

FINLAND FACT PACK 2022

WHY INVEST IN FINLAND

AMCHAM
FINLAND

AUGUST

Foreword

- Finland Fact Pack 2022 is created for leaders of international businesses operating in Finland and for businesses looking to invest or establish themselves in Finland.
- The idea of the Finland Fact Pack originated from multiple discussions between **Amcham Finland** and international business leaders. Executives need facts and insights to help sell Finland's strengths as a business environment and investment destination.
- As a result, AmCham Finland and its trusted partner **August Associates**, a leading local consulting firm in Finland, decided to create the first version of the Finland Fact Pack in 2017 after which frequent updates have been made.
- August provides knowledge of the Finnish business environment and expertise in helping companies succeed in this market. August's work is integral in putting this Fact Pack together.
- In the newest update we have expanded into two new topical areas: sustainability and the political climate (as we are nearing elections). The political insights are by **Blic Public Affairs**.

Please contact us if you have any questions regarding Finland as a business location (see the last page for contact details)



AUGUST

The quick answer to the question “Why Invest in Finland?”

Finland is a...



Smart

It is no wonder that in a country renowned for its education system a highly skilled workforce is available.

#1 educating for the future
(The Economist)

#2 graduate performance
(OECD)

#5 city (Helsinki) in English Proficiency (EF)

...environment for business.



Sustainable

Finland performs well in the broad spectrum of sustainability topics and has a robust roadmap for soon decreasing its emissions to net zero.

#1 in Sustainable Development Goal status (UN)

Earliest target to reach net zero among welfare societies

#3 in energy transition readiness (WEF)

&



Stable

Finland is a society built on equality leading to businesses having a foundation of stability, contentment and fairness.

#1 stable country
(Fragile states index)

#1 happiest country
(World happiness report)

#1 least corrupt country
(Corruption Perception Index)

5th year running



AUGUST



FINLAND OVERVIEW



Finland is a large country with a small but highly educated population – over one fifth lives in the capital region

General facts

- Area: 340 000 km²
- Capital: Helsinki
- Currency: Euro
- Official language: Finnish & Swedish



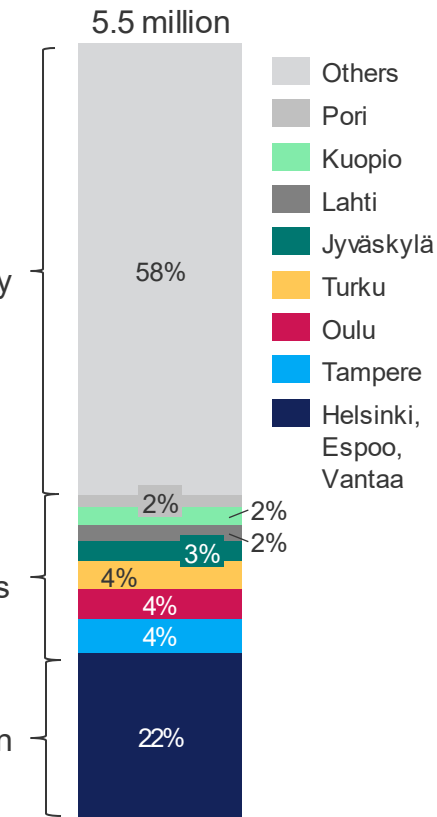
Rest of the country

Other top cities

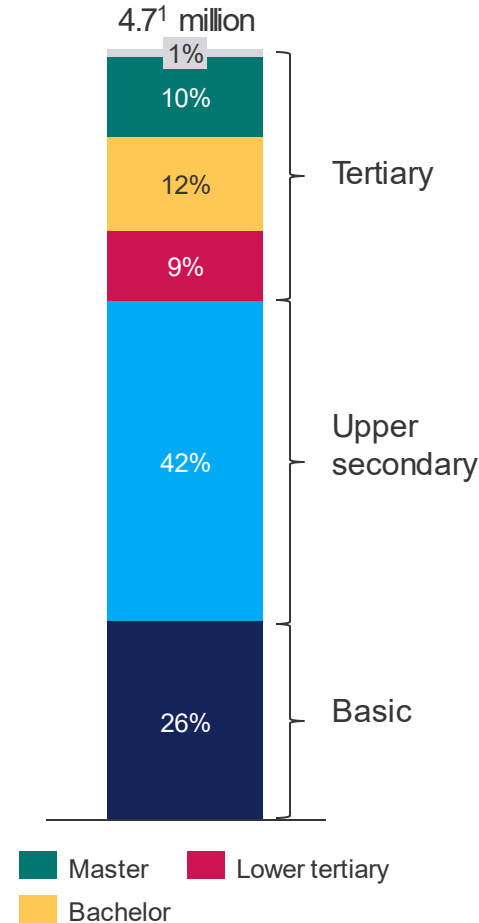
Helsinki region

Population statistics

By city (8/2022)



By education (2020)



Comments

- Its capital region, including the cities Helsinki, Espoo and Vantaa, is the most densely populated area thanks to the accelerating urbanization trend
- All Finns aged 15 or above complete basic education and over 30% of them obtain tertiary qualifications – Finland is especially known for its pool of highly educated engineers in ICT fields
- The highly educated population is the result of a free educational system offered at all levels, from kindergarten to higher education
- Finland is the only Nordic country that has adopted the euro as its official currency (in 2002)

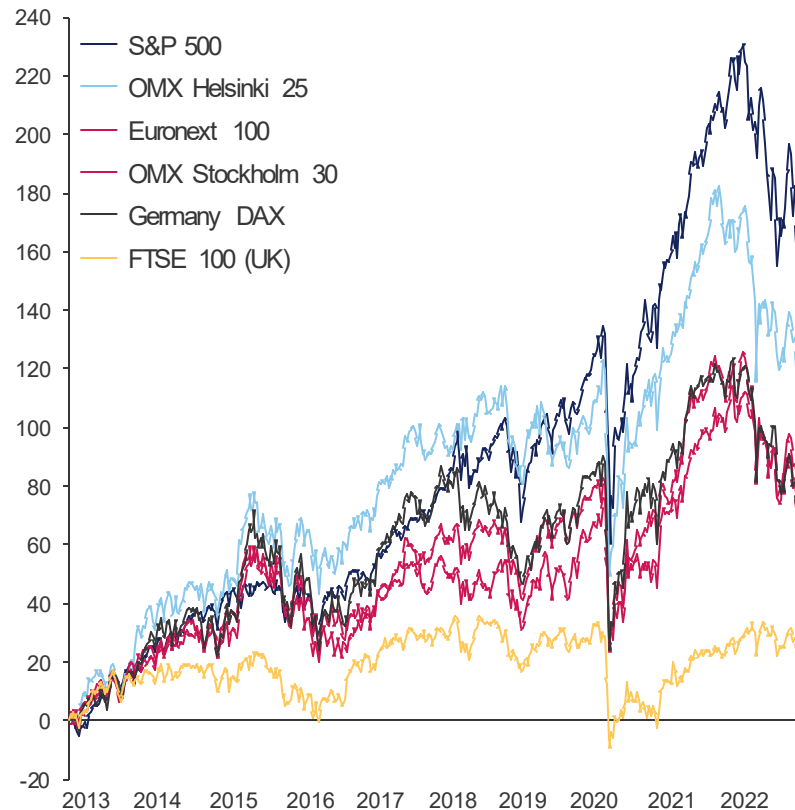
Source: European Commission, Statistics Finland – Data as of 20.9.2022

1) Including only population aged 15 or over

Finland has a long history of being a good home for investments and the Finnish economy has experienced steady growth

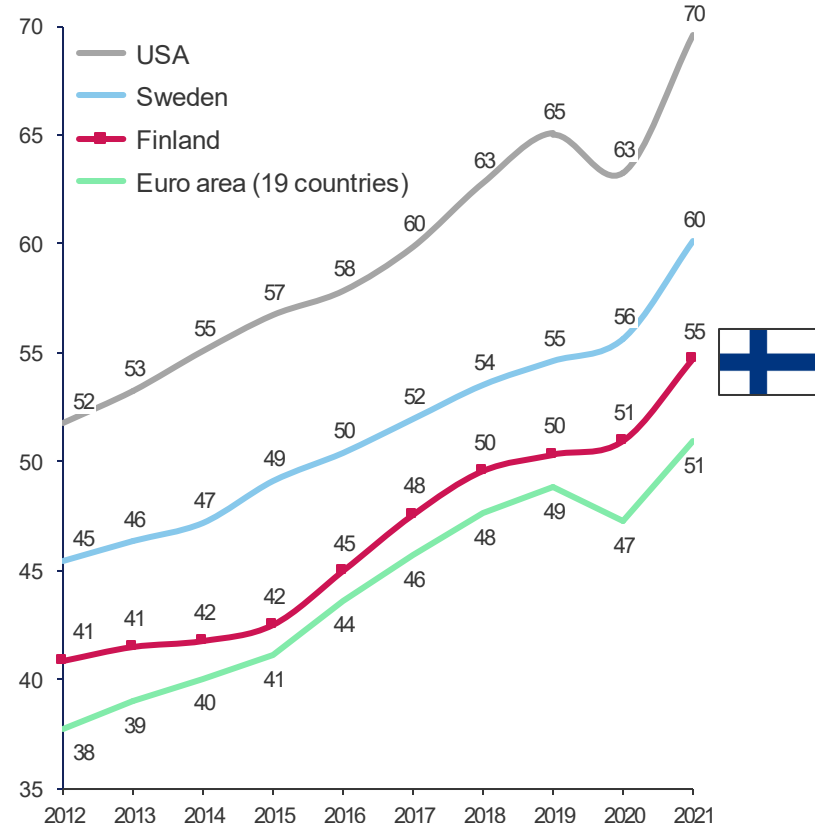
Stock index returns 2012-2022

Percentage change (%) (weekly data)



GDP per capita¹ development

(Thousand US dollar)



Comments

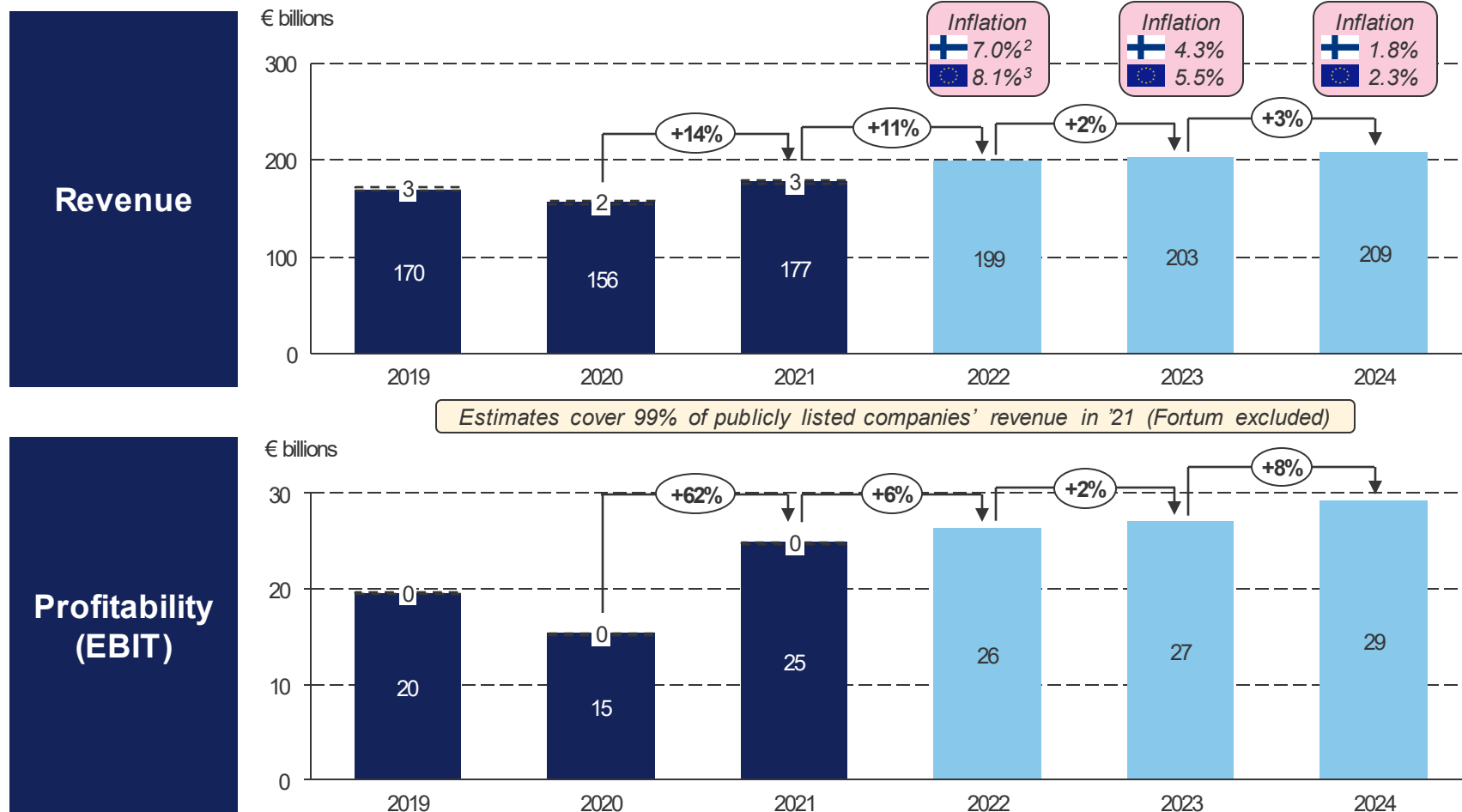
- The Finnish economy had experienced rapid growth since 2015, driven by e.g. increased exports, improved cost competitiveness, increasing employment rate, improving household income, and favorable financing conditions
- Compared to other European stock exchanges, Nasdaq Helsinki has provided some of the highest rates of return on equity over the last 10 years

Source: S&P Capital IQ, OECD – Data as of 05.10.2022

1) GDP per capita indicator at current prices and PPPs

Overall, Finnish companies have recently performed well, but their revenue and profitability growth is estimated to remain below inflation in 2023

Revenue and profitability of Finland's listed companies (Fortum excluded)¹



Comments

- The combined revenue of Finnish listed companies (excl. Fortum) totalled ~180 MEUR in 2021
- Both total revenue and profitability (EBIT) of these companies has grown since 2019 (and recovered from 2020), the peak quarterly revenue being achieved in Q4/2021
- Analysts expect moderate +2% revenue growth from 2022 to 2023, implying a lower growth than the expected inflation (4-6%)
- At the same time, from 2023 to 2024, the estimates are more optimistic; revenue and profitability growth is expected to exceed inflation, profitability growing faster than revenue





1) Figures represent 115 publicly listed companies, data gathered from S&P Capital IQ. S&P Capital IQ gathers estimates from a multitude of local sources like Nordea Markets, Inderes and Evli. The date on which estimates were made change from company-to-company. Fortum was excluded because of its size after the Uniper deal.

2) Bank of Finland in September 2022

3) ECB in September 2022

How are Finnish firms doing today?

Industry deep dives of publicly listed companies and Small & Medium Businesses and their sub-industries

	 Consumer	 Industry	 Other	 Energy
Highlights	<ul style="list-style-type: none"> All sub-industries have grown in '22, retail and consumer products the most Retail (public and private companies) increased their profitability Consumer product manufacturers have decreased in profitability Revenue is returning to Pre-Covid levels in the transport and hospitality industries 	<ul style="list-style-type: none"> All sub-industries have grown in '22, electronics and materials the most Forestry has shown good growth and profitability is in its peak Revenue growth is driven by the inflation of global prices Industrial machinery companies have experienced a drop in profitability 	<ul style="list-style-type: none"> In most sub-industries revenue has grown but profitability has decreased The telco industry has done well in increasing profitability in 2022 The revenue growth in the building space has turned negative Amongst the SMBs the health sector is the only one with a revenue drop 	<ul style="list-style-type: none"> In the midst of Europe's energy crisis, Fortum has divested Uniper which has a large foothold in Germany's natural gas business. This has resulted in notable losses for Fortum Neste has benefitted from the risen cost of fossil fuel end products when compared to crude: renewables have grown slower
Revenue dev. of sub-industries	Retail ↑ Consumer Products ↑ Transport ↑ Hospitality ↑ Media ↑ Education ↑ Entertainment ↑	Electronics ↑ Industrial machinery ↑ Materials ↑ Forestry ↑ Industrial Goods ↑	Professional services ↑ Real estate ↑ Building ↓ Technology ↑ Health ↑ Telco ↑ Admin & Other ↑	Energy ↑

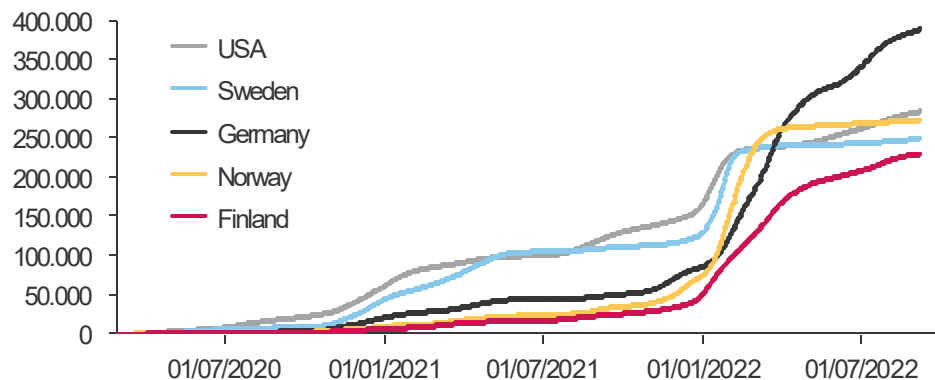
 revenue decreased H1 '22 v '21
  revenue increased H1 '22 v '21

Source: S&P Capital IQ, Accountor and company reports

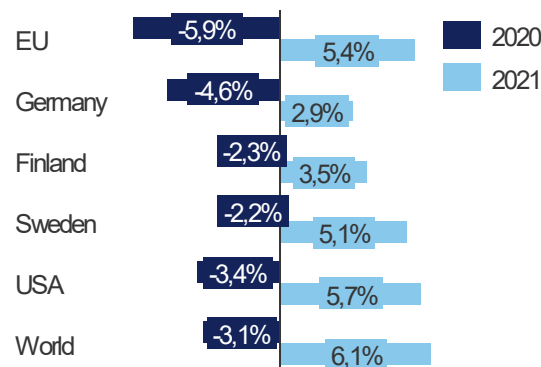
COVID-19 proved the resilience of the Finnish society – effects on population health and economy were less severe than on many other countries

