

SITRA

Annual Report and Financial Statements 2014





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.

The future-oriented Sitra has been fulfilling its statutory obligations for 47 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.

2014 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 2014 to the Finnish Parliament.

Helsinki, 13 March 2015

On behalf of Sitra's Supervisory Board

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The Supervisory Board's statement

Finland's old social order is being shaken up by a new period of challenges. Rapidly accelerating climate change, technology interwoven into our everyday lives and political and financial uncertainty are reshaping the world around us. The changes are coming at such a rapid pace that institutions, legislation and practices are having trouble keeping up. Finland is in urgent need of a vision that will keep our eyes boldly on the future, but decisions and goal-oriented action must also be taken in order to make that vision a reality.

Sitra's role and significance as a self-financed and independent future-oriented organisation is emphasised in times like these. Sitra acts as a key predictor and an agile enabler and launcher of social change, as is expected of an organisation operating under parliamentary supervision.

The reform that Sitra's strategy and operating model underwent in 2011 and 2012 is now beginning to pay dividends. Sitra is now more visible than ever in Finnish society, and the outcomes of building a better future for Finland are truly making a difference in the everyday lives of its citizens.

Everything that Sitra does for the betterment of Finland's future is based on the vision of Finland succeeding as a pioneer in sustainable well-being. By sustainable well-being, we refer to the One Planet Living approach; i.e. not exceeding the earth's carrying capacity in our pursuit of a good life. This vision of a sustainable well-being pioneer is the basis for Sitra's three content-based focus points or themes: *Empowering society*, *Resource-wise and carbon-neutral society* and *Practices for sustainable well-being and employment*.

One of the highlights of 2014 was the emergence into the wider public discussion of the agility of administration, which has been long advocated by Sitra and a concise strategic government programme. The work concerning public sector management systems and e-services also moved forward: the development of the national data exchange layer progressed from words to action and, led by the Ministry of Finance, its production environ-

ment will come into service in spring 2015. With the support of Sitra's specialists, a legislative proposal was prepared on e-authentication, which plays an integral part in the further improvement of e-services.

Sitra's work as a healthcare developer was continued through the launch of the piloting of the virtual clinic model, which benefited from the positive experiences during the practical trials on self-care, as well as through the preparation of a national genome strategy in co-operation with the Ministry of Social Affairs and Health. Sitra was also an active participant in the discussion on how the social welfare and healthcare services should be organised through the introduction of its single-channel funding model based on service packages.

In the field of ecological sustainability, regional resource wisdom is finding its way to the strategic core of many cities in Finland as a result of the development work conducted by Sitra in Jyväskylä. Examples of the success of the persistent efforts to engage Finnish industry in the promotion of resource wisdom and carbon neutrality include the industrial symbiosis model and the Climate Leadership Council, a registered organisation founded by Sitra and a group of leading figures from major Finnish industrial companies.

Sitra's operating activities are funded by the return on its endowment capital and corporate investments. At the end of 2014, the market value of Sitra's endowment capital was 739 million euros, and the yield from invested assets was an excellent 9.3%.

In the Supervisory Board's opinion, Sitra's finances are stable and its operations are under excellent management. At its meeting on 13 March 2015, 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 15,662,558.57 euros from the financial year 2014 to the retained surplus/deficit account.

Helsinki, 13 March 2015

Ben Zyskowitz, Pirkko Ruohonen-Lerner, Jouni Backman, Timo Kalli,
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./ Anton Mäkelä



Board report

Building a better future

Sitra's operating environment

Interdependence and the pressure to undertake structural reforms grew in 2014. Europe and Finland have long had the pleasure of reaping the rewards of growth, and now that the growth has halted with no signs of it picking up again, it is beginning to dawn on us how difficult it is to make decisions on the necessary structural reforms. Abandoning old operating models has been as slow as ever and, at times, also painful. Some insist on blaming the business cycle, even though what we have is in fact a permanent state and a tangible transformation. The entire continent is in need of wide-ranging reforms in order to succeed in international competition.

The changes are coming at such a rapid pace that institutions, legislation and practices are having trouble keeping up. Similar to other countries, society, businesses and citizens in Finland are now feeling the pressure to remain synchronised like never before. Examples include the transformation of working lives, many climate and energy issues, and our well-being ideology, which is based on consumption and the euro.

The largest single change in 2014 shook the Finnish security environment. For the first time in a long period, the Ukraine crisis focused minds in Finland on the traditional approach to security – the kind that relies on national defence, preparedness and national security authorities. On the other hand, phenomena such as climate change, rising social inequality, loneliness and marginalisation, cyber threats in a digital world, and a crisis-prone financial system continued to gather strength, exacerbating the feeling of lack of control over life among Finnish people. All these are also examples of the challenges of modern-day Finland, of which many are global and of the kind that affect the very core of our well-being.

As the world and the rules keep changing, the need for agile and goal-oriented decision-making increases. On the one hand, the circumstances call for the ability to create foresight-based long-term visions that can be used as a basis for implementing long-term structural reforms but, on the other hand, the readiness to react to sudden changes of direction is also required.

In 2014, crisis awareness in Finland grew to new heights and we acknowledged the necessity of structural reforms. The analyses of Finland's economic prospects by international credit rating agencies were also proof of this. Many political issues were in limbo, awaiting decisions, but eventually some decisions were made. If not evident before, the social welfare and healthcare reform finally showed that a framework decision from the top level does not

suffice – the practical implementation process and other relevant solutions have a big impact on how well a reform is realised. In the social welfare and healthcare sector, among others, development work is set to continue for a long time. The vision must be consistent, down to the smallest detail.

What Sitra does in practice

Sitra's current operations are heavily influenced by independence, responsibility and the future. In practical terms, this means that everything that Sitra does looks to the future: we may be taking concrete action now, but our proposals and justifications are based on our vision of what the future will be like. Basing all our operations on facts shows how dedicated we are to acting responsibly. As an organisation that finances its operations with the returns of its endowment capital and that operates directly under parliamentary supervision we are an independent player with no political or financial ties.

In its capacity as a future-oriented organisation, Sitra is not keen on quick fixes. It focuses on enabling major structural reforms by means of studies, practical trials and well-grounded proposals. Sitra's special role as a visionary and action taker extends to various levels of society: for example, Sitra can act as an expert advisor on preparing legislative proposals in one key area, while carrying out small and agile practical trials in another. Sitra can also easily take on the role of a facilitator, inviting and gathering together players from various sectors in order to solve social problems. The demand for a think-and-do tank like Sitra seems now to be greater than ever.

The content of Sitra's three themes is all about making its vision for sustainable well-being a reality. In practice, Sitra is reshaping the future under these three themes by carrying out two-year project-based focus areas and through training, research and fund investment activities. A brainstorming phase including a search for ideas and preparation is followed by a practical implementation phase. After the work has been concluded, as a rule, its impact is monitored for approximately three years. At Sitra, brainstorming and preparing new content is an ongoing process in which both internal and external stakeholders are engaged. Clear and measurable goals are set for everything that Sitra does; their achievement is monitored actively throughout the implementation phase and is assessed at the end of each project.

TOWARDS SUSTAINABLE WELL-BEING

Forty-seven years ago, the Finnish Parliament established the Finnish Innovation Fund Sitra as a gift to the people of Finland. Sitra's statutory 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. 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 include the transformation of people's working lives and tackling the fiscal sustainability gap. These challenges form the basis of Sitra's vision: **Finland will succeed as a pioneer in sustainable well-being.** By sustainable well-being, we refer to the One Planet Living approach – in other words, not exceeding the earth's carrying capacity in our pursuit of a good life.

THE WORK IS CARRIED OUT UNDER THREE THEMES

Through the **Empowering society** theme, we promote the necessary conditions for human well-being and new operating models and business for well-being.

Through the **Resource-wise and carbon-neutral society** theme, we create the conditions for a resource-wise and carbon-neutral society and for business operations advancing towards this goal.

Through the **Practices for sustainable well-being and employment** theme, we advance sustainable well-being at work and in employment with the help of new funding and operating models.

Empowering society

THE FINNISH WELFARE SOCIETY has reached a point where its economy is at risk of crumbling and the ageing of the population is putting extra pressure on service requirements. We are facing new types of challenges that affect Finland as a whole. In Sitra's opinion, our service structures should be human-centric and promote well-being, and their development should be strongly based on foresight; in other words, predicting future needs.

Sitra's long-term work in the field of social sustainability is marked by the idea of society as an enabler and of individuals as the best experts on their own lives and personal needs. The work is therefore focused on socially enabling

structures and systems, while also promoting freedom of choice and opportunities to influence. Administratively, the *Empowering society* theme is divided into five focus areas, which deal with different systemic changes related to the main theme.

The focus areas' targets in 2014 include the following: self-care and embedding it in the healthcare system, alongside the development of a national genome strategy; the national data exchange layer and e-authentication (in co-operation with other public actors); the *Tajua Mut!* (Understand Me!) "flagging" system for early intervention in youth work; the *Palvelutori* model, a one-stop service

Digitisation and genome data are changing healthcare

A decline in the dependency ratio and deterioration in the economic situation means that healthcare services cannot be built by following the existing patterns, but by looking to the future and boldly implementing reforms. Advances in digitisation and the use of genome data combined with people's desire to take responsibility for their personal well-being will radically change what type of healthcare services will be needed in the future. The service structures of the healthcare sector must therefore be analysed from a long-term perspective, while taking into account the viewpoint of the customers of the future rather than focusing on the current situation.


