland's Corporate Sustainability Reporting Directive (CSRD) reporting, was conducted by Enact.[19] The work also analysed the Business Finland Road Map for Sustainability priority area (SPA3) and provided ideas for its further development.

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17 Change Agent for Sustainable Business, CASB.

18 4FRONT, ENACT, DEMOS: Superpower in Sustainable Development – from Ambition to Action. Consultative evaluation of the implementation of Business Finland's strategic goal for sustainable development at the societal level. Business Finland, 2022.

19 Double materiality analysis and SPA3 roadmap update, Final report to Business Finland, Enact 21.2.2024.

In the DMA analysis of Business Finland's funding services, the identified **most positive and likely funding related impacts were focusing on climate change mitigation, circular economy solutions, economic impacts and health**. The identified most severe and likely negative impacts were related to (also) climate change, unequal treatment and biodiversity.

The DMA recommended Business Finland to e.g., to develop sustainability management and resources (including capacity to calculate GHG emissions) and to define the integration of sustainability into the funding process.

UPDATE OF SUSTAINABILITY HANDBOOK

Business Finland's **Sustainability Handbook** was updated in January 2024. Many of the basic approaches in the Handbook originate from the CASB project of 2021 and were later updated after the 2022 "Superpower" evaluation. The handbook describes how in practice the strategic priority for sustainability is to be implemented in everyday work. It explains Business Finland's activities, ambition and commitment to sustainability and ensures responsible business operations in internal and customer-facing operations as well as explains the role of Business Finland in advancing sustainability. In earlier evaluations, such practical guidance to sustainability work was broadly called for by the Business Finland staff. Along with the update of Sustainability Handbook, also the **Sustainability KPIs of each service** area were updated.

CLIMATE ROADMAP 2025

Business Finland has recently (2025) adopted a **Climate Roadmap**, which includes one *Priority roadmap* ("umbrella") and five thematic roadmaps: 1) Roadmap for organisation-wide activities, 2) Roadmap for business travel, 3) Roadmap for purchased good and services, 4) Roadmap for funding, 5) Roadmap for ecosystems and programmes.

The climate roadmap is designed to bring clarity to Business Finland climate work, as well as to prioritise actions. As part of the roadmap work, quantitative scenarios have been calculated as a **baseline of the emissions** of Business Finland operations, but these calculations **do not yet include the emissions of Business Finland's funding**. The emissions from funding are suggested to be calculated during 2025. The funding itself has been identified as an area of major potential for future emission savings.[20] Hence, the climate roadmap suggests **raising the focus of climate actions from individual projects to a higher, more strategic level**.

IMPACT OF OTHER CONTEXTUAL CHANGES

During the observation period of this evaluation (2020–

20 The share of funding represents typically around 90 percent of the overall emissions of funding agencies.

2025), significant contextual changes have also taken place and impacted the operations of Business Finland. Soon after the adoption of the current (2020–2025) strategy, Business Finland adopted its first two missions in 2021 and three more in 2023. Particularly two of the currently five missions (i.e. Zero Carbon Future and Circular Transition for Zero Waste) are directly linked to the sustainable development priority area (SPA3). The practical operationalisation of Business Finland's missions only started after that.

Other contextual changes that occurred during the period were naturally the COVID-19, which largely influenced Business Finland operations during 2020–2021. Business Finland was given the task to quickly hand out and organise recovery funding to companies. Furthermore, significant organisational reforms had to be implemented, due to difficulties in the legal setting of the agency after 2018 merger. Towards the end of the strategy period (2023–2025) the reforms related to the transfer of Business Finland foreign network has been on the table. These changes, although not particularly related to Business Finland's sustainability targets, have in practice drawn some organisational attention away from other strategic development, such as the sustainability objectives.

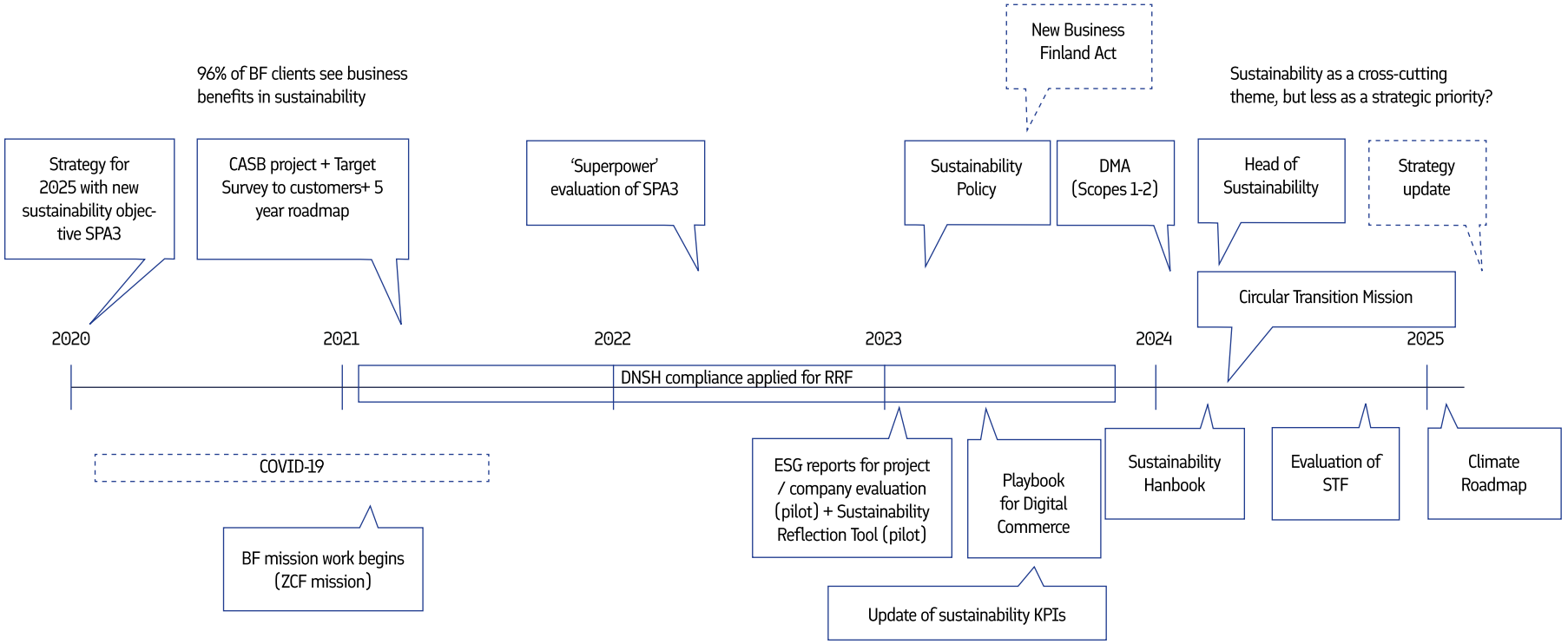

FIGURE 7. KEY STEPS IN THE IMPLEMENTATION OF SUSTAINABILITY OBJECTIVES AT BUSINESS FINLAND 2020–2025.

BOX 1. RECOVERY AND RESILIENCE FACILITY

The Recovery and resilience facility (RRF) is the main EU funding instrument under the Next Generation EU programme, aimed at supporting Member States' sustainable recovery from the COVID-19 crisis. In Finland, the RRF is implemented through the Sustainable growth programme for Finland (RRP), which seeks to advance ecological, social, and economic renewal. Business Finland has been responsible for delivering EUR 470 million of Finland's RRF funding through three pillars: RDI support, green transition investments, and recovery measures for pandemic-affected industries.

The Mid-Term Evaluation of Business Finland's RRP[21] found that RRF funding effectively boosted private-sector R&D investment and strengthened innovation ecosystems. The evaluation highlights that the funding accelerated research, piloting, and testing of green and digital solutions, particularly through co-innovation projects that enhanced partnerships between companies and research organisations. Green transition investments in areas like circular economy, batteries, and low-carbon hydrogen created visible industrial progress and long-term showcases for Finnish technology.

As the Recovery and Resilience Plan was approved by the EU, Business Finland had very little room to modify or interpret the funding criteria. The targets and conditions were predefined at the political and EU levels. All projects funded through RRF had to comply with the EU's DNSH principle, meaning that funded activities must not cause significant harm to any of the EU's environmental objectives. The report also observes that the DNSH process prompted some companies—especially in low-carbon or creative sectors—to rethink their sustainability practices.

However, the evaluation also identified challenges: the tight implementation schedule led to delays in investment projects, while recovery funding was less effective for the most affected sectors such as tourism and creative industries. Business Finland was found to have implemented the programme efficiently despite limited flexibility in design. The evaluation recommends earlier involvement of Business Finland in planning future EU funding instruments, clearer prioritisation of targets, and better alignment of funding instruments to sectoral needs.

21 The Mid-Term Evaluation of Business Finland's RRP
https://www.businessfinland.fi/globalassets/finnish-customers/about-us/results-and-impact/1_2025_mid_term_evaluation-of-business_finlands_rrp.pdf

3.2.1. IMPLEMENTATION OF PREVIOUS EVALUATION'S RECOMMENDATIONS

The following table provides an initial view on the take up of recommendations made in the previous "Superpower evaluation" in 2022. The analysis is based on the available general information and on Business Finland's management interviews.

Recommendation 1: Business Finland should define its sustainability policy, thus more clearly stating its ambitions, priorities and requirements towards customers and partners	Has been implemented	Sustainability Policy has been defined but has not been much developed since that.
Recommendation 2: Business Finland should designate a responsible director and respective operative unit (e.g. Service Area) to ensure accountability and a coherent implementation of sustainability aspects throughout its operations.	Has been implemented to a some extent	Head of Sustainability has been appointed. But in practice, due to parental leave, the impact has been limited. Moreover, the evaluation found that sustainability has been strongly under resourced at Business Finland, which has slowed down implementation.
Recommendation 3: Transition into the sustainability paradigm requires effort, and Business Finland should dedicate more resources to make progress. Further efforts are needed in adapting the processes, practices, and services accordingly.	To a large extent, has **not** been implemented	Guidelines and practices have been developed, but the effort has been considered insufficient against the set target. The recent Climate Roadmap provides a more systematic overview and approach.
Recommendation 4: Business Finland should systematically build its expertise in this area, to assume thought leadership in sustainable business and innovation.	To a large extent, has **not** been implemented	Progress has been considered slow / insufficient and actions fragmented.
Recommendation 5: Sustainability aspects should be more clearly integrated particularly into funding services.		
5.a. As a first step, assessment of applicant sustainability should be introduced, together with cross-cutting principles and minimum requirements.	Has been implemented to a some extent	Besides RRF's DNSH requirements, there has not been sustainability requirements. RFF conditions come from the EU, not BF
5.b. Incentives to specifically address and encourage sustainability impact should be developed.	Has **not** been implemented	No financial incentives offered for sustainability impacts.
5.c. Dedicated funding services to support sustainable businesses (e.g. scaling of sustainable innovation) should be considered.	To a large extent, has **not** been implemented	With the exception of the newly launched tax incentive and energy investment aid, which both are political level decisions. However, neither are related to R&D funding.
Recommendation 6: The integration of sustainability aspects in Service Areas should be stepped up and systematised.		
6.a. Practical guidelines should be developed to support systematic interpretation of sustainability policy at Service Areas, as well as to assess related customer risks and opportunities in a coherent manner.	Has been implemented to a large extent	Guidelines are available
6.b. Immediate action should be taken, e.g. to establish sustainability due diligence processes.	Has been implemented to some extent	Basic sustainability assessment purchased from Suomen Asiakastieto. Reports possible legal issues.
Recommendation 7: Performance monitoring of sustainability aspects should be stepped up both at Service Area level, but equally at the overall organisation level	Has been implemented to some extent	Business Finland is monitoring sustainability aspects via its KPI. However, the KPIs remain at activity level, excluding impact indicators.

TABLE 6. STATUS OF RECOMMENDATIONS MADE IN SUSTAINABILITY EVALUATION OF 2022.

3.3. SUSTAINABILITY IN PROJECT FUNDING

The study used triangulation across multiple sources to examine the share of innovation projects with a sustainability focus. Business Finland's internal classification data provides systematic categories for energy and environmental focus. However, no equivalent categories exist for social or governance-related sustainability. In addition, Business Finland staff describe the classification process as not fully consistent, meaning the results should be considered indicative rather than definitive.

To complement this data, the study conducted a text mining analysis of innovation funding project abstracts to assess their alignment with ESG-related aspects of sustainability. A company survey of innovation funding recipients was also carried out, asking whether their projects included sustainability-related objectives.

Within Business Finland's own classification data, measured by the number of projects, 19 percent were classified as having an energy focus and 32 percent as having an environmental focus (noting that a single project can fall into both categories). When measured by project volume (total approved cost), the shares were considerably higher: 38 percent for energy-related projects and 49 percent for environmental projects. This suggests that larger projects are more likely to have a sustainability dimension. The share of projects with energy or environmental focus (by project volume) increased steadily between 2016 and 2022 but dropped sharply in 2023.

The text mining results point in the same direction, although the figures are somewhat lower. This analysis found that most projects (66.3 %) could not be clearly classified under any of the three main ESG sustainability pillars. Of the 33.7 percent that showed ESG alignment, the majority (20.7 %) were related to environmental sustainability, followed by 8.7 percent with a social focus and 4.2 percent linked to governance. The data also revealed a clear upward trend in projects aligned with environmental sustainability until 2022, after which the growth levelled off. The shares of projects aligned with social or governance themes remained relatively stable over time.

Both classification analyses demonstrate that, although Business Finland formally introduced sustainability into its strategy only in 2021, the number of sustainability-oriented projects was already increasing beforehand. It is also notable that the share of environmentally focused projects has either declined or plateaued since 2022, depending on the data source.

The company survey presents a more optimistic picture: 74 percent of respondents reported that their innovation project included at least some sustainability objectives. The discrepancy compared to the classification analyses may be due to differences in measurement. The classifica-

tion analyses capture only the primary objective or focus of a project, whereas many projects also have secondary or supporting objectives linked to sustainability. In addition, projects with a sustainability orientation may be more likely to respond to a survey on the topic.

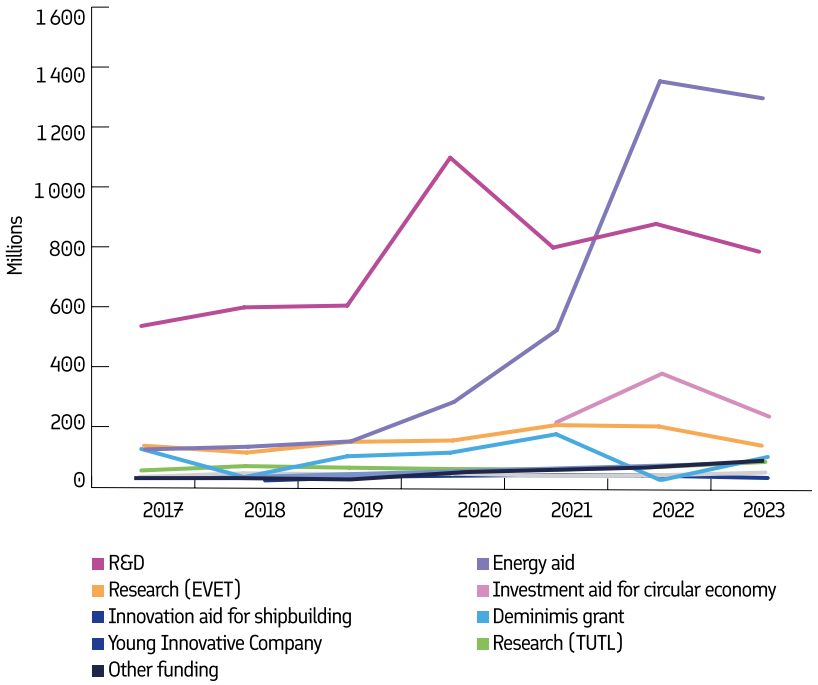

FIGURE 8. BUSINESS FINLAND'S FUNDING PORTFOLIO 2017–2023, INCLUDES RDI FUNDING AND ENTERPRISE FINANCING (ENERGY AID AND AID FOR CIRCULAR ECONOMY. TOTAL APPROVED COST. TOTAL NO. OF PROJECTS 26 276.
SOURCE: BUSINESS FINLAND.

The results from these different data sources are discussed in more detail in the following subchapters.

3.3.1. BUSINESS FINLAND FUNDING AND SUSTAINABILITY CLASSIFICATION

The Figure 8 illustrates Business Finland's funding portfolio (total approved project cost) from 2017 to 2023. R&D projects consistently remained the largest category, peaking in 2020 and stabilising above EUR 750 million in recent years. However, energy aid showed the most dramatic growth, surpassing R&D projects in 2022 and remaining high through 2023. Investment aid for the circular economy emerged strongly around 2021–2022 but declined slightly in 2023.

Energy aid is granted to projects that promote new technology, its commercial utilisation, and the regulation capacity of the power system, as well as energy savings through energy efficiency. The funding is intended for circular economy investments by companies operating in Finland that improve the level of environmental protection beyond EU standards or increase waste recycling through solutions above the current level of technological development. Bother energy aid and circular economy aid are enterprise financing, not RDI funding and are hence out of scope of this study.

BOX 2. ENERGY AID IN FINLAND

Energy aid is a national funding instrument designed to accelerate Finland's green transition by supporting investments and studies that promote renewable energy, energy efficiency, and the decarbonisation of the energy system. It aims to reduce the technological and economic risks associated with new energy technologies and help achieve Finland's 2035 carbon neutrality target and the EU's 2030 climate goals. The aid is primarily intended for projects that would not proceed without public support, with a particular emphasis on demonstration projects that introduce and commercialise new technologies.

The first round of energy aid was implemented under Finland's Recovery and Resilience Plan (RRF) as part of the Sustainable Growth Programme for Finland. It targeted large-scale investments in new energy technology, renewable hydrogen, low-carbon industrial processes, and energy infrastructure, with funding granted by the Ministry of Economic Affairs and Employment (MEAE) and administered through Business Finland's application system. An audit[22] of this first energy aid scheme found that while the funding significantly increased, its impact was limited by broad objectives, inconsistent application criteria, and a lack of systematic performance monitoring—reducing the transparency and accountability of aid allocation.

The second phase of energy aid, launched in 2024, is based on government budget decisions and national policy priorities. The total national budget authority for 2024 is EUR 14.1 million, significantly reduced from previous years, with at least EUR 10 million allocated to energy-saving and efficiency measures. In addition, EUR 200 million is available through REPowerEU and unused RRF funding for large demonstration projects in new energy technologies. Aid is now more narrowly targeted: renewable energy projects are supported only when they involve new technology, and projects related to conventional building energy efficiency are excluded. Priority is given to investments that promote novel energy solutions, renewable hydrogen, and grid flexibility.

While the MEAE defines the policy priorities and decides on large projects (over EUR 5 million), Business Finland acts as the implementing agency, managing applications, payments, and reporting for smaller projects. Together, these mechanisms aim to channel public funding effectively toward innovative energy solutions that deliver measurable long-term decarbonisation impacts.

22 The National Audit Office of Finland (2025) Energy investment aid as a driver for the green transition. **https://www.vtv.fi/en/publications/energy-investment-aid-as-a-driver-for-the-green-transition/**

Figure 9 illustrates the energy (left) and environmental (right) focus areas within Business Finland's RDI funding portfolio[23] from 2017 to 2023. The classifications are based on Business Finland's staff's assessment. Majority of projects lacked a specific energy or environmental orientation. **Measured by number of projects, 19 percent had an energy focus and 32 percent had an environmental focus**. **Measured by the total volume of the project (total approved cost), the share of projects with energy (38 %) or environmental focus (49 %) was significantly larger, indicating that large projects tend to be more likely somehow related to sustainability**. Within the focus areas, "energy efficiency and use"[24] and "environmental technologies and solutions"[25] received the most funding, suggesting these are key thematic priorities. In contrast, funding directed toward renewable energy sources, fossil energy use, climate change mitigation, and circular economy was relatively modest.

23 RDI funding includes R&D funding (research, development & piloting, Co-research, Co-innovation, Co-creation and R2B) and innovation funding (NIY, Tempo).

24 Includes subcategories: transport, transport energy use, other energy use, other energy efficiency (incl. district heating and cooling), service and residential buildings, equipment and systems, building and household energy use, industrial energy use, industry.

25 Includes subcategories: environmentally friendly products and processes development, bioeconomy and cleantech.

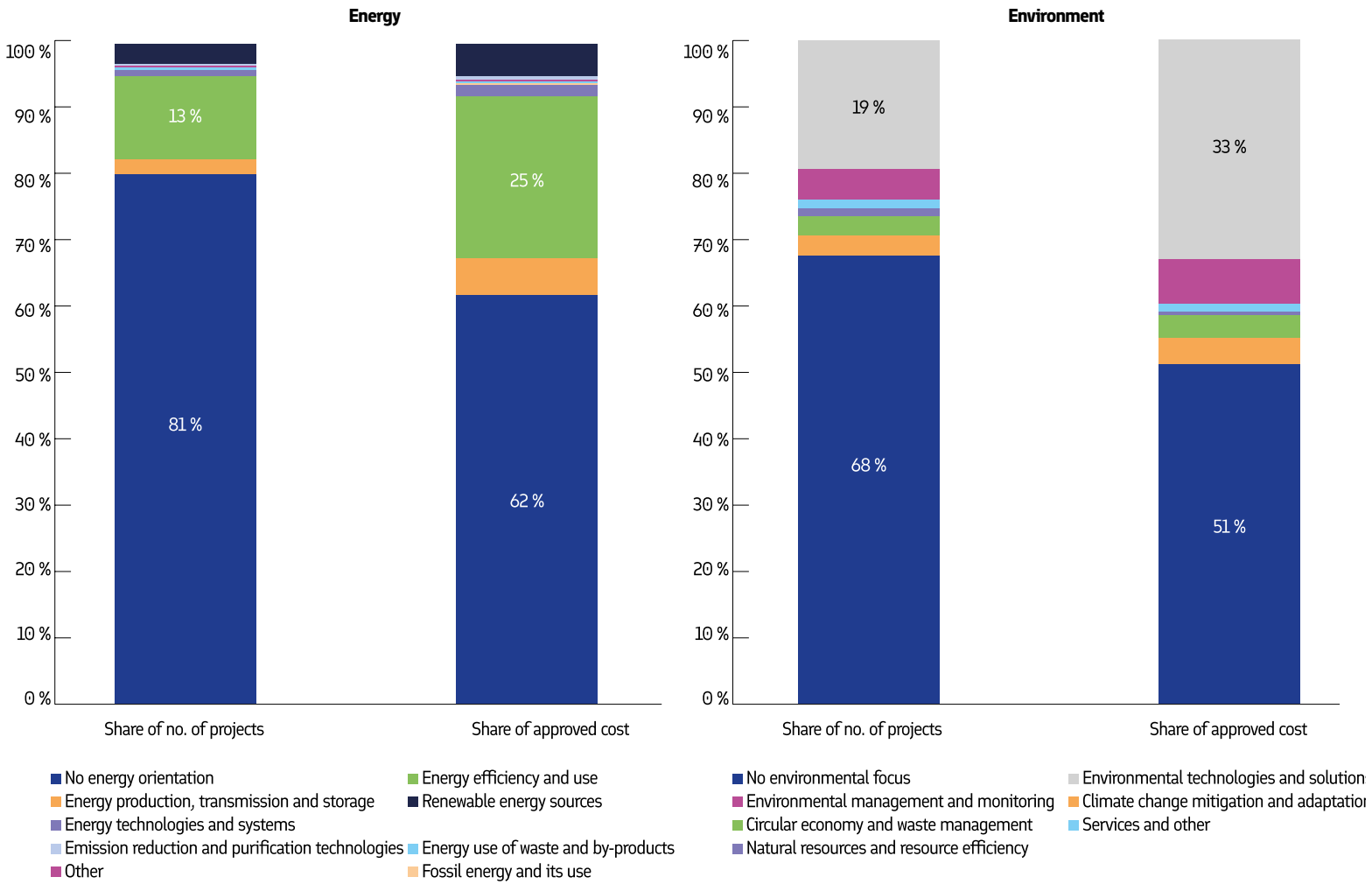

FIGURE 9. ENERGY (LEFT) AND ENVIRONMENTAL (RIGHT) FOCUS IN BUSINESS FINLAND'S RDI FUNDING PORTFOLIO 2016–2023. TOTAL APPROVED COST. TOTAL NO. OF PROJECTS 11 847, ONLY RDI FUNDING. SOURCE: BUSINESS FINLAND.