COVID-19 health effect

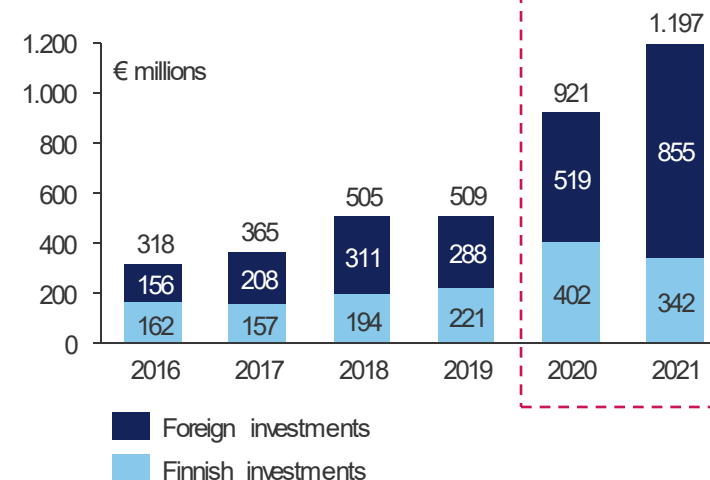
Cumulative number of cases per million people from 1st of March 2020 onwards



Real GDP growth



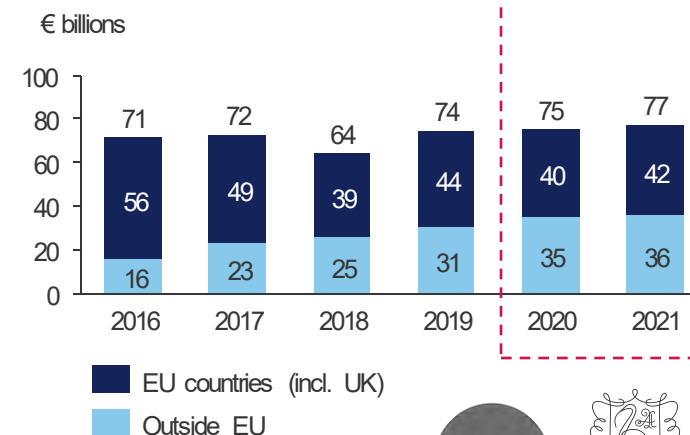
Investments in Finnish startups



Comments on Finland's COVID-19 response and recovery

- Finland managed to slow down the spread of COVID-19 significantly compared to many other countries: perhaps the sparse population as well as obedient and persevering Finnish mentality are among the factors that supported the willingness to follow the lock-down restrictions during the peak of the pandemic
- Finland is praised by the Country Managers in AmCham network to have managed the COVID-19 crisis well: Their companies stayed almost fully operational during the first wave with very few logistics challenges compared to other countries. Some were able to expand their operations in Finland during the crisis
- Despite the pandemic, Finnish startups and early-stage growth companies received record high amounts of investments in 2020 and 2021, foreign direct invests to Finland also grew during that period. This reinforces how stable and reliable Finland is as a business environment and investment destination

Foreign direct investments to Finland



Source: EU Open Data Portal / European Centre for Disease Prevention and Control, US Centers for Disease Control and Prevention, Summer 2022 Economic Forecast – European Commission (EU, Sweden, Germany); Statistics Finland (Finland); IMF (USA, world), Finnish Venture Capital Association (FVCA), Statistics Finland – Data as of 22.09.2022



AUGUST

Geopolitical uncertainty after Russia's attack on Ukraine temporarily increased Finland's country risk – NATO application provided stabilization

Effects on Finland

- Russia's attack on Ukraine temporarily increased Finland's country risk which may have negative effects on Finland's attractiveness as an investment destination
- However, the NATO application process and security agreement with the UK worked to stabilize the situation
- In addition, Finland's economy is less dependent on Russia than one would expect (5% of exports in '21)
- The share of exports to Russia has been declining for many years and Russian natural gas is not much used for energy production in Finland

Timeline for Finland's NATO application

- **17 May 2022:** Finland, together with Sweden, applies for NATO membership
- **5 July 2022:** NATO member countries signed the Accession Protocol, making Finland an observer member
- **As of November 2022:** 28 of 30 NATO countries have ratified Finland's NATO membership, ratifications from Hungary and Turkey are pending

Views on geopolitical uncertainty affecting Finland

"Foreign investors scared by Russia are now selling their Finnish company shares. It can be seen in the Helsinki Stock Exchange's steeper decline in comparison to other exchanges."

-Translation from Helsingin Sanomat (05/03/2022)

"NATO membership is also important in regard to Finland's country risk. Russia's invasion of Ukraine increases Finland's country risk. If the risk grows too large, it will reduce investments in Finland and the country's ability to attract skilled labour," says Minna Vanhala-Harmanen, CEO of the Finnish Family Firms Association."

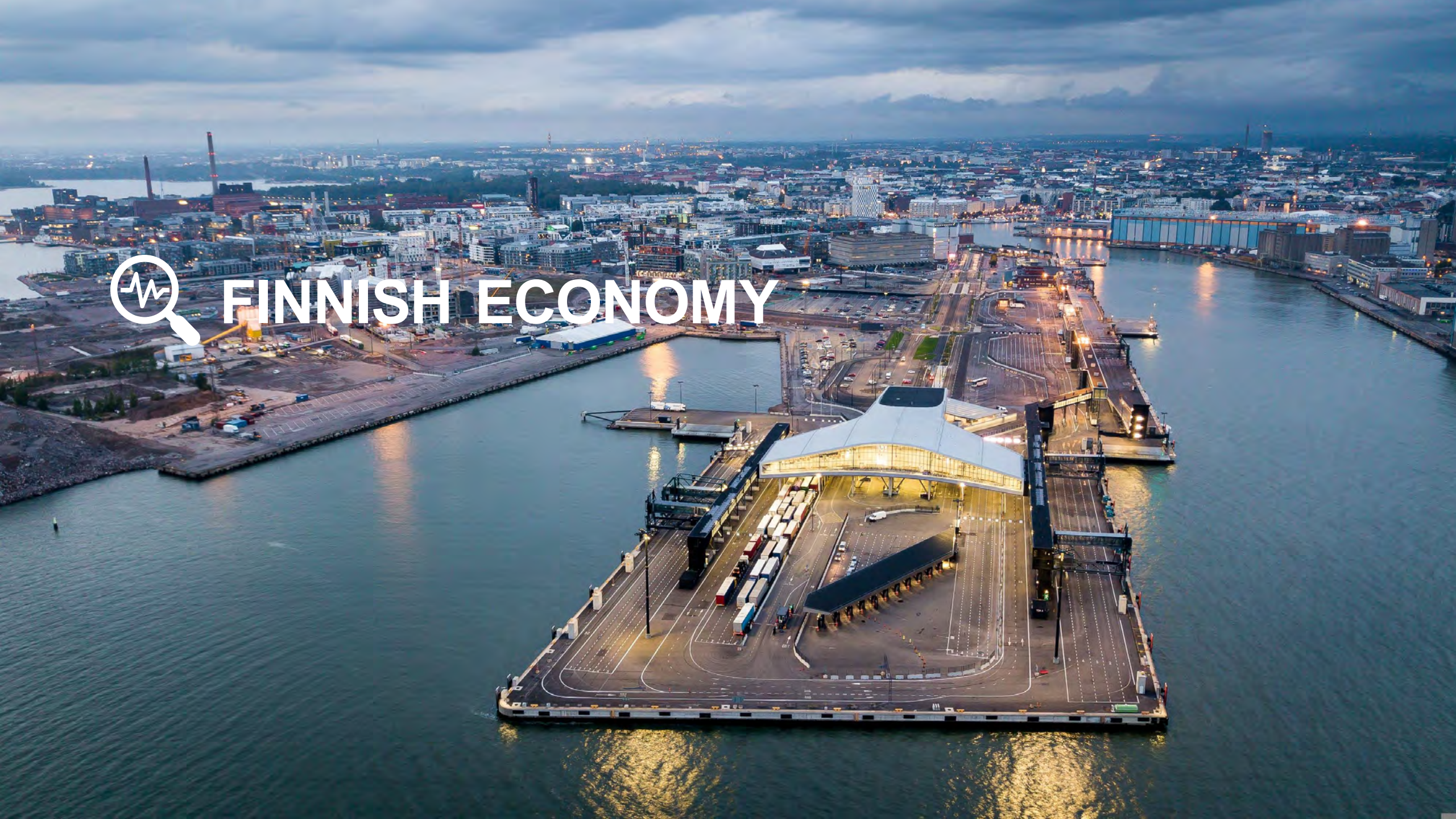
-Confederation of Finnish Industries (22/03/2022)

"Finland's membership in NATO will strengthen the Nordic nation's status as an investment destination by helping lower country risk, according to central bank chief Olli Rehn."

-Bloomberg (06/07/2022)

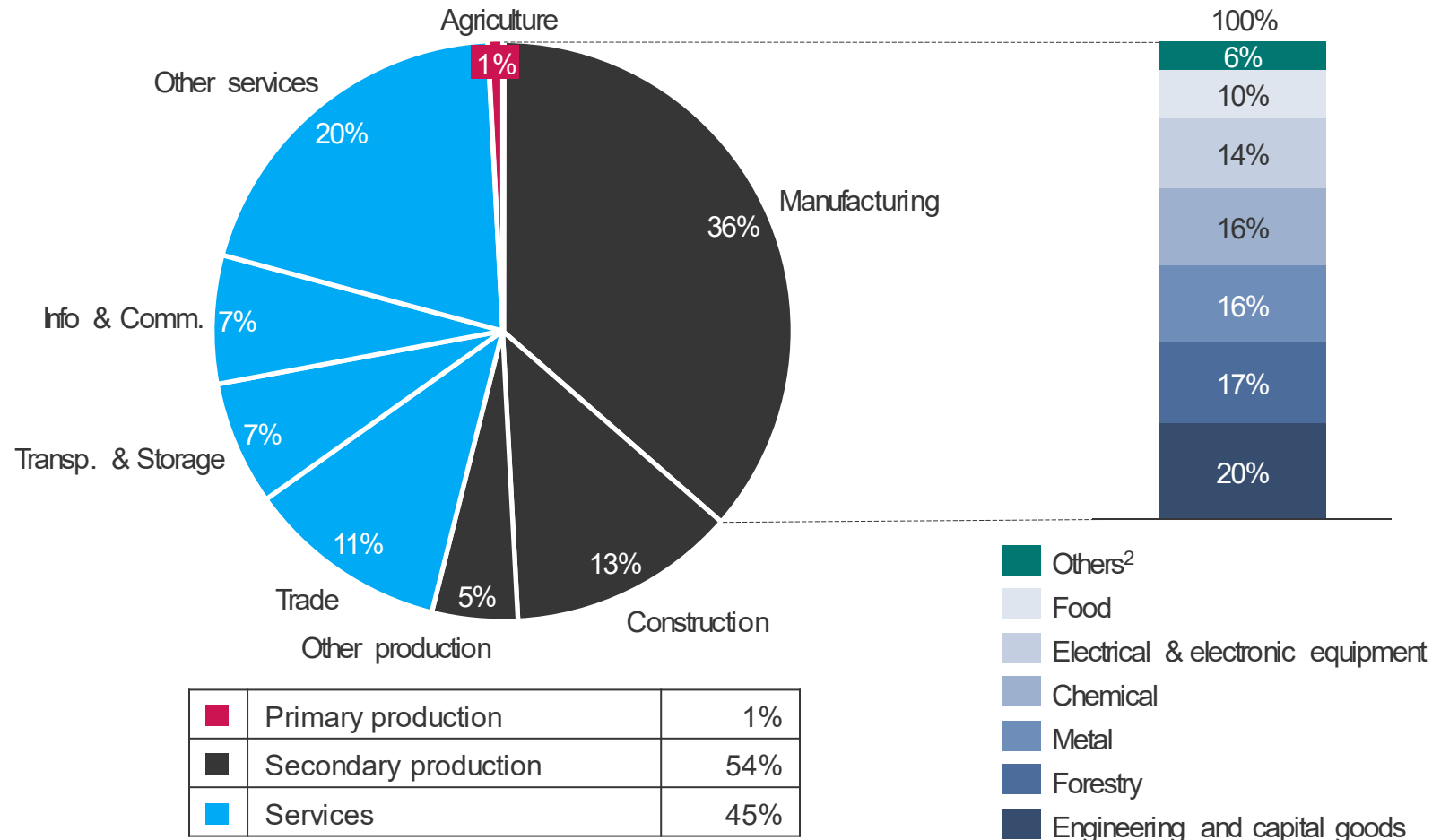


FINNISH ECONOMY



Manufacturing accounts for ~35% of Finland's gross value added – the largest industries are forestry, chemical and engineering & capital goods

Gross value added¹ by industry, 2020



Comments

- Finland is rich in its forests and lakes – also known as ‘land of a thousand lakes’ – yet the Finnish economy is not driven by its natural resources, rather by its strong industrial and technological know-how, which is considered the backbone of the economy and trading activities (*see next page*)
- Many Finnish manufacturing companies are taking this technological know-how into use as an advantage - in order to maintain and strengthen competitiveness, they are investing in new technologies to develop smart products and services

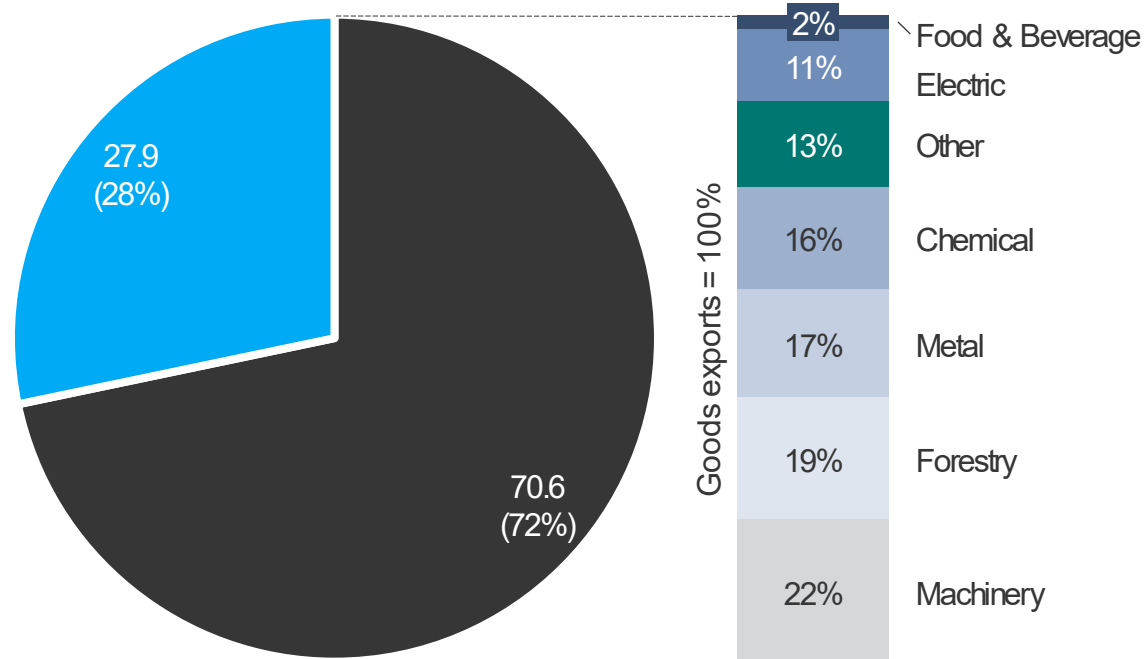
Source: Statistics Finland – Data as of 05.10.2022

1) Measuring the actual production output of an establishment

2) Others = Printing, Mineral products, Textile & Clothing, Furniture and other manufacturing

Goods represent two thirds of Finnish trading activities, with engineering & capital goods being the largest category in both exports and imports

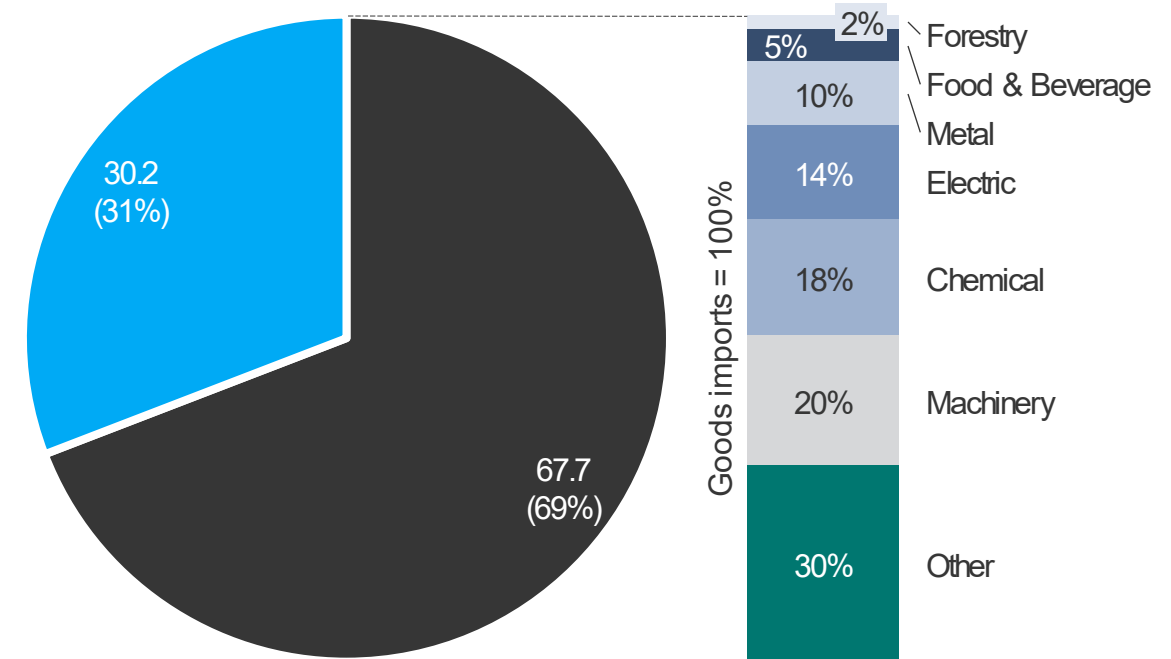
Finnish exports (billion EUR), 2021



Total exports = 98.5 BEUR
 (+16% growth compared to 2020)
 (+3% growth compared to 2019)