Sitra has identified two separate dimensions. First, how could the digitisation of healthcare services free up resources to actually treat people and interact with them, and how can we identify which services can be left to technology and which services require a healthcare professional? The second dimension covers the opportunities for exploiting ever-developing genetic information, not only for the prevention but also the diagnosis and treatment of illnesses. These two dimensions require completely different approaches to analysis and development: for the digitisation of services and self-care, the right approach is a system of pilot schemes, while the genetic information dimension requires thorough groundwork, which in practice refers to the national genome strategy and the updating and supplementing of the rules and legislation related to genome data.

Funded by Sitra in 2013 and 2014, services designed to make the everyday lives of people easier – such as remote

consultation, computer-aided self-assessment and advanced self-care – were tested through various projects around Finland. The aim was to promote the transfer of the emphasis in healthcare and social services from the treatment of illnesses to health promotion, early intervention for addressing symptoms and lifestyle choices. Linking the lessons learned from the testing with the experiences of healthcare developers led to the idea for a new concept for shaking up the existing structures, attitudes and thought patterns of healthcare: *the virtual clinic*.

The virtual clinic is an electronic alternative to visiting or calling a health centre. A web-based service channel analyses an individual's personal medical files, well-being, any health information collected by the individual and information based on medical data and then uses it all to provide advice, observations and recommendations for treatment. The features of the virtual clinic model's automated services include a personal electronic health check-up and a preliminary assessment of symptoms. This way, healthcare professionals can gain an overall view of a patient's medical history and state of health before the first appointment – if visiting a doctor is even necessary. The virtual clinic model is being piloted extensively in Hämeenlinna in 2015.

Digitisation and the increase in self-care have long been strong trends in the field of healthcare, but the opportunities presented by the use of genetic information are also expected to change things in the future. Given the growth of genetic information available, Sitra aims to ensure that genome-related information will be put to effective use as part of individual well-being, healthcare and the prevention of illnesses on a national scale in Finland.



concept, for supporting the independent living at home of older people; and a new funding system for social welfare and healthcare services. As a business developer, Sitra's focus was on creating a business ecosystem for health technology by acting as a bridge builder between businesses, the third sector and public administration, and through supporting start-ups in exporting their expertise to international arenas.

New winds will blow in 2015: four of the five focus areas of the Empowering society theme will move from active implementation to the monitoring phase. Practical action will therefore be accompanied by active strategy work aimed at identifying the next focus area for the theme.

With this in mind, Sitra and the Ministry of Social Affairs and Health set forth to prepare a national genome strategy for Finland in spring 2014. The strategy and the related proposals for action are expected to be completed during spring 2015.

Information systems rationalise processes

In the development of electronic services, the challenge has been the current patchwork of information systems, which are expensive and not mutually compatible. Finland has squandered its brilliant future prospects related to e-authentication: the star pupil of the early 2000s is at risk of being left behind in the development race. Achieving the social welfare and healthcare sector's goal of becoming more customer-oriented has been hindered by the lack of forward-looking information and systems that support decision-making. How can technology be the stumbling block in an accomplished information society such as Finland?

E-services have been developed in Finland under a wide range of programmes, but the foundations on which the services have been designed have fallen short of the mark. Sitra has been declaring the importance of fixing these foundations for years, and now its persistence has started to pay off.

Back in 2013, the Finnish Government decided to introduce a national data exchange layer, to be built on the basis of an Estonian model with the strong specialist support and help of Sitra. The operating principle of a data exchange layer is to gather the personal, medical and registration data of an individual from various information sources for the purpose of providing safe and seamless ac-

cess to it in a single location. Led by the Ministry of Finance, the realisation of the data exchange layer was launched in 2014, and it will be put into service in spring 2015. Sitra will be participating in this project until summer 2015.

In late November 2014, another important milestone was reached in the field of e-services when the Finnish Government proposed that the Act on Strong Electronic Identification and Electronic Signatures should be amended. At Sitra, preparations for a national model for e-authentication were launched as early as in 2011. This work continued up until the completion of the draft law, most recently under the Ministry of Finance's working groups. The act is scheduled to enter into force on 1 May 2015.

In parallel with the development of the public sector management system as a whole, work has also been moving forward in the social welfare and healthcare sector. The development of a business intelligence (BI) model and the related information system for social and healthcare services, which was launched in 2011, ended in 2014. The South Karelia Social and Health Care District (Eksote) served as a piloting environment. It was chosen because the information available to Eksote's management was so stuck in the past and dispersed among different systems, and the indicators used in monitoring were so operative and function-specific, that they were hindering any kind of human-centric changes. An up-to-date picture of the current state and access to forward-looking information was necessary for supporting Eksote's management in their duties.

The BI model for social and healthcare services, and the related information system, were created through close co-operation between Sitra and Eksote. In September 2014, a Business Intelligence Handbook for Social and

Healthcare Services was published to facilitate the wider application and introduction of the operating model. For Eksote, the BI model is now a tool used in daily management activities, and the excellent user experiences have led to at least five other hospital or social and healthcare districts in Finland investigating the possibility of adopting it.

The current state of the development of electronic systems is still not looking too bright, but 2014 has shown that long-term co-operation is in fact an effective way of getting the ball rolling. As demonstrated by the above-mentioned projects, comprehensive and open-minded co-operation among public sector organisations is required. Sitra has been providing its expertise in support of the projects from the early stages of planning all the way to the implementation phase.

Why not ask the individuals themselves?

What type of services do older people in Finland, who are the most educated and healthy pensioners in the world, need? How can concerned adults prevent young people from getting lost in the margins of society? What types of health services do Finnish people need, and at what stages in their lives? Sitra's work in the field of social sustainability is defined by the idea of society as an enabler and that individuals are the best experts on their own lives and personal needs. So why not ask the individuals themselves what they need?

At present, the services offered to older people are largely built on the basis of the needs of previous generations. However, baby boomers that are in good health are used to being masters of their own lives and active members of society. Reaching retirement age does not change anything, nor should it. Along with the cities of Turku and Tampere and the Finnish Association of Retired Persons, Sitra has developed operating models for increasing older people's participation in society and supporting their independent living at home. Examples include strengthening the role of advisory councils for older people, piloting the personal budget model and the development and dissemination of a one-stop service concept (*Palvelutori*) as a customer and service management model for use in providing services for the elderly.

The underlying idea of using this one-stop model for services for older people is to make sure that those in need of services have access to the appropriate service providers, regardless of whether they operate in the public, private or third sectors. The starting point must always be the life situation and service needs of the individual in question. Surveys have shown that from the customer perspective, the concept has improved the quality of services

while reducing the costs. The concept is based on the *kotitori* model in use in Tampere, which, with support from Sitra, has also been introduced in Turku, Rauma and Pori. In 2015, the operating model will be introduced nationally.

Looking at another target group that is facing a different set of challenges, Sitra's vision for the remedies required to prevent the social exclusion of young people are not that far removed from the principles of the one-stop service model for older people. Young people are also in need of a holistic service concept through which they would have access to low threshold assistance and support, wherever and whenever they need it. While only a small number of young people are on the margins of society or at risk of social exclusion, this group is of great importance from the perspective of social and economic sustainability.

In 2014, Sitra launched two pilot projects, in Mikkeli and Espoo, to try out a flagging system that has its origins in the Netherlands and that is designed for providing early intervention in youth work. At the core of the operating model are the expressions of concern of two professionals who work closely with a young person (for example, a teacher, youth worker or doctor), who can then contact the young person and family members to ask if help, and what kind of help, is needed. Through this system, young people get an opportunity to say what they need help or support with. Some further tests are planned for the flagging system, but in the meantime it is already spreading to other cities. Future plans for the system also include integrating it into the chat-based service for young people, *Suunta* (Direction), developed by Sitra and Save the Children Finland.

Sitra advocates freedom of choice, which is also one of the EU's requirements, as a driver of change with respect to the hot potato of 2014: the funding of social welfare and healthcare services. The funding system for social welfare and healthcare services means that there is currently an unequal provision of services to those Finnish citizens in need, which is often based on where they live and their situation in life: access is not being provided to everyone on an egalitarian basis. According to the National Institute for Health and Welfare's report published in 2013, one third of Finnish people have to wait up to five weeks to get an appointment with a health centre doctor. However, there are huge differences from case to case.

The solution that was reached in March 2014 – a new, integrated social welfare and healthcare system – is a major step in the right direction both from the customers' and cost-management perspectives. But the multi-channel funding system is one of the main problems with the modern healthcare system, and the solution does nothing

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to address that. Many key decisions that affect the public are only taken in conjunction with an agreement on how the funding will be organised.

Sitra presented its own proposal for the funding system as early as in 2010, and published a revised version of it in October 2014. Sitra suggests making a clear distinction between the roles of service providers and service producers. In Sitra's funding system, customers would decide themselves which primary healthcare service producer they want to use, selecting from among public and private operators. As a rule, the money would follow the customer and thus find its way to the producer. This would provide service producers with an incentive to use the quality and effectiveness of their services to compete against each other.

Other key aspects of Sitra's model include the productisation and pricing of services in the form of a service package. Service packages priced in advance would mean that the system would allow comparisons, provide information on quality and improve the transparency of the system, while also serving as a performance management tool.

Once the functioning of primary healthcare has been ensured, a thorough restructuring should also be performed also on occupational healthcare by transferring its hospital services to primary healthcare. This would help to harmonise the system and ensure the equality of the system as a whole.