The share of RDI projects with energy or environment focus (measured by volume of total approved cost) have increased over the years 2016 to 2022 and declined sharply again in 2023. Largest increases in energy focus have been with energy efficiency and use. 2019 to 2021 saw an increased in projects with focus on energy production, transmission and storage, but the share declined again in 2022. Renewable energy sources saw a boom year in 2022 and declined again in 2023.

Business Finland has been funding also health, wellbeing and education innovation projects, but their share of total funding is small (< 10 %). Within these projects, Business Finland has funded activities in health and pharmaceuticals with nearly EUR 150 million during 2016–2023. In contrast, non-regulated wellbeing activities and projects categorised as "Other" received significantly less, around EUR 35–40 million each. Education technology was the least funded focus area, receiving under EUR 20 million.

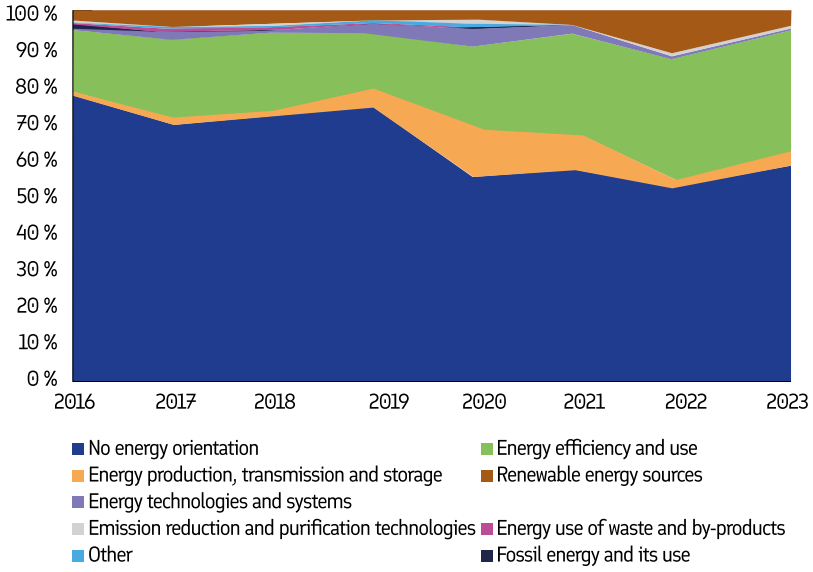

FIGURE 10. ENERGY FOCUS IN BUSINESS FINLAND'S RDI FUNDING PORTFOLIO 2016–2023. SHARE OF PROJECT MEASURED BY TOTAL APPROVED COST. TOTAL NUMBER OF PROJECTS 11 847, INCLUDING ONLY RDI FUNDING.
SOURCE: BUSINESS FINLAND.

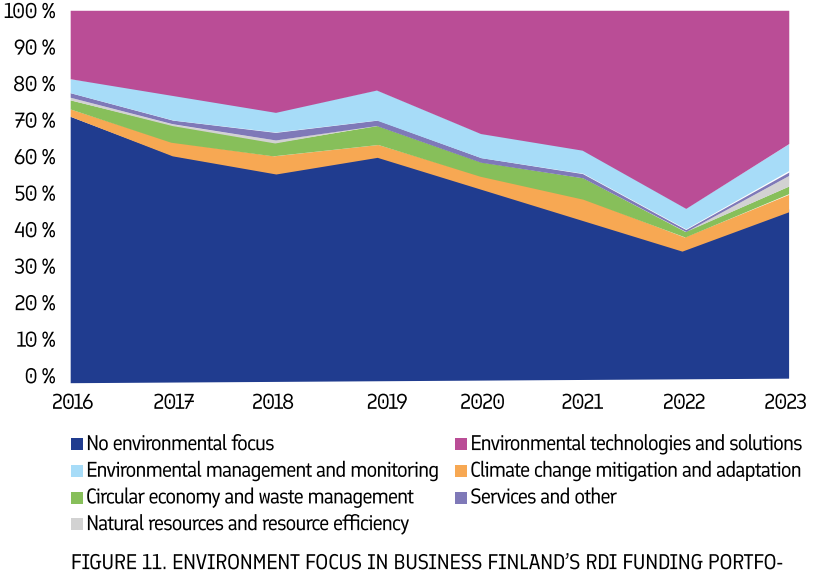

FIGURE 11. ENVIRONMENT FOCUS IN BUSINESS FINLAND'S RDI FUNDING PORTFOLIO 2016–2023. SHARE OF PROJECT MEASURED BY TOTAL APPROVED COST. TOTAL NUMBER OF PROJECTS 11 847, INCLUDING ONLY RDI FUNDING.
SOURCE: BUSINESS FINLAND.

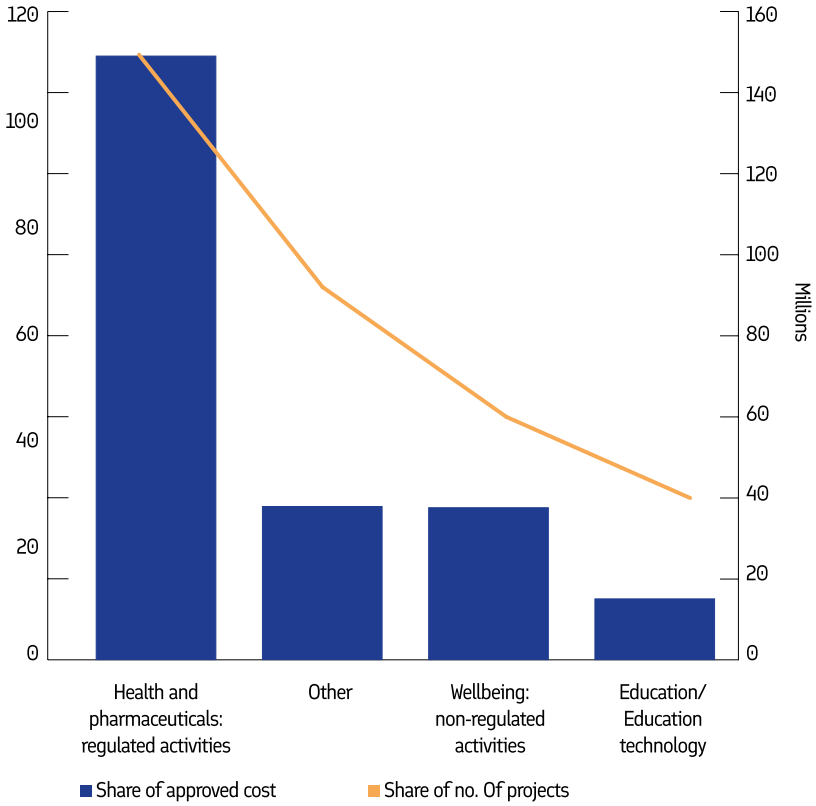

FIGURE 12. HEALTH, WELLBEING AND EDUCATION FOCUS IN BUSINESS FINLAND'S RDI FUNDING PORTFOLIO 2017–2023. TOTAL APPROVED COST. TOTAL NUMBER OF PROJECTS 1034, INCLUDING ONLY RDI FUNDING. SOURCE: BUSINESS FINLAND.

3.3.2. PROJECT CLASSIFICATION VIA TEXT MINING

The text mining analyses aims to provide insight into the sustainability focus of the Business Finland portfolio. The scope of the analysis covers 9,324 RDI projects that were funded by Business Finland between 2016 and 2025. The analysis was conducted on project abstract and reports. The projects were classified according to the European Sustainability Reporting Standards as published by EFRAG. These standards, distinguish three main topics: *Environmental, Social* and *Governance* sustainability, which are subsequently divided into their corresponding subtopics and sub subtopics.

The results of this classification analysis show in Figure 13 that most of the projects (66.3 %) could not be directly classified under any of the three major sustainability topics of the ESG framework. As the analysis was mainly looking at the project abstracts, it is likely that most of them contain information only on the main objectives and activities of the project. Therefore, as shown by the survey results, many of the projects may have secondary objectives that are linked to sustainability, even if the core innovation is not a sustainability innovation.

Among the 33.7 percent of the projects with an ESG alignment, the majority (20.7 %) were directed to environmental sustainability, followed by 8.7 percent being most aligned with social sustainability and only 4.2 percent being related to governance sustainability. Indicating that

most of the projects that we classified, from 2016–2025, demonstrate a stronger environmental sustainability aspect than a governance or social aspect.

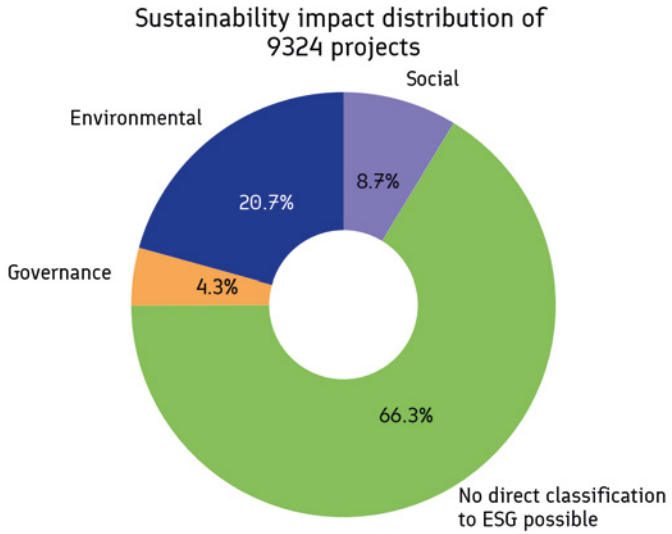

FIGURE 13. DISTRIBUTION OF SUSTAINABILITY RELATED PROJECTS. BASED ON TEXT MINING AND CLASSIFICATION OF 9324 BUSINESS FINLAND RDI FUNDING PROJECTS BETWEEN 2016–2025, INCLUDING ONLY RDI FUNDING.

When zooming in onto the projects that have been classified as ESG relevant, Figure 14 provides insight into the sub-topics that the projects are most associated with. In this figure the width of the bars indicating the share of the projects that fall under the topic, subtopics and sub subtopics.

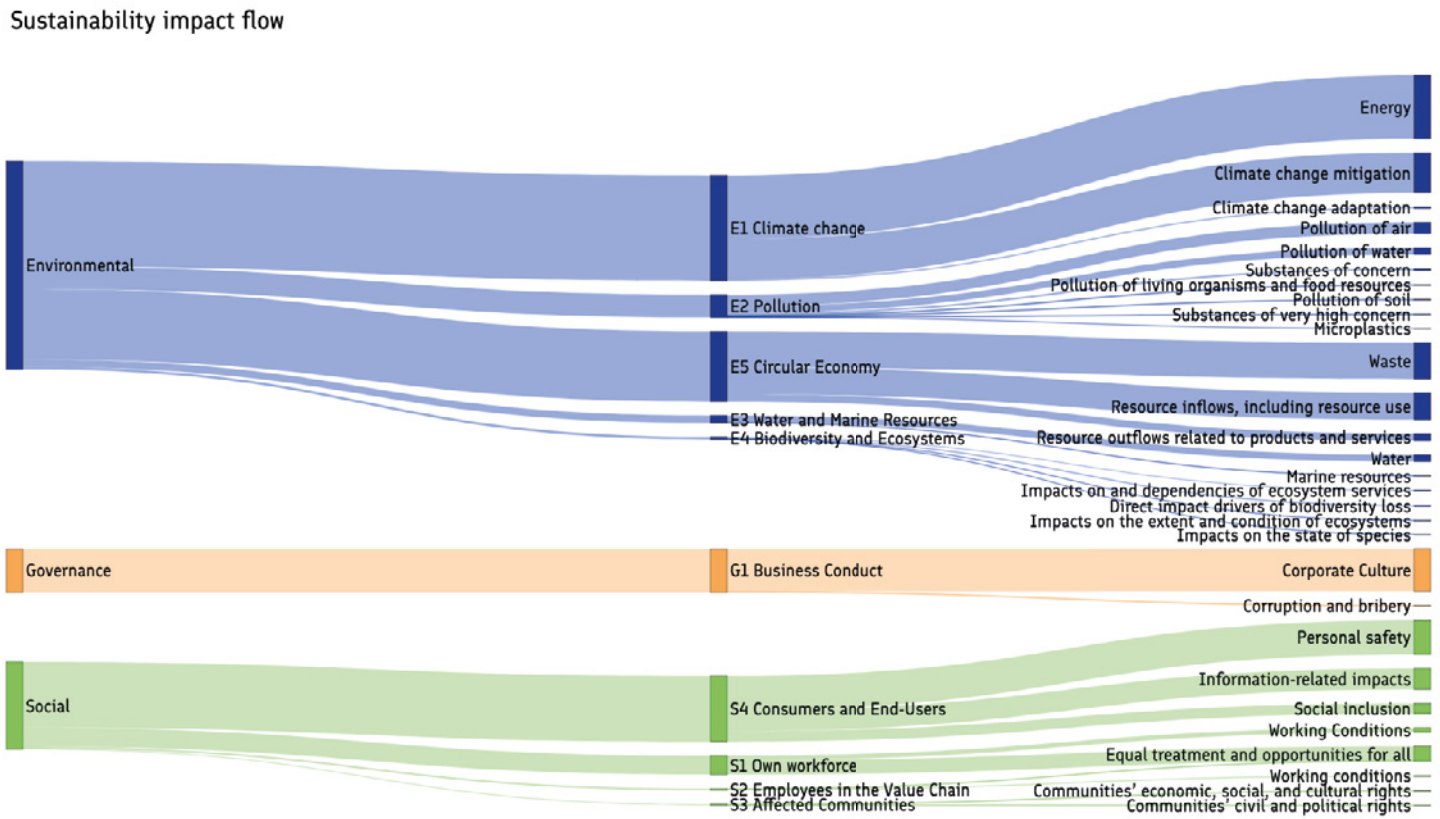

FIGURE 14. THEMATIC (ESG) BREAKDOWN OF SUSTAINABILITY RELATED PROJECTS. BASED ON TEXT MINING AND CLASSIFICATION OF 9,324 BUSINESS FINLAND RDI FUNDING PROJECTS BETWEEN 2016–2025, INCLUDING ONLY RDI FUNDING.

Figure 15 shows the alignment of projects with the ESG sustainability topics over time. We can see a clear increase of the share of projects aligning with environmental sustainability, whereas the share of projects aligning with social or governance sustainability topics remains constant over the years. Whilst Business Finland only formally introduces sustainability in its strategy in 2021, the data shows sustainability-oriented projects had already started to increase before that. This not surprising because despite sustainability not being explicitly stated in the Business Finland strategy, earlier programmes already showed an alignment with elements of the SDGs.

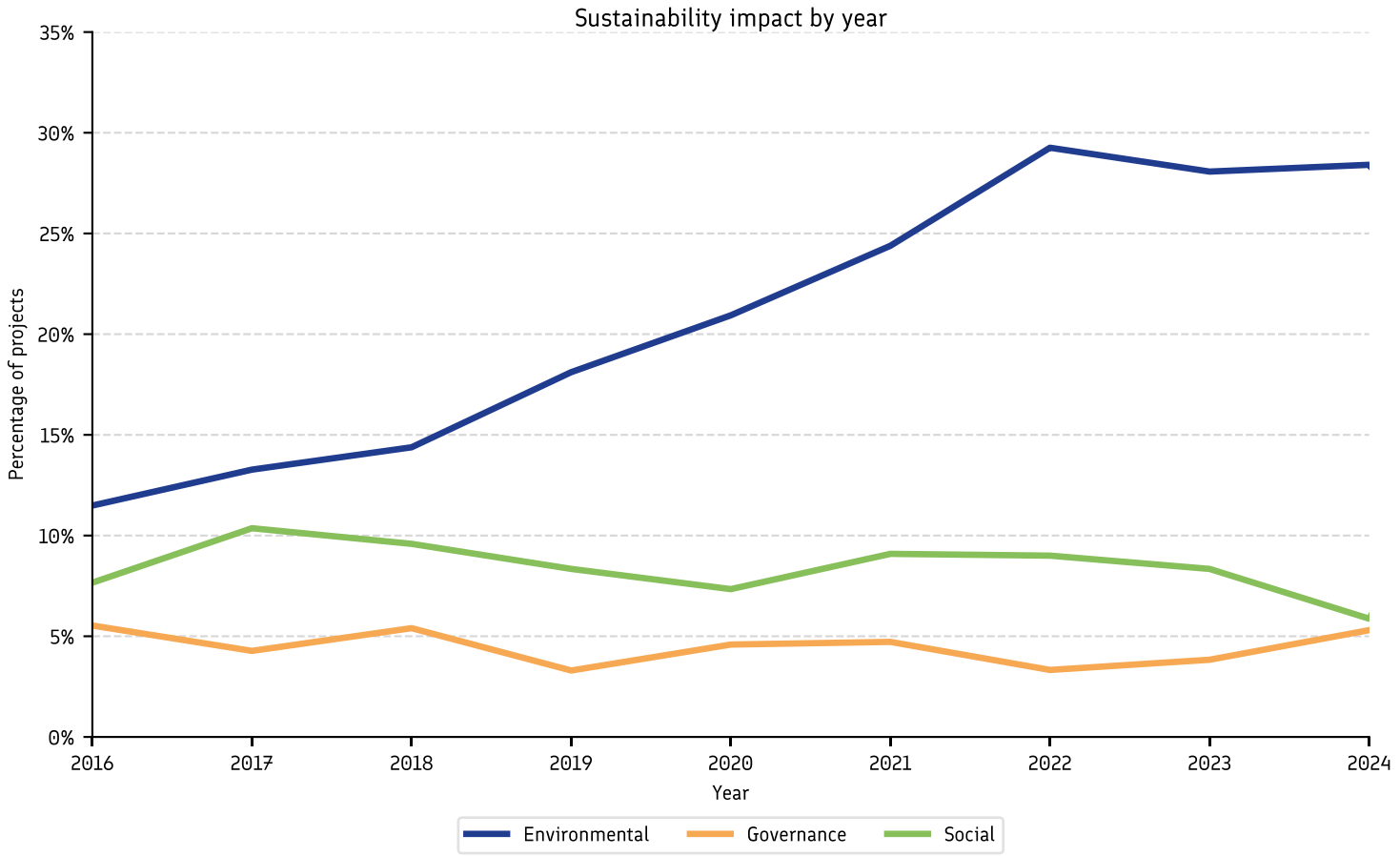

FIGURE 15. THEMATIC (ESG) BREAKDOWN OF SUSTAINABILITY RELATED PROJECTS. BASED ON TEXT MINING AND CLASSIFICATION OF 9,324 BUSINESS FINLAND RDI FUNDING PROJECTS BETWEEN 2016–2025.

Figure 16 provides a more in depth look at the development in the share of the environmental-related projects, with a focus on the distribution across subtopic within the environmental topics. The figure shows that the growth in number of projects related to environmental sustainability can largely be attributed to the subtopics of E1 Climate change and E5 Circular Economy, while the other number of projects in other subtopics has remained relatively stable over time.

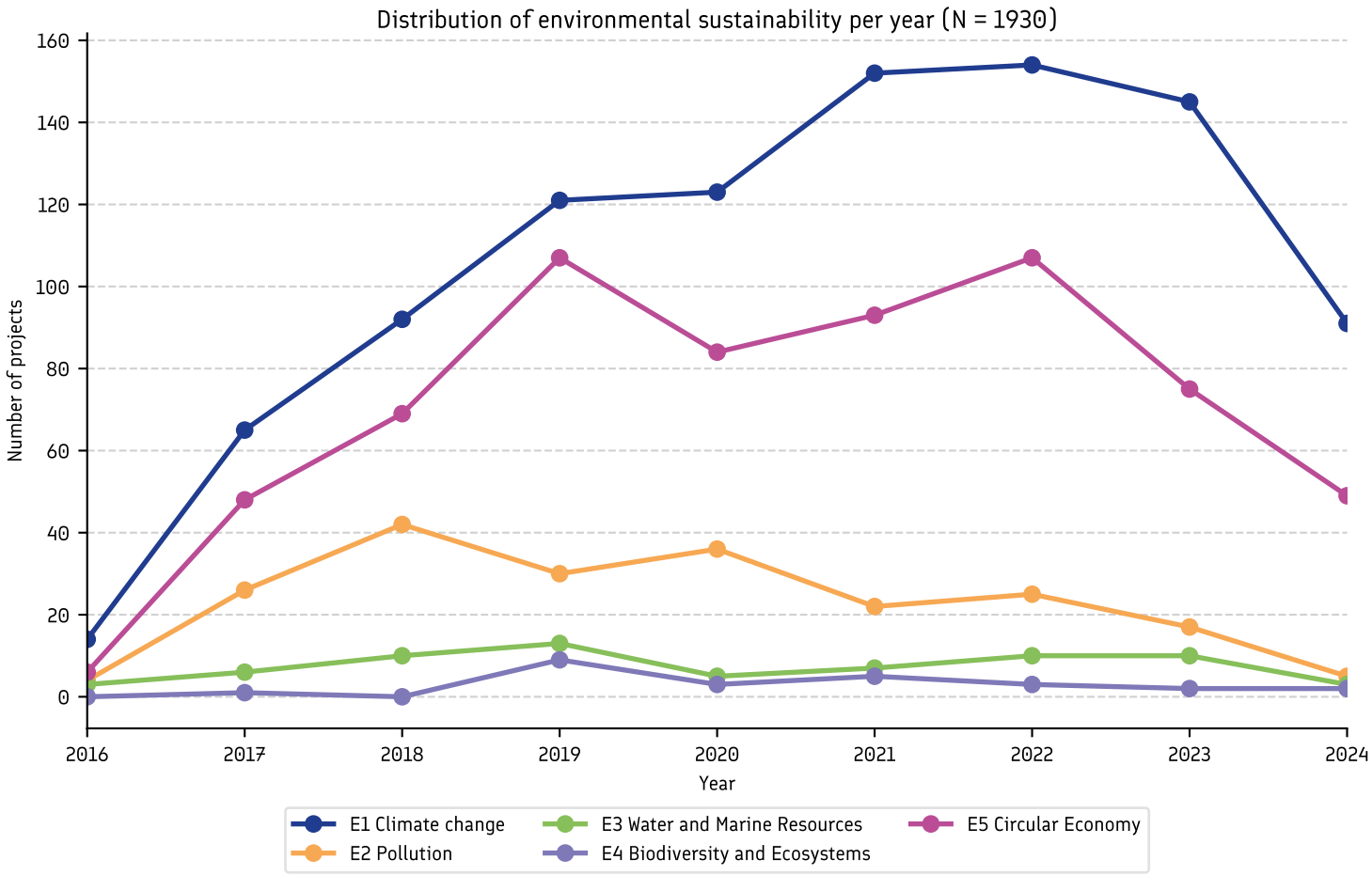

FIGURE 16. THEMATIC (ESG) BREAKDOWN OF SUSTAINABILITY RELATED PROJECTS. BASED ON TEXT MINING AND CLASSIFICATION OF 9,324 BUSINESS FINLAND RDI FUNDING PROJECTS BETWEEN 2016 – 2025.