■ Goods
 ■ Services¹

Finnish imports (billion EUR), 2021



Total imports = 97.9 BEUR
 (+16% growth compared to 2020)
 (+3% growth compared to 2019)

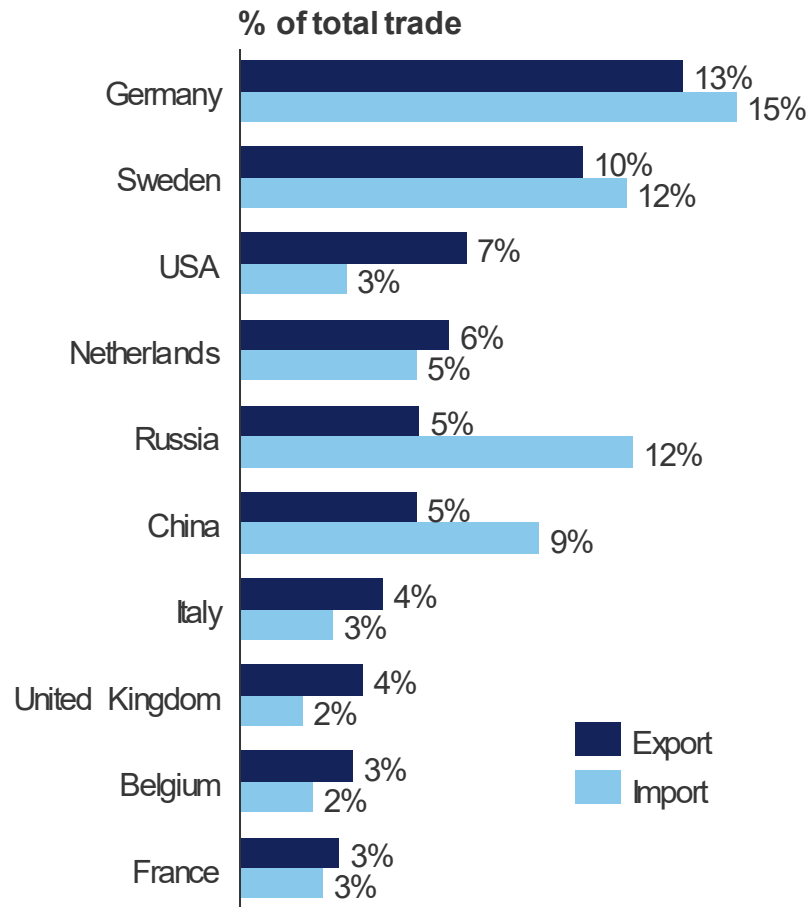
Source: Statistics Finland and Tulli – Data as of 06.10.2022

1) The largest exported service is information technology services

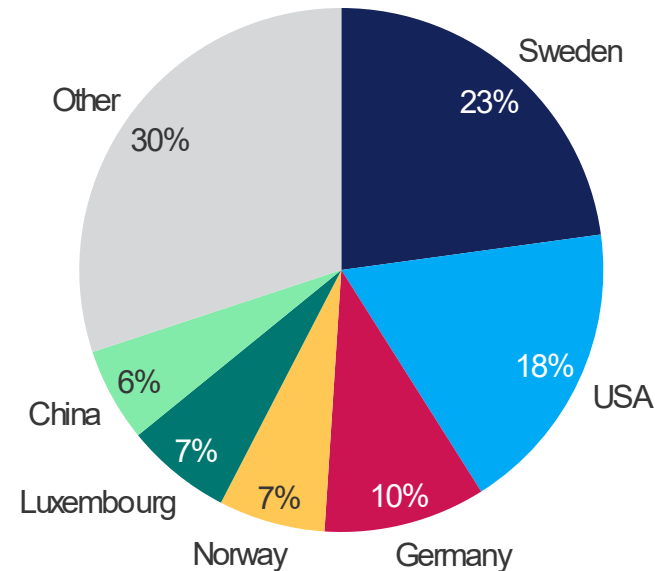
Methodology: The total import & export data was collected from Statistics Finland but the division into categories was from Tulli.

Sweden, Germany, and US are among the key partners of Finland in both international trade activities as well as FDI projects

Top 10 trading partners with Finland in 2021



Share¹ of FDI² projects in Finland by countries of origin, 2021



Comments

- Germany and Sweden are the most important countries in trading of goods for Finland – In addition, Russia accounts for a large part of goods import to Finland, mainly of raw materials (e.g. crude oil, wood, metals)
- In 2021 Finland was the most attractive Nordic country in terms of number of FDI projects – The dominant activities of these projects were sales & marketing, manufacturing and business services
- In 2021, Finland attracted 124 FDI projects (Denmark 54 and Sweden 48) – top three sectors were software and IT services, health and social work, and machinery and equipment
- Top three investing countries in 2021 were Sweden, US, and Germany

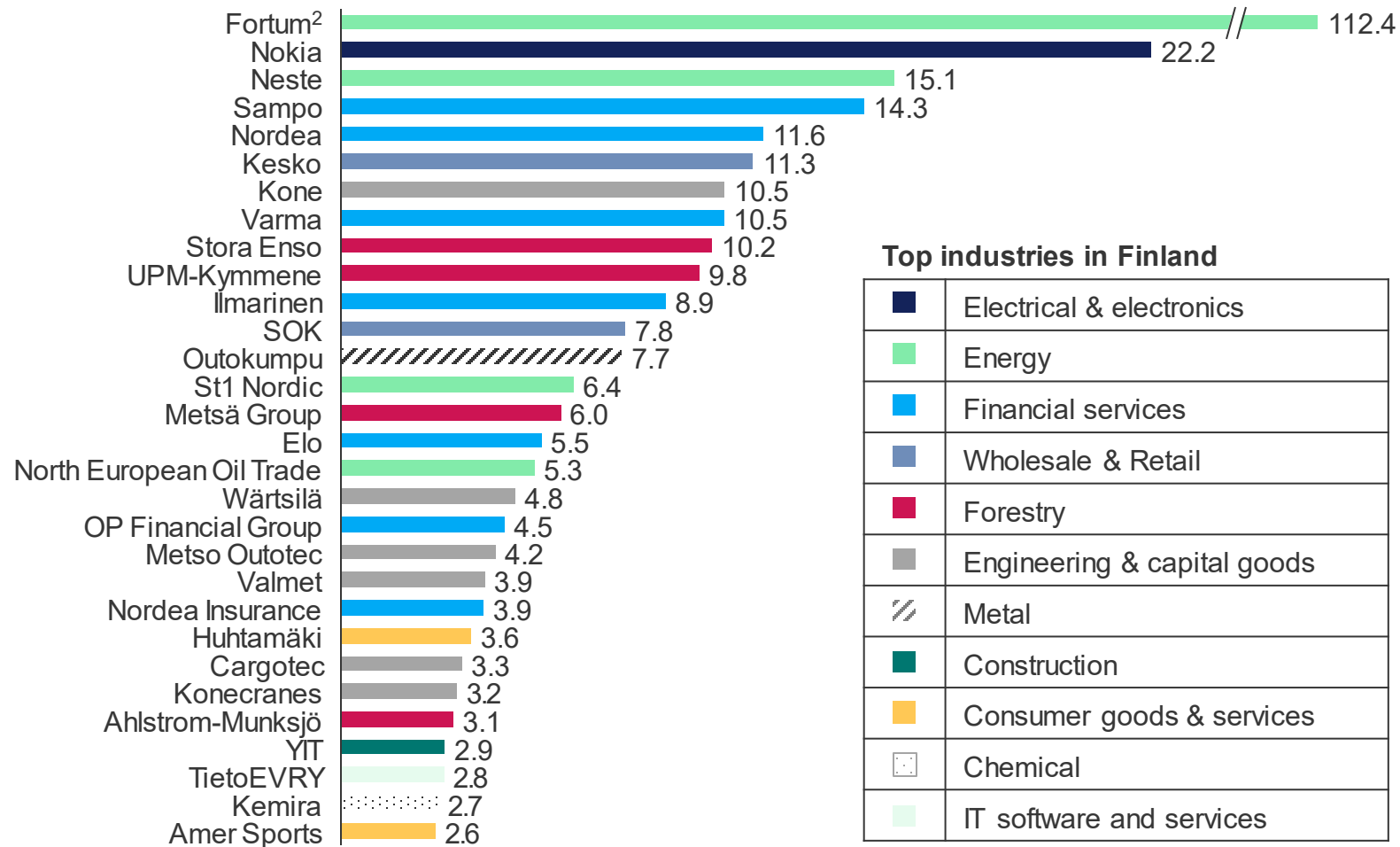
Source: Statistics Finland, EY Attractiveness Survey – Data as of 21.9.2022

1) Measured in EUR volume

2) Foreign Direct Investment

The top Finnish companies operate in a wide variety of industries – some, such as Nokia and Kone are globally known brands

Top 30 Finnish¹ companies by revenue (billion EUR), 2021



Comments

- Nokia, Kone and Wärtsilä have existed for over 100 years and are well-known companies all over the world – Nokia still maintains its top position by expanding into network infrastructure, location services and other new telecom technologies
- Finland's competitive edge in the world is its strong foundation of ICT know-how that has been highly integrated into various industries, e.g. mechanical engineering, to boost efficiency – Companies like Kone, Wärtsilä, Valmet, and Metso are examples of the world-class machinery cluster
- Top Finnish paper companies like Stora Enso, UPM and Metsä Group did not only survive digitalization, but they have leveraged digital solutions to achieve growth in new packaging materials and other innovations

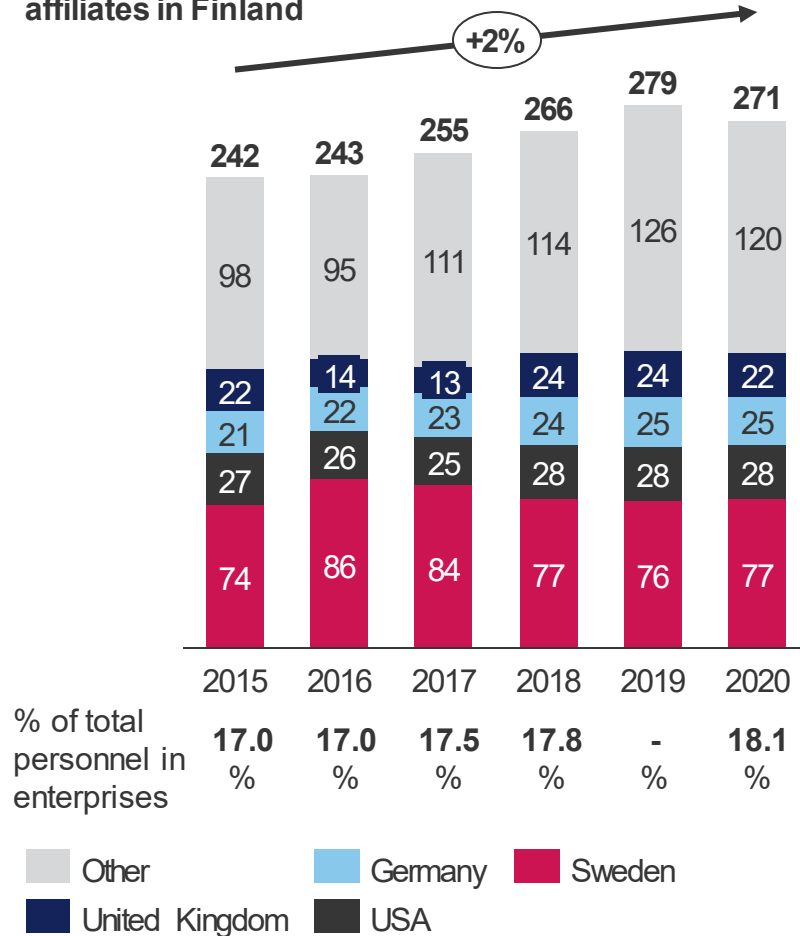
Source: Talouselämä 500 – Data as of 6.10.2022

1) Originated from Finland or headquartered in Finland

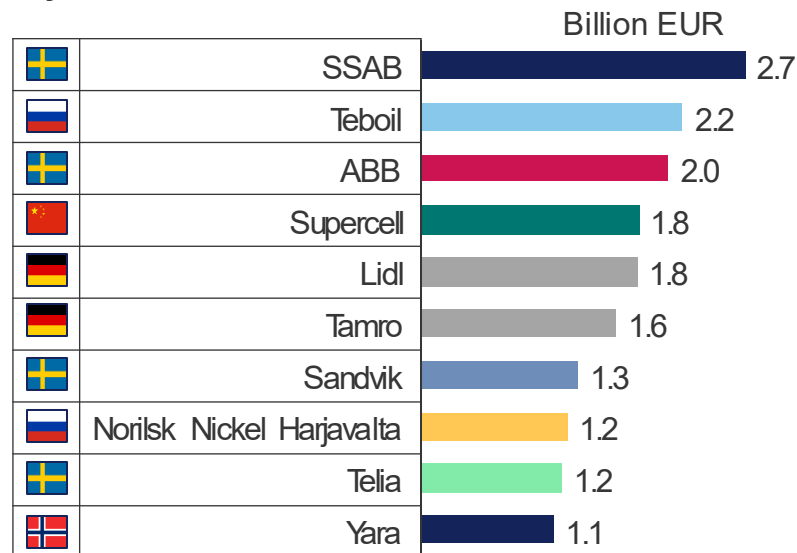
2) With Uniper deal as part of the revenue.

Employment by foreign companies has grown steadily pre-COVID – the top industries being engineering & capital goods, basic materials and construction

Growth in employment by foreign affiliates in Finland



Top 10 foreign affiliates in Finland by revenue, 2021



Top industries			
	Metal		Energy
	Electrical and electronics		Chemical
	Wholesale and retail		Constructions
	Telecoms		Gaming

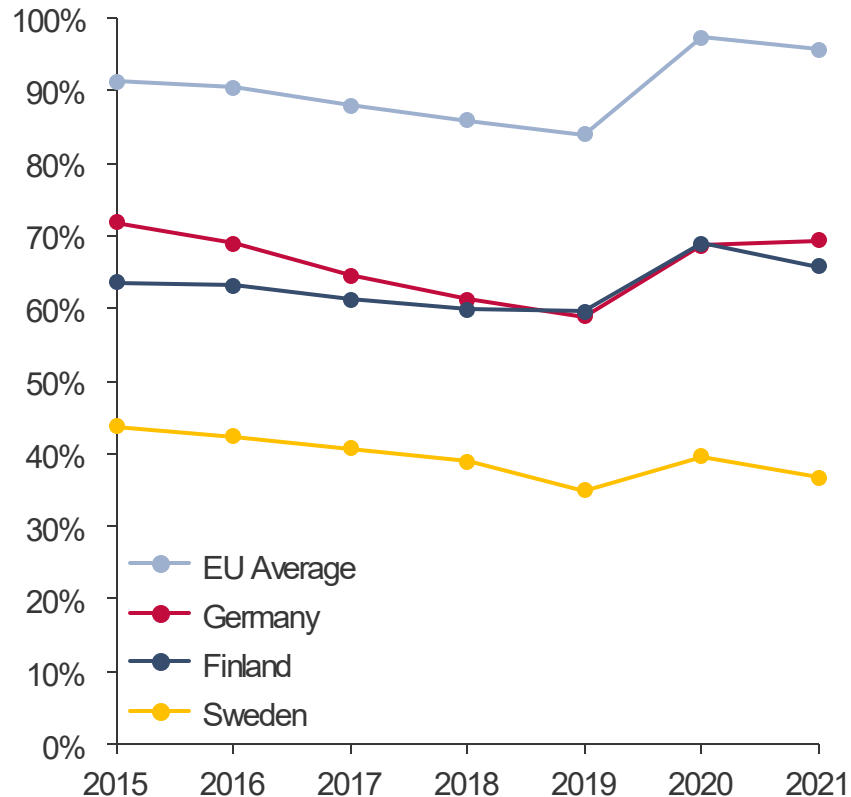
Comments

- Employment by foreign affiliates in Finland was significant and growing to 18.1 % in 2020
- Although foreign affiliates only accounted for 1% of all enterprises in Finland, they generated over 20% of value added in Finland in 2020
- The largest foreign companies are from Sweden and Germany, reflecting their importance as the dominant trading partners with Finland
- The most attractive industries to foreign companies were metal, electrical & electronics, engineering & capital goods

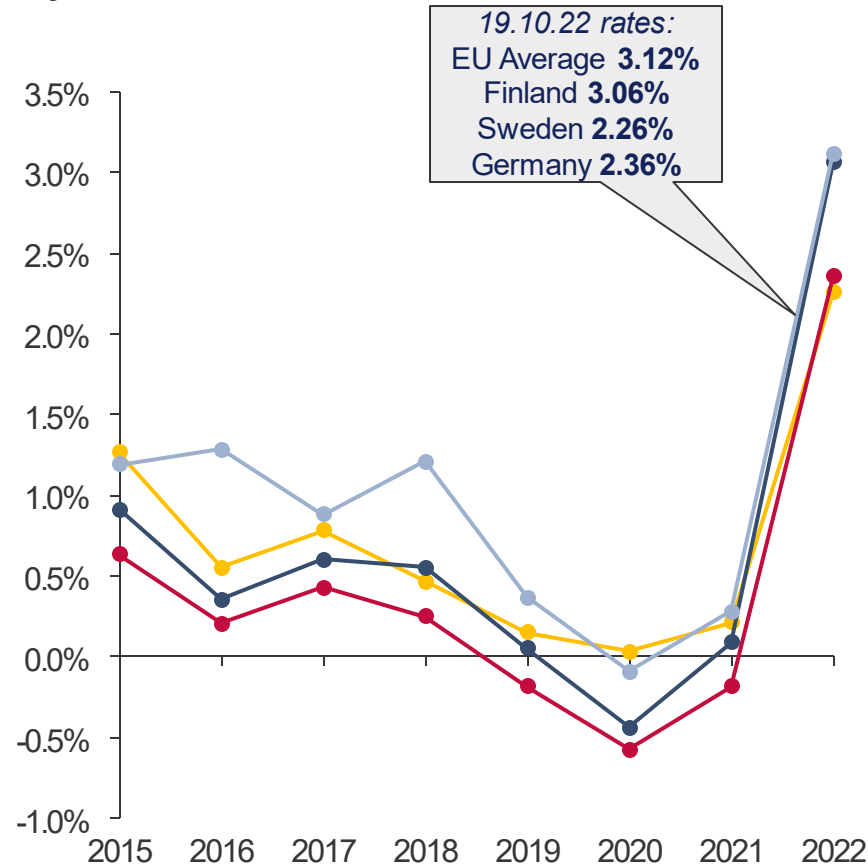
Source: Companies' websites, Statistics Finland– Data as of 06.10.2022