Reforming the funding system for social welfare and healthcare services requires wide-ranging and open co-operation, in which Sitra is also participating and contributing. This work will continue in 2015.

THEME HIGHLIGHTS IN 2014

Solutions for e-well-being (10/2012–12/2015): developing the *“virtual clinic”* concept based on electronic self-care services and preparing a national genome strategy.

Towards an information society (10/2012–06/2015): building a national data exchange layer and developing e-authentication in co-operation with the Ministry of Finance.

Solutions for public service management (10/2012–06/2015): practical trials of the *Tajua Mut!* (Understand Me!) flagging system for early intervention in youth work in Mikkeli and Espoo.

Active citizen – at all ages (04/2013–06/2015): further development and dissemination of the Palvelutori model for enabling older people to continue living independently at home.

Social and healthcare financing (01/2014–06/2016): the proposal for a new funding system for social welfare and healthcare services.

INSIGHT

A national (genome) strategy creates competitiveness***Genome data will become an everyday norm for us all***

Finland will succeed as a pioneer in sustainable well-being. This is the vision of Sitra, and everything we do is aimed at achieving it. Having a vision is important, but it is equally important to find the path or roadmap that will help you reach the goal. That is why we always ask questions such as: what concrete action needs to be taken to make a change? What obstacles to change need to be removed? What ways are there to accelerate change and to identify the persons holding a key position along the path towards change?

In Sitra's opinion, making use of genetic information will, alongside digitisation and the increase of self-care, revolutionise traditional healthcare. Sitra aims to ensure that genome-related information will be put to effective use as part of individual well-being, healthcare and the prevention of illnesses on a national scale in Finland. Finland has what it takes to become a global leader in genomic medicine, and there is huge innovation and business potential in genetic information for Finland. We are now standing at the crossroads, and it is time to choose which way to go next.

Finland cannot match the millions invested by the UK and Germany, but we have other factors working in our favour. In addition to a comprehensive range of high-quality healthcare and medical research, by international comparison the citizens of Finland are supportive of medical research and we have a modern act on biobanks that enables the use of samples of human origin with the donor's consent as well as

the fully anonymous use of the samples in research and product development. Healthcare registers and databases that can hold their own against any benchmark make it possible to link genome data with the special features of illnesses in a manner that can only be used in a few countries in the world.

However, many questions remain unanswered regarding the use of genome data in healthcare, from both individuals' and society's perspective. The areas in which all the questions have not yet been answered include ownership, ethics, business opportunities, the utilisation of information systems and the integration of genome data into clinical healthcare.

In some cases, achieving the goal and bringing about change requires an amendment of the law, while at other times practical trials, ministerial working groups or workshops, or further research are a more appropriate approach. Other methods include reports, which are not always to the public's liking, and seminars. With respect to genome data, a mutual agreement and rules will need to be established before answers to the remaining questions on how the data can be used are found. For this reason, Sitra joined the Ministry of Social Affairs and Health in the preparation of a national genome strategy for Finland in autumn 2014. In practice, this work has involved six workshops and expert discussions. The draft strategy will be widely discussed during spring 2015. The national genome strategy, including proposals for action, is scheduled for completion during year 2015.

There is great potential for growth in the field of genetics, but the groundwork must be done properly. A tree needs to have strong roots and a house needs a solid foundation. Preparing national strategies is an important part of laying a foundation for whatever development work is needed in the future.



Resource-wise and carbon-neutral society

THE SEARCH IS ON FOR SOLUTIONS for combating climate change and the depletion of natural resources, the key global challenges of today. The challenges are large and difficult, so sights must be set far into the future, but more immediate decisions and concrete action are also a necessity. In Finland and elsewhere in the world, systemic and phased plans of action – i.e. long-term roadmaps – will be required to guide us towards a carbon-neutral society. But the ability to make rapid decisions is also required, because countries and businesses that become pioneers will have the opportunity to benefit the most from the rapidly growing global markets for cleantech.

Fewer conflicts between financial and ecological benefits

In many ways, Finnish companies play a key role in building a resource-wise and carbon-neutral future. If acting in the best interest of the environment cannot be made economically sensible, this goal will not be met. Profitable and sustainable business is an effective response to global environmental problems. Currently, success is hindered by the difficulty of introducing new solutions to the market and the lack of a domestic cleantech market, for example. In order for Finland to reach its goal of becoming carbon-neutral by 2050, Finnish industry must strive towards the same goal. In Sitra's opinion, ambitious goals require close co-operation in matters of all sizes.

Sitra works in close co-operation with major industrial companies in order to commit them to developing their operations, production and products in a way that helps them first become low-carbon and, later, carbon-neutral. One of the outcomes of this co-operation is the registered organisation Climate Leadership Council, founded in April 2014 for the purpose of improving the ability of Finnish commercial and research organisations to tackle problems caused by climate change and depleting natural resources while promoting new kinds of sustainable business activity. The founders are a group of presidents and CEOs or board chairpersons from Neste Oil, Fortum, Kone, Outotec, Caverion, ST1 and Sitra. As members, the Climate Leadership Council welcomes companies and research institutes, private individuals and organisations that strive to meet the council's objectives in their own activities. The council's member companies and research institutions are represented by their leading figures. New members are joining the council all the time.

Being a trailblazer requires setting ambitious goals. Sitra's vision is that Finland will be a carbon-neutral and resource-wise society by 2050 at the latest. Everyone in Finland should get on board with this vision.

While climate change and depleting natural resources are two of the largest global problems, combating them has also created one of the most rapidly growing business areas in the world. The value of the global cleantech market is roughly 1,600 billion euros, while the global circular economy market is worth nearly 1,000 billion euros. Based on Sitra's survey, the circular economy has the potential of generating a minimum of 1.5 billion to 2.5 billion euros

In spring 2014, Sitra and the Climate Leadership Council launched an initiative aimed at creating a reference area in Finland that meets ambitious international standards. The initiative's aim is for Finland to end its use of coal and that the Helsinki Capital Region be developed into a global driver of clean energy and cleantech. The Finnish cleantech sector is in dire need of some local references. Sitra and the Climate Leadership Council are actively endorsing their joint initiative.

The work launched in 2013 to increase co-operation between companies through industrial symbioses ended in 2014. The principal idea of industrial symbiosis is that one company's waste, side stream or untapped resource is the raw material of another company. Production waste and waste materials and energy are being utilised as raw material or energy in either the same or a different value chain. Industrial symbiosis provides companies with an opportunity to generate substantial financial savings and ecological benefits. Based on Sitra's surveys, as many as 86% of the companies that applied to participate in an industrial symbiosis achieved savings, and one third improved their bottom line.

As the result of two years of development work, the Finnish Industrial Symbiosis System (FISS) was created on the basis of the British National Industrial Symbiosis Programme (NISP). FISS invites those who produce and those who make use of side streams to the same table to explore what opportunities they have for co-operation. A website for raising awareness of industrial symbiosis was also launched (<http://teollisetsymbioosit.fi>). At the end of 2014, the system and the website were handed over to Motiva Oy for further development and dissemination.

a year in added value for Finland. Despite its small size, Finland is in a good position to do well in global competition: high standards of education, solid technological expertise and a good reputation as a cleantech operator are our pillars of success.

So what should Finland do? The main elements of Sitra's roadmap include an ambitious vision and extensive co-operation, alongside other key players such as businesses, local authorities and cities, households, and public administration. When the goal is to enact an extensive systemic change, everyone needs to contribute. Naturally it requires information, operating models, removing administrative obstacles, business expertise, practical trials and piloting, and networks, but just as essential are enthusiasm, the capacity to take responsibility, to think innovatively and to work with others. In addition, the best international practices need to be sourced constantly and the related information brought to Finland, with the aim of

applying them in completely new areas. This, if anything, is the forte of a think-and-do tank.

In 2014, four of the focus areas of Sitra's Resource-wise and carbon-neutral society theme were in their active development phase. Examples of the work done to build a resource-wise and carbon-neutral future for Finland include: the development of a regional operating model for resource wisdom in Jyväskylä; the promotion of industrial symbioses; the establishment of the Network for Sustainable Mining; and the founding of the Climate Leadership Council. In 2015, the focus will be on developing consumer-driven operating models for the circular economy, building a cleantech reference area on an international scale, and disseminating the best practices of the operating models that have already been created, such as regional resource wisdom and industrial symbiosis.

Five internationally competitive business consortia based on industrial symbiosis (modular solutions for waste and side streams, closed-loop recirculating aquaculture systems, transforming landfills into resource-wise eco-technology parks, and distributed low-sulphur bio-oil production solutions) were formed in order to stimulate business activities based on industrial symbiosis. After Sitra's exit, the consortia will continue to operate independently.

In many lines of business, discussions and action are required in order to establish common social responsibility standards before the promotion of sustainable development can begin. One such sector is the Finnish mining industry, which has been heavily criticised in recent years. Sitra has been involved in gathering together Finnish mining companies and their key stakeholders affected by the mining operations in order to form *the Network for Sustainable Mining*.

The network's work got off to a flying start. Its purpose is to develop responsible operating models and measurement indicators that are both internationally compatible and recommended for Finnish mines. The network's motivation is also the need to improve mining practices in a way that reduces the environmental risks and adverse effects of mining activities on local inhabitants and other sources of livelihood in the area.