3.4. SUSTAINABILITY KPIS AND THEIR MONITORING

Business Finland is reporting sustainability indicators in their KPIs and in their social sustainability report (2023). The following chapter presents Business Finland's KPI system, which is based on the indicators and targets set in the performance agreement with the Ministry of Economic Affairs and Employment, as well as Business Finland's footprint and handprint indicators reported in their social sustainability report.

BUSINESS FINLAND KPIS FOR SUSTAINABILITY

Business Finland's KPIs are structured around the three key priorities, including sustainability. The KPIs and their goals are set in performance agreement with the Ministry of Economic Affairs and Employment (MEAE). Business Finland monitors the KPIs annually and reports them separately on organisation and service area levels. The KPIs and their annual reporting can be found in annexes.

The organisational level KPI for sustainability is share of service transactions relating to advancing sustainable development goal. The goal for 2022–2023 was set to 50 percent and 2024 to 60 percent. The goal was met only in 2023. Additionally, there is also an indicator for "change agent for sustainable business" (attention score with sustainability perspective). According to Business Finland's own monitoring, the latter KPI was met and exceeded in 2022, 2023 and 2024.

Overall, there is a limited number of sustainability related KPIs and they are measuring mainly activities and they have a limited outcome-orientation and do not capture actual environmental or social impacts (e.g. GHG reductions, inclusion outcomes, biodiversity benefits). The Superpower evaluation (2022) and the Double Materiality Analysis conducted by Enact (2023) both recommended Business Finland to measure the GHG emissions of their funding portfolio.

OVERALL BUSINESS FINLAND / TARGET VALUE *PERFORMANCE AGREEMENT KPI	2021	2022	2023	2024
Sustainability (Share of service transactions relating to advancing sustainable development goal, %) *	16.9 / 50	30.2 / 50	58.7 / 50	50 / 60
Change agent for sustainable business (Attention score with sustainability perspective in Finland, %)	7 / 15	22 / 15	29 / 15	23.2 / 20

TABLE 7. DEVELOPMENT OF BUSINESS FINLAND'S ORGANISATIONAL LEVEL SUSTAINABILITY KPIS IN 2021-2024. COLOUR CODES: BLUE = ABOVE TARGET, YELLOW = AT TARGET LEVEL, RED = BELOW TARGET. SOURCE: BUSINESS FINLAND.

Business Finland's KPIs for funding services are in line with their strategy and they are an elaborated set of indicators from the performance agreement. The main indicators for sustainability are 1) turnover estimate of funding customers focusing on sustainability, 2) responsibility reports introduced, and 3) share of Business Finland's funding supporting ESG goals. These KPI have been met and exceeded every year.

The indicators for "Change agent for sustainable business" are 1) funded sustainability projects news baseline mapping done, 2) responsibility pilots done, 3) sustainability training done, 4) healthy sea Campaign, 5) sustainability learning days per person. The second and third KPI were met in 2023.

The sustainability KPIs focus heavily on Business Finland's internal activities and funding flows. The focus on long-term customer or societal-level sustainability outcomes is limited. There is no measurement of actual environmental outcomes such as CO_2 reductions, energy savings, or circularity impacts resulting from funded projects. Moreover, the KPIs are varying across years. Year-to-year variance lacks continuity and weakens long-term trend analysis and may make sustainability performance appear fragmented.

FUNDING SERVICES / TARGET VALUE *PERFORMANCE AGREEMENT KPI	2021	2022	2023	2024
Sustainability				
Turnover estimate of funding customers focusing on sustainability*	8.1 / 4	12.9 / 4	11.6 / 4	NA
Responsibility reports introduced	NA	NA	Yes / yes	NA
Share of Business Finland's funding supporting ESG goals, %*	NA	NA	NA	75 / 60
Change agent for sustainable business				
Funded sustainability projects news baseline mapping done	No / Yes	NA	NA	NA
Responsibility pilots done	NA	NA	Yes / Yes	NA
Sustainability training done	NA	NA	Yes / Yes	NA
Healthy sea Campaign	NA	NA	No / Yes	NA
Sustainability learning days per person	NA	NA	NA	0.8 / 2

TABLE 8. DEVELOPMENT OF SUSTAINABILITY KPIS FOR THE FUNDING SERVICES IN 2021–2024. COLOUR CODES: BLUE= ABOVE TARGET, YELLOW = AT TARGET LEVEL, RED = BELOW TARGET. SOURCE: BUSINESS FINLAND.

MEASUREMENT OF FOOTPRINT AND ITS MONITORING

The footprint of Business Finland refers here to the direct sustainability impact of its own actions. Business Finland monitors its footprint with respect to three different aspects: 1) Business Finland personnel, 2) direct environmental impacts, 3) procurement, and 4) finances.

The **personnel** footprint monitors several different as aspects, such human resources management, personnel targets and structure of personnel, equality and non-discriminatory aspects, employer image, the remuneration system and performance-based bonuses of personnel, performance appraisals, training and competence development, occupational health as well as collective agreements. The **direct environmental impacts** monitor mainly offices, energy consumption and travel.

Business Finland **procurement** is governed by the Procurement Act and Directive, and guided by the national procurement strategy, among others. The procurement process of Business Finland itself has been assessed in terms of its sustainability and related criteria have been introduced to the process. Its annual volume was EUR 42 million in 2023.

Sustainability in finances means Business Finland aims to use its public funds efficiently and prudently. The use of funds is governed by laws and regulations and guided by several Business Finland's internal guidelines, particularly the Financial Rules.

Business Finland Oy (and its subsidiaries) is a hundred percent government-owned non-profit company, which is not a subject to income tax. Hence, the **tax footprint of Business Finland Oy** is mostly generated from value added tax and employer contributions.

INDICATOR	RESULT IN 2023
Total number of employees: Funding Agency and Company (persons with an employment contract with Business Finland)	637
Authorisations exercised by the Funding Agency	EUR 771 million
Operating expenditure of the Funding Agency (incl. operating expenditure carried over from previous years) *)	EUR 147.6 million
Operating income of Business Finland Oy and its subsidiaries (without the de minimis appropriation)**	EUR 97.2 million
Group's balance sheet total (Business Finland Oy and its subsidiaries)	EUR 41.0 million
Funding applied from Business Finland (Funding Agency and Company)	EUR 1,040 million (incl. RRF 135 million)
Number of funding applications (Funding Agency and Company)	7,014 (incl. 169 RRF)
Total funding granted	EUR 750 million (incl. RRF 273 million)
Funding for companies	EUR 598.6 million (incl. RRF 50.1 million)
Funding for research institutes	EUR 150.9 million (incl. RRF 8.7 million)
Taxes paid in Finland and abroad	EUR 2.8 million
Indirect and other collected taxes (VAT, etc)	EUR 44.2 million

TABLE 9. BUSINESS FINLAND SUSTAINABILITY (FOOTPRINT) INDICATORS. SOURCE: BUSINESS FINLAND'S SOCIAL RESPONSIBILITY REPORT 2023.

MEASUREMENT OF HANDPRINT AND ITS MONITORING

Business Finland's sustainability policy goals and targets are closely linked to and follow the logic of United Nations Sustainable Development Goals (SDGs)[26] in line with the commitment of the Finnish Government. The SDGs provide a very broad sustainability framework of 17 key goals, from which three most relevant ones (SDG 8, 9 and 13) are chosen for Business Finland's impact (handprint) measurement, although their operations at some level impact almost every SDG. Under the three key SDGs, eight specific targets have been chosen for Business Finland, as shown in Table 10 below.

26 The Global Goals. The 17 Goals. **https://globalgoals.org/goals/**

SDG TARGETS	RELATED UN INDICATOR [27]	BUSINESS FINLAND'S INDICATOR
8.2. Achieve higher levels of **economic productivity through diversification, technological upgrading and innovation**, including through a focus on high value added and labour-intensive sectors.	Annual growth rate of real GDP per employed person.	Export growth of SME clients (incl. midcap), EUR million and %. [2023 outcome: EUR 30 million, 0.4 %]
8.3. Promote development-oriented policies that support productive activities, decent **job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.**	Proportion of informal employment in total employment, by sector and sex.	Number of jobs created by RDI funding (estimated number of jobs in the target year of the project). [2023 outcome: 24,840]
8.4. Improve progressively, through 2030, global **resource efficiency** in consumption and production and endeavour to **decouple economic growth from environmental degradation**, in accordance with the 10 Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.	Material footprint, material footprint per capita, and material footprint per GDP or domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP.	Business Finland does not yet have a specific progress indicator for this target but the indicator of target 9.4 describes well also the progress of this target.
8.9. By 2030, devise and implement policies to **promote sustainable tourism** that creates jobs and promotes local culture and products.	Tourism direct GDP as a proportion of total GDP and in growth rate.	Registered foreign overnight stays, 1,000 days. [2023 outcome: 5,742] Finland's market share of overnight stays by foreign tourists in relation to other Nordic countries (%). [2023 outcome: 11 %] International tourism income (tourism balance), EUR million. [2023 outcome: EUR 2 546 million]
9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater **adoption of clean and environmentally sound technologies and industrial processes**, with all countries taking action in accordance with their respective capabilities.	CO_2 emission per unit of value added.	Funding for solutions promoting low-carbon and circular economy, EUR million. [2023 outcome: EUR 345 million]

27 United Nations. SDG Indicators. **https://unstats.un.org/sdgs/indicators/indicators-list/**

9.5. **Enhance scientific research, upgrade the technological capabilities of industrial** sectors in all countries, in particular developing countries, including, by 2030, encouraging **innovation** and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	Research and development expenditure as a proportion of GDP or researchers (in full-time equivalent) per million inhabitants.	Increase in the combined RDI investments of Business Finland's clients (%). [2023 outcome: 16.4 %]
13.1. **Strengthen resilience** and adaptive capacity to climate-related hazards and natural disasters in all countries.	Number of deaths, missing persons and directly affected persons attributed to disasters per 100,000 population Number of countries that adopt and implement national disaster risk reduction strategies in line with the Sendai Framework for Disaster Risk Reduction 2015–2030 Proportion of local governments that adopt and implement local disaster risk reduction strategies in line with national disaster risk reduction strategies	Business Finland does not yet have a specific progress indicator for this target.
13.3. Improve **education, awareness-raising and human and institutional capacity** on climate change mitigation, adaptation, impact reduction and early warning.	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment	Share of service events related to the promotion of sustainability (%). [2023 outcome: 59 %]

TABLE 10. BUSINESS FINLAND SUSTAINABILITY (HANDPRINT) TARGETS AND INDICATORS. SOURCE: BUSINESS FINLAND'S SOCIAL RESPONSIBILITY REPORT 2023.

The following **observations** can be made on the choice & status of Business Finland indicators:

- The choice of SDGs is logically closely related to Business Finland's core functions of providing funding and services for RDI and growth of companies. Besides those, the selected indicators do not have a particularly strong sustainability aspect (only indicators for 9.4 and 13.3).
- Target 8.4 (resource efficiency) is particularly challenging for Finland and Business Finland has not set any quantitative targets to it.
- Target 8.9 concerns specifically sustainable tourism, while Business Finland indicators do not (as do not UN indicators either)
- Target 9.4 there is a commonly available quantitative (footprint) indicator for this, as used by the UN, which would better facilitate comparison and benchmarking
- Target 13.1 is only remotely linked to Business Finland's operations, unless also non-natural disasters are included (e.g. economic and geopolitical).

- Results for Target 13.3 are promising – 59 percent of Business Finland service events are related to the promotion of sustainability. Furthermore, **over 75 percent of global market opportunities sought with the help of Business Finland are related to sustainable development**.

BOX 3. MONITORING, EVALUATION AND LEARNING (MEL) AT CLIMATE-KIC AND TESI

Climate-KIC has developed a Monitoring, Evaluation and Learning (MEL) framework that goes beyond traditional project reporting. Rather than focusing only on outputs, the MEL system is designed to capture systemic change processes—asking "what difference do we make, to whom, and how?". It integrates quantitative indicators with qualitative insights, using case studies, contribution analysis and participatory evaluation to understand how portfolios of projects create resilience, avoided emissions and long-term innovation capacity.

Alongside this learning orientation, Climate-KIC also tracks a wide set of annual KPIs: from start-ups supported, investment leveraged, and intellectual property created, to the number of people trained and gender representation in governance. MEL is linked with forward-looking impact targets for 2027 (e.g. contributing to 500 Mt CO2 avoided, strengthening resilience for 10 million people, creating 50,000 green jobs). Tesi has established a strong sustainability and impact framework that integrates responsibility into all investment decisions and ownership practices. ESG due diligence and impact assessments are conducted for 100 % of new investments, and investees are encouraged to measure and report their GHG emissions across Scopes 1–3. To enable this, Tesi has developed open-access tools such as a carbon footprint calculator, ESG handbooks, and reporting frameworks. These tools not only support portfolio companies but also set standards for the wider venture capital and private equity sector. Furthermore, Tesi links management remuneration to sustainability metrics, ensuring internal accountability. A culture of continuous dialogue with portfolio companies and co-investors strengthens the credibility of its approach, while board participation allows Tesi to influence governance and sustainability practices indirectly but effectively.

3.5. VIEWS ON IMPLEMENTATION OF SUSTAINABILITY GOALS

During the study process, both Business Finland staff and key stakeholders (Tesi, MEAE, Finnvera, EK, Teknologiateollisuus, FIBS) were interviewed. More views were collected in a participatory workshop. The finding of the interviews are reported in the subchapters below, respectively for Business Finland staff and external stakeholders.

3.5.1. BUSINESS FINLAND'S STAFF'S REFLECTION ON THE IMPLEMENTATION OF SUSTAINABILITY GOALS

As part of the study representatives of Business Finland's leadership team and other staff were interviewed on their views about the implementation of the sustainability priority area objectives, as well as on the take up of the recommendations given in the "Superpower evaluation" in 2022. Furthermore, the workshop was organised for Business Finland staff and key stakeholders to discuss the findings of the study. This section summarises the key points made by Business Finland leadership and staff.

OPERATING ENVIRONMENT AND BUSINESS FINLAND'S CURRENT PRACTICE AND CHALLENGES

The interviewees state that sustainability needs have emerged from the customer interface, but the question remains how best to respond to them. Large companies are strong and are seeking funding for systemic change. Medium-sized companies have also become aware of sustainability, but their challenge lies in finding the right focus, which requires sparring and market-specific understanding. Some SMEs have not yet woken up to the topic at all, and Business Finland sees its role as challenging them.

The Corporate Sustainability Reporting Directive (CSRD) is perceived to be a major challenge for SMEs, particularly when their larger customers require CSRD information from them. A strong issue that emerges is the need to understand regulatory frameworks. In the circular economy, for instance, secondary raw material sources are emphasised, making regulation crucial. The EU is developing a circular economy law, an eco-design directive, and the CRMA regulation on critical raw materials, all of which highlight the importance of ensuring self-sufficiency.

Within Business Finland, sustainability is perceived to be unevenly embedded. Some units, such as energy, see it as part of everyday work, while others do not. Services like RRF and LCI have supported sustainability, but there is no systematic implementation across all funding. The challenge lies especially in core funding processes, where sustainability is often reduced to reporting rather than being actively leveraged to enhance competitiveness. The social dimension of sustainability was identified as particularly difficult.

Business Finland's current strategy (2020–2025) has not been entirely successful according to its staff, as its implementation was exhausted and the strategy remained at too high a level. There were flaws both in the goals and in their implementation. The strategy could not be translated to the level of a financial expert or even a financial decision-maker. A new strategy is now being prepared, and the hope is that it will be sufficiently concrete, with shorter-term goals in the future. There is also some concern about the role of sustainable development in Business Finland and whether it is genuinely reflected as a real commitment. Although sustainability is one of Business Finland's three priorities, it does not feel as though the promise has been fully delivered.

Recently, there has been a major shift in Business Finland, with a different emphasis on issues related to sustainability and climate. Climate awareness rose sharply before COVID-19, but geopolitical changes since then have altered the operating environment, and geopolitics is now strongly visible in funding decisions. While the intention remains to continue supporting sustainable projects, there is also a growing need to find projects with elements related to security of supply and defence. This, however, does not mean that sustainable development will be replaced.

EMBEDDING SUSTAINABILITY INTO BUSINESS FINLAND ACTIVITIES AND FUNDING

Sustainable development is perceived to be evident in Business Finland's missions and programme choices, but the question remains whether it is present in other activities. What seems missing is a culture that recognises sustainability as a competitive advantage that must be constantly promoted and kept on the everyday agenda. Another question that emerged in the discussions is whether Business Finland wants to take the role of a challenger for companies. More broadly, this raises the issue of what role public funding should play in promoting sustainability and how Business Finland positions itself within that.

Some interviewees argued that Business Finland too often accepts its role as a neutral enabler, when it could also act as a driver of transformation. By setting clearer incentives—similar to Finnvera's approach (see Box 5)—Business Finland could create stronger "pull" for companies to engage with sustainability. This requires visible success cases and a stronger commitment to positioning sustainability not just as an instrument to achieve export and competitiveness goals, but as a core objective in itself.

Business Finland's real impact on sustainability is created through its funding, and there have been some separate, specific calls related to sustainability topics. In prac-

tice, however, the sustainability goal often appears to the interviewees as just a "tick-a-box" in the CRM system: everyone marks it if it is a defined goal. While technically it is considered, more in-depth examination and assessment is missing. At present, this comes close to greenwashing in funding, with little self-criticism applied. The 'know your customer' policy has been very accepting but is now being reformed. Previously, the system only marked significant violations, which was not a high threshold to cross. The fact that applicants now include an assessment of their sustainability activities or tick-a-box in the form is a good start, but this should be challenged more thoroughly. Based on the current system, very few companies are excluded from closer examination. This creates a reputational risk if it is claimed that a significant share of Business Finland's funding promotes sustainability.

A recurring debate in Business Finland is whether sustainability should be a strict requirement for funding or more of a supportive incentive. Business Finland staff agreed that requirements must remain fair and proportionate, but that Business Finland could do more on the support side, helping companies recognise and harness intangible assets such as sustainability-driven competitiveness. This would mean actively sparring companies to shape their solutions and to see sustainability as a value-creating opportunity, not just a compliance task.

The **Business Finland missions** are intended to create key messages for customers that experts can then use in working with companies to consider solutions. Programmes, operated under the missions, have been implemented at the customer interface, and the programmatic coverage of sustainability is extensive. The mission approach and making clear choices are perceived to represent a step in the right direction, as they place emphasis on broader impact. However, the mission concept should be reassessed, and more targeted choices should be made. Currently, the tools of the missions are programmes, campaigns, advice, and advocacy in societal discussions. This is all the basic services, but nothing specifically tailored to the missions.

The target is that half of the R&D funding should be channelled through the missions, and last year more than half of the funding did so. The programmes operating under the missions also bring added visibility. Nonetheless, funding still has a strong bottom-up element, meaning that applications can be made across all topics. Business Finland does not currently have a funding instrument that specifically rewards sustainability in projects, as all themes are treated equally. Energy support, for example, is seen as far too cautious and barely qualifies as dedicated funding.

While thematic programmes and missions exist, the question is whether that is enough. To effectively activate companies and increase R&D activities, funding should be

more directed, but this is not generally how the process works. In the past, RRF investment grants amounting to EUR 150 million were available, though the volume of applications far exceeded that (note, RRF funding was EU funding implemented by Business Finland. The goals and conditions came from the EU). Such funding would be valuable for scaling, but it is no longer available. Business Finland has piloted tools such as the Sustainability Advisory Tool, which received positive feedback, and the eCommerce Playbook, which would benefit from more industry-specific information. The Sustainability Maturity tool also existed but proved too heavy, and demand for it was low.

BOX 4. MAINSTREAMING SUSTAINABILITY INTO EVERY CALL (VINNOVA & INNOSUISSE)

Vinnova and Innosuisse stand out for how they have mainstreamed sustainability into their entire funding logic, rather than creating parallel programmes. Vinnova requires every funded project to demonstrate contribution to sustainable growth and alignment with Sweden's Agenda 2030 objectives. Gender equality is also embedded as a cross-cutting criterion. Innosuisse positions sustainable development as one of four guiding principles in its mandate. All projects are assessed not only for innovation potential and value creation but also for their societal, environmental and economic contribution. While there is no rigid ESG scoring system, expert panels systematically consider sustainability as part of every funding decision, ensuring coherence without adding excessive bureaucracy.

Both agencies also use mission-driven instruments to tackle systemic challenges. Vinnova's Strategic Innovation Programmes and Impact Innovation Initiative mobilise broad coalitions across sectors to co-develop solutions to national priorities. Innosuisse's Flagship Initiative similarly brings together transdisciplinary consortia around themes like climate transition, sustainable construction, and digitalisation. These large-scale efforts combine bottom-up innovation with challenge-driven framing, providing a structured route for deeper sustainability integration while maintaining diversity in smaller calls.

The monitoring systems of both agencies further reinforces this mainstreaming. Vinnova emphasises collaboration and SDG alignment, tracking whether projects are building partnerships and contributing to global goals. Innosuisse runs an Impact Monitor with almost 200 indicators, covering long-term outcomes like SME growth, start-up scaling, and sustainability contributions, supplemented by the Swiss Innovation Ecosystem Monitor for benchmarking internationally.

LEADERSHIP, RESOURCING AND COMPETENCE BUILDING

According to the interviewees, the main issue of sustainability lies in leadership. If the target is to increase the carbon handprint, then everyone should be thinking about how to achieve this. However, this is not the case, as there is a lack of courage to make choices and renew. The organisation's internal changes have often been used as an explanation for this.

The sustainability goal has not been resourced in any specific way, particularly in financing, and overall resourcing for sustainability has remained very low.

A mandatory training session for staff on sustainability was held, which was considered good and concrete, but it remained a one-off. The question now is how training and expertise development can become continuous. Business Finland's area of expertise is broad, and sustainability know-how is scattered. For many, expertise in sustainable business and the circular economy is still new. There is a need to break competence down into smaller areas and manage how expertise is distributed across the organisation. A certain minimum level of expertise should be required for everyone, with specialised expertise developed separately.

Expertise is needed from many perspectives, such as regulation, raw materials, and resilience. It is also important to clarify the new role of sustainability, defining what Business Finland should particularly contribute to and where it can achieve the greatest impact. Many options exist, which makes focus essential.

BOX 5. BUILDING INTERNAL CAPACITY AND LEADERSHIP COMMITMENT ON SUSTAINABILITY

Benchmark agencies show that a strong internal foundation is as important as external instruments. Bpifrance created a dedicated Climate Department with regional coordinators, ensuring that every part of the organisation has both capacity and accountability for climate action. Furthermore, they have an internal climate academy that strengthens ESG competences across the organisation. Innosuisse built sustainability into its evaluation and project screening processes, supported by mixed expert panels and a broad Impact Monitor, which requires staff to understand sustainability from multiple angles.