Similar to many countries, Finland's public debt has increased recently – at the same time, the financial market still views the country's public finance robust

Debt-to-GDP Ratio



10y Government bond rates



Comments

- At the end of October '22 Finland has 138.6 bn€ of debt which equals 24.8k€ per capita
- Both S&P and Fitch have rated Finland AA+ (second highest, stable outlook) for the long term; for the short term, Finland has given the highest rating
- The strength of Finland's public sector is assumed to sustain the country's Debt-to-GDP ratio that is higher than the median in other AA+ rated countries
- According to bond rates, investor confidence in Finland is somewhat behind e.g. Germany and Sweden but below the EU average

Source: World Government Bonds, ECB Statistical Warehouse, Finland's Treasury, Fitch



AUGUST



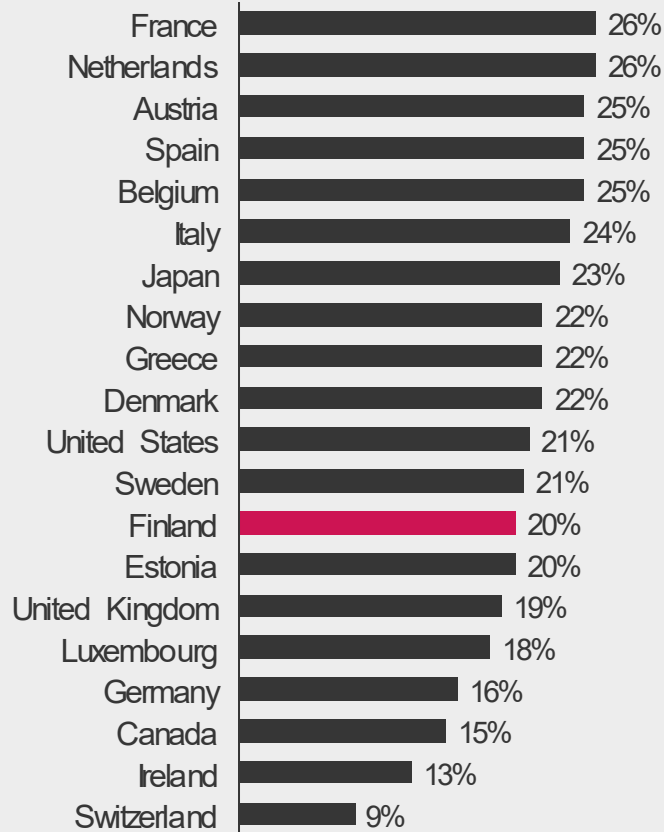
DOING BUSINESS IN FINLAND



Finland is an attractive country for business investments thanks to e.g. its low corporate income tax and relatively low annual average wage

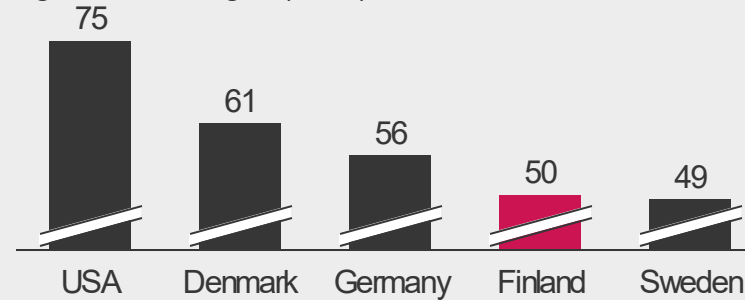
Examples of actions taken to boost economic growth

Corporate income tax rate, 2022

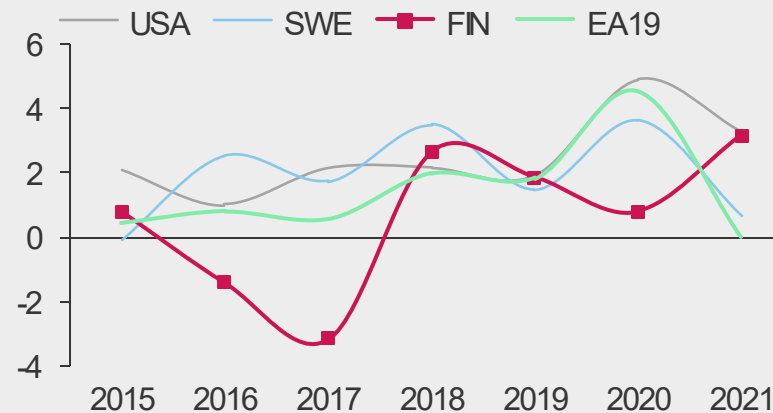


Labor cost comparison

Average annual wage¹ (USD), 2021



Annual % change in unit labor costs



Comments

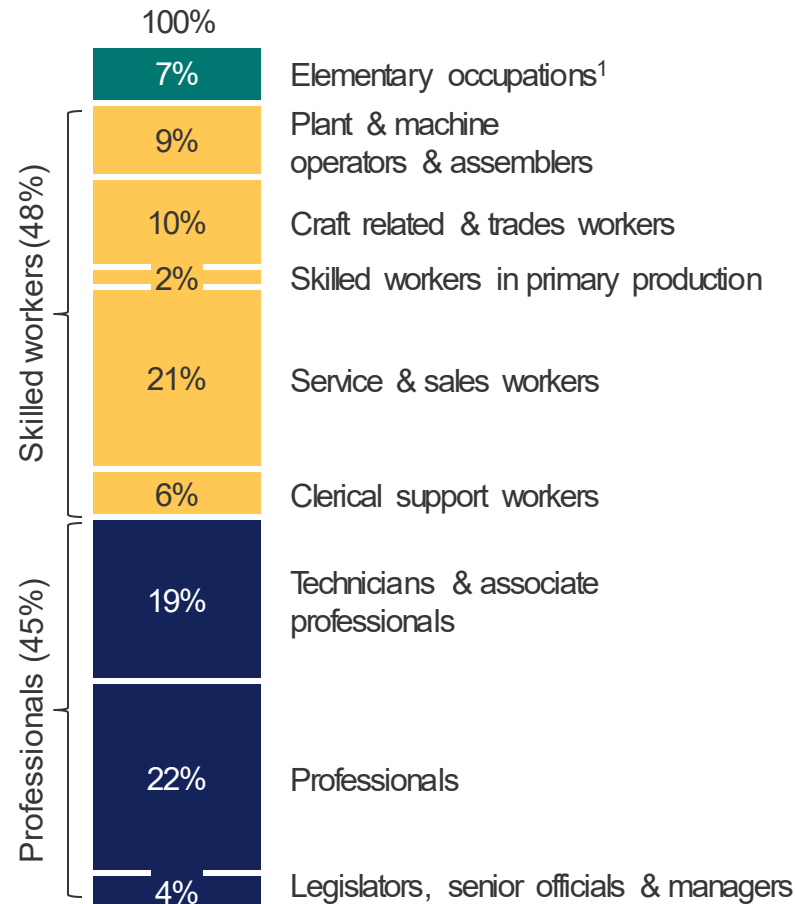
- Finland has maintained its corporate tax rate at 20% since 2013, positioning itself among the G7 and EU15 countries with low corporate tax rates
- Finland's average annual wage is similar to Sweden's but lower than the other benchmarked countries
- Finland has controlled its unit labor cost via e.g. the competitiveness pact in 2016
- Global Innovation Index 2021 recognized Finland as the No. 1 business environment in the world (and 7th in the overall innovation index)

Source: OECD, Finnish Ministry of Finance, World Economic Forum, Global Innovation Index – Data as of 06. 10. 2022

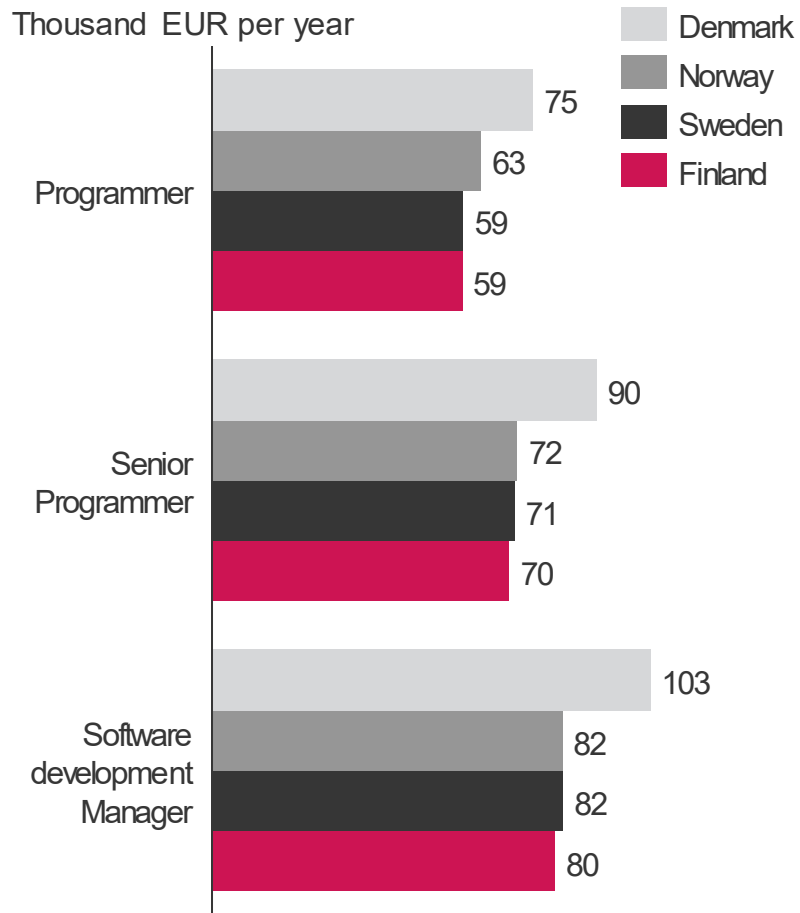
1) In 2021 constant prices at 2021 USD PPPs

>90% of Finnish workforce are skilled workers & professionals – some top skills are offered at modest labor costs compared to other Nordic countries

Employment by occupation in Finland, 2019



Examples of labor cost by technical skills in Nordic countries, 2020



Comments

- Finland has a talented workforce, 93% of which are skilled workers and professionals
- 45% of the Finnish workforce has managerial and professional positions, which generally require tertiary educational qualifications
- The talented workforce is the result of high-quality education that is offered for free to everyone at all qualification levels, including post-graduate researchers
- Furthermore, compared to other Nordic countries, Finland's top IT skills are offered at the most competitive labor costs

Source: Statistics Finland, Helsinki Business Hub, fDI benchmark by Financial Times – Data as of 14.9.2020

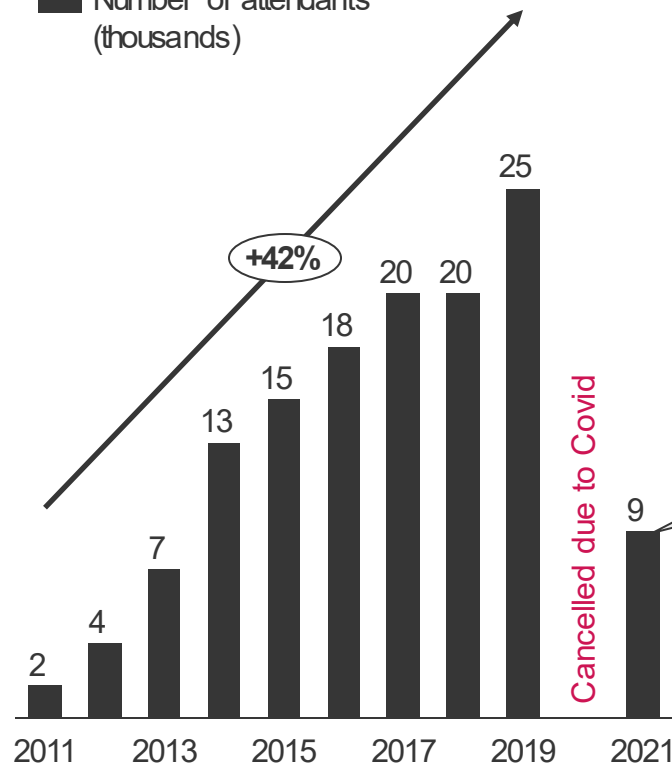
1) Elementary occupations include cleaners, laborers in agriculture, forestry & fishery, mining, construction, manufacturing and transport, food preparation assistants, and other elementary workers

Finland hosts one of the world's biggest start-up events Slush, and has increasingly attracted investments to its active start-up ecosystem

Slush expansion



■ Number of attendants (thousands)

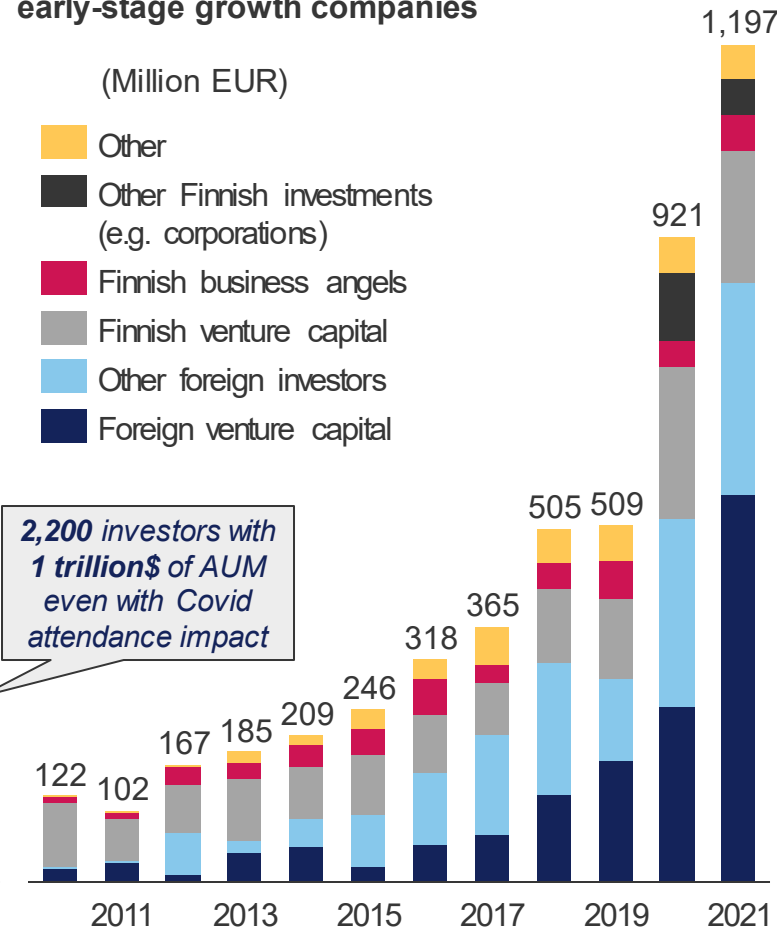


Investment in Finnish start-ups & early-stage growth companies

(Million EUR)

■ Other
 ■ Other Finnish investments (e.g. corporations)
 ■ Finnish business angels
 ■ Finnish venture capital
 ■ Other foreign investors
 ■ Foreign venture capital

2,200 investors with 1 trillion\$ of AUM even with Covid attendance impact



Comments

Recent investment highlights



2022: €500m
Data-driven retail planning solutions



2022: €200m
Open source database platforms



2022: €131m
Microsatellite manufacturer



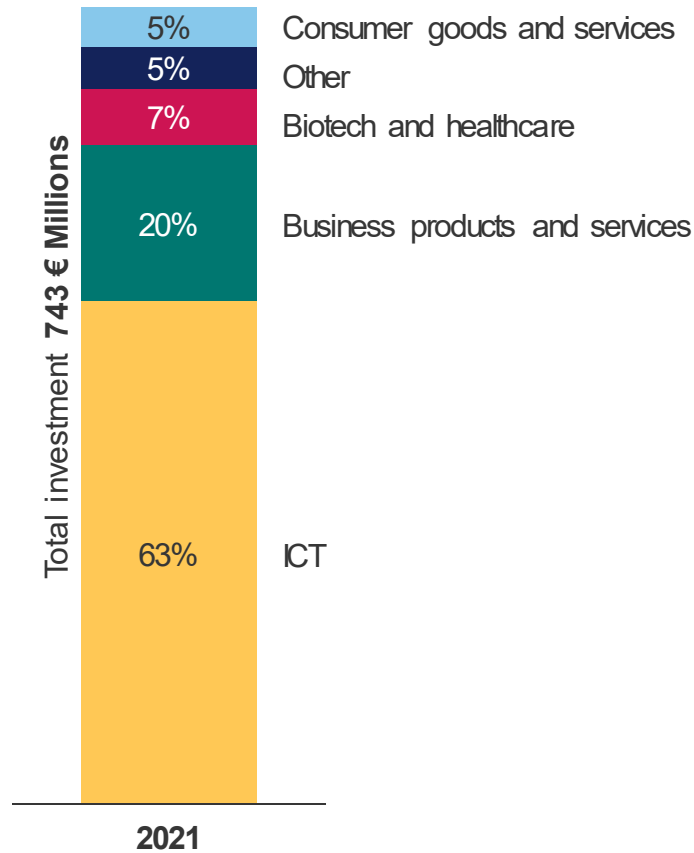
2022: €108m
Circular economy marketplace

- “Helsinki is the hotbed for world-conquering innovations and an ideal testing ground for bold new ideas” (Scale Cities)
- With the original aim to showcase European technological skills to the world, the Finnish start-up event Slush has remarkably grown its participation more than ten folds during the first 5 years to become the biggest of its kind in the Nordics
- Finland has increasingly attracted investment from abroad, showing global confidence in Finnish start-ups and growth companies at an early stage

