



## Annual report 2020

### 2020 – a different year in every way

Looking back at 2020, it was a year when everything turned out to be completely different from what I thought it would be.



Foto: Astrid Waller

By CEO Håkon Haugli

This is the most challenging situation Norwegian industry and commerce has faced during my lifetime. The government was quick to see this and gave Innovation Norway almost double the normal framework for restructuring, innovation and long-term projects in an extraordinary situation. This meant that we had to make major changes to our activities in order to contribute in the best possible way to helping companies survive the consequences of the corona pandemic, and contribute to a competitive and sustainable business sector after the pandemic.

#### **We make a difference**

I'm proud to say we've delivered on this. You can read the figures in this annual report. Here you will find concrete examples of how enterprises with good support have seized opportunities, defied difficulties and developed new solutions; they have found new markets or invested where they previously would have hesitated to do so.

Norway has survived this challenging year better than many other countries, and our business community has once again demonstrated that it is capable of tackling unforeseen challenges. Segments of the business sector have also experienced growth. We had more startups in 2020

than in 2019, and more new listed companies than for many years. We also see that our work creates results. The long-term results will only be visible in a few years' time, but the figures for the results our customers achieve clearly show that Innovation Norway makes a difference.

We would like to express our sincere thanks to all of our more than 700 employees nationwide and in many parts of the world for the extraordinary efforts they have made in the extremely demanding year that lies behind us. We are also grateful for the trust of our clients, who gave us the opportunity to make a difference in 2020.

## **Innovation Norway as an emergency response organisation**

The impact of the coronavirus pandemic will be felt by the Norwegian and international economies for a long time to come. For large parts of the business sector, 2020 was a crisis year. Innovation Norway's role is to trigger investments in restructuring, innovation and internationalisation. This has also been the case during the crisis.



Foto: Thor Nielsen / NTNU

*By chair of the board Gunnar Bovim*

In the past year, our role as an emergency response organisation has been the most important. The government doubled our borrowing and subsidy frameworks, so that Innovation Norway could make a powerful effort to get the country out of the crisis with a competitive, sustainable business sector.

### **Driving force for green projects**

Even before the pandemic, it was of crucial importance for Norway to develop a more diversified and sustainable business sector. This is a prerequisite for the welfare of our future generations. I'm concerned that the green shift is slowing down. Innovation Norway has therefore had a specific focus on projects that will help solve the climate crisis.

Through its "European Green Deal" strategy, the EU has established initiatives and schemes to ensure that Europe achieves its goal of becoming a low-emission society, while at the same time developing new, profitable technology. The market opportunities for green value chains are increasing and Norwegian enterprises have good prerequisites for capturing parts of this market. Therefore, Innovation Norway puts considerable effort into highlighting these opportunities and gaining expertise in EU strategies and programmes.

### **Access to capital**

Over the past few years, Norway has succeeded with entrepreneurship, but enabling companies to grow is a challenge. Access to capital has been part of this challenge. In 2020, a record number of companies went public, many of them technology companies and customers of Innovation Norway. We also strengthened our efforts for entrepreneurs, through increased loan and subsidy schemes and initiatives for entrepreneurial environments.

### **Need to access international markets**

The crisis creates uncertainty about the way forward. From one day to the next, value chains have been broken, trade barriers have arisen and we have experienced an increase in protectionism and the creation of blocs in trade policy. At the same time, the business sector has proved to be highly adaptable, and new solutions for sales and logistics were quickly put in place.

Norwegian exports must increase and become more diverse to compensate for falling revenues from oil and gas. A small, open economy like ours is dependent on enterprises reaching international markets. It is therefore crucial that Norway has a competent and flexible support system that assists these enterprises. In 2020, Innovation Norway implemented a new export strategy and reorganised its international offices. The purpose is to ensure a more targeted and adaptable apparatus that can work strategically towards opportunities for Norwegian products and solutions.

### **More extraordinary assignments**

Innovation Norway has been directly affected by infection control measures in Norway and internationally throughout the year. Simplification and reordering of priorities have been necessary to manage the extraordinarily large assignment portfolio. The company has also demonstrated an impressive ability to restructure the organisation, thus enabling it to carry out more extraordinary assignments requiring the rapid development of new customer bases, systems and specialist groups.

As Chairman of the Board, I am very pleased with the efforts and deliveries.

## **A different year for industry and commerce**

2020 was an ordeal for many, and it involved both crisis packages and lay-offs in the business sector. At the same time, there has never before been a greater focus on digitalisation and green growth through Innovation Norway.

2020 will forever be remembered as the corona year. The pandemic triggered the greatest decline in activity in recent times, both in the Norwegian and international economies.

“There is no doubt that it has been an extraordinary year, which has been challenging for everyone. Despite this, there has been high activity and a great willingness to adapt in Norwegian industry and commerce. Many enterprises have used the opportunity to invest in long-term commitments,” says Håkon Haugli, CEO of Innovation Norway.



Minister of Trade and Industry Iselin Nybø and Håkon Haugli were pleased that the expanded support schemes have helped many Norwegian enterprises at a very difficult time. *Foto: Innovasjon Norge*

Innovation Norway allocated a record amount for development and innovation in 2020, totalling NOK 12.5 billion. That's more than double the amount in 2019. As many as 8,100 projects received funding from Innovation Norway in 2020, compared with 4,600 the year before.

This is mainly due to the government's decision to give Innovation Norway an extended framework to lift Norwegian industry and commerce, which has contributed to increased value creation during a difficult time.

### **The majority will pull through**

The economic downturn from the previous year has resulted in some industries being hit hard, and both unemployment and capital damage are high.

According to Jon Gunnar Pedersen, who is a partner in Arctic Securities and former State Secretary in the Ministry of Finance, there are still several enterprises that have done well, and the vast majority seem to have coped nicely during the crisis.

"We have never before experienced such a sudden, worldwide economic downturn, nor have we ever experienced that public interventions have shut down economic activity in such a way", says Pedersen, who chairs the government's corona committee "Norway towards 2025".

The commission will consider how the consequences of the outbreak of the virus, developments in the global economy, infection control measures and economic measures will affect developments in the Norwegian economy up to 2025.

"In some areas, we have leapt several years into the future. I think a lot of people have gained stronger solidarity in the workplace. We have also become more aware of how dependent we are on good workplaces where we take care of each other," he says.



Jon Gunnar Pedersen chairs the Government's committee that will point to ways out of the corona crisis. Here he was invited as a guest on Innovation Norway's podcast Innopodden to discuss this. Foto: Innovasjon Norge

### **Digital change of pace**

One of the sectors that has experienced marked progress in 2020 is the IT sector. Home office, social distancing and travel bans have helped force a digital change of pace. Since the corona measures were introduced in April last year, projects in the IT sector have received the most support from Innovation Norway. Last autumn there was already a threefold increase from the previous year.

Håkon Haugli believes that digitalisation is a tool that increases corporate value creation while at the same time providing value for both the individual customer and society as a whole. The transition from time-consuming mail orders to today's efficient e-commerce is one example.

"In the short term, digitalisation is about being competitive. In the longer term, it will also be about the ability to deal with changes, including new possible crises in the markets. With the right digital tool in place, Norwegian enterprises are well placed to compete and contribute to solving major societal challenges, both in Norway and globally. Some already do," says Haugli.

### **Positive environmental benefits**

Another important priority area for Innovation Norway and Norwegian industry and commerce going forward is green growth and sustainable development. Thus, it is gratifying that projects with positive environmental impacts doubled in 2020 compared to the previous year.

A total of 49 per cent of all projects supported by Innovation Norway in 2020 had such an impact. According to Haugli, Norway has the best conditions for becoming a leader in the development of new green industry.

"It is gratifying to see that even in a challenging year, there is a positive development in climate-friendly projects. This shows that Innovation Norway contributes with both green export revenues and sustainable jobs. We see that technology and expertise from the oil supplier industry are now being used in other areas of renewable energy. This is crucial for the development of new Norwegian export industries that can contribute to solving global societal challenges," says Haugli.

### Important and more difficult

Jon Gunnar Pedersen believes that Innovation Norway's role will be important in the years to come but emphasises that the task will also be more difficult.

"In some industries, a lot of capital has been wiped out, and new capital needs to be raised to rebuild more enterprises. For some, it is difficult to rise up again after their life's work has disappeared. Enterprises aren't just buildings and capital, they're people - people who dare," he says.



The main sources of income for Bakken Øvre gårdsmat were accommodation and food in the guesthouse and catering for companies. Then came the corona crisis and all the cancellations. Over the course of a weekend, they turned the operation around and started delivering food to the door, not only products from their own kitchen, but food from a variety of local producers. Thus, General Manager Ole Martin Kildahl was able to quickly bring laid-off employees back to work. *Foto: Privat*

Pedersen is clear that there are several serious consequences of the corona pandemic that will continue to characterise Norwegian industry and commerce in the years ahead. The most serious threat is that unemployment will take a firm hold.

"We already have an underlying tendency towards exclusion and increased inequality. The pandemic has socially speaking hit unfairly, and every hour of work lost is a value creation that will never take place," he says.

### High confidence

At the same time, he believes that Norway is well equipped to get through the crisis, thanks in large part to high confidence, an organised labour market, and the ability to adapt and restructure.

"The crisis has highlighted how dependent we are on both a profitable private sector and a well-organised public sector. They are mutually valuable to each other, and confidence in working life and between citizens and the authorities has been a source of strength for the whole of Norwegian society. In addition, we have strong competitive advantages that will continue to be important in the years to come," says Pedersen.

# **Focus on increased Norwegian exports**

Norwegian industry and commerce is characterised by the fact that we only have a few large international players and a large number of small and medium-sized enterprises. Thus Innovation Norway believes that one of the most important things is to seek new markets.

Norwegian enterprises can contribute to solving the major challenges facing the world. We have high-tech enterprises that develop and build world-leading products within their niche, solutions that benefit us all. The enterprises deliver sustainable and long-term solutions, not disposable or cheap off-the-shelf products. It is expensive to produce in Norway, but surveys show that Norwegian enterprises deliver high quality, at the right time and in good cooperation.

"Sustainable growth and exports are a priority in our new strategy, with specific goals of increasing exports and taking Norwegian enterprises with the best qualifications out into the world. It also requires us to look at how we are going to work and organise ourselves to achieve these goals," says Per Niederbach, Division Director Entrepreneurship, Growth and Export.

In order for us to sell our products in other countries, customers there need to know about the Norwegian solutions, and the enterprises need to know the customers. The Internet makes knowledge readily available, yet our experience is that it is crucial for enterprises to get help in entering new markets. They need guides with knowledge and contacts who know the possibilities in their market.

## **High export expertise**

The government has expressed a strong desire to increase Norwegian exports. Therefore, in October, the Minister of Trade and Industry and the Minister of Foreign Affairs presented a new action plan for exports.

Innovation Norway is, and will continue to be, an important partner in the public support system. Innovation Norway has employees with export expertise in every country, and they work side by side with our specialists in business development. Thus, we link developments at home with international market work.

Through our international network, we also have contact with businesses abroad that are considering establishing themselves in Norway. An example of this is that a number of international players are now considering producing batteries in this country. What draws them here is green power at a favourable price, competent and reliable labour, industrial expertise and good public schemes.

"The goal is to contribute to increased exports, increased sales and increased competitiveness for Norwegian businesses," Niederbach emphasises.

He explains that the changes Innovation Norway makes will strengthen overall export efforts and increase the ability to assist Norwegian businesses more flexibly, both where we are present and in markets where we are not present today.

## **New export strategy with three main initiatives**

In 2020, the export strategy "Equipped for Export" was presented, with the effort concentrated on three areas:

1. A good, easily accessible offer for everyone. All enterprises that consider international markets as part of their business model receive the same offer, where our knowledge is readily available. There they find information about the markets, needs, current rules and opportunities to move forward. Enterprises can also spar with advisers, get expert advice, clarify needs and get connected to other business support systems that are more relevant to them. The offer is mainly delivered digitally, and is scalable and free of charge.
2. Research and experience from other countries show that we must focus on the enterprises that have great opportunities internationally. Innovation Norway therefore offers a tailor-made export development programme that can include a strengthening of the enterprise's capital, competence programmes and individual consultation. A combination of services tailored to the individual's needs increases

the chance of enterprises succeeding with their goals and ambitions.

3. Joint commitment to the really big international opportunities. This is a demand-driven programme that focuses on specific international market opportunities – such as infrastructure development, green shipping, investments in health technology or floating offshore wind. It is about prioritising projects where Norwegian enterprises have better conditions than their competitors in other countries and joining forces to seize the opportunities that arise. Thus, it will be important to ensure that the business sector has an influence on which projects are prioritised.

If necessary, we connect partners such as Export Credit Norway and GIEK (now Export Financing Norway), NORWEP and relevant Norwegian embassies abroad. Everyone works together in Team Norway to increase Norwegian exports.

### **International presence is at least as important as before**

If Norwegian enterprises are to succeed in exporting, Norway must have people on the ground where the interest and potential lies. They need to know the conditions in the country, have networks and contacts, and be aware of who are reliable partners. As a policy instrument player, Innovation Norway alone has offices throughout Norway and around the world. We choose the most important markets and prioritise the markets with the greatest opportunities. Innovation Norway is currently present with 24 offices in 19 markets worldwide.

We work with trend-setting partners in many countries, from business organisations and universities to hospitals and technology companies. Knowing the trends, government plans and current rules are crucial to understanding the needs and communicating them to the enterprises that can deliver solutions. This is what our employees do all over the world. They are enterprises' passports to the world's markets.

## **A different year for Innovation Norway**

Digitalisation and a great positive attitude towards voluntary work enabled Innovation Norway to support a record number of projects in 2020.

It is said that something can fail even in the best laid plans. That may be true, but it also happens that plans succeed as intended. In mid-March 2020, Innovation Norway found itself in precisely such a situation. By the time the lockdown came, Innovation Norway had just made the heaviest lifts in a large-scale digital restructuring process.

### **Digital change of pace**

During the years 2018 and 2019, a number of steps were taken in what is best described as a digital change of pace in Innovation Norway. During these two years, the organisation switched to cloud-based platform services. Office 365 was introduced as an interaction platform, while all employees were trained to use the new tool. After lagging far behind in the field for a long time, towards the end of 2019 Innovation Norway became one of the best in the public sector at digitalisation.

"When the lockdown came, it was easy for us to take our laptops home and set up a home office. In retrospect, we have seen that it was a smooth transition – at least from a technical point of view," says Helle Øverbye, Division Director People and Technology at Innovation Norway.



Foto: Astrid Waller

The fact that the organisation was equipped for a smooth transition to home office would prove to be a huge advantage. At the beginning of April, the Storting commissioned Innovation Norway to manage an extraordinary "package" of NOK 4.7 billion. The money would be used for loans and grants to Norwegian entrepreneurs and growth enterprises. In order to mitigate the crisis, it became important to distribute this package as soon as possible. The interest from the business community was not long in coming, and soon all the offices of Innovation Norway had to turn around quickly to deal with the demand.

### **Early pressure in Rogaland**

"We were one of the regions that noticed the pressure very early on. Almost from day one we received a huge number of applications, and then it was really just "all hands to the pumps", says Kari Holmefjord Vervik, Director of Innovation Norway Rogaland.

Rogaland's companies were among the fastest to turn around to get support from Innovation Norway. This led to a significantly larger workload for the organisation, especially with regard to case handling and review of applications. As a result, more employees had to take on new roles and tasks.



**VOLUNTARY WORK:** In the spring of 2020, everyone in Innovation Norway worked long and hectic days. For the regional office in Rogaland, small gatherings outdoors became bright spots in everyday life. Foto: Innovasjon Norge

"The advisers who did not work with case handling had to help. We received a lot of inquiries, not just completed applications, so a large apparatus was needed just to handle incoming applications in a good way," says Vervik, who himself spent time writing response letters to anxious enterprises confirming that they would soon receive help.



For Vervik, the voluntary spirit and flexibility in the organisation are an important part of the explanation of how Innovation Norway managed to cope with the increased demand. Each and every one of us simply rolled up our sleeves and got on with it. By the end of the year, a total of NOK 850 million had benefited the business sector in Rogaland. This has helped to keep the wheels turning at a very demanding time for many enterprises.

"The enormous willingness throughout the organisation to do what was needed was crucial for us to be able to deliver," says Vervik.

### **Not a sustainable pace of work**

Although the pandemic has proved to last for a great deal longer than initially assumed, the workload has gradually normalised. And that's a good thing, because even if Innovation Norway delivered on its extraordinary mission in 2020, that doesn't mean that the workload and pace are sustainable in the long run. For example, for a while, advisory services had to be deprioritised to deal with the large increase in case handling related to support and loan schemes.

"We can't do this indefinitely. For example, we didn't have time to have meetings in advance, and thus you can't challenge the enterprises in the same way. You can't make their projects better," says Vervik.

### **Digital course offerings**

In addition to the distribution of the extraordinary funds, a lot of effort was also put into creating a satisfactory digital offering for the many customers and enterprises that Innovation Norway would otherwise have trained and inspired through physical presence. Eventually, the organisation came up with many good solutions regarding, for example how the coursework in an accelerator programme can be digitally recreated.

The extraordinary year 2020 was also used to share expertise and training programmes across regions and offices. This ensured the maintenance of a good offer to the country's enterprises, despite the restrictions that came with the pandemic.



Helle Øverbye, Division Director People and Technology at Innovation Norway. Foto: Astrid Waller

"For example, a digital course created by region Vestland may be just as relevant to the rest of the country, so we can also offer it to the other regions," says Helle Øverbye. She is pleased when she looks back at Innovation Norway's handling of the extraordinary year 2020.

"I experience that we have handled it in a good and solid professional way. But I also think that Innovation Norway has been extraordinary in that in 2020 we have actually delivered much much more, with only slightly more resources than usual. This is the extraordinary thing about Innovation Norway," says Øverbye.

## **EU opportunities for Norwegian industry and**

## **commerce**

Innovation Norway is an important door opener for Norwegian enterprises that want to take advantage of the various opportunities that lie in the EU programmes in which Norway participates.

The EU has a number of programmes aimed at contributing to targeted innovation and research. Norway is included in several of these programmes.

"These are opportunities we now want to highlight and facilitate for Norwegian industry and commerce. Participation in these programmes provides access to both capital, knowledge, networks and markets. It also gives Norwegian enterprises the opportunity to participate and contribute to solving some of Europe's and the world's really big challenges," says Per Niederbach, Division Director Entrepreneurship, Growth and Export at Innovation Norway.

"The fact that several Norwegian enterprises have already brought home considerable support for their initiatives from various EU programmes confirms these opportunities," says Niederbach.

The link to the EU provides great opportunities for Norwegian actors. Last year alone, Norway raised a total of NOK 13.9 billion through the EU programme Horizon 2020, the predecessor of today's Horizon Europe. Norwegian research institutions received 53 per cent of the project funding, while 29 per cent went to the business sector.

### **Increased level of ambition**

"We see that the level of ambition for Norwegian industry and commerce has increased in recent years. There is more investment in larger projects that can also do well in a global market. This is an important factor that increases our competitiveness in the EU," says Mathias Aguirre Havgar, head of the EU team at Innovation Norway.

Since 2014, there has been a steady increase in funding allocated to Norwegian actors. For the business sector, one of the most important instruments in the EU Horizon 2020 programme has been the EIC Accelerator for small and medium-sized enterprises. This has now been continued to Horizon Europe (2021-2027). Last year, seven Norwegian enterprises together received a record amount of NOK 500 million from the EIC Accelerator. Thus Norway was second best in Europe, beaten only by France.

