

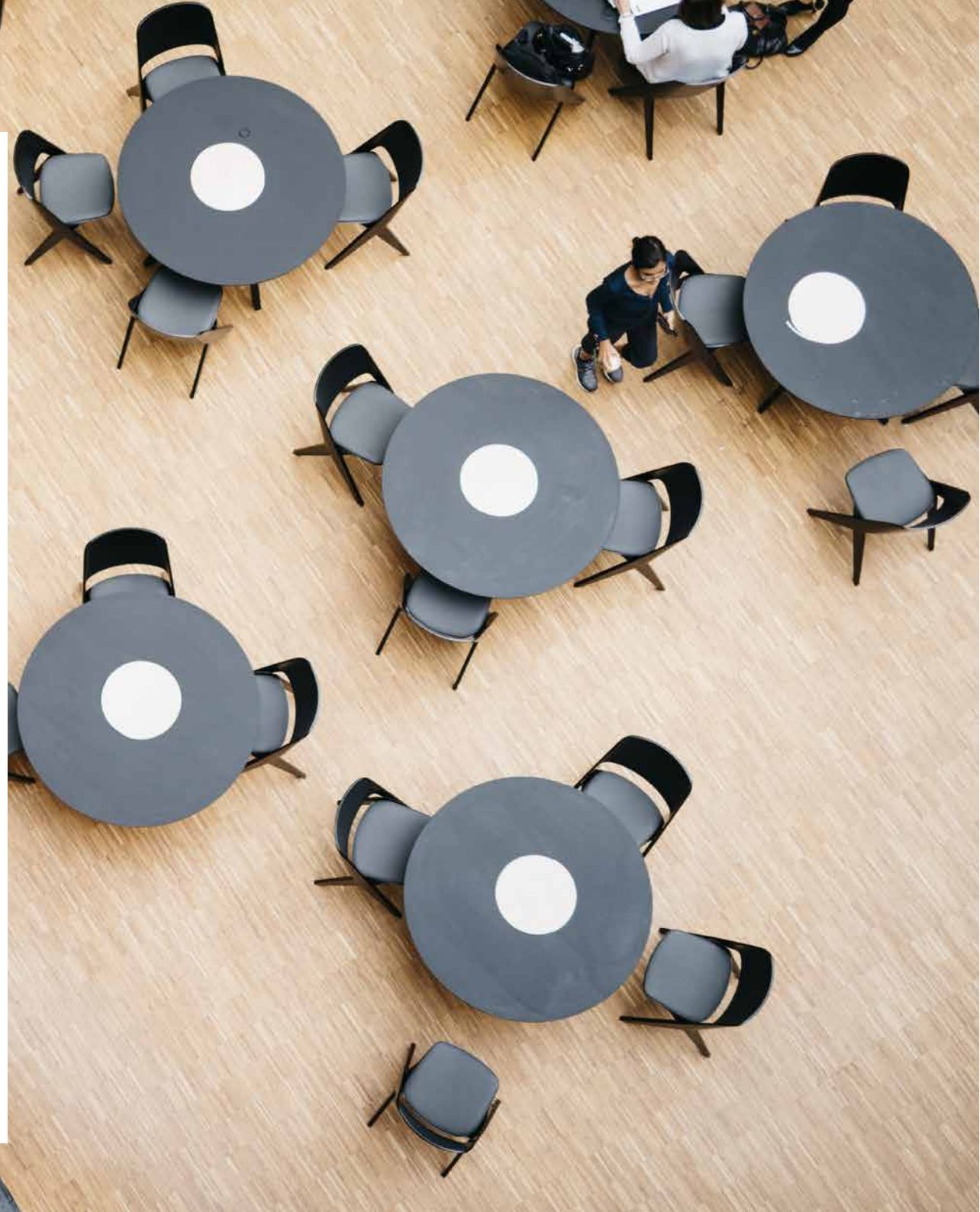


2020

Tesi's Impact in 2020



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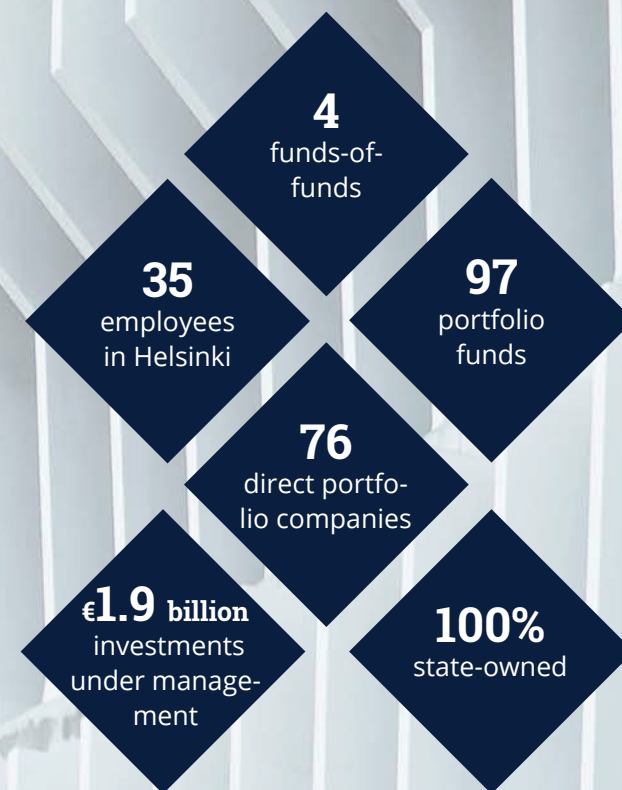
1 Tesi in brief

TESI (Finnish Industry Investment Ltd) is a state-owned investment company that for over 25 years has invested in the growth and internationalisation of Finnish companies while developing Finland’s venture capital and private equity market. We strengthen Finland’s business framework by boosting the supply of private capital in Finland, promoting growth and internationalisation, and operating both profitably and in a socially beneficial way. We invest in funds and directly in companies, forming the core of our operations. We also produce insightful data that we can use to develop the market and support our investment activities. We identify and eliminate market bottlenecks as it is essential for the growth and internationalisation of companies that corporate financing in Finland flows as smoothly as possible.

However, this core it is not sufficient on its own. We want Tesi, and more particularly

Finnish growth companies, to make the world a better place. The companies are key players in finding and deploying solutions to global sustainability issues. All society benefits from the achievements of companies and the success of their financial backers. That is why we encourage our portfolio companies to adopt a corporate responsibility mindset; a coin with responsible operation on the one side and making a positive societal impact – the theme of this review – on the other.

We challenge ourselves, as well as our portfolio companies and funds, to examine how our deeds and decisions affect the environment and society – not only from our viewpoint, but also from the perspective of future generations. We make our choices with these impacts firmly in mind. Tesi’s goal is to enhance the ambition for ownership and success, thereby raising Finland to the forefront of transformative economic growth.



Corporate responsibility and impact



2 Moving on from a year of the pandemic

The year 2020 was one of the most extraordinary in our work history. The pandemic caused social suffering and impacted businesses in Finland and throughout the world. In addition to setting up crisis financing instruments, we continued our normal investment activities and developed the Finnish VC & PE market. We thereby ensured companies can access financing and expertise needed for their next growth spurt.

IN 2020, the focus of Tesi's responsibility and impact activities was on helping Finnish SMEs through the corona pandemic. Through broad-based cooperation with our partners, we helped Finland's companies and public administration with stabilisation and Venture Bridge financial instruments. We also produced market data and

analyses of the business community's situation. Alongside these pandemic temporary instruments, we continued our normal investment operations, ensuring the success of Finnish companies after the pandemic. We made investments totalling almost €250 million during 2020.

Despite the difficult circumstances, the VC & PE market avoided the shock initially expected. In fact, investment volumes grew compared to the previous year. Our broad-based research and questionnaire-based data show that although the crisis severely hampered business operations, companies across the board have adapted better than forecast, and international investors have not withdrawn from the Finnish market. This provides a strong springboard for economic recovery and, over a longer time span, the transformation of Finland's economy.

In 2021 we have continued to follow our strategy. We give high priority to responsibility and social impact, value creation, internationalisation, and the dissemination of information and expertise aimed at developing the venture capital and private equity market. We strongly believe that Finnish growth companies will continue to have a vital role to play in solving global challenges. We want to enable the growth and internationalisation of these companies.



I again thank all our stakeholders and staff for the flexibility and solution-orientation they have exhibited. Both enabled us to prepare for the exceptional measures taken during the pandemic and still, for the most part, continue investment operations in line with our strategy.

JAN SASSE

3 Tesi's value creation diamond

CAPITAL

ECONOMIC

- Tesi's equity €1.9B
- External assets under management
- KRR €350M
- EFSI €50M

HUMAN CAPITAL

- 35 employees
- 300 years' experience



INTANGIBLE ASSETS

- Data model
- Code of Conduct
- Processes

NETWORKS

- Portfolio funds & companies
- Co-investors
- Consultants
- Opinion leaders
- Organisations

TESI'S ACTIVITIES

VALUES
SOLUTIONS
BOLDLY
TOGETHER



INVESTMENTS

STRATEGY

Impact
Internationalisation
Market development
Insightful data

Venture Capital

Funds

Growth & Industrial

OUR VISION
In 2030 the world
will be better than
today. Finnish growth
companies will produce
solutions to global
challenges.

OUTCOME

- 9 new funds investing in Finland
- Finnish growth companies receive €520M via Tesi, €171M of which international capital
- 10% growth in sales of Tesi's portfolio companies
- Tax revenue exceeding €1B

Tesi's profit €179M*



- Companies recruit labour and develop expertise → some 270 companies employ altogether 43,000 people



- Companies develop new technologies, products and services and improve processes



- Market information, knowhow and networks increase and improve

*will be invested in new funds and growth companies

IMPACT



SOCIOECONOMIC
Finnish business sector is diversified, and GDP grows



SOCIAL
People's wellbeing increases. Skills increase and improve in quality.



