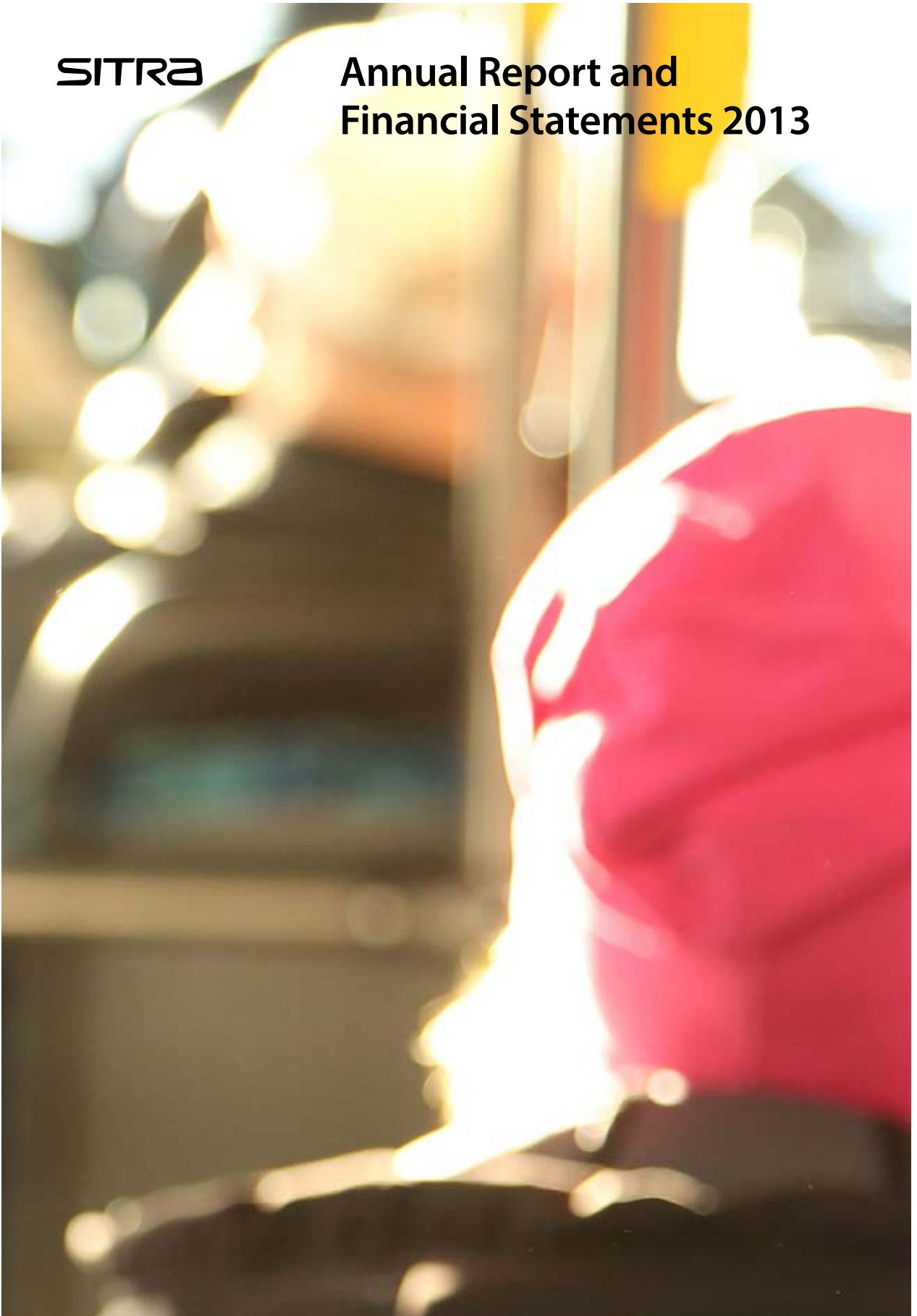


SITRA

**Annual Report and
Financial Statements 2013**





Sitra, the Finnish Innovation Fund, is tasked with promoting stable and balanced development in Finland, the quantitative and qualitative growth of Finland's economy and the enhancement of the country's international competitiveness and co-operation. As an independent body operating directly under the supervision of the Finnish Parliament, Sitra is in an exceptionally favourable position to address key issues related to Finland's economic growth and well-being.

Sitra has been fulfilling its statutory obligations for 46 years, aiming every step of the way to improve the well-being and competitiveness of Finland and its citizens. Sitra funds its operations from the yield on its endowment capital and corporate investments.

2013 Annual Report of Sitra,
the Finnish Innovation Fund
to Parliament

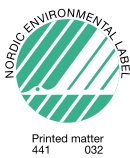
Under Section 9(1)(9) of the Act on Sitra, the Finnish Innovation Fund (717/1990),
Sitra's Supervisory Board hereby respectfully submits this Annual Report
for 2013 to the Finnish Parliament.

Helsinki, 6 March 2014

On behalf of Sitra's Supervisory Board

Ben Zyskowitz
Chairperson

Anton Mäkelä
Secretary



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Contents

The Supervisory Board's statement	6
Board report	8
Financial statements	23
Profit and loss account	24
Balance sheet	24
Accounting principles	25
Notes to the financial statements	26
Auditors' report	38
Appendices	40
Contact details	42

2013 Annual Report of Sitra, the Finnish Innovation Fund, to Parliament

Under Section 9(1)(9) of the Act on Sitra, the Finnish Innovation Fund (717/1990), Sitra's Supervisory Board must submit an annual report on Sitra's operations to the Finnish Parliament. The Supervisory Board comprises the Supervisory Council of the Bank of Finland, which is appointed by Parliament.

This annual report for 2013 includes the Supervisory Board's statement, Sitra's financial statements and report on operations, and an audit report by the auditors appointed by Parliament.

The Supervisory Board's statement

Under the Act on Sitra, the Finnish Innovation Fund, Sitra's Supervisory Board submits an annual report on the organisation's operations to Parliament.

2013 was the 46th year of operation for Sitra. The general mood in Finland was marked by a rude awakening to the inevitability of major structural changes. Topics of discussion in both the public and private sector included the continued rises in public debt and private sector job reductions, the challenges posed by the ageing of the population, inequality, the inflexibility of the administrative structure, responding to climate change, and the need for structural reforms in the social welfare and healthcare sector and in municipalities across the country. These structural reforms were deemed necessary if Finland wishes to keep pace with the growth and development of the rest of the world.

Sitra's special role, as an organisation funding its operations from the yield on its endowment capital and working directly under Parliament, gives it an excellent opportunity to drive social change that will shake the status quo and to take risks so that the private and public sectors do not have to. Sitra's task is to promote stable and balanced development in Finland, to enable the quantitative and qualitative growth of Finland's economy and to enhance the country's international competitiveness and co-operation.

According to Sitra's vision, Finland will succeed as a pioneer in sustainable well-being. A sustainable well-being model forms the core of this vision, combining ecological, social and economic sustainability.

Sitra's operations have been divided into content-based themes. As of 1 January 2014, there are three themes: Resource-wise and carbon-neutral society, Empowering society and Operating models for sustainable well-being and work. The practical implementation of Sitra's specialist work falls under these three themes and comprises key areas realised in the form of projects as well as societal training, research and investment activ-

ities. Sitra's activities extend to all levels of society: it can act as an expert advisor in preparing legislative proposals in one key area, for example, while carrying out small and agile practical trials in another.

2013 was a year of close-knit and fruitful co-operation at Sitra. One of the highlights was the breakthrough in the national data exchange layer. In this project by the Ministry of Finance, Sitra played an important role by raising awareness of the Estonian X-road solution, while gaining in-depth knowledge of the concept and its practical application in Finnish society. Sitra's active efforts to increase awareness of the importance of health technology and to support this future growth industry also began to bear fruit.

In the field of ecological sustainability, the significance of resource wisdom to the regional economy and as a trump card in the industry sector was raised in the national debate on Sitra's food waste trial and the development of industrial symbiosis, among other things. One of the milestones set for 2013 was exceeded when, due to high demand, Sitra began to offer economic policy training again after a gap of nearly ten years. Leadership training in sustainable economic policy addresses the various economic policy challenges faced by modern society now and in the future.

Sitra's operating activities are funded from the yield on its endowment capital and corporate investments. At the end of 2013, the market value of Sitra's endowment capital was EUR 705 million. The yield from invested assets was an excellent 12.4 per cent in 2013.

In the Supervisory Board's opinion, Sitra's finances are stable and its operations are under excellent management. At its meeting on 6 March 2014, the Supervisory Board adopted Sitra's profit and loss account and balance sheet as proposed by the auditors. At the same meeting, the Supervisory Board approved the Board of Directors' proposal to carry forward the surplus of EUR 25,015,613.72 from the financial year 2013 to the retained surplus/deficit account.

Helsinki, 6 March 2014

Ben Zyskowicz, Pirkko Ruohonen-Lerner, Jouni Backman, Jukka Gustafsson, Timo Kalli,
Marjo Matikainen-Kallström, Lea Mäkipää, Petteri Orpo and Juha Sipilä
./ Anton Mäkelä



Board report

Board report

Sitra's operating environment

Interdependency and the pace of change within the global economy continued to grow in 2013. The United States recovered from the economic crisis faster than expected, and at least for now, Europe has survived its acute crisis, judging by how much brighter the future looks in some respects. Asia continued to grow in importance.

In Finland, the general mood was marked by a rude awakening to the inevitability of major structural changes. Topics of discussion in both the public and private sector included the continued rises in public debt and private sector job reductions, the challenges posed by the ageing of the population, inequality, the inflexibility of the administrative structure, responding to climate change, and the need for structural reforms in the social welfare and healthcare sector and in municipalities across the country. These were all recognised as common problems. This awakening did not lead to decisions, let alone action, but a willingness to make changes began to gather force in all reaches of society and across political and sectoral boundaries.

Structural reforms are necessary if Finland wishes to keep pace with the growth and development of the rest of the world. Germany and two of our neighbouring countries, Sweden and Estonia, have led by example, showing how difficult structural reforms are possible and can be successfully implemented. One factor undermining Finland's capacity for change is our central government's short-sighted and old-fashioned leadership system. Nearly all of the major challenges related to the need for change in society can be categorised as unpleasant, and solving them will require flexible co-operation across sectors and strategic vision extending beyond terms of government. The co-operation model between

central and local government should be improved by setting common objectives.