What these approaches share is the recognition that sustainability is not only for clients — it is also a core organisational competence. Staff must be able to challenge applicants, interpret regulations, and identify both risks and opportunities across sectors. Without this, sustainability risks being reduced to a reporting requirement. Regular training, peer learning, and specialist units help raise the baseline competence of all staff while also cultivating areas of deep expertise.

Leadership commitment is equally critical. Vinnova's senior management frames sustainability as a guiding principle for all funding, while Bpifrance has elevated it into the CEO's performance indicators, linking leadership incentives to climate and sustainability outcomes.

TARGETS AND MONITORING

The setting of KPIs for sustainability in service areas should be examined more critically and made more ambitious. The question is how these indicators are monitored and whether they provide actual steering. More attention is needed on the areas where Business Finland can genuinely influence development. More concrete targets would also be useful.

Measurement was also debated during the interviews and the workshop. Current indicators risk being subordinate to financial metrics, and a more balanced scorecard approach was suggested. Participants noted that evaluation frameworks, such as those used in CASB, could provide valuable benchmarks for tracking progress in the field.

3.5.2. STAKEHOLDERS' VIEWS ON IMPLEMENTATION OF SUSTAINABILITY AT BUSINESS FINLAND

This chapter examines how sustainability is being implemented at Business Finland, drawing on perspectives from external stakeholders. The material is based on interviews with representatives of EK (Confederation of Finnish Industries), the Ministry of Economic Affairs and Employment (TEM), Finnvera, Tesi (Finnish Industry Investment), Teknologiateollisuus (Technology Industries of Finland), and FIBS (Finnish Business & Society network). Together, these organisations represent policy makers, financiers, business associations, and corporate sustainability experts, providing complementary insights into the evolving regulatory environment, the role of public funding, Business Finland's positioning, and the challenges and opportunities for embedding sustainability across Finland's innovation system.

CHANGING OPERATING ENVIRONMENT AND REGULATORY CONTEXT

Sustainability has become a fundamental element of innovation policy and corporate financing. What was once seen as marginal or "green tinkering" is now mainstream and a core part of companies' strategies and business models. For Finnish industries, it is increasingly both a responsibility and a competitive advantage in global markets.

At the same time, the regulatory environment has created both opportunities and burdens. EU frameworks such as the Green Deal, taxonomy, CSRD and eco-design directive push industries toward greener practices and create growth potential, but they also impose significant administrative load, especially on SMEs with fewer resources to cope. Stakeholders noted that regulation is often too heavy and detailed, leading to "reporting fatigue." While simplification efforts such as the Omnibus are welcomed, they should not dilute core climate and sustainability goals. Predictability and coherence in regulation are essential for companies to plan and invest confidently.

ROLE OF BUSINESS FINLAND IN PROMOTING SUSTAINABILITY

Business Finland is recognised as a key player in advancing sustainability through missions, programmes, and ecosystem-building. Its strength lies in convening networks and fostering broader conversations on issues such as climate and circular economy. Mission leads and the LCI model were highlighted as successful tools to enhance sustainability thinking from large companies to SMEs, creating pathways for smaller firms to engage in the green transition.

However, views diverged on Business Finland's visibility and effectiveness. Some stakeholders saw Business Finland's instrument selection as too fragmented and lacking clear sustainability focus. Others noted that sustainability is present "everywhere a little," but rarely deepened into dedicated instruments. While RRF funding temporarily boosted green investment, its expiry leaves a gap in sustainable finance. Stakeholders suggested Business Finland could more explicitly reward sustainability, for instance by adding bonus criteria or premiums for sustainable projects.

FUNDING GAPS AND COLLABORATION NEEDS

A common challenge identified is the financing bottleneck in scaling sustainable innovations. Both startups and large companies face difficulties at the scale-up stage, where investments are capital-intensive, risky, and have long payback times. Collaboration among Business Finland, Finnvera, Tesi, and EU instruments was considered essential to fill this gap. For example, Finnvera has piloted climate and environmental loans with positive outcomes. To alleviate the issues related to scaling up, it should be ensured that the financing pipeline from Business Finland to Finnvera and Tesi functions smoothly.

Tesi underlined that, unlike its own market-based mandate, Business Finland has greater freedom to direct funding strategically, without needing co-investors. This gives Business Finland a unique ability to shape sustainability outcomes. However, Tesi also observed that Business Finland sometimes appears to "scatter" funding too widely, which can dilute impact. Stronger targeting based on impact could improve results.

Better alignment with EU programmes was another key point. Business Finland could play a stronger role in helping Finnish companies form consortia and prepare competitive applications. Stakeholders noted that EU leverage is crucial, and national co-funding mechanisms should be more systematically connected to EU-level opportunities.

BOX 6. CLIMATE-KIC'S APPROACH TO EU FUNDING, COLLABORATION AND ADVOCACY

Climate-KIC demonstrates how an innovation funder can act not only as a financier but also as a European integrator. Its model blends EU-level funding with local delivery: the organisation leads platforms for EU Missions (e.g. *NetZeroCities* and *Pathways2Resilience*), while running *Deep Demonstrations* in regions and cities to translate EU goals into place-based portfolios. This approach anchors EU strategies in practical ecosystems, linking municipalities, firms, and research actors.

At the same time, Climate-KIC positions itself as a policy shaper. It has contributed to the design of the EU Taxonomy, served on the EU Platform on Sustainable Finance, and regularly advises on systemic innovation approaches. By combining advocacy, coalition-building and operational delivery, Climate-KIC strengthens its partners' access to EU programmes while ensuring that projects generate both funding leverage and political visibility.

COMPETENCE AND ORGANISATIONAL CHALLENGES

While individual Business Finland experts were praised for strong sustainability knowledge, concerns remain about how widely this expertise is distributed across the organisation. Stakeholders argued that while it is unrealistic for Business Finland to know more than companies about sector specifics, it should ensure a strong baseline of sustainability literacy across staff, combined with targeted specialist expertise. Some stakeholders also pointed out, that Business Finland could provide (procured) sector specific studies or playbooks for enhancing sustainability.

Competence-building should cover diverse perspectives, from regulatory frameworks to resilience and resource efficiency. Clarifying Business Finland's specific role in sustainability – where it can add the most value and achieve the most impact – was highlighted as a priority.

BALANCING FRONT-RUNNERS AND LATE MOVERS

As pointed out in the chapter 4.1.1., the stakeholder survey found that Business Finland is giving more sustainability related support to those customers, that are already in the forefront in sustainability. The stakeholders had varying opinions on the stance that Business Finland should take on this matter.

Some stressed the importance of balancing support between frontrunner companies and those that are less active. While innovative leaders push the frontier of green technologies, a much broader group of companies must be encouraged to take incremental steps. This requires patience, tailored incentives, and "onboarding routes" that lower barriers to entry. Stakeholders urged Business Finland not to overemphasise disruptive pioneers but also

to bring mainstream firms along, as sustainable growth depends on widespread participation.

On the other hand, some of the stakeholders considered that the current stance is well justified and Business Finland should continue to focus on supporting the sustainability leaders in achieving even more.

COMMUNICATION AND INFLUENCE IN SOCIETY

Business Finland's role goes beyond funding. It is also seen as well positioned to be a key actor in shaping the societal narrative about sustainability. Stakeholders felt that Finland has many positive examples of sustainable business, but these are under-communicated. By more systematically highlighting success stories, Business Finland could inspire more companies to engage in the green transition and counter perceptions that sustainability is only a burden. Positive communication, especially targeting SMEs, was seen as important for broadening participation. While there are positive examples of Business Finland participating in societal discussions (e.g., via mission leads), the stakeholders agree that the role could be enhanced.

BOX 7. FINNVERA'S EXPERIENCE AND INSTRUMENTS

Finnvera has embedded sustainability directly into its financing strategy by aligning its operations with the Paris Agreement's 1.5°C target. Its climate strategy is structured around six pillars: encouraging, measuring, risk management, limiting, influencing, and knowledge. This translates into dedicated climate and digital loans (developed with the European Investment Fund) and climate-friendly export guarantees where projects that meet EU Taxonomy and Climate Bond Initiative criteria receive financial incentives. Finnvera also applies portfolio-level carbon accounting (Scope 1–3) and tracks emissions per euro financed against science-based sector pathways. Its risk management practices include stress-testing companies for climate risk, while policies such as a fossil fuel financing ban demonstrate clear commitment. Internationally, Finnvera strengthens its role through membership in initiatives like the Net-Zero Export Credit Alliance and the E3F coalition, linking national practices with global frameworks

Climate-friendly projects can access larger credit volumes (up to EUR 40 million) compared to traditional projects (EUR 20 million). They apply a six-point sustainability framework covering encouragement, measurement and reporting, risk management, harm reduction, influence, and competence. Every customer undergoes an ESG assessment, with dedicated teams for larger projects. Although not legally required, Finnvera measures both direct and indirect emissions and reports accordingly. Early evidence from two years of thematic products shows no higher risk levels, and such dedicated instruments help finance early-stage, riskier innovations. Collaboration with Business Finland occurs especially around NIY and deeptech startups.

Comparisons between Finnvera and Business Finland

Workshop participants (Business Finland staff and external stakeholders) noted that Finnvera has developed a clear system and "own language" for sustainability in financing, while Business Finland still shows uncertainty about its role and shared terminology. Whereas Finnvera has integrated sustainability into product design, Business Finland has not yet embedded it systematically across funding. Some saw Finnvera as more proactive, while Business Finland often limits itself to minimum criteria and the role of an enabler rather than a driver of change.

4. RESULTS, IMPACT AND ADDITIONALITY

4.1. CUSTOMER PERSPECTIVES AND BUSINESS FINLAND ADDITIONALITY

This chapter presents the results of the customer survey. It is looking at how Business Finland integrates sustainability into its services and how the quality and added value of these efforts are perceived by funded companies. Additionally, it is also investigating on what kinds of results and impacts the projects have gained.

The survey focused on Business Finland–funded R&D projects from 2019–2023, across instruments such as Co-innovation, Young Innovative Companies (YIC), Tempo, and R&D piloting, and covered all aspects of ESG. Responses (N=4,307; n=312) were merged with financial and funding data, and in some cases compared with the CASB survey of 2021 to highlight changes over time. The sample is well balanced, but with a slight skew toward larger companies, co-innovation beneficiaries, and more recent projects.

4.1.1. CLIENTELE VIEWS ON INTEGRATION OF SUSTAINABILITY INTO BUSINESS FINLAND SERVICES AND BUSINESS FINLAND ADDED VALUE

The survey results show that the primary drivers for including sustainability aspects in projects came from **clients or end-users (35 %)** and from **within the company itself (24 %)**. Project partners or collaborators were the third most common source (20 %), while only a small share cited regulation such as CSRD (7 %) or Business Finland and other public authorities (4 %) as the main motivator. This suggests that sustainability is largely market-driven, with companies responding to customer expectations and internal initiatives rather than external compliance requirements.

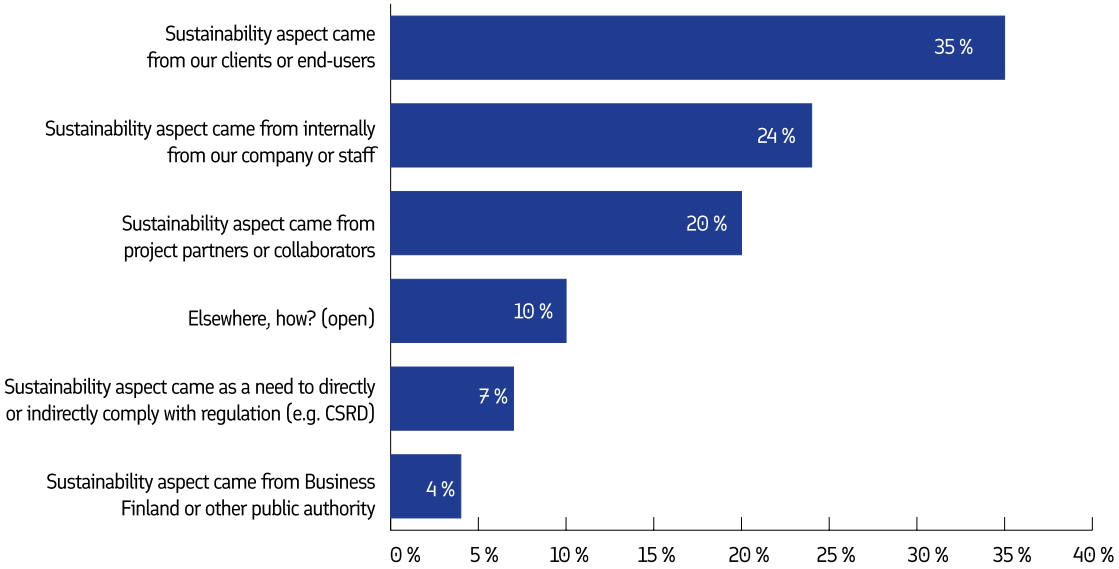

FIGURE 17. WHAT WAS THE MAIN DRIVER (DEMAND OR OPPORTUNITY) FOR SUSTAINABILITY ASPECT IN YOUR PROJECT? CHOOSE THE OPTION THAT BEST DESCRIBES THE STATE OF YOUR PROJECT. (N=225)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The survey results show that Business Finland's requirements and support for sustainability were perceived as relatively limited. A third of respondents (33 %) stated that there were no specific sustainability requirements for their projects, while 29 percent noted that only general conditions such as "do no significant harm" were included. About one-fifth (21 %) said their project application responded to a sustainability-related funding call or theme, and 14 percent reported that funding conditions included sustainability-related reporting or monitoring requirements. Taken together, the findings suggest that majority of companies manage sustainability issues largely on their own initiative, with Business Finland playing only a very limited role in driving or structuring sustainability requirements.

The data shows that more than half of the companies (52 %) reported receiving no sustainability-related support from Business Finland beyond R&D funding. Among those that did, the most common forms of support were networks or contacts related to sustainability (23 %), followed by ideas, advice, or support for integrating sustainability into project applications (17 %). A smaller share benefited from guidelines or technical information (14 %) or business and regulation-related advice during the project (12 %). These results highlight that Business Finland's non-financial contribution to sustainability is still limited, with most firms not experiencing structured support in this area.

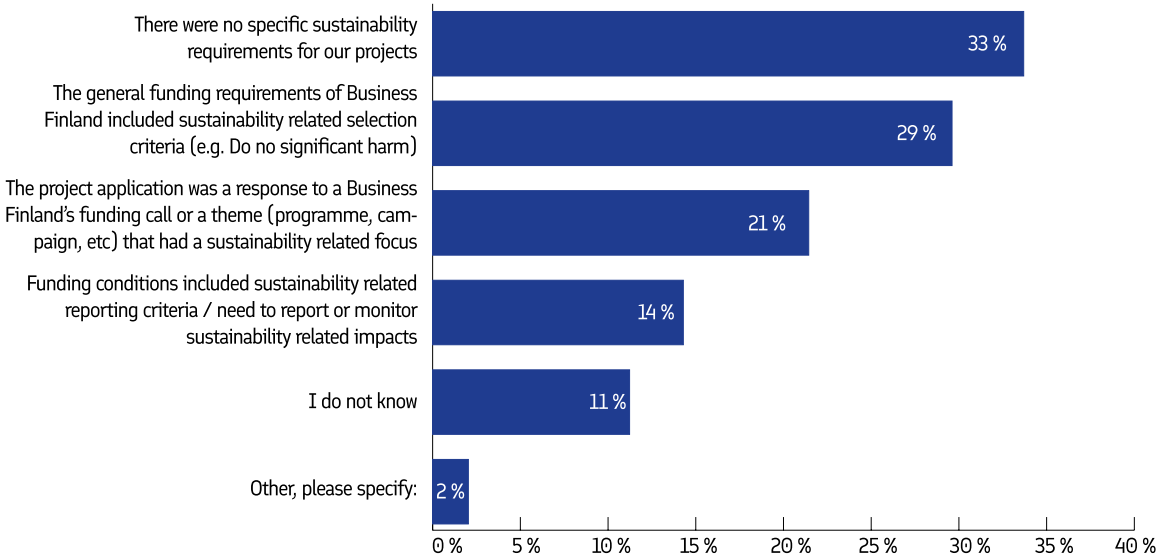

FIGURE 18. HOW WOULD YOU DESCRIBE BUSINESS FINLAND'S APPROACH TO SUSTAINABILITY REGARDING THE RDI FUNDING YOU HAVE RECEIVED? (N=304)
SOURCE: BENEFICIARIES SURVEY. 4FRONT.

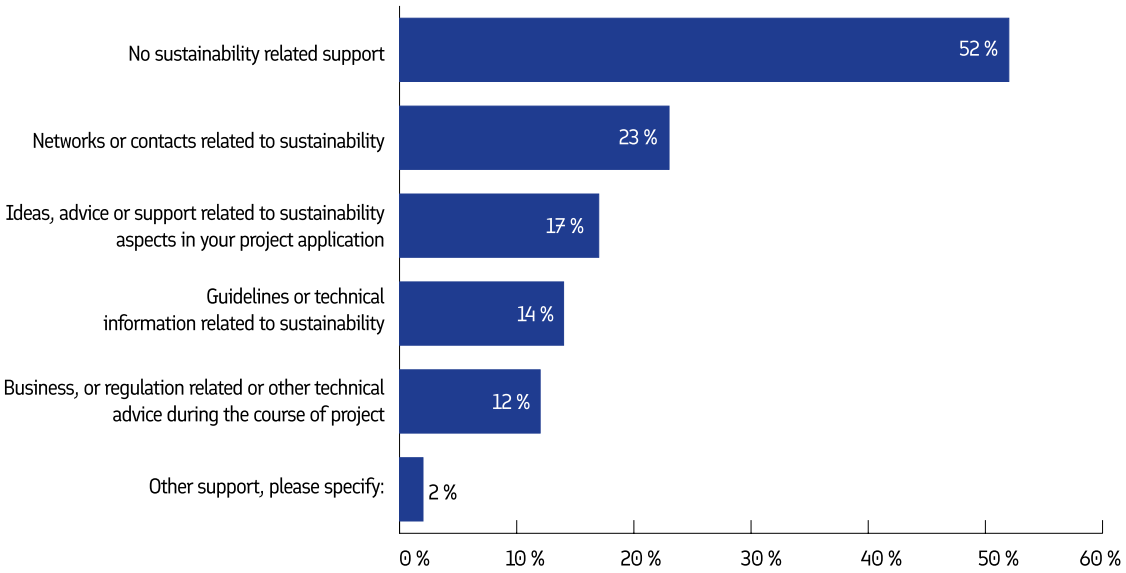

FIGURE 19. WHICH OF THE FOLLOWING SUSTAINABILITY RELATED SUPPORT DID YOU RECEIVE FROM BUSINESS FINLAND BESIDES R&D FUNDING? CHOOSE ALL THAT APPLY. (N=301)
SOURCE: BENEFICIARIES SURVEY. 4FRONT.

The cross-tabulated results show that organisations with a stronger business focus on sustainability were more likely to receive sustainability-related support from Business Finland beyond funding. Among the "leaders," who place sustainability at the core of their business, 59 percent received some form of additional support, most often networks, ideas for project applications, or technical guidance, while only 41 percent reported no support. By contrast, majority of "proactive" firms (53 %) and an even larger share of "followers" (72 %) and "unrelated" firms (85 %) said they received no sustainability-related support. Sustainability related support was most abundant for large (54 % received support) and micro companies (51 % received support). **This indicates that Business Finland's complementary sustainability services tend to concentrate among the most advanced companies, while firms with a weaker sustainability orientation are much less likely to benefit from them.**

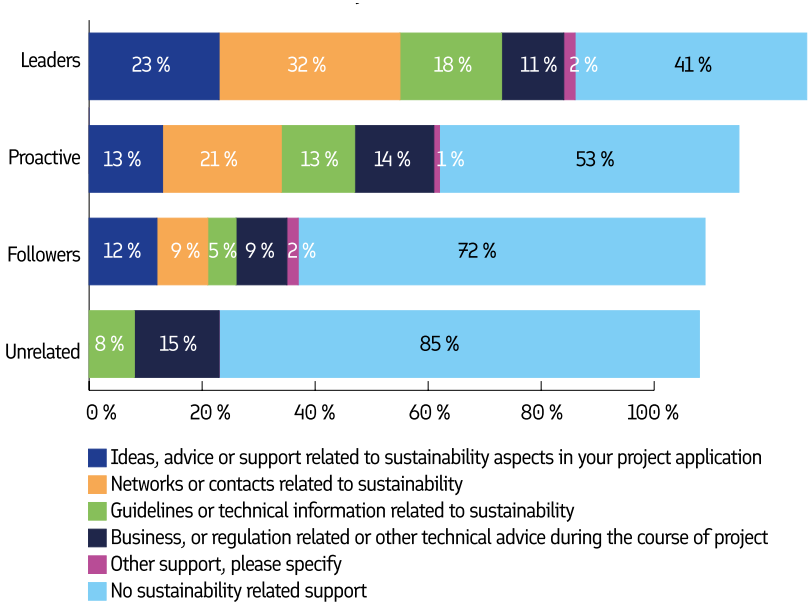

FIGURE 20. WHICH OF THE FOLLOWING SUSTAINABILITY RELATED SUPPORT DID YOU RECEIVE FROM BUSINESS FINLAND BESIDES R&D FUNDING? CHOOSE ALL THAT APPLY. (N=301).

CROSS TABULATED WITH QUESTION ON SUSTAINABILITY FOCUS OF THE COMPANY. LEADERS = SUSTAINABILITY AT THE CORE OF THE BUSINESS, PROACTIVE = HAS IDENTIFIED MARKET POTENTIAL FOR DEVELOPING SUSTAINABILITY SOLUTIONS & PRODUCTS/SERVICES RELATED TO SUSTAINABILITY, FOLLOWERS = FOLLOWS NORMS, STANDARDS AND LEGISLATION.
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

Respondents generally rated Business Finland's support as valuable. Altogether 76 percent considered that the support from Business Finland improved the quality, effectiveness and innovative nature of the project. Companies also appreciated the opportunity to enhance collaboration via Business Finland support.

A little over half of respondents (56 %) reported that Business Finland's support had raised the ambition level of sustainability within their funded project, which aligns with Business Finland's objective of increasing sustainability awareness among its clientele. However, only 42 percent felt that Business Finland had helped them view sustainability as a more integral part of their RDI activities.