ENVIRONMENT
Climate change is mitigated. Harmful environmental impacts are reduced, and natural resources saved.

4 Finnish growth companies and global challenges

We will raise Finland to the forefront of transformative economic growth and make Finland a progressive and attractive market for both companies and owners.

WE have selected five impact themes from the sustainable development goals (SDGs) listed in the UN's Agenda 2030. These themes will form the framework for guiding how we support and encourage companies to solve present and future challenges:

- ◆ Sustainable production and efficient use of resources
- ◆ Sustainable consumption and cities
- ◆ Renewable energy and energy efficiency
- ◆ Health and wellbeing
- ◆ Learning and equality



4 We bring forth companies' societal power

Making a positive societal impact is emphasised in our strategy and a key driver of our operations. We channel capital to companies that use their expertise and solutions to make a positive net impact on society.

WE bring companies' societal power forth so that their business stimulate growth, create jobs, and solve the challenges of sustainable development. We produce novel data about the impact of our operations to be utilised within the market. We distribute information and support our portfolio funds and companies in developing their own societal and environmental impacts. We chart and pilot selected new tools in our direct investments, for instance with the Circular Economy programme. In collaboration with market players, we develop new operating models that enable the more versatile evaluation, measurement, and monitoring of investment impacts.

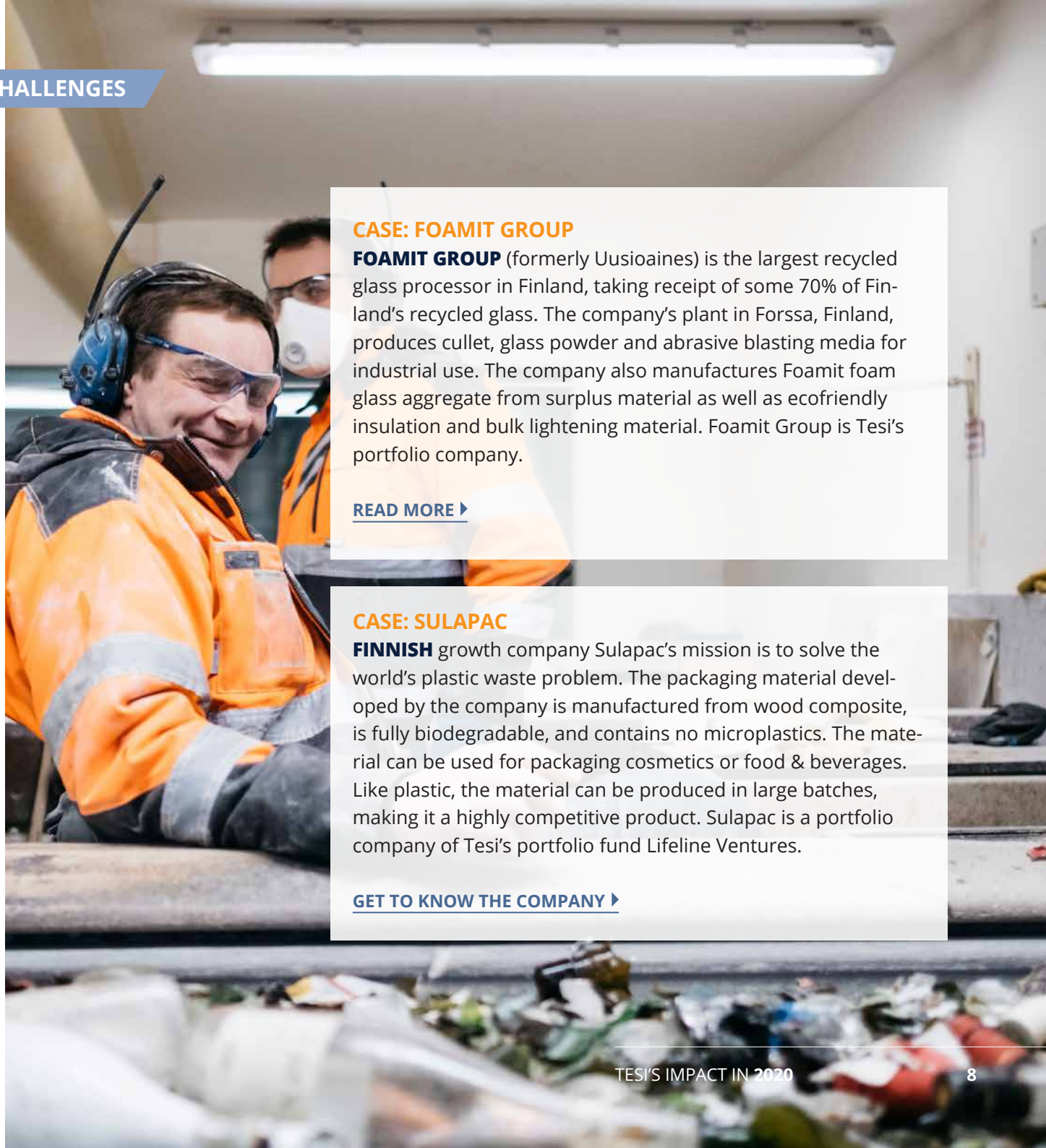
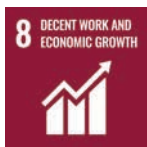
We make a positive impact by investing responsibly and by practicing active ownership. We support and encourage our portfolio companies to solve present and future challenges based on our selected five impact themes. We monitor impact indicators with performance meters and qualitative analyses on a regular basis. In line with responsible investment, we evaluate the responsibility of our investees, their environmental, social and governance practices, and their economic footprint. We are an active, responsible owner in cooperation with our portfolio funds' management companies, our direct portfolio companies' boards, and our co-investors.

” Every company should consider how it can promote sustainable development targets as an integral part of its business strategy.

HELI KERMINEN, INVESTMENT DIRECTOR, TESI

4.1 Sustainable production and efficient use of resources

THE SCARCITY of raw materials, recycling and improved traceability, combined with advances in material and production technology, create new business opportunities for the industrial production sector. The high energy requirements of conventional production plants necessitate and enable the development of new energy-saving measures. Industry is undergoing radical change: production is becoming fragmented and automation is spreading, while spin-off technologies and parallel material flows with significant export potential are springing up around existing companies. Scaling new technologies and relocating conventional businesses to the service sector calls for abundant capital, giving Tesi an opportunity to be a pioneer in moving the industrial sector in a more sustainable direction.



CASE: FOAMIT GROUP

FOAMIT GROUP (formerly Uusioaines) is the largest recycled glass processor in Finland, taking receipt of some 70% of Finland's recycled glass. The company's plant in Forssa, Finland, produces cullet, glass powder and abrasive blasting media for industrial use. The company also manufactures Foamit foam glass aggregate from surplus material as well as ecofriendly insulation and bulk lightening material. Foamit Group is Tesi's portfolio company.

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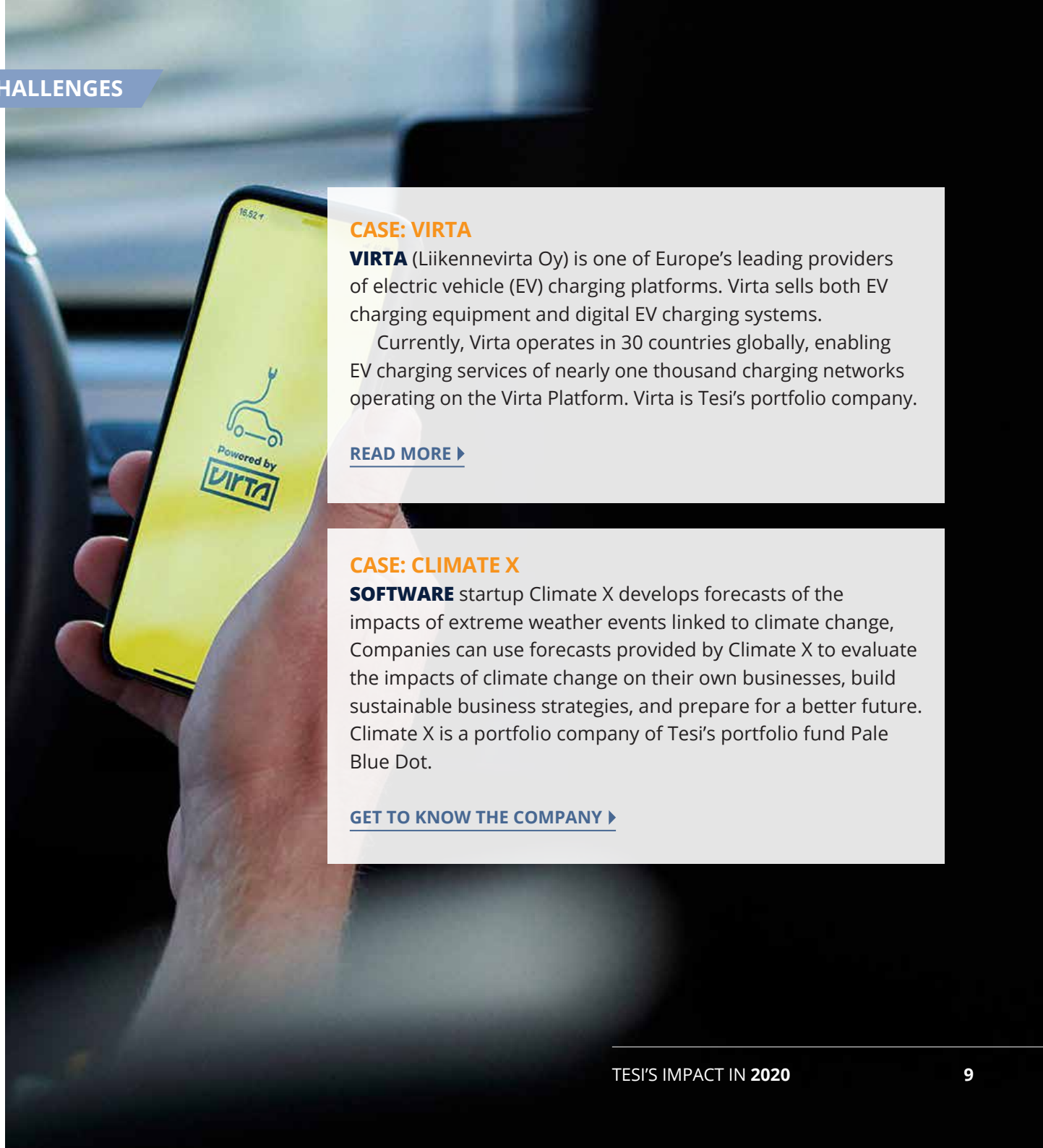
CASE: SULAPAC

FINNISH growth company Sulapac's mission is to solve the world's plastic waste problem. The packaging material developed by the company is manufactured from wood composite, is fully biodegradable, and contains no microplastics. The material can be used for packaging cosmetics or food & beverages. Like plastic, the material can be produced in large batches, making it a highly competitive product. Sulapac is a portfolio company of Tesi's portfolio fund Lifeline Ventures.

