



BUSINESS CLIMATE SURVEY NORWAY 2020

A REPORT FROM TEAM SWEDEN IN NORWAY

INTRODUCTION

Norway and Sweden are close neighbours and key trade partners with strong cultural and historical ties. There are about 2,300 Swedish subsidiaries in Norway and about 2,400 Norwegian subsidiaries in Sweden. Norway represents 11 and 8 percent respectively of Swedish exports and imports of goods and services, while Sweden represents 8 and 12 percent respectively of total Norwegian exports and imports, including oil and gas.

The coronavirus pandemic has affected global markets and changed our way of doing business. It has also accelerated global trends in regionalisation, consolidation, digitalisation and sustainability including the green transition. We see increased need for new eco-system collaborations as well as analysing supply chains, new business models and a stronger need for reliable business relations.

The green transition is not just global and urgent. It is also an opportunity for Sweden, Norway, and the other Nordic countries to increase collaboration. We have many reasons to believe in a strong Nordic foundation for future sustainable business growth. Together, the Nordic countries constitute the world's 12th largest economy. There is momentum for collaboration evolving from the pandemic with a high political interest in increased collaboration and a strong business need for teamwork to succeed in the transition. Together we have advantages for an extended home market for sustainable early growth and joint investments in the green transition. Furthermore we have advantages for R&D-, triple-helix- (academia, industry and government) and cross-industry collaborations as well as a high quality brand globally, for example joint competitiveness and incoming FDI.

Swedish business opportunities in and with Norway are extremely interesting, including Norwegian investments in hydrogen, Carbon Capture Storage (CCS), battery technology, ocean windfarms, green shipping, circular economy, and infrastructure. Additionally, interesting areas for collaboration include solutions to reduce greenhouse emissions from transport, mobility, sustainable manufacturing, property renovations, e-commerce, and smart cities.

This Business Climate Survey in Norway is part of the new global Business Climate Survey initiative by Team Sweden, based on a new partnership created in 2019 between Business Sweden and Swedish Chambers International. Its overall purpose is to contribute to the gaining of know-how on how Swedish firms view the Norwegian market conditions and facilitate increased collaboration between Swedish and Norwegian companies.

The survey was conducted during July – September 2020. The results confirm that Norway is a very important market for Swedish companies and that the trust in the economy is high. Other key results of the survey are that Swedish companies stay competitive in the Norwegian market through a local presence, strategic partnerships and collaboration with Norwegian clients.

We are grateful for the active participation and contributions of companies and partners in this report. We stand ready to support the Swedish-Norwegian business development and are confident that there is great potential for enhanced exchange and collaboration as proven by the survey.



Jessica Hedin
Deputy Head of Mission
Swedish Embassy

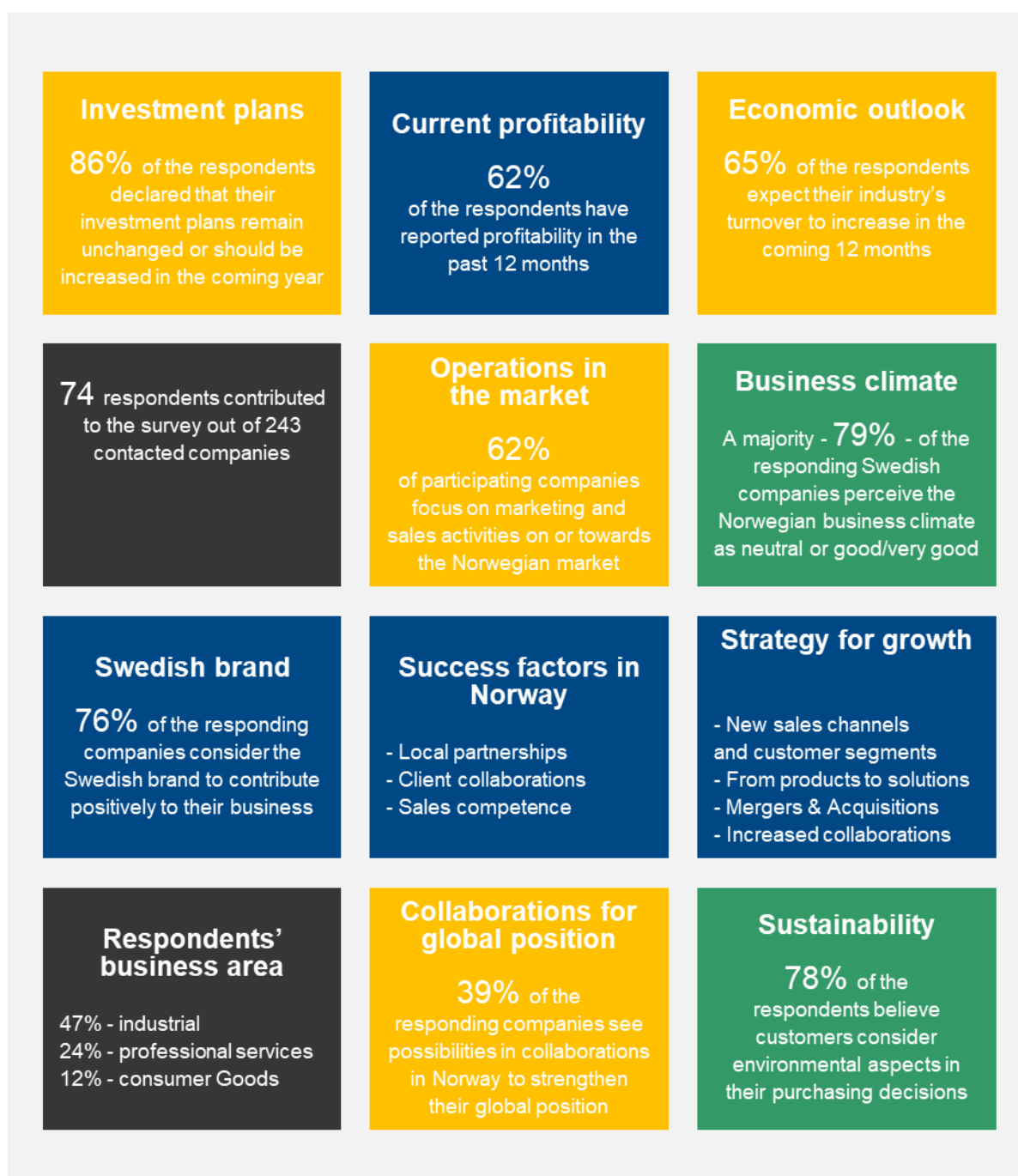


Jessica Olsson
Trade & Invest
Commissioner Norway,
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Chairman
Norwegian-Swedish
Chamber of Commerce

EXECUTIVE SUMMARY



ABOUT THE REPORT

A Team Sweden collaboration

The Business Climate Survey for Swedish Companies in Norway 2020 is a joint initiative by the following organisations within Team Sweden in Norway: The Embassy of Sweden in Norway, the Norwegian Swedish Chamber of Commerce and Business Sweden.