Although our social challenges are huge, some positive signs can be seen. Finnish companies have begun to realise that solving ecological and social problems provides a major opportunity for those seeking to be pioneers in their field. Large corporations in the forestry and metal industries are rapidly developing their own cleantech products and services. We also have very promising growth companies in various growth industries, such as the environmental and well-being technology sectors and the gaming industry.

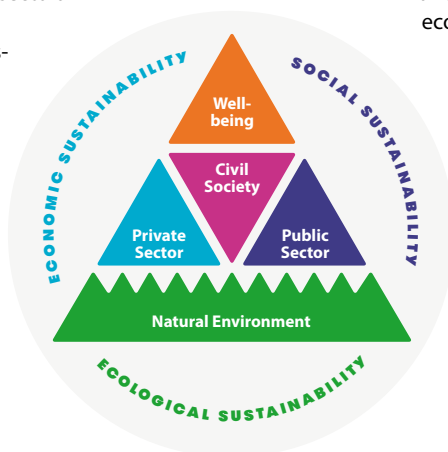
Our mission is the future and the goal is sustainable well-being

Sitra is tasked with promoting stable and balanced development in Finland, the quantitative and qualitative growth of its economy and enhancing the country's international competitiveness and co-operation. In short, Sitra is building a successful Finland for tomorrow's world.

In Sitra's view, the key future challenge for Finland is how to combine well-being, economic growth and the consumption of natural resources within one sustainable operating model. Other important challenges will include changes in working life and tackling the fiscal sustainability gap. These challenges have brought Western countries, including Finland, to the brink of historic change.

In Sitra's vision, Finland will succeed as a pioneer in sustainable well-being. A sustainable well-being model forms the core of this vision, combining ecological, social and economic sustainability. The Finland of Sitra's vision will have

successfully adapted to the limits of the Earth's capacity to sustain life while retaining its competitiveness, providing its citizens with the opportunity to take better care of their personal well-being and that of those



Model of sustainable well-being

around them, and creating new co-operation models for the society and the public and private sectors.

Operating model

Sitra's special role means the organisation is in an excellent position to act as an enabler of social change. As an organisation that funds its operations from the yield on its endowment capital and working directly under Parliament, Sitra has an excellent opportunity to drive social change that shakes up the status quo and to take risks so that the private and public sectors do not have to. Its role as a visionary and taker of action extends to various levels of society: for example, Sitra can act as an expert advisor in preparing legislative proposals in one key area, while carrying out small and agile practical trials in another

Sitra's operations have been divided into themes based on content. As of 1 January 2014, there are three themes:

- Resource-wise and carbon-neutral society
- Empowering society
- Operating models for sustainable well-being and work

The first two themes have been up and running since autumn 2012, and the third theme, related to the future of well-being and work, was launched in January 2014. This finalises the reform process for Sitra's strategy and operating model, which has been ongoing for several years: with the launch of the third theme, Sitra is combining ecological, social and economic sustainability to form a balanced, operational whole.

The practical implementation of Sitra's specialist work falls under these three themes and comprises key areas which take the form of projects, societal training, research and investment activities. These key areas are practical project entities that run for around two years and which aim to achieve systemic change in their field of expertise. Tools for effective work in these areas include funding, research, seminars, workshops, agile practical trials and business development. Means and tools for implementing this work vary by key area and project, but internal practices in the preparation, implementation and dissemination phases are uniform throughout Sitra's organisation. This enables flexible co-operation under rapidly changing circumstances. New means of implementing effective work are being continuously developed to provide a better fit with the objectives in question.

Key area criteria

- Support for Sitra's vision
- Importance to Finland and the theme's overall objective
- Clear and measurable goals for project implementation, deployment and impact
- Sitra's expertise and resources
- Sitra's added value in the key area

Brainstorming and the preparation of new content are ongoing processes at Sitra. Proposals and ideas for new projects and key areas are provided by internal sources and Sitra's external partners, all of which use internal channels leading to predefined handling processes, before the matter is forwarded for assessment and further preparation. Throughout this process, proposals and ideas are evaluated using Sitra's strategy as a sounding board.

Sitra's management group decides on preparations for new key areas while, at strategic meetings in the spring and autumn, Sitra's board decides on whether to launch any proposed new key area. In 2013, some key areas were still open that were originally deployed before the new set of themes was established. For this reason, from the perspective of content, the steering effect of the themes is clearest in the key areas deployed in 2013.

Sitra's operating activities are continuously susceptible to changes occurring within the public and private sectors. The chain of influence can be long and successes can only be long term. Nevertheless, clear objectives have been set for all of Sitra's operations and their achievement is measured for the purpose of assessing the targeted social impact. Realisation of these objectives is actively monitored during the implementation of work and after such work has ended. As a rule, follow-ups on the objectives continue for three years after the work has ended. These assess the work's impact on an extensive basis from multiple perspectives. An overall assessment of Sitra's operating activities is also conducted on a regular basis.

Operations in 2013

Resource-wise and carbon-neutral society

Climate change and the growing scarcity of natural resources are global threats. If these became a reality, ecological problems will result and major social and economic challenges will affect Finnish society.

Major changes are needed, but these can only be realised in small steps; in any case, structural changes cannot be made overnight. If such problems are tackled at the earliest possible stage, Finland and Finnish companies will have better opportunities to remain competitive and become future leaders in ecological sustainability, taking advantage of new opportunities on the global markets.

Sitra aims to create favourable conditions that will enable businesses to strive for the goal of a resource-wise, carbon-neutral. Environmental issues have been included in Sitra's agenda since the establishment of the organisation. During the last decade, these have made ground under the Environmental programme (2005–2007) for boosting cleantech and the Energy programme (2008–2012), which focused on the built environment. The energy transition is well under way in Finland, and no one is denying the potential of cleantech. We are only beginning to understand the importance of this transition to the consumption and management of resources. The drivers of the energy transition are pioneers and trailblazers chosen, on the basis of trials, for their capacity to develop operating models applicable by others.

In 2013, Sitra's operating activities under this theme focused on advancing resource wisdom within the Finnish industrial sector and in cities. The practical work for this was done under four key areas: Local Green Economy Solutions (January 2012–August 2013), Industrial Symbiosis (January 2013–December 2014), Resource-wise area (January 2013–June 2015) and Sustainable Mining Council (August 2013–July 2015). The first key area had its origins in the Landmarks programme, which ended in 2012, while the other three began in 2013.

Resource wisdom saves money and the environment

By international standards, Finland is wasteful in its use of natural resources. So far, we have performed poorly in resource efficiency reviews carried out by the European Environment Agency. Finnish energy information centre Motiva estimates that just by using raw materials more

sensibly, companies in Finland could save up to seven billion euros a year. Resource wisdom is a broader concept than resource efficiency; it holds that natural resource use and emissions can be reduced without sacrificing well-being – on the contrary, resource wisdom actually enhances well-being. A joint project between Sitra and the city of Jyväskylä aims to create a regional operating model for resource wisdom that can be applied in other Finnish cities. The key issues in this model concern leadership. How do we make the flow of resources transparent so that it can be influenced through leadership? How can we take comprehensive account of the resources of each and every administrative sector? In addition to environmental protection, the operating model's long-term goal is substantial savings (in euros) and a stronger regional economy.

Jyväskylä's journey towards resource wisdom got off to a flying start. Sitra and the city have worked closely together on this project, and local action has enabled trials that have changed the way things are done. Workshops, seminars and excursions have been organised under the resource wisdom theme, making the concept widely known in the area. Hands-on trials have brought the idea to life and provided an opportunity to test the operating model's components in practice. Another focus area was the development of resource-wise business. The regional operating model for resource wisdom has already aroused international interest.

One man's waste is another man's raw material

An efficient and environmentally friendly way of using raw materials forms a basis for maintaining competitiveness in industry. In industrial symbiosis, companies join forces to create added value through the efficient use of raw materials, technology, services and energy. One company's waste or by-product stream may be another's raw material, and vice versa. This is one form of resource wisdom.

Sitra uses industrial symbioses as tools to support the development of businesses that are both profitable and ecologically more sustainable. It also uses industrial symbioses to promote the competitiveness of Finnish companies and to foster job creation, based on sustainable resource use. In practice, Sitra steers the development of the national operating model for industrial symbiosis. Companies apply this model by engaging in co-operation, through which they benefit from unused resources in reducing costs and generating new business.

Concrete tools designed to ease companies' material cycles were tested during 2013. An example of this

was the UK-based NISP (National Industrial Symbiosis Programme) workshops, at which companies identified concrete solutions for materials reuse, by networking with others and tapping into knowledge pools of experts and service providers.

In addition, administrative obstacles to the formation of industrial symbioses were analysed and the first steps taken towards dismantling them. Sitra was also involved in establishing a new European organisation for industrial symbioses, the European Industrial Symbiosis Association. Based on a global market review, co-development was initiated with five business consortia aiming to enter international markets.

In 2014, we will tackle the challenges involved in creating industrial symbioses in a profitable manner, defining a national operating model, and ensuring the continued use of industrial symbiosis.

Building a network for sustainable mining

The Finnish mining industry has considerable growth potential, but also poses environmental risks that are raising concerns among citizens. The situation in the mining industry is tense, due to conflicting interests between mining companies, the tourism sector and issues of environmental protection. New investments in mining have been postponed, partly on account of the uncertainty caused by these conflicts.

Sitra supports mining companies and their stakeholders in establishing a Network for Sustainable Mining. The purpose of this network is to develop sustainable development policies, measurement indicators and assessment processes that are both internationally compatible and recommended for Finnish mines. After the survey phase, the actual creation of the Network for Sustainable Mining began in autumn 2013. During these preparations, Sitra was joined by the Finnish Association of Extractive Resources Industry (FinnMin), the Regional Council of Lapland, the Finnish Association for Nature Conservation (FANC) and the Finnish Metalworkers' Union. The preparations involved extensive research into international operating models for sustainable mining used in countries such as Australia, Chile and Canada.

Local energy becomes a viable option

Sitra has long contributed to the advancement of local energy solutions: the first solar energy-related project was carried out in the 1970s. A report published by Sitra, "Solar power as a heating source in single-family housing areas" (1980), formed the basis for planning and funding the



*In a resource-wise society,
well-being improves
while emissions reduce.*



Kerava solar village. However, this pioneering project concluded that the technology was not yet fully mature. Since then, huge steps forward have been taken in the technological basis for exploiting local energy.

The starting point for local energy solutions has lain in encouraging people to reduce their own ecological footprints by making the transition from fossil fuels to renewable energy sources. The main goal is to improve the capacity for using renewable energy generated by each region or building, since this is a key method of reducing the adverse environmental effects of consumption and promotes the Finnish cleantech business in the domestic and export markets.