[GET TO KNOW THE COMPANY ▶](#)

4.2 Sustainable consumption and cities

POPULATION growth and its concomitant urbanisation pose challenges for infrastructure construction, energy efficiency, mobility and environmental impacts. On the positive side, dense habitation offers new business opportunities. The living environment of cities strongly affects human wellbeing. Alongside population growth, the global rise in living standards and gentrification create a need for changes in consumer behaviour and for new product solutions and services promoting more sustainable consumption. By investing in line with the Sustainable consumption and cities theme, Tesi can support sustainable urbanisation, accelerate the shift to more sustainable consumption, enable cleantech and sustainable energy production projects, and support development of more ecofriendly transport solutions.



CASE: VIRTA

VIRTA (Liikennevirta Oy) is one of Europe's leading providers of electric vehicle (EV) charging platforms. Virta sells both EV charging equipment and digital EV charging systems.

Currently, Virta operates in 30 countries globally, enabling EV charging services of nearly one thousand charging networks operating on the Virta Platform. Virta is Tesi's portfolio company.

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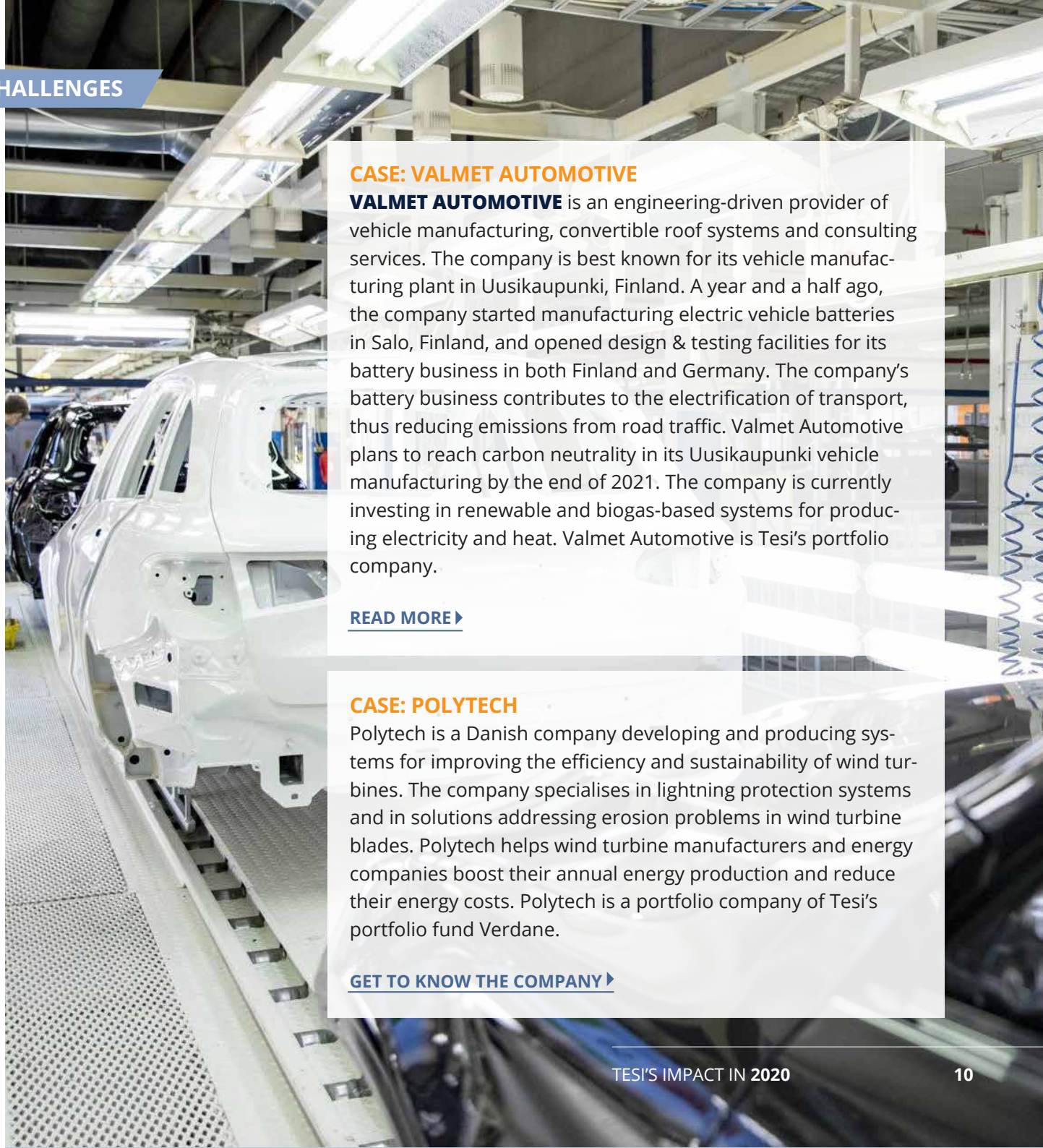
CASE: CLIMATE X

SOFTWARE startup Climate X develops forecasts of the impacts of extreme weather events linked to climate change. Companies can use forecasts provided by Climate X to evaluate the impacts of climate change on their own businesses, build sustainable business strategies, and prepare for a better future. Climate X is a portfolio company of Tesi's portfolio fund Pale Blue Dot.

[GET TO KNOW THE COMPANY ▶](#)

4.3 Renewable energy and energy efficiency

ENERGY PRODUCTION is one of the most significant sources of emissions driving climate change. Renewable energy sources can help reduce mankind's dependency on fossil fuels, and thus mitigate the negative impacts on human health and the environment. Finland's energy infrastructure has historically been built in large production units, and the large economic investments made in ageing energy systems has held back the adoption of renewable energy sources. Promoting energy efficiency is an important element of both Finland's and the EU's energy and climate policy. By investing in line with the Renewable energy and energy efficiency theme, Tesi can contribute to reducing CO2 emissions from energy production, promote the mitigation of climate change, and help finance energy-related ventures.



CASE: VALMET AUTOMOTIVE

VALMET AUTOMOTIVE is an engineering-driven provider of vehicle manufacturing, convertible roof systems and consulting services. The company is best known for its vehicle manufacturing plant in Uusikaupunki, Finland. A year and a half ago, the company started manufacturing electric vehicle batteries in Salo, Finland, and opened design & testing facilities for its battery business in both Finland and Germany. The company's battery business contributes to the electrification of transport, thus reducing emissions from road traffic. Valmet Automotive plans to reach carbon neutrality in its Uusikaupunki vehicle manufacturing by the end of 2021. The company is currently investing in renewable and biogas-based systems for producing electricity and heat. Valmet Automotive is Tesi's portfolio company.

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CASE: POLYTECH

Polytech is a Danish company developing and producing systems for improving the efficiency and sustainability of wind turbines. The company specialises in lightning protection systems and in solutions addressing erosion problems in wind turbine blades. Polytech helps wind turbine manufacturers and energy companies boost their annual energy production and reduce their energy costs. Polytech is a portfolio company of Tesi's portfolio fund Verdane.

[GET TO KNOW THE COMPANY ▶](#)

4.4 Good health and wellbeing

THE WORLD'S population is forecast to grow by two billion, from its current level of 7.7 billion, by 2050. Population growth will also increase the challenges to safeguarding human health and wellbeing. Sufficient food will need to be produced in environmentally sustainable ways, while health-care will need support as the population ages and gentrification increases diseases of affluence. Environmental pollution increases health problems, but medical science and technology allows many illnesses to be treated or more effectively prevented. By investing in line with the Good health and wellbeing theme, Tesi can help produce solutions to improve global wellbeing by promoting preventive health services, safeguarding clean and healthy living environments, improving the availability of sustainably produced, healthy food and the sufficiency of clean water, and by improving people's access to healthcare services throughout the world.



CASE: OURA

OURA is a Finnish health & wellbeing tech company. The company's flagship product is the Oura ring, which collects health data about the person wearing it, such as resting heart rate, heart rate variability and body temperature. The ring analyses the wearer's sleep and recovery status, and provides feedback and advice.

In spring 2020, Oura raised €26 million financing. New investors in the round were the US company Square Ventures, Forerunner Ventures, and Google's investment company Gradient Ventures. Oura will use the funding to strengthen its sales and marketing and increase user value. Oura is Tesi's portfolio company.

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CASE: MERU HEALTH

MERU HEALTH is a Finnish company offering a low-threshold telehealth programme to reduce anxiety, depression, and burn-out. The programme lasts 12 weeks and combines chat-based therapist support, anonymous peer support groups, and daily exercises derived from cognitive behavioural therapy. Meru Health is a portfolio company of Tesi's portfolio fund Lifeline Ventures.