### **Great value for Norwegian enterprises**

One of the enterprises with support from the EIC Accelerator in 2020 was the Norwegian IT company ONiO, which was awarded a total of NOK 75 million from the EU. The company makes battery-free computer chips that harvest energy from electromagnetic waves in the air. Their goal is to remove costly and environmentally hazardous batteries from today's IoT sensor technology. IoT, or "Internet of Things," is about physical objects that connect on the Internet. These things are often wireless and contain batteries, such as robot vacuum cleaners, speakers or smart watches.

"Testing new technology in a pilot phase can be extremely costly. It is therefore important that we take advantage of the opportunities we have to obtain funding through the EU. Norway is a small country, and even though we have a good investor environment, it is still challenging to find venture capital. Here we have a lot to gain from the EU," says Havgar.

The EU support that ONiO received allowed the company to bring the technology to market and prepare the company for growth. The Norwegian companies Tag Sensors and Hy5 were also awarded financial support in 2020 through the previous Horizon 2020 Fast Track to Innovation instrument, which targeted innovative enterprises with solutions that could be quickly introduced to the market.

### **Innovation Norway as a door-opener**

In cooperation with the Research Council of Norway, Innovation Norway assists research and business actors in taking advantage of the opportunities Norwegian industry and commerce have in the EU. The job consists of, among other things, advising Norwegian companies in the application process, ensuring that a company meets the EU framework conditions, analysing the

possibilities within the various EU programmes and conducting pitch training in advance of presentations.

"How we advise varies, but a great deal is about playing ball with the enterprise about improvements. A company is often concerned with what to deliver in terms of the bottom line, while the EU is more concerned with what the company can do for society, which is not always intuitive for the enterprise itself to understand," says Mathias Havgar.

In addition to the EU programmes helping to relieve Norwegian companies of financial risk, they also contribute to connecting Norwegian actors to important partners and new markets. This is crucial for achieving good cooperation projects and establishing new value chains in foreign markets.

### **Good at green projects**

The grants and equity Norway received from the EIC Accelerator in 2020 were earmarked for green projects. This testifies to the fact that Norwegian enterprises are at the forefront of green innovation and restructuring.

"Green and digital restructuring will continue to set the trend for the upcoming programmes and support schemes in the EU," says Havgar.

The EU aligns economic instruments with its overarching political priorities and objectives. This means that important international ambitions such as the UN Sustainable Development Goals, the Paris Agreement and the EU's own Green Deal provide guidelines for which projects will receive funding. The Green Deal is the EU's growth strategy to make the EU climate neutral by 2050.

"For Norwegian enterprises, this means that it will be important to highlight societal gains in order to secure support through EU programmes. The advantage is that in Norway we are good at focusing on solving these types of tasks, while at the same time we have a long history of renewable energy and a business sector that has been working on it for a long time," he says.

### **EU opportunities in 2021**

On 1 January 2021, the EU Framework Programme for Research and Innovation, Horizon Europe, started. The programme takes over from Horizon 2020 and has an estimated budget of EUR 95.5 billion. The overall goal is to increase European competitiveness, ensure economic growth and solve major societal challenges in Europe.

"Norway has several comparative advantages that mean that we are well placed in terms of the route the EU follows with its funding programmes. We have great opportunities and succeed well, both in terms of sustainability, digital transition, sustainable food production and carbon neutrality, in addition to being a world leader in ocean technology," says Havgar.

For Norwegian industry and commerce, new opportunities are also opening up in two major EU programmes in addition to Horizon Europe. One is COSME, which aims to strengthen the competitiveness and sustainability of European companies, while ensuring equal conditions and an open and competitive internal market. The programme is aimed at small and medium-sized enterprises, clusters and entrepreneurs and will help create growth and jobs in Europe, including by providing access to the world's largest advisory network, the Enterprise Europe Network.

The second is the Digital Europe Programme (DIGITAL), which aims to help small and medium-sized enterprises take part in the digital transition and exploit the potential use of digital solutions. DIGITAL aims to strengthen Europe's global competitiveness, safeguard Europe's digital sovereignty and help solve societal challenges by building digital capacities in (1) high performance computing (HPC); (2) cloud, data and artificial intelligence; (3) cyber security; (4) advanced digital skills; and (5) the use/application of the capabilities developed under areas 1-4. DIGITAL focuses on the user and is intended to benefit the public sector, citizens and enterprises (especially SMEs).

## **How Innovation Norway is working on a green transition**

New support schemes, consultation and a strong focus on the changes being driven by the EU. In the years to come, green growth and restructuring will be a high priority in our work.

"I think there is a recognition in all environments – the business sector, the political environment and in the university environments – that Norway needs to adapt, and there is a lot of innovation there," says Ingelin Drøpping, Division Director for Social and Business Development at Innovation Norway.

2020 was a challenging year for a number of reasons. The corona pandemic caused problems in virtually all layers of Norwegian industry and commerce. At the same time, our commitments to emission cuts mean that we cannot wait to adapt to a greener and more sustainable economy. In 2021, innovation is therefore needed on several fronts. The Norwegian business sector is entering a period that is as demanding as it is exciting.

"Innovation Norway wants to be a trigger for the innovation power needed to achieve that transition," says Ingelin Drøpping.

### **New, large schemes**

Innovation Norway supports green growth and innovation through financing and advisory services: We grant loans and grants, while at the same time offering advice on export markets, insight and area knowledge from the markets in the world that are most interesting for Norwegian industry and commerce.

In recent years, Innovation Norway has also contributed to the creation of innovative support schemes, specifically aimed at green technology. One of these is PILOT-E, which is a joint grant scheme developed in collaboration with Enova and the Research Council of Norway. The idea behind the scheme was to create a support scheme – from idea to product – for Norwegian enterprises that can in the long term create business development in environmentally friendly energy technology.

"At Pilot-E, we have been working on calls for proposals on very specific topics, which are now starting to show results," says Drøpping.

Among the projects that have received support from Pilot-E are the digital power company TIBBER and battery-powered passenger vessels from the boatbuilding company Brødrene Aa.

In the government's third economic stimulus package, a new, broad initiative for green projects called the Green Platform was also presented in 2020 through cooperation between the Research Council of Norway, Enova, Siva and Innovation Norway. At the same time, NOK 1 billion was made available to build the platform by funding major research and innovation-based green projects. Innovation Norway will manage the funds, together with the Research Council of Norway and Siva. This gives us an opportunity to further develop and strengthen the cooperation established in the Pilot-E model.

"This cooperation can speed up the green transition," says Drøpping.

### **Looking to Europe**

Ingelin Drøpping believes that the EU will become even more important for Norwegian growth companies in the future. Towards the end of last year, the EU launched its new taxonomy for sustainable economic activity: a classification system that assesses sustainability based on carefully established criteria and environmental goals. The system sets guidelines for countries hoping to export goods and services to the Union and is part of a larger commitment to green growth – the EU's "Green Deal".

"Eighty per cent of our export market is in the EU, so this initiative sets the premises for quite a lot of us in Norway," says Drøpping.

Since the taxonomy came, the EU advisers at Innovation Norway's regional offices have had a steady flow of inquiries from companies that want help to understand and equip themselves for the guidelines in the EU's Green Deal. For many enterprises, the restructuring and commitment to green growth begins with a conversation with an adviser. Going forward, this will probably be absolutely necessary to be able to navigate the EU's new regulations for sustainability and green growth. Therefore, Innovation Norway now ensures that our advisers are well equipped for the necessary sparring with Norwegian industry and commerce.

"You have to understand how the EU thinks about sustainability, and then you have to link those guidelines with the advantages we have in Norway," says Drøpping.

## **A new approach**

In recent years, we have seen that green restructuring does not necessarily mean turning the business model completely on its head. One example is the oil supplier industry, which has already begun to apply its expertise in the production of structures to floating offshore wind. As Drøpping sees it, we have a tremendous number of opportunities created by the green shift.

Norway has world-class expertise and experience from competing in international markets. The market opportunities of the future will require us to understand ecosystems and form partnerships and alliances within these networks to address larger parts of an entity.

"In several cases, green restructuring requires that we are able to lift both the supply side and the demand side at the same time. This entails cooperation between the authorities, the business support system, enterprises and customers. For example, we would not have had electric ferries in Norwegian fjords if the authorities had not changed the regulations, or if R&D had not given us battery technology, or without ships built for short-haul shipping and the development of a charging infrastructure," says Drøpping.

"I think that one of the most important things Innovation Norway will do in the future is to help connect the trends we see in the world with the advantages we have at home, and help Norwegian businesses to achieve the place they deserve," says Drøpping.

A green shift requires that the companies that help drive it forward are profitable.

"There are very few companies that are profitable in a domestic market with 5.4 million inhabitants, so companies must invest internationally and have a broad perspective. Not only for their own bottom line, but also to make a real difference in the world," she says.

## **Corona lay-offs turned around by a personal protective equipment company**

While Sykkylven municipality was in an unemployment crisis in March 2020, Innovern was founded and received loans from Innovation Norway in record time. Today, the company has 15 employees and a bright future.

"The loan from Innovation Norway was the basis for us being able to get started. This was crucial," says Leif-Jarle Aure, Chairman of the Board of Innovern.

At that time, Sykkylven was among the municipalities in the country with the highest unemployment rate, with 27.6 per cent of the workforce applying for unemployment benefits.

"The business sector here in Sykkylven is built around the goods-producing industry, with furniture production being by far the most important industry. When several manufacturing companies had to close for a period of time, people were laid off in large numbers," says Aure.

### **The whole world needed personal protective equipment**

Amatec, which supplies machinery and production equipment to industry, quickly saw that the world would be in dire need of personal protective equipment. Together with some other local partners, they made a quick turnaround and on March 25 the company Innovern was founded, with the production of surgical face masks as the first objective.



The corona pandemic challenged the supply of personal protective equipment, and Norwegian Innovern is now producing face masks at full speed. *Foto: Zenmore Media*

"When the corona pandemic first hit us, Norway was heavily dependent on imports of personal protective equipment, including from China. And since the whole world needed such equipment at the same time, the idea was to produce more ourselves," says Kari-Anne Lade Gjørvad, Customer Manager at Innovation Norway.

According to her, there were many initiatives around the country, but Innovation Norway decided to invest in Innovern because the company had expertise from relevant professional environments in furniture production and industrial machinery, as well as access to vacant production facilities. Innovation Norway quickly saw the potential for new jobs.

"In our local community there is a high level of expertise in automation, and that was one of the cornerstones for the establishment of the company: to automate face mask production, Aure explains.



In November, Prime Minister Erna Solberg visited Innovern and officially opened the facility with a ribbon-cutting ceremony. *Foto: Innovern*

It was also recognised that the government had fulfilled its wish for national production of personal protective equipment. In November, the Prime Minister visited the company and officially opened the facility with a ribbon-cutting ceremony.

"It has been a successful project, which has received a lot of attention and has been featured in both local and national media," says Gjørvad.

#### **Good internal cooperation**

According to Gjørvad, the Innovern case was a brilliant example of how Innovation Norway can collaborate quickly across departments. Two weeks after the application was submitted, the

company received a loan offer with good conditions and interest exemption for one year.

"It was a very exciting case to work with. Expertise was connected across offices and employees with expertise within health in Oslo," she says.

Innovern also managed to land an agreement with Sykehusinnkjøp (Hospital Procurement) to purchase 20 million face masks. Aure is clear that without the order and loan financing from Innovation Norway, they would not have been able to get the company up and running.

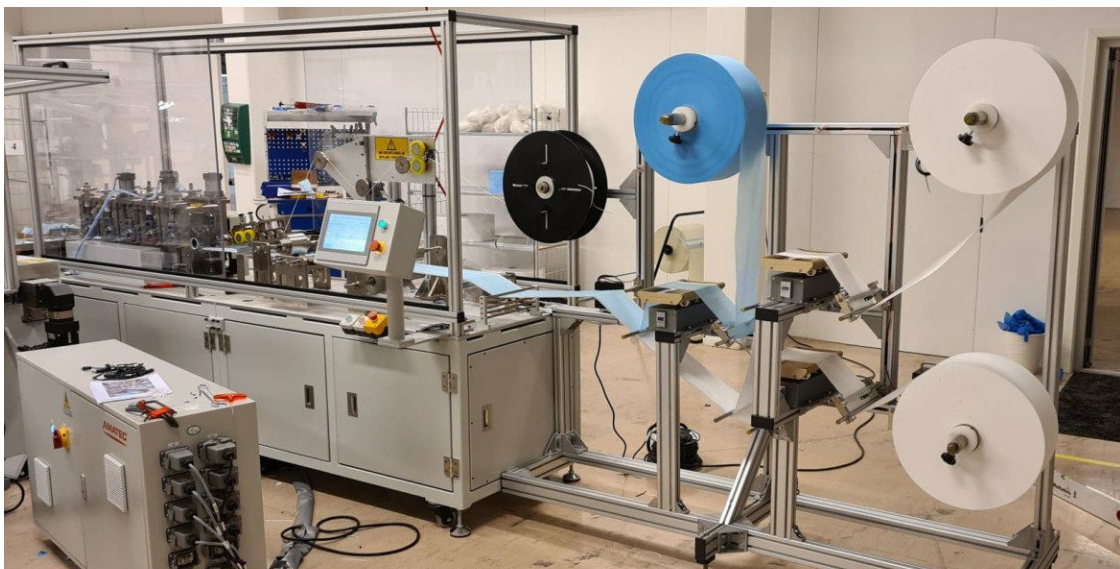
"Innovation Norway gave us good help in the start-up phase," says the Chairman of the Board.

### **A sustainable story with a happy ending**

In less than a year, the company has gone from one to fifteen employees, including people who were laid off or terminated during the corona pandemic and refugees.

"Our production is becoming more and more automated. We are currently bringing in a new packing line, which allows us to significantly increase production, and we are discussing whether to aim at more types of personal protective equipment," says Aure.

He strongly believes that what was a difficult corona situation, with layoffs and unemployment, has provided fertile ground for a sustainable and innovative company.



Based on supplying industrial machinery and production equipment, it was possible to automate face mask production.

Foto: Innovern

In general, the situation in Sykkylven is completely different than in March last year: They are now down to about 1.6 per cent unemployment.

"It went from being a crisis in the entire municipality to becoming in a way a story with a happy ending. From being among the municipalities with the highest unemployment in the country, to the fact that they now have around 150 positions advertised. For me who was born and raised in Sykkylven, it is especially gratifying," says Gjørvad.

## **From ideas to export successes**

**Some customer journeys last longer than others. Drytech and Elliptic Labs have been supported by Innovation Norway since they were only ideas in the start-up phase.**

"When our customers succeed, we also succeed," says Ingelin Drøpping, Division Director for Social and Business Development at Innovation Norway.

Innovation Norway's main task is to contribute to innovation in the business sector and thereby lay the foundation for the development of future-oriented, sustainable and competitive Norwegian enterprises.

The customer journey in Innovation Norway is already reflected in the organisation, with special offices for customer contact and follow-up both close to the enterprises where they are located here at home and in the most relevant international markets.

"Our role is precisely to be a competent, patient and, if necessary, long-term sparring partner that

helps our customers realise their ideas. The collaboration ranges from short-term contact to more long-term follow-up," says Drøpping.



Ingelin Drøpping, Division Director for Regional and Business Development in Innovation Norway. Foto: Astrid Waller

### **Thirty years with dry food**

For Drytech, the long-standing relationship with Innovation Norway started as early as more than 30 years ago, in the garage of entrepreneur and refrigeration technology expert Rolf Hansen. In 1989, he made the first attempts to dry-freeze his wife's casseroles in order to take them with him on his trips outdoors. The result was a gentle method of freeze drying that retained the taste and consistency of the raw materials.

Innovation Norway, or the Industry Fund as it was then called, was involved early on and contributed to the project. Through a state research and development contract (now called Innovation Contracts), the Norwegian Military Supply Commando became a partner in a years-long collaboration with the aim of developing new field rations to replace the canned foods that were then called "dead man in a can".

Since then, Innovation Norway has followed Drytech through growth and expansion into new markets. The company is now in its third phase of growth since its establishment, and Innovation Norway has participated in all the growth phases with expertise, capital and networks, and in markets at home and abroad.

With the Norwegian Armed Forces as a demanding customer, it also opened the door for the sale of field rations to the armed forces of several other countries. In addition, Drytech has succeeded in the private market with the brand "Real turmat" that many people know about.





Drytech makes sure that hungry outdoor enthusiasts, the defence forces and emergency services are fed when they are on a trip or in the field. Foto: Arild Heitman

"It's been a long collaboration. Innovation Norway has been with us in many phases and been a very good resource for us," says Trond Hansen, who is Rolf Hansen's son and current CEO of Drytech AS.

In 2019, the company moved into a newly built factory equipped for the future. Drytech is now facing a major restructuring project that will make the company even more sustainable going forward, with a focus on food waste and resource use, among other things. Innovation Norway also contributes here.

"Innovation Norway contributes with funding for the project, and has also put us in contact with production environments at both Raufoss and Kongsberg that are far ahead in terms of digitalisation. Innovation Norway has been an important factor in our success. They have opened doors, used their network to research markets and find important customers, and have connected us to the right expertise environments," says the Drytech boss.

### **World-class ultrasound technology**

Another company with a longstanding relationship with Innovation Norway is software developer Elliptic Labs. The company started its customer journey in 2006 based on an idea to use ultrasound technology and artificial intelligence to detect movement, which can thus be used as sensors in technological devices. Elliptic Labs is a great example of the new generation of enterprises that Innovation Norway works with. The portfolio of IT companies is growing.

On the way to where Elliptic Labs is today, Innovation Norway has contributed in a number of areas – both with funding and expertise, and been a door opener in the international market. Elliptic Labs has also participated in a number of Innovation Norway's various corporate and market development programmes.

"It's very positive to participate in programmes where one can benefit from a huge network. Innovation Norway is definitely a good supporter," says CEO Laila Danielsen.



Xiaomi is one of Elliptic Labs' largest customers. Here Laila Danielsen joins Xiaomi boss Lei Jun during a smartphone launch, where Elliptic technology was used in the smartphone. Foto: Elliptic Labs

Today, Elliptic Labs delivers software to smartphones, laptops, and IoT devices. Using machine learning, ultrasound and the fusion of other sensors, the software platform being developed can make devices smarter, allowing them to capture movements from humans and environments, small hand gestures and even heartbeats, among other things. In this way, for example, you can navigate screens and devices without touching them.

"We have definitely noticed increased interest for touchless navigation during the corona pandemic, but also for other health-related functions. For example, the technology can be used for life and health monitoring of people at home, without the use of cameras and microphones that are a threat to privacy protection, explains CEO Laila Danielsen.

With Chinese smartphone maker Xiaomi, among others, as one of its biggest customers, the company was hit hard when the corona pandemic led to a full lockdown in China in early 2020. That's when Innovation Norway came in with perhaps the most important contribution yet: NOK 15 million in grants to adapt to entering a new market.

"The innovation grant allowed us to accelerate development towards the laptop market. We didn't have to dismiss anyone, and we were able to keep up the pressure. We really appreciated that," says Danielsen, who adds that the future of the company now looks bright.

### **Make a difference**

"These are two business examples that clearly show how innovation Norway can contribute over time. However, it is not our objective for the customer journey to last longer than necessary. Our contribution will be to develop businesses that more systematically innovate and adapt to new requirements and new opportunities, and that will be attractive to competent investors who in turn can allow for further growth and development both at home and abroad," says Ingelin Drøpping.

The division she leads includes the regional offices, and thus accounts for the first contact most customers have with Innovation Norway.

"Our first meeting and collaboration with many enterprises often takes place in a perhaps early and somewhat immature start-up phase. Then we also see that the same enterprises can come back to us when they want to access new markets and significantly increase production."

Impact analyses carried out by Innovation Norway show that enterprises that use services from Innovation Norway on average succeed better in important areas compared to similar companies that do not.