Due to administrative obstacles in particular, Finland's operating environment proved somewhat challenging in terms of the general deployment of locally generated energy. Sitra co-operated actively with energy industry operators and maintained close contact with policymakers, funders and the administration in order to improve the operating environment for local energy. It also provided financing for development projects and practical trials aimed at identifying human needs and creating

the services to meet those needs. Sitra's efforts helped to free up a series of administrative and legislative bottlenecks, or sparked off the necessary corrective process. Based on Sitra's contribution, in 2013 more than ten measures for small-scale generation were included in the updated National Energy and Climate Strategy (2013) and the Ministry of Employment and the Economy established two working groups under Motiva Ltd, as well as an inter-ministerial working group of officials to promote small-scale generation.

The most important achievement, and perhaps the one with the farthest-reaching impact, was the establishment and launch of the Finnish Local Renewable Energy Association. The growth of small-scale renewable energy generation will require significant social change throughout the energy market's production and distribution structures. Nearly all the major players – the Finnish Wind Power Association (FWPA), *Aurinkoteknillinen yhdistys ry* (Solar Technology Association) and the Finnish Heat Pump Association (SULPU) – have already committed to the new national association's operations.

Sitra's key partners in local energy-related work include the Ministry of the Environment, the Ministry of Employment and the Economy, the Ministry of Agriculture and Forestry, the Finnish Environment Institute, Motiva Ltd and various key associations and entrepreneurs operating in the local energy sector.

The journey towards a resource-wise and carbon-neutral society continues

The introduction of a regional operating model for resource wisdom has aroused international interest. Its launch and dissemination as a management tool for cities is expected to yield remarkable results and breakthroughs during 2014. The same is expected from placing resource wisdom at the heart of various strategies.

Encouraging industry to participate in the transformation will speed up the resource and energy transition in society in general. Such a transition is inevitable, since an 80-95 per cent reduction in greenhouse gas emissions is necessary. If Finland can place itself at the forefront of showing how this is done, by creating products and services required for the transition, major opportunities will be created for increasing exports, improving competitiveness within our changing operating environment and reducing the risks of the transition process. We expect that, in 2014, industry will be fully committed to the joint path towards resource wisdom and industrial transformation will become a national objective.



Waste food trial a national hit

Studies, surveys and reports or project plans generated in conference rooms are not enough to create social innovations. We also need a culture of experimentation: a method of developing ideas by doing, whether we succeed or fail. An idea is followed by testing – a practical trial that lasts a few weeks and generates the final operating model. Practical trials have quickly become one of Sitra's methods of developing new operating models. The first set of agile practical trials was carried out under the Synergise Finland forum and the theme of New Work in the autumn of 2011. Many more trials have followed as part of other forums and projects.

In spring 2013, Sitra made an open call for ideas on how to save raw materials and energy and increase well-being, to help transform Jyväskylä into a resource-wise city. The plan was to develop these ideas into practical trials lasting a maximum of two weeks or one month. The maximum budget per trial was 8 000 euros, which could be allocated to costs such as the expenses arising from the use of external experts, communications and dissemination of information, or follow-up studies and assessments.

212 resource-wise ideas were submitted in response to the request, of which 15 were selected for further development and practical testing. The proposals presented ideas related to issues such as promoting sustainable lifestyles, recycling waste and other materials, paring down and re-use, sharing of resources, means of transport that help save the environment, renewable energy generation, reduction of energy consumption, utilisation of waste food and the sharing of empty spaces.

Among those submitting their ideas was Service Manager Paula Puikkonen of the Jyväskylä city catering service, Kylän Kattaus. She had the idea of selling on or giving away leftover food from schools, day care centres and sheltered housing, to people such as the local unemployed, pensioners and other people on low incomes. A practical trial was developed and implemented over two two-week periods, first at Keljo sheltered housing and then at Vaajakumpu school. If any food was left over, meals were sold to local residents for one euro. Information was spread on bulletin boards in the neighbourhood's apartment buildings and playgrounds and a notice was placed on the lunch room door every day after lunchtime: "We have leftovers. Welcome!". And the food was eaten.

Permission to fail is a fundamental part of a culture of experimentation. Even a failed experiment usually produces results, or at least tells us what should be done differently and how to develop the idea.

The waste food trial showed that in sheltered housing, where people paid for their lunch, selling leftover food was unprofitable. People exploited the lower prices and lunchtime customers switched to buying leftover meals. This showed us that the greatest potential for expanding this practice lay in dining rooms where lunches are served for free. In sheltered housing or similar institutions, waste food could be served to volunteer workers, for example.

The trial was modified after two weeks. The price of leftover lunches was raised to 1.50, to cover the expenses arising from additional customers, i.e. the cost of bread, spreads and beverages served with meals. In response to the Finnish Hospitality Association's concerns about distorting competition, the City of Jyväskylä replied that a grocery store or the breadline, not eating out, was the alternative for customers of leftover food. The idea presented by Puikkonen, and the resulting practical trial, added up to an outstanding combination of ecological, social and economic sustainability.

"Make 1.50 euro lunches available to everyone," declared the media, and MPs Oras Tynkkynen (Green party) and Reijo Tossavainen (Finns party) submitted a written parliamentary question, asking how the government intends to promote the use of leftover food and reduce the amount of food thrown away by lunch services in the public sector in particular. Municipal councillors and journalists around the country also posed the same question to local decision-makers. The waste food trial implemented in Jyväskylä became a national hit, with huge potential for wider application. The amount of waste food thrown away in Finland each year has been valued at 500 million euros. If all of Finland's schools redirected their leftover food rather than dumping it into biowaste containers, more than 2 million meals a year could be offered to local residents around the country.

**We have
leftovers.
Welcome!**

Empowering society

Through this theme's key areas, Sitra offers incentives for meaningful care and promotes new operating models and business operations for well-being. The key areas aim towards reforms that will increase citizens' participation, while enabling significant growth in productivity and the creation of new business. In 2013, Sitra's efforts focused on the development of electronic self-care services, and leadership and healthcare information systems, as well as preventing the social exclusion of young people and promoting opportunities among the elderly to have an influence.

The current healthcare system creates inequality and serves to sustain existing structures instead of attending to the well-being of Finnish citizens. The need for structural reforms is clear. In Sitra's view, society's service structures should be wholly built around people. For example, advances in technology and genetic research provide their own unique perspectives on healthcare planning.

In 2013, six key areas were responsible for the related practical work: Well-being business from nature (January 2011–June 2013), Leadership (January 2010–December 2013), Solutions for e-wellbeing (October 2012–December 2015), Towards an information society (October 2012–June 2014), Solutions for public service management (October 2012–December 2014), and An active citizen – at all ages (April 2013–April 2015). The first two originated in programmes that ended in 2012, while the other four were launched in 2013.

Increasing well-being and creating new business based on nature

Nature provides much that can improve health and well-being. It can be used to tackle issues related to the standard of living, the prevention of lifestyle-related diseases, sedentary lifestyles and ageing, as well as creating well-being in the long term. Immaterial natural resources are therefore a source of well-being as well as a component in the green economy.

As the result of the Well-being business from nature key area, which was introduced under Sitra's Landmarks programme (2010–2012) and ended in the summer of 2013, awareness of the health and well-being benefits offered by the natural environment increased. In addition, various concepts, tools and business potential related to new ways of maximising these benefits were identified.

The resulting proposals have been successfully integrated into various policy and research programmes. These include the bioeconomy strategy, the forest policy programme, the research programmes of the Finnish Forest Research Institute (Metla) and preparations for the performance management of Finnish ministries

Solutions for e-wellbeing

Most of Finland's healthcare expenditure is related to the treatment of chronic illnesses.

Sitra aims to promote the transfer of the emphasis in healthcare and social services from treatment to health promotion, early intervention and lifestyle choices. The goal is not only to promote the health and well-being of Finns, but also to significantly reduce healthcare expenditure.

In 2013, the key area projects led to the development of user-friendly health promotion e-services for different stages of life. Practical trials were used for piloting solutions such as an electronic maternity card, a tablet-based *Vetreeni* e-service for elderly people to help them stay healthy and active, an electronic Health Kiosk multi-channel service for preventive healthcare, and a more customer-oriented social welfare and healthcare service structure through the new well-being centre concept (*Hyvinvointiasema*). These trials provided plenty of positive experiences on whose basis the services will be further developed. Many of the target services in the trial have been linked to Taltioni, an electronic self-care service platform. This is for providing people with access to the information generated by practical trials, including after the trials have ended. Some of the trials will continue in 2014.

Health technology and the related services are a future growth industry. Through the *Gesundheit 2013* health game competition, Sitra inspired a discussion of the role of gamification in promoting health and supported new business based on this idea. Organised jointly with Kela, the Social Insurance Institution of Finland, in autumn 2013, the *Terveydenhuollon tulevaisuus* (Future of healthcare) seminar provided Finns with food for thought on the rapid changes occurring in the healthcare sector, such as the introduction of self-care mobile applications.

The commercialisation and internationalisation of health technology continued in the form of a visit to the Health 2.0 conference, which also provided an opportunity for networking, courtesy of Sitra and Tekes, the Finnish Funding Agency for Innovation. The participating companies, totalling 30, were offered training on how to pitch an idea, one-on-one meetings with funders and visits to California-based health and well-being companies. The companies gained more than 600 new contacts and nearly 140 initiatives for business partnerships. After the visit, the companies were brought together with investors at the Health Track, during the Slush! start-up conference. Finnish start-ups are in desperate need of practical expert advice and support in their internationalisation. Sitra can offer plenty of advice and support of this kind in the fields of health technology, business development and investment. This work will continue in 2014 in the form of monthly Health Tuesday events.

In addition to the increase in health technology and self-care, another factor having a major impact on the future of the healthcare sector is the increase in genetic testing and its expansion into the study of the human genome. In order to expedite this future development, Sitra studied the current situation and the business models of direct-to-consumer genome data services. The conclusions of this were published in an easy-to-read report which also raised international interest. The study also investigated the attitudes of physicians and citizens towards genetic testing, as well as their experiences and opinions on the current state and future of genetic testing. Among other revelations, the study revealed that the legislation and regulations governing genetic testing have not been fully defined. Sitra is currently discussing the need for a national genomics strategy with the Ministry of Social Affairs and Health.

Data exchange layer guarantees smooth services

In the development of electronic services, a challenge lies in the current patchwork of information systems, which often contain overlapping data and are not mutually compatible. Two-way integration is often used to create a platform between information systems, which makes development measures costly.