[GET TO KNOW THE COMPANY ▶](#)

4.5 Learning and equal opportunity

GOOD education is a basic pillar of a welfare society. Education promotes advances in technology and productivity, helps people adapt to the society, and gives people opportunities to participate in and influence society's decision-making. Rapid advances in technology and working necessitate lifelong learning and flexible ways of providing education and learning opportunities for people in different life stages, age groups, and social circumstances. Education prevents exclusion, crime and social instability while allowing an individual economic and social advancement. By investing in line with the Learning and equal opportunity theme, Tesi can create a competitive advantage that puts Finland ahead, help support the creation of a new education sector, support development of new innovations in education, and enable equal-opportunity education and lifelong learning for as many people around the world as possible.



CASE: HEI SCHOOLS

HEI SCHOOLS' mission is to provide a unique Finnish brand of research-based early education to children and families around the world. The company offers a range of easy-to-use digital platforms and pedagogical tools for teachers and early childhood educators outside Finland.

HEI Schools has ten early childhood education centres globally, all operated by local entrepreneurs. More than 40 schools are subscribing to HEI Schools' digital curriculum model, and over 200 teachers from 30 different countries are enrolled on its teacher training program. HEI Schools is Tesi's portfolio company.

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CASE: KIDE SCIENCE

KIDE SCIENCE is based on pedagogical research at the University of Helsinki into how scientific thinking is learned. Children 3-9 years of age carry out hands-on empirical research in science clubs and learn through play and stories the fundamentals of science and art subjects. Lesson materials are available for early childhood education units as well as for home schooling. The idea behind Kide Science is that if children assimilate the principles of scientific thinking early on, it will improve their learning outcomes also later in life. Kide Science is a portfolio company of Tesi's portfolio fund Sparkmind.vc.

[GET TO KNOW THE COMPANY ▶](#)

5 Companies' growth and internationalisation

We support companies in growing, developing new solutions and utilising their full potential.



We invest in the growth and internationalisation of Finnish companies

Our portfolio companies' growth in 2020 (n=222)



Total net sales

€6,522M



Total exports

€1,747M



Jobs in Finland, no.

40,000



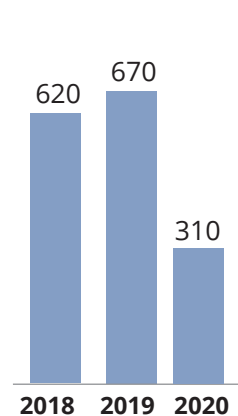
Tax revenue*

€1,262M

*Includes VAT, income taxes and corporation tax

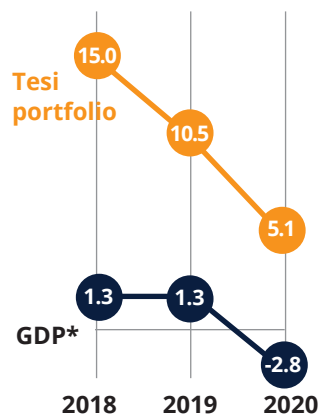


Growth in net sales, M€

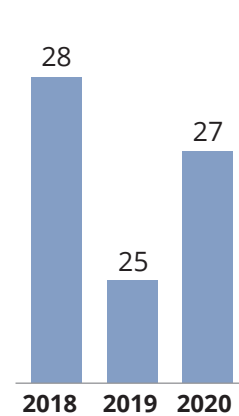


* Source: Statistics Finland, stat.fi

Relative growth in net sales, %

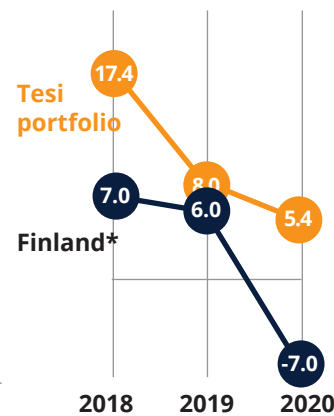


Exports as relative share of net sales, %

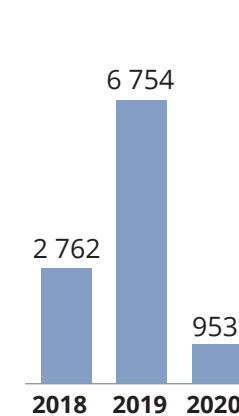


*Source: Customs, Finland, tull.fi

Relative growth in exports, %

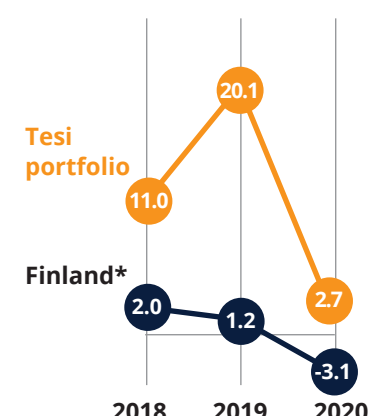


Growth in number of jobs, no.



*Source: Statistics Finland, stat.fi

Relative growth in number of jobs, %



6 Development of Finnish venture capital and private equity market

We develop Finland's VC & PE market so that Finnish growth companies can find the financing and expertise they need for their next growth spurt.

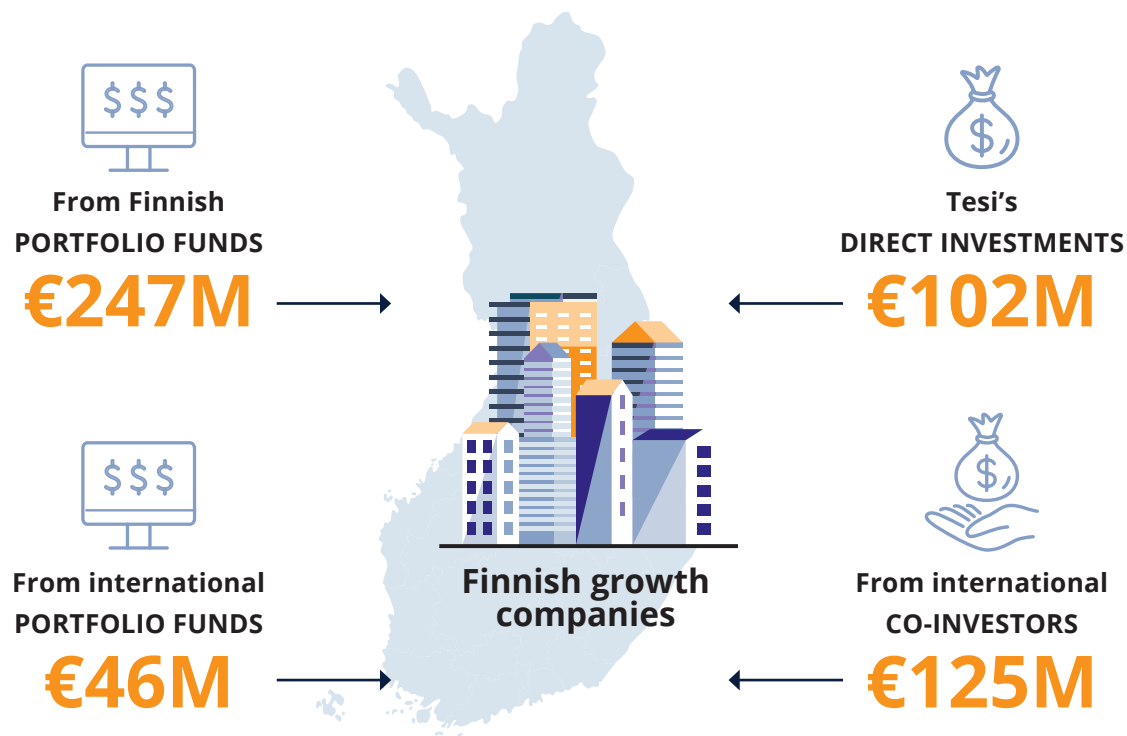


6 We make Finland attractive to both companies and owners

Our whole society benefits from the achievements of Finnish growth companies solving the challenges of sustainable development and from the success of the market backing them. Tesi's goal is to enhance the ambition for ownership and success, thereby raising Finland to the forefront of transformative economic growth.

TESI enables Finnish companies to grow and internationalise by improving the availability of financing and skilled ownership. We identify bottlenecks in Finland's VC & PE market and eliminate them by investing in funds and directly in growth

Financing for Finnish growth companies from Tesi's networks 2020



companies. We also share knowledge and expertise to support companies in growing, operating responsibly, and making a beneficial social impact. Equally important, we do it to promote skilled ownership. We make our investor networks, both

in Finland and global, available to Finnish growth companies. Companies internationalising with the help of our networks boost Finland's GDP by stimulating ownership and enhancing expertise, creating new success stories.

In 2020, we made investments totalling €248 million. This figure includes investments from the stabilisation financing and Venture Bridge programmes to counter the impact of the corona pandemic, totalling €63 million in altogether 24 companies. As part of our normal investment operations, we made investment commitments totalling €82 million to nine venture capital and private equity funds and made direct investments amounting to €38 million in 19 growth companies. We also made a €65 million commitment to the KRR IV fund managed by Tesi. Despite the extraordinary circumstances, our direct portfolio companies grew on average by 10% (median) during the financial year.

Despite the challenging year, there were also successful exits. Kaiku Health will continue its growth under the ownership of Swedish Elekta, a global leader in radiotherapy technology. Profit Software was acquired by Volpi Capital in December 2020. The sale of Kotkamills Group Oyj to the Austrian Mayr-Melnhof Group, Europe's third largest producer of folding carton, is still awaiting approval by the competition authorities*. Exits give credibility to the Finnish ecosystem and produce returns that create a sustainable base for Tesi's investment operations.