"Our customer survey shows that half of the customers who stay in touch and receive advice and guidance after funding are most successful. This underlines our intention to participate when needed, and as long as we can make a difference," Drøpping points out.

## **Innovation Norway gives local ideas global**

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## **opportunities**

Innovation Norway is the Norwegian Government's and county authorities' most important instrument for realising value-creating business development throughout the country and helping enterprises grow in international markets.

Innovation Norway's aim is to be a sparring partner that offers expertise, networks and capital to SMEs with a capacity for growth, both individually and in networks. Innovation Norway wants to be a door-opener into the business support system and connect enterprises with private and public actors that can help enterprises grow in both domestic and international markets.

Through its 19 regional offices, Innovation Norway is in close contact with Norwegian industry and commerce wherever they are located. With 24 offices in 19 markets, Innovation Norway also actively facilitates business and export promotion and assists Norwegian companies in the most important markets. In addition, there are four project offices for the EEA mission in Europe.

Innovation Norway is 51 percent owned by the Ministry of Trade, Industry and Fisheries, with the remaining 49 percent belonging to the county authorities. Innovation Norway is organised as an enterprise established by special legislation, where the Board of Directors are independently responsible for its operations and the results achieved.

Innovation Norway receives annual letters of assignment from ministries, county authorities and county governors. The main assignments involve innovation and internationalisation, regional business development and funding. In addition, Innovation Norway receives assignments related to agriculture, travel and tourism profiling and EEA Norway grants. The aim is to stimulate commercially and socio-economically profitable business development and realise the commercial potential of the regions. This is achieved by contributing to more successful entrepreneurs, more companies with growth potential and more innovative business communities.

Innovation Norway was established in 2004 through a merger of the Norwegian Industrial and Regional Development Fund (SND), the Norwegian Export Council, the Norwegian Tourist Council and the Government Consultative Office for Investors. This merger provided Norwegian trade and industry with a door into a regionally, nationally and internationally unified policy implementation system for innovation and business development.

*Photo: Astrid Waller*

## **Changes in the organisation and rapid restructuring**

As an organisation, Innovation Norway, like many others, was also affected by the corona situation in 2020. The management of extra allocations to industry and commerce entailed a rapid adaptation of both working methods and deliveries. During 2020, changes were also made to parts of the organisation.

Innovation Norway's strategy for the period 2020-2025 provides direction and will strengthen the ability to prioritise efforts that contribute to the best possible attainment of objectives.

### **New organisational structure**

The strategy also forms the basis for the new divisional and management structure that was implemented on 1 January 2020. It consists of three customer-oriented divisions plus staff functions. The three customer-oriented divisions are:

- Division for Social and Business Development
- Division for Entrepreneurship, Growth and Exports
- Division for Strategic Positioning, Travel and Tourism and Special Assignments

The changes have been implemented with the purpose of simplification for customers, increased efficiency in implementation, and better internal coordination and uniformity.

### **Changes to the travel and tourism assignment**

As a result of reduced allocations to the travel and tourism assignment in the national budget for 2020, an adjustment was made to the number of full-time equivalents and a reduction of other costs in the spring of 2020. The adjustment to the number of full-time equivalents was carried out both in the international offices and in the staff at the head office.

### Changes in international presence

In the autumn of 2020, on behalf of the Ministry of Trade, Industry and Fisheries, an assessment was also carried out, and subsequently changes were made to Innovation Norway’s international presence. The objective is increased flexibility and a more specific and targeted effort towards greater market opportunities in line with the advice from Norwegian industry and commerce.

The change meant strengthening our presence in markets with the greatest interest and potential for Norwegian industry and commerce and reducing the number of offices in the markets where Innovation Norway’s services are less in demand. This led to a strengthening of offices in Singapore, the United Kingdom (London), Germany (Hamburg and Munich) and the United States (New York and San Francisco), and the closing down of offices in Denmark, Finland, Indonesia, Poland, South Africa and one of the offices in India.

With these changes, Innovation Norway is present in 19 markets with 24 permanent offices. In addition, there are four project offices for the EEA mission in Europe.

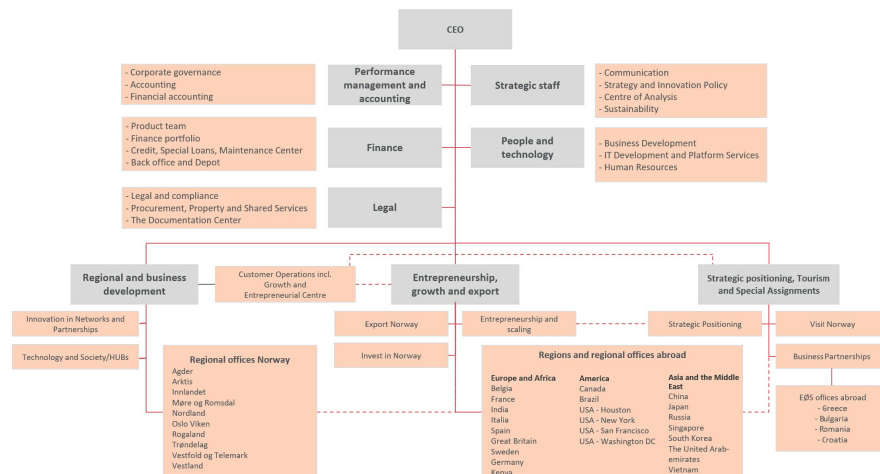
The organisational changes in 2020 were implemented in parallel with handling the pandemic, and in an extraordinary situation where both employees and managers have mainly worked from home. Efforts to develop the organisation and realise its objectives will continue into 2021.

*Photo: Astrid Waller*

## Organisation chart - Innovation Norway

Organization chart from January 2021

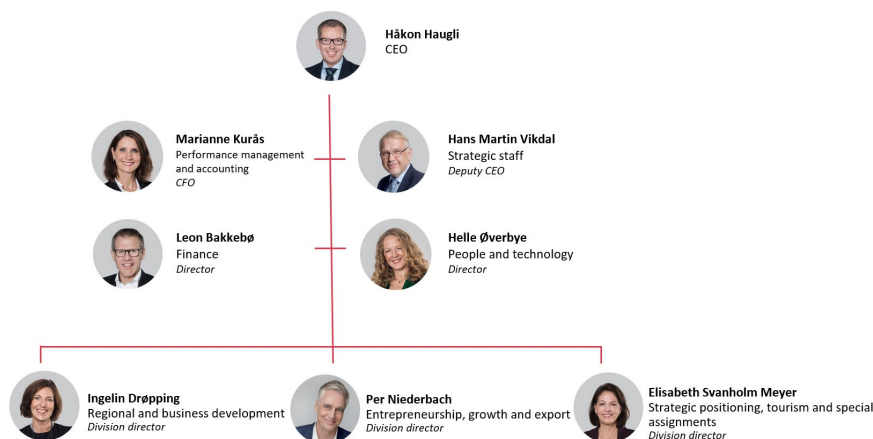
[Large version of the chart](#)



## Innovation Norway - Management Group

Management in Innovation Norway from January 2021

[Large version of the image](#)



## We contribute to added growth for our customers

Businesses supported by Innovation Norway have an estimated annual average of added growth in sales revenue of 10.3 percentage points related to comparable businesses that lack such support. A record high number of businesses also describe support from Innovation Norway as having a decisive impact on their projects.

In 2020, as a result of the coronavirus pandemic, Innovation Norway managed a significantly larger portfolio of assignments compared to a normal year. With extraordinary grants and assignments from the Norwegian Parliament and Government, and thanks to simplification and re-prioritisation within existing frameworks, Innovation Norway was able to contribute a total NOK 12.5 billion to development and innovation for businesses. This is more than double the figure reported in 2019.

The objective has been to protect the innovative strengths of businesses and help ensure that positive innovation projects continue despite the pandemic. In 2020, Innovation Norway has focused on the difficulties and uncertainties many businesses have faced, and that the need for public sector financing and risk mitigation has been greater than normal. During the COVID-19 crisis, Innovation Norway has also, to an even greater extent, been assigned the role of innovation policy adviser by updating owners and delegating authorities regarding the status of Norwegian industry and commerce, making a number of recommendations regarding action needed to face the crisis.

Although the economic framework was doubled in 2020, the requirements and objectives for allocation remain the same – to develop an increasing number of successful entrepreneurs, enterprises with growth potential, and innovative business clusters, all of which will be instrumental in allowing Norway as a nation to adapt and change after the crisis.

### **Indicates positive effects**

Continuous impact surveys are conducted every year to gain more knowledge of the effects and results of Innovation Norway's activities. The results of these surveys indicate the extent to which Innovation Norway reaches its goals.

The impact survey conducted by Economics Norway for Innovation Norway compares the indicators for sales revenue, value creation, productivity and the number of full-time equivalents in companies that have received support from Innovation Norway with a control group of similar companies without such support.

This year's survey shows that Innovation Norway's customers have an annual average of added growth in sales revenue of 10.3 percentage points in relation to comparable businesses without such support. The corresponding figures for value creation and productivity are 8.7 percentage

points and 4 percentage points, respectively. The figure for the number of full-time equivalents shows an annual added growth of 3.7 percentage points. These results are relatively stable when compared with the survey in 2019, but several estimates are moving in a positive direction.

According to Economics Norway's analysis, the support and efforts targeting entrepreneurs generate the greatest impact for the specific indicators. High estimates are easier to achieve if you have a low starting point. This implies that even though the estimates for the more established enterprises are lower, the effects there must not be underestimated. The share of entrepreneurs in the portfolio is higher after several years of increased efforts for this target group, particularly with the Government's entrepreneurial plan, Good ideas – jobs of the future. This is instrumental in boosting total impact for the entire customer portfolio.

The effects of the three sub-goals are described in their respective chapters.

### **A more decisive role**

Innovation Norway is also interested in measuring additionality, i.e., the extent to which the enterprises believe that Innovation Norway's contribution has played a decisive role in project execution. This year's assessment, conducted by Oxford Research in the Customer Impact Survey – preliminary survey 2020, indicates that a total of 96 percent of enterprises surveyed believe that Innovation Norway has played a decisive role in the execution of their project. Only four percent do not feel that the contribution has been decisive, an historically low figure. It is highly likely that this development can be ascribed to the coronavirus crisis, and that Innovation Norway's contribution is now more important for the enterprises' R&D work.

2020 thus represents a significant increase in the share of high additionality, after several prior years with a relatively stable percentage score of approx. 90.

The fact that this result indicator is a reflection of the crisis that hit Norwegian industry and commerce in 2020, the year of the pandemic, also helps boost the credibility of the actual survey.

*Photo: Astrid Waller*

## **More successful entrepreneurs**

One of Innovation Norway's sub-goals is to promote more successful entrepreneurs. Despite the coronavirus crisis that hit Norway in 2020, many entrepreneurs were more successful than expected thanks to increased access to public sector capital via crisis packages.

In 2020, Innovation Norway gave priority to

- ensuring good financing services for entrepreneurial companies
- increasing expertise in start-ups
- ensuring that the ecosystem for start-ups maintained its offer via the scheme for "Grants for innovation and entrepreneurial groups"

### **Financing doubled**

In 2020, Innovation Norway issued commitments of more than NOK 3.2 billion to entrepreneurial companies younger than three years. The corresponding figure for 2019 was NOK 1.6 billion. In 2020, entrepreneurial companies thus received double the amount of financing compared to 2019.

Access to both capital and expertise is key for the entrepreneurial companies' capacity for successful commercialisation and growth. Good entrepreneurial companies with a high level of technology and market risk face extra challenges in gaining access to sufficient capital. The risk involved is often too high for the private capital market to face alone. According to the Customer Impact Survey conducted by Economics Norway on behalf of Innovation Norway, enterprises that have received financing from Innovation Norway are growing faster than other start-ups.

### **Added growth in sales revenue and value creation**

On average, companies that have received funding have increased their annual growth in sales revenue by 15.8 percentage points compared to similar companies that did not receive support. Correspondingly, growth in value creation increased by 16.6 percentage points, growth in

productivity increased by 10.2 percentage points, and growth in the number of full-time equivalents increased by 6.0 percentage points.

A total of 1,338 companies received start-up grants totalling NOK 596 million. Entrepreneurs can use this funding to assess whether a paying market exists, as well as to develop and launch their solution on the market.

386 entrepreneurial companies received start-up loans totalling NOK 722 million. A start-up loan gives entrepreneurial companies capital, which enables them to continue to build their companies.

Entrepreneurial companies are increasingly utilising Innovation Norway's other financing instruments, particularly the Mentoring Service, Environmental Technology Scheme, Innovation Contracts and High-risk loans.

### **A stronger ecosystem for entrepreneurs**

A strong ecosystem for innovation and entrepreneurship comprises public actors, investors, incubators, start-up helpers and serial entrepreneurs. The ecosystem plays an important role in stimulating entrepreneurship, but also in ensuring access to expertise, networks and capital for entrepreneurial companies.

Many of these actors were at risk of having to cancel their services when Norway went into lockdown in the spring of 2020 due to the coronavirus pandemic. Innovation Norway was assigned the task of administering the scheme for "Grants for entrepreneurial and innovation groups" via the Government's crisis packages. The purpose of the scheme was to ensure a necessary service and infrastructure for start-ups via activities within innovation and entrepreneurial groups. A total 29 different groups received grants totalling NOK 45 million.

*Photo: Benedikte Lie Berntsen*

## **Strengthening access to capital for growth and export**

Innovation Norway's financing contributions to enterprises with growth potential reached record high levels in 2020. The Norwegian Government's crisis packages allowed us to provide NOK 8.1 billion in grants and loans to this group. The corresponding figure in 2019 was NOK 3.3 billion.

In addition, the value of advisory services, expertise, networking and profiling amounts to NOK 287 million.

Two thirds of the funding provided by Innovation Norway in 2020 was allocated to enterprises with growth potential, namely enterprises that are older than three years. In 2019, this share was 50 percent. The increase is attributed to both the coronavirus crisis and increased efforts targeting this group of enterprises.

Norwegian economic restructuring depends on more companies growing and scaling successfully. Innovation Norway's contribution is to provide funding to these companies and link them up with expertise and networks in Norway and the export markets.

In 2020, Innovation Norway and the European Investment Fund signed a guarantee agreement that ensures that 14 banks can lend a total of NOK 2 billion to enterprises with growth potential over the next two years. The banks, together with Innovation Norway, can supply long-awaited venture capital to small and medium-sized enterprises for new investments. 11 regional banks are taking part in this scheme. This provides for a good geographical spread and more venture capital for enterprises nationwide.

### **Funding and export consultation generate an effect**

The impact survey conducted by Economics Norway for Innovation Norway shows that the target group comprising enterprises with growth potential achieves more growth than comparable companies that do not make use of Innovation Norway's services. Sales revenue is 6.2 percentage points higher, value creation 5.2 percentage points higher and productivity 2.3 percentage points higher.

The figures from Economics Norway also show that enterprises that make use of market consultation from our offices on the export markets achieve higher growth than comparable enterprises who do not make use of this service: Sales revenue was up 12.4 percentage points more than in the control group of companies that had not made use of this service. This is up from 8 percentage points in 2019. Value creation increased by 8.2 percentage points more and productivity by 5.1 percentage points more when compared with the control group, almost double the figures from 2019. The number of full-time equivalents was up 2.7 percentage points more than comparable enterprises in the control group.

Innovation Norway's Customer Impact Survey (preliminary survey from 2020) conducted by Oxford Research shows that 48 percent believe that the service their company received from Innovation Norway was significantly decisive in their implementation of a process of internationalisation. This is up 7 percentage points from the preliminary survey in 2019. The same survey also demonstrated that 91 percent of the companies that have started exports will make use of Innovation Norway's services on international projects in the future. This is up six percentage points from the year before.

### **Norwegian companies are succeeding in the European arena**

The EU programmes open the doors to international markets, expertise and growth funding for Norwegian enterprises. 2020 was a particularly good year for Norwegian enterprises, who gained a total of NOK 725 million in grants and equity from the European Innovation Council Accelerator. This is more than double the figure reported in 2019, when the figure was approx. NOK 300 million. Many of the enterprises have received assistance from Innovation Norway's EU advisers regionally, nationally and in Brussels. Assisting companies in utilising funding opportunities in the EU is an increasingly important part of Innovation Norway's mission.

### **Self-service digital centre of expertise**

In 2020, Innovation Norway launched a centre of expertise, making it simpler to take the first steps towards becoming an international enterprise. A new resources website has been established – Kompetansesenteret or Centre of Expertise – providing unique market information, analyses and market insight for download, as well as courses that can be adapted to enterprises that want to invest in exports.

*Photo: Equinor/Øyvind Hagen*

## **Restructuring and growth via networks**

Innovation Norway's sub-goal number 3 comprises the cluster programme Norwegian Innovation Clusters, business networks and the role of the national resource centre for regional restructuring. The objective of Innovation Norway's instruments is to enable these groups of actors to achieve effects they would otherwise be unable to achieve on their own.

At the end of 2020, Norwegian Innovation Clusters comprised 39 clusters with a total 2,164 member companies.

Innovation Norway provides these networks with funding, advice, development of expertise as well as sharing of experience. The objective is to develop the networks in order to generate restructuring and growth in the enterprises. Advice and development of expertise shall assist the facilitators in the networks and contribute towards building good structures for the collaborative projects and networks.

### **Further development of instruments**

The networking schemes were hard hit by the coronavirus crisis in 2020. There were far fewer gatherings, and we have focused more on providing assistance to individual companies, including information on measures and support schemes, during the pandemic. On the other hand, our instruments have performed as expected, with the start-up of new clusters and development of existing clusters. Moreover, an increasing number of business networks have received funding, and we have provided guidance and assistance to areas undergoing restructuring.

We have also introduced further developments to our instruments and made changes in 2020. The cluster programme's description of the sub-programme for mature clusters was approved,



and pre-studies were announced. At the same time, we have been working on notification regarding the programme in the ESA.

For business networks, our goal has been to ensure that the scheme fulfils the assignment letters and guidelines issued by the County Councils, after they took on responsibility as the Client on 1 January. The regional offices now provide the business network service, based on guidelines issued by the County Councils. Joint quality requirements and assessment criteria ensure a comprehensive level of professional quality and equal treatment nationwide, despite the diversity of project goals and contents. Moreover, the method of measuring the economic effects for enterprises that are part of business networks is under further development.

The Centre of Expertise for Regional Restructuring has followed up the restructuring areas with expertise and tools. The Centre has also further developed their tools with new routines and templates, as new restructuring areas are rapidly emerging.

The network instruments remain popular, and the enterprises recognise the benefits of working together for growth and development. The coronavirus pandemic has illustrated a major requirement for rapid restructuring of Norwegian industry and commerce. It is our view that the network instruments provided relevant services and adapted to the enterprises' requirements in 2020. This has illustrated positive coordination in that the networks have also made use of other instruments that may be instrumental in boosting growth and restructuring.

### **Effects and results**

As was the case previously, it is difficult to provide total figures showing the effects on sales revenue, value creation, productivity and full-time equivalents for sub-goal 3. We therefore provide the effect for the enterprises in the cluster programme for these indicators.

The estimated effect shows that the cluster members have gained the highest rate of development during the first three years of cluster membership. Annual average value creation is 15.7 percentage points higher for enterprises that are members of the cluster compared to those in the control group, with a corresponding 16.4 percentage points for sales revenue and 5.9 percentage points for full-time equivalents. All these figures are significant, and all are substantially higher than in 2019.

Regional restructuring is an extraordinary effort for municipalities or regions where local industry and commerce are undergoing significant downscaling. The results are measured in terms of created or secured jobs. In 2020, the scheme contributed to the creation of 162 new jobs and secured 254 more that would not have existed without the projects. The corresponding figures for the entire project period are 873 new jobs and 636 secured jobs in the areas involved.