The design and construction of a national data exchange layer for linking information systems has required open-minded and comprehensive co-operation among public sector organisations and private sector businesses, and will continue to do so in the future. The data exchange model was sourced from Estonia, with the aim of finding a cost-efficient way of increasing the provision of electronic services and making them run more smoothly. Sitra's expertise and contacts with the developers of the Estonian X-Road solution played an important role in the Ministry of Finance's project for designing a national ICT service architecture and enhancing the usability of e-services.

The planned solution provides safe and seamless access to data from personal files, medical records and authorities' registers via a common data exchange layer for those who need such information and are authorised to view it. In every case, the information is retrieved from the original source and is accessible from several locations in real time. The data exchange layer provides private individuals with access to their personal data and, within certain limitations, the opportunity to update this information. Storing a wide range of registered data, such as medical records, vehicle registrations or professional qualifications in a single location is feasible if everything can be accessed via the data exchange layer from wherever it is needed.

Adoption of the data exchange layer is also being promoted by supporting related surveys by local authorities, and by helping them to identify means of getting the implementation phase off to a smooth start.

In addition to the data exchange layer project, Sitra was involved in determining the most sensible way of organising solutions for e-identity and electronic validation of identities (e-verification) at national level. This work is performed under the leadership of the Ministry of Finance's management and is closely linked to the national data exchange layer project.

Cross-sectoral co-operation in public management

Since 2010, together with municipalities and the state administration, Sitra has been seeking new ways of thinking and models for leadership and management. Leadership has been analysed from the viewpoints of individuals, the working community and management at all levels of public administration within municipalities and the state administration. The focus has been on issues such as management systems, leadership development and co-operation skills, as well as the capacity of individuals to act as part of an organisation.

The efforts of a range of authorities and administrative sectors will be required in order to address public finance issues and the diverse needs of citizens. It would be best to jointly perform and implement many tasks, based on a common approach. Sitra has been involved in developing a corporate governance system together with the state administration, doing its part to create the prerequisites for strengthening cross-sectoral co-operation within the public administration. The international Governments for the Future project (2012–2013) has moved into its second phase, Strategically Adaptive Governments. Led by Sitra, the project is scheduled for completion in 2014. This project analyses the opportunities provided by strategic agility and its possible application in the leadership and reform of the public administration. The project is being implemented in close co-operation with the Ministry of Finance, the Prime Minister's Office and the OECD (Organisation for Economic Co-operation and Development).

Providing information in support of decision-making

The Solutions for public service management key area involves creating models and tools for evaluating the well-being status of various population groups within society and anticipating future needs from the point of view of services. Information is processed into decision-making tools through various models and tools.

The key area comprises two projects: Focus on youth and Business intelligence.

Although only a small number of the young are on the margins of society or at risk of social exclusion, this group is of great importance to social and economic sustainability. The goal of the Focus on youth projects is to generate information by opening up, linking and analysing new solutions for identifying and supporting young people at risk of social exclusion. The earlier an overall picture of a child's or a young person's situation is created, the sooner any problems can be solved. Various early intervention models for youth work from around the world were mapped out. A Dutch nationwide reference index system, *Verwijsindex*, was discovered; this is a collective flagging system which the authorities use to express their concerns about specific children and young people. The flagging system and the related co-operation among authorities began testing for the first time in Finland in early 2014, through a practical trial in Mikkeli. From there, it is being expanded to Espoo.

In addition to the flagging system, the *Suunta* (Direction) online guidance service, implemented jointly by Sitra and Save the Children Finland in 2013, provided young people with personal guidance and counselling on their path towards employment or education. *Suunta* was launched as part of the Finnish broadcasting company Yle's campaign "For young people now!" in the autumn of 2013, and will continue in 2014.

The development of social welfare and healthcare services requires forward-looking information on citizens' well-being, based on forecasting. The information available to social welfare and healthcare sector managers is currently retrospective. This confines those using it to reactive measures and means that the information cannot be applied in support of strategic decision-making. To guarantee the systematic availability of information, Sitra is creating a business intelligence-based operating model and tools for supporting decision-making in the social and healthcare sectors. This model determines the most relevant information necessary for decision-making and how that information should be produced and presented. The ultimate goal is to create a manual and application software. The business intelligence operating model has been jointly developed by Sitra and the South Karelia Social and Health Care District (Eksote). The results will be disseminated in 2014.

Engaging the elderly in developing the services they need

Finnish pensioners constitute the world's most educated and healthy group of retirees. They are interested and willing to participate in working life through, for example, volunteer activities. The elderly want to be in charge of their own lives and to take their own decisions about the

services they need – they want to be subjects rather than objects.

In spring 2013, Sitra began supporting active participation by elderly people. Under the key area An active citizen – at all ages, Sitra focuses on supporting civil participation by the elderly and their involvement in decision-making, the development of services that support independent living and providing the elderly with the opportunity to continue in working life and perform volunteer work.

The cities of Turku and Tampere and their partners are currently driving this change, while *Eläkeläisliittojen etujärjestö EETU ry* (the Finnish Association of Retired Persons) is playing a key role as an active partner and information sharer for the projects. Development is currently being carried out in specific regions, but as the work progresses, operating models will be disseminated throughout the country.

In Tampere, work began by developing operating models for personal budgeting, customer and service management, and the *palvelupysäkki* concept (one-stop senior services). The goal is to encourage people to remain active and to provide them with support for independent living at home. The City of Tampere will integrate two to five other local authority areas into the development of the operating model.

A comprehensive joint project, led by the City of Turku, was also launched, for strengthening participation by and the consultation of senior citizens in municipal decision-making. Key development partners include senior councils and the practices to be built around them in the future, such as customer panels and citizens' juries.

With respect to senior citizens' participation in work, Sitra and the Helsinki Region Chamber of Commerce conducted a joint survey of the attitudes of companies towards the participation in working life of retirement age and ageing workers, i.e. people over 50. The survey suggested that attitudes towards recruiting 50-something workers and persons nearing retirement age were much more favourable than expected. In the future, Sitra plans to produce information for employers on providing employment for retirees and helping them to participate in working life.

Year 2014 will be human-centric

During 2014 in the field of social sustainability Sitra will focus on ensuring that information systems, administrative structures and leadership support the well-being of Finns and encourage people to take control of their own lives. The special focus will be on young people and senior citizens.

A new key area for 2014 will be Healthcare financing, through which Sitra will place a greater emphasis on eliminating inequality with respect to healthcare services, by advancing the "money follows the customer" approach, a model based on a Swedish example.

Models from around the world

Sometimes you need to look far to see close. Finland is a country of innovation, but we would be wise to realise that despite huge regional differences between societies and the way they function, in the main we all face the same challenges. Finland does not have a monopoly on the problems of an ageing population, marginalised youth and long distances.

How do the Swedes cope with all of this? Or the Americans? There is no point in re-inventing the wheel if you can benchmark, copy, borrow, or sometimes even buy, the solution you need from someone who thought of it first. The key is to identify solutions that fit Finnish society, do some piloting and customising, and then begin disseminating the solutions for wider use.

In the late 1980s, Sitra practically imported venture capital investing to Finland from the U.S. Back then, other European countries had few examples to offer. In recent years, intriguing models and approaches have been available in the health care sector, for example. The first low-threshold Health Kiosk was opened in a shopping centre in Ylöjärvi in summer 2009, and there are now around 30 across Finland. This concept is based on an American example, the Retail Clinic.

A closer look was taken at the Estonian X-Road system, for solving compatibility issues with Finnish public administration's e-services. X-Road is built on the idea of providing a seamless data exchange layer for transferring registered data between the information systems of multiple

organisations. This was an undertaking by the Ministry of Finance, in which Sitra played an important role by bringing the concept to Finland and assisting with its practical application within our society.

The most recent example of borrowed ideas, still in its test phase, is the Dutch concept, Verwijsindex, a nationwide reference index for use in outreach youth work. This is a shared information system and operating model for professionals working with young people, including teachers, school nurses, social and youth workers and the police. All of these professionals can use the reference index's "flagging" process to express their concern about a young person with whom they come into contact. While information on concerns voiced by a single professional go no further, if another professional "flags up" the same young person, the parties concerned will get to know of each other and be able to move the process forward using specific procedures. This system is designed for detecting and solving potential problems at the earliest possible stage. As part of preventive social work, piloting of the Finnish version of the reference index system will begin in Mikkeli in spring 2014.

*How do
the Swedes
cope with
all of this?*



Other social impact work

Research and foresight look to the future

Alongside strong social development and having an impact – taking action – Sitra looks to the future of Finnish society through research and foresight. Sitra's foresight and research activities focus on identifying and understanding changes and phenomena in the operating environment. Foresight and research both deepen and challenge Sitra's strategy, while the national foresight process and publication activities support the work done by the organisation.

In 2013, Sitra published the discussion paper, "Towards a sustainable well-being society", which forms a vision of future Nordic well-being and presents a model for sustainable well-being. Among other outcomes, the foresight process generated a list of the future-shaping mega-trends of greatest interest to Finland and Sitra. The discussion paper and trend list form the starting point of a long-term discussion of the key challenges facing Finland. Foresight activities also included Sitra's active participation in the preparation of the government foresight report and its co-funding of the Model of sustainable growth research project by the Prime Minister's Office.

Training builds social competence

Sitra's training activities are based on two concepts and are aimed at two target groups: leadership training on sustainable financial policy for decision-makers in Finnish society and, in line with Sitra's strategic themes, the Synergise Finland forum for those engaged in developing our society. These fully independent training activities are aimed at building social competence and creating networks.

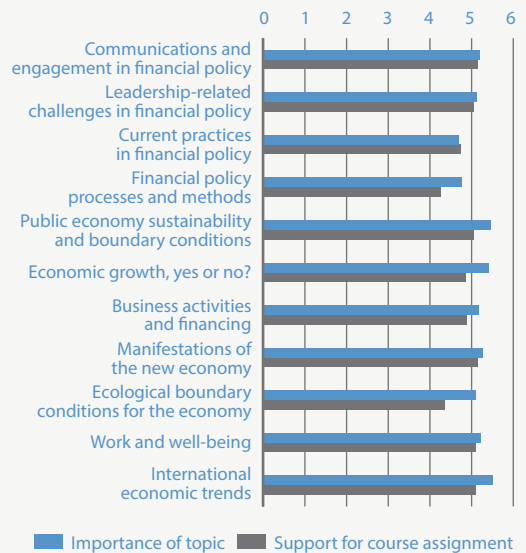
The year 2013 represents a landmark in Sitra's training activities, as the organisation returned to providing financial policy training, beginning with an opening seminar held on 8 May 2013 at Finlandia Hall. These sustainable financial policy leadership courses form a training concept that applies best practices identified in earlier sustainable financial training, provided between 1977 and 2005. The new training model approaches financial policy from a much wider perspective than earlier courses. Course participants learn about the starting points and methods of financial policymaking in Finland. The courses are also about building an understanding of how a more comprehensive, long-term approach typical of sustainable development can be incorporated into the practices and management of financial policy.