The work of the network was officially launched on 27 May 2014, and operating under it are several working groups that deal with issues related to social responsibility and the local way of doing things, among other things. The network is also preparing voluntary social responsibility standards and tools for the use of the mining industry in Finland. The Network for Sustainable Mining op-

erates under Sitra's lead until the end of July 2015. After that, it will receive financial and administrative support from the Finnish Mining Association (FinnMin).

Cities as drivers of resource wisdom

Finland has not performed well in the past in the European Environment Agency's environmental assessments regarding resource efficiency: by international comparison, our use of materials and energy is wasteful.

This means that we still have a long way to go if we want to become a pioneer in resource wisdom, but some progress has at least been made in the last two years. As a result of the intensive development efforts of Sitra and the City of Jyväskylä, at the end of the year under review Jyväskylä declared that its target for 2050 was to be the first resource-wise, zero-waste, zero-emission and sustainable city in Finland. The roadmap for Jyväskylä is complete, but the "to-do" list is long.

An operating model was developed under a joint project between Sitra and Jyväskylä through which the city can collaborate with local residents, businesses and communities in order to use resources more wisely. The aim is to revitalise the area and improve the well-being of residents while providing local businesses with the opportunity to make resource wisdom a source of sustainable competitive advantage. Performance will be monitored through four key indicators that Sitra has developed with the Finnish Environment Institute and the National Institute for Health and Welfare.

Practical trials have been a key method for finding new ways of doing things in Jyväskylä's pilot project. Over the course of two years, Sitra first organised and funded 15 short-term practical trials and, later, four different pilot

projects in Jyväskylä. In total, more than 25,000 residents of Jyväskylä participated in various ways in the practical trials, projects and other activities. The leftover lunch practice developed under the Towards resource wisdom project has already been disseminated for use to other municipalities and cities around Finland.

In addition to the city of Jyväskylä, which is the project's "engine", representatives from Helsinki, Lappeenranta, Turku, Lahti, Forssa, Mikkeli, Joensuu, Pori and Tampere attended city workshops in 2014 in order to develop operating models for resource-wise cities. Since then, Forssa, Lappeenranta and Turku have followed Jyväskylä and committed to the resource wisdom targets. Supported by Sitra's expertise, these cities will draw up a roadmap and start using the operating model in spring 2015. The goal of these cities is to become sustainable, waste-free and carbon-neutral by 2050 at the latest.

What can the government do to promote ecological sustainability?

Finland should set a sufficiently ambitious goal in order to promote the achievement of ecological sustainability, and then strive to achieve that goal one step at a time. In Sitra's opinion, energy, climate, transport and business

policies, for example, could encourage green growth, the renewal of the traditional industry and the creation of jobs a lot more. Ambitious political goals and laws create conditions for new innovations, technological advances and enhanced competitiveness in the rapidly growing green economy market, while attracting new expertise and cleantech investments to Finland.

New forms of collaboration are also needed. One example is the expert panel on sustainable development, which started its operations under Sitra's lead in 2014, tasked with providing a scientific viewpoint to Finnish politics. This panel of scientists has challenged, evaluated and prepared topics for processing by the Finnish National Commission on Sustainable Development, led by the Prime Minister, and this work will continue in 2015.

Sitra produces factual information for use by decision-makers in developing an environmental governance model that encourages innovation, compiles networks and creates practical operating models for use in building a resource-wise and carbon-neutral society. Climate change and depleting natural resources are such enormous systemic challenges that Sitra or any other player cannot tackle them by themselves. We need to form a common vision and engage everyone in close-knit co-operation.

THEME HIGHLIGHTS IN 2014

Industrial symbiosis (01/2013–12/2014): served as a catalyst for five internationally competitive symbiosis-based business consortia and developed an operating model for industrial symbiosis.

Resource wisdom (01/2013–06/2015): developed an operating model for a resource-wise and carbon-neutral city and encouraged the first cities to set ambitious targets for ecological sustainability.

Carbon-neutral industry (01/2014–12/2015): founded the registered organisation Climate Leadership Council with a group of leading figures from major Finnish industrial companies.

Network for Sustainable Mining (08/2013–08/2015): managed to persuade the mining industry and its key stakeholders to co-operate in a constructive manner and launch the development of voluntary responsibility tools for the mining sector.

INSIGHT

Next step: the circular economy

Ecological sustainability has been on Sitra's agenda in one form or another almost from the day that the organisation was founded. During the last ten years, Sitra's work in the field of ecological sustainability has been particularly holistic and long-term: we have promoted the development of clean technologies, or cleantech, the energy efficiency of the built environment and local energy production, we have investigated the possibility of a sharing economy, and we have supported regional energy efficiency, the generation of industrial symbioses and the industry's transition towards carbon-neutrality.

Each individual project, focus area or programme has advanced some sub-area of ecological sustainability, and various investments and practical trials have been contributing in their own way to the establishment of a cohesive development chain and a close-knit network of co-operation that covers the whole country. While the work has been project-based, it has not been fragmented. The approach has been all embracing. The mammoth task has been undertaken in phases.

The mammoth task refers to the largest global challenge of our time: combating climate change and the depletion of natural resources. On the other hand, it is also a source of economic growth. For some time now, a phenomenon and concept called *the circular economy* has been creating a buzz around the world. On a global scale, its economic potential has been estimated at 700 billion euros and, according to a recent report commissioned by Sitra, this concept for enhancing the recirculation of raw materials and resources would bring Finland at least 1.5-2.5 billion euros of added value a year by 2030. This analysis of the circular economy, drawn up in cooperation with McKinsey, is unique by international comparison, because others are yet to calculate

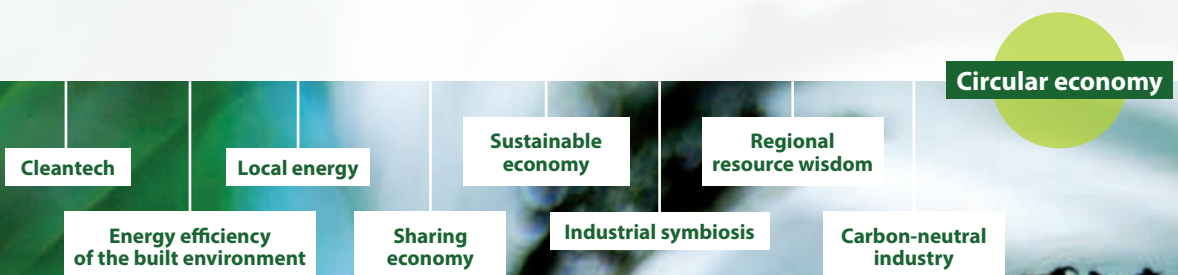
the concept's potential from the perspective of the entire country. The concept of a circular economy is a combination of many of the aspects of energy and ecology explored through Sitra's work in the last decade. The principal idea of the circular economy is that materials and their value are maintained while they are being circulated. This will help us prepare for the uncertainty of supply and price increases

caused by dwindling natural resources. Products and services will be designed in a way that enables their reuse, refurbishment or recycling as raw materials in accordance with the principles of resource wisdom. Second, the circular economy emphasises new business models that companies can use to ensure that their raw materials are circulated. The third key element of the circular economy is industrial symbiosis: production waste and waste materials and energy are utilised as raw materials

or energy in the same or in a different value chain.

In other words, the circular economy concept refers to a well-planned economic system in which wasting materials and generating are minimised. Growth can be stimulated by reducing the use of natural resources. The circular economy is the engine that will help match economic growth and well-being with the earth's carrying capacity. Finland has all the resources in place for making use of the business opportunities provided by the circular economy and for becoming one of the most competitive countries in the world. To achieve that position, we need to establish a common vision for the public sector, business life and citizens, and to remove all the obstacles. The right mindset, shared by all, will help make the circular economy a reality. So why not take full advantage of this opportunity to make the world a better place, and reap the economic benefits at the same time?

The circular economy is the engine that will help match economic growth and well-being with the earth's carrying capacity



Practices for sustainable well-being and employment

WORKING LIVES AND THE LABOUR MARKET in Finland are changing rapidly and significantly. IT has expanded to many new areas and the introduction of automation is reshaping production and services, while international competition is also shifting from the sector and business level to specific functions and to the individual level. New technology does create new jobs and occupations, but at the same time conventional, often average-wage, work is disappearing. The binary divide between experts in high positions and workers who perform routine tasks is also becoming wider, creating tension.

The effects of these challenging trends are clearly visible in the Finnish job market. The number of industrial jobs has decreased in particular compared to the turn of the millennium, and the structure of employment relationships has changed. More people are now self-employed or freelancers, or working part-time or in companies with fewer than 10 employees. Among major Finnish employers, the only sector in which the employment rate has continued to grow is the municipal sector.

Work crystallises many of the future challenges for Finnish society, from the perspective of individuals and

Employees as drivers of productivity rather than targets of savings

One conventionally sees the improvement of productivity and a high-quality working life as representing opposite ends of the value scale. However, Sitra's Productivity from Quality of Work Life project (2011-2013) managed to combine the two with excellent results. Covering five municipalities, the starting point for the project included two hypotheses: employees are the key productivity factor in any organisation and higher quality working lives can be used to improve productivity.