Business Climate Surveys are published regularly in several markets across the world. This year, the survey was carried out for the first time in Norway with the purpose of furthering our understanding of the Norwegian market, including challenges, opportunities, and market outlook that Swedish companies are facing.

How are the Swedish companies established in or trading with Norway experiencing the Norwegian business climate? This report provides valuable insights about the economic outlook in Norway including key facts about the market and success factors for Swedish companies in Norway.

The survey in Norway was distributed to 243 executives representing Swedish firms doing business with or within Norway, 74 provided answers. It should be noted that the size and industry composition of our respondents are not representative of the overall Norwegian business landscape. Any of the statistics presented in this report are solely indicative of our respondents' experience in and with Norway.

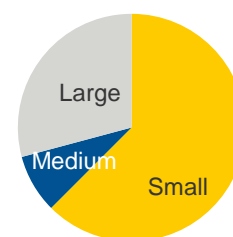
The participating companies in this survey have either a subsidiary in Norway or export to the market. Around 29 percent of respondents were large companies, 8 percent medium-sized companies and 63 percent small companies. 47 percent of the respondents were from the industrial sector, 24 percent from the professional services sector and 12 percent from the consumer product sector. The participants are equally representing mature companies (established in Norway before 2000) that have operated in or with Norway for more than twenty years (38 percent) and newcomer companies (established in Norway 2016 or after) with only a few years of experience in or from the market (36 percent). The answers were collected between 5th July and 14th September 2020, coinciding with the Covid-19 pandemic and summer holidays.

The report is divided into the following sections: Economic outlook, The market, Swedish companies in Norway, and Sustainability. The questions in this survey have been synchronised with Business Climate Surveys carried out in other markets around the world to enable comparability where relevant.

Sources

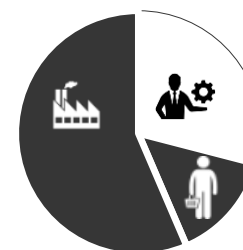
The main source of information to this report is the Business Climate Survey itself. In addition, information has been obtained from official sources, including the Nordic Council of Ministers, Statistics Norway, Statistics Sweden, *Tillväxtanalys*, Bisnode, Business Sweden, the Norwegian action plan for exports from October 2020, official statements from the largest banks in Norway, information from the Norwegian Government, the Norwegian state budgets, and the NHO report published end of August 2020 highlighting the roadmap for the future of business in Norway. Additional information was obtained from the many dialogues between Swedish and Norwegian companies, Business Sweden and the Norwegian Swedish Chamber of Commerce.

SIZE OF COMPANIES



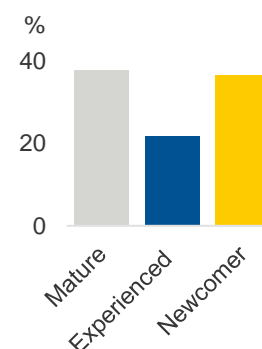
NOTE: Global employees.
Large >1000
Medium 250-1000
Small 0-249

MAIN INDUSTRY



NOTE:
47% - Industrial
24% - Professional services
12% - Consumer

AGE OF COMPANIES



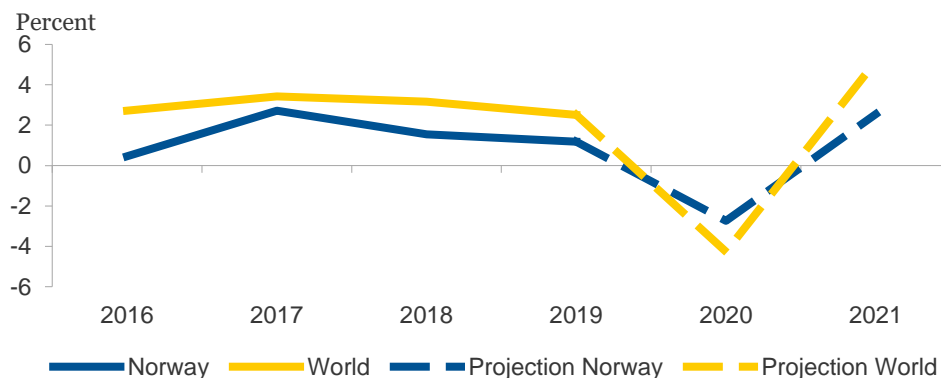
NOTE:
Mature:
(established before 2000) (-2000)
Experienced: (2001-2015)
Newcomer: (2016-)

ECONOMIC OUTLOOK

The oil fund as economic security in times of the corona pandemic and oil price decline

Like many other countries, Norway was hit hard by the economic effects following the coronavirus pandemic. The subsequent widespread closure of businesses saw Norway's mainland GDP fall by 11 percent from February to April 2020. As oil prices fell sharply at the same time, the Norwegian economy was predicted to be hit exceptionally hard as petroleum activities and ocean transport make up 14 percent of total GDP (market value, 2019). Unemployment levels were historically high at 10.4 percent, a number not seen since the 1950s.

PROJECTED GDP GROWTH IN NORWAY



NOTE: Constant prices.
SOURCE: Oxford Economics October 27th, 2020

The government's suppression strategy brought the spread of the virus under control, and as of 29th May 2020 the Norwegian government was focusing on the recovery of the economy rather than limiting negative consequences. The Government Pension Fund Global, commonly referred to as the oil fund, served as economic security. In the budget (estimated) for 2020 the use of revenue from the oil fund increased from 2.6 to 4.2 percent. In May, Norway's central bank cut its key interest rate by 25 bps to an all-time low zero percent. Unemployment recovered from the peak in early April to 4.3 percent by September. Nearly 50 percent of the unemployed were temporary layoffs.

The main part of the Norwegian GDP, 23 percent, comes from the industry defined as offshore oil and gas plus land-based industry. Main producing industries are oil and gas, machinery for ships and offshore installations, food and beverage (including fish farming), process industry (metallurgical industry, pulp and paper, fertilisers, chemicals and pharmaceutical industry), and aluminium finished products. Of the value added by sector as percent of GDP (2016) oil and gas represent 22 percent, health and social work 10 percent, retail 7 percent, and construction and public administration 6 percent each. Finance, machinery including other manufacturing as well as education represent 5 percent each.