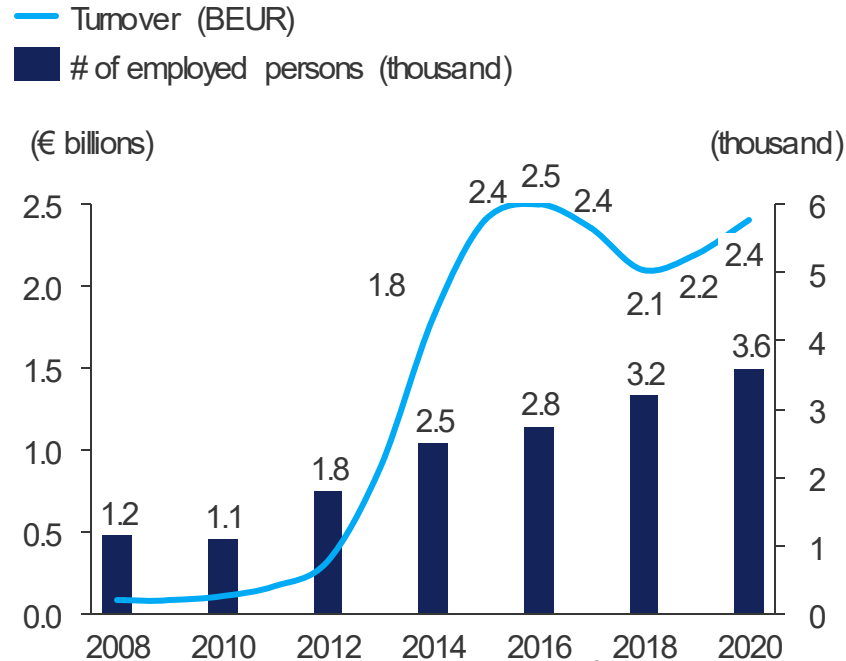
Source: Slush, Finnish Business Angels Network (FIBAN), Finnish Venture Capital Association (FVCA), Company websites – Data as of 07.10.2022

Most VC investment goes to Finnish start-ups in tech – for example, Finland is considered a gaming superpower in the world

Finnish & foreign VC investment in Finnish companies by industry



Revenue of the gaming industry core¹



Finland has recently attracted ~20% of its game developers from foreign countries – The proportion is expected to increase as a lot of effort is being made to simplify the process of hiring foreign talents

Comments

- In the Finnish bustling start-up scene, ICT is the most attractive industry for both entrepreneurs and VC investors owing to strong know-how in advanced mobile technologies, which started with Nokia
- Unsurprisingly, the most popular gaming start-ups like Rovio and Supercell were founded by former Nokia employees
- Although the industry's revenue declined after its peak of 2.5 BEUR in 2016, the revenue is increasing again and the Finnish gaming industry is still one of the three biggest game developer countries in Europe with growing employment power, especially of foreign talents

Source: Finnish Venture Capital Association, Neogames, – Data as of 07.10.2022

1) Including revenues of companies providing game development and gaming services

Competitive incentives offered by Finnish government and EU are widely available for companies investing in Finland

Investing in Finland

- Foreign-owned companies in Finland are eligible for a wide range of government and EU incentives on an equal footing with Finnish-owned companies
- “Invest in Finland”, the official investment promotion agency, and their national network help companies to find out more information about the different forms of incentives and the contacts they need to apply for them
- To illustrate the magnitude of these investments, in the state budget for 2022, the total appropriations for R&D activities are nearly 2.5 BEUR, 0.95% of the Finnish GDP
- For more information, please visit businessfinland.fi

Examples of incentives

Investment, land & infrastructure incentives



- Growth Capital by **TESI** (Finnish Industry Investment), a 100% state-owned equity investor with a mission to invest in growth and develop Finland’s venture capital industry
- Loans and guarantees by **Finnvera**, a specialized financing company owned by the State of Finland as well as the official **Export Credit Agency (ECA)** of Finland
- **ELY Centres** coordinate business aid in Finland and provide advisory, training, and expert services as well as funding for investment and development projects

Research & Development incentives



- **Business Finland** provides various types of R&D funding with low interest and grants to companies (from start-ups to large corporates), research organizations, and public sector service providers in Finland
- Funding includes e.g. R&D and piloting fund, innovation voucher, innovative public procurements to enable companies to develop products or services, production methods, and business models

Training and employment incentives



- Training and employment services are offered by **TE Centers**, the Employment and Economic Development centers of Finland
- Examples: recruitment, improvement of business efficiency and management skills, updating of staff skills, new employee training

Tax incentives



- In addition to moderate tax rates, **tax incentives** are offered for companies operating in Finland:
 - Tax-free shares of non-listed companies to employees (since January 2021)
 - Additional tax deduction on R&D sub-contracting (2021-2027), when collaborating with universities or research institutes
 - Double depreciation on machinery and equipment (in tax years 2020-2025)

In recent years, we have witnessed several companies successfully expanding their operations to Finland

Examples of success stories about foreign companies in Finland



GE Healthcare expands its operations in Finland (2022)

As the pandemic increased the demand for medical equipment, GE Healthcare rapidly ramped up production at its Helsinki manufacturing plant. GE Healthcare set up a manufacturing site in Finland already in 2003, today the plant is accompanied with a R&D site.



Microsoft announced plans to build a new datacenter region in Finland (2022)

In March 2022, Microsoft announced that it intends to build a new datacenter region in Southern Finland. In collaboration with Fortum, the datacenters are designed to supply carbon-free district heating, which to date will be the world's largest data center waste heat recycling scheme.



Suzano, the world's largest pulp producer, partners with the Finnish textile industry disruptor Spinnova (2021)

Finnish sustainable material innovation company Spinnova and a Brazilian pulp producer Suzano are establishing a joint venture and making an estimated €22 million investment for building the first commercial scale SPINNOVA production facility in Jyväskylä, Finland. Spinnova's sustainable fibre is created out of wood, and later on also from waste, and is available for global textile brands in 2022.



Bayer is building a new pharmaceutical facility and modernizing existing production plant (2021)

Bayer is building a new state-of-the-art pharmaceutical facility in Turku, alongside the modernization of their current plant, which was established already in the 1960s. This investment of €250 million is one of the largest in Finland in recent years.

SCHAEFFLER



Schaeffler, global automotive and industrial supplier, developed a condition monitoring system with its Finnish partners (2020)

German company Schaeffler, ~14 BEUR of revenue and over 80,000 employees, developed its new condition monitoring solution OPTIME together with its Finnish partner network. In 2019 Schaeffler established a R&D team for its Industrial IoT solutions in Jyväskylä, Finland.

SIEMENS

Google will expand its data center operations in Southern Finland (2019)

Google (2019) will double the EUR 600 million investment to expand its data center operations in Hamina, southern Finland, which was announced in May 2019. Google is also investing €247 in two Finnish wind power projects that will produce a total of 250 MW of electricity.



Siemens pilots virtual power plants in Finland (2019)

Siemens, a German multinational conglomerate company, pilots virtual power plants in Finland by developing Vibeco (Virtual Buildings Ecosystem), an innovative approach where buildings are connected in a microgrid to support the decentralized energy systems of the future.

Telia Company and the energy company Fortum plan to recover waste heat from Telia's new data center in Helsinki (2018)

Opened for business in June 2018, Telia's EUR 160 million facility is the largest open data center in Finland and provides services for Finnish and international companies and organizations. The ambitious plan aims to heat 20,000+ homes from the waste heat of the data center.

Finland has it all for your next big venture

Strong ICT know-how & innovation culture

Competitively priced, talented workforce

Vibrant start-up scene

Well-functioning public sector

Source: Business Finland



FINLAND AS A LEADER IN SUSTAINABILITY

Finland ranks No. 1 in the world in terms of sustainable development – the most important improvement area going forward is climate action

Finland's performance against the UN Sustainable Development Goals (SDGs)

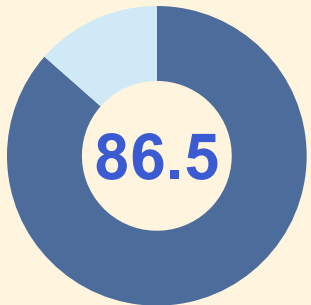
Overview

SDG Index Rank

1 /163

Finland's ranking globally in implementing the UN's Sustainable Development Goals

SDG Index Score



Finland's index score that gave it the first place

Status and trend per SDG

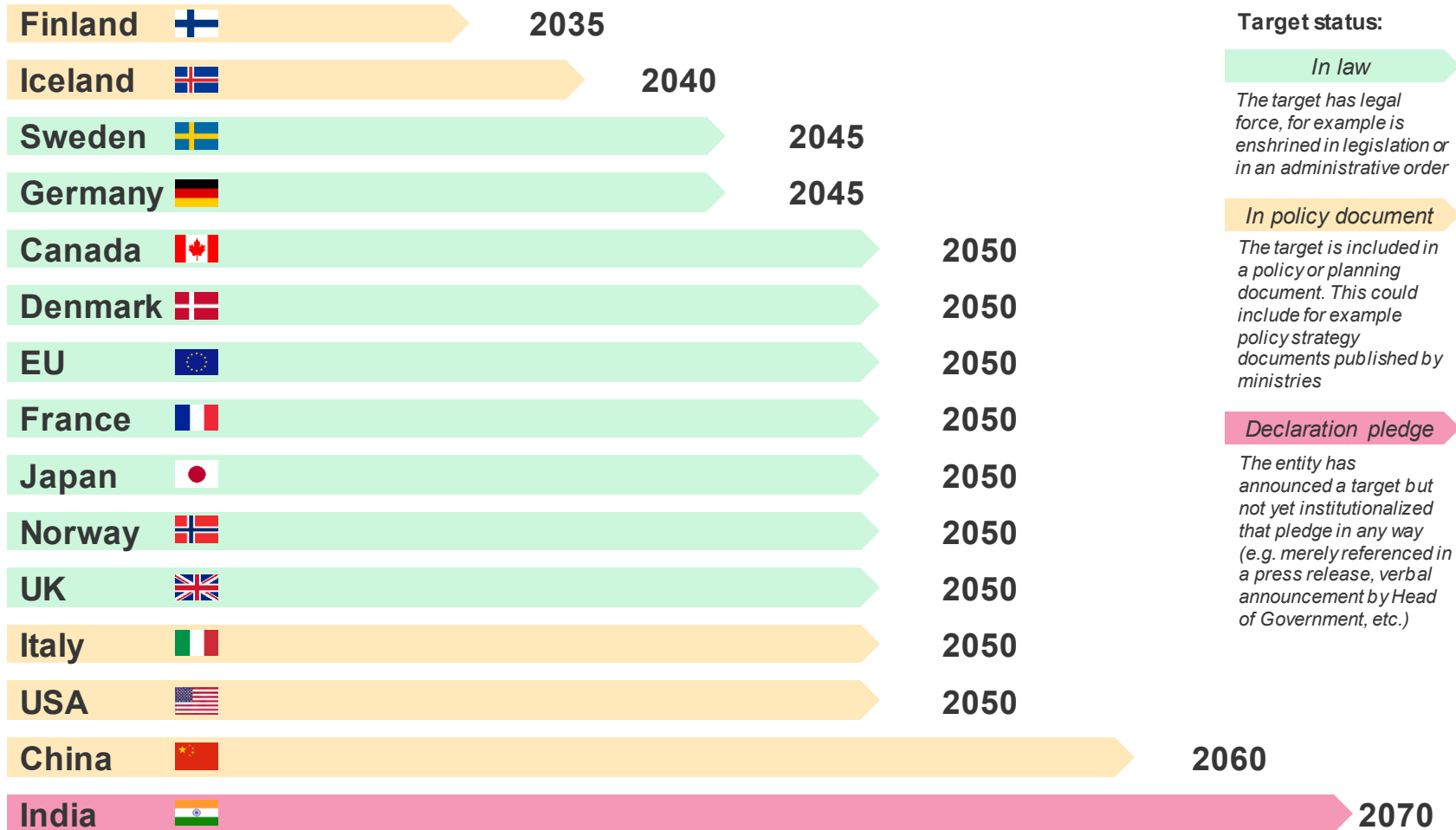


SDG status: ● SDG achieved ● Challenges remain ● Significant challenges remain ● Major challenges remain

Trends: ↑ On track or maintaining SDG achievement ↗ Moderately improving → Stagnating ↓ Decreasing

Finland is poised to be the first welfare society with net zero emissions by 2035

Net zero emission targets and target status in selected regions¹



Comments

- Finland aims to become carbon neutral soonest of all welfare societies, which is partly made possible by the significant size and diversity of the country's carbon sinks
- Forests and the land use sectors should sequester 21 million tonnes of carbon dioxide emissions in 2035, currently they are a net source of emissions
- The Finnish Ministry of Environment has set forth a number of actions to achieve the goal, including:
 - New climate policy decisions
 - Aiming for nearly emission-free electricity and heat production by 2040
 - Reducing the footprint of construction
 - Promoting a circular economy
 - Pursuing a climate-friendly food policy
- Meanwhile, the focus of taxation will shift towards emphasizing environmental harm
- The decline in biodiversity will be halted by reforming legislation and increased funding for the protection of biodiversity

Source: Eciu.net and Net Zero Tracker (which both gather their data from governmental sources), Finnish Ministry of Environment

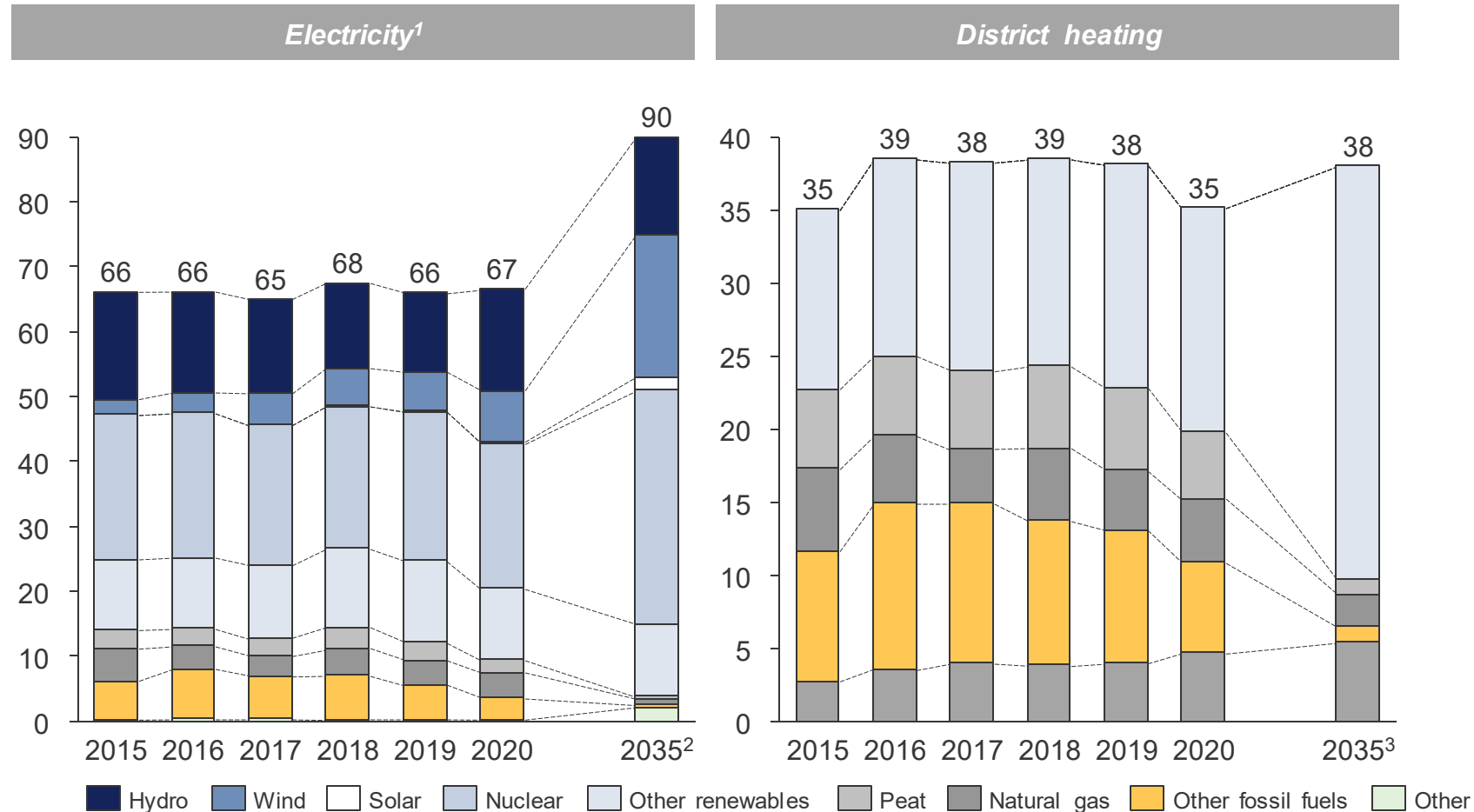
1) Regions have been selected to show Nordic peers and the EU average for a larger peer pool. G7, India & China were selected to get a view of how the larger economies have set goals



AUGUST

Finland has high ambitions for the transition to renewable energy...