* The acquisition was approved by the authorities in August 2021



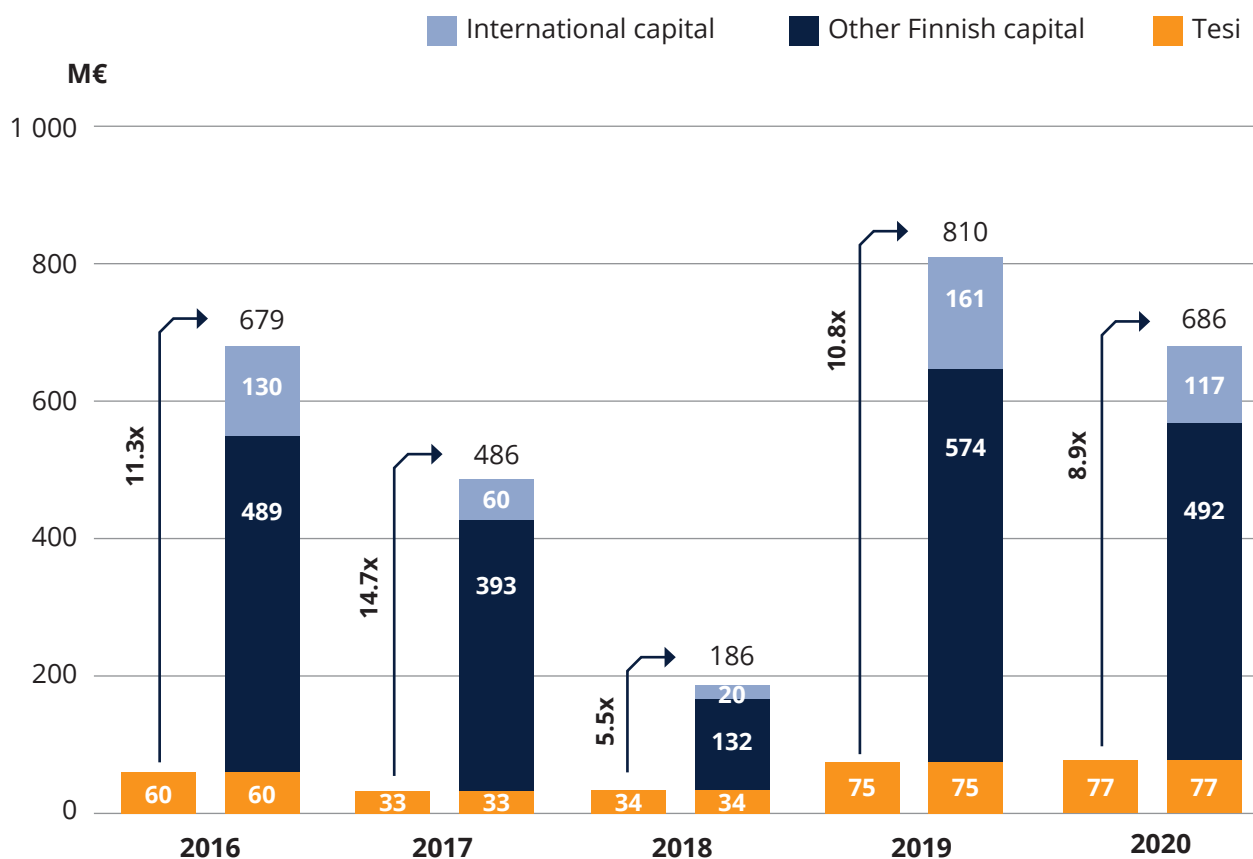
6.1 We invest in funds developing Finland's most promising growth companies

TESI boosts the growth financing available to Finnish companies by operating as a long-term in venture capital funds, which invest in early-stage technology companies pursuing international expansion, and in growth and buyout funds, that support the growth and transformation of more traditional SMEs. Our cooperation with Finnish funds, such as Capman, Icebreaker and Superhero Capital, and with international funds, such as Verdane, provides the business expertise for Finnish companies. Tesi encourages new teams to establish funds by being a sparring partner in practical matters and in fundraising, and by being an anchor investor in their funds.

Between 2018 and 2020 Tesi was an investor in the first funds of new fund managers:

- ◆ 2020: GOS Yritysrahoitus
- ◆ 2019: Evolver Equity, DevCo Partners, Sparkmind
- ◆ 2018: Saari Partners Oy, Maki.vc, IPR.VC

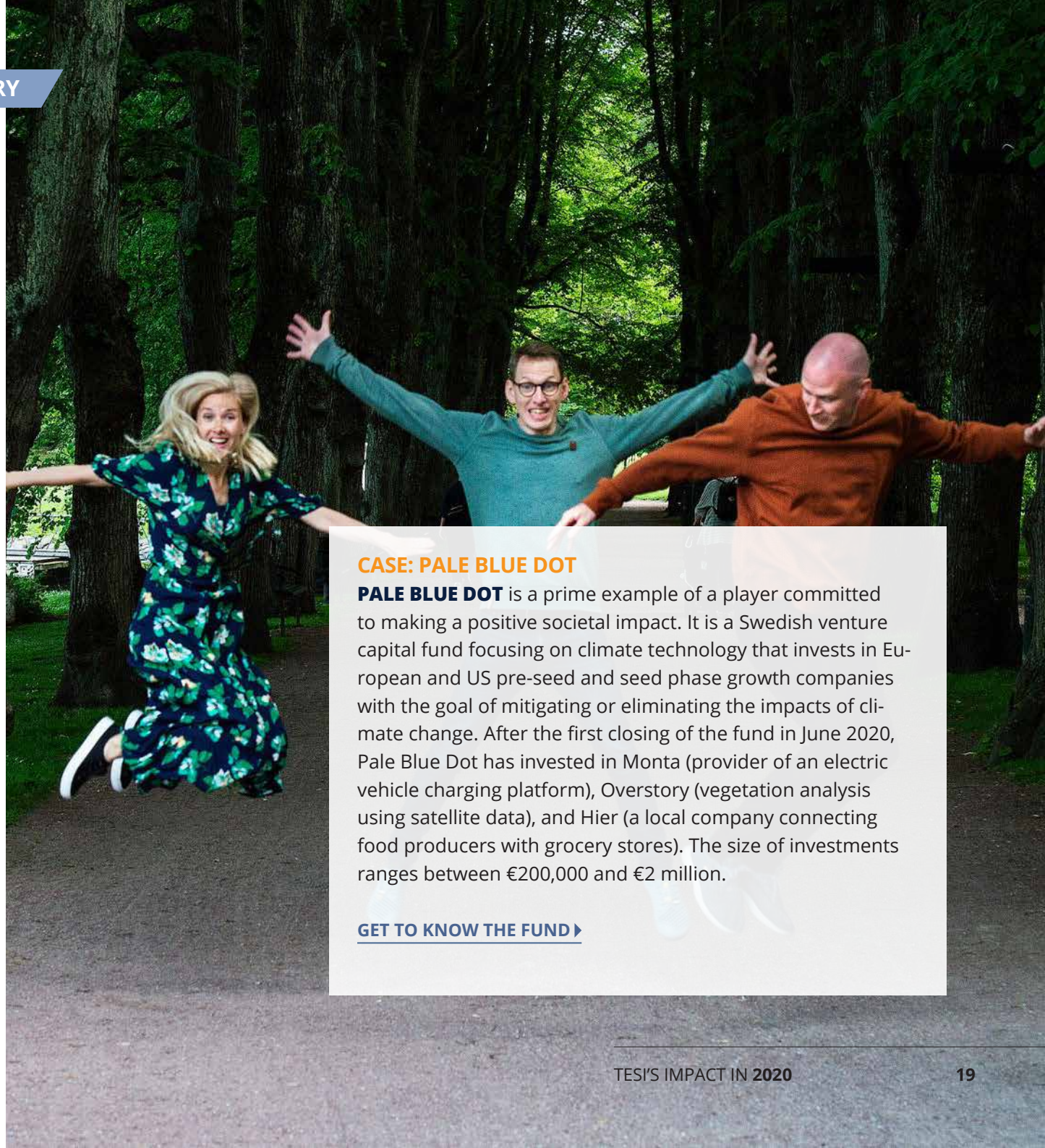
Breakdown of capital in Finnish funds



In 2020, Tesi gave investment commitments totalling €77 million to eight Finnish funds. Those made by other investors to these funds amounted to €609 million, of which €492 million was Finnish capital and €117 million came from international investors. Tesi's investment thus generated almost nine times its own amount of financing from other sources. We also invested in GOS Private Debt I, a new type of debt fund. In addition, we made a commitment to Verdane Edda II, a Nordic growth fund actively investing in the Finnish market.

In 2020, Tesi gave investment commitments totalling €147 million to ten funds (€89 million in 2019):

- ◆ four commitments to Finnish venture capital funds (Superhero Venture Fund 2020 Ky, Icebreaker Fund II Ky, Open Ocean Fund 2020 Ky and Maki.vc Fund II Ky).
- ◆ four commitments to growth and buyout funds (Verso Fund III Ky, CapMan Growth Equity Fund II Ky, Sponsor Fund V Ky and GOS Private Debt I Ky).
- ◆ a commitment to a Nordic growth fund (Verdane Edda II), which actively supplements Finland's VC & PE industry.
- ◆ In addition, Tesi gave a commitment to a KRR IV fund-of-fund it manages.



CASE: PALE BLUE DOT

PALE BLUE DOT is a prime example of a player committed to making a positive societal impact. It is a Swedish venture capital fund focusing on climate technology that invests in European and US pre-seed and seed phase growth companies with the goal of mitigating or eliminating the impacts of climate change. After the first closing of the fund in June 2020, Pale Blue Dot has invested in Monta (provider of an electric vehicle charging platform), Overstory (vegetation analysis using satellite data), and Hier (a local company connecting food producers with grocery stores). The size of investments ranges between €200,000 and €2 million.