Going forward, the Norwegian government and businesses are focused on diversifying the economy and investing in the green transition. This was further strengthened on the 3rd June 2020, when the government put forward a "Green transition package" of NOK

▶ **The green transition is the driver from the corona pandemic towards a diversified economy**

3.6 billion with focus on industry and climate technology. Hydrogen, offshore wind, battery technology, and low-emission shipping are among the areas that should benefit.

For the proposed 2021 national budget, funds from the Government Pension Fund Global are estimated to be approximately NOK 313 billion (3 percent). Focus areas for the 2021 national budget are reducing unemployment, diversifying the economy, creating a green future, employment skills, increase inclusiveness in society, and preserving security and trust in Norwegian society while maintaining a strong international engagement.

According to the Economic Survey by Statistics Norway from September 2020, business investments are estimated to fall by around 10 percent as an annual average in 2020. This primarily applies to manufacturing, but the service industries have also reported reduced investments for the next year. For the period 2021 to 2023, growth is expected to gradually reach around 3 percent. This development will lead to an investment level that is about 5 percent lower in 2023 compared to 2019.

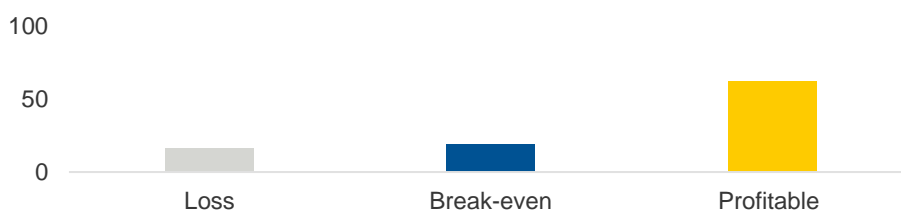
Overall the Norwegian economy is experiencing an economic downturn that is deep, but less so than many other economies. A higher oil price, moderate virus spread until August 2020, consumption driven growth, interest rate cuts, and changes to the petroleum tax regime supports the Norwegian recovery. However, the road ahead remains uncertain.

Swedish companies view 2019 as profitable

The majority of respondents in the survey (62 percent) reported a profitable financial performance in 2019. Breaking down the respondents into company size, larger companies indicated better profitability (86 percent) than medium-sized (67 percent) or small companies (51 percent), however all positive. In fact, this positive picture holds across industries, where 74 percent of industrials and 67 percent of consumer products reported a profitable 2019. Professional services have struggled more with 33 percent reporting a profitable year in 2019 while 39 percent signal a loss. A similar pattern emerges when looking at company experience. While around 86 percent of mature companies (established in Norway before 2000) and 69 percent of experienced companies (established in Norway between 2001-2015) reported profitability, around two thirds of newcomer companies (established in Norway 2016 or after) reported reaching break-even or incurred losses.

▶ **62 percent reported a profitable financial performance in 2019**

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL RESULT IN 2019?



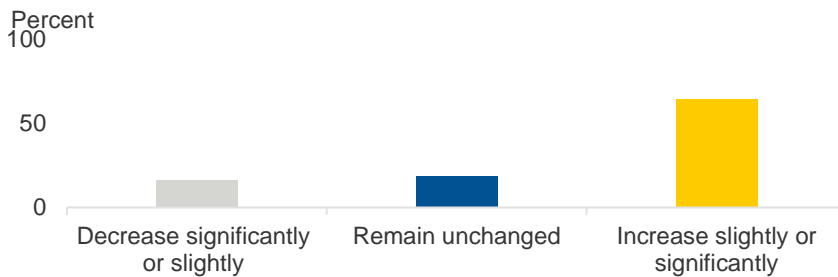
NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

▶ **65 percent expect their industry's turnover to increase**

The Swedish companies that participated in the survey foresee a positive trend for the coming 12 months. During the summer holidays the business climate improved across many countries in Europe as restrictions were eased, a factor that may have increased expectations for future turnover. This is reflected in the survey with 65 percent of the respondents expecting their industry's turnover to increase either significantly or slightly, while only 16 percent expect a decrease. The optimistic outlook is found across company sizes and segments, with consumer products being slightly more positive following the consumer expenditure trends in the market. Swedish industrial players are

least optimistic, as supply chain disruptions and travel restrictions continue to hamper business activity.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY REGARDING TURNOVER?



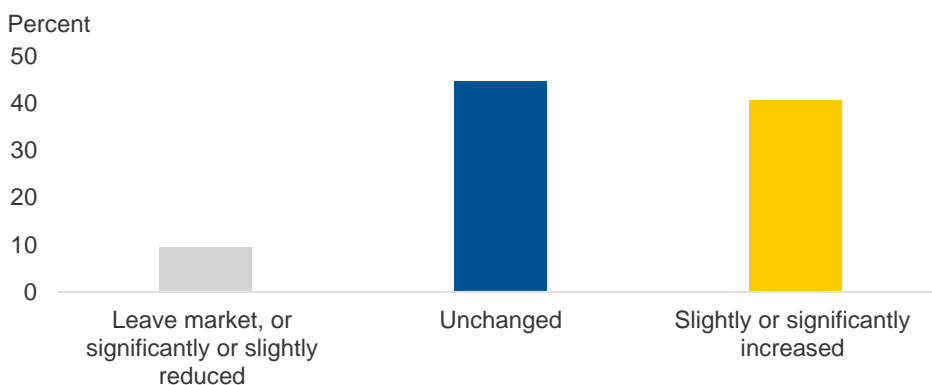
NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

Most Swedish companies will maintain or increase their investment plans

Given the somewhat optimistic outlook regarding turnover, it comes as no surprise that respondents report positive investment expectations for the coming 12 months. Just under half of responding companies, 45 percent, intend to maintain their investment level and there is nearly an equal percent of companies, 41 percent, that indicate that their investment plans will remain unchanged in the face of the pandemic. Breaking the companies down by size we find results quite even between different sized companies, medium sized companies being somewhat more positive. An interesting finding is that newcomers (established in Norway in 2016 or after) are most eager to expand their Norwegian business in the coming 12 months, showing that the current downturn has not deterred their willingness to grow. Mature companies (established in Norway before 2000) expect no changes in investments. Looking at the industry perspective, professional services are most eager to increase investments (56 percent) or remain unchanged (28 percent). Companies within consumer products are all either increasing investments, 44 percent, or remaining the same, 56 percent. Industrials are more hesitant with 56 percent expecting unchanged investments.