A pilot course and two actual courses were organised in 2013. Participants come from a diverse group of representatives of public administration, the media, politics, associations, the cultural sector and businesses. Leadership

training on sustainable financial policy is organised in co-operation with Aalto Executive Education Oy.

Sitra's other training concept, the Synergise Finland forums, are engaged in building a future for Finland one theme at a time. The forums bring together groups of opinion formers from all walks of life, ranging from grassroots actors to political decision-makers. While learning from one another, the participants explore the structural and cultural changes required in Finland in connection with the forum theme. Sitra's forums generate practical trials and measures aimed at solving the identified social problems. The topics of the two forums active in 2013 were Sustainable Economy (October 2012–February 2013) and New Security (October 2013–March 2014). We are always on the lookout for new ideas for future forums.

Thematic Session Evaluation, Leadership Training on Sustainable Financial Policy, Course 2



Strategic design solves problems

Design in its traditional form seeks solutions for spaces and household items, while strategic design focuses on problem-solving and decision-making. Sitra's Helsinki Design Lab (2009–2013) opened up new aspects and more extensive perspectives, while providing practical design support for decision-makers. HDL2013 culminated in a closing ceremony held in Helsinki in June 2013.

Sitra's strategic design projects included Low2No, which built an innovative city block and operating model based on the principles of sustainable development; the Design Exchange Program (DEP) for developing the introduction of new practices and design capabili-

ties in public organisations; and a development project for a new decision-making culture based on participation and openness, Brickstarter.

Business development boosts growth

To succeed in the face of international competition, Finland needs a thriving, sustainable business sector. Sitra accelerates business development that supports sustainable well-being of this type, through funding and return-seeking investment. Comprehensive use is made of Sitra's tools and expertise in the development of business operations within the scope of the key areas.

As a business developer, Sitra brings the relevant parties together and acts as a general facilitator, an implementer of practical trials and a provider of capital investment. The Industrial Symbiosis key area is a good example of Sitra's active role as a business developer.

As a provider of capital investment, Sitra's acts in a market-driven way. Sitra makes corporate investments, mainly in equity, but also possibly in bonds or, in special cases, loans. In addition to a good financial return, Sitra's selection criteria for investment targets include social impact.

Sitra is an active and responsible long-term owner, which takes an active part in the development of the companies in its investment portfolio, placing its expertise and networks at their disposal in order to help them succeed. At the end of the financial year 2013, Sitra's investment portfolio included 34 companies from various sectors, including energy, biotechnology, information technology, environmental technology, industrial production and industrial services. During 2013, Sitra invested in two new companies, withdrew from six and partly withdrew from two companies. Decisions were made to continue funding eleven companies already in the portfolio.

The rewards of long-term ownership were reaped in 2013, as the drugs developed by Sitra's portfolio companies, Biotie Therapies Oyj and QuatRx Pharmaceuticals, were placed on the shelves of pharmacies through their purchasing agent. Sitra has been investing in Biotie Therapies since 1998, almost from the date it was established, and in QuatRx Pharmaceuticals (former Hormos Medical) since 1996. This is a major achievement of international significance for both companies.

Sitra's fund investments are aimed at advancing the growth of the Finnish business sector and identifying foreign funds that may prove useful to Sitra's networks. The investment focus can be broader based than direct investments and can extend beyond the thematic areas, since the achieved returns help to finance Sitra's own operations. In 2013, Sitra decided to invest in two Finnish funds: Inventure Fund II, which focuses on technology companies preparing for internationalisation, and Vision+,



The training introduced us to bold solutions related to structural and cultural practices, and provided an opportunity to search for new ones.

which provides funding for digital products such as applications, games and web services.

Sitra also studied the opportunities for introducing impact investing to Finland. The evaluation is still ongoing; one of the objectives is to find new operating models for channelling more private funding towards the acceleration of positive social development.

Towards the future of work – Sitra's third theme will be launched in 2014

Working life in the West is currently undergoing radical change as a result of globalisation, automation and ageing of the population, among other factors. The Finnish definition of work, which is based on full-time paid employment, and our labour market model provide a good fit with an industrial society, but are not as well-suited to the society of the future. While our taxation system is largely based on paid work and increasingly on consumption, our economy takes too little account of social and ecological values. For example, by the time problems arising from social exclusion or climate change are realised within the economy, it is already too late to take corrective measures.

Sitra's latest theme, to be launched in January 2014, is aimed at promoting sustainable well-being and employment through new funding and operating models. To make sustainable well-being a reality, we need an economically sustainable way of achieving social and ecological sustainability. This theme focuses on the future of work, making economic sustainability the third pillar of strength for Sitra.

Personnel and the organisation structure

Throughout its history, Sitra has been driven by the urge to be at the forefront of development. This applies both to Sitra's theme areas and to Sitra as an organisation. To fulfil its role in today's society, Sitra requires strategic agility. The new operating model adopted in 2012 emphasises rapid reaction, a clear connection between strategy and everyday actions, and sufficient investment of time and money in the selected subject areas.

Working at Sitra is demanding and requires expertise; in addition to theoretical knowledge, our employees need solid practical experience and established networks. The focus of Sitra's activities shifts in line with the key areas. This means that Sitra requires the more continuous presence of a group of skilled professionals with expertise in administrative duties and processes, in addition to specialists with deep knowledge of specific subject areas. Due to the nature of its work, nearly one third (31%) of Sitra's employees are in fixed-term employment relationships.

The number of personnel at Sitra at the end of 2013 was 118 (106 in 2012 and 115 in 2011). During 2013, 27 employment relationships ended and 37 new ones began. This increase resulted from replacing external consultancy contracts with in-house personnel. For example, Sitra has hired young professionals beginning their careers as assistant specialists to perform work that was previously outsourced. This provides these young workers with experience in societal development. In addition to these talented "junior" specialists, Sitra has hired experienced professionals in part-time and fixed-term employment relationships, including former director generals and professors and retired world-class experts. Sitra's strength lies in the diversity and expertise of its personnel. At the end of 2013, 62% of Sitra's employees were women and 38% were men. The composition of Sitra's management group was 46% women and 54% men.

Well-being at work is a fundamental prerequisite at Sitra and its development forms an integral part of management and Human Resources (HR) processes and other operating activities. In 2013, HR development was focused on the role of supervisors, leadership and feedback in particular. A competence strategy process was completed in autumn 2013, in order to outline Sitra's core competencies and areas of strategic expertise. Additionally, the workplace skills required of everyone working at Sitra were defined and the current status of these skills was evaluated.

HR development tools, used throughout the organisation to measure performance, include a biannual Pulse survey and an annual management survey. An internal customer experience survey is also used for the evaluation of competence-related issues. At individual level, goals for personal development are set and assessed every six



months in development discussions and as part of daily work processes.

Sitra has adopted an incentive programme aimed at encouraging employees to act in compliance with Sitra's strategy and values, creating and upholding a goal-oriented culture in the workplace, and providing a fair and equal employee incentive and reward system. The incentive programme covers all Sitra personnel, except the President whose pay criteria are determined by Sitra's Supervisory Board.

The core of Sitra's operations is formed by work mainly performed through fixed-term key areas under specific themes. Sitra's various units provide the resources, implementation processes and the necessary knowledge and support services for this work. The transition to a matrix-based operating model required persistent development, based on flexibility and the capability for change throughout the organisation. Development of practices related to the new operating model and agreement on common ground rules continued during 2013.

The most dramatic single change occurred in Sitra's financial administration; payroll was integrated into HR management and Sitra's specialists in financial administration will now focus on accounting, reporting and other tasks in support of Sitra's work processes, while aiming to generate real-time information on Sitra's finances. After careful consideration of various options and extensive negotiations, the decision was taken to outsource the financial administration unit's payroll and invoicing duties. The organisational reform and new outsourcing procedures required the termination of employment of three Sitra employees. As a result, Sitra conducted its first ever statutory employer-employee negotiation process.

Sitra's endowment capital

Sitra's operating activities are funded from the return on its endowment capital and corporate investments. The sole purpose of endowment capital investment activities is to secure the funding of Sitra's work, while corporate investments are also expected to generate a social return on investment (SROI). Sitra's endowment capital investments are performed in a productive, safe and responsible manner.

Although the outlook for the world economy was somewhat brighter in 2013, the overall trend was two-sided. In developed countries, economic indicators began to rise slightly, while growth slowed in developing countries. In the US, the Federal Reserve continued its stimulus measures based on a relaxed monetary policy and positive signs began to appear in the economy. Growth expectations in the eurozone remained uncertain. Banks tightened their credit criteria, while it was unclear whether there would be a need for further debt restructuring for countries in economic crisis, even if over-indebted eurozone countries began to pull out of their debt spiral. The pace of economic growth in key emerging countries such as China, India and Russia showed signs of slowing down. In China, the focus of growth is shifting from investments to consumption. Growth in Russia was hampered by a slowdown in the growth of oil export revenues.

As at the end of 2013, the market value of Sitra's endowment capital was 705 million euros. Invested assets yielded an excellent return of 12.4% due to the upswing in the stock markets towards the end of the year. The returns from domestic shares were particularly high. The return from fixed-income investments was mildly positive. The total allocation of Sitra's endowment capital was as follows: shares 55%, interest rate instruments 40% and others 5%. Most of Sitra's endowment capital is invested in funds. Sitra makes allocation decisions, but the fund managers independently decide on individual investments according to the fund's rules.

Due to low interest rates, fixed-income investments were transferred from eurozone government bonds with the highest credit rating to emerging market debt funds and high yield funds, as in the previous year.

Real estate investments were increased during 2013. Sitra decided to invest in the Capman Nordic Real Estate FCP-SIF capital fund, which invests in commercial and office properties in the Nordic countries, in the Real Estate Debt and Secondaries Ky capital fund and LähiTapiola Asuntorahasto Prime Ky, and in a special investment fund eQ Hoivakiinteistöt, which focuses on Finnish care properties. Sitra also decided to invest in the Finnish BPT Healthcare II Ky capital fund, which invests

in Finnish care properties, and in UB Global REIT, which invests in globally listed real estate companies. These investments were realised in January 2014.