The project showed that employee-driven development in the workplace can have significant financial effects and improve the employees' perception of the meaningfulness of their job. According to the impact assessment of the project, completed in summer 2014, the value of its positive effects on productivity in the participating municipalities was approximately 2.7 million euros. A handbook on the operating model was compiled in spring 2014, and the dissemination of the lessons learned will continue as part of a municipal sector development programme called Kunteko, led jointly by Local Government Employers (KT) and the principal negotiating organisations for municipal employees. These types of human-centric operating models that produce a chain of positive effects is exactly what the Finnish work life needs amid the disadvantage arising from economic decline.

Impact investing generates both beneficial impacts and financial returns

Sitra is seeking to generate a beneficial, social or environmental impact, as well as a financial return, through its Impact investing focus area, launched in 2014. Impact investing is a funding and operating model for developing novel solutions through which various social challenges can be addressed.

It is a way of stepping up collaboration between the public and private sectors and social enterprises, by steering private equity towards projects aimed at promoting well-being. From the viewpoint of investors, impact investments fall somewhere between a traditional investment and a charitable donation.

Sitra aims to introduce the impact investing model in Finland: this will involve building a suitable ecosystem, bringing together various stakeholders – the public sector, service providers and investors – and testing the model's suitability for Finnish society.

In its current form, the operating model has only been around for a few years. Elsewhere in the world, impact investing has been used to address unemployment, support the re-settlement of released prisoners and promote the educational opportunities of young single mothers, among other things.

Sitra's work began in spring 2014 with the development of an impact assessment tool for measuring the productivity of the core activities for which the operating model was designed. Preparations are under way for a pilot project for promoting public sector well-being at work, to be funded through the model known as the Social Impact Bond (SIB). The promotion of the well-being of children and families with children and the prevention of the social exclusion of young people are being explored as potential areas for new practical trials and pilot projects.

Taking the role of a pioneer in impact investing exemplifies Sitra's fundamental development work, which is still at its early stage, and is aimed at creating totally new operating models and development instruments.

Basic income experiment would require a law amendment

As the dependency ratio continues to decline, every hour worked and the work input of every Finnish employee be-

society as a whole. From the perspective of improving productivity, work has been on Sitra's agenda ever since the projects implemented under the Public Leadership and Management Programme, such as the *Productivity from Quality of Work Life (LATU)* project and the 2011 *Forum for New Work*. At the beginning of 2014, work became one of Sitra's three content-based themes. The first focus area of the theme introduces a new funding and operating model to Finland: impact investing.

Sitra aims to bring new operating models to the rapidly changing working life, and to test them in practice. Another aim is to promote discussion on the existing rules of working life and to assess the functionality and reform needs they present amid the ever-changing labour market conditions.

comes crucial. The existing unemployment security system, however, tends to have a negative effect on the activeness of job seekers, and the administrative burden and loss of unemployment benefits seem more like belonging to a system where people are being punished for choosing entrepreneurship or short-term part-time employment. From the viewpoint of Sitra, every hour worked should be financially worthwhile for the employee as well as the employer. To achieve this, the jungle of support systems must be harmonised and clarified.

Based on a report by the think tank Tänk, commissioned by Sitra and the Finnish Pension Alliance TELA in autumn 2014, one alternative to the existing system could be basic income, in one form or another. However, further information is required on basic income, and a randomised field experiment would seem the best way to find answers. Conducting such a combination of a practical trial and a study would require certain amendments to be made to the current legislation. For this reason, Sitra has proposed drawing up a law on field experiments during the next term of office, which would allow for the basic income experiment.

Setting our eyes on the turning points of work life

In 2015, Sitra will be delving even deeper into the subject of improving Finnish work life and promoting new work by examining how to remove the obstacles to these goals. The aims of a new focus area, Transformations of work, to be launched in spring 2015, include improving the matching of the labour supply with job opportunities and the status of employees amid the transformation of working lives, especially for those employees who already have or are aiming to find an average-wage job. The primary target groups are higher education students and experienced specialists with long careers. These groups are vital from a social and economic perspective, and they are the ones whose position in the labour market has suffered the most. Jobs are disappearing, and the risk is that those who miss out will not only become unemployed end up with a low-wage job, but also become totally excluded from the labour market.

THEME HIGHLIGHTS IN 2014

Productivity from Quality of Work Life – the project's impact assessment confirmed that employee-driven improvement of productivity and investing in the quality of people's working lives generate significant savings for municipalities.

Basic income – based on a joint survey by Sitra, the Finnish Pension Alliance Tela and the think tank Tänk, the concept of basic income needs to be tested in practice, but it would require a law on field experiments and a solid research approach.

Impact investing (05/2014–12/2016) – this focus area initiated the discussion on the possibility of generating a beneficial, social or environmental impact, as well as a financial return.

Other social impact work

Training builds social competence

Sitra's training strengthens the abilities of Finnish decision-makers and game changers to deal jointly with key social challenges and opportunities of the future. Sitra's training activities are based on two concepts and are aimed at two target groups.

After a hiatus of nearly ten years, Sitra began to offer economic policy training again, with excellent results. A total of six leadership courses in sustainable economic policy have been organised so far, three of them during 2014. The feedback on the courses has been highly positive across the board, and the training concept is constantly developed to better meet the needs and situation in society at any given time. The leadership courses on sustainable economic policy study the starting point and the way economic policy is managed in Finland, while also discussing the way sustainable development can be promoted and sustainability created with the means of economic policy.

The Synergise Finland forums aimed at developers are six-month training and innovation processes involving the deep exploration of development opportunities related to a specific theme. While learning from each other, the participants search for bold solutions for addressing various social challenges. In 2014, insights and solutions were sought under two themes: June 2014 saw the end of *the New Security* forum launched in late 2013, while *the New Education* forum was launched in December 2014. Enormous amounts of interest and discussion ensured the selection of the theme of New Education, which focuses on the future of the Finnish education sector, and that enthusiasm has continued now that the forum has begun its work. The timing is perfect: there is an urgent need and demand for developing education. The New Education forum will end its work in June 2015.

The training programme "Finland 2015", organised by Sitra between 2000 and 2003, included a comprehensive analysis of Finland's success factors and challenges, and envisioned how a better future could be built for Finland by 2015. That time is now, so we should pause and gather that same group of visionaries to reflect on the future challenges for Finland and whether the past has something to teach us. The preparations were made in autumn 2014, and the training programme's alumni will meet in spring 2015.

Research and foresight look to the future

Alongside strong social development and impact, Sitra looks to the future of Finnish society through research

and foresight. Foresight and research both challenge Sitra's strategy, while the national foresight process and publication activities support the work done by the organisation. Sitra's research activities focus on bringing existing knowledge together, and are strongly linked to practical action.

A great example of this link is a report written by Sitra's President Mikko Kosonen and Professor Yves Doz, *Governments for the Future: Building the Strategic and Agile State*. According to the report, which was published in autumn 2014, there is an urgent demand for a new kind of governance model for strategically agile administration in Western countries. Based on the proposals presented by Kosonen and Doz in their report, Sitra has promoted, for example, reforming the government programme into a concise, strategic agenda and the integration of foresight into the political process and government programme. The proposal to reform the government programme has received wide support that transcends party lines.

Other, more general representations of the future-related research and foresight activities of Sitra include the list of trends and visions.

The annually published Sitra Trends list provides one interpretation of the directions of global change-related phenomena – megatrends. The list of trends creates a basis and tool for discourse that increases our understanding of the visible changes in the world, especially from Finland's perspective. Sitra uses it as a strategic tool in its internal activities, but also as the basis for discussion when studying the changes in our operating environment.

Finland is facing major changes. In its role as a future-oriented organisation, it has fallen naturally on Sitra to create a new vision for Finland – new goals to strive towards under these ever-changing conditions. In Sitra's vision for sustainable well-being, people live fulfilling and meaningful lives without exceeding the limits of earth's resources. It means adopting a holistic approach to well-being and adapting to earth's carrying capacity. The underlying theme of the strategy for Sitra as an organisation is this model for sustainable well-being. Sitra published its first discussion paper on this topic in spring 2013. Since then, the model has been supplemented and an interactive web service (uusijuoni.fi) for promoting the model has been produced, scheduled to be launched on Sitra's website in early 2015.

During 2014, Sitra has also studied more closely the concept of well-being, which forms the core of its vision,

The annual Trend List brings to the fore one interpretation of the directions of global change-related phenomena – megatrends.



as well as the significance of the rise of East Asia and the potential this presents for Finnish society.

Business development boosts growth

Business development and funding is an instrument for implementing Sitra's strategy for sustainable well-being. Sitra looks for new business and funding models and up-and-coming areas where new business activities will emerge, while dismantling structures that hinder economic growth. The best way to do this is through business ecosystems and fund investments.

As a business developer, Sitra's practical task is to bring the relevant parties together and act as a general facilitator, an implementer of practical trials and a provider of capital investment. Co-operating with businesses under the focus areas of Industrial symbiosis, Carbon-neutral industry and Impact investing are excellent examples of how Sitra plays an active role as a business developer and creator of new business ecosystems.

Sitra channels new capital investments to the markets through private equity funds. As an investor, Sitra's activities are market-based; i.e. investment transactions are conducted in compliance with the same investment principles as those that govern other investors. In addition to achieving a high financial return, Sitra uses investments as a tool for promoting its strategic goals by selecting targets with a social impact, such as the reduction of CO₂ emissions or the adoption of well-being technology.

Sitra's fund investments are aimed at advancing the growth of the Finnish business sector, adopting new funding models and identifying foreign funds that may prove useful when building a better future for Finland. In 2014, Sitra invested in Spintop II, a Nordic technology fund based on business angel networks, and the Negawatt

fund for projects aimed at improving the energy efficiency of buildings. In addition, Sitra looked into the possibility of founding a domestic fund for impact investing.