▶ **41 percent intend to increase their investment level in the coming 12 months**

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN NORWAY, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

THE MARKET

Norway moving to a diversified economy

Norway is home to about 5.4 million people, and is the fourth highest income per capita in the world despite being the 27th largest economy. It has a well-educated work force and is home to about 400,000 enterprises. The country generates almost 98 percent of its electricity from hydropower creating high potential for green production with low energy prices. The economy consists of about 1.6 percent agriculture, 34.7 percent industry and 63.5 percent services. Norway has the longest coastline in Europe of 2,650 kilometres, which has had an historical impact on Norwegian economy and trade.

Norway is a small open economy, just like Sweden, with exports of goods and services reaching 1,300 billion in 2019 and accounting for about 38 percent of its GDP with imports accounting for 33 percent of GDP. According to the Norwegian Government Action plan for exports from October 2020, about 600,000 employment opportunities originate from exporting companies. About 80 percent of exported goods, and 50 percent of exported services, are sold to the EU. Key markets are Great Britain, due primarily to trade with oil and gas, followed by Germany and Sweden. Norwegian trade is dominated by a few enterprises and as little as one percent of all companies represent 70 percent of Norwegian exports. Exports are characterised by a high level of raw materials and semi-finished products, for example oil, gas, fish, and metals. The export value of Norwegian seafood has more than doubled during the last ten years. One high potential industry is the supplier industry to offshore oil and gas as well as the maritime sector.

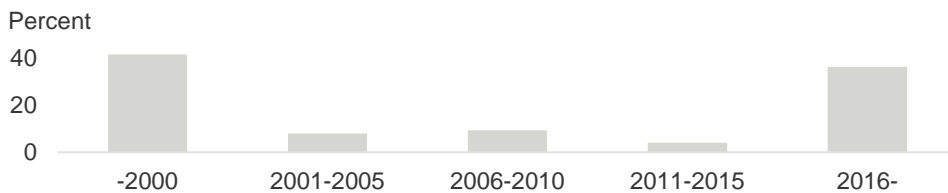
Looking ahead, 2020 has marked the start of a new decade for Norwegian businesses; moving towards a diversified economy, increased sustainability, job creation, and technological development. The Confederation of Norwegian Enterprise (NHO) roadmap for the future of business from August 2020 highlights the need to preserve current profitable jobs in the private sector and create new ones, and to strengthen private ownership throughout the country. The goal is a greener and more digital service based international economy.

Swedish companies establishing in Norway

Norway is one of Sweden's closest neighbours and one of our most important trade partners. We have strong economic and historical ties with a common business culture, values and political stability. Due to this, many Swedish companies choose to expand to Norway as a first step in their international expansion.

▶ **About 80 percent of Norwegian exported goods are sold to the EU**

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN NORWAY?

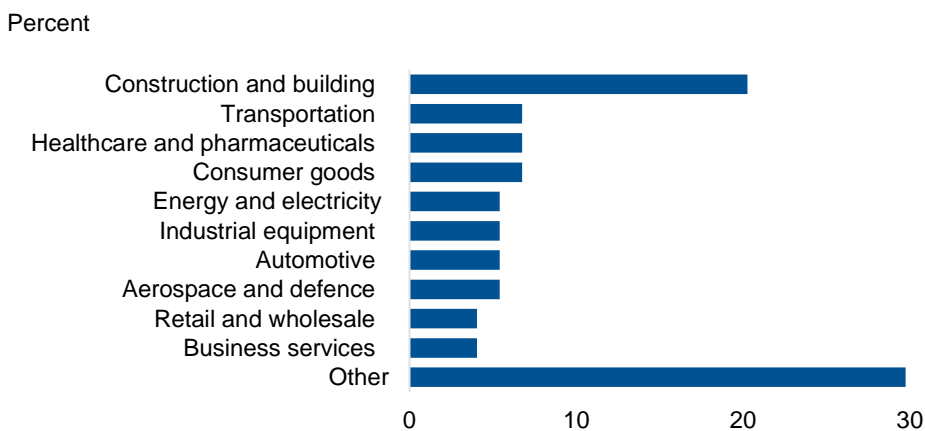


NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
 SOURCE: Business Climate Survey for Swedish Companies in Norway 2020.

About 2,300 subsidiaries with the ultimate owner in Sweden with a minimum ownership of 50.01 percent had a total turnover in 2019 of about NOK 265 billion and employed just over 83,000 people. The 51 largest of these companies represented about 60 percent of the turnover and 50 percent of employees. The largest companies represent telecom, construction, services towards oil and gas, motor vehicles, financial services, hotels, installations, transport, retail, cargo, and property. The majority of the companies that participated in the survey are active within construction and building (20 percent) which is one of the main sectors of established Swedish companies in Norway. Transportation, healthcare and pharmaceuticals, and consumer goods are each represented with seven percent. The transport and consumer sectors are the top of the main Swedish businesses established in Norway. The main industries within "other" are energy and electricity, industrial equipment, automotive, aerospace, and defence, each representing five percent of the respondents.

▶ **Swedish subsidiaries employ about 83 000 people with a turnover of about 265 billion NOK in Norway**

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN NORWAY?



NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown.
 SOURCE: Business Climate Survey Norway 2020.

Norway: Sweden's main trading partner

Norway represents 11 percent of Swedish exports of goods and services and eight percent of imports for Sweden, while Sweden represents eight percent of total Norwegian exports of goods including oil and gas, and 12 percent of total imports of goods. Sweden's main exports to Norway are services, motor vehicles, machinery, chemical products, furniture, and tele-communication products. Norway's main exports to Sweden are mineral fuels and oils, seafood, machinery, chemical products, and wood, including wood articles.

Sweden is the main investing country of foreign direct investments (FDI) to Norway, accounting for about 21 percent of total positions (stocks and income) in 2018. This represents about NOK 266 billion. The Netherlands is second in line with about 10 percentage followed by Luxembourg and the US, with almost 10 and eight percent respectively, noting the key position of Swedish investments. Out of Norwegian FDI the US is the main recipient with about 21 percent by positions (2018), followed by the Netherlands with 14 percent and Sweden with 13 percent. The Norwegian position in Sweden accounted for about NOK 223 billion in 2018. About 2,400 Norwegian subsidiaries in Sweden employ about 73,000 people, of which 76 percent are within the service sector (*Tillväxtanalys*, 2018).

▶ **Norwegian subsidiaries in Sweden employ about 73 000 people**

According to SCB quartley data, the extensive border trade (approximately SEK 19 billion in 2019) has seen a steep decline during the pandemic, down 55.2 percent in the second quarter of 2020, with local reductions of up to 82 percent.