Also in 2013, investments were made in Finnish capital funds Vaaka Partners Buyout Fund II Ky and Senticap Buyout IV Ky, which invest in Finnish unlisted companies, and in an after-market capital fund, Verdane Capital VIII K/S, which invests in Nordic unlisted companies. In addition, the decision was taken in December 2013 to invest in the Capman Buyout X Fund B Ky capital fund, which invests in Nordic unlisted companies. Sitra will participate in the closing of the fund in spring 2014.

Sitra joined FINSIF – Finland's Sustainable Investment Forum – which seeks to promote responsible investment. For Sitra, responsible investment means taking account of social responsibility when making decisions. When new investment targets are tendered, commitment to responsible investment is one of the criteria evaluated. Sitra also aims to continuously develop its procedures and practices for responsible investment. Nearly all of the fund managers used by Sitra have signed the UN Principles for Responsible Investment and observe the moral dimension in their investment activities.

Administration

Supervisory Board

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by Parliament. The Supervisory Board met four times during the year under review. Its members are the MPs Ben Zyskowitz (chairperson), Pirkko Ruohonen-Lerner (vice-chairperson), Jouni Backman, Jukka Gustafsson (from 31 May 2013), Timo Kalli, Mari Kiviniemi (until 15 May 2013), Marjo Matikainen-Kallström, Lea Mäkipää, Petteri Orpo, Juha Sipilä (from 16 May 2013) and Pia Viitanen (until 30 May 2013). Anton Mäkelä LL.M. was secretary to the Supervisory Board.

Board of Directors

Sitra's Board of Directors met eight times during the year under review. Its members are Permanent Secretary Martti Hetemäki (chairperson), Permanent Secretary Erkki Virtanen (vice-chairperson), Permanent Secretary Harri Skog (until 30 April 2013), Permanent Secretary Anita Lehikoinen (from 12 June 2013), Professor Anne Kovalainen, Kirsi Sormunen and Sitra's President Mikko Kosonen.

Auditors

As at the end of 2013, the following individuals appointed by Parliament were Sitra's auditors: chairperson Esko Kiviranta MP (deputy member: Professor Markku Koskela, APA), Osmo Immonen APA (Mika Kari MP), Eero Prepula APA, CPFA (Juha Selänne APA), Lenita Toivakka MP (Sanna Lauslahti MP), Kauko Tuupainen MP (Tom Sandell APA, CPFA). The Secretary was Professor Markku Koskela APA. The authorised public accounting firm PricewaterhouseCoopers Oy, appointed by the Supervisory Board, was responsible for Sitra's internal audit and for auditing Sitra's investments. The principal auditor was Juha Wahlroos APA.

Proposal for the disposal of surplus

The Board of Directors proposes that the net surplus for the financial year, EUR 25,015,613.72, be carried forward to the retained surplus/deficit account.



Financial statements for 2013

Profit and loss account

		Realised 1.1.–31.12.2013	Realised 1.1.–31.12.2012
		EUR	EUR
Income			
Profits on the sale of investments		49,802,271.99	31,705,492.13
Interest income		1,039,774.15	474,370.41
Dividend income		337,902.63	978,438.56
Rental income		154,077.48	275,467.55
Other investment income		6,915,291.01	6,038,973.27
Total income		58,249,317.26	39,472,741.92
Expenses			
Personnel expenses	2	-11,719,092.24	-11,804,743.52
Expenses from projects	3	-6,807,014.73	-7,952,481.38
Expenses from investments		-9,925,886.72	-1,943,742.78
Depreciation	4	-142,135.18	-216,022.63
Other expenses		-4,639,574.67	-4,978,588.30
Total expenses		-33,233,703.54	-26,895,578.61
SURPLUS/ DEFICIT FOR THE FINANCIAL YEAR	1	25,015,613.72	12,577,163.31

Balance sheet

		Realised 31.12.2013	Realised 31.12.2012
		EUR	EUR
Assets			
Long-term assets			
Tangible assets	5	421,637.20	423,573.72
Intangible assets	5	52,821.69	68,569.20
Investments	6	664,801,525.77	643,754,242.58
Total long-term assets	1	665,275,984.66	644,246,385.50
Short-term assets			
Accounts receivable		287,714.40	551,366.99
Cash and cash equivalents	7	3,284,980.60	408,641.88
Total short-term assets		3,572,695.00	960,008.87
TOTAL ASSETS		668,848,679.66	645,206,394.37
Equity and liabilities			
Equity			
Endowment capital		235,463,097.04	235,463,097.04
Retained earnings		403,326,233.97	390,749,070.66
Profit/loss for the financial year		25,015,613.72	12,577,163.31
Total equity		663,804,944.73	638,789,331.01
Short-term liabilities			
Other liabilities	8	5,043,734.93	6,417,063.36
Total short-term liabilities		5,043,734.93	6,417,063.36
TOTAL EQUITY AND LIABILITIES		668,848,679.66	645,206,394.37

Accounting principles

Presenting the financial statements

The presentation format of the profit and loss account is based on a cost-type-specific profit and loss account. The balance sheet is presented as a shortened balance sheet.

Valuation of investments

Shares, participation rights and bonds in endowment investments have been valued at the lower of either the original acquisition cost or the market value, in accordance with market principle. Value adjustments have been made by acquisition item. The most recent trading quote was used as the current value of shares. The current value of participation rights is the NAV reported by the fund management company. The valuation of bonds was based on Thomson Reuters End of Day Pricing in force on the balance sheet date.

The balance sheet value of investments in portfolio companies and funds is recognised at the historical acquisition value of the companies and the invested value of funds or a lesser sum determined by internal valuation. The internal valuation procedure for direct investments is performed twice a year. The necessary

value adjustments in the accounts are made on the basis of the valuation. The value of endowment investments in venture capital funds has been calculated using the same principles, where applicable. The basis of their value was the same as that given by the funds for their portfolios.

Valuation of fixed assets

Planned depreciation on fixed assets is calculated from the original acquisition value as equal instalments according to the useful life of the fixed assets.

Planned depreciation periods:

- | | |
|---------------------------------|----------|
| • other capital expenditures | 5 years |
| • renovation of office premises | 10 years |
| • machinery and equipment | 5 years |
| • ICT equipment | 3 years |

Items in foreign currencies

Receivables and payables in foreign currencies have been translated into euros at the average exchange rate in force on the balance sheet date.

Notes to the financial statements

Notes to profit and loss account and balance sheet (€1,000)

Further details on the content of the items in the profit and loss account and the balance sheet are given in the notes. The numbered references refer to the corresponding entries in the profit and loss account and the balance sheet.

1 Operating segments 2013

EUR 1,000	Endowment capital	Impactful work	Other operating activities	Total
Income				
Profits on the sale of investments	49,532	270	0	49,802
Interest income	238	802	0	1,040
Dividend income	133	205	0	338
Rental income	154	0	0	154
Other investment income	5,371	1,544	0	6,915
Total income	55,429	2,820	0	58,249
Expenses				
Personnel costs	0	-8,201	-3,518	-11,719
Expenses from projects	0	-6,602	-205	-6,807
Investment expenses	-254	-9,672	0	-9,926
Depreciation	0	0	-142	-142
Other expenses	0	-2,813	-1,827	-4,640
Total expenses	-254	-27,288	-5,692	-33,234
Surplus for the year	55,175	-24,468	-5,692	25,016
ASSETS				
Long-term assets				
Tangible assets	0	0	422	422
Intangible assets	0	0	53	53
Endowment capital investments	600,198	0	0	600,198
Venture capital investments	0	64,604	0	64,604
Total long-term assets	600,198	64,604	474	665,276

Operating segments 2012

EUR 1,000	Endowment capital	Impactful work	Other operating activities	Total
Income				
Profits on the sale of investments	31,706	0	0	31,706
Interest income	298	176	0	474
Dividend income	817	161	0	978
Rental income	275	0	0	275
Other investment income	4,100	1,935	4	6,039
Total income	37,196	2,273	4	39,473
Expenses				
Personnel costs	0	-8,522	-3,283	-11,805
Expenses from projects	0	-7,462	-490	-7,952
Investment expenses	9,813	-11,757	0	-1,944
Depreciation	0	0	-216	-216
Other expenses	0	-2,425	-2,554	-4,979
Total expenses	9,813	-30,165	-6,543	-26,896
Surplus for the year	47,009	-27,893	-6,539	12,577
ASSETS				
Long-term assets				
Tangible assets	0	0	423	423
Intangible assets	0	0	69	69
Endowment capital investments	569,778	0	0	569,778
Venture capital investments	0	73,976	0	73,976
Total long-term assets	569,778	73,976	492	644,246

2 Personnel costs

EUR 1,000	2013	2012
Wages and salaries	-8,685	-8,815
Pension expenses	-1,665	-1,680
Other statutory payroll expenses	-493	-488
Other payroll expenses	-876	-822
Total	-11,719	-11,805

The number of personnel at the end of the year was 118 (2012: 106).

Wages and remuneration of management, EUR 1,000	2013	2012
Supervisory Board	31	32
Board of Directors	44	46
President	249	241
Total	324	319

The monthly remuneration of the Supervisory Board was EUR 454 for the Chair, EUR 336 for the Vice-Chair and EUR 227 for other members.

The monthly remuneration of the Board of Directors was EUR 1,000 for the Chair, EUR 840 for the Vice-Chair and EUR 670 for other members. The President does not receive separate remuneration for Board membership.

Sitra's Supervisory Board decides on the pay criteria and total pay of the President. The entire personnel of Sitra is covered by the incentive bonus system, decided on by the Board of Directors. Based on the system, EUR 467,156 (5.7% of total payroll expenses) has been reserved in the 2013 financial statements for payment to personnel as an incentive bonus. The corresponding sum for 2012 was EUR 650,600, amounting to 8% of total payroll expenses.

3 Expenses from projects

EUR 1,000	2013	2012
Empowering Society		
Theme level	-642	-937
Active citizenship – at all ages	-89	0
Solutions for e-wellbeing	-1,247	0
Leadership	-535	-549
Well-being business from nature	-261	-115
Solutions for public sector management	-296	0
Towards an information society	-611	0
Completed key areas	-109	-1,094
	-3,791	-2,695
Resource-wise and Carbon-neutral Society		
Theme level	-97	-630
Industrial symbiosis	-561	0
Resource wisdom	-641	0
Local green economy solutions	-176	-284
Completed key areas	-2	-1,332
	-1,478	-2,245
Research and training	-905	-583
Other impactful work	-429	-1,938
Other operating activities	-205	-490
Total	-6,807	-7,952

4 Depreciation

Planned depreciation

EUR 1,000	2013	2012
Machinery and equipment	-112	-124
Other capital expenditure	-30	-42
Renovation of office premises	0	-50
Total	-142	-216

5 Tangible and intangible assets

During the year, Sitra acquired fixed assets amounting to EUR 0.1 million (2012: EUR 0.2 million).