Sitra is a responsible long-term owner, which takes an active part in the development of the companies in its investment portfolio, helping them succeed. During the year under review, two of Sitra's portfolio companies were listed and used IPO to obtain capital for business development purposes. Nexstim, a medical technology company specialising in brain simulation, raised more than 15 million euros through IPO and listed on First North markets in Helsinki and Stockholm. Fibrogen, one of Sitra's long-term portfolio companies that develops anti-anaemia drugs, is listed on the NASDAQ Tech New York and raised approximately 160 million US dollars through IPO.

At the end of the financial year 2014, Sitra's investment portfolio included 35 companies from various sectors, including energy, biotechnology, information technology, environmental technology, industrial production and industrial services. During the financial year, Sitra invested in four new companies and withdrew from three companies. In addition, further investments were made in fourteen companies already in the portfolio.

INSIGHT

Training invites decision-makers to create a financial policy for the future

It was 1977. For a long time, Finland had been on the rise, with the post-war reconstruction period when the foundation for our current wealth was built. But then the Finnish economy ran into trouble it had not faced before, and economic growth had gone as far as it could go. Word was spreading among seminar participants and cabinet members that Finland needed a new direction, competencies and solutions. And so Chancellor *Klaus Waris* and Rector *Jaakko Honko* from the Helsinki School of Economics went to see the President of Sitra, *C.E. Carlson*, and words were turned into action: Sitra was tasked with organising economic policy courses, aimed at people who held positions at the highest level of decision-making in the country, in the same way as the highly valued national defence courses were. The rest, as they say, is history. Sitra, a provider of funding for research and product development was now also a trainer at a societal level.

By 2005, Sitra's economic policy training had come a long way. The courses' topics of discussion included consensus policy in the 1970s, European integration, equality, competition policy and economic boom in the 1980s, the great depression in the 1990s and, finally, globalisation in the 2000s. In total, 63 of these legendary courses were organised in the course of 27 years, and they were attended by nearly 2,000 Finnish decision-makers. The time had come to end the training.

But after a hiatus of less than ten years, the situation started to sound familiar: we had come to the end of the road and Finland needed a new direction, competencies and solutions. Sitra stepped up to the plate with its societal training concept. The economic policy training concept was updated to meet the challenges of today and tomorrow, and in 2013, Leadership courses on sustainable economic policy began.

The key starting point for the content of the new economic policy courses, organised twice a year, was the objective of creating an intergenerational model for economic sustainability. The complex and systemic nature of current social problems means that financial analysis is not sufficient for solving them: ecological and social dimensions must also be taken into account.

But leadership training on sustainable economic policy is something unique. Yes, the participants learn and familiarise themselves with the topics in practice. They make notes, get excited and ask questions. In that respect, the courses are ordinary courses. What makes the training special is its strong focus on the future, strategic social development, methods that support collaborative learning and the wide range of the participants' backgrounds and opinions. Dialogue and networking with other participants remain the most important things that the training has to offer.

When *Raimo Sailas* and *Olli-Pekka Heinonen* talk about leadership, or *Sixten Korkman* and *Piia-Noora Kauppi* do the same about the economy, or *Mika Anttonen* addresses the obstacles of responsible entrepreneurship, or *Juho Saari* offers his thoughts about poverty and loneliness, directors general, economists, professors, MPs and CEOs listen. And discussions ensue, sometimes even slightly heated ones. This is what leadership training on sustainable economic policy is all about: establishing a mutual understanding of the way economic policy should be managed in Finland in the future. There is great demand for visionary leadership that looks far into the future, but a common will and co-operation is also required. This is what Sitra's courses provided in the past, and the new courses continue to provide now. In 2015, leadership training on sustainable economic policy will once again bring together some 60 Finnish decision-makers.



Personnel and expertise

The personnel of a future-oriented organisation need to possess a wide range of competencies: the work is demanding and requires expertise. In addition to solid theoretical knowledge, employees need to have practical experience with working on projects and in extensive co-operation networks. Sitra's recent transformation from a funder of projects into a visionary and taker of action has been challenging to its employees from a skills perspective. Sitra's strength lies in the diversity and expertise of its personnel.

The personnel structure has diversified significantly due to the change in Sitra's operating model. Before, people came to Sitra after a long and established career in society, but now there is a call for a wider range of professionals with different competencies. The composition of Sitra's personnel still comprises specialists in their own field who have plenty of experience under their belts, but on the other hand, 14% of the personnel are less than 30-years-old, some of whom have not yet completed their studies. For many of its employees, Sitra is their first job.

At the other end of the age spectrum, there is the group of 60 to 69-year-olds, which now comprises more first-time Sitra employees than before, such as retired former CEOs, whose insights, strategic expertise and networks are priceless in everything that Sitra does to build a better future for Finland.

The number of personnel at Sitra at the end of 2014 was 136 (118 in 2013 and 106 in 2012).¹ During 2014, 22 employment relationships ended and 36 new ones began. This increase resulted from replacing external consultancy contracts with in-house personnel, but the increase in activities in general was also a contributing factor. At Sitra, more and more projects are being implemented by in-house personnel. This helps ensure high quality and the accumulation of expertise, which are beneficial in case any follow-up projects emerge.

Due to the project-based nature of Sitra's operations, 43% of Sitra's personnel worked in a fixed-term employment contract, and the share of part-time employees from the total number of personnel was 13%. At the end of 2014, 65% of Sitra's employees were women and 35% were men. The composition of Sitra's management group was 42% women and 58% men.

During the year under review, Sitra's matrix-based operating model was further developed by introducing

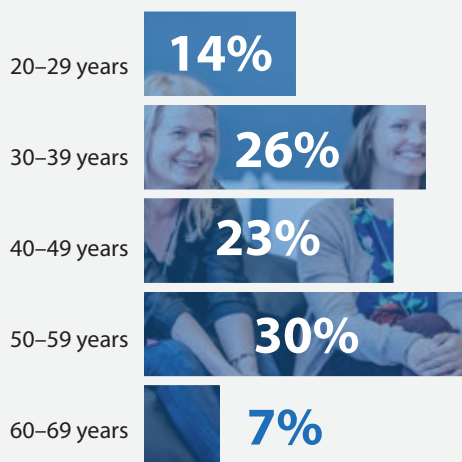
a management system based on three annual operational planning cycles, and by encouraging a feedback culture and enabling more flexible co-operation.

The competence strategy for guiding operational development was specified into a strategy for success, aimed at the successful achievement of the goals of Sitra's vision and strategy with the help of solid core competencies. Core competencies comprise all the critical areas of expertise, practices, processes, tools and modes of co-operation necessary for Sitra to conduct its operations successfully.

One of the largest development projects related to co-operation, Sitra's relocation to new offices was completed in December 2014. A shared working environment on the same floor will enable the creation of a new work culture, a way of working together in an informal and flexible manner. In addition, relocating to smaller offices was a major step in the right direction both financially and environmentally.

In spring 2014, Sitra elected its first ever employee representative in addition to the health and safety representative, which is a statutory position. An employee association was also founded for Sitra.

Sitra's age structure



¹ The way that the number of personnel is indicated has been changed as of this annual report for 2014. The number of personnel now represents the true number of valid employment contracts. Before, employees who had employment contracts for clearly less than 50% time were not included in the number of personnel. The number of personnel corresponding with the way that employees were included in the number in previous years would be 132.

Endowment capital

Sitra's operating activities are funded mainly from the return on its endowment capital investments. Sitra's endowment capital investments are performed in a productive, safe and responsible manner.

Despite the unstable market situation in 2014, Sitra's investments yielded excellent returns. The outlook for the world economy in 2014 was similar to the previous year. In the US, the economy continued its recovery, while the Federal Reserve began to gradually reduce its purchase of debt securities as a stimulus measure. In late 2014, the US dollar grew significantly stronger in relation to other major currencies. The pace of economic growth in Europe also continued at a modest level during the financial year 2014. The measures planned by the European Central Bank in late 2014 and the weakening of the euro improved the price competitiveness of exports, which, in the end, helped brighten the outlook for the European economy. The economies of emerging countries suffered in 2014 particularly due to low oil prices, but also the low prices of other raw materials. The growth rate of the number one economic driver in recent years, China, was 7.4%, which was its lowest in 24 years. The Russian economy was hit by accelerating inflation, capital flight, economic sanctions imposed by the West and a rapidly growing budget deficit.

At the end of 2014, the market value of Sitra's endowment capital was 739 million euros (705 million euros in 2013). Invested assets yielded an excellent return of 9.3% (12.4% in 2013). The total allocation of Sitra's endowment capital at the turn of the year was as follows: shares 49% (55%), interest rate instruments 43% (40%) and others 8% (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.

The risk classification of the investment portfolio was systematically decreased throughout the year by reducing the percentage of equity investments from total allocation. Transfers were made to fixed-income investments, indirect real estate investments and venture capital funds.