[GET TO KNOW THE FUND ▶](#)

6.2 We diversify and internationalise expertise and the supply of financing

ALONGSIDE the invested capital, investors also provide Finnish growth companies with valuable expertise and useful networks for international business. We invest not only in Finnish funds, but also in international funds that supplement Finland's VC & PE market with their investment focus and expertise. Also, we co-invest directly in companies hand-in-hand with international investors. Our goal is to more systematically and methodically build up international networks to serve the needs of Finnish companies and funds. Tesi is a local partner in Finland for international investors and promotes collaboration between Finnish and international investors. One of Tesi's objectives is to internationalise Finland's venture capital and private equity market.

In 2020, Tesi's international portfolio funds invested altogether €46 million in five Finnish companies. These included Varjo Technologies Oy (Atomico IV), HappyOrNot Oy (Verdane Edda and Northzone VIII) and Evondos Oy (Verdane Edda). Tesi's International co-investors invested €125 million in Finnish companies pari passu with Tesi.

CASE: VARJO

VARJO is the world's first, and so far only, company producing human-eye resolution virtual reality (VR) and mixed reality (MR) devices. The devices are used in specialised training, simulations, design, engineering and research. Volvo Cars, Boeing, Audi, KIA, Lockheed Martin and Siemens utilise Varjo's products for various purposes.

"Varjo has established itself as a proven industry leader, as evidenced by its ability to continually push the boundaries of virtual and mixed reality and support the most demanding enterprise applications across industries. In the uncertain climate caused by the pandemic, Tesi's active role in investment negotiations and in drawing down an EFSI instrument enabled Varjo to complete a substantial financing round together with numerous international co-investors."

KEITH BONNICI, INVESTMENT DIRECTOR IN TESI'S VC TEAM

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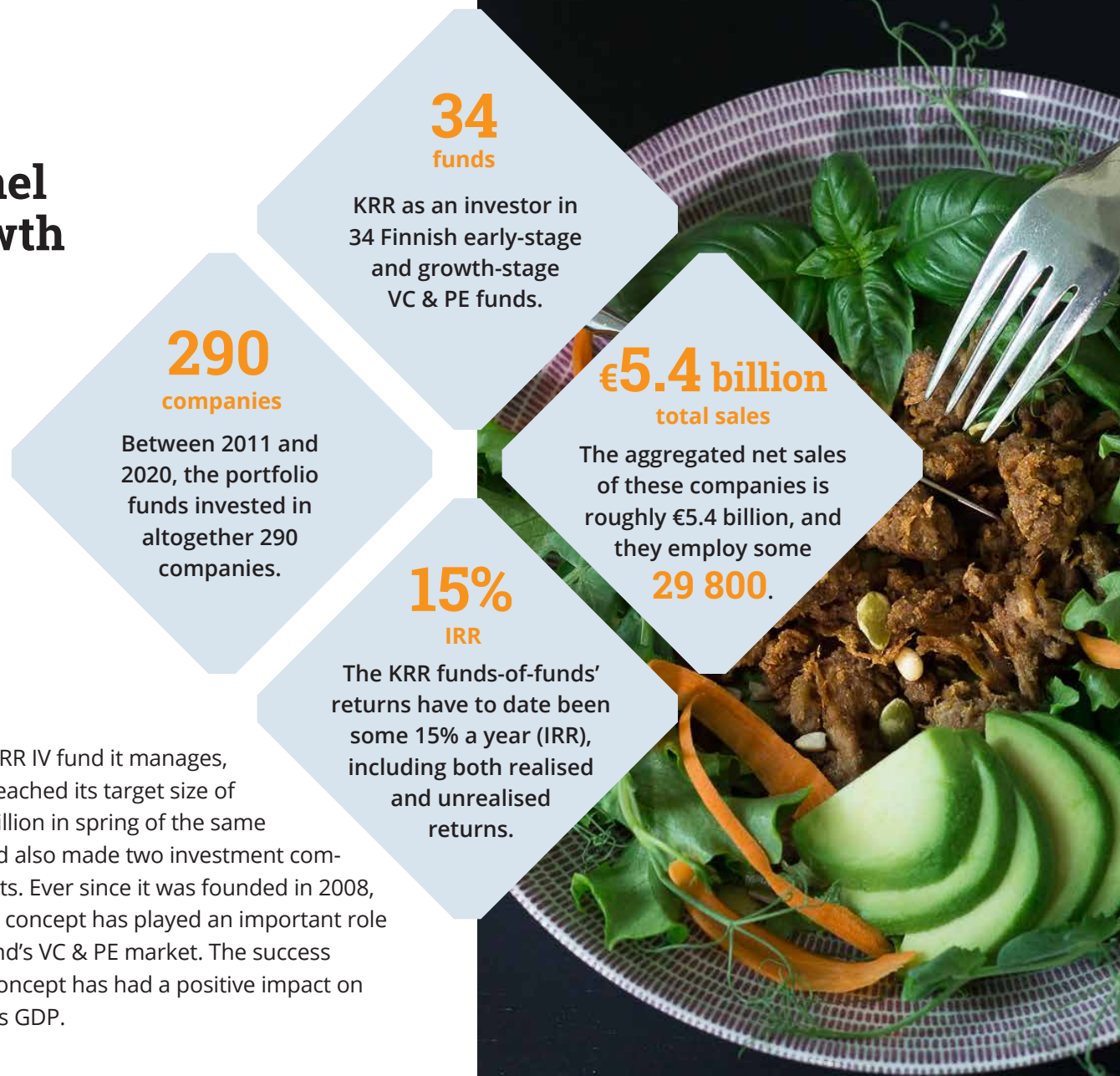
6.3 KRR funds-of-funds channel institutional capital into growth companies

THE KRR funds-of-funds that Tesi manages offer large institutional investors the opportunity to help build Finland's VC & PE ecosystem, and in doing so reap healthy returns and make a positive societal impact.

The KRR concept was launched in 2008 to meet two needs: first, to allow Finnish funds to raise capital from Finnish institutional investors, and by doing so create sufficiently large funds to meet portfolio companies' needs; and second, to offer Finnish institutional investors a resource-efficient way to invest in Finnish funds. The KRR funds-of-funds act as anchor investors in venture capital and growth-stage funds investing in Finland. These funds, in turn, develop Finnish growth companies to launch them on international markets. Alongside lucrative returns, Tesi and KRR expect their portfolio funds not only to operate responsibly but also to make a positive societal impact.

In 2020, KRR III made commitments to four VC & PE funds. Tesi also made a €65 million commitment

to the KRR IV fund it manages, which reached its target size of €175 million in spring of the same year and also made two investment commitments. Ever since it was founded in 2008, the KRR concept has played an important role in Finland's VC & PE market. The success of the concept has had a positive impact on Finland's GDP.

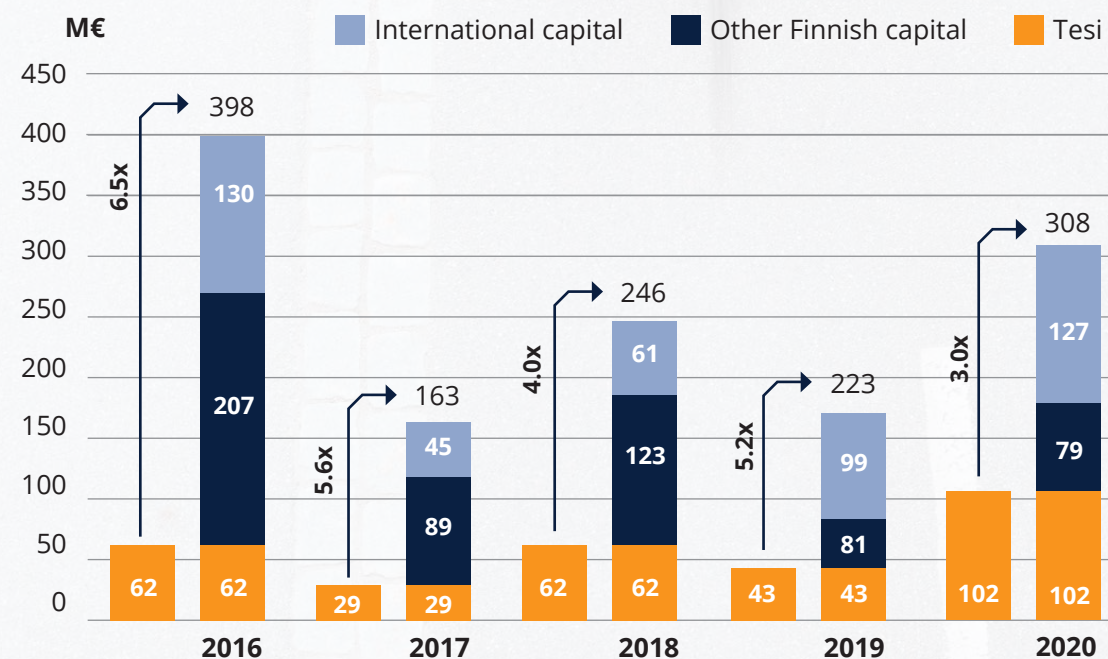


6.4 Tesi's investment programmes and strategic policies eliminate market bottlenecks

TESI makes direct minority investments in fast-growing Finnish tech companies, SMEs pursuing growth, M&As and buyouts, and industrial projects. Direct investment programmes promoting growth and the transformation of industrial structures form the core of Tesi's for direct investment operations. We want to ensure that promising projects do not remain unfulfilled simply because they lack financing. Tesi makes direct investments as minority investments on equal terms with other investors. We share the same risks and the same expectations for returns as them.

In 2020, Tesi made direct investments amounting to €38 million in altogether 19 companies (€43 million in 2019). Of these, first-round investments totalling €24 million were made in six companies (Nordic Rescue Group, Upcloud, Swappie, Varjo Technologies, Unieke, FiFax). We also made follow-on investments totalling €14 million in 13 portfolio companies. Overall, a total of almost €230 million in new risk capital was channelled into these direct portfolio companies, roughly six times the amount invested by Tesi. Of this, some €125 million came from international investors.