For Swedish tourism, Norwegians account for the highest number of guest nights per year, equally about 3.5 million during 2019. With 3.4 million guest nights, Germany ranks as the second highest. This industry has suffered, and is still suffering to a large extent due to the coronavirus pandemic. In June 2020 the number of guest nights from Norway was about 79,000, a decrease of 80 percent in comparison to June 2019 (Germany -74 percent). For May 2020 these numbers were -64 percent.

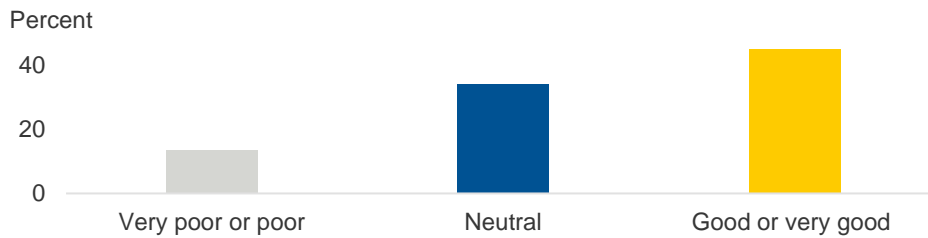
Swedish companies are overall satisfied with the local business environment

In our sample of Swedish companies active in Norway, 45 percent perceive the Norwegian business climate as “good or very good”, and 34 percent of the respondents indicate a neutral business climate. It indicates a long-term engagement and belief in continued business. It is also in line with the global megatrends of regionalisation that were strong already before the coronavirus pandemic and have accelerated during the last eight months. Only about 14 percent of respondents see the current climate as poor or very poor.

▶ **45 percent perceive the Norwegian business climate as good or very good**

Considering individual responses, we found that large companies have the highest trust in the Norwegian business climate with 62 percent answering “good or very good”. Medium-sized companies are also highly positive with 50 percent answering “good or very good”. Professional service and industrial companies are most positive with 50 / 44 percent “good or very good”, 28 / 32 percent “neutral” and 17 / 18 percent “poor or very poor”. Consumer product companies stand out with 56 percent citing the business climate “neutral” and 33 percentage said “good or very good”. This could be in line with the consumption patterns being very diverse across segments within consumer retail. Mature companies (established in Norway before 2000) are most confident about the Norwegian business climate with 92 percent of companies finding it “neutral”, “good or very good”. For experienced companies (established in Norway between 2001-2015) this number is 75 percent and for newcomers (established in Norway in 2016 or after) it is 71 percent.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN NORWAY?



NOTE: The number of respondents for this question was 73. "Don't know/Not applicable" responses are included but not shown in figure.

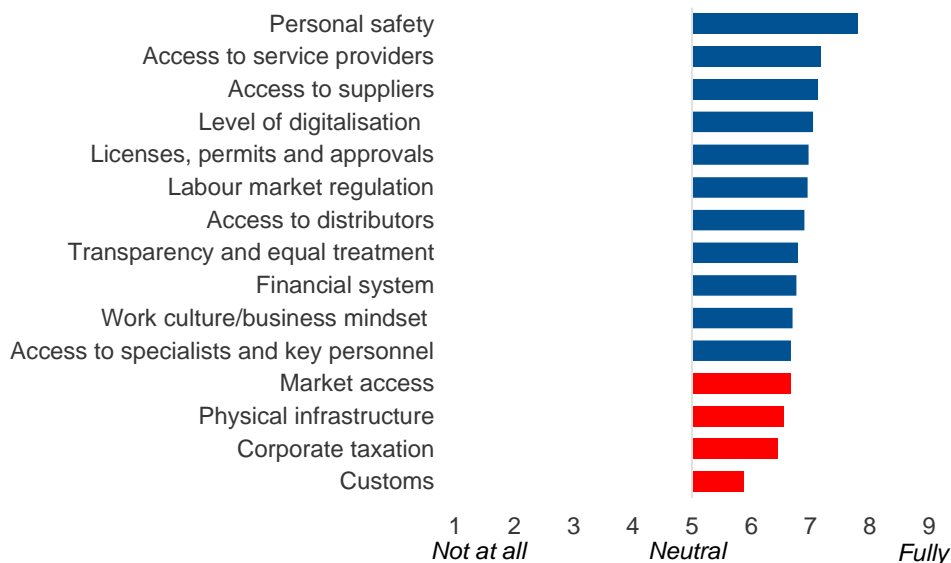
SOURCE: Business Climate Survey for Swedish Companies in Norway 2020.

Local business prerequisites and business culture play a key role for success

There are a number of factors that determine whether the business environment is conducive to success. We asked Swedish companies to evaluate how the Norwegian market met their needs across certain factors. On average, respondents gave the highest score to personal safety and access to service providers and suppliers. Companies did not face many barriers in access to other market actors, such as level of digitalisation, licenses, permits and approvals, labour market regulations, and access to distributors. Trailing on the lower end of scores are market access, physical infrastructure, and corporate taxation and customs. Overall Swedish companies experience challenges finding entry points into the local business network.

In spite of being close neighbours, with a shared history, similar languages and cultures and societies based on the Nordic model, many companies highlight the often unexpected differences in business culture in Norway and Sweden. Respondents describe Swedish business culture as being more structured and consensus oriented while the Norwegian business culture highlights flexibility and faster decision-making.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN NORWAY?



NOTE: The number of respondents for this question was 74.
 SOURCE: Business Climate Survey for Swedish Companies in Norway 2020.

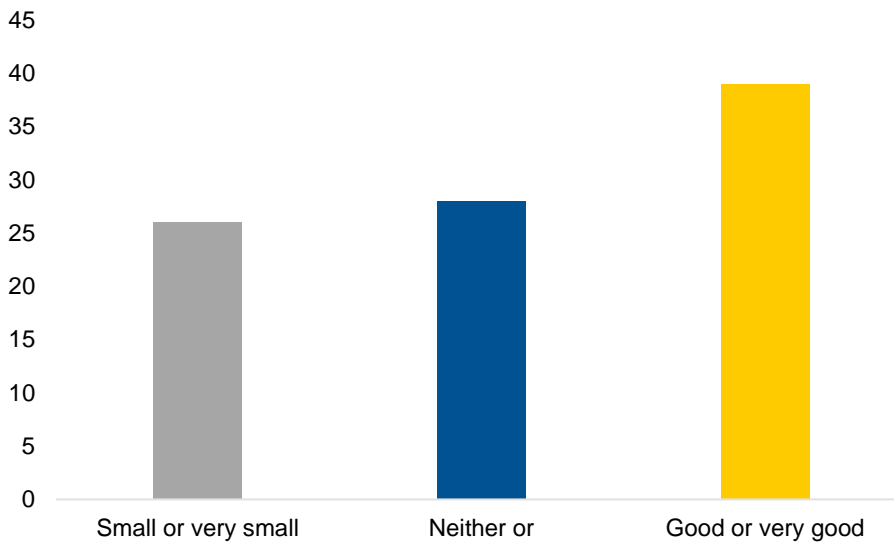
Strengthened global position through collaborations within Norway

Opportunities for business collaboration between Sweden and Norway go beyond Scandinavia. Partnerships initiated in the home markets often serve an opportunity for further engagements in other markets. In dialogue, respondents have highlighted the potential of common research and development within the Nordics, in order to develop services and products for international markets and global value chains. Of those responding to the Business Climate Survey 39 percent reported seeing possibilities to strengthen their global position through Norwegian–Swedish collaboration.