The increase of real estate investments continued in 2014. Sitra invested 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. The weight of domestic real estate markets in the investment portfolio was increased by investing in the non-UCITS fund Ålandsbanken Asuntorahasto and the real estate private equity fund ICECAPITAL Residential

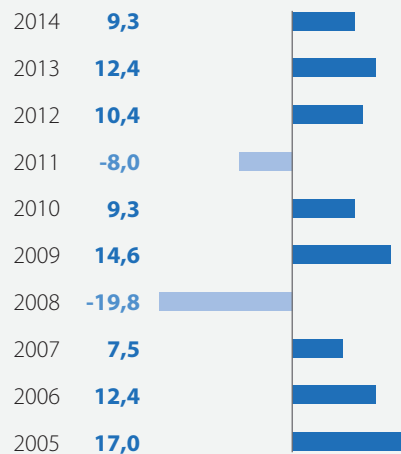
Property Fund I Ky. Sitra also purchased from the secondary market a participation in Aberdeen Property Fund Finland I Ky, which invests in Finnish commercial properties, and issued a letter of intent for investment to the real estate private equity fund Suomi Toimitilakiinteistö Ky.

In spring 2014, Sitra participated in the closing of Capman Buyout X Fund B Ky, which focused on unlisted Nordic companies. Sitra also issued a letter of intent for investment to the private equity fund Bridgepoint Europe V, which focuses on medium-sized European companies.

In autumn 2014, Sitra decided to withdraw from the Selectinvest ARV fund of hedge funds, managed by Union Bancaire Privée. The redemption process will mainly take place in 2015. Sitra has not invested in other hedge funds.

Sitra is a member of 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 selected, commitment to responsible investment is one of the criteria evaluated. Nearly all of the fund managers used by Sitra have signed the UN Principles for Responsible Investment. Sitra also aims to continuously develop its procedures and practices for responsible investment.

Capital income 2005–2014, %



Administration and proposal for the disposal of surplus



Sitra's Board of Directors 2014: Anne Kovalainen, Mikko Kosonen, Anita Lehtikoinen, Erkki Virtanen, Kirsi Sormunen, Martti Hetemäki.

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 (until 12 June 2014), Timo Kalli, Marjo Matikainen-Kallström, Lea Mäkipää, Petteri Orpo (until 10 September 2014), Arto Satonen (from 12 September 2014), Juha Sipilä and Jutta Urpilainen (from 17 June 2014). Anton Mäkelä LL.M. was secretary to the Supervisory Board.

Board of Directors

Sitra's Board of Directors met nine times during the year under review. Its members are Permanent Secretary Martti Hetemäki (chairperson), Permanent Secretary Erkki Virtanen (vice-chairperson), Permanent Secretary Anita Lehtikoinen, Academy Professor Anne Kovalainen, Kirsi Sormunen and Sitra's President Mikko Kosonen.

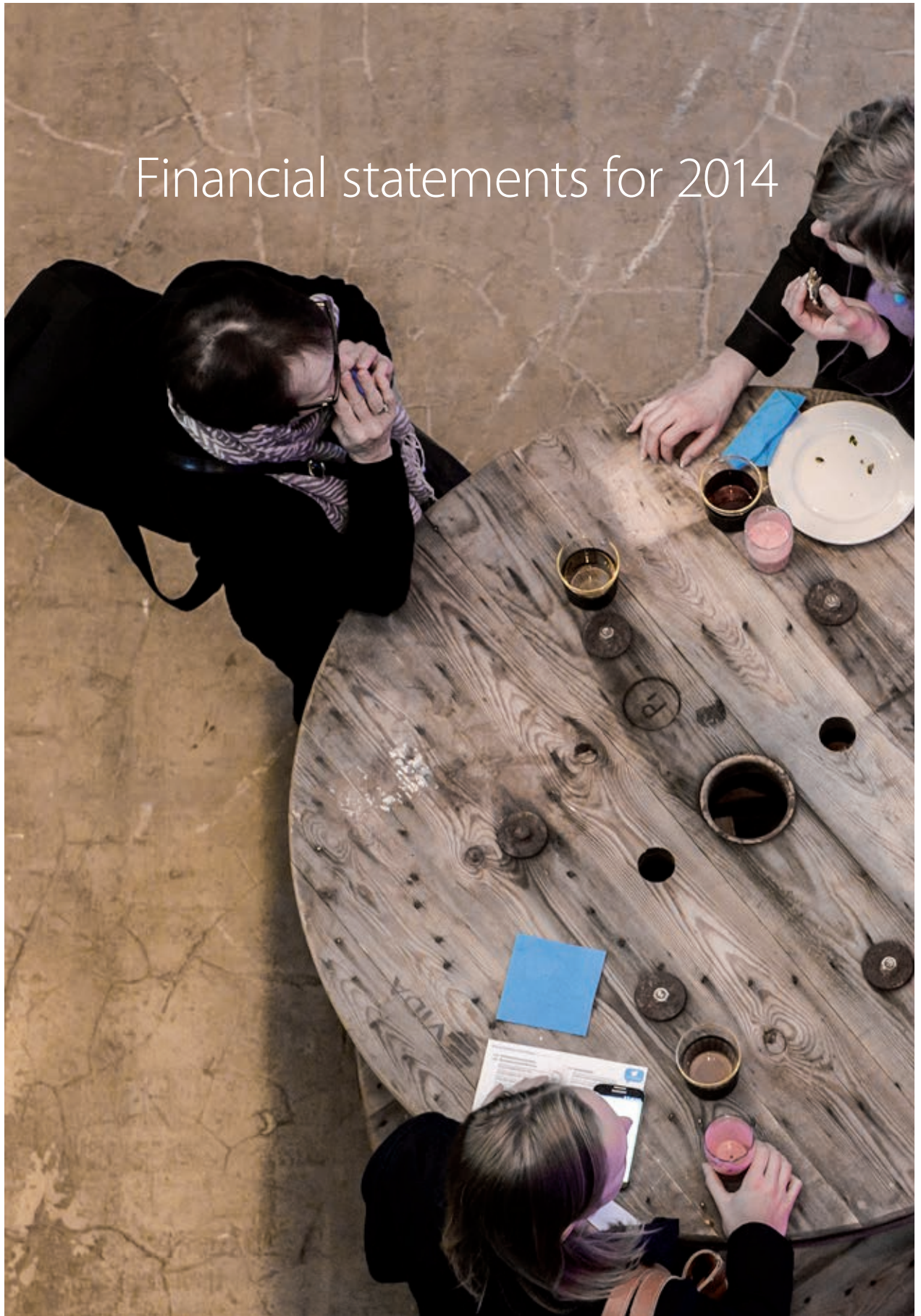
Auditors

As at the end of 2014, the following individuals appointed by Parliament were Sitra's auditors: Esko Kiviranta MP (chairperson) (deputy member: Professor Markku Koskela, APA) and Osmo Immonen APA (Mika Kari MP), Jukka Kopra MP (Sanna Lauslahti MP), Eero Prepula APA, CPFA (Juha Selänne APA), and 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, 15,662,558.57 euros, be carried forward to the retained surplus/deficit account.

Financial statements for 2014



Profit and loss account

		Realised 1.1.–31.12.2014	Realised 1.1.–31.12.2013
		EUR	EUR
Income			
Profits on the sale of investments		35,172,236.19	49,802,271.99
Interest income		403,182.67	1,039,774.15
Dividend income		1,680,581.44	337,902.63
Rental income		139,244.70	154,077.48
Other investment income		8,660,470.07	6,915,291.01
Total income		46,055,715.07	58,249,317.26
Expenses			
Personnel costs	2	-13,094,439.29	-11,719,092.24
Expenses from projects	3	-6,818,451.50	-6,807,014.73
Investment expenses		-4,974,605.54	-9,925,886.72
Depreciation	4	-144,569.64	-142,135.18
Other expenses		-5,361,090.53	-4,639,574.67
Total expenses		-30,393,156.50	-33,233,703.54
SURPLUS/DEFICIT FOR THE FINANCIAL YEAR	1	15,662,558.57	25,015,613.72

Balance sheet

		Realised 31.12.2014	Realised 31.12.2013
		EUR	EUR
Assets			
Long-term assets			
Tangible assets	5	480,951.01	421,637.20
Intangible assets	5	15,328.98	52,821.69
Investments	6	682,224,024.37	664,801,525.77
Total long-term assets	1	682,720,304.36	665,275,984.66
Short-term assets			
Accounts receivable		153,763.76	287,714.40
Cash and cash equivalents	7	1,307,389.99	3,284,980.60
Total short-term assets		1,461,153.75	3,572,695.00
TOTAL ASSETS		684,181,458.11	668,848,679.66
Equity and liabilities			
Equity			
Endowment capital		235,463,097.04	235,463,097.04
Retained earnings		428,341,847.69	403,326,233.97
Surplus/deficit for the financial year		15,662,558.57	25,015,613.72
Total equity		679,467,503.30	663,804,944.73
Short-term liabilities			
Other liabilities	8	4,713,954.81	5,043,734.93
Total short-term liabilities		4,713,954.81	5,043,734.93
TOTAL EQUITY AND LIABILITIES		684,181,458.11	668,848,679.66

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 bond in endowment investments have been valued at the lower of either the original acquisition cost or the market value, in accordance with the 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 current value of the bond was evaluated on the basis of the solvency and interest rates of the issuer.