*Photo: Bliksund*

## **Greener, more innovative and technological agriculture**

Innovation Norway aims to promote business development, value creation and profitability in agriculture, and it plays a key role in contributing towards reducing CO<sub>2</sub> emissions. 2020 was also the year when numerous producers of local food and other agricultural products and services were forced to restructure due to the coronavirus pandemic.

Our agricultural assignment is a major and important programme for Innovation Norway. In 2020, more than NOK 870 million was made available by the Ministry of Agriculture and Food.

### **Climate-friendly and eco-friendly solutions**

The climate agreement between agriculture and the authorities comprises a goal to reduce emissions by five million CO<sub>2</sub>-equivalents in the period from 2021 to 2030.

The value creation programme for renewable energy and technological developments is instrumental in ensuring that the energy requirement for agriculture is increasingly climate-friendly and eco-friendly. In 2020, the programme contributed climate-friendly and eco-friendly energy measured at 37 GWh, equivalent to the energy requirement for 2,500 detached houses. 75 percent of this relates to energy consumption for personal activities, while the remaining figure

represents sales of energy to private and public sector activities, such as schools and nursing homes. Moreover, Innovation Norway has provided extra support to more than 140 investment projects within agriculture that make use of wood as a climate-friendly and eco-friendly construction material.

Precision agriculture is a concept for optimisation of resource consumption, aiming to promote both optimal use of eco-friendly and climate-friendly production and improve profitability. Innovation Norway has taken part in an ever-increasing number of projects within agricultural technology, and it is evident that interdisciplinary collaboration within agronomy, information technology, telecommunications and image analysis have resulted in the creation of several new products and solutions promoting agriculture that is more climate-friendly and eco-friendly. This all provides the farmer with more efficient tools for decision-making and advanced machinery that optimises operations on the farm and in the barn, at the same time as reducing greenhouse gas emissions and environmental impact. These solutions also have international potential, and several of the enterprises have already gained a footing on foreign markets.

### **Necessary restructuring for a changed market**

On the whole, agriculture has been spared any major consequences of the coronavirus pandemic. Producers of local food for hotels, restaurants and catering, and those providing services that entail groups of people coming together, have nevertheless faced significant challenges. Innovation Norway has contributed towards numerous restructuring projects for these enterprises. Common denominators have been the adaptation of existing products; the development of new ones; services for changed markets; and an increased focus on digitalisation and development of expertise.

It is impressive to see how several local food enterprises have been able to restructure for different markets, and that the collaboration between producers and the value chain in general has increased – not least for parts of the groceries industry. There has been an increase in direct sales, for example with the “REKO-ringene” (a scheme allowing farmers and food producers to sell directly to the consumer), which have represented an important market channel when other direct channels for revenue have been closed.

Enterprises that base their activities on serving guests or audiences have faced major challenges, but creativity is also flourishing in this area. Services have been digitalised and adaptations have been made to meet the needs of the individual Norwegian tourist.

Innovation Norway is convinced that those enterprises that have been able to further develop via changing and adapting new products and services to new markets will emerge much stronger from the restructuring process. There is good reason to believe that the coronavirus pandemic will generate permanent changes in consumer preferences and trends, and these enterprises will be well-prepared to meet these changes.

According to the Impact Survey conducted by Oxford Research, 94 percent of agricultural customers responded that Innovation Norway played a crucial role in getting their project started.

## **Unprecedented year for tourism**

**As a result of the coronavirus pandemic, several changes were implemented in Innovation Norway's international market work in 2020 via Visit Norway. Innovation Norway has also managed the crisis packages facilitated for Norwegian tourism in 2020.**

The tourism industry was one of the first to feel the impact of the coronavirus pandemic's consequences on the market. This required adaptations and changes to Innovation Norway's work on tourism. In order to sustain any form of activity within tourism, it was necessary to shift from sales promoting activities to pure visibility. This helped simplify the continuation of the work to safeguard Norway's position as an attractive destination when the borders re-open for international tourists.

### **Extended mandate**

In April 2020, the Ministry of Trade, Industry and Fisheries extended Innovation Norway's mandate to also cover the marketing of Norway as a destination for Norwegians. This resulted in a reorganisation of several planned international activities, so they could be applied to a national market, and a major campaign for Norway specially developed for the “coronavirus summer”.

## **Crisis packages created a record increase in appropriations**

At the same time, Innovation Norway was assigned responsibility for the administration of several of the Government's crisis packages targeting the tourism industry. These included the restructuring scheme for tourism, grants for package tour organisers and compensation for statutory maintenance on behalf of companies with operating permits pursuant to the Act relating to cableways and the Act relating to amusement park installations.

In 2020, Innovation Norway allocated NOK 724 million in loans and grants to tourism companies, an increase of 137 percent from the previous year. Of this amount, NOK 249 is designated as extraordinary funding for the tourism industry. Industry-neutral instruments have been utilised for the remaining NOK 475 million. The funds have largely been used for restructuring activities.

Innovation Norway has also facilitated 70 digital webinars and workshops between 300 Norwegian tourism actors and 3,000 international tour operators, travel agencies and members of the meeting and events industry. These were held to ensure that tourism gains contracts for collaboration and guests when the borders re-open.

## **National tourism strategy**

Efforts have been made throughout the year to develop a new national tourism strategy. The original handover was scheduled for the autumn of 2020, but this was changed to March 2021 due to the coronavirus pandemic.

We held 35 roundtable meetings and 70 interviews during the autumn. We also collected 170 pieces of written input, which were incorporated into the specification for the strategy.

## **Expertise**

Innovation Norway has held a total of 98 free-of-charge digital courses for 1,363 tourism companies in 2020. The contents of the courses targeted Norway and the local market. All courses, originally planned for physical participation, were changed to fully digital courses in April.

## **Market insight**

In 2020, there were 23.7 million commercial overnight stays in Norway, down 33 per cent from 2019. The number of Norwegian commercial overnight stays was down 17 per cent, and foreign overnight stays were down 69 per cent.

Due to the coronavirus pandemic, the annual Tourist Survey was replaced by different digital surveys throughout the year to measure Norway's attractiveness as a destination and assess the desire to travel among Norwegians and international tourists.

Visit Norway Innsikt, Innovation Norway's web portal for industry communications with the tourism industry, had a total 281,000 page views and 88,000 unique users in 2020. This represents an increase of 118 percent and 82 percent, respectively, from last year.

## **New tools**

Two new digital tools have been created to help tourism companies and destinations make better decisions in terms of their goals and activities. A calculator for the measurement of CO2 emissions related to travel to and within Norway and a consumption calculator. These are tools that will play a central role in rebuilding tourism.

*Photo: Terje Rakke - VisitNorway.com*

## **Strategic positioning on key export markets**

Innovation Norway shall help promote Norway and Norwegian trade and industry abroad. This affords enterprises increased competitiveness and contributes to increased exports. The

initiatives to promote Norway's profile internationally are gathered under the umbrella of strategic positioning. Strategic positioning represents the cornerstone for execution of Innovation Norway's export strategy.

The framework for strategic positioning is Brand Norway. Innovation Norway has compiled a toolbox with storytelling, templates and content on their website [brandnorway.no](http://brandnorway.no). This is a toolbox for Team Norway, a group of public and private sector actors that collaborate to promote Norwegian business interests internationally by communicating a uniform message of Norway and Norwegian enterprises as "pioneers of sustainability".

The national brand supports Innovation Norway's and the Ministry of Foreign Affairs' business promotion. One of the initiatives is a collaboration with the Confederation of Norwegian Enterprise (NHO), the Norwegian Confederation of Trade Unions (LO) and the Norwegian Olympic and Paralympic Committee and Confederation of Sports (NIF) regarding the promotion of Norwegian industry and commerce in connection with Chinese investments in winter sports. This collaboration is expected to become more intensive in the lead-up to the Olympic Games in Beijing in 2022. Another target area is the positioning of Norway as a marine nation, where Innovation Norway has, for example, developed a joint set of guidelines for branding in marine industries.

### **Rigging delegations for the future**

After the pandemic hit in 2020, the majority of industry and commerce delegations had to be cancelled. Nonetheless, Innovation Norway carried out one delegation in connection with a state visit to Jordan. Planned delegations to the Emirates, Kenya and Sweden had to be postponed indefinitely. Throughout 2020, Innovation Norway reprioritised resources for the development of the [NorwayEvent.com](http://NorwayEvent.com) platform for future digital and hybrid delegations, in addition to other events organised by Team Norway.

### **Expo 2020 in 2021**

The World Expo in Dubai, Expo 2020, was also postponed because of the coronavirus pandemic but is scheduled for the autumn of 2021. Norway shall take part with their own pavilion, which was constructed in 2020 to profile Norway's marine industries. Innovation Norway is coordinating Norway's participation with private industry and commerce on behalf of the Ministry of Trade, Industry and Fisheries, the Ministry of Petroleum and Energy, and the Ministry of Foreign Affairs.

### **International trade fairs in new a format**

The pandemic made it difficult to participate at international trade fairs, and a number of scheduled events were cancelled. Despite this, Innovation Norway carried out 35 such projects in 2020 – in physical, hybrid and digital formats – with a total of 383 Norwegian companies. The topics ranged from offshore wind in France to finished goods in China and sustainable cities at the Nordic Edge Expo. Four of five companies claim in participant surveys that they are happy with Innovation Norway's services for international trade fairs. It is difficult to make any precise claims regarding how trade fairs will be carried out after the pandemic, but flexibility and opportunities for digital alternatives with [NorwayEvent.com](http://NorwayEvent.com) will, as with delegations, be important.

### **Digital marketing increasingly important**

Digital marketing of green and sustainable technology from Norway is provided via The Explorer platform. In 2020, The Explorer has carried out a comprehensive volume of digital marketing for Norwegian technology in key export markets. The platform has also been translated into Chinese. [TheExplorer.no](http://TheExplorer.no) had more than 100,000 visits per month in 2020. By the end of the year, the platform comprised 400 solutions from Norwegian enterprises. In an informal user survey, one of four enterprises responded that they had gained new contracts via the service.

*Photo: Rune Werner Molnes - [VisitNorway.com](http://VisitNorway.com)*

## **Norwegian companies in EEA projects**

EEA grants contribute to social and economic development in 15 European countries. At the same time, the grants allow Norwegian companies to take part in projects in the Baltics and Central and Southern Europe.

Norway co-funds business programmes in 11 countries: Bulgaria, Estonia, Greece, Croatia, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia and Hungary. These programmes support collaborations involving Norwegian and European companies, and Innovation Norway aims to help ensure that as many good EEA projects as possible gain a Norwegian partner.

### **Norwegian partners involved in 39 projects**

EEA grants are aimed at companies that develop, utilise or commercialise new technologies within the fields of industry, marine industries, ICT, energy or health and welfare.

In the current programme period, we are managing six EEA programmes within the fields of business development; innovation and SMEs; decent working conditions and third-party collaborations; and renewable energy, energy efficiency and safety. In total, Innovation Norway administers around NOK 1.9 billion, which shall be distributed to relevant projects by 2023.

In 2020, a total of NOK 355 million was allocated to 102 projects. 39 of these projects include one or more Norwegian project partners.

## **Network for increased use of digital solutions**

The Ministry of Local Government and Modernisation has assigned responsibility to Innovation Norway for the national announcement of interest in the establishment of European Digital Innovation Hubs (EDIH) in Norway.

EDIH is an instrument under the EU's new programme for digitalisation, the Digital Europe Programme (DIGITAL) 2021-2027. The EDIHs will form part of a European network of expertise and service providers that aim to contribute towards the increased use of digital solutions within artificial intelligence (AI), High Performance Computing (HPC) and cyber security in Europe.

The main target groups for the EDIH services are small and medium-sized enterprises and the public sector. The EDIH network is partly funded by the EU via DIGITAL.

Eight Norwegian consortia prequalified via the national announcement and have access to the closed EU announcement as of publication of this report in the spring of 2021. The consortia that applied comprise highly relevant actors within digitalisation, and it is likely that several of them will be interested in the opportunities to strengthen mutual cooperation between them in the lead-up to the EU announcement. It is expected that two to four EDIHs will be established in Norway, at least one of which will specialise in AI. Innovation Norway aims to closely monitor the EDIHs throughout the entire DIGITAL programme period.

## **Innovation in the humanitarian sector**

The Humanitarian Innovation Programme (HIP Norway) shall promote innovation in the humanitarian sector and facilitate innovation partnerships between humanitarian organisations and private companies. The aim is to develop solutions for faster, better and more cost-effective emergency aid.

Armed conflicts, climate change and persistent poverty are creating complex crises. The crises are lasting longer and impacting more people than before, and the gap between needs and available resources is vast. Future humanitarian efforts will depend on new solutions and ways of working. These are best developed in collaboration between experts.

### **NOK 52 million for eight new projects**

The coronavirus pandemic has resulted in increased humanitarian need and thus place additional pressure on humanitarian aid. It also stimulates new innovations and innovative partnerships. One innovation supported by HIP Norway has already been utilised in the efforts to fight COVID-19: a blockchain-based cryptocurrency that has helped reach people with crisis aid and information to promote health.

HIP Norway connects humanitarian needs with technology and expertise from companies and

private innovators. In 2020, 20 projects received funding and innovation advice. Nine organisations received NOK 52 million for eight new projects within areas such as mine clearing, emergency hospitals and nutrition. NOK 10 million of this is matched with private capital.

In collaboration with the Norwegian embassy in Amman, the Norwegian Refugee Council, the UN, and Norwegian and Jordanian companies and entrepreneurs, Innovation Norway organised an energy hackathon in March. The objective was to realise better solutions for access to and administration of power supply for refugees and low-income families. This resulted in the development of 38 ideas and the initiation of new collaborations. Three winners were honoured in a ceremony during the Norwegian Royal family's visit to Jordan.

## Solutions within health and education in developing countries

The Vision 2030 programme contributes towards fighting poverty by promoting innovative Norwegian solutions within health and education in developing countries. The objective is to further develop and scale up solutions from Norwegian enterprises.

Developing countries represent difficult markets, and the projects are executed in collaboration with a local partner in order to ensure that the solution is incorporated into national priorities and development plans. Vision 2030 contributes to both business promotion, business development and the Government's development policy. The programme is a good fit with Innovation Norway's strategic priorities for 2020-2025, in which one of the goals is to contribute towards solving global social challenges.

### **NOK 69 million for projects**

In 2020, funds were announced for health and education. These comprised one extraordinary announcement for health initiatives relating to the coronavirus pandemic and one announcement targeting education, with a total limit of NOK 69 million. Of the 52 applications submitted, 14 projects received funds. Several applications are still being processed. A number of Norwegian enterprises have piloted innovative solutions that would at other times have been impossible to launch on difficult markets.

Examples of projects that have received support are training in sign language, a training programme for improved health for mothers and their babies, a gaming app for psychological first-aid for refugees, the collection and analysis of health data, and a camera for evaluation of eye disease caused by diabetes and respirators. Innovation Norway is an important sparring partner for these enterprises and contributes advice and project implementation for difficult markets.

12 projects that received support via previous announcements in Vision 2030 were concluded in 2020. These projects are in several ways continuing in collaboration with the UN and voluntary organisations. A provisional report from Fafo shows that the pilot projects have a high achievement of goals and good opportunities for upscaling.

## 2020 Results - Summarised

- **Record-breaking year for support to industry and commerce:** Innovation Norway was able to contribute a total of NOK 12.5 billions to development and innovation in the business sector in 2020. This is more than a doubling from the previous year and is mainly due to extraordinary allocations due to the corona pandemic.
- **Record year in number of applications:** Innovation Norway received more than 12,000 applications for support in 2020. That is 88 per cent more than the year before. Of these, 8,366 projects were allocated funding, which is an increase of 75 per cent from 2019.
- **Decisive:** Innovation Norway's contribution became more important for enterprises' innovation and development work in 2020. As many as 96 per cent of the companies surveyed in the Customer Impact Survey believe that Innovation Norway's contribution has been decisive for implementation of projects. 2020 thus represents a significant increase, after several earlier years with a relatively stable percentage score of approx. 90.(Source: Oxford Research).
- **Triggering effect for funding:** One krone from Innovation Norway in the form of

capital or advice is matched by 1.5 kroner in self-financing or other sources of funding for development projects and investments. In addition, Innovation Norway also triggers many other innovation and internationalisation activities by providing expertise and networking.

- **Environmental impact:** The number of projects with positive environmental impacts doubled compared to 2019. Of all the projects Innovation Norway supported in 2020, 49 per cent had a positive environmental impact, which is a slight decrease from 51 per cent the year before. The decrease is mainly due to increased allocations of extraordinary innovation grants, which were an emergency measure during the corona pandemic, where no guidelines were laid or criteria set for projects to have an environmental impact.
- **Crucial for internationalisation:** Innovation Norway's Customer Impact Survey conducted by Oxford Research shows that 48 per cent believe that the service their company received from Innovation Norway was decisive for the implementation of their internationalisation process. This is up seven percentage points from the survey the previous year. The same survey also demonstrated that 91 per cent of the companies that have exports will make use of Innovation Norway's services in international projects in the future. This is up six percentage points from the year before. (Source: Oxford Research).
- **More from the EU:** Norwegian enterprises raised a total of NOK 725 millions in grants and equity from the European Innovation Council Accelerator. This is more than double the figure reported in 2019, when the figure was approx. NOK 300 millions. Innovation Norway guides Norwegian enterprises in the application process.
- **Higher growth in turnover:** On average, enterprises that receive support from Innovation Norway grow more than comparable enterprises without such support. Over a three-year period, enterprises with support had an average annual growth in turnover of 10.3 percentage points. The corresponding figures for value creation and productivity are 8.7 and 4 percentage points, respectively. Given that industry and commerce has a total annual productivity growth of 1 to 2 percentage points, an increase in growth of 4 percentage points is considered good. Measured in full-time equivalents this shows an annual increase in growth of 3.7 percentage points. (Source: Economics Norway).
- **Entrepreneurs grow the most:** Start-ups (enterprises that are less than three years old) that received funding from Innovation Norway had an increase in sales revenue of 15.8 percentage points in 2020 compared to enterprises without such support. Correspondingly, value creation increased by 16.6 percentage points, productivity increased by 10.2 percentage points, and full-time equivalents increased by 4.9 or 6.0 percentage points (Source: Economics Norway).
- **Growth for established enterprises:** Established enterprises (enterprises that are more than three years old) that have received support from Innovation Norway experience a 6.2 percentage point increase in sales revenue compared to enterprises that do not receive such support. Corresponding figures regarding the increase in value creation and productivity are 5.2 and 2.5 percentage points, respectively. (Source: Economics Norway).
- **Networks create growth:** At the end of 2020, 39 clusters and a total of 2,164 members were involved in the Norwegian Innovation Clusters programme. Enterprises participating in networks and cluster communities have an average increase in sales revenue of 15.8 percentage points during their first three years compared to enterprises that do not participate in such networks. For value creation, corresponding growth is 16.6 percentage points (Source: Economics Norway).
- **Funding doubled:** Innovation Norway approved more than NOK 3.2 billions to start-up companies (younger than three years). The corresponding figure for 2019 was NOK 1.6 billion.
- **Two-thirds for growth companies:** Two thirds of the funding from Innovation Norway in 2020 were allocated to enterprises with growth potential (older than three years). In 2019, this share was 50 per cent. Enterprises with growth potential received NOK 8.2 billions in grants and loans from Innovation Norway. The corresponding figure for 2019 was NOK 3.3 billions.
- **Threefold increase in inquiries:** Innovation Norway's Growth and Entrepreneurial Centre in Førde handled a total of 15,000 inquiries related to sparring and funding last year. This is almost a threefold increase from the previous year. Around half of the inquiries were related to start-up companies and entrepreneurial support.
- **Creates and secures jobs:** Regional restructuring is an extraordinary effort for municipalities or regions where local industry and commerce is being significantly downscaled. The results are measured in terms of created or secured jobs. In 2020, the scheme contributed to the creation of 162 new jobs and secured 254 jobs that would not have existed without the projects. The corresponding figures for the entire project period are 873 new jobs and 636 secured jobs in the affected areas.