Breakdown of capital in Finnish direct investments



CIRCULAR ECONOMY INVESTMENT PROGRAMME (2018-)

Tesi's €75 million Circular Economy programme aims to implement Finland's Road Map to a Circular Economy and the Plastics Road Map for Finland, and also to prioritise responsible and sustainable growth. The objective of the programme is to promote the circular economy, stimulate portfolio companies' growth and internationalisation, and encourage impact investing. Portfolio companies promote the more efficient use of materials, energy, and nutrients, and set business-specific impact targets that are measurable and reportable. Investments are made in funds and directly in companies under the auspices of the programme.

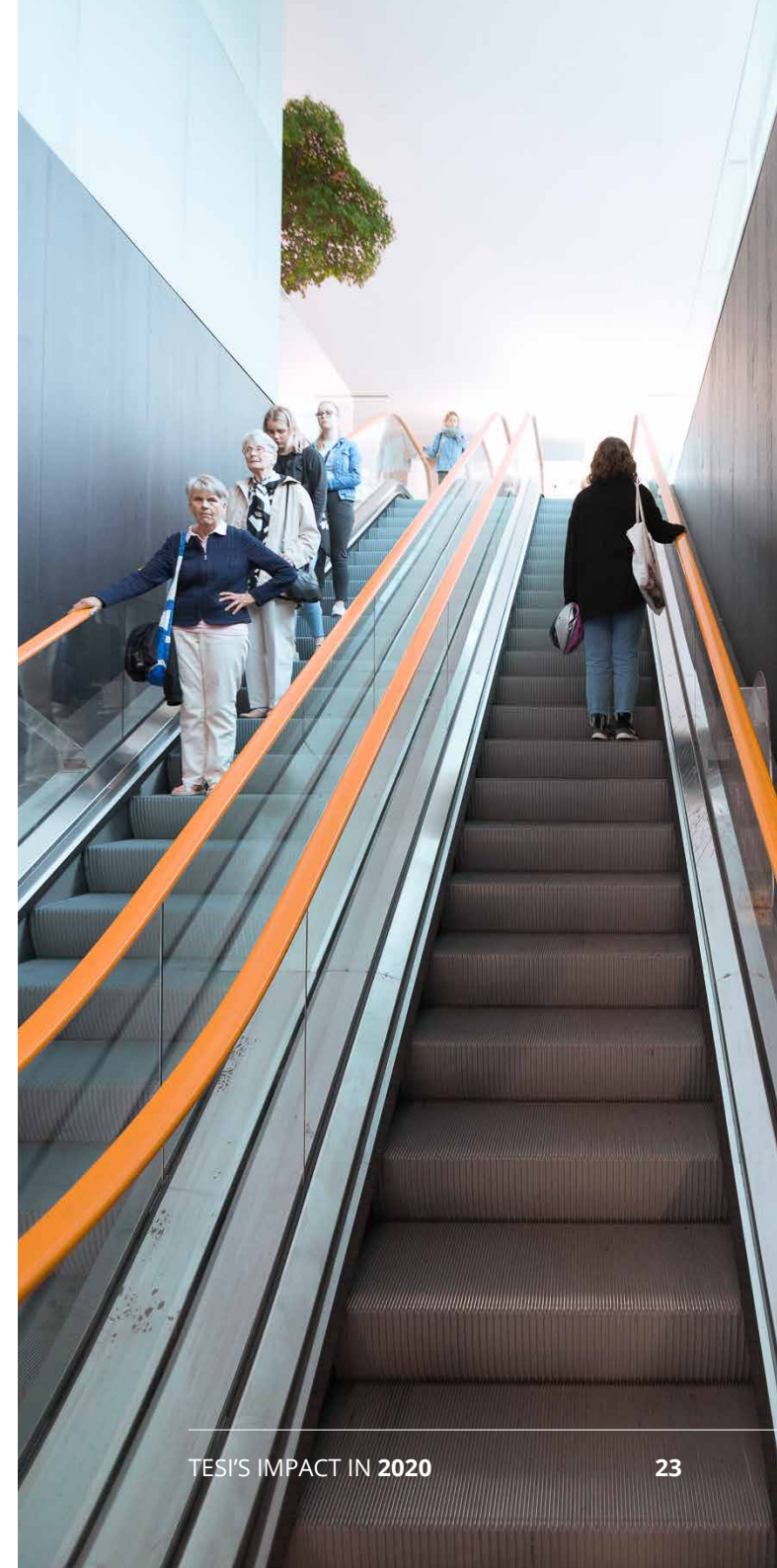
At the end of 2020, the Circular Economy programme had made fund commitments of €5.5 million (ETF 3 fund) and direct investments amounting to €18 million (Foamit Group Oy, Endev Oy, Swappie Oy, FiFax AB and Zenrobotics Ltd.). Aggregated net sales of the Circular Economy programme's portfolio companies totalled €118 million at the end of 2020. The same companies' exports totalled €83 million during the same period. The companies employed some 340 people at the end of 2020, representing an average rise of 2% during the programme.

EFSI INVESTMENT PROGRAMME (2018-)

The EFSI co-investment programme channels financing from the European Fund for Strategic Investment to Finnish companies, in cooperation with the European Investment Bank, enabling larger investment rounds for these companies. One-half of the financing comes from the EFSI programme and one-half from Tesi, with private investors participating to an equal extent in the funding vehicles.

Two investments were made under the programme during 2020 (Swappie Oy, Varjo Technologies Oy). Altogether €22 million had been invested under the programme by year's end. Aggregated net sales of portfolio companies have grown by an average 458% during the programme, totalling €335 million at the end of 2020. These companies' exports totalled €196 million at the end of the year, while their average growth during the programme was 4877%*. At the end of 2020 the same companies employed over 400 people. The number of jobs grew on average by 67% during the programme.

* The large figure can be explained by the growth in export of Rauma Marine Construction.



CORONA FINANCING

STABILISATION FINANCING

Following the financial crisis of 2009-2012, we created our first stabilisation programme to support and save companies. When Finland imposed restrictions in March 2020 to counter the corona pandemic, it was clear that Tesi had to play its part in overcoming the situation, alongside its normal investment activities promoting companies' transformative growth. Drawing on our experience of the first programme, we created a stabilisation programme to provide crisis financing for mid-sized companies. The programme was set up on market-based, nongratuitous terms that conform to our operating model.

Stabilisation 2.0 programme is based on the triage concept: we want to ensure that stabilisation financing reaches those companies that would survive the disruption caused by the pandemic as a result of receiving it. Conversely, those companies that would not survive even with financing, let alone those that would survive without it, should not be eligible. As the primary goal of the programme is to safeguard jobs, an eligible business

should employ at least 50 people and generate net sales of over €10 million.

Without exception, stabilisation investments have been made in the form of loans, with the option for direct equity investment always open. Determining the value of investment assets during the crisis proved to be challenging. On a positive note, banks and other financiers have willingly joined forces to safeguard continuity in Finland's business community.

By the end of 2020, investment decisions in 12 companies amounting to €57 million were made. Of these, investments worth €51 million were implemented in 11 companies. Investments from the programme were mainly targeted at the industrial and the hospitality & catering sectors. The demand for financing declined towards the end of the year as the economy revived. The companies that received financing employed some 5,200 people in Finland. Whereas the net sales of the portfolio companies was €1.4 billion in 2019, it had fallen to roughly €725 million in 2020. The companies' exports totalled €486 million.

12

investment decisions

€57M

**total financing
5200 jobs in Finland
in companies
that received
financing**

5,200

**jobs in Finland
in companies
that received
financing**

€725M

**investees' total net
sales in 2020**

€486M

**investees'
aggregated exports
in 2020**

CORONA FINANCING

VENTURE BRIDGE

The coronavirus pandemic strongly directed our venture capital investments in 2020. We found it necessary to launch the Venture Bridge financing programme for tech companies pursuing international growth that would soon be seeking capital through subsequent and larger financing rounds. Bridge financing gives growth companies more time and resources for arranging larger financing rounds during the pandemic. Investments are made as convertible loans, hand-in-hand and on equal terms with professional venture capitalists. The size of an individual investment ranges between €500,000 and €2 million.

Demand for the two-year Venture Bridge financing launched in June 2020 remained steady throughout the year, declining slightly towards year's end. The success of companies in raising

larger financing rounds, as well as their resilience and ability to adapt to challenges, have all exceeded expectations. Our investor partners' continued support in these exceptional times has been encouraging, allowing Tesi to help companies at grass roots level to survive the crisis.

By the end of 2020, decisions to invest a total €14 million in 15 companies had been made under the programme. Of these, altogether 14 were implemented, totalling €12.4 million. Most companies were in the software, SaaS or deeptech sectors. Net sales of the target companies totalled €12 million at the end of 2020, and their exports amounted to €8 million. The high proportion of exports is due to the fact that the companies operate in international markets right from the start. These companies employed 329 people at the end of 2020.



6.5 We share knowledge and expertise with our stakeholders

WE work together with our partner and stakeholder networks to support Finnish companies in creating transformative growth and jobs while also solving the challenges of sustainable development. Our main stakeholders are growth companies, investment funds, Finnish and international co-investors, our cooperation partners, personnel and board, as well as the media and other societal figures. As a state-owned investment company, understanding our stakeholders' views and expectations is important for developing our operations. The [corporate image survey](#) we conducted in 2020 indicates that we occupy a stable position in the market. We distribute information about our activities through our website and newsletters as well as via social media.

We collaborated with Growth Collective Finland (Kasvuryhmä) in stimulating Finnish mid-sized companies' urge and capabilities for growth. In Slush, held online in 2020, we cooperated with Keva in offering Finnish companies contacts to American investors. As a partner of Inklusiiv and its Women in Tech network, we took part in the Diversity in Entrepreneurship campaign, and we arranged an event highlighting women role models in the tech sector. Together with the Director's Institute Finland, we provided input to board professionals about basing business strategies on making a positive social

impact. We arranged seminars on the circular economy, in cooperation with Sitra and Business Finland. We also continued our trainee programme and partnered the Fallup entrepreneurship event, arranged by students for students.