Energy production volume in Finland by energy source (TWh)



Comments

- As Finland aims to be carbon neutral by 2035, energy production has had to largely transitioned away from fossil fuels already
- Most electricity – 86% in 2020 – is already produced with fossil free sources
- District heating, the most common source of heating for buildings in Finland, is also transitioning from fossil fuels and peat to renewable energy sources
- Going forward, the total volume of electricity is expected to increase significantly (from ~67 TWh to ~90 TWh during 2020–2035) – this is mainly driven by expected increasing production volumes of nuclear and wind power
- Despite the good positioning in the green transition, Bank of Finland expects the energy crisis to weaken the growth in Finnish economy due to rise in energy prices and high inflation rate

Source: Statistics Finland, Finnish Energy, Ministry of the Environment, Bank of Finland, August analysis

1) Excluding electricity import

2) Other renewables, peat, natural gas, fossil fuels, and other are based on estimated electricity production by CHP plants in 2035 multiplied with the estimated shares of different energy sources in heat production in 2035

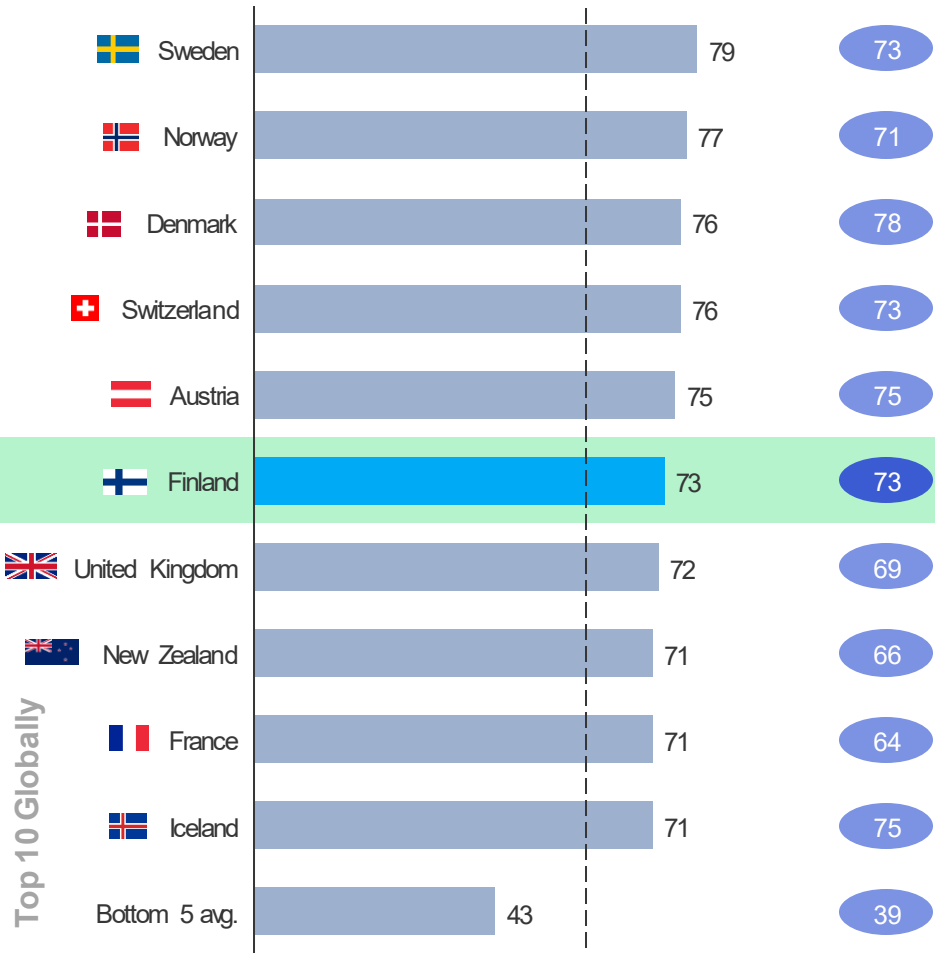
3) Volumes by energy source are based on DH's expected total production volume in 2035 and DH's expected fuel consumption by energy source in 2035



AUGUST

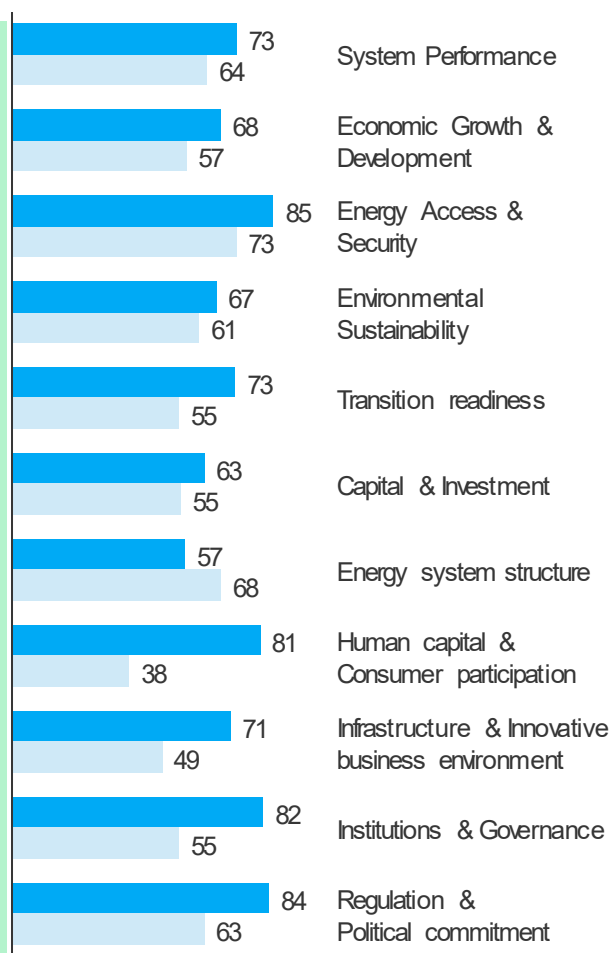
...and is assumed to have the will and means to make the change happen

Energy Transition Index and Transition Readiness (ETI, 2021)



Source: The Energy Transition Index and its supporting materials published by the World Economic Forum

ETI country indicator scores (Finland)



■ Finland's score ■ Global average

Comments

- The Energy Transition Index (ETI) benchmarks 115 countries on the performance of their energy systems in the transition to clean energy; here, Finland ranks 6th globally
- An important part of the ETI is the Transition Readiness sub-index which measures the will and capability for change; here, Finland ranks 3rd globally
- Energy system structure is the only area in which Finland is below the global average, which means that the share of renewables is not yet on the desired level
- Finland stands out most against the global average related to human capital, institutions, infrastructure and regulation, all of which represent areas that have been highlighted as Finland's strengths also in other parts of this presentation (i.e. beyond sustainability)

To reach carbon neutrality and biodiversity targets, Finland has put into effect a variety of regulatory changes to support investments in certain areas...

Examples of Finnish regulatory changes and areas of governmental investment funding to support sustainability

To obtain a carbon neutral welfare society and halt the decline in biodiversity, Finland has introduced regulatory changes...

...which together with considerable funding aims to mobilise significant green transition investments in specific focus areas to build emission-free energy systems, circular economies as well as other climate and environmental solutions

Changes associated with Finland's Recovery and Resilience Plan

- ✓ Amendment to the Climate Change act (anchoring the 2035 net zero target into law)
- ✓ Reforms to the Waste Act (increasing targets for reuse and recycling)
- ✓ Reform of energy taxation (to promote cleaner technologies)

Prioritization of permit and appeal procedures in key sectors

- ✓ Regional administration prioritizing projects in:
 - Renewable energy
 - Low-carbon hydrogen production
 - Electrification of industry
 - Carbon capture and utilization
 - Battery industry



Clean energy production, including solar power, offshore wind energy, low-carbon heating of buildings, biogas and waste heat recovery



Industrial circular economy solutions and low-emission innovations, e.g. investments in hydrogen technology and circular economy demonstration plants



Green transportation, e.g. public charging infrastructure for electric vehicles



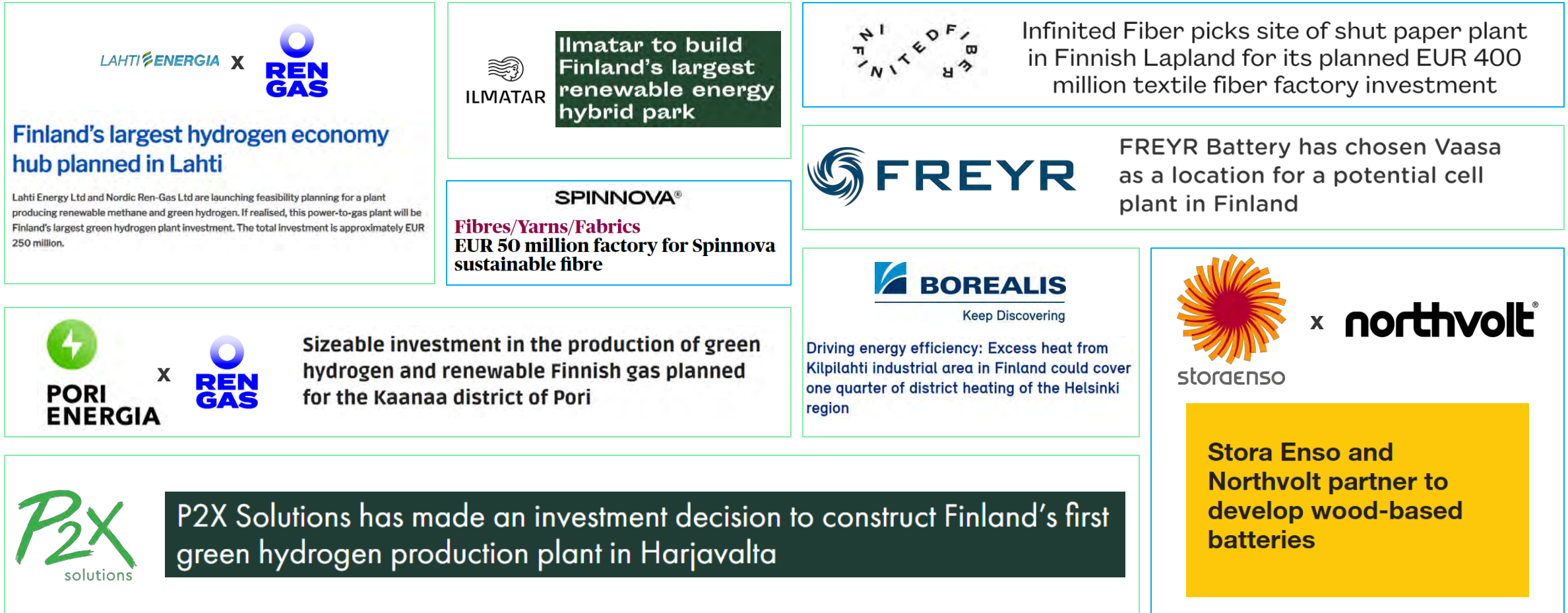
Adoption of new technologies, services and practices in the **construction sector**



Nature-based solutions, such as gypsum treatment of arable land to reduce the nutrient load in the Baltic Sea

...and a range of large-scale investments have been announced in the energy and materials space to further enable sustainable development

Examples of recent sustainability related investments in Finland



Source: company websites

Legend

energy

material



AUGUST

In addition, the relationship and concerns of Finns towards nature stand for a driving force towards a more sustainable future

In the country of thousands of lakes, 188 000 to be exact, nature is an integral part of the Finnish life. 49% of Finns annually spend time in a summer cottage and in the winter over a third spend time skiing. This close relationship translates into care and sustainable thinking.



110%

is the amount the ETI index (from the previous slide) scored Finland above the global average in human capital and consumer participation



87%

find nature an important part of their life



75%

believe that everyone should make more responsible choices



74%

are worried about the state of the environment and biodiversity



70%

of Finns are willing to pay a premium price for sustainable products



62%

are willing to change their consumption patterns and lifestyle to preserve the environment



FINNISH SOCIETY AND PEOPLE



Finland has outstanding public infrastructure to smoothly facilitate daily economic activities and enhance the Finns' standard of living

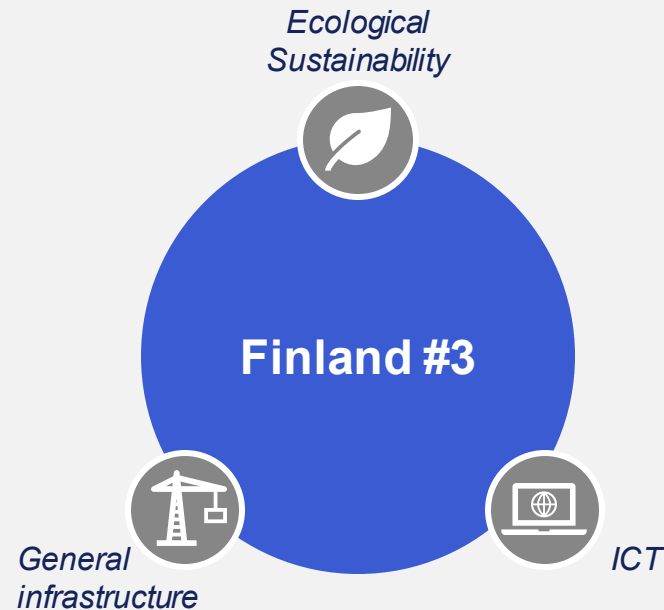
Finland has an environment to be proud of

A country known for its many lakes and forests ranks high in multiple environment related indexes



Finland has an excellent infrastructure

The Global Innovation Index 2022 ranked Finland as the country with the 3rd best infrastructure in the world, aggregated from the three dimensions below



Finland has exceptional digital performance and competitiveness

Finland ranks highest in the European Commission's "Digital Economy and Society Index" in 2022, aggregated from the four dimensions below



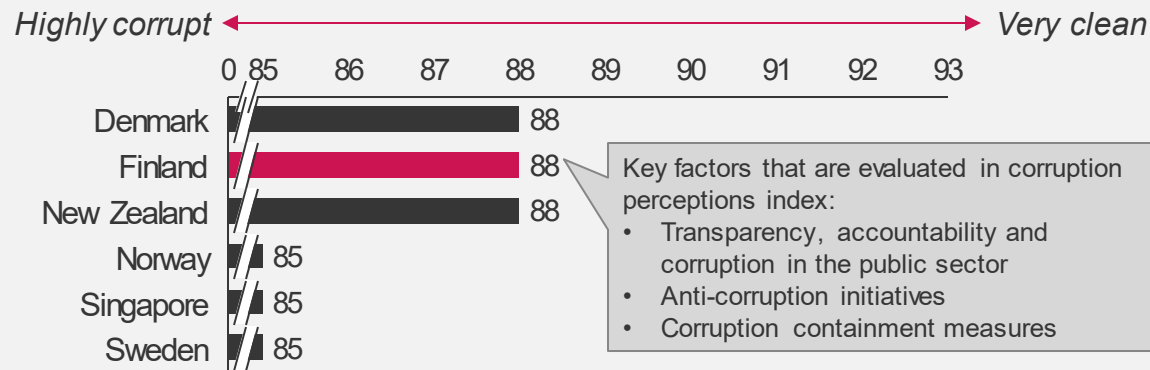
Source: Eurostat, World Economic Forum, European Commission, WIPO, WHO, The Water Poverty Index

1) The price includes electricity's basic price, transmission, system services, meter rental, distribution and other services, and excludes taxes and levies

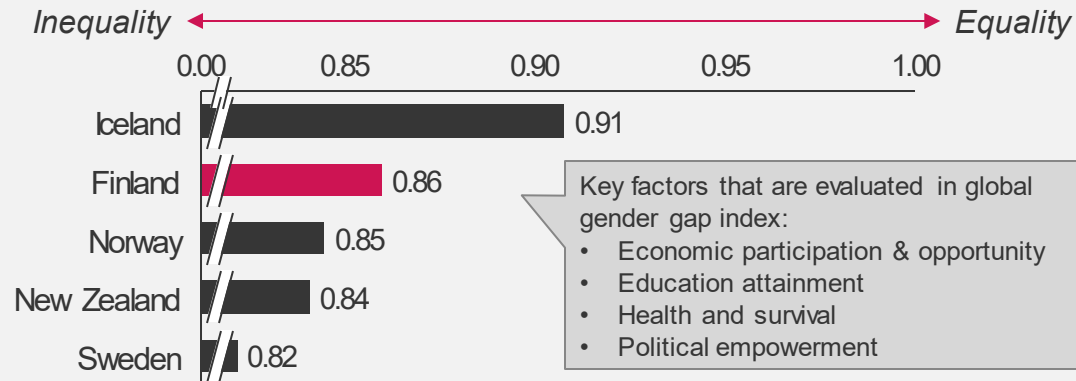
Finland promotes a just and equal society, enabling a high standard of living

Finland is a country of social justice and equality...