EUR 1,000	Book value 1.1.2013	Increases	Decreases	Depreciation	Book value 31.12.2013
Machinery and equipment	158	96	0	-112	142
Other capital expenditure	69	14	0	-30	53
Renovation of office premises	0	0	0	0	0
Other tangible assets	257	15	0	0	271
Total	483	125	0	-142	465

EUR 1,000	2013	2012
Shares and participations	9	9
Total	9	9

6 Investments

EUR 1,000	2013	Change	2012
6.1 Endowment capital investments			
6.1.1 Bonds	2,388	-394	2,782
6.1.2 Fund investments	580,894	27,052	553,842
6.1.3 Private equity fund investments	7,979	2,976	5,003
6.1.4 Shares	7,031	831	6,200
6.1.5 Real estate investments	1,611	-23	1,634
6.1.6 Short-term investments	295	-23	318
Total	600,198	30,419	569,778
6.2 Venture capital investments			
6.2.1 Business development and funding	24,610	-6,246	30,856
6.2.2 Fund investments	39,736	-2,376	42,112
6.2.3 Other investments	258	-750	1,008
Total	64,604	-9,372	73,976

6.1 Endowment capital investments

EUR 1,000	Book value	Market value
6.1.1 Bonds		
Leverator Oyj 21.6.2016	2,388	2,394
6.1.2 Fund investments		
Equity funds		
Aberbeen Global - World Equity A2	41,365	54,987
Alfred Berg Finland B	39,498	45,286
Carnegie East European	2,930	3,255
Danske Invest Suomi Yhteisöosake K	46,812	56,014
Fondita 2000+	11,864	16,204
Handelsbanken Europafond Index	10,827	13,953
Impax Environmental Markets Ireland A	11,027	14,300
JP Morgan Global Unconstrained Equity X Eur	53,863	70,534
JPM Emerging Markets Equity I EUR ACC	26,280	26,280
OP-Focus A	4,135	4,350
OP-Suomi Arvo A	53,484	63,147
Bond funds		
Aktia Emergin Markets Bond + D	10,250	10,754
Alfred Berg Korke B	21,028	21,237
Blue Bay Investment Grade Bond Fund I	38,214	38,610
Blue Bay Investment Grade Bond Fund R	9	9
Danske Invest Valtionobligaatio K	23,563	25,078
Danske Invest Yhteisökorko K	60,070	62,454
Danske Invest Emerging Markets Debt K	7,056	7,705
EVLi European High Yield B	14,089	17,209
LähiTapiola Yrityskorko A	20,421	26,177
Nordea Valtionlaina AAA I K	19,646	21,260
OP-EMD Local Currency A	10,535	10,561
OP-Obligaatio Prima A	22,859	23,921
SEB Global High Yield B	14,075	15,924
Other quoted investments		
BNP Paribas Property Securities Fund Europe	6,015	6,126
eQ Hoivakiinteistöt	5,000	5,000
UBP/Selectinvest ARV MC ser C/2009 RR	409	560
UBP/Selectinvest ARV MC ser P (Q) EUR	5,569	9,364
Fund investments total	580,894	670,257

EUR 1,000	Book value	Market value
6.1.3 Private equity fund investments		
Access Capital Fund II LP	0	914
Boston Millennia Partners II LP	1,264	921
Crescendo IV LP	0	469
First European Fund Investments UK LP	0	40
European Fund Investments II LP	1,621	1,629
Finnventure Rahasto V Ky	37	143
Sentica Buyout IV Ky	67	67
Vaaka Partners Buyout Fund II Ky	475	357
Verdane Capital VIII K/S	606	594
Real estate private equity funds		
Capman Nordic Real Estate FCP-SIF	1,677	1,451
LähiTapiola Asuntorahasto Prime Ky	1,750	1,701
Real Estate Debt and Secondaries Ky	483	547
Total	7,979	8,833
6.1.4 Shares		
Nokia Oyj	2,134	16,211
Suominen Yhtymä Oyj	2,000	2,133
Technopolis Plc	2,897	2,897
Total	7,031	21,242
6.1.5 Real estate investments		
Erottajan Pysäköintilaitos Oy	1,611	2,144
Total	1,611	2,144
6.1.6 Short-term investments	295	295
Total endowment capital investments	600,198	705,165

6.2.1 Business development and funding

Shares, participations and other investments held by Sitra.

EUR 1,000	Holding	Shares and participations	Capital loans and other loans	Amount total
		Amount	Amount	
Aw-Energy Oy	10%	1,436	438	1,874
BioTie Therapies Oyj	3%	12,003	673	12,676
Fibrogen Inc.	3%	3,515	0	3,515
Fimet Oy	47%	496	0	496
FIT Biotech Oyj	39%	8,755	1,525	10,280
Fixteri Oy	42%	2,131	0	2,131
Fluid House Oy	30%	1,150	0	1,150
Galilaeus Oy	42%	11,773	718	12,491
KC-Holding 3 Oy	42%	2,165	0	2,165
Kuntamaisema Oy	34%	60	0	60
Kuntien Tiera Oy	0%	0	4,792	4,792
Medixine Oy	17%	1,026	50	1,076
Mesera Yhtiöt Oy	21%	2,000	2,203	4,203
Meteco Oy	42%	2,231	150	2,381
Mobidiag Oy	2%	5,183	618	5,801
Neomed Oy	10%	13	135	148
Nexstim Oy	24%	9,001	300	9,301
Norrhydro Group Oy	18%	1,180	326	1,506
Odum Oy	45%	885	100	985
Omegawave Oy	10%	750	0	750
One1 Oy	13%	150	0	150
Panphonics Oy	22%	1,534	0	1,534
Quatrx Pharmaceuticals Co	2%	3,035	0	3,035
Savo-Solar Oy	29%	1,484	288	1,772
Seven Networks	1%	1,718	0	1,718
Shanghai Fimet Medical Instruments Co.	13%	278	0	278
Solibri Oy	14%	150	200	350
Sybimar Oy (Aura Mare Oy)	0%	0	750	750
Taltioni Osuuskunta	0%	0	3,000	3,000
Viola Systems Oy	20%	800	0	800
Vivago Oy	36%	3,623	770	4,393
Vivoxid Oy	38%	6,072	0	6,072
WoodPrime Oy	37%	933	0	933
		85,530	17,036	102,566
Total business development and funding				102,565
Cumulative change in value				-77,955
Book value				24,610

6.2.2 Fund investments

Sitra's investments in funds

EUR 1,000	Amount
AC Cleantech Growth Fund I Ky	4,950
Aloitusrahassto Vera Oy	2,000
Apple Tree Partners II L.P.	289
Armada Mezzanine Fund III Ky	1,811
Baltic Investment Fund III	364
Boston Millennia Partners L.P.	1,523
CapMan Russia Fund L.P.	2,819
Capricorn Cleantech Fund NV	10,000
Chrysalix Energy III Ltd	2,490
Crescendo III, L.P.	1,802
Dasos Timberland Fund II	638
Diamondhead Ventures L.P.	1,582
EBRD North-West and West Russia Regional Venture Fund	0
Edison Venture Fund IV	0
Eqvitec Teknologiarahasto I Ky	1,377
Folmer Equity Fund I Ky	1,468
HealthCap 1999 K.B.	4,407
InnKap 2 Partners	918
InnKap 3 Partners	2,478
Inveni Secondaries Fund I Follow-on Ky	2
Inveni Secondaries Fund I Ky	7,494
Inveni Secondaries Fund II Follow-on Ky	715
Inveni Secondaries Fund II Ky	2,098
Inveni Secondaries Fund III Ky	3,405
Inventure Fund II Ky	0
Lifeline Ventures Fund I ky	1,363
Matkailunkehitys Nordia Oy	3,229
MB Equity Fund Ky	0
Merlin Biosciences Fund L.P.	5,936
Palvelurahasto Ky	1,297
Powerfund III	609
Russian Technology Fund L.P.	140
Sitra Management Oy	470
Strategic European Technologies N.V.	3,406
Trident Capital Fund V	1,686
Terveysrahasto Oy	633
Ventech Capital II, L.P.	2,875
Verdane ETF II SPV Ky	3,020
VisionPlus Fund I Ky	1,731
Total fund investments	81,025
Cumulative change in value	-41,289
Book value	39,736

Through its fully owned subsidiary Sitra Management Oy, Sitra has holdings in the following management companies and profit-distributing companies:

Management companies:

Baltic SME Management B.V.
BIF Management Ltd
Oy Nordic Russian Management Company Ltd

Profit-distributing companies:

BIF Management Ltd
Bio Fund Management Oy
Eqvitec Partners Oy
RTF Founders L.P.

6.2.3 Other investments

EUR 1,000	Holding	Shares and participations	Capital loans and other loans	Amount total
		Amount	Amount	
Easdaq S.A.	0%	138	0	138
Eigenvalue Oy	14%	432	0	432
Innotalli Oy	44%	170	0	170
Kitewing Sports Oy Ab	0%	0	17	17
Lepo Product Oy	0%	0	5	5
Santhera Pharmaceuticals (Finland) Oy Ltd	0%	0	440	440
Navicre Oy	0%	0	252	252
		740	714	1,455
Total other investments				1,455
Cumulative change in value				-1,197
Book value				258

7 Financial assets

EUR 1,000	2013	2012
Bank accounts	3,285	409

8 Other liabilities

EUR 1,000	2013	2012
Personnel expense liabilities	2,459	2,767
Accounts payable	1,757	1,373
Liabilities from funding operations	400	1,900
Other short-term liabilities	427	377
Total	5,044	6,417

EUR 1,000	2013	2012
OPEN FUND COMMITMENTS 31.12.2013	60,371	28,262
OFF-BALANCE-SHEET LIABILITIES 31.12.2013		
Corporate investments	6,233	12,218
Venture capital funds	21,923	59,729
Empowering Society		
Theme level	157	273
Active citizenship – at all ages	902	0
Solutions for e-wellbeing	1,538	2,282
Leadership	398	658
Well-being business from nature	0	319
Solutions for public sector management	587	0
Towards an information society	388	36
Completed key areas	0	640
Total	3,969	4,209
Resource-wise and Carbon-neutral Society		
Theme level	343	0
Industrial symbiosis	596	342
Resource wisdom	529	0
Local green economy solutions	33	262
Completed key areas	0	503
Total	1,501	1,108
Research and training	1,759	2,180
Other impactful work	725	951
Other operating activities	87	296
Total	36,197	80,690

Signatures to board report and financial statements

Helsinki, 25 February 2014

Martti Hetemäki
Erkki Virtanen
Anne Kovalainen

Anita Lehtikoinen
Kirsi Sormunen
Mikko Kosonen

Auditors' report

As the auditors appointed by Parliament, we have audited the accounts, financial statements, annual report and administration of Sitra, the Finnish Innovation Fund, for the financial period 1 January – 31 December 2013 in accordance with good audit practices. The financial statements comprise a profit and loss account, balance sheet and notes to the financial statements.