Tesi's Advisory Board, comprising societal figures nominated by Tesi's Board of Directors, convened five times in 2020. The themes for the meetings included deeptech, coronavirus status assessments and crisis instruments, and also responsibility and social impact. At the European level, we actively participated in the work of the European Investment Fund's EIF-NPI Equity Platform and Consultative Forum. We are also a member of The European Venture Fund Investors Network (EVFIN) that we founded in collaboration with other public-sector European fund investors. We participated in the dialogue about EU financing and exerted influence via the European Community. The EC's goal is to increase the supply of risk financing, and to tighten and deepen the cooperation between members and the cooperation with the EIF.

SKILLED OWNERSHIP AND INSIGHTFUL DATA

We produce and refine existing information and data to identify bottlenecks and demand in the market. This insightful data enables us to target both our investments and our strong expertise more effectively. Interactively sharing data with our partners enables Tesi to make a more beneficial societal impact and develops skilled own-

“ Finland needs to prioritise the improvement of ownership skills. More research, training, peer learning, networks and international best practices are needed.

TERO LUOMA, AUTHOR AND INVESTMENT DIRECTOR AT TAALERI PRIVATE EQUITY FUNDS LTD

ership. Skilled, active and ambitious ownership in turn fosters success. Investors are, in practice, growth owners as skilled capital generates faster growth and better outcomes.

In addition to our investment activities, we also improve transparency in the Finnish market with focused surveys, questionnaires and analyses. We conducted **three questionnaire surveys** of the situation Finnish SMEs were facing due to the pandemic (available in Finnish only). The results indicate that these companies were managing the crisis with lower-than-expected negative effects. **The VC & PE market pulse surveys** support that observation, and the continuing ability of companies and owners to adapt and raise follow-on financing amid the crisis has been encouraging.

TESI'S trainee programme aims at developing the organization from within as well as the venture capital and private equity market in general. The trainees receive opportunities to show their knowhow in the versatile business and finance sector in which we operate. While doing so, they enliven the work community, present novel ideas, and outlooks as well as challenge Tesi's values in a healthy way. The trainees also have an important role in developing the diversity of work communities in both Tesi and the finance sector, especially in the long term.

"I really enjoyed my time under the programme. In particular, I liked how I was given straight away a chance to work with different tasks on par with other team members, take responsibility in interesting projects. My opinions were asked and considered. In addition to interesting tasks, the positive experience included encouraging and relaxed working atmosphere that persisted even in remote working."

TOMI SALO, FORMER TRAINEE, CURRENT INVESTMENT ANALYST, DIRECT INVESTMENTS, AUTUMN 2020

"As a trainee in Tesi, I learned a lot about growth companies as well as venture capital and private equity. Tesi offers a great opportunity to learn from professionals, in a pleasant working environment."

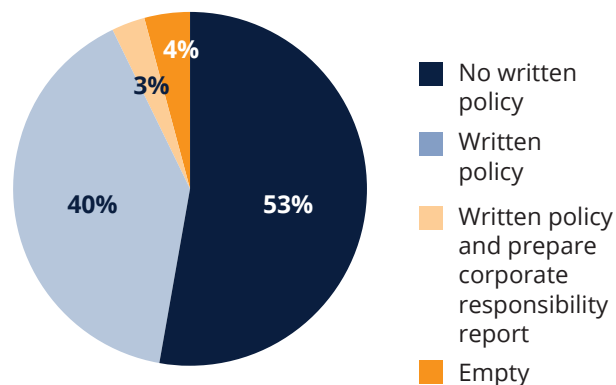
ELLEN AARINEN, FORMER TRAINEE, DIRECT INVESTMENTS, SPRING 2021

6.6 We promote a corporate responsibility mindset and diversity in portfolio companies

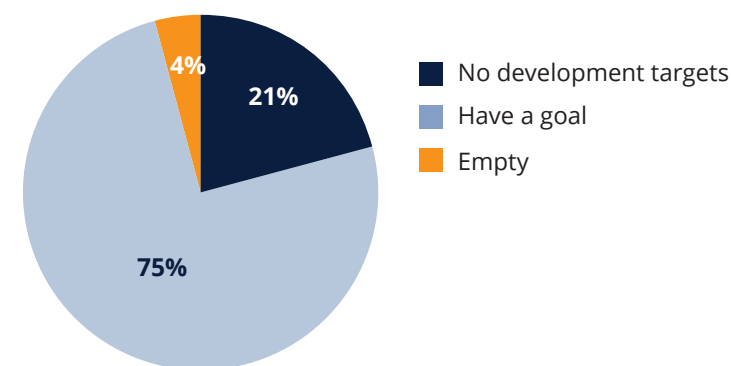
MAKING a positive societal impact and endeavouring to do so is one side of corporate responsibility, while responsible operation is the other. Portfolio funds and companies must demonstrate their positive societal impact as well as responsibility in their operations. Responsibility, and working towards responsibility, covers the entire investment process: it influences our investment decisions, value creation during ownership, and exits.

Our corporate responsibility policy and our responsible investment principles are based on the UN's Principles for Responsible Investment (PRI). We implement the sustainable development objectives of Finland's Government Programme and the UN's 2030 Agenda. It is through responsible investment that we directly promote sustainable development. We are an active member of the Finnish Venture Capital Association and its ESG Committee, which disseminates information and good practices regarding corporate responsibility and responsible investment. We belong to Invest Europe, the association representing Europe's VC

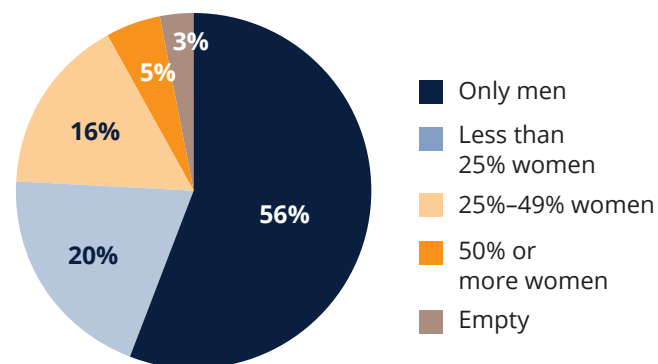
Corporate responsibility policy and reporting, percentage of respondents



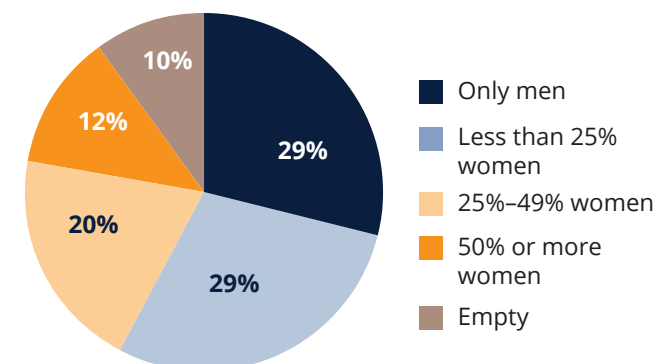
Corporate responsibility development goal, percentage of respondents



Percentage of women on board of directors, percentage of respondents



Percentage of women on management team, percentage of respondents



n=222*

* Tesi's direct portfolio and fund portfolio's target companies

& PE investors, and we are also a member of Finsif as well as of FiBS. We follow the guidelines and regulations of these associations concerning ethics, responsible investment, diversity & inclusion, and good corporate governance.

The guiding principle for responsible investment is to integrate responsibility aspects into investment processes and skilled ownership, not to exclude certain sectors or companies. Before an investment decision we need to see that the investee company or fund is willing to develop its responsibility, and that we will be able to influence the development of its operations together with our partners. We make a positive impact through responsible investment and active ownership. In line with responsible investment, we evaluate also the risks and opportunities of our investees' environmental, social and governance aspects. If there is no framework for responsibility, we do not make an investment.

STATUS OF CORPORATE RESPONSIBILITY AND DIVERSITY IN PORTFOLIO COMPANIES

Tesi's portfolio companies (both directly and through funds) more actively developed their corporate responsibility in 2020. Although the number of companies developing their corporate responsibility remained at broadly the same level, their activities were wider in scope and included

more targets for improvement.

As in 2019, personnel and the customer were priorities in the development of corporate responsibility. The clearest relative growth was in developing diversity, inclusion, and equal treatment; in improving the code of conduct, instructions, work safety, and coping with work-related stress; and in enhancing data security and the protection of customer data. More efforts were also directed at personnel training and learning at work, measuring and reducing environmental impacts, the certification of quality systems, and the calculation and monitoring of greenhouse gases. The number of companies calculating their CO2 emissions has doubled, and many have adopted their own method. Yet, most companies still do not calculate their CO2 emissions. Managing and reducing CO2 emissions is a future target for development.

The results of companies' efforts to promote diversity and inclusion are visible in the higher proportion of women both on boards of directors and in management teams. Compared to 2019, the relative proportion of male-only boards has declined from 63% to 56%. In 21% of companies, at least every fourth board member is a woman. The relative proportion of male-only management teams has declined from 38% to 29%. In 28% of companies, at least every fourth management team member is a woman. The number of port-

“ Developing a CO2 calculation is a clear target for improvement in companies so that emissions can be managed and reduced systematically.

HELI KERMINEN, INVESTMENT DIRECTOR, TESI

folio companies in the sample has grown by 11% over the same period.

The 30 or so fund managers who took part in [our interviews](#) charting investors' views on responsibility unanimously saw responsible operation as an essential requirement for good returns, at least over the long term. Each investment team has also adopted a responsibility policy, although the methods and responsibility standards applied in these policies vary. There is a widespread desire to promote diversity although it is felt that practical challenges stand in the way.

Read more about the principles of responsible investment and diversity in the Finnish VC & PE market in [Tesi's Corporate Responsibility Report](#) and [Diversity & Inclusion Review](#).