World's top countries with lowest corruption perceptions index, 2021

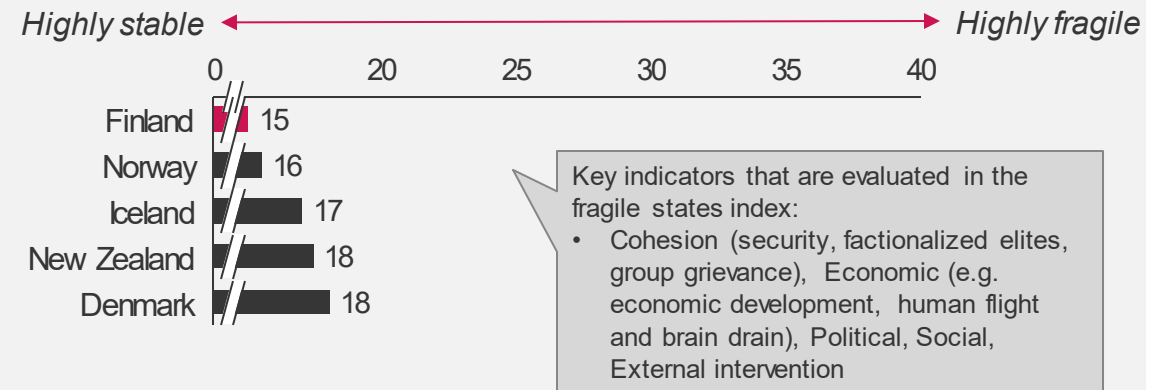


World's top-5 countries based on global gender gap index, 2022

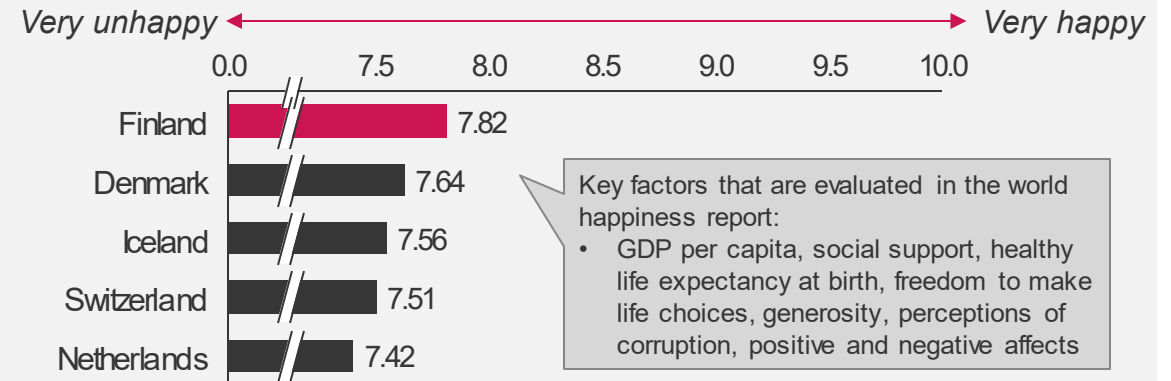


... and has been named the most stable and happiest country in the world

World's most stable countries by fragile states index, 2022



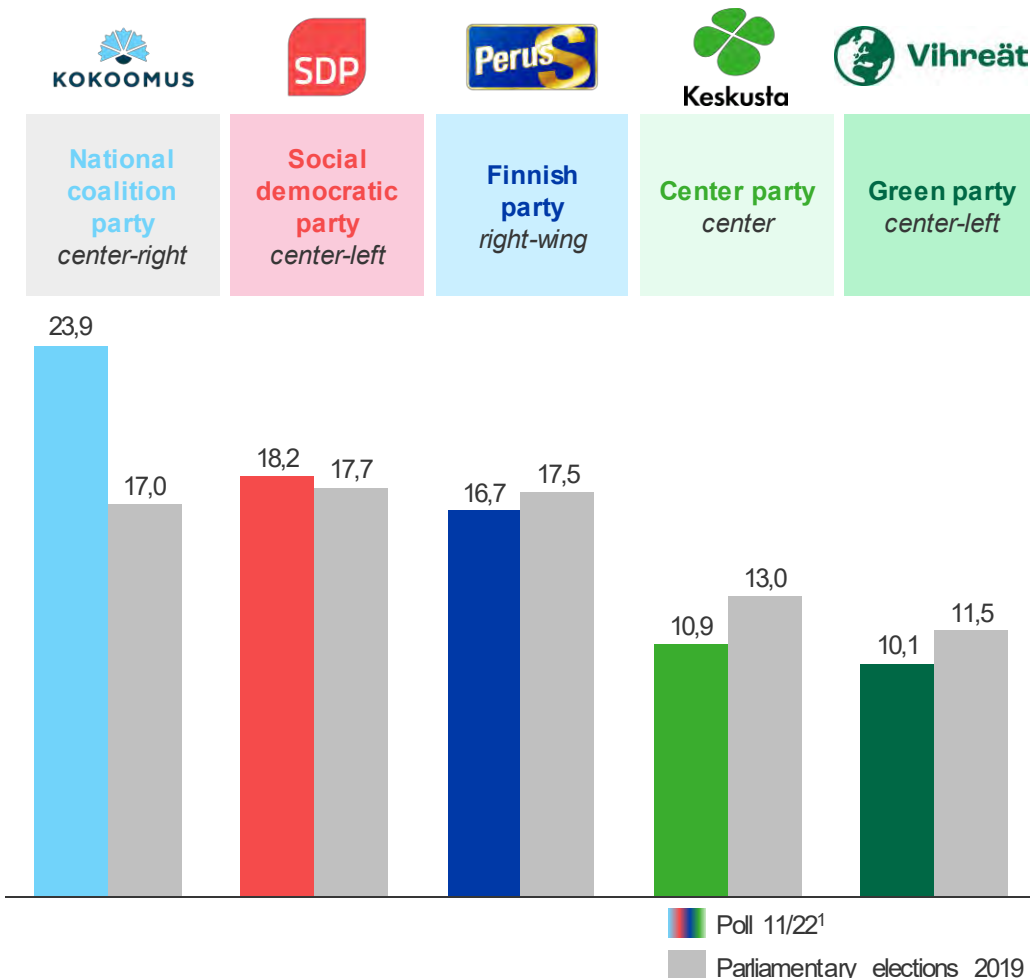
World's top-5 countries ranked by happiness, 2019-2021



Source: Transparency International, World Economic Forum, Fund for Peace, World Happiness Report – Data as of 10.10.2022

Finland has parliamentary elections coming next year - the center-right Coalition party has good momentum at the end of 2022

Outlook of party popularity



Content based on insights by BLIC

1) It is too soon to make predictions on the composition of the next government, as polling numbers tend to fluctuate during the months preceding elections. The polling trends, however, have been comparatively stable during the past six months and are thus reflected in the surveys published in November.

Recap of current cabinet

- The current Marin Cabinet is a left-wing coalition formed by the **Social Democratic Party**, the **Center Party**, the **Green Party**, the Left Alliance, and the Swedish People's Party. The cabinet has become rather personified around its popular leader, PM Sanna Marin of the **Social Democratic Party**.
- PM Marin has managed to implement a few significant reforms: 1. 18 new "wellbeing regions", to which the arranging of healthcare services has been delegated. 2. Finland has applied to NATO under the lead of Marin, 3. and the government has implemented reforms in social policy, family policy, and education.
- The cabinet has faced multiple crises: the COVID-19 pandemic and Russia's invasion of Ukraine. Thus, it has been forced to solve and react to urgent crises rather than being able to focus on conventional policy-making and pushing its broader political agenda.

Forecast of next election

- Finnish voters head to the polls in early April '23.
- Based on surveys published in 2022, the two most likely government coalitions are a "broad coalition" built around the **Coalition party** and the **Social democrats**, or a right-wing coalition built around the center-right **Coalition party** and the right-wing populist **Finns party**. Both combinations will require backing from smaller parliamentary parties.
- The two most likely candidates for PM are moderate social reformist Petteri Orpo, chair of the **Coalition party**, and current Prime Minister Sanna Marin, whose platform centers around ambitious environmental and egalitarian policies.
- Currently, the agrarian **Center party** has positioned itself as an opposition within the government, causing turmoil and challenging the unanimity of government policies. Traditionally one of the three most influential parties in Finland, it is likely to face unprecedentedly low support in the elections. This might call for changes in the policies and leading personnel in the party during 2023.

The economy, security, environment, immigration and wellbeing regions are on top of the political agenda for the coming term

Five issues to be most likely covered during the next governmental cycle

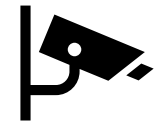
Economy

Both domestically and internationally there is a gloomy economic outlook. This prompts governmental actions to balance the public finances and think of the population's purchasing power and costs of living with a special focus on energy prices. A combination of readjusted taxation, austerity measures, and selling the of state property will be undertaken. However, how these measures will be weighed depends on the electoral outcome.



Security

Security, both in terms of defense and foreign policy, but also in terms of internal security. This is due to the rising attention paid to street-gangs and increasing violence in Finnish urban areas. Finland's role in NATO and Russia are likely to dominate foreign and defense policy debates.



Environment

Given that the European Commission continues its path against deeper integration and union-wide, ambitious environmental policies, the parliament is likely to disagree on how far union-wide integration and environmental policies are to be taken. Particularly the Finnish party and the Center party are likely to oppose the stance of the more environmentally ambitious parties in parliament.



Immigration

Immigration policies will cause tension, particularly if the Finns party is part of the coalition. This is due to most parties seeking increased immigration of skilled labor force in order to fix the shortcomings in competent personnel in e.g., healthcare and tech-industry, while the Finns fiercely oppose increased immigration.



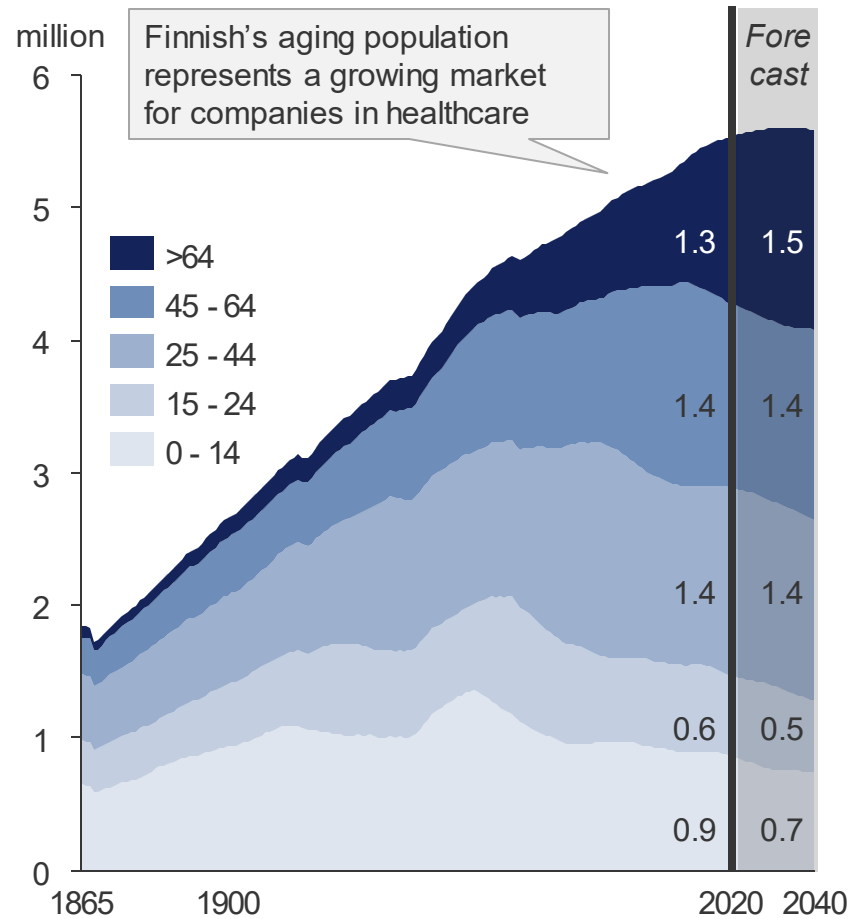
Wellbeing regions

The financing and operations delegated to the new wellbeing regions, that will be launched in January 2023, will continue to be debated. There are many open questions, e.g., the possibility of granting taxation rights to the wellbeing regions is still an open question, and thus also the financing of the areas more broadly.

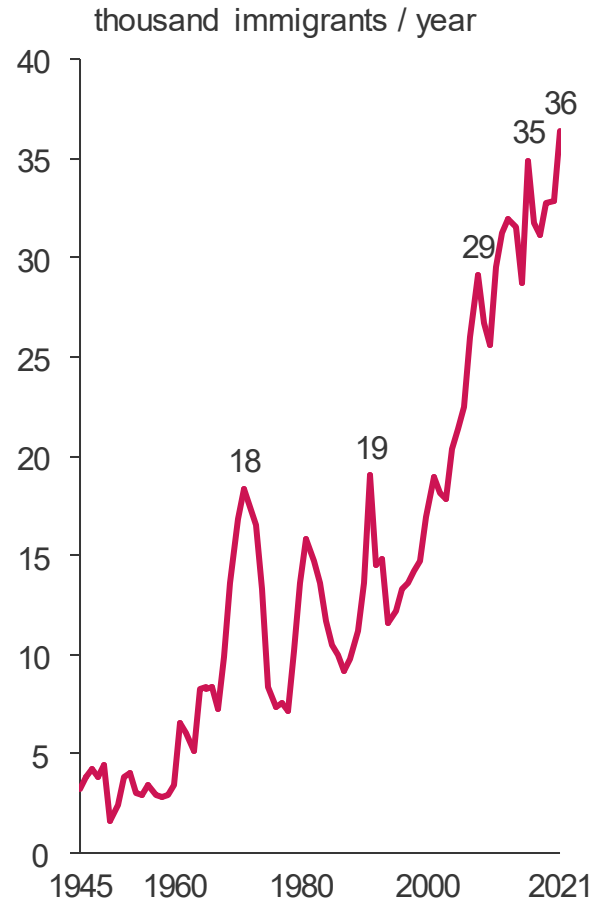


The Finnish population is getting older, immigration is on the rise and urbanization is increasing in the Helsinki region

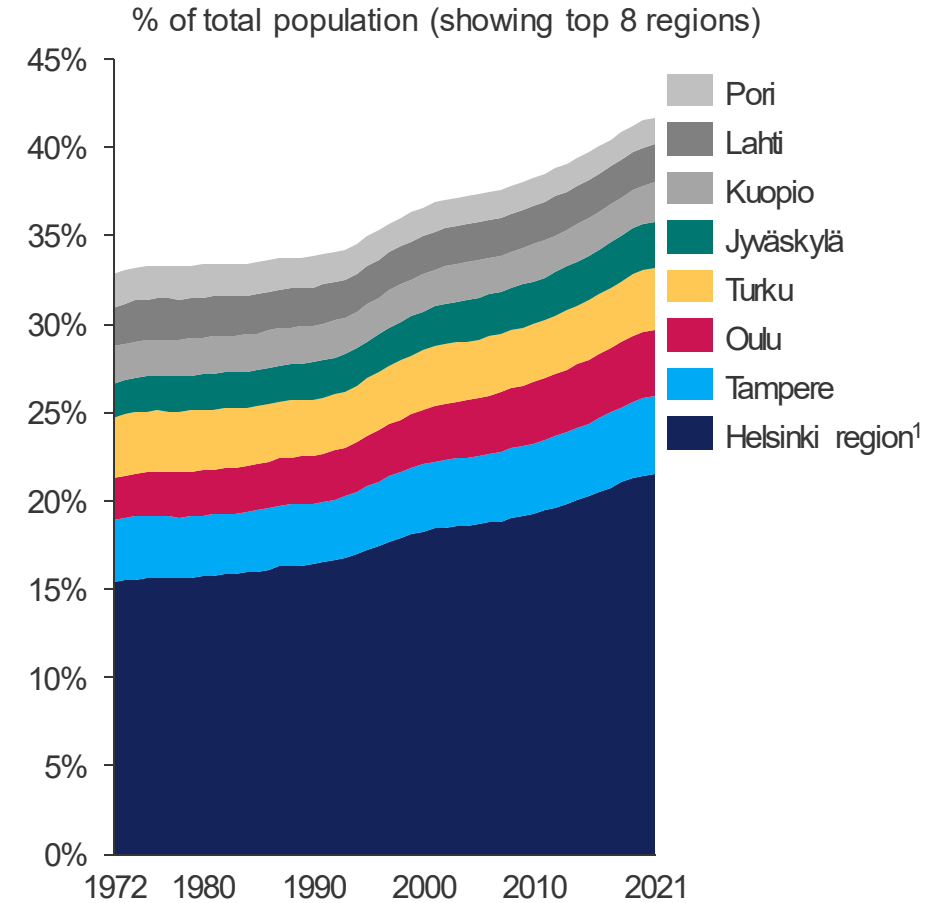
Population development by age group



Immigration development



Population development by region

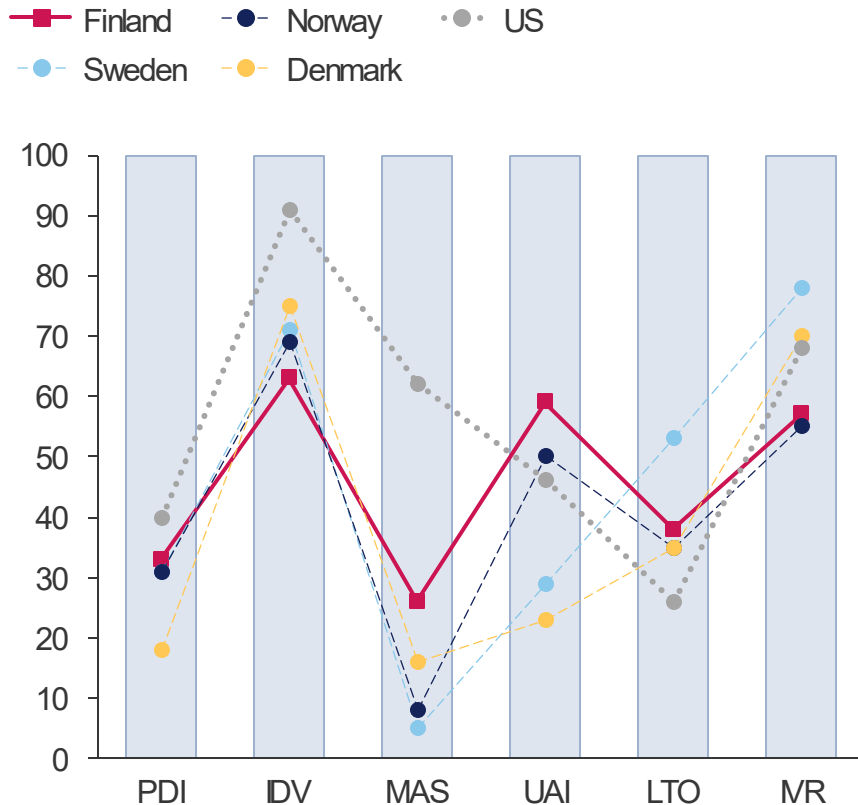


Source: Statistics Finland – Data as of 10.10.2022

1) Including Helsinki, Espoo and Vantaa

Finns are rather individualistic, independent and non-hierarchical with respect for tradition and a need for stability

Hofstede's cultural dimensions of Nordic countries and USA



Source: Hofstede Insights

Finns in a nutshell

Power Distance Index (PDI)

Independent, and non-hierarchical – Power is decentralized, and hierarchy is for convenience only. Superiors are accessible. Attitude towards managers are informal and on first name basis. Managers facilitate and empower their team members. Communication is direct and participative.

Individualism (IDV)

Rather individualistic – High preference for a loosely-knit social framework. Individuals are expected to take care of themselves and their immediate families only. The employer/employee relationship is a contract based on mutual advantage, hiring and promotion decisions are supposed to be based on merit only.

Masculinity (MAS)

Rather consensus driven (sympathy for the underdog) – Finns value equality, solidarity and quality in their working lives. Incentives such as free time and flexibility are favored. Focus is on well-being while status is not shown. Finns are considered too masculine for their Nordic neighbors but too feminine for Americans.

Uncertainty avoidance index (UAI)

Preference for structured approach – Finns prefer predictability and security in their life and career in general. Time is money, people have inner urge to be busy and work hard. Precision and punctuality are the norm. Sudden changes are not appreciated.

Long term orientation (LTO)

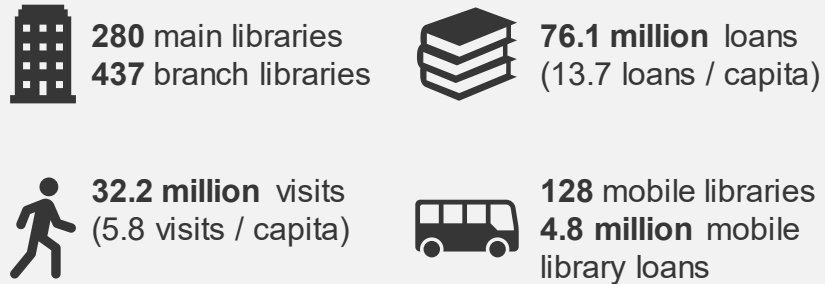
Rather normative – Finns tend to have a strong concern with establishing the absolute Truth; they are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results.

Indulgence (IVR)

Relatively indulgent – Finns generally exhibit a willingness to realize their impulses and desires regarding enjoying life and having fun. They possess a positive attitude and have a tendency towards optimism. In addition, they place a higher degree of importance on leisure time, act as they please and spend money as they wish.