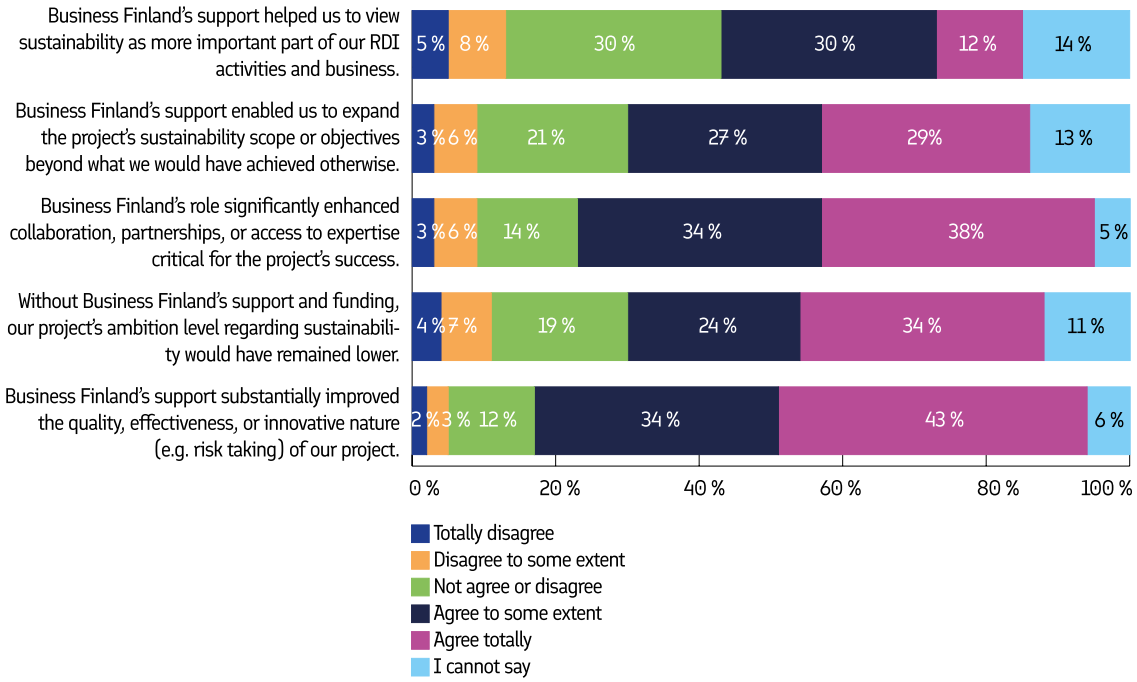

FIGURE 21. RATE THE FOLLOWING STATEMENTS REGARDING BUSINESS FINLAND SUPPORT. (N=305)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

As noted earlier, most client companies are already self-driven in sustainability and have embedded it as a core element of their strategies. This, however, does not fully explain why many customers did not perceive Business Finland as having created a real "mind shift" within their organisation. In fact, it is the late adopters of sustainability who reported the least impact from Business Finland on their mindset. This finding is consistent with the earlier observation that companies already at the forefront of sustainability were also those who received the most sustainability-related support from Business Finland beyond funding.

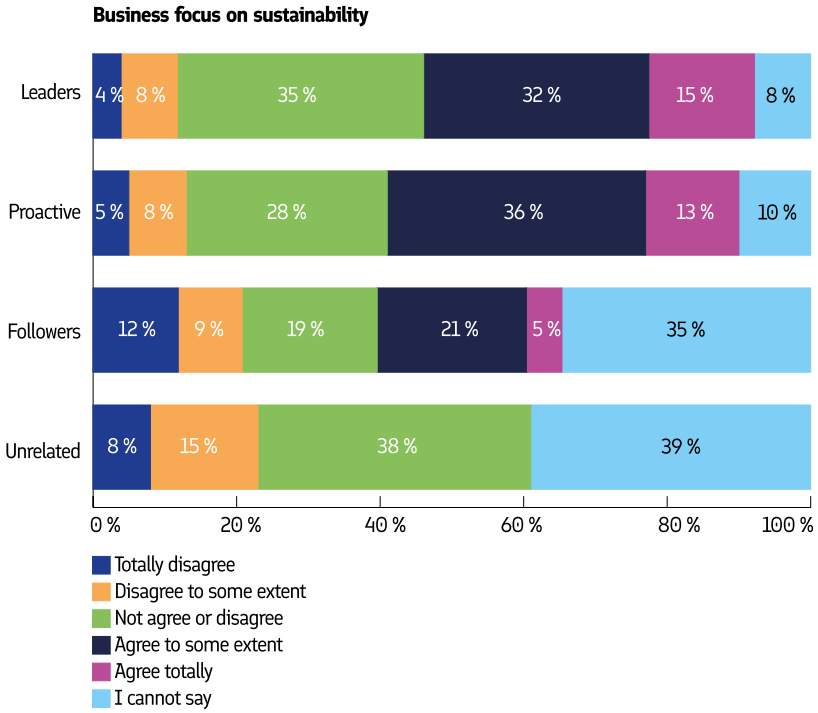

FIGURE 22. RATE THE FOLLOWING STATEMENTS REGARDING BUSINESS FINLAND SUPPORT "BUSINESS FINLAND'S SUPPORT HELPED US TO VIEW SUSTAINABILITY AS MORE IMPORTANT PART OF OUR RDI ACTIVITIES AND BUSINESS." (N=305).

CROSS TABULATED WITH QUESTION ON SUSTAINABILITY FOCUS OF THE COMPANY. LEADERS = SUSTAINABILITY AT THE CORE OF THE BUSINESS, PROACTIVE = HAS IDENTIFIED MARKET POTENTIAL FOR DEVELOPING SUSTAINABILITY SOLUTIONS & PRODUCTS/SERVICES RELATED TO SUSTAINABILITY, FOLLOWERS = FOLLOWS NORMS, STANDARDS AND LEGISLATION.
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

Despite Business Finland's relatively passive role in providing sustainability-specific support, companies perceive its funding as having overall high additionality. A clear majority (61 %) reported that their project would not have been initiated at all without Business Finland's support, while 37 percent stated that their project would have proceeded but only at a slower pace or smaller scale. Only two percent felt that Business Finland's contribution had limited influence. These findings underline that, Business Finland's funding remains critical in enabling projects to move forward – whether they have sustainability objectives or not. While Business Finland's behavioural additionality to sustainability is limited, the additionality of the funding ensures that sustainable products and services are developed faster and in larger scale than they would be without Business Finland's funding.

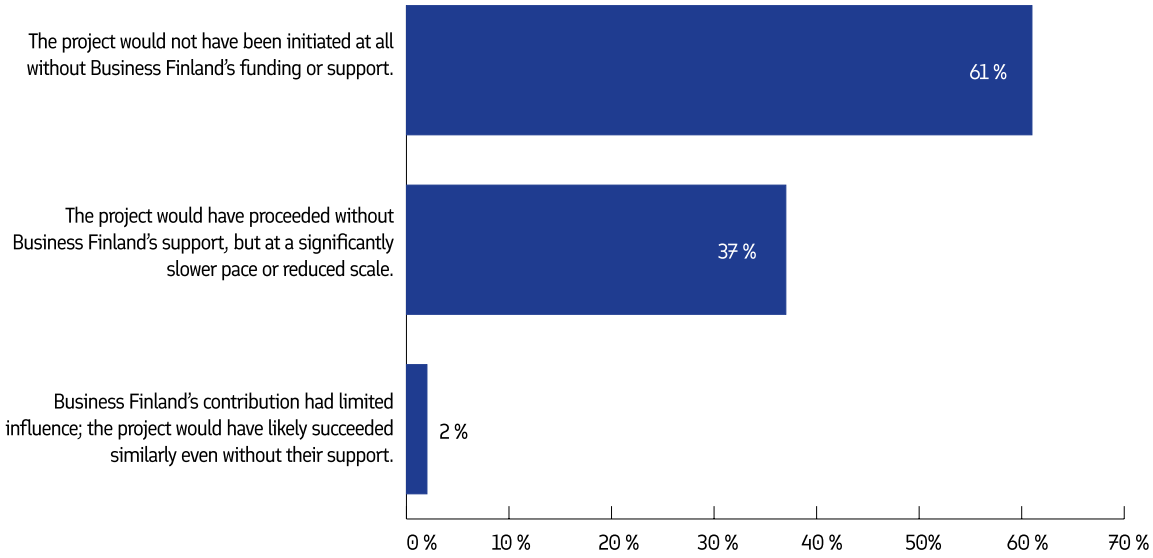

FIGURE 23. HOW WOULD YOU DESCRIBE THE ADDED VALUE OF BUSINESS FINLAND IN THE SUCCESSFUL IMPLEMENTATION OF THE PROJECT? SELECT THE ONE THAT SUITS BEST. (N=307)
SOURCE: BENEFICIARIES SURVEY. 4FRONT.

The assessment of Business Finland's sustainability performance shows mixed views across different aspects. Around one-third of respondents felt that competence and expertise related to sustainability are strong, with 31 percent rating them "to a very large extent," but another quarter (25 %) said not at all. Similarly, for project applications and administrative processes, 31 percent rated them very strong, yet 26 percent saw no relevance at all. For consideration of sustainability aspects in RDI projects, 22 percent saw a very large extent of integration, but 29 percent said not at all. Overall, the results indicate that while a segment of companies experience Business Finland as capable and supportive in sustainability, a sizeable share perceives little to no integration, suggesting inconsistency in how sustainability is embedded across different services and projects.

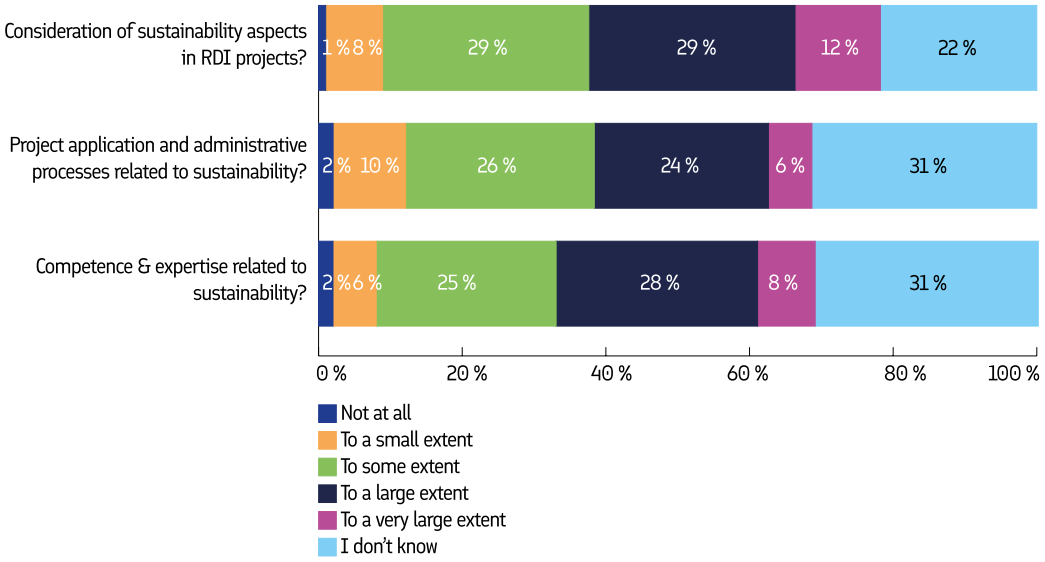

FIGURE 24. HOW WOULD YOU ASSESS THE DIFFERENT ASPECTS OF BUSINESS FINLAND WITH REGARD TO SUSTAINABILITY. (N=305)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

4.1.2. CUSTOMER NEEDS ON SUSTAINABILITY RELATED SUPPORT

The survey indicates strong demand for additional Business Finland services related to sustainability, with networking opportunities being the most requested (48 %). Other commonly mentioned needs include sustainability impact assessment tools (37 %), benchmarks and best practices (36 %), as well as policy and regulatory information, guidance on accessing funding, market analysis, and support for integrating sustainability into projects (each 34 %). Fewer respondents highlighted needs such as training and workshops (22 %), communication support (20 %), or sustainability certification guidance (16 %). Only seven percent of companies stated that none of the listed services would be useful. Overall, the findings suggest that companies are particularly looking for practical tools, networks, and knowledge resources to strengthen their sustainability work.

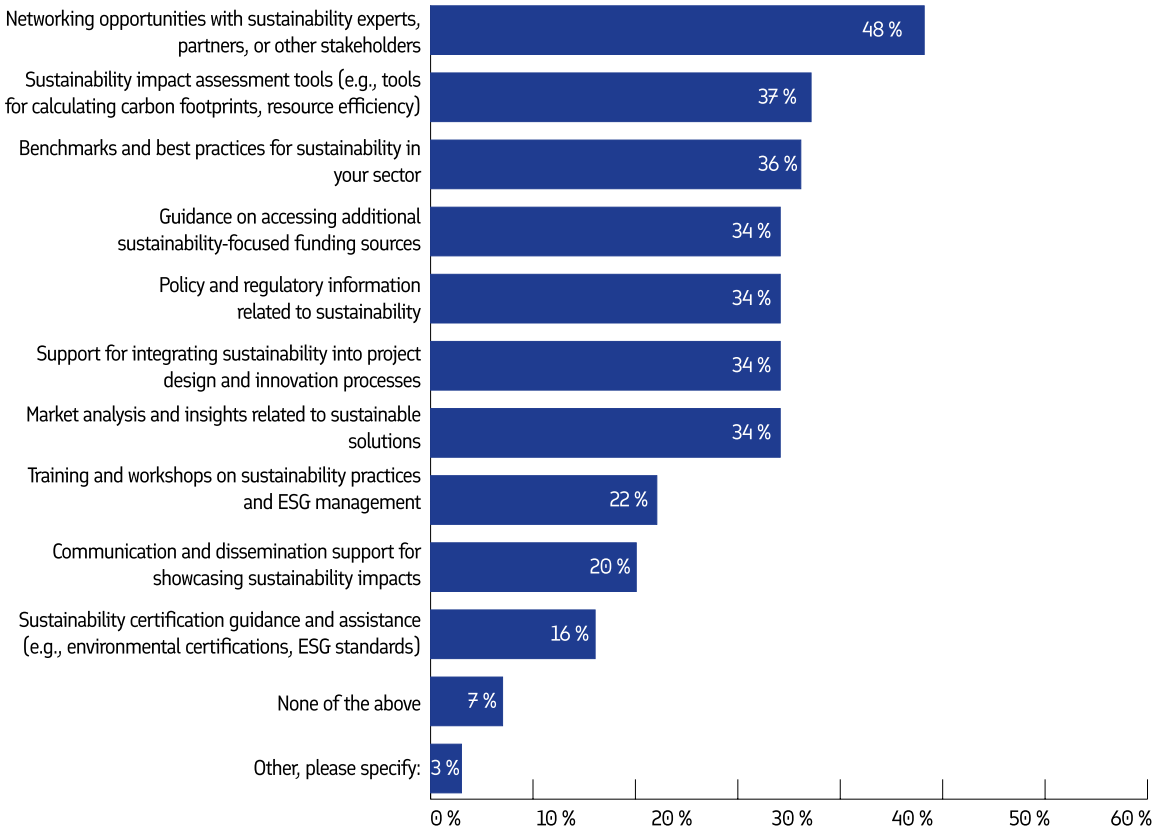

FIGURE 25. WHAT KIND OF BUSINESS FINLAND SERVICES RELATED TO SUSTAINABILITY WOULD BE MOST USEFUL FOR YOUR COMPANY? SELECT ALL THAT APPLY. (N= 300)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The results show that while all companies expressed interest in sustainability-related services, there was large variation in needs across different firm sizes. Larger firms seek external connections and strategic knowledge, while smaller firms are more focused on practical tools and market entry support.

Large and medium-sized firms most strongly valued networking opportunities with sustainability experts, partners, or other stakeholders, along with guidance on accessing funding (large) and benchmarks and policy/regulatory information (medium). Smaller firms, by contrast, placed greatest emphasis on sustainability impact assessment tools, such as those for calculating carbon footprints or improving resource efficiency. For small firms, additional needs included benchmarks and guidance on funding, whereas for micro firms the top three were impact assessment tools, networking opportunities, and market analysis related to sustainable solutions.

LARGE	MEDIUM	SMALL	MICRO
Networking opportunities with sustainability experts, partners, or other stakeholders	Networking opportunities with sustainability experts, partners, or other stakeholders	Sustainability impact assessment tools (e.g., tools for calculating carbon footprints, resource efficiency)	Sustainability impact assessment tools (e.g., tools for calculating carbon footprints, resource efficiency)
Support for integrating sustainability into project design and innovation processes	Policy and regulatory information related to sustainability	Benchmarks and best practices for sustainability in your sector	Networking opportunities with sustainability experts, partners, or other stakeholders
Guidance on accessing additional sustainability-focused funding sources	Benchmarks and best practices for sustainability in your sector	Guidance on accessing additional sustainability-focused funding sources	Market analysis and insights related to sustainable solutions

TABLE 11. TOP THREE SERVICE NEEDS FOR DIFFERENT SIZED COMPANIES.
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The open-ended responses (How could Business Finland improve sustainable development in RDI?) underline a strong demand for more structured guidance, tools, and expert support to integrate sustainability into projects from design to reporting. Many respondents emphasised the need for concrete templates, milestones, and advisory mechanisms, along with funding models that incentivise sustainability without reducing it to a mandatory "tick-box." There was also widespread interest in building stronger ecosystems and networks, supporting peer learning, and embedding sustainability professionals and methods such as LCA and footprint analysis more systematically. At the same time, several warned against vague sustainability rhetoric, noting that Finland should increasingly focus on scaling and exporting sustainability solutions rather than only improving domestic practices.

Large companies called for systemic and structural integration of sustainability across all Business Finland activities, comparable to how digitalisation is treated. They stressed the need for clear criteria, templates, and mandatory evaluation, while also underlining the importance of scalability and profitability — sustainability must work in profitable business models. Large firms also requested stronger network facilitation, international collaboration, and knowledge exchange. However, some expressed frustration about sectoral exclusions and the uneven relevance

of sustainability requirements, with a minority arguing that Business Finland added little value compared to the expertise already present in consortia.

Micro and small companies highlighted different needs. Micro firms emphasised the importance of long-term sustainability RDI, practical tools, and flexibility in funding to support companies without in-house sustainability resources. They were particularly interested in impact assessment tools, templates, and market-focused support, but some voiced concern that mandatory sustainability criteria would overburden early-stage firms. Small firms stressed SME-specific support, faster funding, and grants to help build readiness before customer or market pressures become overwhelming. They also noted that sectoral differences in sustainability impact require tailored approaches rather than uniform requirements.

4.2. PROJECT LEVEL SUCCESS AND RESULTS

CURRENT STATE OF SUSTAINABILITY AMONGST BUSINESS FINLAND CLIENTELE

Business Finland clientele has strongly embedded sustainability in their business strategies. Moreover, the results indicate a clear shift towards stronger integration of sustainability into SMEs' business strategies. The share of companies reporting that sustainability is at the core of their strategy and operations rose from 27 percent in 2021 to 39 percent in 2025, while fewer firms now view sustainability merely as compliance with norms and standards (falling from 28 % to 19 %). Similarly, more SMEs are identifying wider market potential (up from 14 % to 17 %) and developing sustainability-related products or services (from 21 % to 25 %). Only a very small share of firms still considers sustainability unrelated to their business.
The trend was even stronger with large companies. 68 percent reported that sustainability is at the core of their business strategy and operations, while none of the companies reported that sustainability is unrelated to their business. For large companies, there is no overtime comparison data.

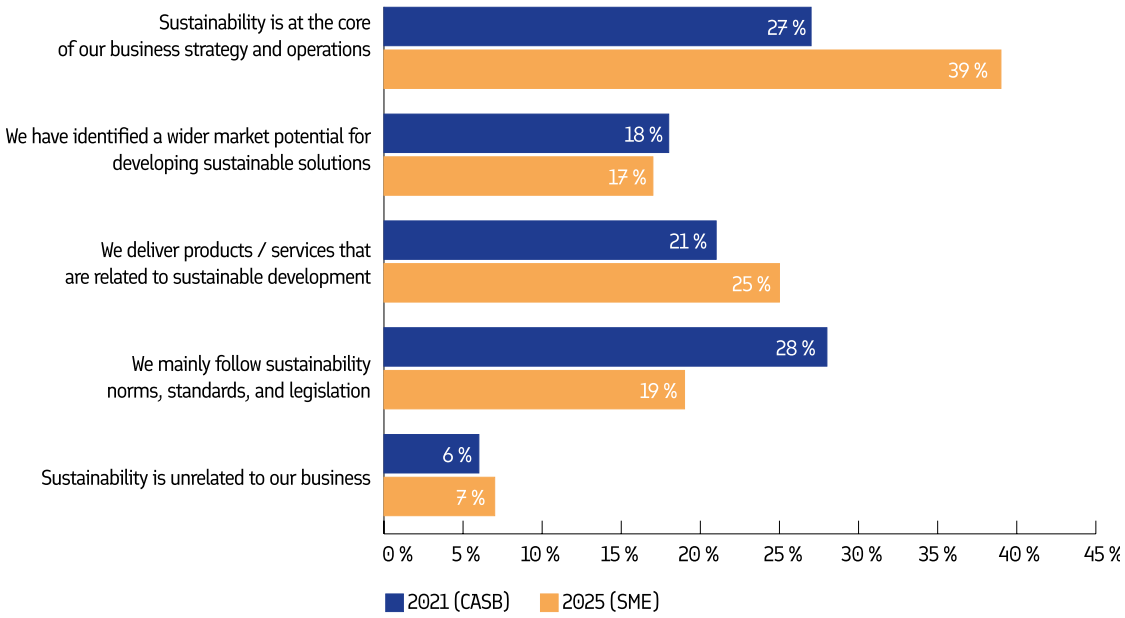

FIGURE 26. HOW IS SUSTAINABILITY REFLECTED IN YOUR COMPANY'S BUSINESS OR ORGANISATION'S OPERATIONS? CHOOSE THE OPTION THAT BEST DESCRIBES THE STATE OF YOUR BUSINESS OR ORGANISATION. (2025 SURVEY, N=307) (CASB SURVEY, N=510) CASB SURVEY WAS TARGETED SMES ONLY.
SOURCE: CASB SURVEY, BF & BENEFICIARIES SURVEY, 4FRONT.

For most organisations, the role of sustainability has grown in importance over the past three years, with 38 percent reporting it has become significantly more important and 37 percent somewhat more important, while only a small minority (2 %) saw it decline.

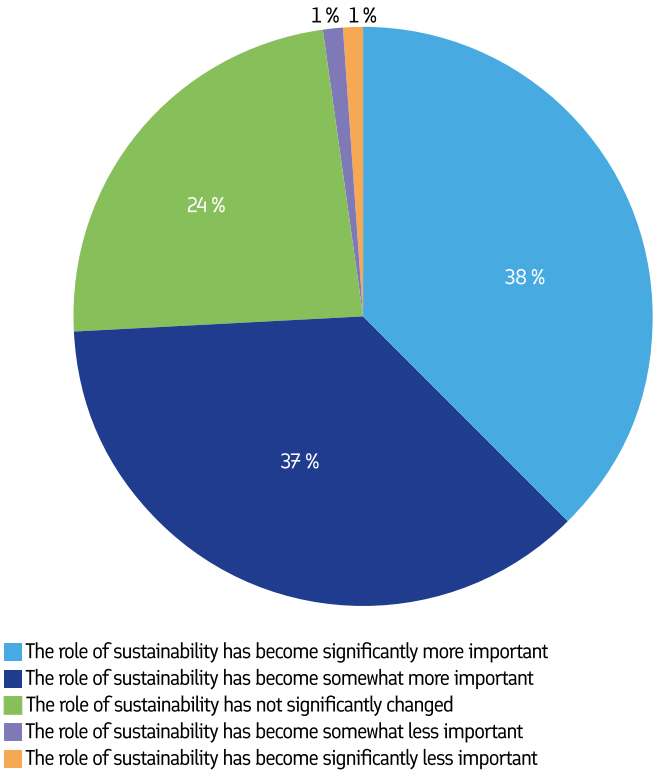

FIGURE 27. DEVELOPMENT OF THE ROLE OF SUSTAINABILITY IN YOUR ORGANISATION OVER THE PAST THREE YEARS? CHOOSE THE OPTION THAT BEST DESCRIBES THE STATE OF YOUR ORGANISATION. (N=306)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

SUSTAINABILITY IN PROJECT LEVEL

Majority of projects supported by Business Finland included a sustainability-related objective: 74 percent of respondents reported that their project aimed to address aspects such as emissions reduction, renewable energy or circular materials, improved environmental management, job creation and wellbeing, inclusion and equity, or internal company practices like sustainability reporting and ethical innovation. Only 26 percent of projects did not have a sustainability focus, indicating that for most companies sustainability has already become an integral part of R&D activities.