WHAT POSSIBILITIES DO YOU SEE IN CURRENT / POTENTIAL COLLABORATIONS IN THE NORWEGIAN MARKET STRENGTHENING THE POSITION OF YOUR COMPANY GLOBALLY?

Percent



NOTE: The number of respondents for this question was 74.
SOURCE: Business Climate Survey for Swedish Companies in Norway 2020.

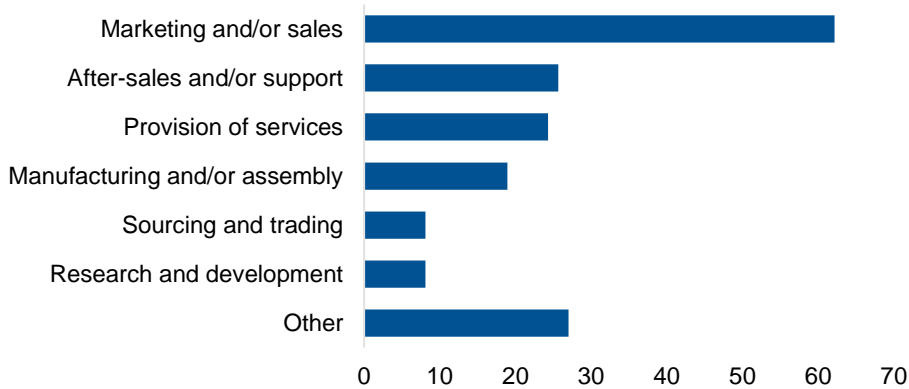
HOW SWEDISH COMPANIES SUCCEED IN NORWAY

Local operations focused on sales activities

When asked about the kind of operations undertaken by their company in the Norwegian market, most respondents reported sales and marketing activities. Adding after-sales support and provision of services, it becomes even more clear how important sales are to business in Norway. Considering the different characteristics of the Swedish and Norwegian economies and goods/services traded, it is no surprise that manufacturing and sourcing plays a more moderate role. According to the respondents, research and development is not a broad area for collaboration as of 2020.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET

Percent, multiple answers allowed



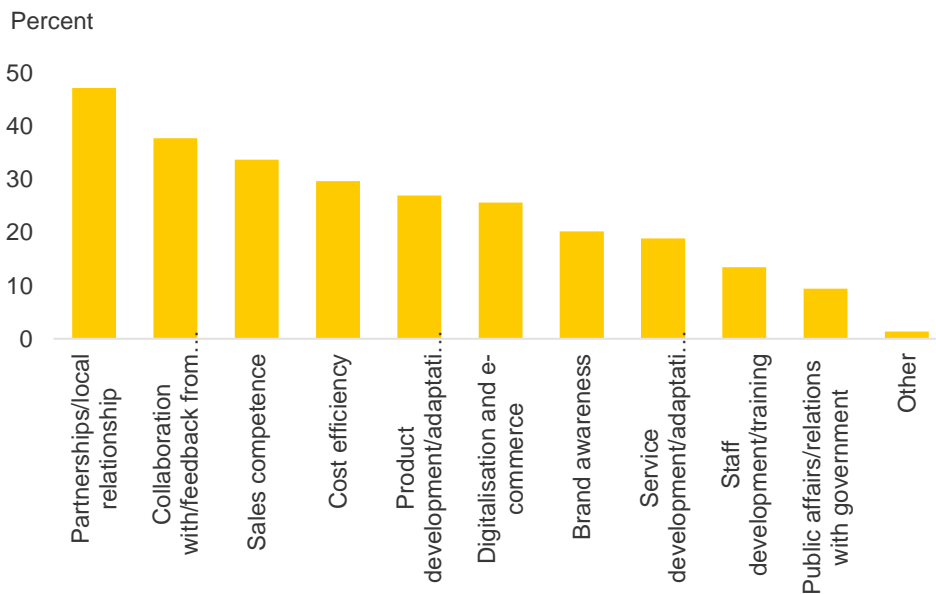
NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
 SOURCE: Business Climate Survey Norway 2020.

Competitiveness driven by local partnerships and collaborations with clients

Overall, there are a number of factors that equally contribute towards fostering Swedish companies' competitiveness in the Norwegian market. In line with our previous finding of Swedish firms being predominantly engaged in marketing and/or sales operations in Norway, it is a key finding that partnerships (47 percent) and collaborations with customers (38 percent) are crucial for competitiveness. The level of importance of strategic collaborations indicate that there is a need for high quality recruitment, introduction of new staff, and strategies to keep a valuable team. Large companies indicate a somewhat different view with cost efficiency being the key factor, closely followed by collaboration with customers and digitalisation and e-commerce. Medium companies add brand awareness as the second key area for them. Unsurprisingly, digitalisation and product adaptation are seen as key areas for consumer product companies, and local partnerships and client collaborations are decisive areas for industrials. Professional services companies are focusing on the relationships in the market as well as product and service adaptation. Newcomers (established in Norway in 2016 or after) are less focused on cost efficiency but overall the answers appear similar regardless of company size.