- **Crucial for agricultural customers:** 94 per cent of Innovation Norway's agricultural customers respond that Innovation Norway was crucial for getting their project started. (Source: Oxford Research).
- **Renewable energy:** The value creation programme for renewable energy and technological developments is instrumental in ensuring that the energy needs of agriculture are becoming ever more climate-friendly and eco-friendly. In 2020, the programme contributed 37 GWh of climate- and eco-friendly energy, equivalent to the energy needs of 2,500 detached houses.
- **More for travel and tourism companies:** In 2020, NOK 724 millions was allocated in loans and grants from Innovation Norway to travel and tourism companies, an increase of 137 per cent from the previous year. Of this amount, NOK 249 millions is described as extraordinary funding for the travel and tourism industry. The remaining NOK 475 millions has been allocated to industry-neutral business support. The funds have largely been used for restructuring activities.
- **Decrease in overnight stays in Norway:** In 2020, there were 23.7 million commercial overnight stays in Norway, a decrease of 33 per cent from 2019. The number of Norwegian commercial overnight stays declined by 17 per cent, and foreign overnight stays by 69 per cent. The corona crisis is the explanation.
- **New contacts:** The exhibition window for green Norwegian solutions - The Explorer had more than 100,000 visitors on average per month in 2020. At the end of the year, the platform included 400 solutions from Norwegian enterprises. User feedback indicates that one in four enterprises have made new contacts through the service.
- **Norwegian partners in EEA projects:** Norway co-finances business programmes that support cooperation between Norwegian and European enterprises, and Innovation Norway manages around NOK 1.9 billions to be allocated to relevant projects by 2023. In 2020, a total of NOK 355 millions was allocated to 102 projects. Thirty-nine of these projects include one or more Norwegian project partners.

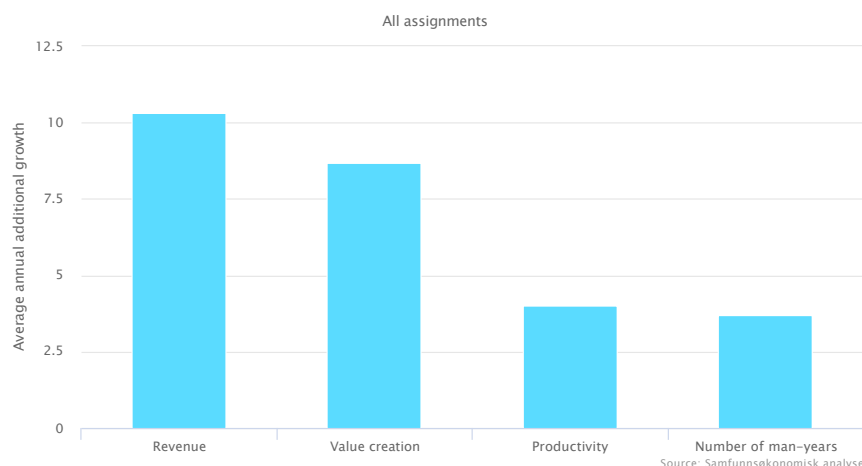
### Measurement of results and impacts

One of Innovation Norway's aims is to make a difference for its customers. In order to find out more about the impacts of Innovation Norway's activities and contributions to Norwegian industry and commerce, two ongoing impact surveys will be carried out by Economics Norway and Oxford Research Norway, respectively.

Innovation Norway uses different forms of evaluations, analyses and indicators to measure the results and impacts of our activities. The indicators are stipulated in our goal and result management system and are based on assessments of our customer advisers, customer questionnaires and econometric analyses based on accounting data (economic impacts).

We use Economics Norway AS (SØA) to calculate impact figures. The impact figures reproduced in the annual report for 2020 are based on analyses of figures for the years 2017, 2018 and 2019. The method used has been developed by Statistics Norway (SSB).

## Effects of Innovation Norway's efforts in 2020 - all assignments



This figure shows the additional growth in percentage points over a three-year period in



businesses supported by Innovation Norway compared to similar businesses that have not received support. This provides an indication of the impact of our support.

#### Higher growth in sales revenue

Companies supported by Innovation Norway achieve 10.3 percentage points higher annual added growth in sales revenues compared to equivalent companies that do not receive this support.

#### Growth in value creation

Companies supported by Innovation Norway achieve 8.7 percentage points higher annual added growth in value creation compared to equivalent companies that do not receive this support.

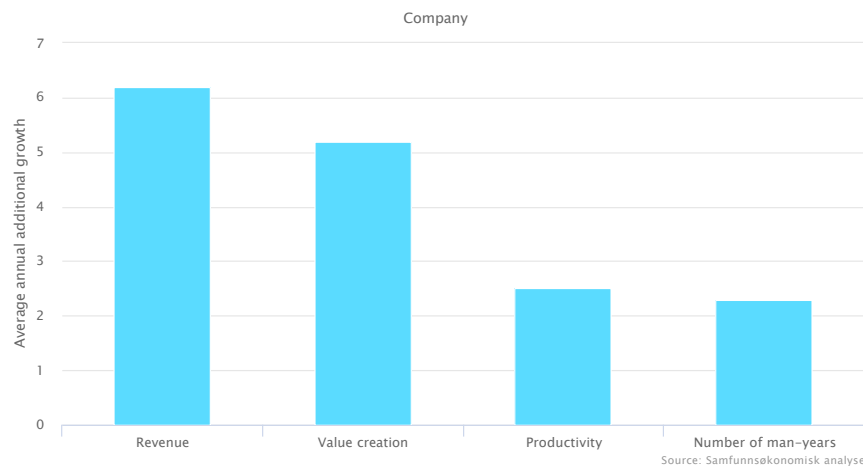
#### Increased productivity

Companies supported by Innovation Norway achieve 4 percentage points higher annual added growth in productivity compared to equivalent companies that do not receive this support.

#### Added growth in number of man-years

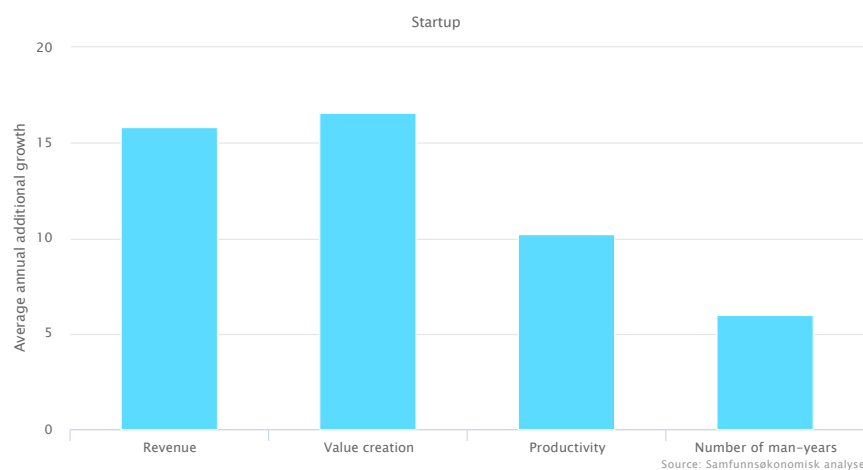
Companies supported by Innovation Norway achieve 3.7 percentage points higher annual added growth in number of man-years compared to equivalent companies that do not receive this support.

## Effects of Innovation Norway's efforts in 2020 - company



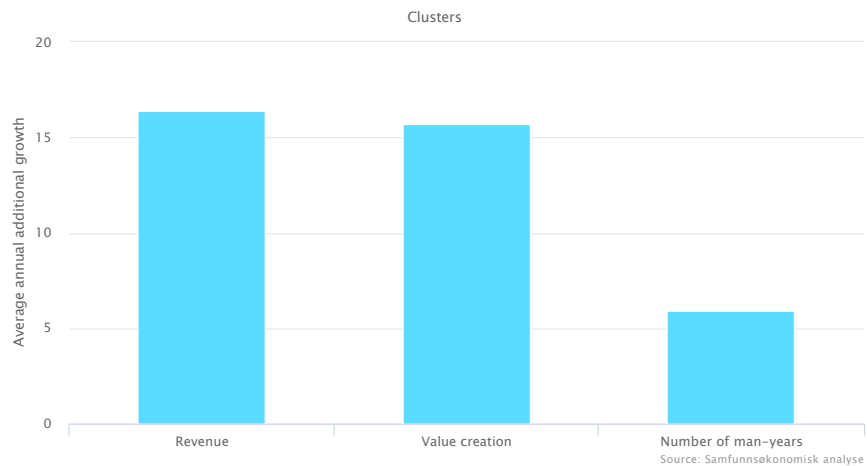
This figure shows the additional growth in percentage points over a three-year period in businesses supported by Innovation Norway compared to similar businesses that have not received support. This provides an indication of the impact of our support.

## Effects of Innovation Norway's efforts in 2020 - startup



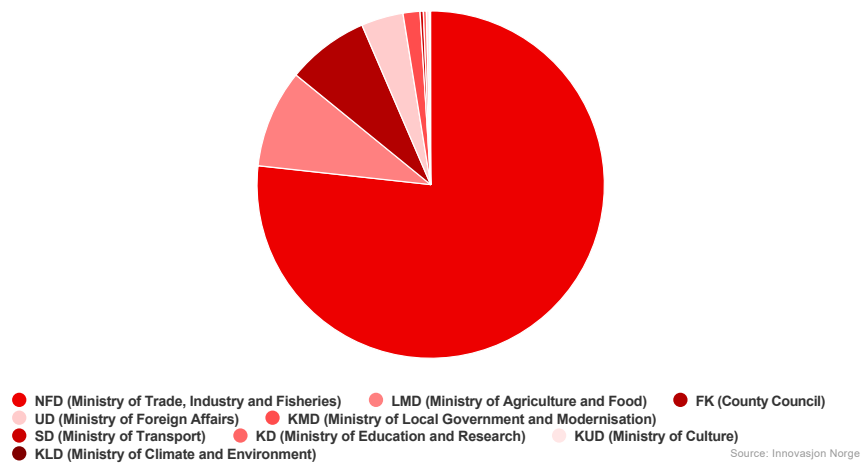
This figure shows the additional growth in percentage points over a three-year period in businesses supported by Innovation Norway compared to similar businesses that have not received support. This provides an indication of the impact of our support.

## Effects of Innovation Norway's efforts in 2020 - clusters



This figure shows the additional growth in percentage points over a three-year period in clusters supported by Innovation Norway compared to similar clusters that have not received support. This provides an indication of the impact of our support.

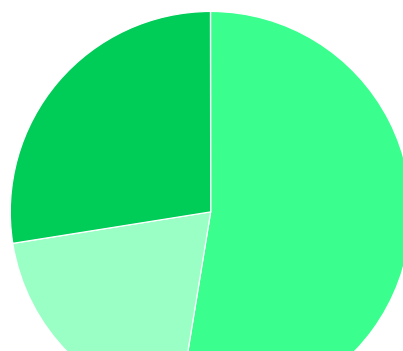
## We received NOK 9.5 billion in 2020:



### **We received 9.5 billion NOK from the Parliament and County Council**

Through Innovation Norway, The Parliament and County Council granted 9.5 billion NOK in 2020 for the support of value-creating industry development all over the country. The amount for 2019 was 4.1 billion NOK.

## We distributed NOK 12.5 billion in 2020 - by service:





● Grants ● Low risk loans ● Risk loans and guarantees

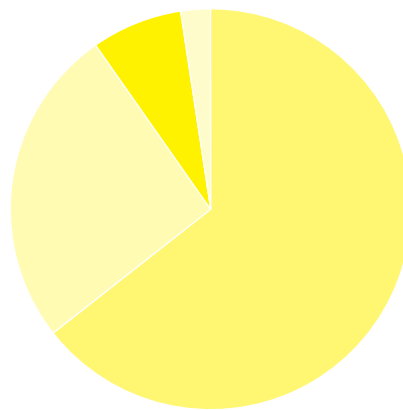
Source: Innovasjon Norge

**We distributed 12.5 billion NOK to business and industries. Distributed by service.**

The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 12.57 billion through Innovation Norway. The charts show the breakdown by service. The equivalent figure from 2019 was 6.7 billion NOK.

Advisory services, profiling and EEA funds are not included here. Those services amount to NOK 810 million.

**We distributed NOK 12.5 billion in 2020 - by target group:**



● Companies ● Entrepreneurs and startups ● Self-employed ● Other

Source: Innovasjon Norge

**We distributed 12.5 billion NOK to business and industries. Distributed by target group.**

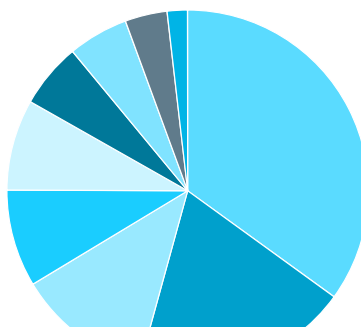
The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 12.5 billion through Innovation Norway. The charts show the breakdown by target group. The equivalent figure from 2019 was 6.7 billion NOK.

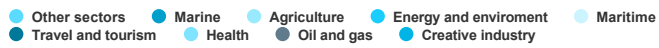
Allocations to clusters and networks are divided between company and entrepreneur.

- Entrepreneur (0-3 years from foundation and commitment date)
- Company (over 3 years from date of incorporation and commitment)

Other includes customers who do not have a founding date or are a foundation, association or the like.

**We distributed NOK 12.5 billion in 2020 - by sector:**



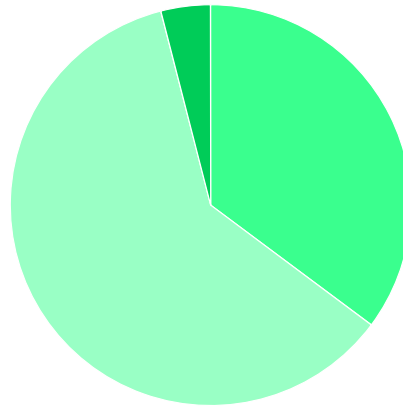


Source: Innovasjon Norge

**We distributed 12.5 billion NOK to business and industries. Distributed by sector.**

The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 12.5 billion through Innovation Norway. The charts show the breakdown by sector. The equivalent figure from 2019 was 6.7 billion NOK.

**We distributed NOK 12.5 billion in 2020 - by district policy scope:**

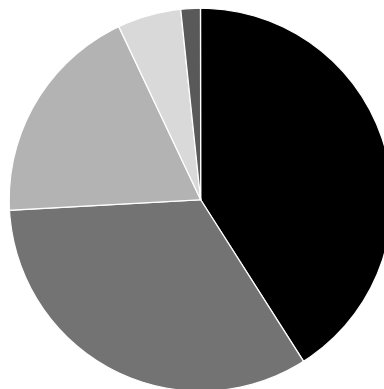


Source: Innovasjon Norge

**We distributed 12.5 billion NOK to business and industries. Distributed by district policy scope.**

The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 12.5 billion through Innovation Norway. The charts show the breakdown by district policy scope. The equivalent figure from 2019 was 6.7 billion NOK.

**We contributed NOK 32.8 billion in 2020:**



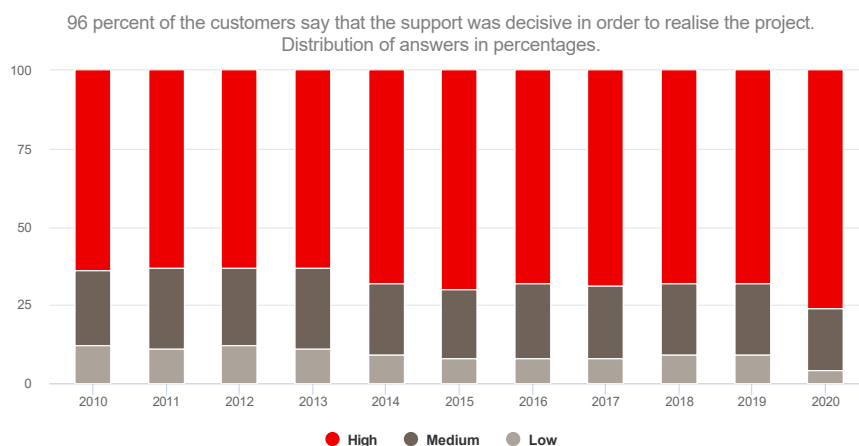
Source: Innovasjon Norge

**We generated 32.8 billion NOK in innovative activities in 2020**

The support from Innovation Norway contributed to triggering this much effort from the business community. Including the money from Innovation Norway. 32.8 billion NOK was invested into innovation activities in 2020. Corresponding number for 2019 was 17.9 billion NOK.

The companies' self-financing has increased the most, by 108 percent from 2019. Innovation Norway's financing has increased by 90 percent.

## Innovation Norway makes a difference



Additionality is a key indicator for measuring the difference the funds allocated make, the "triggering effect" of Innovation Norway's funds. This data is taken from the Pre-Survey of the Customer Impact Survey, which collects data from customers immediately after they have received a service.

In 2020 96 percent of the respondents considered that the support from Innovation Norway was decisive for project realization. As many as 76 per cent stated high additionality. Never before has there been such an increase in additionality from one year to another.

Four percent believe that Innovation Norway's contribution has not been decisive. It is historically low, and indicates that our contributions have become more important for companies' innovation and development work during the corona crisis.

## Distribution of means per county

### County

#### Financing by grants and loans:

#### Financing by instrument:

In 2020 low risk loans, risk loans and guarantees and grants comprised a total of NOK 12.5 billion. Advisory services, profiling and EEA funds (NOK 810 million) are not included here.

NOK 12.5 billion is a doubling from 2019, when the corresponding figure was NOK 6.2 billion. The doubling is due to extraordinary grant funds due to the corona pandemic, which also provided the opportunity to increase the volume of risk loans.

Note that loans and subsidies to agriculture are presented together and are included under subsidies. The distribution is NOK 903 million in grants and NOK 473 million in loans.

A total of NOK 2.5 billion was provided as low-risk loans in 2020, shared between industry and services (NOK 970 million), agriculture (NOK 446 million) and fishing fleet (NOK 1.1 billion). Risk loans and guarantees to industry, services and agriculture comprised NOK 3.4 billion. A total of NOK 6.6 billion was disbursed as grants in 2020. The largest items were other programs (NOK 1.2 billion), agriculture (NOK 903 million) and environmental technology (NOK 823 million).

## Distribution of means per business area

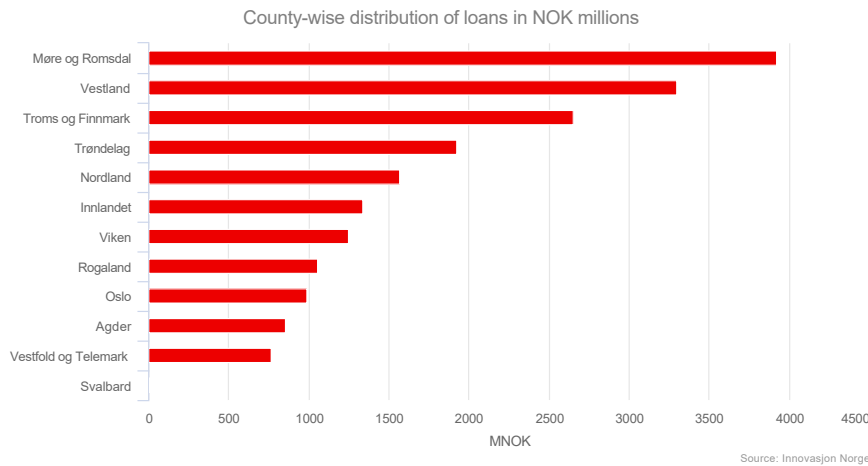
## County

### Financing by business area:

Unspecified includes support for non-governmental organizations, municipalities, project grants to Innovation Norway and companies that have project management for corporate networks and clusters.