The share of projects with sustainability objectives was highest among Co-Innovation participants (87 %) and R&D and piloting projects (72 %), while it was notably lower for Tempo projects (58 %) and especially Young Innovative Companies (29 %).

Sustainability objectives were most common in environmental[28] (92 %) and wood processing and food or agrotechnology (91 %) projects, while they were least frequent in digital and electronics (60 %) projects.

The share of projects with sustainability objectives has grown steadily from 61 percent in 2019 to around 75–78 percent in 2020–2023 (by project start year), indicating that sustainability has become a consistent feature of funded projects over time.

28 Includes: bio or circular economy, cleantech, energy systems and hydrogen or batteries.

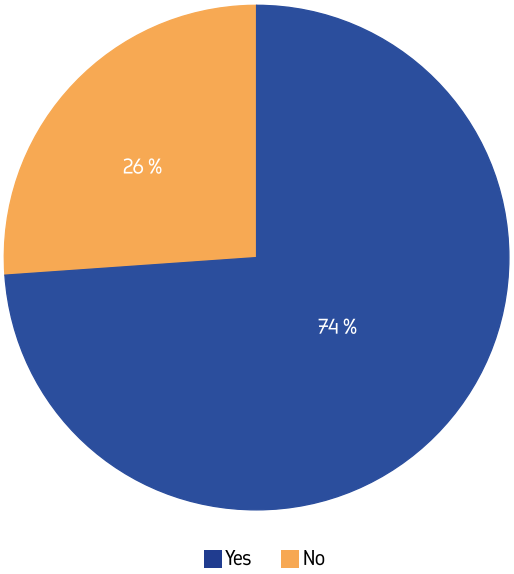

FIGURE 28. DID YOUR PROJECT HAVE SUSTAINABILITY RELATED OBJECTIVES? (THIS MAY REFER TO WIDE RANGE OF SUSTAINABILITY OBJECTIVES, SUCH AS REDUCING EMISSIONS, PROMOTING RENEWABLE ENERGY OR CIRCULAR MATERIALS, IMPROVING ENVIRONMENTAL MANAGEMENT, CREATING JOBS OR IMPROVING WELLBEING, STRENGTHENING INCLUSION OR EQUITY, SUPPORTING PUBLIC POLICY, OR EVEN ENHANCING INTERNAL COMPANY PRACTICES LIKE SUSTAINABILITY REPORTING, DATA GOVERNANCE, CERTIFICATIONS, OR ETHICAL INNOVATION PROCESSES). (N=306)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

IMPLEMENTATION OF THE PROJECTS

Most projects were carried out in cooperation with multiple types of organisations, only one percent reported no collaboration at all. Collaboration in was most common with SMEs (85 %), followed by universities (66 %) and large companies or multinationals (65 %). Nearly half of the respondents also partnered with research institutes (48 %), while collaboration with public authorities (24 %), universities of applied sciences (23 %), and NGOs or individuals (13 %) was less frequent.

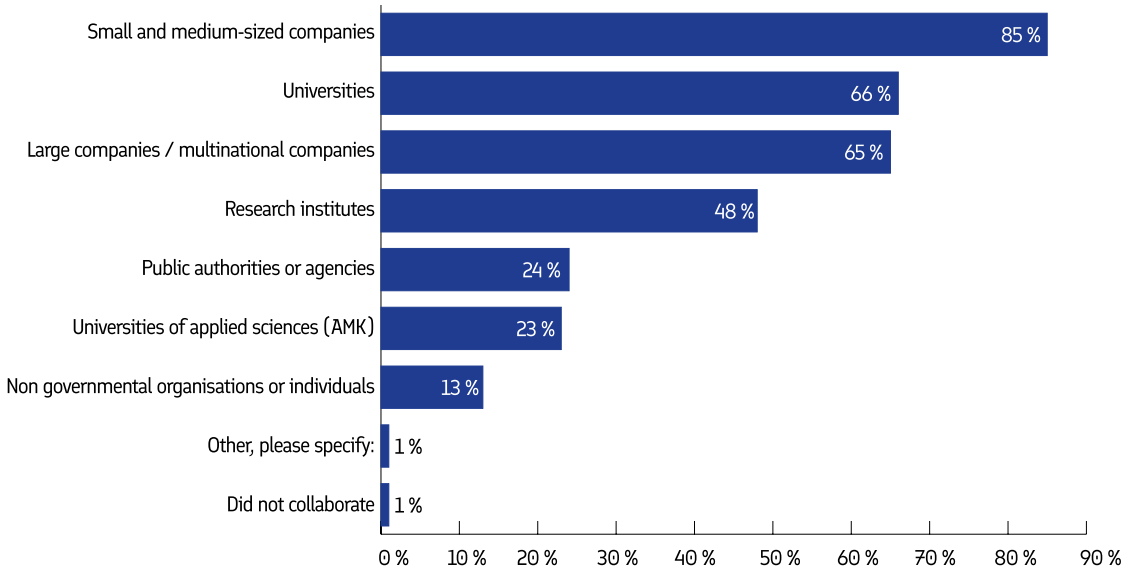

FIGURE 29. PLEASE INDICATE THE TYPE OF ORGANISATIONS YOU HAVE COLLABORATED WITH AS PART OF YOUR PROJECT. (N=307)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The results show that sustainability activities in funded projects were predominantly focused on R&D and innovation, with 83 percent engaging in research and development of new or improved products, services, or processes and 71 percent in testing and piloting. A majority also worked on co-development with project partners (60 %), while more specialised or supporting sustainability actions were much less common. For example, only about a quarter conducted life cycle assessments (26 %), and just one-fifth addressed responsible business practices, training, or capacity building (20 %). Even fewer undertook activities like stakeholder engagement (15 %), social inclusion design (10 %), or establishing sustainability monitoring practices (9 %). **This indicates that while projects strongly emphasised technological and business innovation, they less often integrated broader sustainability practices into their work.**

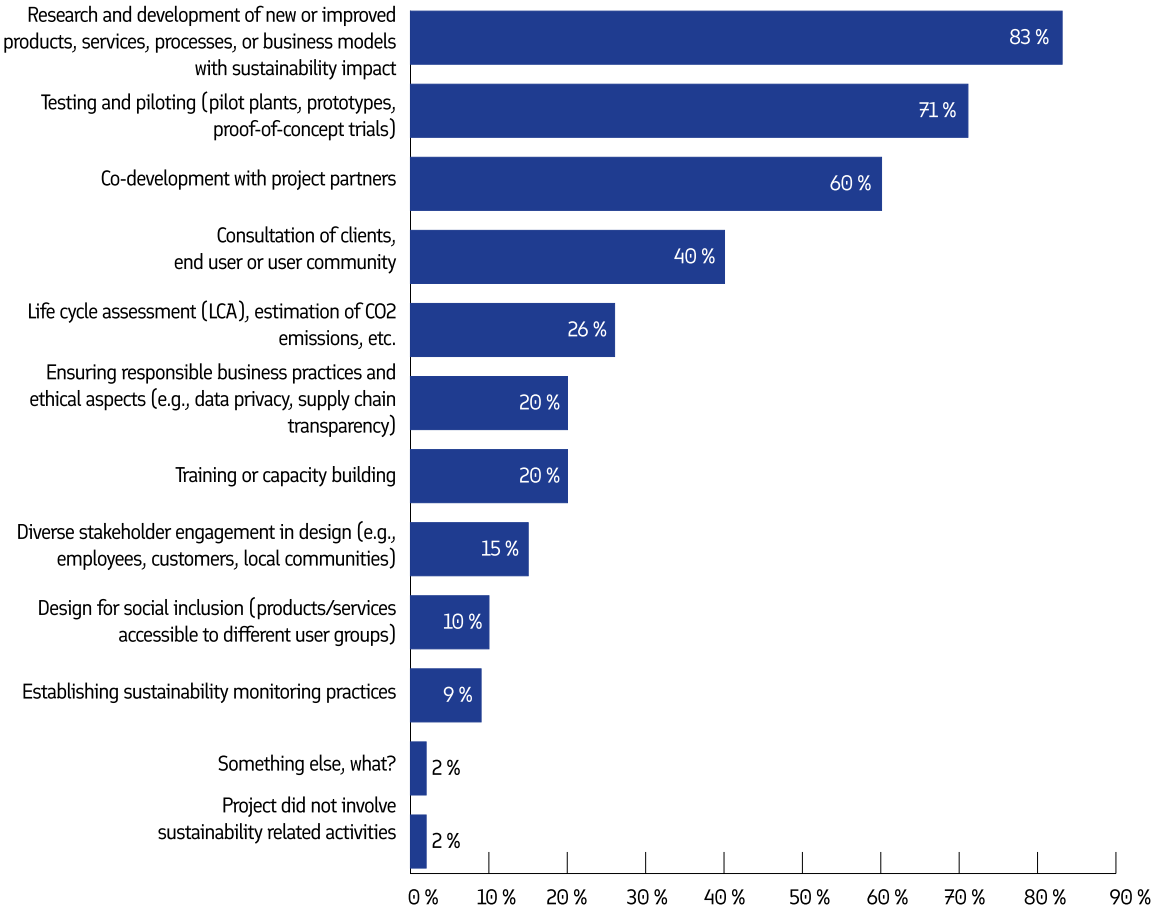

FIGURE 30. WHICH KIND OF SUSTAINABILITY ACTIONS DID YOU UNDERTAKE DURING THE PROJECT? SELECT ALL THAT APPLY. (N=229)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

PROJECT SUCCESS

Projects with sustainability objectives were generally perceived as more successful than those without. Among projects that integrated sustainability, 56 percent were rated successful and 17 percent very successful, compared to 44 percent and nine percent respectively for projects without sustainability objectives. Only a very small share of all projects was seen as unsuccessful or only partially successful. This suggests that incorporating sustainability into project goals is associated with higher overall project success and achievement of objectives.

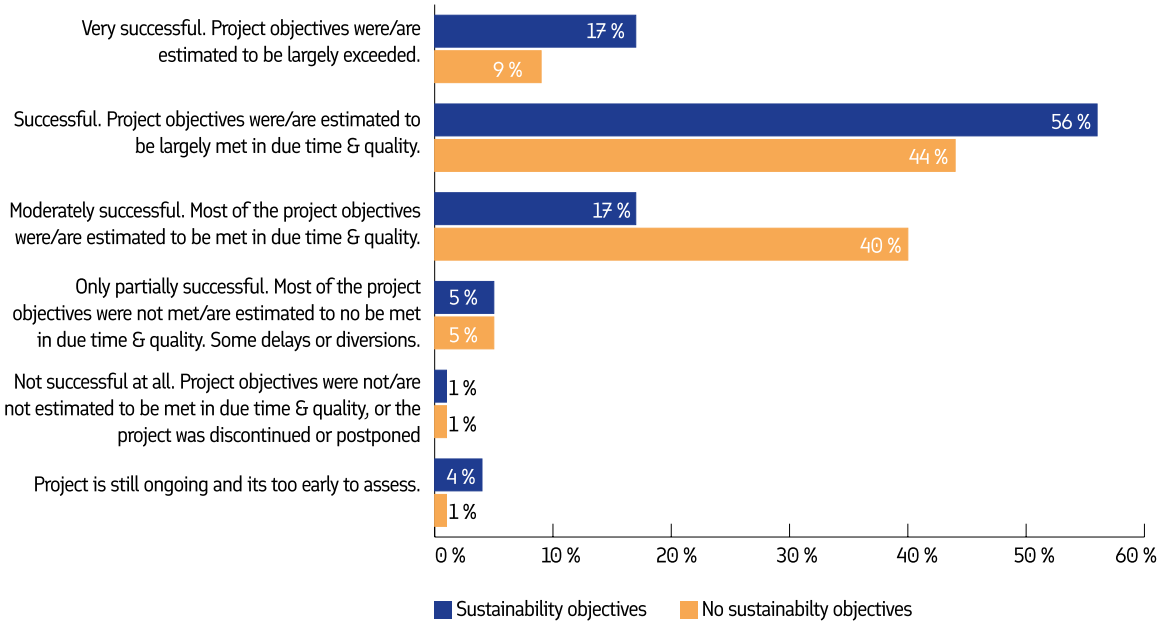

FIGURE 31. PROJECT SUCCESS. ACCORDING TO YOUR PERCEPTION, HOW SUCCESSFUL WAS THE PROJECT? (N=308) CROSS TABULATED WITH DID YOUR PROJECT HAVE SUSTAINABILITY RELATED OBJECTIVES? (THIS MAY REFER TO WIDE RANGE OF SUSTAINABILITY OBJECTIVES, SUCH AS REDUCING EMISSIONS, PROMOTING RENEWABLE ENERGY OR CIRCULAR MATERIALS, IMPROVING ENVIRONMENTAL MANAGEMENT, CREATING JOBS OR IMPROVING WELLBEING, STRENGTHENING INCLUSION OR EQUITY, SUPPORTING PUBLIC POLICY, OR EVEN ENHANCING INTERNAL COMPANY PRACTICES LIKE SUSTAINABILITY REPORTING, DATA GOVERNANCE, CERTIFICATIONS, OR ETHICAL INNOVATION PROCESSES). (N=306)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The main sustainability outputs of the projects were concentrated on technological and innovation outcomes, with 72 percent reporting successful development of new technologies and 62 percent achieving proof-of-concepts or validated pilot solutions. Half of the respondents also noted process improvements (50 %), while around a third mentioned outcomes such as new partnerships (38 %) or research publications related to sustainability (35 %). More indirect outputs such as increased awareness (25 %), new infrastructure (24 %), or human capital development (21 %) were less common, and only small shares pointed to patent applications (18 %) or increased organisational commitment (18 %). **Overall, the findings suggest that sustainability outputs were strongly oriented towards concrete technological advancements, with fewer projects emphasising broader systemic or organisational sustainability impacts.**

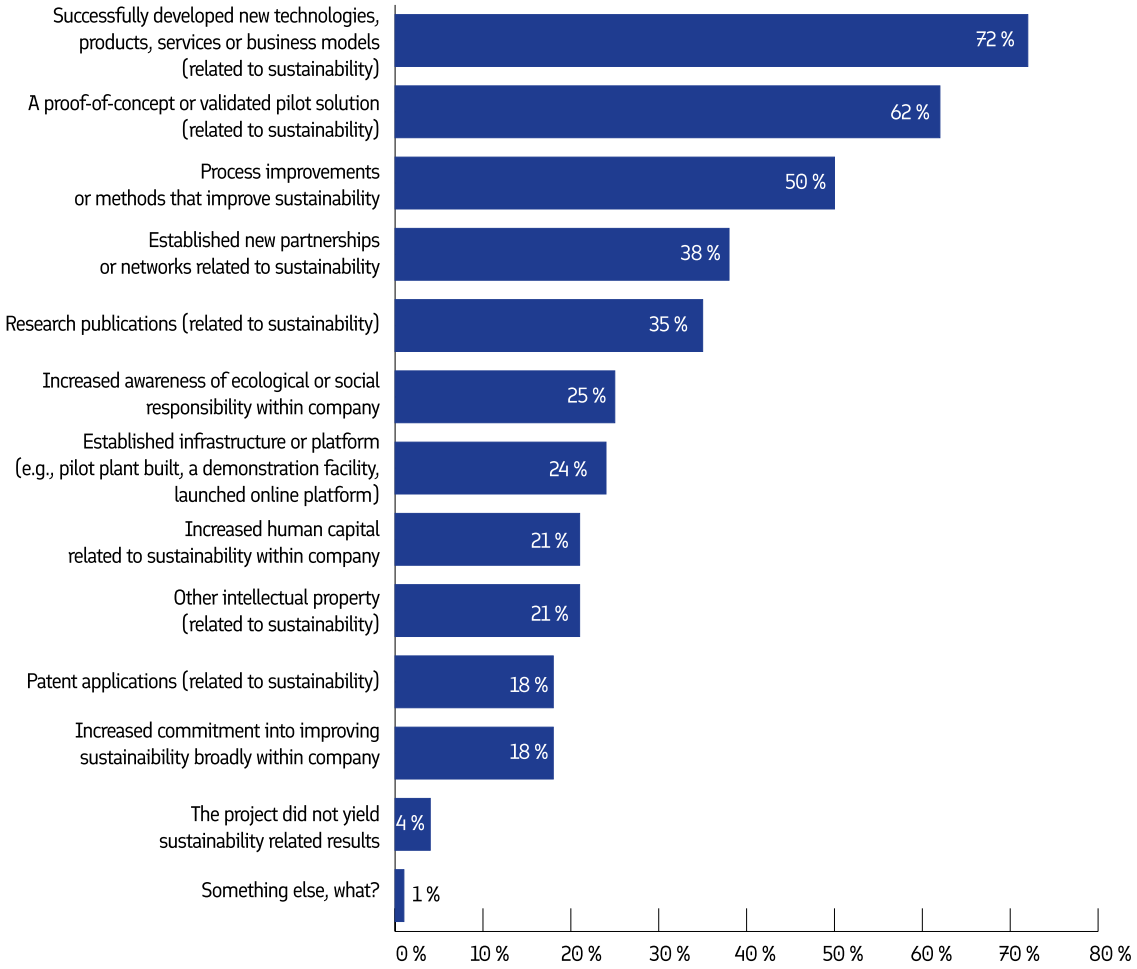

FIGURE 32. WHAT SUSTAINABILITY OUTPUTS DID YOUR PROJECT HAVE OR IS ANTICIPATED TO HAVE? SELECT ALL THAT APPLY. (N=229)
SOURCE: BENEFICIARIES SURVEY. 4FRONT.

The survey results indicate that many projects anticipate positive environmental impacts and nearly half have conducted systematic assessments at least in one aspect. For reduced emissions about fifty percent reported having carried out an assessment (with 19 % identifying some impacts and 31 percent significant impacts), while the majority either anticipated impacts without data (31 %) or had no impacts (8 %). A similar pattern is seen for reduced resource use (21 % assessed: 15 % some impacts, 6 % significant), and increased use of circular material. Other aspects of environmental sustainability, such as use of circular material or renewable energy, saw also positive impacts amongst most projects. Overall, most projects reported expected or relevant impacts, but half did not conduct formal assessments, suggesting that while sustainability ambitions are high, systematic measurement and verification remain limited.

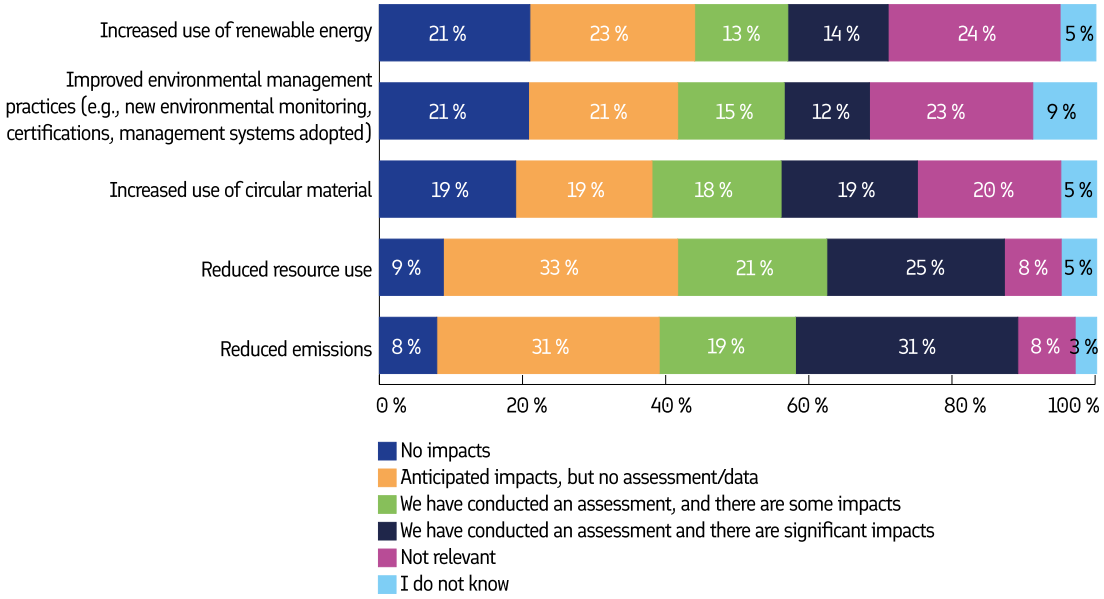

FIGURE 33. WHICH OF THE FOLLOWING ENVIRONMENTAL OUTCOMES HAS THE PROJECT GENERATED OR IS EXPECTED TO GENERATE IN THE NEAR FUTURE? (N=229)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The survey shows that projects are expected to generate a range of social outcomes, but systematic assessments remain limited. As expected, economic opportunities (37 % anticipated, 23 % assessed some impacts, 35 % assessed significant impacts) and job creation and skills development (38 % anticipated, 26 % some, 25 % significant) emerged as the strongest reported benefits. Other outcomes such as improved health and wellbeing (56 % combined some or significant impacts), safety (38 %), and community engagement (48 %) were noted by smaller shares. The weakest area was access and equity outcomes, where 31 percent reported some impacts.

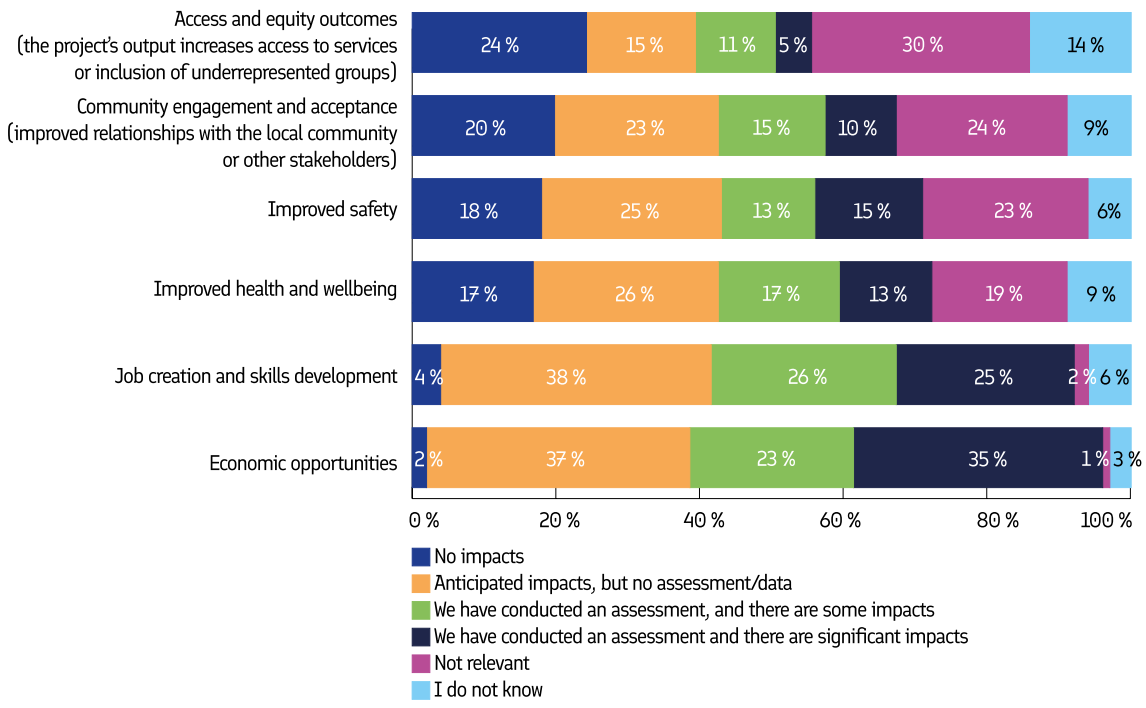

FIGURE 34. WHICH OF THE FOLLOWING SOCIAL OUTCOMES HAS THE PROJECT GENERATED OR IS EXPECTED TO GENERATE IN THE NEAR FUTURE? (N=228)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

The governance outcomes of funded projects were less frequently realised than environmental or social ones, but they still showed areas of progress. Around forty percent of projects anticipated or reported impacts in all assessed areas, such as policy contributions (42 %), enhanced governance processes (44 %), ethical and responsible innovation practices (38 %), knowledge spillovers (e.g. best-practice handbooks) (45 %) and governance structures related to sustainability (42 %). Around sixty percent reported no impacts or not relevant across categories.