► **Collaboration with network and customers are crucial for competitiveness**

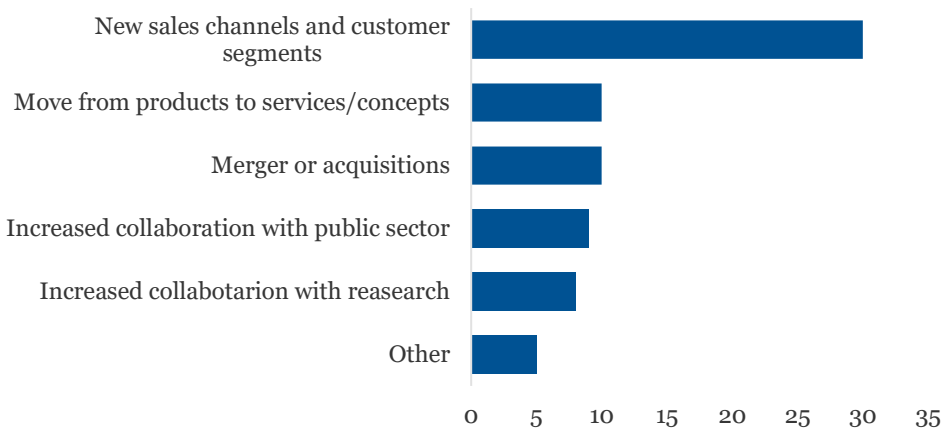
TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN NORWAY?



NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
 SOURCE: Business Climate Survey Norway 2020.

Public affairs work, that is maintaining relations with the government, has been ranked as negligible for maintaining competitiveness in Norway. When however asked what the strongest contributors within the strategy for growth are, increased collaboration with the public sector seems to be important for growth. Swedish companies appear to be focusing on finding their new revenue streams in Norway through new sales channels and customer segments. In addition, it appears that the global trend of transforming the company offering from product to services or a concept is happening among Swedish companies in Norway. Worldwide businesses are moving towards creating and being a part of eco systems and together developing a common value proposition. Mergers and acquisitions, as one way to grow market presence and market trust is continuously important. In addition, alliances with the public sector and research is also highlighted at around 10 percent each.

WHAT ARE THE STRONGEST CONTRIBUTORS WITHIN YOUR STRATEGY FOR GROWTH IN NORWAY?



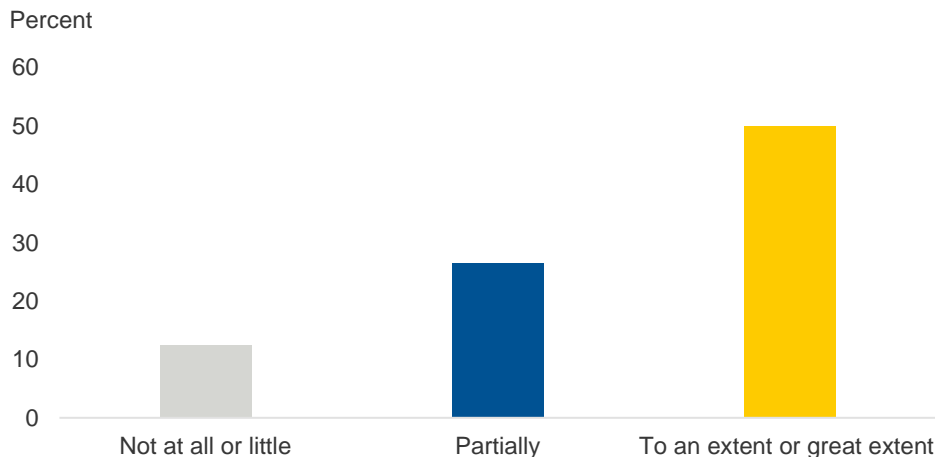
NOTE: The number of respondents for this question was 74. "Don't know/Not applicable" responses are included but not shown
 SOURCE: Business Climate Survey Norway 2020

The Swedish identity brings advantages to business activities

Sweden's reputation has been largely stable over the years, with a high degree of trust. The vast majority of companies in this report state that the "Swedish brand" contributes to their business activities in Norway. Companies in the market for consumer products benefit most from the positive attributes connected to the Swedish brand (67 percent), but also industrial companies report the same (53 percent). Interestingly, it is the mature companies (established in Norway before 2000) and the newcomers (established in Norway in 2016 or after) who rely on the Swedish brand, answering the questions with "to an extent" or "to a great extent" with 58 and 56 percentage respectively. Experienced companies (established in Norway between 2001-2015) answer more evenly between the categories. Medium sized companies find it contributes not at all or little, while small companies find it key and large companies valuable.

▶ The "Swedish brand" contributes to Swedish business in Norway

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE "SWEDISH BRAND" CONTRIBUTES TO YOUR BUSINESS IN NORWAY?

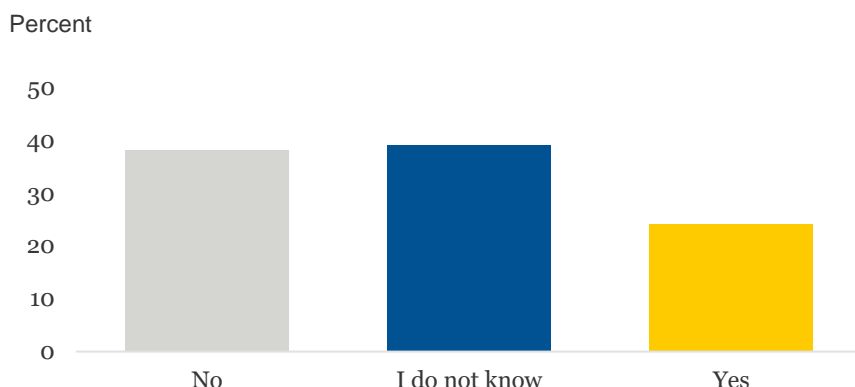


NOTE: The number of respondents for this question was 72. "Don't know/Not applicable" responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

Team Sweden: providing trade and invest support

Swedish exports, imports and investments are prioritised by the Swedish government and an important part of reducing employment and safeguarding Swedish welfare. Team Sweden is a way for the government to make use of co-ordinated and effective export support to help businesses that want to set up operations abroad. Local groups of "Team Sweden" will, for example, exchange experiences, identify opportunities for Swedish solutions and systems internationally, recommend and co-ordinate special measures and conduct an ongoing dialogue with the business sector.

ARE THERE CHALLENGES IN THE NORWEGIAN MARKET POSSIBLY HOLDING BACK GROWTH? WHERE YOU BELIEVE TEAM SWEDEN COULD BE OF SUPPORT?



NOTE: The number of respondents for this question was 72. "Don't know/Not applicable" responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

Of those who responded 24 percent believe that *"there are challenges in the Norwegian market possibly holding back growth, where they believe Team Sweden could be of support"*. When looking into the details, the respondents highlighted some areas where they believe it would be profitable with external support, for example, in custom administration, border transitions, procurement processes, and support with company establishment. Additional areas highlighted were Nordic regulations for construction and real estate standards and implications from the travel restrictions imposed due to the coronavirus pandemic, while taking a holistic approach to business value and long-term market relationships also gained mentions. Sales strategy set-up and market communication about the quality of the business offering were raised and also comments were made about emission permits, access to local network, and strategic partnerships.