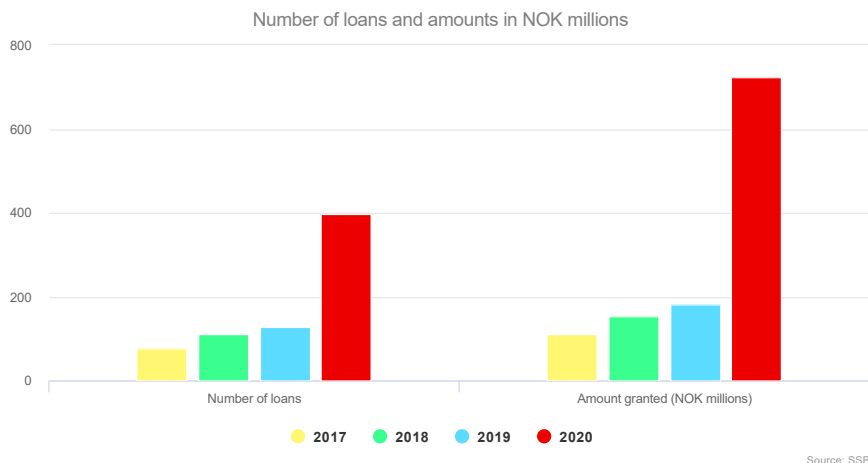
Other services include business associations, industry organizations, cooperatives and the cluster types NCE / GCE.

## Active loan portfolio 2020



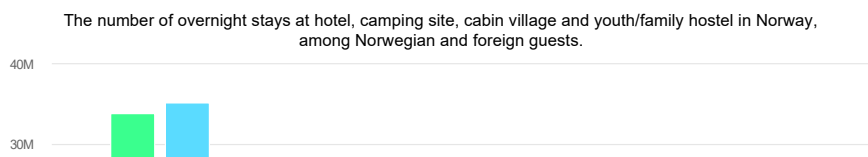
At the end of 2020 the loan portfolio included 8 821 active loans and NOK 19.6 billion. The portfolio has increased by NOK 1.3 billion from 2019, while the number of loans has been reduced by 2,307. Low-risk loans amount to NOK 14.2 billion and risk loans NOK 5.4 billion. This is at the same level as 2019. Møre og Romsdal has the largest portfolio of current loans of NOK 3.9 billion, of which 52 per cent are loans to the fishing fleet.

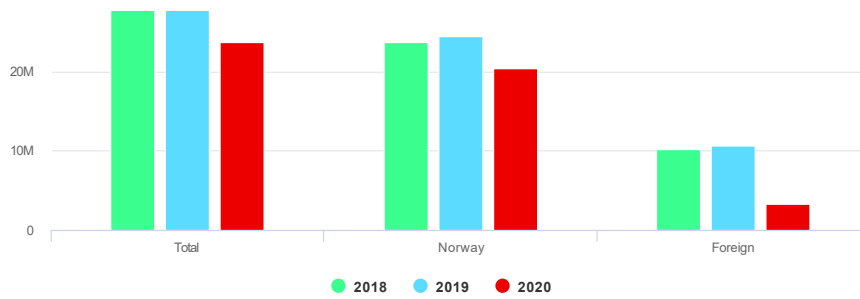
## Startup loans 2020



386 startup companies received startup loans totaling NOK 722 million in 2020. The startup loan gives startup companies capital to build the company further.

## Commercial overnight stays 2020



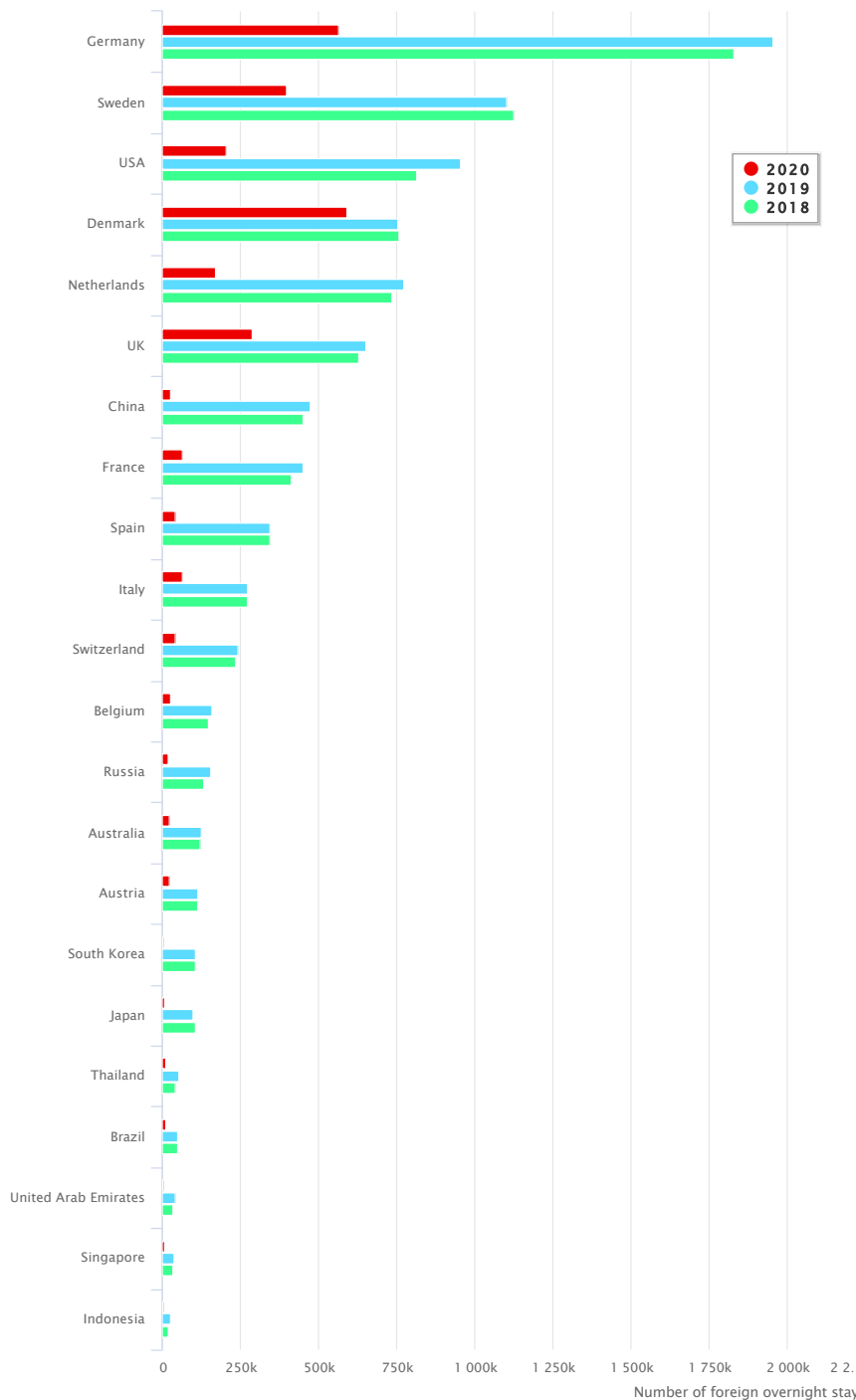


Source: SSB

Norwegian tourism has had good development and growth from 2014 until February 2020. The corona pandemic has led to a significant decline since then, especially from abroad.

In total for the year, there were 23.7 million commercial guest nights, which is a decrease of 33 percent. The number of Norwegians is down by 17 percent, and foreigners by 69 percent. Hotels are hardest hit with a decline of 41 percent. Then comes the cottage village and hostel which has a decrease of 24 percent. Overnight stays at campsites are only seven percent below 2019, and are related to the good growth they had in Norwegian guest nights during the summer season.

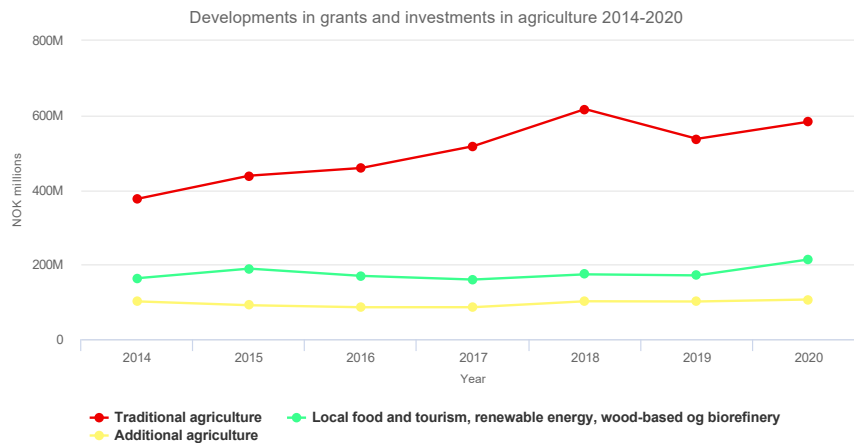
## Foreign overnight stays 2020



When the country closed down due to the corona pandemic in March 2020, Norwegian tourism could look back on a good start to the winter season. There was an increase in foreign ski tourists, and more people came to experience the northern lights from January to mid-March.

The rest of the year was characterized by a decrease in foreign guest nights each month, and much of the guest night statistics can be explained by business trips from local markets. The month of July, on the other hand, stands out positively, with 17 per cent more Danish guest nights compared with July 2019. We have to go back to 2009 to find an equally high level of Danish guest nights in July.

## Grants for investment and development in agriculture 2020



Allocations for investment and development in agriculture have increased steadily in recent years.

Traditional agriculture received a small peak in 2018 due to an extra allocation of NOK 75 million in grants for investment support. For 2019, the allocation was back to normal levels. The increase in 2020 is due to some increase in the framework.

The programs will increase in 2020. This is due to transferred funds from the development program, and appropriations for restructuring projects for companies that were affected by the corona situation.

For ancillary industries, consumption is approximately the same as in 2019.

## Annual accounts and board of director's report

### ANNUAL ACCOUNT 2020 (pdf)

#### THE NATURE OF THE BUSINESS

Innovation Norway was founded on 19 December 2003 and has its head office in Oslo, regional offices throughout the entire country and a presence in 23 international markets. The company is owned by the Ministry of Trade, Industry and Fisheries (51 per cent) and the county councils (49 per cent). Innovation Norway is organised as an enterprise established by special legislation, whose Board of Directors has an independent responsibility for its activities and the results achieved. The Board is responsible for the administration and appropriate organisation of Innovation Norway's activities. The owners exercise supreme authority in the company through the general meeting.

Innovation Norway complies with the corporate governance guidelines for companies that come under the area of responsibility of the Ministry of Trade, Industry and Fisheries. In accordance with requirements stipulated by the Ministry of Trade, Industry and Fisheries, the company complies with the recommendations from the Norwegian Corporate Governance Board (NUES) relating to corporate governance insofar as these are relevant to the company.



## **A YEAR OF CRISIS FOR THE NORWEGIAN BUSINESS SECTOR – INNOVATION NORWAY AS AN EMERGENCY RESPONSE ORGANISATION**

The global coronavirus pandemic has caused a downturn that will be felt by the Norwegian and international economies for a long time to come. 2020 was a year of crisis for large parts of the Norwegian business sector, however the impact of the crisis was felt in different ways and not all parts of the business sector were equally affected. Innovation Norway's role is to trigger investments in restructuring, innovation and internationalisation. This has also been the company's role during the crisis. The company's most important role in 2020 was to act as an emergency response organisation for the authorities by ensuring that the long-term ability of the business sector to restructure did not come to a halt. The doubling of borrowing and grant frameworks meant that there were major activities and efforts to help Norway emerge from the crisis with a competitive and sustainable business sector.

Even before the crisis, it was of crucial importance for Norway to develop a more diversified and sustainable business sector. Sustainable value creation is a prerequisite for the welfare of our future generations. In its 2017 analysis of the Norwegian innovation system, the OECD noted that Norway was facing a triple restructuring challenge: To shift from a vulnerable petroleum-based economy to a more diversified and robust economy, to develop a more competitive, effective and efficient research and innovation system, and ensure that this system is better equipped to address major societal challenges.

Restructuring to green and sustainable business models is not without risk. It is therefore a concern that the green shift is slowing down during a coronavirus crisis that has so badly affected company earnings. Figures in the red do not result in green restructuring. Innovation Norway has therefore had a specific focus on projects that will help solve the climate crisis. Through loans and grants from Innovation Norway, contributions to green restructuring doubled in 2020.

Through its "European Green Deal" growth strategy, the EU has put in place specific measures and instruments to ensure that a low-emission society is achieved while also developing new and profitable technology in Europe. The market opportunities for green value chains are increasing and the Norwegian business sector has good prerequisites for attaining parts of this market. Innovation Norway has therefore expended considerable efforts in highlighting these opportunities while also having the expertise relating to the financial flows and regulations that apply for EU strategies such as the EU programmes, IPCEI and the classification system for assessing sustainability risk.

The crisis has also contributed to "shock digitisation" and many companies were able to manoeuvre quickly and transfer activities to digital channels and develop new business models. For the first time, ICT is the largest sector in Innovation Norway's portfolio. Digitisation has accelerated during the crisis and may contribute to us having a more adaptable business sector going forward.

Norway has had more success with entrepreneurship in recent years. Like other countries in Europe, it has been a challenge getting businesses to grow. Access to capital has been part of this challenge. A record number of new Norwegian companies were listed in 2020, many of which were technology companies and were customers of Innovation Norway at various times. In the future, Norway will also require more successful entrepreneurs and businesses that grow and create value and jobs. Innovation Norway's efforts for entrepreneurs also increased during 2020, and included enhanced loan and grant schemes and targeted initiatives for entrepreneurial communities.

The crisis has impacted Norwegian foreign trade and created uncertainty about the future. From one day to the next, value chains have been broken, barriers to trade have arisen and we have experienced an increase in protectionism and the formation of blocks in trade policy. Norwegian exports need to increase and diversify in the years to come if we are to compensate for the loss of revenues from oil and gas. A small and open economy such as ours is dependent on the business sector selling its goods and services to international markets. It is therefore essential that Norway has a competent and flexible support system to assist Norwegian companies internationally. In 2020, Innovation Norway initiated a new strategy for our export and internationalisation work. A major restructuring of our foreign offices was implemented to ensure a more concentrated and flexible apparatus that can work strategically towards specific market opportunities for Norwegian products and solutions.

During 2020, Innovation Norway managed a significantly larger and more extensive portfolio of assignments than in a normal year. The company was also directly impacted by the infection control measures implemented in Norway and internationally. Doubling the loan and grant volumes was possible because of the great lengths the company's employees have gone to. The

efforts of the company's employees during this challenging situation have been extraordinary.

The Board is very pleased with the deliveries and efforts that have been made. Simplification and ongoing reprioritisation of resources and activities have been necessary to manage the extraordinarily large assignment portfolio. Coronavirus restrictions and the consequences of these also meant that there were assignments that the company could not carry out during 2020. The company has also demonstrated an impressive ability to rapidly restructure the organisation in order to also be able to manage more extraordinary assignments that have required the rapid development of new customer interfaces, systems and specialist groups.

## **INNOVATION NORWAY'S OBJECTIVE**

Innovation Norway's objective is to be the policy instrument of the state and the county authorities for achieving value-creating business development throughout the country. Innovation Norway's main purpose is to trigger business development that is profitable from both a commercial and a socio-economic perspective, and to help different regions realise their potential for business development. This goal is to be achieved through the sub-goals of more successful entrepreneurs, more companies with growth potential and more innovative business clusters.

Innovation Norway was established through a merger of the Norwegian Industrial and Regional Development Fund (SND), Norwegian Export Council, Norwegian Tourist Board and Government 3 Consultative Office for Investors. This was due to a desire to simplify the public support system for innovation and business development.

The offices of Innovation Norway in all of the country's counties and in 23 countries provide the business sector with access to the public support system. The organisation links together the local, regional, national and international at one and the same location. Our employees know the companies and their challenges and framework conditions in Norway and their opportunities in the markets that are most important for the Norwegian business sector.

Innovation Norway is a "sparring partner" for small and medium-sized enterprises that offers expertise, networks and capital. The business sector can devote its time to developing new products and services. They do not need to be aware of the different services. Innovation Norway's advisers will see the opportunities and challenges and identify schemes that could be of assistance to them. If Innovation Norway cannot assist, the advisers will put the enterprises into contact with other private and public stakeholders that can provide assistance. In this way, Innovation Norway builds bridges between expert communities, public funding agencies and investors.

In 2020, Innovation Norway received appropriations and assignments in letters of assignment from the Norwegian Ministry of Trade, Industry and Fisheries, Ministry of Local Government and Modernisation, Ministry of Agriculture and Food, Ministry of Climate and Environment, Ministry of Education and Research, Ministry of Culture, Ministry of Foreign Affairs, Ministry of Transport and Communications, the county councils, county governors and other public stakeholders. Based on the national budget, the letters of assignment provide a combined overview of the principals' expectations and requirements of Innovation Norway's activities. The letters also set out Innovation Norway's allocation framework and guidelines relating to initiatives, programmes and services. Innovation Norway offers funding services, advisory services, expert services, networking services and promotional services.

In order to assess Innovation Norway's contribution to the main goals and sub-goals, a performance management and result management system (MRS)<sup>1</sup> has been established. Together with evaluations and other supportive analyses, this provides the company, principals, owners and other stakeholders with relevant management information about the company's activities and performance.

Innovation Norway's goal structure is the same for all of the company's principals and forms the basis for all assignments that the company is given. The goal structure takes precedence to other instructions and management signals. This also applies to instructions in assignments relating to initiatives in specific sectors and target groups.

Our main goal and sub-goals form the basis for Innovation Norway's dialogue with its owners and principals. Innovation Norway's activities and priorities shall be in accordance with this goal structure.

## DELIVERIES AND EFFECTS IN 2020

In 2020, Innovation Norway was a key player in counteracting the negative impact of the coronavirus crisis on the Norwegian business sector. The purpose of the crisis packages has been to continue the efforts to restructure the Norwegian economy and develop a more versatile and sustainable business sector. The company's primary focus has been to ensure that as many innovative and viable companies as possible emerge from the crisis in a stronger position and that they are able to export their goods and services and benefit from the EU's instruments.

The Norwegian Parliament and the county councils allocated a total of NOK 9.5 billion to Innovation Norway. Together with the loan schemes, Innovation Norway contributed NOK 13.3 billion to the business sector in 2020. This included loans, grants, guarantees, advisory services, profile raising, and networking through Innovation Norway's various services. Funds allocated by Innovation Norway went towards investments in business and industry totalling NOK 32.8 billion.

96 per cent of enterprises stated that Innovation Norway's support was, to a high or moderate extent, a key factor in starting their projects. One krone from Innovation Norway in the form of capital or advice is matched by 1.5 kroner in self-financing or other sources of funding for development projects and investments. In addition, having Innovation Norway as a "sparring partner" also contributes to many other innovation and internationalisation activities by providing expertise and networking.

The figures for 2020 (development for 2003-2019) from Samfunnsøkonomisk Analyse AS (SØA) indicate that the impact of support from Innovation Norway remains at a high level. There are no altered effects to report that require special follow-up for any sub-goals, target group or instrument. However, for the first time, there are significant estimates for the Environmental Technology Scheme and there are higher estimates than previously for international marketing advice. Both are no doubt primarily due to the fact that there are now large enough populations to be able to analyse effects according to the chosen method.