Authorised Public Accountants PricewaterhouseCoopers Oy have performed the internal audit and audit of funded projects. We have familiarised ourselves with the reports that have been prepared on the audits.

In our opinion, the financial statements and annual report give a true and fair view of Sitra's financial per-

formance and financial position, pursuant to the rules and regulations on drawing up financial statements and annual reports that are in force in Finland. There are no inconsistencies in the information in the annual report and financial statements.

We recommend that the financial statements be adopted and that the members of the Board of Directors and President be discharged from liability for the financial year we have audited. We recommend that the surplus for the financial year is dealt with in the manner set out in the Board report.

Helsinki, 28 February 2014

Esko Kiviranta

Lenita Toivakka

Kauko Tuupainen

Eero Prepula, APA, CFPA

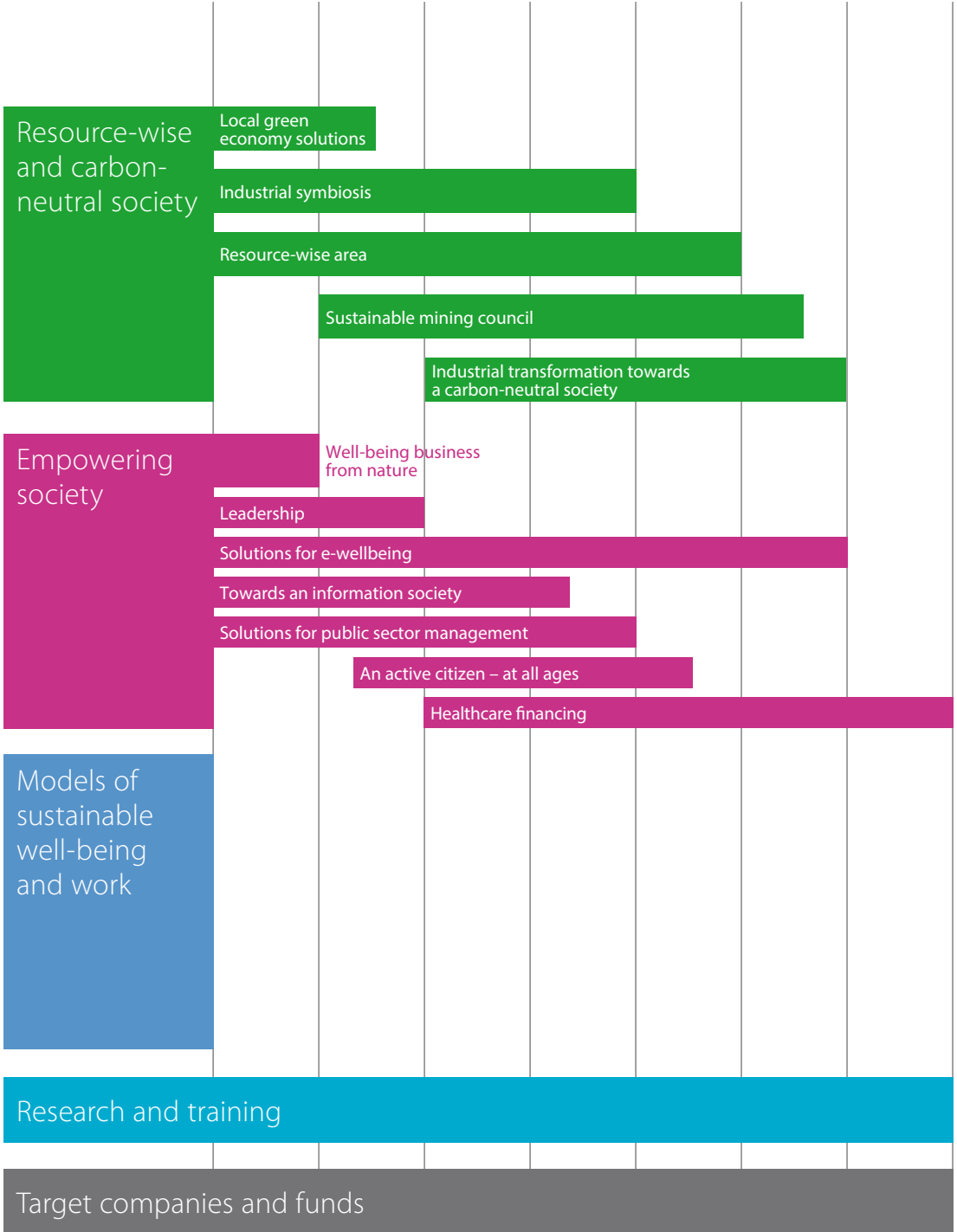
Osmo Immonen, APA

Markku Koskela, APA



Sitra's work

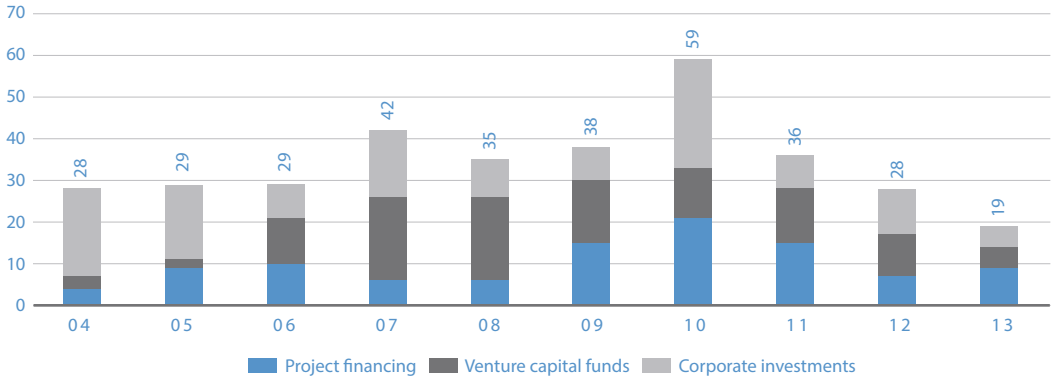
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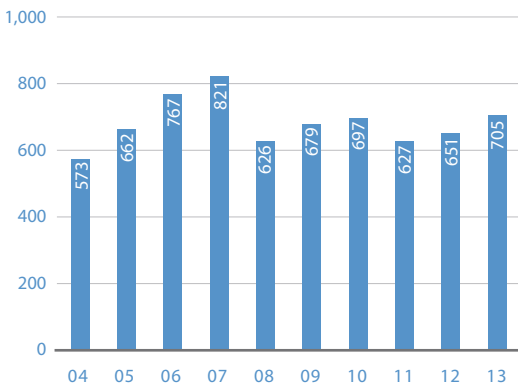
Appendices

Key figures

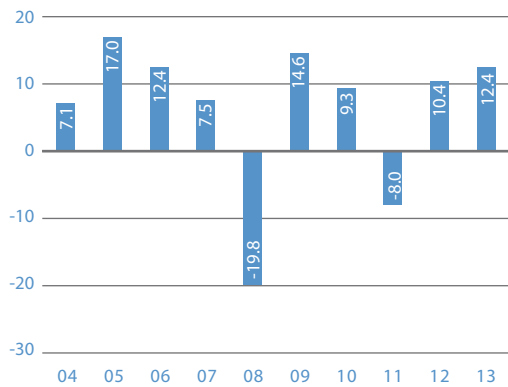
Investment decisions 2004-2013, Million €



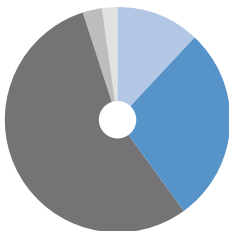
Market value of endowment capital 2004-2013, Million €



Capital income 2004-2013, %

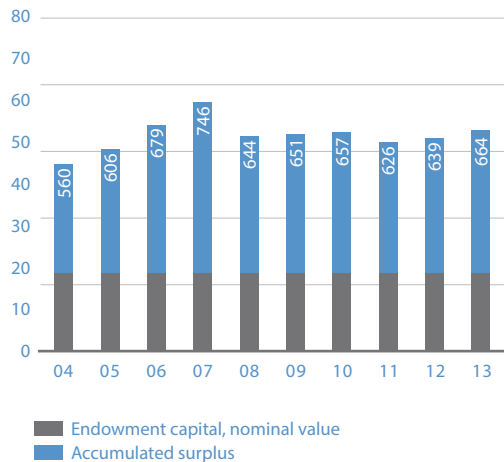


Breakdown of endowment capital, 31 December 2013



Short-term funds	12%
Bonds and corporate investments	28%
Shares	55%
Real estate	3%
Others	2%

Equity 2004-2013, Million €



Contact details



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@SitraKosonen



From now on, the only way to succeed is through co-operation. We need to get rid of all silos. #administration



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The new #procurementact. Finally the wait is over! #responsibility #impact



Development and Human Resources
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Working with proactive, skilled experts is a motivating way to get things done. Why not join us? @SitraFund #tuottavuus



Resource-wise and carbon-neutral society
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#Circularreconomy combines doing business and saving the planet. Now let's apply it to the #domesticmarket.



Operating models for sustainable well-being and work
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All Finns must contribute to sustain well-being in Finland. New flexible models need to be tested soon. #newwork #sustainabilitygap

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Experimentation culture is the new black. Who is ready to join in: #government #defenceforces #municipalities #universities?

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47 years of foresight. Quo vadis @SitraFund? #boardreport

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The Nordic model provides a superb basis for sustainable development. Let's add environment to the mix and reframe our ideas of #wellbeing.

Empowering society
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There are drop-in health checks for cars, why not for people? The healthcare sector needs to think hard what future customers truly want.

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