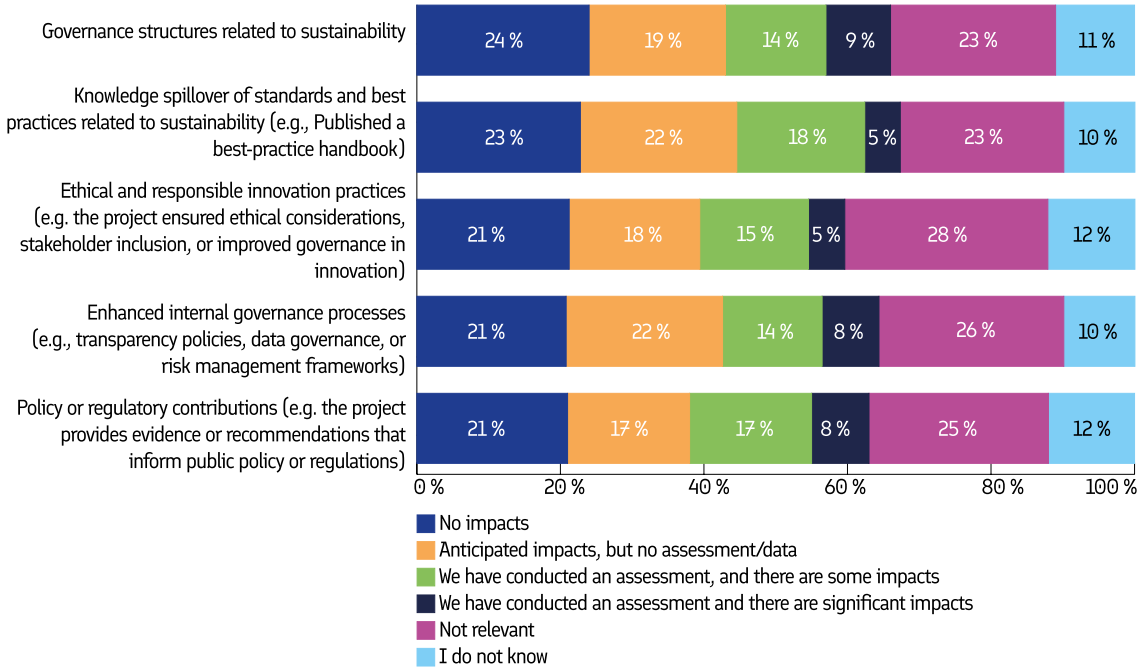

FIGURE 35. WHICH OF THE FOLLOWING GOVERNANCE OUTCOMES HAS THE PROJECT GENERATED OR IS EXPECTED TO GENERATE IN THE NEAR FUTURE? (N=229)
SOURCE: BENEFICIARIES SURVEY, 4FRONT.

SUMMARY OF ESG IMPACTS

Across the funded projects, environmental outcomes were the most systematically integrated, though often more in ambition than in verified results. Many projects anticipated reductions in emissions and resource use, greater circularity, and increased use of renewables.

On the social dimension, the strongest reported benefits were expectedly in economic opportunities, job creation, and skills development. Other outcomes such as health, safety, and community engagement were also present, though less systematically sought after and measured. Access and equity outcomes emerged unevenly. Some projects delivered strong inclusion effects, others saw no relevance at all.

Governance outcomes were the least developed of the three ESG dimensions. This suggests that governance is not yet fully embedded or systematically evaluated in project practices.

4.3. COMPANY LEVEL IMPACT

4.3.1. TEXT MINING OF CSR REPORTS

To retrieve some additional perspective on the impact that Business Finland support on the sustainability of companies, we analysed Corporate Social Responsibility reports from a sample of about hundred Finnish companies from

the last 5 years. We subsequently used text mining to scan these documents for explicit references to the impact that Business Finland support has had in their ESG reports.

Overall, we found **limited acknowledgement** in CSRs about the sustainability impact of Business Finland. In contrast, more references to Business Finland were present in areas such as collaborations, funding, and research and development. However, the absence of explicit mentions of Business Finland in CSRs reports does not allow us to draw any major conclusion, as it could also be indicative of low tendency among organisations to explicitly acknowledge support received. However, we found several examples (see Table 10) of cases in which Business Finland support is mentioned explicitly in CSRs reports.

4.3.2. ECONOMETRIC ANALYSES OF COMPANY LEVEL EFFECTS

To assess whether Business Finland projects with a sustainability focus generate different firm-level impacts compared to other projects, we conducted an econometric analysis using matched company-level data from 2016–2021. The analysis compared firms in two empirical designs:

COMPANY, YEAR	AREA OF CONTRIBUTION
Atria, 2021	**Carbon-neutral food chain:** "CARBO – Carbon-neutral milk chain (Business Finland): The goal is to verify and implement practical measures within Atria's chain that promote **carbon sequestration** in grass fields and **reduce the carbon footprint** of animal husbandry."
Loiste, 2022	**Carbon neutral district heating**: "our district heat production method made **significant progress** in 2022, with Business Finland providing around EUR 5.4 million in EU support for the project. We are moving to a hybrid model that uses a mix of electricity and combustion-based sources. Our goal is **to achieve carbon neutrality** in our district heat production by 2030."
Lumene, 2023	**Circularity and local production**: "to increase our circularity, BIOWAX co-innovation project is aiming to **replace traditional waxes** [with berries and spruce needles] extracted from side-streams of Finnish forests. This project, receiving a grant from Business Finland, was kickstarted at the end of 2023 and is set to be completed in mid 2026.

TABLE 12. EXPLICIT MENTIONS OF BUSINESS FINLAND SUPPORT IN CSRS REPORTS.

- **Sustainable vs non-sustainable**: Firms receiving funding for sustainability-oriented projects with similar firms funded for projects without a sustainability orientation
- **Funded vs rejected**: Firms who got awarded funding for a project with a sustainability focus with similar firms that were rejected for funding for a project with a sustainability focus

The outcomes measures considered were personnel, sales and exports. These were selected as because they capture the core dimensions of firm-level performance: employment, growth, and international competitiveness. The econometric estimation applied a two-step design. First, propensity score matching was used to pair each treated company with a comparable control company based on pre-treatment firm characteristics. This is needed to correct for structural differences between firms, ensuring that treated and control groups are comparable before estimating project impacts. Second, a difference-in-differences (DiD) estimator was applied to measure the average treatment effect on outcomes three years after the start of the project (t+3). Robustness checks included varying the matching calibre, alternative definitions of sustainability (environmental focus, combined classifications), and different post-treatment windows.

The Propensity Score Matching for funded vs. rejected sustainable projects does not show clear statistically significant effects on firm performance measured in personnel growth or sales. However, there are strong and statistically significant increase in exports when comparing funded and rejected sustainable projects. This suggests that Business Finland funding is critical for promoting exports of sustainable projects.

When comparing funded sustainable projects to funded non-sustainable projects, there were no statistically significant outcomes for neither of the outcome variables. At the same time, there is no indication that firms are disadvantaged by focusing on sustainability. Taken together, this suggests that while the funding does not consistently boost performance, it also does not compromise it.

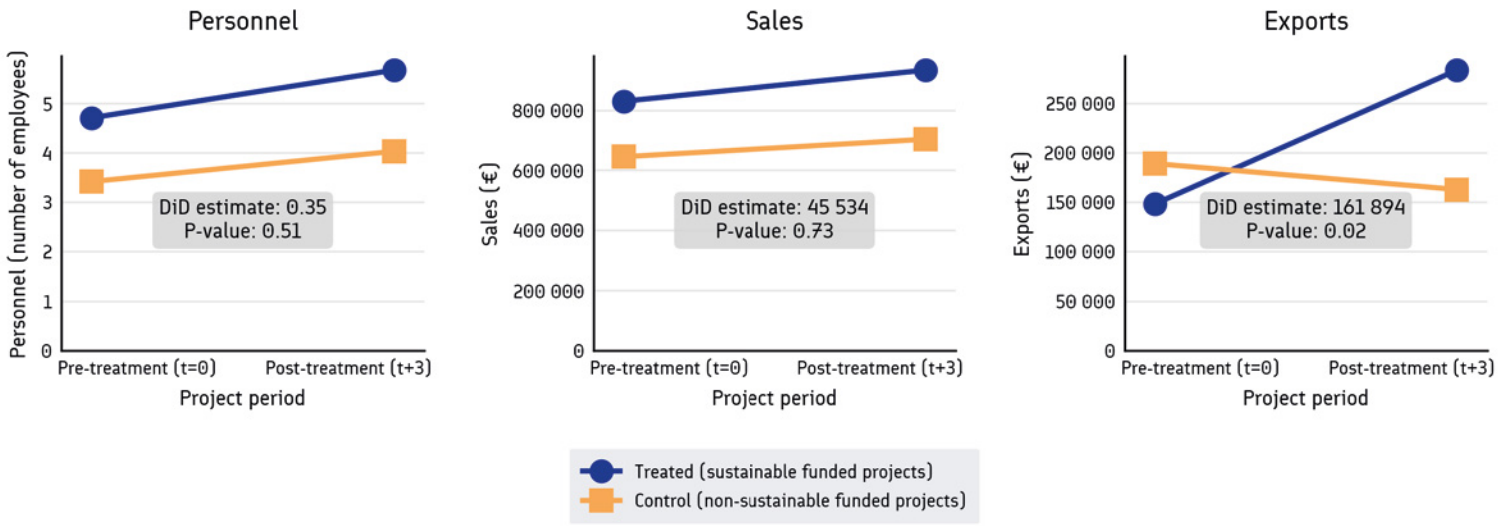

FIGURE 36A. FIRM-LEVEL EFFECTS FOR FUNDED VS. REJECTED SUSTAINABLE PROJECTS.

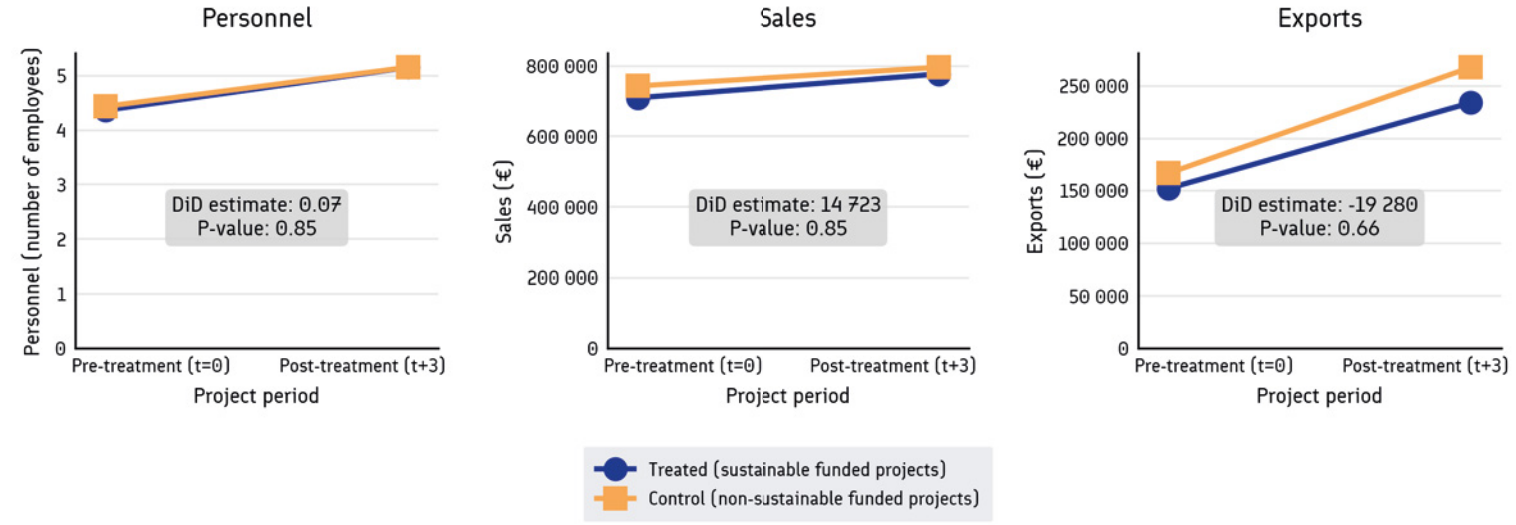

FIGURE 36B. FIRM-LEVEL EFFECTS FOR FUNDED SUSTAINABLE VS. FUNDED NON-SUSTAINABLE FUNDED PROJECTS.

In line with international evidence, significant company-level performance effects of sustainability-oriented R&D projects are difficult to detect in the short-to-medium term. The econometric analysis shows only limited consistent statistically significant impacts, but importantly, it also finds no evidence that a sustainability focus hampers firm growth. If anything, results point to neutral or slightly positive effects, with a stronger signal in export performance in one specification. This suggests that investing in sustainability-oriented projects is not associated with weaker firm-level outcomes.

Several factors may explain the limited effects observed across sustainable vs. non-sustainable firms. First, firm-level performance impacts are in general difficult to measure, given high variability across firms, the time lag of outcome indicators, and possible spillover effects beyond treated firms. Second, the COVID-19 pandemic introduced substantial noise into the performance data, making effects harder to isolate. Moreover, the available data allowed the analysis to look at firm level effect three years after treatment. It is possible and likely, that emerging sustainable innovations have a larger time-to-market due to path dependencies than innovations in other sectors, such as digitalisation. As shown in the chapter 4.4 on impact case studies, many of the green transition innovations are struggling to scale in industrial level or it is a very time-consuming process that involves competing with often cheaper traditional brown substitutes.

4.4.SUMMARY FINDINGS FROM THE SYSTEM LEVEL IMPACT CASES

The five case studies illustrate how Business Finland uses programmatic actions, ecosystem building, and targeted funding to catalyse systemic change in different domains: AI and productivity, digital health, circular bioeconomy, carbon-neutral energy systems, and sustainable mining.

The case studies are tracking the systemic impact pathways—chains of activities, outputs, outcomes and impacts, as well as systemic enablers and bottlenecks linked to the innovation and their anticipated sustainability impact.

Full case studies can be found in the annexes.

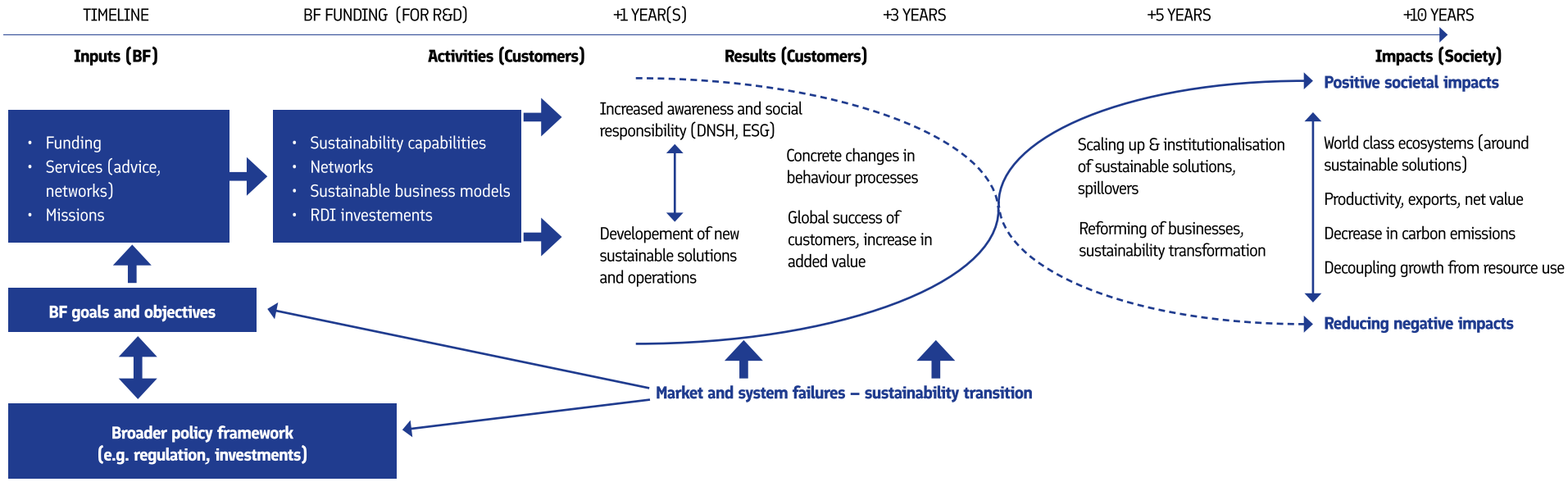

FIGURE 37. FRAMEWORK FOR ANALYSING IMPACT PATHWAY CASES.

CASE 1: GENERATIVE AI AND PRODUCTIVITY
Generative AI offers productivity gains by automating content creation, coding, and decision support, but adoption requires safeguards for data quality, bias, and trust as well as mitigation of CO_2 emission though increase electricity consumption. Business Finland helps firms pilot responsible AI use and integrate them into business models, supports R&D efforts and funds research infrastructure.
CASE 2: DIGITAL HEALTH SOLUTIONS
Digital health tools such as telemedicine, remote monitoring, and interoperable data platforms can reduce care intensity and costs while improving access and outcomes. Business Finland has supported startups with R&D, regulatory readiness, and internationalisation, enabling solutions like JST's digital symptom checker to reach clinical validation and export markets.
CASE 3: CIRCULAR ECONOMY AND EXPANDFIBRE
ExpandFibre, a LCI initiative led by Metsä Group and Fortum, developed fibre-based alternatives to fossil plastics, bringing together 100+ partners, pilot lines, and a pipeline of over 100 product concepts. The initiative demonstrated how public co-funding can de-risk large R&D investments, though scaling to commercial plants still requires major capital and demand anchoring.
CASE 4: CARBON-NEUTRAL ENERGY SYSTEMS (WISE)
The WISE ecosystem, led by Wärtsilä, is building autonomous, zero-emission balancing power plants capable of running on e-fuels, with over 220 partners and EUR 200m in joint R&D investment. By focusing on grid flexibility and digital optimisation, it aims to enable high shares of renewables in energy systems while creating globally competitive solutions.
CASE 5: SUSTAINABLE MINING (SHIFT '25)
Sandvik's Shift '25 LCI focuses on electrification, automation, digitalisation, and advanced drilling to make mining safer, more productive, and lower carbon. With EUR 60m in R&D and Business Finland co-funding, it uses the Tampere test mine to pilot electric fleets and digital optimisation, anticipating strong export markets as demand for critical minerals grows.

TABLE 13. SHORT DESCRIPTION OF THE CASE STUDIES.

Each case study highlights how the innovations are used to tackle some recognised systemic sustainability challenge, e.g., low productivity growth in Finland, healthcare pressures from ageing populations, low circularity and resource dependence, energy transition requirements, and sustainability in mining. These are not niche problems but system-wide challenges that require coordination across industries, policy, and society.

- AI and productivity: Finland's labour productivity has remained stagnant since the collapse of the Nokia cluster. Ethical adoption of AI technologies poses an opportunity for increasing labour productivity.
- Digital health: ageing populations, workforce bottlenecks, and rising costs, plus the sector's sizable emissions footprint.
- Circular bioeconomy (ExpandFibre): low circularity and high fossil-plastic dependence in packaging and textiles.
- Energy systems (WISE): rapidly rising shares of variable renewables demand flexible, secure, low-carbon balancing power.
- Mining (Shift '25): surging critical-minerals demand collides with diesel-heavy, high-risk, high-emission operations.

Rather than relying only on firm-level innovation, Business Finland mobilises ecosystems that connect large anchor firms, startups, research organisations, and service providers though the LCI model (ExpandFibre, WISE, Shift '25). The cases demonstrate how anchoring around leading firms can concentrate resources and enforce collaboration. While in digital health, where large anchors are absent, Business Finland has focused on startups, testbeds, and internationalisation services. For AI, Business Finland is supporting both the R&D and though it's dedicated Generative AI campagne, also activating companies to take up the technology.

- AI and productivity: Business Finland is targeting funding RDI in AI and AI-driven innovation. Additionally, they are funding access to LUMI supercomputer.
- Digital health: classic R&D grants plus Tempo and NIY to cross the "proof–procure–export" gap; testbeds, regulatory training (MDR/IVDR, FHIR/Kanta), and internationalisation.
- ExpandFibre: a LCI with Fortum & Metsä convening 100+ actors; shared pilot lines, materials R&D, LCA work, and market pilots.
- WISE (energy): a category-A LCI led by Wärtsilä linking >220 partners; co-research and co-innovation around autonomous, e-fuel-ready balancing plants.
- Shift '25 (mining): a LCI led by Sandvik combining the firm's internal roadmap (automation, digitalisation, electrification, drilling) with SME/RTO co-innovation projects and access to the Tampere test mine.

OUTPUTS, OUTCOMES AND ANTICIPATED SYSTEMIC IMPACTS

The outputs of these efforts are already visible in tangible results. In **digital health**, startups such as JST Healthcare Solutions have moved from concept to validated prototypes tested in care settings, achieved CE/IVDR readiness, integrated with Kanta and Findata, and signed pilot agree-

ments that provide credible reference sites. **ExpandFibre** produced 35 publicly funded projects, more than 70 scientific articles, 48 theses, and five patent applications, while also enabling several concepts to advance from pilot scale to pre-engineering, such as fibre-based moulded packaging solutions. The **WISE** initiative has structured its work around packages on clean energy, powertrains, digital layers, and service models, with reference-case testing under way and partners collectively committing around EUR 200 million in R&D (including EUR 50 million from Business Finland and EUR 100 million from Wärtsilä). **Shift '25** has likewise delivered concrete outputs, with Sandvik investing roughly EUR 60 million in internal R&D (supported by EUR 20 million from Business Finland) and an additional EUR 9 million spread across 11 ecosystem projects, generating early prototypes, fleet energy concepts, and connectivity solutions developed and tested at the Tampere mine.

These outputs are now translating into outcomes that strengthen capability and competitiveness. For **digital health**, the availability of validated prototypes and cost-impact evidence has led to faster sales cycles and greater export readiness; JST Healthcare Solutions, for example, has successfully entered the Swedish and German markets with the help of Business Finland instruments. In **ExpandFibre**, the initiative anchored an investable pipeline of over 100 product concepts, while also driving up Metsä's R&D spending from around EUR 24 million in 2019 to EUR 54 million in 2024; moreover, Chempolis (formerly Fortum Bio2X) is now opening an industrial-scale bio ethanol plant in India building on LCI-era research. The **WISE** ecosystem positions Finland to supply the crucial flexibility layer for renewable-based grids, targeting the delivery of autonomous balancing plants that run fully on e-fuels by 2028. Similarly, **Shift '25** has coalesced a national capability in electrified, autonomous underground mining operations, spanning batteries, high-power charging, connectivity, and selective drilling.