All limited liability companies that received support from Innovation Norway experienced higher annual growth in all three impact indicators over a three-year period compared with the control group: an increase in annual growth in sales revenues of 10.3 percentage points (2019: 9.0 percentage points), an annual increase in value creation of 8.7 percentage points (2019: 8.3 percentage points), and an annual increase in productivity of 4.0 percentage points (2019: 4.0 percentage points).

### More successful entrepreneurs

In 2020, Innovation Norway committed NOK 3.2 billion to the sub-goal of "More successful entrepreneurs". This also includes the value of Innovation Norway's advisory services, expert services, networking services and promotional services. A total of 240 companies participated in the 2020 Global Accelerators programmes and the proportion of companies that have participated in the programmes has increased by 46 per cent since 2019, when 164 companies participated.

This year's survey shows that, on average, these customers had annual growth in sales revenues that was 15.8 percentage points higher than comparable companies without support. The corresponding figures are 16.6 percentage points for value creation, 10.2 percentage points for productivity and 6.0 percentage points for the number of full-time equivalents.

As part of combating the coronavirus crisis, Innovation Norway introduced an expanded service to entrepreneurs through commercialisation grant phase 2, increased limits for start-up loans and made it possible to receive commercialisation grants and start-up loans in combination. Previously, companies had to make a choice between grants and loans. Innovation Norway also managed a crisis support scheme for ecosystems that support entrepreneurial and start-up activities.

Access to different forms of financing in combination with expertise are important for young, innovative companies to survive the lifecycle from commercialisation to scaling and growth. In 2020, there were 1,338 funding commitments for pre-market evaluation and commercialisation grants. A total of 404 entrepreneurial companies received start-up loans totalling NOK 724 million. A start-up 5 loan gives entrepreneurial companies capital, which enables them to continue to build their companies.

The Board would note that access to capital is a continual challenge for entrepreneurial companies that have major market potential and a high level of technological and market risk. The risk is often too high for private investors when these types of companies are in their infancy. In recent years we have seen that the EU and other European countries have increasingly

focussed on so-called “blended financing” for these companies. Innovation Norway works to connect national and European instruments and further develop cooperation with private banks, to secure European growth capital for growth companies in Norway.

### **More companies with growth potential**

In 2020, Innovation Norway committed funding of NOK 8.1 billion within the sub-goal of “More companies with growth potential” (companies more than three years of age). This also includes funding commitments to agriculture and the value of Innovation Norway’s advisory services, expert services, networking services and promotional services.

This is a significant increase when compared with previous years. In 2020, NOK 8.1 billion (61 percentage points) of a total of NOK 13.3 billion went towards this target group and this was due to the increased limits administered by the company to stem the coronavirus crisis.

This year's survey shows that companies within this category that receive support from Innovation Norway have higher growth in both sales revenues (6.2 percentage points), value creation (5.2 percentage points) and productivity (2.5 percentage points), compared with similar companies that do not use Innovation Norway’s services. The same applies to growth in the number of full-time equivalents.

The restructuring of the Norwegian economy is dependent on more companies growing and succeeding in international competition – whether this be in the domestic market (imports) or in international export markets. Innovation Norway contributes growth financing and links companies to expertise and networks both in Norway and export markets, to meet the needs of innovative companies with growth ambitions.

MRS figures for 2020 show that companies which received international marketing advice from Innovation Norway’s foreign offices experienced a 12.4 percentage point higher increase in revenues, 8.2 percentage point higher growth in value creation and 5.1 percentage point higher growth in productivity than comparable enterprises that did not use the service.

The EU programmes are becoming an increasingly more important door-opener to international markets, expertise and financing for growth and have been a prioritised area. 2020 was a particularly good year for Norwegian companies, which received NOK 270 million in grants and NOK 455 million in equity through EIC Accelerator and NOK 82 million through Fast Track to Innovation. In 2017, Innovation Norway entered into a significant partnership with the European Investment Fund (EIF). With the new agreement with the EIF that was signed in the spring of 2019, the total contractual arrangement for risk mitigation for innovation and high-risk loans amounts to NOK 1.9 billion.

In our strategy, Innovation Norway has placed emphasis on increasing our efforts within demand driven innovation. The objective is to help public markets mature, and lower the market risk in attractive growth markets for innovative Norwegian companies that are working to develop new solutions to social challenges. The Innovation Partnerships scheme is vital to Innovation Norway’s growing strategic focus on demand-driven innovation. In the first half of 2020 it was announced that NOK 75 million would be committed to public-private sector cooperation. Due to the strong interest, good projects and extraordinary grants in connection with Covid-19, projects valued at just under NOK100 million were financed during this round.

In developing a new company strategy, the Board has expressed Innovation Norway’s ambition of contributing to providing Norwegian companies with easy access to European instruments, and has noted that important decisions were made in 2020 regarding Norway’s participation in future EU programmes. A solid foundation has been laid for viewing national and European instruments as a whole through, among other things, strengthened collaboration with the Research Council of Norway.

### **More innovative business clusters**

Innovation Norway contributes to regional partnerships through interaction with other public funding agencies and by acting as a “sparring partner” for companies across the country to achieve this sub-goal. In addition, NOK 298 million was committed in 2020 within the sub-goal of more innovative business clusters. This includes networking instruments for development projects within the cluster programme Norwegian Innovation Clusters, business networks and a resource centre for regional restructuring. At the end of 2020, there were 32 clusters within the cluster programme.

These instruments effectively contribute to collaborative development at a large number of companies. These development projects have a positive impact on innovation and value creation.

The objective of Innovation Norway's instruments is to enable these groups of stakeholders to achieve positive effects that they would not be able to achieve on their own.

For companies participating in networks and clusters, the customer impact survey shows significant growth in the first three years for sales revenues (16.4 percentage points), value creation (15.7 percentage points), productivity (5 percentage points) and number of fulltime equivalents (5.9 percentage points), compared with similar companies that do not use Innovation Norway's services. It also appears as if participants in these networks are better at cooperating and using other types of instruments for research and innovation, including EU instruments.

In the company strategy, the Board has identified partnerships as being of decisive importance to Innovation Norway achieving our objectives. As a consequence of the extraordinary situation experienced by the Norwegian business sector, interaction with county councils, industry clusters and other public funding agencies was strengthened in 2020. The Board emphasises the importance this cooperation will also have in the years ahead.

#### **Continual development in measuring impact**

It is a demanding task to quantify the impact of Innovation Norway's overall activities. The Board is very satisfied that Innovation Norway has emphasised investigating, acquiring and communicating new knowledge about which services and schemes are most effective in business and innovation policy. Both new methods for measuring impact and investments in the analysis of own data through an analysis centre contribute to continual quality enhancement. Evaluations, reports, analyses and impact measurements together provide important management information and a knowledge base on which to further develop the company. The Board is focussed on the company continuing with this work and communicating lessons learnt to owners, principals and other stakeholders.

#### **PARTICULAR ISSUES IN 2020**

Few could have foreseen the serious and profound crisis that the world and Norway would face in 2020. Innovation Norway has played a key role in supporting the business sector during an extremely demanding period. In consultation with management, this year the Board prioritised the delivery of **the crisis packages to the business sector**. The company had its loan and credit limits doubled and significant extra efforts and mobilisation were required to ensure that the funds were made available to good, innovative projects throughout the entire country. The tourism industry has been one of the industries hardest hit by the pandemic, and Innovation Norway has had several extraordinary assistance packages focussed on this part of the business sector. The objectives remain unchanged: more successful entrepreneurs, more companies with growth potential and more innovative business clusters that can contribute to an adaptable Norway, including when the crisis is over.

Due to the crisis situation, Innovation Norway has, to a greater extent than in a normal year, **exercised the role of innovation policy adviser**, both by updating owners and clients about the status for the Norwegian business sector through the "sounding board" and by providing a number of suggestions for adequate measures to address the crisis. The Board is focussed on Innovation Norway continuing to work on being data-driven and knowledge-based when exercising its role as innovation policy adviser. The company has strengthened its cooperation with academia, most recently through a cooperation agreement with several Norwegian universities in 2020 and the establishment of an internal analysis group.

The uncertain outlook for international trade and international value chains due to the coronavirus pandemic has resulted in different and more dynamic framework conditions for the Norwegian business sector when entering international markets. The Board considers **exports from and the internationalisation** of the Norwegian business sector to be of major importance to how the Norwegian economy copes with the crisis and has prioritised the implementation of the new export strategy in 2020. The strategy will contribute to a stronger and more flexible apparatus which can support Norwegian export-oriented businesses that are able to prioritise and work strategically towards specific international opportunities. The business sector itself will be a higher priority and the cooperation within Team Norway will be strengthened.

The Board sees that **EU programmes** are becoming an increasingly more important door-opener to international markets, expertise and growth funding. Norwegian companies have received a total of more than NOK 4.2 billion from EU programmes since 2014. With a budget of almost NOK 1,000 billion over seven years, the EU's upcoming framework programme, Horizon Europe, will be the world's largest research and innovation programme. The EU will have a stronger focus on innovation, commercialisation and the business sector than in previous framework programmes.

The Digital Europe Programme (DIGITAL) and programme for the Competitiveness of Small and Medium-Sized Enterprises (COSME) are also important sources of knowledge and funding for Norwegian companies. Based on this, Innovation Norway has strengthened its focus on the EU and cooperation with other public funding agencies such as the Research Council of Norway, among other things, through the establishment of a joint EU team between the two organisations.

The Board monitors the company's operations throughout the year and focusses on **achieving goals, efficient operations** and responsible administration of public funds. It is difficult to see from the annual accounts how the company's costs have developed, because the costs include the company's delivery costs and customer-oriented activities and projects. The management is therefore working on operational performance indicators that will provide the Board and principals with information about the development of the company's cost-efficiency. Cost-efficiency at Innovation Norway has been measured as the ratio between what we deliver (NOK) and the costs of delivering this. 2020 was an extraordinary year for Innovation Norway in every possible sense. Therefore, this method of measuring cost-efficiency does not provide a correct or complete picture. The large crisis packages, combined with lower costs resulting from, among other things, reduced activities, mean that cost-efficiency is not comparable with previous years.

The company's cost-efficiency must be viewed in connection with the effects achieved in the Norwegian business sector (effectivity). The goal is not to have a low-cost ratio, but a correct cost ratio given the target groups, priorities and instruments that are necessary for achieving the greatest effectivity.

The Board understands that, with its broad mandate, decentralised organisation, international presence and extensive range of services, Innovation Norway will have cost elements that other public funding agencies do not have. At the same time, we are working well on digitalising different parts of the organisation to simplify customer access to public services and generally improving the efficiency of operations, something that will provide efficiency gains in the years ahead. In 2021, the Board will assess future cost-efficiency in light of the proposals put forward as a consequence of the Government's comprehensive review of the business support system.

## ABOUT THE ANNUAL ACCOUNTS

The profit for the year was NOK 122 million in 2020, compared with NOK 140 million in 2019. The profit before losses was NOK 213 million in 2020, compared with NOK 184 million in 2019. Operating costs were lower, as were costs for customer-oriented activities, while provisions for losses were higher in 2020 than in 2019.

Net interest income was NOK 435 million in 2020, compared with NOK 437 million the previous year. The decrease in net interest income of NOK 2 million was due to lower interest rate margins, as well as changes in the composition of the loan portfolio. Dividends and profits/losses on securities showed a loss of NOK 8 million in 2020, compared with a profit of NOK 0.4 million in 2019. The loss was due to the write-down of the value of shares in the subsidiary *Investeringsfond for Nordvest-Russland og Øst-Europa AS*.

Total operating income was NOK 1,195 million, compared with NOK 1,297 million in 2019. The NOK 102 million decrease was due to a reduction in income from public sources of NOK 16 million, a reduction in external revenues of NOK 81 million and a reduction in miscellaneous operating income of NOK 4 million. The reduction in income from public sources was a result of income recognition in relation to total operating expenses that are not covered by external revenues and miscellaneous operating income. The reduction in external revenues was primarily the result of events having to be cancelled and postponed due to the coronavirus. The net decrease in miscellaneous operating income of NOK 4 million in 2020 was primarily due to an increase in net commission income from EIF guarantees of NOK 3 million, a decrease in net foreign exchange losses of NOK 2 million, and lower rental income of NOK 9 million compared to 2019.

Operating costs amounted to NOK 1,409 million, compared with 1,550 million in 2019, a net reduction of NOK 141 million. Payroll expenses amounted to NOK 821 million in 2020, compared with NOK 776 million in 2019. The increase of NOK 46 million was primarily due to an increase in the number of full-time equivalents from an average of 736 in 2019 to an average of 767 for 2020, as well as overtime pay in 2020. The increase in the number of full-time equivalents related to temporary positions because of the coronavirus crisis and work on delivering the crisis packages to the business sector. Depreciation decreased by NOK 49 million compared with 2019. This was largely due to there being no additional depreciation of intangible assets in 2020 when compared with 2019. Direct project costs were reduced by NOK 146 million as a result of savings measures to

adjust for 9 lost external income in connection with cancelled and postponed events and activities as a result of Covid-19, as well as reduced costs related to the restructuring of tourism activities compared to the previous year. Other operating expenses were at about the same level as the previous year.

Despite the coronavirus crisis, the level of defaults in the portfolio was relatively low, and there were few bankruptcies. Net losses on loans were NOK 91 million, compared with NOK 44 million in 2019. The net losses were primarily due to an increase in recognised losses and increase in group write-downs for the low-risk loan scheme. A normal annual loss on low-risk loans equivalent to 0.5 per cent of the portfolio is expected. In 2020, the loss percentage was 0.65 per cent of the portfolio. Losses on loans related to Innovation Norway's innovation and high-risk loan schemes are covered by loss reserves, and therefore not reflected in Innovation Norway's financial performance figures. Losses on loans relating to high-risk loans and guarantee schemes amounted to NOK 94 million in 2020, compared with NOK 157 million in 2019. These lending activities are expected to involve a higher risk profile than the low-risk loan scheme and losses over time of close to 5 per cent of the portfolio per year. The losses in 2020 amounted to 1.7 per cent of the portfolio (3.4 per cent in 2019).

The seed capital funds were transferred to Investinor AS effective from 1 May 2020. Among other things, this entails that Innovation Norway no longer has ownership interests in associated companies (NOK 299 million in 2019) and contributed capital in loan and investment funds decreased by NOK 2 billion in 2020.

The cash flow shows that large gross payments are received and disbursed by Innovation Norway every year. This is particularly due to a large part of the borrowings for lending activities being refinanced approximately every three months.

Innovation Norway's balance sheet total at year-end was NOK 28.9 billion, which is NOK 2.6 billion more than in 2019 (NOK 26.3 billion). Of this, net loans amounted to NOK 19 billion as at 31 December 2020 (NOK 18.5 billion as at 31 December 2019). In 2020, NOK 4.0 billion was paid out in new loans (NOK 3.0 billion in 2019) and NOK 4.9 billion in grants (NOK 2.8 billion in 2019).

The company incurred no costs and made no investments related to R&D in 2020. However, external evaluations and analyses are carried out of the company's activities and use of instruments, including in cooperation with research communities. The company uses the knowledge these provide in the development of our services, organisation and work processes.

## **RISK MANAGEMENT**

The company conducts annual assessments of factors that are important for achieving the goals of more successful entrepreneurs, more companies with growth potential and more innovative business clusters. Innovation Norway faces a number of risks from external factors relating to political, economic or technological factors and internal factors relating to employees, management, systems and processes. The risk universe includes strategic risk, financial risk and operational risk.

### **Strategic risk**

Strategic risk relates to factors that are important for Innovation Norway's long-term goal attainment in relation to goals, sub-goals and the principals' priorities. The company assesses factors that are important for the company's goal attainment at an overarching level. Extraordinary risk assessments are conducted in the event of significant changes in the Norwegian economy or the company's assignments, or if the four-monthly reports on goal attainment show significant deviations. When necessary, risk assessments of critical functions and defined areas are carried out at a lower level.

### **Financial risk**

The financial risk largely consists of foreign exchange risk, liquidity risk, credit risk and interest rate risk.

*Foreign exchange risk.* Innovation Norway has revenues and expenses in foreign currencies. The foreign exchange risk associated with settlement of costs is largely offset by the company having bank accounts in foreign currencies for the most important currencies the company trades in.

*Liquidity risk.* The liquidity risk is the risk associated with Innovation Norway's ability to fund an increase in loans and the borrower's ability to settle its obligations when these fall due. The size of borrowings and loans is managed through letters of assignment from the Ministry of Trade,

Industry and Fisheries. The liquidity risk is therefore minimal.

*Credit risk.* Credit risk is financial risk relating to lending activities and constitutes a significant risk at Innovation Norway. Developments in the loan portfolio are reported to the Board every four months.

The risk profile is adjusted if there are significant negative changes. Each year, the most important loan commitments and commitments with losses are reviewed in connection with the presentation of the annual report.

Low-risk loans are granted on market conditions. The risk must be moderate for a project to be granted funding. The risk is therefore limited by relatively stringent requirements concerning security. In addition to the risk associated with individual commitments, there is also structural risk associated with the sectoral division of the loan portfolio which differs from corporate portfolios at banks. Approximately 40 per cent is financing for fishing vessels, while the portfolio is otherwise almost equally divided between agriculture, industry and business services.

Innovation and high-risk loans are a form of lending primarily intended to help small and medium-sized enterprises that require risk mitigation in projects. These loans are granted subject to moderate requirements for security, but on the condition that the customer's ability to service the loan is deemed to be satisfactory. The risk associated with these types of loans is relatively high.

Loss reserves have been established for innovation and high-risk loans and guarantees. The objective of loss reserves is to enable Innovation Norway to mitigate risks for innovative projects with growth potential and thus contribute to the realisation of more profitable projects that would otherwise find it difficult to obtain sufficient venture capital in the market. For a smaller portion of this loan portfolio, the European Investment Fund (EIF) shares the risk of loss with Innovation Norway on a 50/50 basis.

*Interest rate risk.* The interest rate risk is managed and reduced by adapting lending terms to borrowing terms. Borrowings shall correspond to lending and secure the liquidity required to operate the loan schemes. The borrowings reflect the interest rate profile of the loan portfolio.

### **Operational risk**

Operational risk comprises the potential loss sources relating to Innovation Norway's day-to-day operations. Examples of such sources include procedural failure, computer system failure, lack of competence and breach of trust on the part of employees. Internal control is an important tool in reducing operational risk.

The company's governing documents are collated and made available in a special database. Innovation Norway has contingency plans and carries out exercises on a regular basis. A dedicated compliance function helps the company reduce the risk of incurring public sanctions, financial losses or reputational harm due to a failure to comply with external and internal regulations.

As one of the key public funding agencies in Norway, Innovation Norway provides state aid in the form of grants and subsidised loans, which entails an obligation to comply with the state aid regulations in the EEA Agreement. To ensure proper compliance, Innovation Norway has prepared a comprehensive guide that is used by all case officers and decision makers. For all financing matters, a record is kept concerning how the issue of state aid has been taken into consideration and the legal department also conducts checks of matters of particular importance or complexity and provides ongoing training for the organisation. Innovation Norway's work on reducing the risk of incurring public sanctions, financial loss and loss of reputation due to non-compliance with internal or external regulations, is organised in accordance with the Institute of Internal Auditors' (IIA) model for three lines of defence, as well as external control and verification functions.

Primary responsibility lies with the first line of defence, i.e. operational management, and ultimately through the responsibility of all employees to perform their work in accordance with the authorisation, instructions, policies and guidelines that apply for each individual. All managers at Innovation Norway have a special responsibility to establish and implement risk management and internal controls within their areas of responsibility.