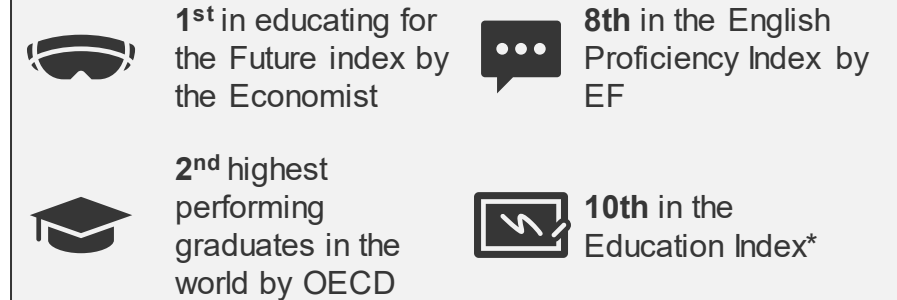
A typical Finn is well educated, visits public libraries, speaks English, craves mobile data and drinks a lot of coffee

Finns are avid readers and library users

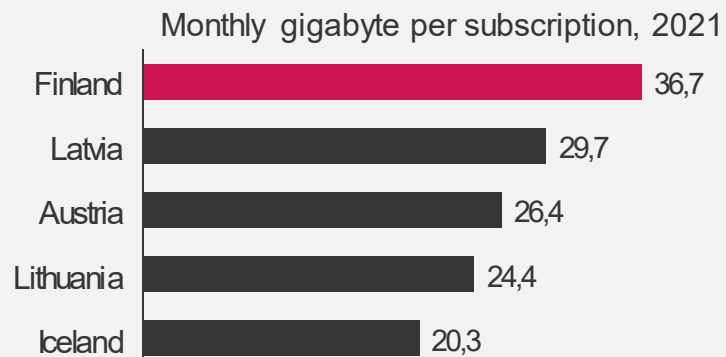


Population: 5.5 million (all figures in 2021)

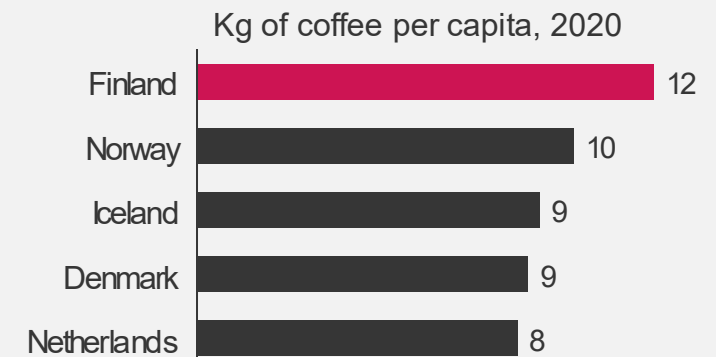
Finns speak English fluently and are highly educated



Finns use the most mobile data



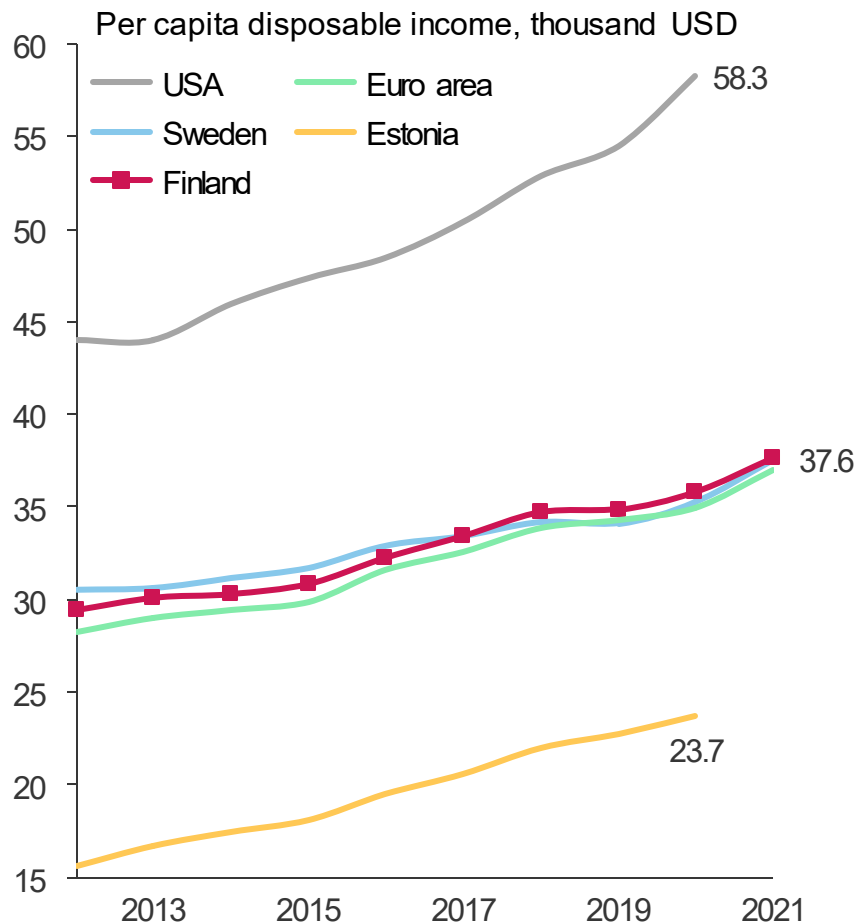
Finns consume the most coffee in the world



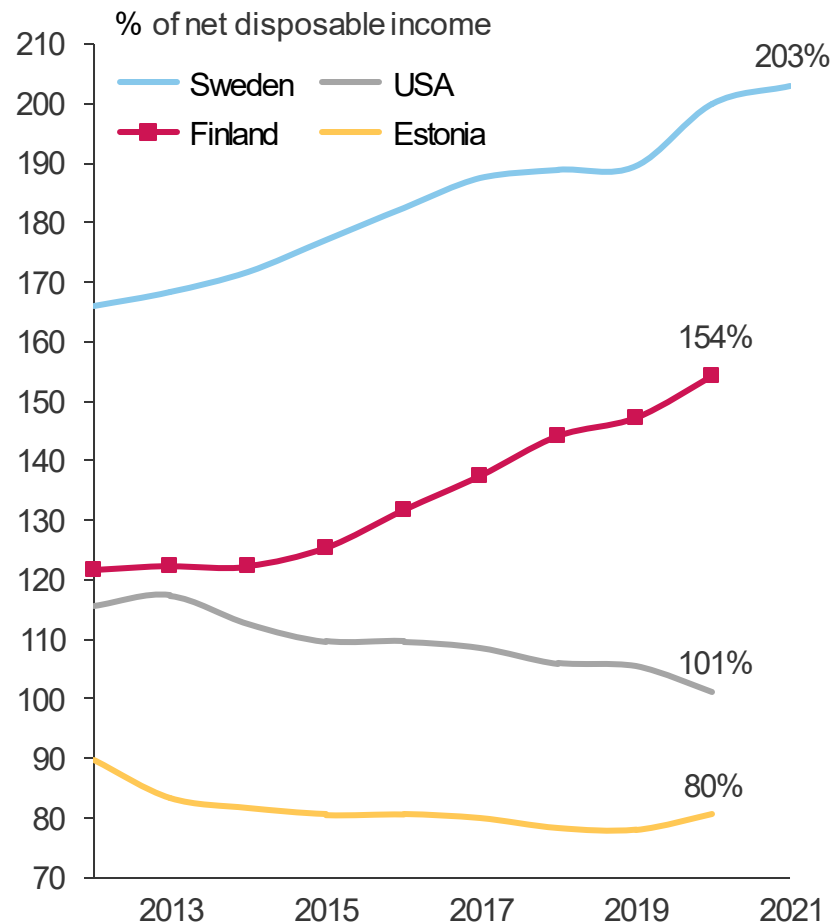
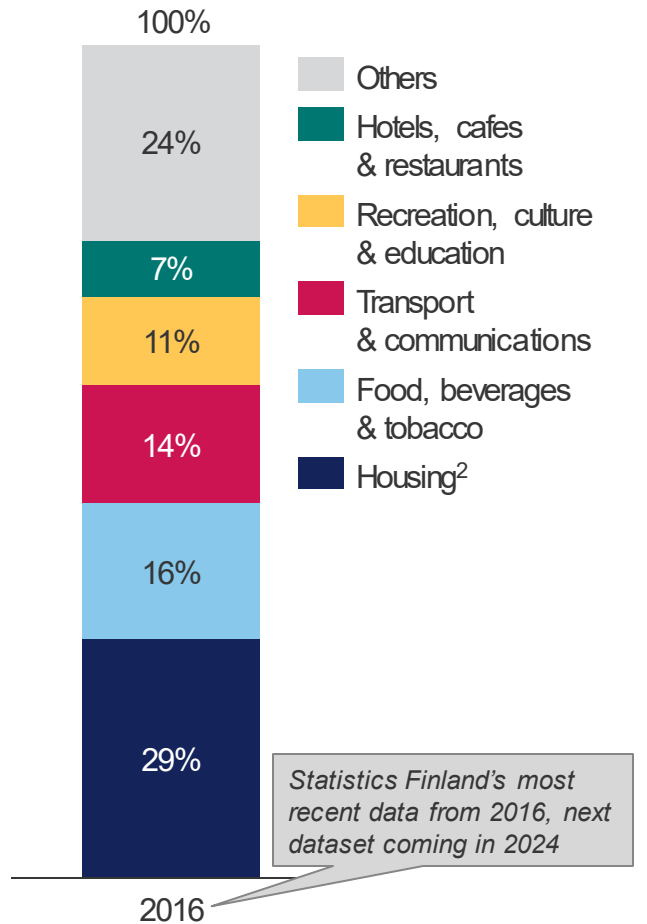
Source: Finnish Ministry of Education and Culture (2021 statistics), OECD, Education First, WorldAtlas – Data as of 11.10.2022

*Which is part of the Human Development Index

A typical Finnish consumer earns ~37 600 USD, is indebted for ~150% of disposable income and spends ~30% of total expenditure on housing annually

Household income¹ of benchmark countries

Household debt of benchmark countries

Finnish household's consumption²

Source: OECD, Statistics Finland – Data as of 11.08.2020

1) Gross adjusted at current prices and Purchasing Power Parity rates, including social transfers in kind

2) Including rent, maintenance, water, power and dwelling related services

An aerial photograph of a modern urban park in Finland. The park features a large, multi-level green space with winding concrete paths. Many people are seen sitting on the grass and walking along the paths. To the right, there is a large, modern building with a prominent glass facade and a green-tinted upper section. In the background, a traditional church with a tall, pointed spire is visible among other city buildings. The sky is blue with scattered white clouds. A large white heart icon is positioned to the left of the text.

♥ LIVING IN FINLAND

Finland is highly praised for life quality and competitiveness in the world

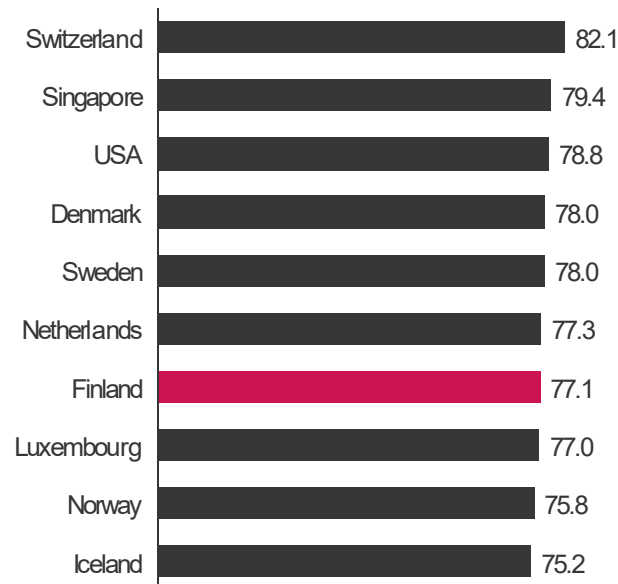
Finland's Better life index¹ (out of 10)



Key drivers in OECD Better life index (2020)

- Life satisfaction: country's own evaluation
- Environment: water quality and air pollution
- Safety: safety at night, homicide rate
- Education: years in education, educational skills & attainment
- Community: social support network

Global talent competitiveness index



Key drivers in global talent competitiveness index (2020)

- Enabling of R&D and ICT
- Attractive quality of life and environment
- Growth in education and employment
- Retaining by social welfare and healthcare
- Utilization of work force skills
- Ability to build global knowledge

Examples of expats' views about Finland

"... three weeks paid paternity leave to free health care to free higher education, ... as if I've moved to a different planet..." (*American expat in Pedagogy*)

"... Finland is beautiful and safe, and Finns are super friendly... Also, the second-best thing in Finland is the surrounding innovation environment..." (*German expat in med-tech*)

"... Finns are naturally well-mannered and quiet ... I admire that aspect of their national character. Cultures like mine have a lot to learn from Finland!" (*English expat in Education*)

"... The country's highly educated workforce, a world-renowned education system and the government's thrust on promoting entrepreneurship are some of the reasons to rejoice. These are, however, just a few wonders of Finland, I am sure my list could go on ..." (*Indian expat in Media industry*)

...

Source: OECD, Insead, Adecco & HCL, Hel.fi, Taught by Finland, Kauppalehti, Helsinki Times

1) Does not include all the indices from OECD better life index

Life in Finland is exciting, modern, and yet peaceful and close to nature

Without any sky-scrapers, Helsinki is still considered a modern city where life is enhanced by advances in science and technologies



Wandering in the forests is something that everybody living in Finland does – it's the best place to meditate and appreciate all the gifts from Finland's generous nature



Life in the summer cottage is essential to Finns – it is the place to relax in the quiet of the forest, connect with families and friends, swim in the lake, eat barbequed food and enjoy the magical white nights... And the list goes on

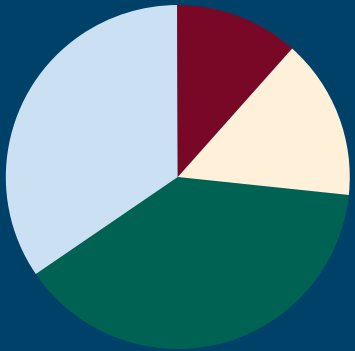


The mesmerizing aurora borealis and the mythical Santa Claus village in Northern Finland are only a few of the wonders that Finland has to offer

A scenic view of a city with historic buildings and autumn foliage. The background features a large, ornate building with a green copper roof and a central tower. To the right is a brick building with a dark roof and dormer windows. The foreground is filled with trees displaying vibrant autumn colors in shades of orange, yellow, and red. The sky is filled with soft, white clouds, suggesting a sunset or sunrise. Overlaid on the left side of the image is a red and white icon of two hands shaking, symbolizing a partnership or agreement.

**AUGUST IS YOUR LOCAL
CONSULTING PARTNER**

**Since
2001**



**19/
30**

Two decades of
sustained impact.

In all major business
and industry sectors.

For most major
corporations in
the market.

**Locally
rooted,
globally
connected**

**Through
perfect mix**

**Fit for
Purpose
advice**

By leveraging local
experience with leading
international expertise
and knowledge.

Of senior expertise
with fresh thinking,
commitment,
enthusiasm and
analytical firepower.

Through employing
the most suitable
means and resources
for each job.

AUGUST

August has the credentials to be your local consulting partner in Finland

YOUR POSSIBLE NEED RELATED TO FINLAND

Business due diligence

Market entry strategy

M&A screening

... and many more

Our credentials to help:

As the leading local strategy consultancy in Finland ...

... we know the Finnish market inside out



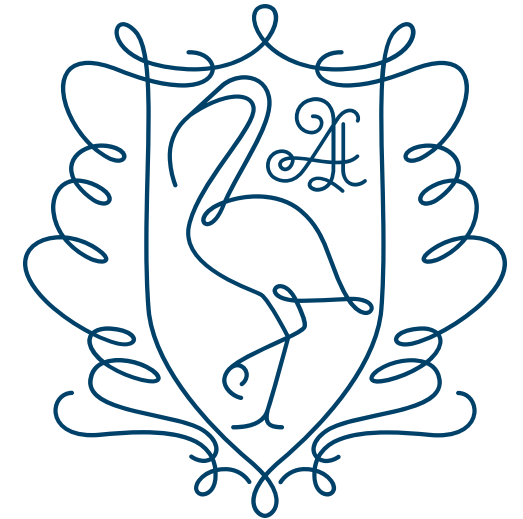
... we possess top-notch expertise in doing business in Finland



... we are locally rooted and strongly positioned in the Finnish business network



... we work with leading Finnish companies to keep them on top





AMCHAM
FINLAND



**AMCHAM FINLAND IS
YOUR LOCAL BUSINESS NETWORK**

AMCHAM FINLAND



As the voice of international business, Amcham is committed to building a competitive business environment in Finland and creating sustainable transatlantic business ties through diverse networks, superior quality programs and cross-industry advocacy.

MEMBER BENEFITS



Access and influence by improving the operating environment for international business in Finland through our policy and advocacy work

Education and inspiration for your leadership team through Amcham events, networks, and activities



Exclusive networking and best practice sharing opportunities in English

Success in the U.S.A. through 1:1 facilitation, transatlantic insights, and ongoing support

Thrive in Finland

Join the most international business network in Finland, and access the following exclusive benefits designed to help your business succeed:

- **Country Manager Network** sessions every 3 months. Peer-to-peer best practice sharing & networking with fellow country managers, managing directors and executive-level business leaders in a trusted environment
- **Facilitated strategic introductions** to Amcham members and stakeholders
- **Option to influence decision-makers** by attending working groups on business critical topics from FDI to Talent
- **Tailor-made crash courses** on Finnish politics and Business culture to international leaders
- **Reliable insights and information** regarding international business best practice and policy in Finland



Thank you for your interest in Finland – we would love to hear from you!

At August Associates and Amcham Finland, it is our desire to ensure that businesses have the knowledge, know-how and support available to succeed!

This material may be used for any promotional and presentation needs you may have. If you need a PowerPoint version, or have any questions or comments, please contact one of us below.

Contact me if you have any comments or questions about the material



LE THUY

le.thuy@august.fi
+358 45 128 0058

Contact me if you are interested in doing business in Finland and would like to learn more about the market



TOMI ERE

tomi.ere@august.fi
+358 40 823 3848

Contact me if you would like to get connected to the Finnish business network



ROSA THURMAN

rosa.thurman@amcham.fi
+358 45 699 5997

Contact me if you would like to know how to navigate public affairs and regulatory environment in Finland



HEIDI FRANSILA

heidi.fransila@blic.fi
+358 50 365 4071