TEAM SWEDEN ACTORS FOR THE BUSINESS CLIMATE SURVEY

The Swedish Embassy has a broad mandate to promote Sweden; the values we stand for and the possibilities offered. Based on the government's strategy, and in close partnership with Team Sweden actors, the Embassy works to increase Swedish exports, imports, investment and tourism to Sweden.

Business Sweden has a unique mandate to help Swedish companies grow global sales and international companies invest and expand in Sweden. Business developers cover all aspects of business development, market expansion and global sales growth. With our unique governmental and private sector mandate, we create access where access is needed. Our global teams offer strategic advice, practical support, market insights, and an extensive business network that helps turn every challenge into a solution. While our services under Invest in Sweden are carried out free of charge, our consulting services are charged for.

The Norwegian-Swedish Chamber of Commerce (NSHK) is an organisation of and for business in Norway and Sweden. It's purpose is to promote commercial and industrial relations as well as co-operation within technology and research. NSHK also works with Norwegian and Swedish authorities to promote the interests of its members and with public opinion to build understanding for the importance of Norwegian-Swedish relations. NSHK was established in Oslo in 1992, in Stockholm in 1993 and in Gothenburg in 2010. It is open to organisations, businesses and individuals operating in Norway or/and Sweden.

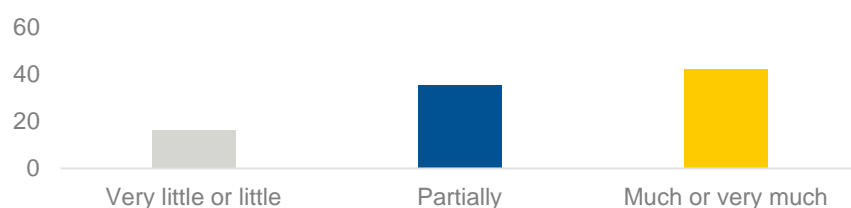
SUSTAINABLE SOLUTIONS

Norwegian customers show growing demand for sustainable products and services

Swedish companies operating with or in Norway report to find their customer base to be increasingly driven by sustainability considerations. Of those who responded, 42 percent reported that their “customers consider environmental aspects of a product or service in their purchasing decision” either “much or very much”. This is particularly true for consumer products, where agreement among respondents rose to 56 percent. Only 16 percent of companies in our sample indicated that environmental sustainability only played a very little or little role in the purchasing decision. This share is relatively higher for industrial companies, where 24 percent answered “very little or little”.

▶ **The green transition within the Norwegian economy seen as a key driver ahead**

IN YOUR VIEW, TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY IN NORWAY CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION? (percent)



NOTE: The number of respondents for this question was 73. “Don’t know/Not applicable” responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

When elaborating on their answers, companies highlight the green transition within the Norwegian economy as a key driver ahead. Challenges to transit from an oil and gas economy such as re-educating employees and diverse investments are highlighted. A need for increased electrification of the railroad is also mentioned. Several respondents commented on the need for increased rail connections to improve travel possibilities between Norway and Sweden with the examples of rail connections between Oslo and Stockholm, Oslo and Gothenburg as well as Narvik and Kiruna.

Swedish potential within collaboration for the green transition is highlighted by the respondents. Underlined as a productive basis for collaboration are collaboration within research and development, Swedish knowledge and experience serving as a complement to Norwegian, and the close bonds between the nations. The companies point out possibilities within transportation (heavy vehicles, cargo transport, cars, and transport to and on construction sites), but also within infrastructure, real estate, production, shipping, and energy. Possibilities for recycling within manufacturing, energy and consumer goods are also raised. Respondents additionally called attention to opportunities for collaboration in the home markets in order to be stronger together in third markets. Furthermore, the companies within this Business Climate Survey pointed to the need for sustainable solutions and business models and the need for room for investments within procurement processes. In addition, the time perspective on case processing at Norwegian public authorities was highlighted as having an impact on business.

Corruption not a concern in Norway

Sustainable business practices include sustainable corporate governance. Healthy corporate governance is affected by the prevailing business environment of a given country. When asked whether corruption affects their business practices in Norway, the Swedish companies in our sample nearly unanimously reported that corruption in Norway affects their business only to a “very little or little” extent. This result holds true across company sizes and industries.

TO WHAT EXTENT DO YOU PERCEIVE THAT CORRUPTION IN NORWAY AFFECTS YOUR BUSINESS?



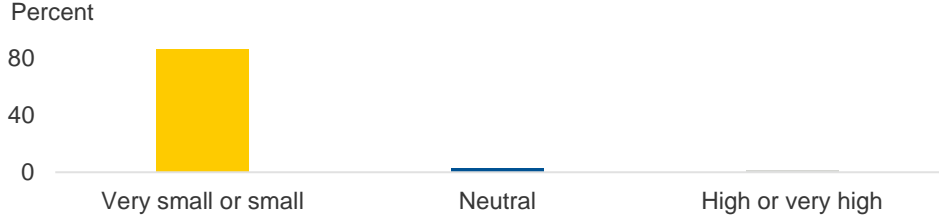
NOTE: The number of respondents for this question was 74. “Don’t know/Not applicable” responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

When analysing the one percent of respondents that answered that they “partially” perceive corruption as affecting business, these respondents are solely large experienced companies (established in Norway between 2001-2015), while the three percent of the respondents flagging for “much or very much” corruption were medium sized mature companies (established in Norway before 2000). The global Corruption Perception Index (CPI) mirrors this finding of low levels of corruption in Norway. First launched in 1995, Transparency International publishes the CPI on a yearly basis to assess the level of corruption among public sector and place corruption on the international policy agenda. The Nordic economies stand out as leaders on the CPI, taking five of the top eleven rankings. Norway is placed 7th out of 180 countries.

Low perceived risk of human rights violations

Norway also enjoys a positive reputation around upholding human rights. Among the responding companies, 86 percent report a “very small or small” risk of encountering human rights violations and/or labour rights abuses when conducting business in Norway. Breaking down responses by industry, the findings revealed that the three percent of companies who ranked the risk of encountering human rights violations as “neutral” are small or very small companies within professional services and industry. The one percent of the companies in our sample that perceived an elevated risk of human rights violations in their business practice are small companies within professional services and newcomers to the market (established in Norway in 2016 or after).

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN NORWAY?



NOTE: The number of respondents for this question was 74. Don't know/Not applicable" responses are included but not shown
SOURCE: Business Climate Survey Norway 2020.