The objective of the company's compliance function is to prevent, detect and stop repeated violations of laws and rules. Together with the risk management function, the compliance function is defined as second-line functions responsible for monitoring, assessing, providing advice on, aggregating and reporting on the risk situation, however without separate authorisation or responsibility for changing Innovation Norway's business risk. The third line of



defence consists of the internal audit, which, on behalf of the Board and management, audits whether the enterprise has adequate processes for risk management and internal controls. The internal audit is contracted to an external provider.

The external auditor and Office of the Auditor General also constitute external control and verification functions.

## **GOING CONCERN**

The annual accounts have been prepared on the basis of a going concern assumption. The accounts give a true and fair picture of the company's assets, liabilities and results. No circumstances have arisen after the end of the financial year that are of significance to the evaluation of the company and that are not mentioned in the annual report and pertaining notes.

## **WORKING ENVIRONMENT**

Good cooperation is a pre-requisite for succeeding as an inclusive workplace and the management, employee representatives and safety representatives at Innovation Norway have important roles to play. The head office, regional offices and most of our international offices are linked to a corporate health service.

Separate works councils and working environment committees have been established at the regional offices in Norway. Innovation Norway has decided to establish a system of safety representatives abroad that will include all of the company's offices.

The sick leave rate was 3.68 per cent in 2020, compared with 3.76 per cent in 2019. By comparison, the sick leave rate in public administration and the armed forces, as well as national insurance schemes under public administration, was 4.2 per cent in the third quarter of 2020. Lower sick leave in connection with Covid-19 and the use of home offices, as well as new practices for reporting sick leave were the reasons for the reduction in the sick leave rate. One injury was reported in 2020.

Employee turnover was 7.3 per cent in 2020. This includes temporary employees, employees on assignment and retirees.

78 new employees have been recruited externally and 39 of these are permanent positions. The company has carried out 51 internal recruitments. Efforts are being made to realign the composition of employees at Innovation Norway in the direction of more digital resources.

A comprehensive employee survey was conducted at the company in October/November 2020. The results were presented in December, and the results were followed up in each department both before and after the New Year. The total response to the survey was 81 per cent.

The survey was prepared by the Norwegian Agency for Public Management and e-Government (Difi) and provides a benchmark in relation to a total of 35,000 public sector employees. Principal features of the survey:

- The results from the survey show that there is a high level of enthusiasm at Innovation Norway. Innovation Norway scores higher on this when compared with other public enterprises.
- The survey also shows a high level of support from both colleagues and managers, as well as many employees experiencing that they are developing and learning through their work. These results were at the same high level as the survey that was conducted in spring 2019.
- There has been significant progress in areas that have previously been challenging, such as confidence in the company's senior management and the use of digital tools.
- Several employees highlighted the need for the organisation to make even greater use of digital solutions and tools, as well as to improve internal communication.

Innovation Norway is considered an attractive workplace by both the company's employees and potential job seekers. For the fourth year in a row, in a survey conducted by Universum, Innovation Norway was voted the most attractive employer among people in the work force with an educational background in economics. For the fifth year in a row, Innovation Norway also topped the list of the most attractive employers for economics students (Career Barometer 2020).

## **EQUALITY, DIVERSITY AND DISCRIMINATION**

Gender equality and diversity are implemented in the company's routines and guidelines. Awareness of this is a natural part of the manner in which the company operates. Innovation Norway works with developing measures and guidelines to contribute to the Government's inclusion programme (inkluderingsdugnad). Innovation Norway now balances its use of terms in job advertisements with regard to qualifications, experience and diversity requirements to ensure a broad range of candidates among potential applicants.

The Board of Directors consists of eleven members, of whom five are women and six are men. At the end of 2020, the proportion of women in the executive management group was four out of eight (50 per cent).

The proportion of women at Innovation Norway was 55 per cent at the end of 2020. The proportion of new employees in 2020 who are women was 46 per cent.

The proportion of women by position:

Job category	2020	2019	2018
Director	68%	65%	63%
Lawyer	43%	43%	43%
Head of Department	56%	58%	56%
Special Adviser	38%	37%	38%
Senior Adviser	54%	56%	53%
Adviser	72 %	74%	75%
Consultant	75%	77%	79%

Pay ratio between women and men for all of IN:

Position level	Difference in average base salary (women/men)*		
	2020	2019	2018
CEO	-6.5%	-4.6%	-7.7%
Head of Department	-1.7%	-2.1%	-0,5%
Special Adviser	1.8%	0.2%	-0.7%
Senior Adviser	-4.9%	-4.9%	-5.6%
Adviser	0.1%	-1.5%	-2.0%
Consultant	3.0% ***	1.0% ***	Not available **

\* The negative deviation is lower for the average base salary for women.

\* Fewer than 4 employees in the sample.

\*\* Only including employees in Norway.

The table shows the difference between the average pay for women and men. Differences in pay due to seniority are not taken into consideration in the calculation. The result shows a smaller difference than in 2019 when concerning pay disparities for multiple position levels.

Innovation Norway has an active and conscious attitude towards equal pay in connection with new appointments and internal mobility, which is an important tool given the level of mobility in the company. We are generally aware of the differences in pay at individual position level and actively work towards safeguarding the principle of equal pay.

As of 31 December 2020, 32 of the 793 employees worked part-time. Of these, 84 per cent are women.

The company complies with the guidelines for terms of employment for managers in government enterprises and corporations. Innovation Norway strives to have employees with different qualifications, perspectives, ages, genders and life experiences. The company includes a diversity statement in all job advertisements. This emphasises that our recruitment process aims to ensure diversity with respect to gender, age and cultural background. Innovation Norway also specifically encourages people with immigrant backgrounds, disabilities or gaps in their CVs to apply.

## INTERNAL RESTRUCTURING AND ORGANISATION

As a consequence of the new company strategy, a major restructuring process was carried out in autumn 2019. A new divisional structure was established on 1 January 2020 and changes were also made within the divisions during the first half of the year. The new structure also resulted in changes to the company's management team. The new management team is now complete and consists of eight members.

The objective of the changes has been to put customer needs front and centre, strengthen the

organisation's ability to perform its assignments, and reduce time-intensive and costly requirements for internal coordination. The organisation's employees and employee representatives have been closely involved in this work through dialogue meetings at divisional level and in arenas such as works councils and working environment committees. The following design criteria were used as a basis for the organisation at divisional level and have also provided the organisational guidelines at other levels:

- to organise the execution of what lies at the core of our social mission,
- a balanced organisational model with regard to responsibility, budget and number of employees,
- less silo, more integration, more robust expert groups,
- focus on strategy and corporate governance, as well as better means of maintaining dialogue with clients, i.e. more uniform communication and fewer points of contact.

The digitisation of Innovation Norway is an important prerequisite for realising the strategy, and is continuing at a good pace. Innovation Norway is building a robust organisation for digital development. The new People and Technology unit was established in January 2020. This unit includes developers, HR and digital resources who will assist in advancing digital product development. Many of the new digital resources are the result of an internal realignment of expertise, and the goal is to increase Innovation Norway's overall share of digital resources. Flexible methods and the development of interdisciplinary product teams are vital to the shift towards a more digital business.

During a challenging year involving the global coronavirus pandemic, Innovation Norway's digital infrastructure and expertise enabled the smooth transition to working from home. The development of good digital solutions and the rapid adaptation of systems continued, which in turn made it possible to double loan and grant volumes in 2020.

Employees expended considerable efforts in achieving this and also demonstrated the ability to adapt to a new work situation with home office and new digital solutions. These efforts placed a serious strain on some employees. There was also a major focus on financing services which came at the expense of the value-adding dialogue with customers and other expert services. It will be important to transition to more normal operations when the extraordinary period characterized by the pandemic is over.

During 2020, Innovation Norway also redirected the tourism assignment in line with the reduced funding in the national budget and instructions from the Ministry of Trade, Industry and Fisheries. The change meant that, during the year, Visit Norway redirected its efforts from the general promotion of Norway towards the development of Norway as a tourism destination. The changes resulted in a general reduction in press work at several of our international offices, including a reduction in the number of employees, as well as the prioritising of areas for Visit Norway's strategic presence.

Through the "Equipped for export" project, Innovation Norway conducted an in-depth analysis of how the organisation can contribute to increased exports, more international investments and greater knowledge sharing and technological cooperation. Among other things, the proposals, which partly related to ensuring more targeted efforts and thus stronger export work, entailed a reduction in the number of permanent offices and employees in less relevant markets in favour of strengthening capacity and expertise in the most relevant areas. The changes were implemented in 2020 and, as a consequence, the number of permanent international offices has been reduced by six. At the same time, we are strengthening our presence in four markets.

## **THE EXTERNAL ENVIRONMENT**

Innovation Norway's activities have not contributed to pollution of the external environment over and above what is natural for an organisation of this kind. The head office and the district offices are Eco-Lighthouse certified.

## **CORPORATE SOCIAL RESPONSIBILITY**

Innovation Norway actively works to promote responsible business conduct, both within the company and among the company's customers, suppliers and partners.

Innovation Norway's expectations and requirements for our employees, employee representatives and consultants who perform services for the company are described in the company's Code of Conduct and Anti-Corruption Policy. The Code of Conduct also contains a separate chapter on

business ethics which stresses that ethics and corporate social responsibility must be included in the assessment criteria when using the company's services and selecting collaborative partners and suppliers. Innovation Norway's corporate social responsibility work and ethical framework are also special topics in the company's procedure for training new employees. Innovation Norway also has more detailed guidelines for impartiality, the right to hold honorary positions and secondary occupations, as well as rules for ownership and securities trading.

As part of the work of incorporating corporate social responsibility throughout Innovation Norway, an expert team of resource personnel has been established. The expert team supports employees, discusses difficult issues with them and implements training initiatives. Innovation Norway has an arrangement for dilemma training and the purpose of this training is to ensure that everyone who performs work or services for Innovation Norway is aware of the applicable legal and ethical framework, and is able to identify and tackle situations that might arise.

The company's sustainability strategy (2016-2020) constitutes the framework for Innovation Norway's work on strengthening corporate social responsibility among customers. It uses the UN Sustainable Development Goals, the principles in the UN Global Compact, the OECD Guidelines for Multinational Enterprises and UN Guiding Principles for Business and Human Rights as a basis for the work with the strategy and implementation. The requirements for customers and partners are set out in the document "Policy for Good Business Practice". These are based on the same guidelines and principles – all of which are recognised standards for responsible business conduct.

Responsible business conduct is an integrated part of Innovation Norway's services and it is a requirement that all parties that receive services from Innovation Norway must comply with principles for responsible business conduct in line with the stated guidelines and principles. This also entails that customers and partners are familiar with their own major areas of risk relating to corruption, human rights, employee rights, negative environmental impact and/or other aspects relating to business ethics, and that they implement measures for managing these. Provisions concerning this are also included in, among other things, Innovation Norway's standard terms and conditions for loans, grants and guarantees.

A "Financing Manual" is available to the company's financial advisers. This contains a comprehensive chapter providing advisers with information on how to ensure that sustainability and responsible business conduct are correctly assessed in all projects and for all customers seeking financing from Innovation Norway. A guide has also been prepared for managing "red flag" cases, i.e. specific risk factors associated with responsible business conduct. Some of Innovation Norway's expert services provide a special module on responsible business conduct that has been specially adapted to companies with an international focus.

In 2020, Innovation Norway applied a risk-based approach when reviewing the portfolio of suppliers. Some of the suppliers that are considered to be most exposed to possible labour market crime have been followed up, and Innovation Norway has received satisfactory responses that they are working to combat labour market crime. This provides a good basis for further follow-up work.

Innovation Norway has several assignments that involve assisting businesses in demanding markets through, for example, Enterprise Development for Jobs, Vision 2030, business delegations and Global Growth programmes. Various aspects of responsible business conduct have been the topics at many seminars and digital meeting places within the framework of Innovation Norway's mission.

Innovation Norway has an electronic whistleblowing channel that is available to both internal and external parties. The whistleblowing channel is available on the intranet and Innovation Norway's website and allows the company to communicate with anonymous whistle blowers.

Innovation Norway has a risk-based approach to Integrity Due Diligence (background checks) of customers, suppliers and stakeholders that Innovation Norway links customers to. Governing documentation is prepared that stipulates the instances in which background checks must be carried out. The actual execution of the background check is regulated by a separate procedure.

## **ALLOCATION OF PROFIT**

The 2020 accounts show a profit of NOK 122 million. For further details about the dividend rules reference is made to Note 34. The Board proposes the following allocation of the profit for the year:

2020

Dividend allocated to the Ministry of Trade, Industry and Fisheries as an owner, from:		
Low-risk loan scheme	NOK	91 097 451
To be transferred to the Ministry of Trade, Industry and Fisheries from:		
Innovation loans and guarantees	NOK	22 366 917
To be transferred to the county councils as owners, from:		
High-risk loans and guarantees	NOK	17 510 981
Distributed as follows:		
Troms og Finnmark County Council	NOK	5 508 619
Nordland County Council	NOK	2 751 837
Møre og Romsdal County Council	NOK	2 565 702
Vestland County Council	NOK	2 077 312
Trøndelag County Council	NOK	1 623 000
Innlandet County Council	NOK	1 486 233
Vestfold og Telemark County Council	NOK	788 521
Agder County Council	NOK	467 038
Viken County Council	NOK	235 384
Rogaland Council Council	NOK	7 335
		17 510 981
Transferred to retained earnings:		
Investment Fund for Northwest Russia and Eastern Europe	NOK	-8 840 068
Allocated to retained earnings:		
Low-risk loan scheme	NOK	-
Service deliveries and grant administration	NOK	-
<b>Total</b>		<b>122 135 280</b>

## OUTLOOK FOR 2021

The crisis has reinforced the Norwegian business sector's need for Innovation Norway's support and assistance. Our social mission remains the same. Innovation Norway will also contribute to the development and restructuring of the Norwegian economy in 2021. The company shall increase overall value creation in the business sector by stimulating more successful entrepreneurs and contributing to Norway having more companies with growth potential and stronger, innovative business clusters. Measures for stimulating growth through exports and internationalisation are an important part of Innovation Norway's efforts. Through our regional and international presence, Innovation Norway will be a "sparring partner" for companies throughout the entire country and in 2021 we will strengthen our role as the first line of a unified Norwegian public support system. Measures for stimulating growth through exports and internationalisation are an important part of Innovation Norway's work.

## Preparedness for further emergency measures in 2021

In the spring of 2020, the Norwegian economy was hit by the worst downturn since the Second World War. Strict infection control measures reduced activities in many industries, demand fell sharply, and the number of registered unemployed quadrupled within a short period. The crisis impacted large parts of the world at the same time, and oil prices plunged. Norges Bank set the key interest rate at zero per cent, and a fiscal stimulus package with no historical precedent was set in motion. Following improvements throughout the spring and summer, the infection situation again worsened during autumn and winter, and the infection control measures were again tightened.

The Board would note that, in its role as an emergency response organisation, Innovation Norway worked effectively and rapidly in 2020 to manage a significantly larger portfolio of assignments than in a normal year. If the Government should require further emergency measures for the Norwegian business sector in 2021, Innovation Norway will also be prepared to carry out this assignment.

### **The long-term challenges remain**

We face both new and familiar challenges in the years ahead. Norway faces demanding challenges in the form of changes to international framework conditions, climate change, changes in the population and working life and changing economic conditions. The fact that international framework conditions are shifting towards more rivalry and less cooperation between countries is concerning at a time when, more than ever, the world needs to stand together to solve our shared challenges. The world community faces an enormous shared challenge in reducing greenhouse gas emissions. An ageing population is the result of us living for longer. Weaker productivity growth in recent decades is a challenge we share with most other Western countries. Furthermore, in Norway's case, the petroleum industry will lose much of its importance as an engine for growth for the Norwegian economy. Uncertainty and fluctuations in world stock markets affect the value of the Government Pension Fund Global, which has financed an increasingly larger share of the national budgets.

A strong, diverse and adaptable business sector is essential for Norway's ability to grow and to have a good standard of welfare in the future. In order to maintain welfare growth, the Norwegian economy needs more "legs to stand on". We need to create more jobs, in more industries, across the entire country. There needs to be growth in the private sector.

The Board is of the view that growth requires adaptability, innovation and creativity. The value of Innovation Norway's long-term work has been enhanced during the crisis and will become increasingly more important in the coming years. The Board is focussed on Innovation Norway continuing to have assignments and frameworks that make the necessary efforts possible, that the policy instruments actually have a triggering effect, that the public support system is easy to use and that Innovation Norway further develops our regional and international partnerships in the best interests of the Norwegian business sector.

### **A gateway**

As part of enhanced user-friendliness in the public support system for businesses, the Ministry of Trade, Industry and Fisheries has asked Innovation Norway to assume the role as the joint first line of the public support system, which includes referral expertise to the other public funding agencies. In 2021, and we will also examine a proposal for a common digital gateway in consultation with the applicable public funding agencies. The Board shares the ambition of having a gateway to the public support system. This will simplify the everyday activities of customers. Innovation Norway has the experience, expertise, technology, processes and organisation that make us well-equipped to establish a common overarching goal, and to then create a gateway to the public support system.

### **Targeted efforts for Norwegian exports**

Innovation Norway follows up the Government's new export action plan and is strengthening its presence in some important export markets. The ability to export products and services is essential for the development of a competitive and sustainable Norwegian business sector. Innovation, business development and exports are closely linked. Innovation Norway is now making changes that will strengthen our export-oriented activities and provide the necessary flexibility to assist companies in seizing tangible market opportunities abroad. This essentially means that we are concentrating our efforts.

Consequently, Innovation Norway is now strengthening its presence in the markets that are of the greatest interest and potential to the Norwegian business sector. At the same time, we are scaling down our efforts in markets where there is not the same level of demand for our support.

The Board would emphasise that the objective of the changes is to strengthen overall export investment. Cooperation among Team Norway internationally is vital for being able to assist Norwegian companies both where we have a presence and in markets where we currently do not have a presence. In addition, Innovation Norway also provides assistance from the regional offices

in Norway to companies that export or are looking to export. Exports start at home.

### **EU research and innovation programmes**

Horizon Europe will be the world's largest research and innovation programme. Norwegian participation in Horizon Europe is of major importance to the Norwegian business sector and for Norwegian research and innovation communities. Compared with previous framework programmes, Horizon Europe sets greater requirements for quantifiable effects, closer proximity to markets and society, more focus on commercialisation and innovation, and the involvement of a broader set of stakeholders, requiring greater involvement from the business sector. The Digital Europe Programme (DIGITAL) is a new EU programme which has the aim of strengthening Europe's ability to adopt advanced digital technology, particularly among SMEs and the public sector. This programme will also offer major opportunities for the Norwegian business sector. Together with programmes such as COSME, for which Innovation Norway has long played an important role, the new EU programmes represent a very important supplement to the national policy instruments.

The Board would note that Innovation Norway, the Research Council of Norway and other public funding agencies have been important “bridge builders” between the Norwegian business sector and the opportunities offered by Horizon 2020 and that this cooperation has also laid a solid foundation for Norwegian involvement in the new EU programmes. 20 The start of 2021 has been marked by uncertainty. However, the Board can state with satisfaction that 2020 saw Innovation Norway play an important role as an emergency response organisation, while also strengthening its core task of contributing to investments in innovation, skills development and R&D. Innovation Norway is well equipped to take on the tasks that lie ahead of us. The Board would like to express its gratitude for the trust shown in the organisation by customers, clients and partners during 2020 and would particularly like to thank the company's employees, who made an extraordinary effort during an extraordinary year in the best interests of the Norwegian business sector.

Oslo, 17 March 2021 The Board of Directors of Innovation Norway