The anticipated systemic impacts are significant, though in many cases still emerging. In **digital health**, fewer unnecessary in-person visits and faster patient triage are already reducing costs and emissions related to travel and facility use, while improving equity and safety; yet the key lever for adoption in procurement remains demonstrable cost savings. In **ExpandFibre**, recyclable mono-material fibre solutions have the potential to dramatically cut per-product carbon footprints and leverage Europe's advanced paper and board recycling systems, provided sourcing is sustainable and end-of-life material value is preserved. In **WISE**, zero-emission, autonomous balancing plants would enable much higher shares of wind and solar in the energy mix, thereby enhancing system reliability and unlocking electrification opportunities across industry and mobility. Finally, in **Shift '25**, electrified fleets and data-driven selectivity promise to cut diesel

use, improve air quality and safety in mines, and lower the energy intensity of extraction—though the full sustainability gains will depend on grid decarbonisation and the pace of fleet renewal.

SYSTEMIC BARRIERS AND ENABLERS

A recurrent theme is that transformative solutions face entrenched path dependencies of "brown" technologies—cheap plastics, fossil-based energy, diesel mining fleets. Overcoming these requires both technological advances and structural enablers: procurement reforms, regulatory standards, financing mechanisms, and international demand signals. Business Finland's interventions help firms de-risk investments and align with regulatory trends (e.g. EU packaging regulation, MDR/IVDR in health, grid flexibility standards in energy). However, most of the innovations face an investment gap between a proof of concept or demonstration phase and industrial level scale up.

- Many innovations, such as AI, require supporting infrastructure to scale up. This can be for instance computing capacity, data infrastructure and connectivity. Business Finland is granting AI computing grants for access to LUMI supercomputer.
- Path dependency of "brown" tech. Plastics, diesel, and thermal plants have sunk assets, tuned supply chains, and mature standards.
- Non-tech adoption frictions. Procurement, reim-

bursement, and safety/CE evidence slow diffusion (notably in health).
- Scale-up finance and demand anchoring. Many pipelines now need EUR 50–200 million plants or fleet conversions.
- Sustainability trade-offs. Bio-based sourcing risks (biodiversity, land use); battery lifecycle and grid carbon intensity; data privacy and cyber risks in health.

LESSONS FOR BUSINESS FINLAND

LCI instruments are a good example on how to support large scale systemic changes with both economic and sustainability impacts. LCI works when large anchors exist (energy, mining, bioproducts), but in fragmented ecosystems (digital health) startup-oriented instruments like Tempo, NIY, and R2B are more critical.

Especially in healthcare and mining, adoption is constrained not by technology alone but by slow procurement processes and lack of validated sustainability impacts. There is a need for an actor that could play a role in enabling external validation and cost-impact studies.

Many cases (ExpandFibre, Shift '25, WISE) produce a pipeline of pilots but struggle to secure investment for commercial plants or fleet rollouts. Public-private risk-sharing, international demand creation, and long-term offtake agreements are needed to scale the innovations into industrial level.

Substitution pathways (biobased materials, electrification) are not risk-free: sourcing pressures, lifecycle emissions of batteries, data privacy in digital health. Impact pathways need safeguards and governance to ensure positive systemic effects.

Even innovations that operate outside the traditional sustainability core, such as AI, carry considerable sustainability risks—from privacy and ethical concerns to rising energy use and CO_2 emissions. At present, Business Finland does not appear to have a dedicated instrument to systematically identify and mitigate these risks.

5. CONCLUSIONS AND RECOMMENDATIONS

Based on the various data sources and analysis methods and their results described in earlier chapters, and in response to the questions set for the study, the following overall conclusions are made. The conclusions follow a generic impact logic – addressing first the overall rationale and need for sustainability funding at Business Finland, followed with how this objective has been put into action (via funding), the achieved results and Business Finland's ability to reach set objectives. The second part provides practical recommendations for Business Finland in increase its sustainability impact. Comprehensive list of conclusions and answers to all study questions can be found in the Annex (available upon request).

5.1. CONCLUSIONS

The purpose of this assignment has been to assess Business Finland's *impact on sustainability*, one of Business Finland's three strategic target areas for 2020–2025. Business Finland's strategic priority for sustainability

is divided into two parts – one for the customer level and one for the societal impact level. This impact study covers both the *impact on* customers as well as the *societal impacts and externalities*. The main focus of this impact study is on *funding customer companies*. While previous impact study on sustainability (2022) focused primarily on the implementation of sustainability on organisational level, the focus in this study is on (external) impacts.

SUSTAINABILITY IS INCREASINGLY RELEVANT TOPIC FOR BUSINESS FINLAND'S CLIENTS

Sustainability has for quite some time been in the focus of Business Finland and in the interest of its leading clients. In 2020 this topic was also integrated as one of its three strategic priority areas of Business Finland. Sustainability forms a well-recognised competitive edge for the Finnish industry. Business Finland has set high ambitions and bold strategy statements with regard to sustainability.

In the larger context, European sustainability policy and related legislations have been developing rapidly. The regulatory requirements (e.g. EU taxonomy and CSRD) for various organisations to measure, monitor and disclose their climate-related impacts have increased significantly. These regulatory developments are particularly relevant to Business Finland and its clients.

Today, the business relevance of sustainability for Business Finland customers is even higher than at the time (2020) when Business Finland set it as one of its strategic priorities.

IMPLEMENTATION OF SUSTAINABILITY OBJECTIVES AT BUSINESS FINLAND NEEDS FURTHER ATTENTION

Most of the recommendations of the previous evaluation (2022) of Business Finland's sustainability objectives (so called "Superpower evaluation") have been put in action in some extent. In particular, dedicated funding instruments and sustainability monitoring need further work.

It has taken several years, technically most of its five-year strategy period, for Business Finland to develop its internal approaches and processes on how to put this priority in practice. The process has been limited due to lack of internal resources and organisational changes.

Since introduction of the strategic priority of sustainability, Business Finland, like other Team Finland organisations, has published its sustainability policy and updated its relevant measures, tools and monitoring principles. Some of the key steps in implementing the sustainability priority has included 1) the CASB project from 2021, 2) the Superpower evaluation in 2022, 3) the DMA study for CSRD in 2023, 4) updating the Sustainability Handbook in 2024 and 5) the Climate Roadmap in 2025.

BUSINESS FINLAND SHOULD LEAD BY ITS OWN EXAMPLE

Regarding Business Finland's own KPIs for 2022–2024 the

performance has been decent. The goal for organisation level KPI on sustainability (share of service transactions related to sustainability) has been met and exceeded on one year (2023) and “change agent for sustainable development” goal has been met and exceeded in 2022, 2023 and 2024. The sustainability KPIs for funding services have been met to large extent (turnover estimate of funding customers focusing on sustainability, responsibility reports and share of funding supporting ESG goals). However, the KPIs are measuring mainly Business Finland’s activities and there is a lack of outcome or impact level indicators. The indicators for “change agent for sustainable development” are measuring only development of internal capacities rather than actual awareness raised amongst the funding customers.

Although progress has been made, according to interviews, Business Finland’s leadership is not convinced that the strategic sustainability objectives has been rigorously implemented. The goal has not been sufficiently resourced, and several areas need further attention.

Business Finland measures the sustainability footprint of its own activities purely with financial indicators, not following EU taxonomy for financial services. Also, the sustainability handprint is measured mainly with economic and employment indicators. The link of these indicators to the actual ESG impact is not always evident.

BUSINESS FINLAND'S ADDITIONALITY ON SUSTAINABILITY THROUGH FUNDING IS STRONG BUT INDIRECT

Business Finland's strategy states that the organisation aims to create sustainability impact for customers and society at large. At the customer level, the goal is to foster solutions that contribute to sustainable business by encouraging: (1) increased environmental and social responsibility awareness; (2) new solutions that increase carbon handprint; and (3) smart business models and life cycle-based thinking. At the societal level, the aim is for Finland to be positioned as a leader in sustainable development by focusing on: (1) high sustainability impact of innovations; (2) decreased carbon emissions; and (3) decoupling economic growth from resource use.

The study findings show that these goals have been advanced only partly and mainly indirectly through funding. The primary drivers of sustainability are the companies themselves or market demand—not Business Finland or regulatory requirements. The majority of Business Finland's RDI customers have integrated sustainability into their business strategies. Data also show that the share of RDI funding directed to sustainable projects increased strongly until 2022—after the sustainability strategy was adopted in 2021—but has since plateaued or slightly declined. While Business Finland has funded the development of solutions and business models that increase carbon handprint and life cycle-based thinking, this change has originated mainly from the companies rather than from Business Finland. However, beneficiaries report very high funding additionality; without Business Finland's support, many solutions would not have been developed or would have progressed more slowly or on a smaller scale. Many beneficiaries also note that Business Finland's RDI funding encouraged greater ambition in sustainability within their projects. In summary, at the customer level, goals 2 and 3 have been advanced, but indirectly.

HOWEVER, BEHAVIOURAL ADDITIONALITY THROUGH AWARENESS RAISING REMAINED VERY LIMITED

Business Finland also seeks to raise environmental and social responsibility awareness among its customers, yet the study finds that the impact on behavioural additionality has been limited. As noted earlier, RDI clients are mainly self-driven in sustainability. The survey and company interviews indicate that there have been virtually no sustainability-related funding requirements (except for the EU-level DNSH criteria in RRF funding). Moreover, about half of the funded RDI projects report receiving no sustainability-related support from Business Finland (e.g., networks, advice, or toolkits). This gap is especially evident among customers without a strong sustainability focus, indicating that Business Finland's added value in raising awareness among laggards is limited. On the positive side, customers that are sustainability frontrunners highly value Business Finland's sustainability-related networks. For companies without a strong sustainability focus, interviews suggest

that incentives are driven mainly by market forces—for instance, if higher GHG emissions increase costs, companies are motivated to reduce emissions.

BUSINESS FINLAND'S ACTIVITIES IN TARGETING FUNDING TO SUSTAINABLE PROJECTS HAVE BEEN LIMITED

Business Finland's funding has supported the development of solutions addressing sustainability challenges, with very good results in many projects. The volume of sustainability-focused RDI projects has increased over the years, and energy aid and circular economy investment aid have become significant instruments since 2020. Several of Business Finland's thematic programmes and two missions have a strong focus on sustainability issues, supporting the realisation of sustainability goals at the societal level. However, study findings suggest that the increase in sustainable projects has been largely market-driven, even without Business Finland's intervention. Within RDI funding, there have been no requirements or incentives to target funding specifically at projects with sustainable impacts. Moreover, Business Finland's internal capacity—both in expertise and resources—to assess the sustainability implications of funded projects (positive impacts and risk mitigation) appears limited.

National and international benchmarks show several ways to better target funding towards sustainable projects, such as through dedicated green instruments, thorough qualitative and quantitative pre-assessment of projects, minimum sustainability criteria, project-level incentives, and strong agency-level leadership (including management remuneration).

Overall, despite the lack of clear criteria or targeting, the funded RDI projects have been highly successful in developing sustainable solutions and business models, with the de-risking effect of public funding playing a key role. However, achieving Business Finland's broader societal goals—reduced GHG emissions, decoupling, and systemic transformation—will take time and require external factors such as regulatory action and greater scale-up financing. Many Business Finland customers report that, while they have successfully developed solutions, pilots, and proofs of concept, scaling up to industrial level remains difficult due to limited large-scale financing and persistent market path dependencies in conventional "brown" technologies.

Beyond RDI funding, Business Finland also grants energy aid for projects that promote renewable energy, energy efficiency, and decarbonisation. The National Audit Office's audit of Energy Investment Aid found that, although the aid volume has grown significantly since 2018, its effectiveness has been undermined by vague objectives, inconsistent application of criteria, and a lack of systematic monitoring or performance targets. The audit recommends setting clear, measurable goals and indicators, improving consistency in impact assessment, and ensuring that aid is genuinely targeted at new technologies with demonstrable climate benefits.

BOX 8. SCENARIOS FOR SUSTAINABILITY RELATED GROWTH

The impact study has clearly shown that the business relevance of sustainability has further increased during the current Business Finland strategy period. The increase is clear, although the period was seriously influenced by COVID-19 and economic stagnation, among others. From the study results it appears that sustainability aspects and ambitions are most often linked to research, development and collaboration (rather than to growth and internationalisation), indicating that sustainability is an important element for competitiveness and innovation.

On the basis of study results, we foresee the following three (not mutually exclusive) directions of opportunities for sustainability related business growth (scenarios):

1. The increase of deep-tech companies with radical sustainability innovations. These would most likely require special attention in particular with regard to funding of industrial piloting and scaling (e.g. in collaboration with Tesi)
2. Tightening of common policies and basic requirements for sustainability aspects in all public and private funding, and the measuring of their impact. Although there has been some temporary relaxation to this end (Omnibus) it is a general perception that such requirements will become a cross-cutting standard practice sooner or later.
3. Facilitating large and often technologically complex sustainability transitions with major infra investments and service development (e.g. hydrogen). These developments will require long-term insight, dedication and coordinated actions, such as current employed in Business Finland missions, LCIs and larger programmes.

All the above scenarios could offer new opportunities for Business Finland and the Finnish companies.

LEADING COMPANIES AND ECOSYSTEMS DRIVE SYSTEMIC TRANSITIONS

According to Business Finland's own classification and the text mining results, over thirty percent of the RDI projects are strongly ESG-aligned. Over the years, the volume of environmental projects has increased until 2022, while governance and social aspects are relatively low. However, according to survey, around 75 percent of Business Finland funded RDI projects have at least some sustainability objectives. This shows that even projects that are

not directly operating with environmental or sustainable solutions, have sustainability goals. This is most common amongst co-innovation and R&D -projects.

During this strategy period Business Finland has also increased its emphasis on leading companies and ecosystems. Such actions are particularly relevant for topics, in which large systemic transitions are taking place (e.g. Green and digital transition) and competitive advantage is created in collaborative ecosystems. The thematic cases in the study indicate Business Finland is also boosting such systemic transitions, although these are uncertain and will take long time to materialise.

Business Finland's clientele has very strong business focus on sustainability and its mainly coming from the companies themselves or the market demand. While Business Finland is clearly supporting and re-risking sustainable RDI projects, the study did not find clear evidence from "thought leadership" or other sustainability added value besides funding. There is hardly any sustainability related funding requirement and half of the clients reported not receiving other sustainability related support from Business Finland besides funding.

PROJECT RESULTS ARE ENCOURAGING, EVEN IF BROADER IMPACTS ARE NOT YET VISIBLE

The findings on sustainability from Business Finland's RDI projects are overall quite positive. The study shows that a great majority of Business Finland RDI funding projects already include sustainability objectives and compared to those that do not have, these projects more appear successful and generate more positive environmental impact. However, the study did not find evidence of superiority of sustainability projects relative to other projects translating to turnover, exports or staff growth. This might be explained by sustainable solutions having longer-time-to-market than traditional solutions. The econometric analysis did however find a strong and statistically significant evidence on impact in exports when comparing funded sustainable and rejected sustainable projects, indicating that the funding has a robust impact on companies' performance.

Business Finland's funding has made greatest contribution to tech development, pilot solutions, process improvement. However, only around twenty percent of the RDI projects have conducted auxiliary sustainability actions (e.g., LCA, training, responsible business practices) during Business Finland funded projects.

The impact pathway cases show, that RDI funding and LCI projects have successfully developed new sustainable solutions. However, a recurrent theme is that transformative solutions face entrenched path dependencies of "brown" technologies — cheap plastics, fossil-based energy, diesel mining fleets. Overcoming these requires both technological advances and structural enablers: procurement

reforms, regulatory standards, financing mechanisms, and international demand signals. Business Finland's interventions help firms de-risk investments and align with regulatory trends (e.g. EU packaging regulation, MDR/IVDR in health, grid flexibility standards in energy). However, most of the innovations face an investment gap between a proof of concept or demonstration phase and industrial level scale up.

5.2. RECOMMENDATIONS

Business Finland states in their strategy, that they aim to have sustainability impact on customers and society at wide. In customer level, it is stated that the goal is to foster the development of solutions that contribute to sustainable business by encouraging 1) increased environmental and social responsibility awareness, 2) new solutions that increase carbon handprint and 3) smart business models and lifecycle-based thinking. At society level, the goal is that Finland is positioned as a leader in sustainable development by focusing on 1) high sustainability impact of innovations, 2) decreased carbon emissions, 3) decoupling economic growth from resource use. With the aim to increase the short and longer-term positive impacts of Business Finland's funding on sustainability, and to decrease its negative impacts (see breakdown in Figure 1 in section 1.2), the following recommendations are given to Business Finland.

REC. 1. ENHANCE SYSTEMIC APPROACH AND ENSURE A CLEAR SERVICE PATH FOR SUSTAINABILITY FRONTRUNNERS BEYOND RDI FUNDING

Business Finland has an important role in supporting and scaling sustainability frontrunners. Systemic change and radical renewal require both the promotion of ambitious pioneers and the scaling of their solutions through collaboration with actors such as Finnvera and Tesi. Successful frontrunner cases can be used for communication and visibility, helping to inspire wider industry transformation. At the same time, "followers" must also be engaged – for them, the emphasis should be on mitigating negative impacts and meeting minimum responsibility requirements.

Scaling green solutions and levelling the playing field against "brown" technologies is critical, since traditional solutions benefit from path-dependent past investments. Business Finland could deploy tailored instruments to accelerate this transition and link its frontrunner strategy more closely to national industrial policy goals and an advocacy role in national and international policy discussions.

This would better support the social level goal of the Business Finland's strategy, i.e., Finland is positioned as

a leader in sustainable development by focusing on 1) high sustainability impact of innovations, 2) decreased carbon emissions, 3) decoupling economic growth from resource use.

REC. 2. BETTER INTEGRATE SUSTAINABILITY INTO BUSINESS FINLAND'S FUNDING PRACTICES

As of now, sustainability is not systematically integrated into Business Finland's funding conditions or other services, nor does it have a funding instrument that is earmarked to sustainable innovation. The international and national benchmarks have either a condition for access (eligibility) or dedicated instruments/advisory that reward companies for going further. In some cases, projects with stronger sustainability propositions get more intensive support and visibility, acting as a de facto incentive (Climate-KIC).

Possible tools for Business Finland to integrate sustainability more strongly into their funding, could include introducing a "sustainability incentive" or clear sustainability criteria as funding conditions to incentivise companies to integrate sustainability more systematically.[29]

In addition, Business Finland should step up its role in raising awareness among its clients. By raising awareness and encouraging also the "followers" to take steps towards sustainability, Business Finland can expand the scope of green transition. Even projects that do not directly develop solutions that drive sustainable development, steps should be taken to ensure that negative risks are mitigated. To deliver this function, Business Finland should increase and develop its sustainability capabilities and resources.

Lessons learned from applying DNSH criteria from RFF funding offer a good foundation for developing more ambitious standards that could be applied consistently in Business Finland's funding practices.

This would better support the customer level goal of the Business Finland's strategy, i.e., foster the development of solutions that contribute to sustainable business by encouraging 1) increased environmental and social responsibility awareness, 2) new solutions that increase carbon handprint and 3) smart business models and life-cycle-based thinking.

REC. 3. IMPROVE COMPLEMENTARITY WITH OTHER FUNDING ORGANISATIONS

The study finds that while Business Finland is supporting companies to develop sustainable innovations, many, especially the most emerging solutions, often face difficulties in scaling up into industrial scale.

29 Klimatklivet funding of the Swedish Environmental Agency (Naturvårdverket) has been used as an example of investment funding, which provides more financial incentives if emission reductions are bigger. Sveriges Riksdag. Förordning (2015:517) om stöd till lokala klimatinvesteringar. **https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/forordning-2015517-om-stod-till-lokala_sfs-2015-517/**

Business Finland, as an innovation funding agency, should clarify its complementary role in relation to other green financing actors that have tools to fund closer-to-market activities. While Tesi and Finnvera already have targeted green funding mechanisms, Business Finland's approach remains less defined. Synchronising financing and creating a clear division of tasks would strengthen the overall effectiveness of green investments in Finland.
This would better support the social level goal of the Business Finland's strategy, i.e., Finland is positioned as a leader in sustainable development by focusing on 1) high sustainability impact of innovations, 2) decreased carbon emissions, 3) decoupling economic growth from resource use.

REC. 4. STRENGTHEN INTERNAL CAPACITY, COMPETENCE AND LEADERSHIP CULTURE

Promoting sustainability requires sufficient expertise and resources within Business Finland to assess the sustainability implications of projects and select the most impactful ones. Following the international and national benchmarks, this could involve creating specialist teams, continuous staff training, and linking leadership performance incentives to sustainability objectives. Particularly for large or high-risk projects, higher requirements for sustainability assessment should be applied, even if resource limitations mean smaller projects cannot always be reviewed in the same depth.

Business Finland should also establish clear internal standards for sustainability assessment and reporting, the current system of project classifications is not systematic, but based on individual assessment. Business Finland's existing strength in sectoral expertise could be further enhanced by building specific sustainability-related sector knowledge, improving the ability to identify key challenges and opportunities across industries.

This would better support the customer level goal of the Business Finland's strategy, i.e., foster the development of solutions that contribute to sustainable business by encouraging 1) increased environmental and social responsibility awareness, 2) new solutions that increase carbon handprint and 3) smart business models and life-cycle-based thinking.

REC. 5. STRENGTHEN THE MEASUREMENT, MONITORING AND REPORTING OF IMPACTS

Impact assessment must go beyond "tick-the-box" approaches and combine both qualitative and quantitative evaluations with expert input – both in project selection phase and ex ante evaluation. This is particularly important for large projects that develop technologies with long time-to-market, where benefits only materialise over the longer term.

The current Business Finland sustainability KPIs are mainly activity indicators (e.g., share of sustainable funding in their portfolio, sustainability trainings in Business Finland). This should be complemented by developing output and impact-level KPIs for Business Finland and its service areas and leveraging high-quality data are key steps for enabling meaningful evaluations. Examples from international benchmarks include e.g., portfolio carbon footprint (scope 1 & 2), annual CO_2 avoided via funding portfolio, biodiversity footprint, share of projects aligned with SDGs and share of incremental vs. radical sustainability innovations.

To ensure comparability and credibility, Business Finland should align its impact measurement and reporting practices to comply with Finnish Government's resolution (2024) and its **sustainability guidelines for state-owned enterprises,**[30] as well as with relevant international reporting standards (namely ESRS)[31] and practices of benchmarked funding agencies. This would both strengthen internal monitoring and management capacity of sustainability and also improve the visibility and accountability of Finland's sustainability funding on the global stage. This would overall improve Business Finland's capacity in monitoring and learning.

30 Sustainable growth through State Ownership: Government Resolution on the State Ownership Policy 2024. **https://julkaisut.valtioneuvosto.fi/handle/10024/165680**

31 European Commission. The Commission adopts the European Sustainability Reporting Standards. **https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en**

REC. 6. ENHANCE ALIGNMENT WITH INTERNATIONAL AND NATIONAL POLICY PRIORITIES

Sustainability transitions are global in nature, and the solutions must therefore also be international. Business Finland should ensure that its thematic priorities are aligned with EU level and other international priorities. This would improve the companies' access international funding. Equally, Business Finland should expand cooperation with international peer organisations to exchange best practices, develop joint initiatives, and scale Finnish innovations globally.

Business Finland should also deepen its collaboration with ministries, national strategies to ensure that its missions and priorities are aligned with broader industrial and innovation policies. Moreover, clear coordination and division of roles in Finland would strengthen Finland's positioning within the European and global sustainability transition.

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