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 (EUR 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 2014

EUR 1,000	Endowment capital	Impactful work	Supporting impactful work	Total
Income				
Profits on the sale of investments	35,113	59	0	35,172
Interest income	172	231	0	403
Dividend income	1,448	233	0	1,681
Rental income	139	0	0	139
Other investment income	4,984	3,676	0	8,660
Total income	41,857	4,199	0	46,056
Expenses				
Personnel costs	0	-7,016	-6,078	-13,094
Expenses from projects	0	-6,355	-463	-6,818
Investment expenses	2,401	-7,376	0	-4,975
Depreciation	0	0	-145	-145
Other expenses	0	-750	-4,611	-5,361
Total expenses	2,401	-21,497	-11,297	-30,393
Surplus for the year	44,258	-17,298	-11,297	15,663
ASSETS				
Long-term assets				
Tangible assets	0	0	481	481
Intangible assets	0	0	15	15
Endowment capital investments	614,437	0	0	614,437
Venture capital investments	0	67,787	0	67,787
Total long-term assets	614,437	67,787	496	682,720

Operating segments 2013

EUR 1,000	Endowment capital	Impactful work	Supporting impactful work	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	-6,114	-5,643	-11,757
Expenses from projects	0	-6,435	-334	-6,769
Investment expenses	-254	-9,671	0	-9,925
Depreciation	0	0	-142	-142
Other expenses	0	-1,291	-3,350	-4,641
Total expenses	-254	-23,511	-9,469	-33,234
Surplus for the year	55,175	-20,690	-9,469	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

2 Personnel costs

EUR 1,000	2014	2013
Wages and salaries	-9,829	-8,685
Pension expenses	-1,800	-1,665
Other statutory payroll expenses	-562	-493
Other payroll expenses	-904	-876
Total	-13,094	-11,719

The number of personnel at the end of the year was 136 (2013: 118).

Wages and remuneration of management, EUR 1,000	2014	2013
Supervisory Board and Board of Directors	75	75
President	273	249
Total	348	324

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 696,338 (6.0% of total payroll expenses) has been reserved in the 2014 financial statements for payment to personnel as an incentive bonus. The corresponding sum for 2013 was EUR 467,156, amounting to 5.7% of total payroll expenses.

3 Expenses from projects

EUR 1,000	2014	2013
Empowering Society		
Theme level	-314	-623
Active citizen – at all ages	-640	-89
Solutions for e-well-being	-1,349	-1,241
Solutions for public service management	-681	-293
Towards an information society	-242	-611
Social and healthcare financing	-174	0
Completed focus areas	-40	-904
Total	-3,438	-3,761
Resource-wise and carbon-neutral society		
Theme level	-673	-91
Industrial symbiosis	-259	-559
Resource wisdom	-695	-638
Network for Sustainable Mining	-120	0
Carbon-neutral industry	-185	0
Completed focus areas	-10	-179
Total	-1,943	-1,467
Practices for sustainable well-being and employment		
Theme level	-185	0
Impact investment	-102	0
Total	-287	0
Societal training	-467	-551
Research and foresight	-253	-595
Other impactful work	-218	-345
Supporting impactful work and other operating activities	-211	-49
Total	-6,818	-6,769

4 Depreciation

Planned depreciation

EUR 1,000	2014	2013
Machinery and equipment	-120	-112
Other capital expenditure	-25	-30
Renovation of office premises	0	0
Total	-145	-142

5 Tangible and intangible assets

During the year, Sitra acquired fixed assets amounting to EUR 0.2 million (2013: EUR 0.1 million).

EUR 1,000	Book value 1.1.2014	Increases	Decreases	Depreciation	Book value 31.12.2014
Machinery and equipment	142	180	0	-120	202
Other capital expenditure	53	14	-27	-25	15
Renovation of office premises	0	0	0	0	0
Other tangible assets	271	0	-1	0	270
Total	465	194	-27	-145	487

EUR 1,000	2014	2013
Shares and participations	9	9
Total	9	9

6 Investments

EUR 1,000	2014	Change	2013
6.1 Endowment capital investments			
6.1.1 Bonds	1,648	-740	2,388
6.1.2 Shares	4,155	-2,876	7,031
6.1.3 Fund investments	580,516	-378	580,894
6.1.4 Private equity fund investments	26,247	18,268	7,979
6.1.5 Real estate investments	1,577	-34	1,611
6.1.6 Short-term investments	294	0	294
Total	614,437	14,239	600,198
6.2 Venture capital investments			
6.2.1 Business development and funding	25,414	804	24,610
6.2.2 Venture capital funds	42,373	2,637	39,736
6.2.3 Other investments	0	-258	258
Total	67,787	3,183	64,604

6.1 Endowment capital investments

EUR 1,000	Book value	Market value
6.1.1 Bonds		
Leverator Oyj 21.6.2016	1,648	1,648
6.1.2 Shares		
Nokia Oyj	1,460	12,506
Suominen Yhtymä Oyj	1,955	3,519
Technopolis Plc	740	740
Total	4,155	16 765
6.1.3 Fund investments		
Equity funds		
Aberdeen Global - World Equity A2	41,884	63,250
Alfred Berg Finland B	25,103	27,573
Carnegie East European	2,250	2,264
Danske Invest Suomi Yhteisöosake K	31,803	36,610
Fondita 2000+	11,996	17,904
Handelsbanken Europafond Index	10,907	15,021
Impax Environmental Markets Ireland A	11,027	15,488
JP Morgan Global Unconstrained Equity X Eur	64,003	85,548
JPM Emerging Markets Equity I EUR ACC	28,046	29,713
OP-Focus A	4,803	4,813
OP-Suomi Arvo A	38,338	46,395
Bond funds		
Aktia Emerging Markets Bond + D	10,551	11,765
Alfred Berg Korko B	5,137	5,137
Blue Bay Investment Grade Bond Fund I	38,214	41,132
Blue Bay Investment Grade Bond Fund R	19	20
Danske Invest Valtionobligaatio K	23,704	27,199
Danske Invest Yhteisökorko K	86,509	89,352
Danske Invest Emerging Markets Debt K	7,089	8,139
EVL I European High Yield B	17,204	21,124
LähiTapiola Yrityskorko A	25,560	33,161
Nordea Valtionlaina AAA I K	19,646	23,410
OP-EMD Local Currency A	11,043	11,351
OP-Obligaatio Prima A	22,941	25,770
SEB Global High Yield B	17,113	19,187
Other quoted investments		
BNP Paribas Property Securities Fund Europe	7,531	7,802
eQ Hoivakiinteistöt	5,338	5,358
UB Global REIT	5,004	6,176
UBP/Selectinvest ARV MC ser C/2009 RR	184	302
UBP/Selectinvest ARV MC ser P (Q) EUR	5,569	9,014
Ålandsbanken Asuntorahasto Erikoissijoitusrahasto C	2,000	2,091
Total	580,516	692,069

EUR 1,000	Book value	Market value
6.1.4 Private equity fund investments		
Access Capital Fund II LP	0	525
Boston Millennia Partners II LP	1,206	746
Capman Buyout X B Ky	3,299	3,030
Crescendo IV LP	0	580
European Fund Investments II LP	1,360	1,465
Finnventure Rahasto V Ky	0	2
Sentica Buyout IV Ky	1,358	805
Vaaka Partners Buyout Fund II Ky	1,222	1,059
Verdane Capital VIII K/S	830	745
Real estate private equity funds		
Aberdeen Property Fund Finland I Ky	2,172	2,172
BPT Healthcare II Ky	1,450	1,442
Capman Nordic Real Estate FCP-SIF	3,807	3,763
ICECAPITAL Residential Property Fund I Ky	3,000	2,990
LähiTapiola Asuntorahasto Prime Ky	5,000	4,849
Real Estate Debt and Secondaries Ky	1,543	1,796
Total	26,247	25,971
6.1.5 Real estate investments		
Erottajan Pysäköintilaitos Oy	1,577	2,174
Total	1,577	2,174
6.1.6 Short-term investments	294	294
Total endowment capital investments	614,437	738,921

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	12%	1,893	280	2,173
BioTie Therapies Oyj	3%	12,003	673	12,676
Cleantech Invest Oyj	8%	1,000	0	1,000
Fibrogen Inc.	3%	3,515	0	3,515
Fimet Oy	47%	496	0	496
FIT Biotech Oy	38%	9,175	1,875	11,050
Fixteri Oy	43%	2,498	0	2,498
KC-Holding 3 Oy	42%	2,220	0	2,220
Kuntien Tiera Oy	0%	0	4,705	4,705
Medixine Oy	18%	1,126	50	1,176
Mesera Oy	57%	2,836	0	2,836
Meteco Oy	42%	2,231	0	2,231
Mobidiag Oy	2%	5,183	618	5,801
NaturVention Oy	6%	307	0	307
Nexstim Oyj	21%	11,967	0	11,967
Norrhydro Group Oy	19%	1,598	0	1,598
Odum Oy	45%	885	47	932
Omegawave Oy	10%	750	1,288	2,038
One1 Oy	13%	150	0	150
Optomeditech Oy	14%	600	0	600
Panphonics Oy	22%	1,534	0	1,534
ProFlax Oy	10%	13	135	148
Quatrx Pharmaceuticals Co	1%	3,035	0	3,035
Savo-Solar Oy	28%	1,914	538	2,452
Seven Networks	1%	1,718	0	1,718
Shanghai Fimet Medical Instruments Co.	13%	278	0	278
Solibri Oy	14%	150	0	150
Sustainable Energy Asset Management Oy	12%	120	180	300
Sybimar Oy	0%	0	750	750
SW Holding Oy	57%	2,000	0	2,000
Taltioni Osuuskunta	0%	0	3,200	3,200
Viola Systems Oy	20%	800	0	800
Vivago Oy	36%	3,623	720	4,343
Vivoxid Oy	38%	5,364	0	5,364
WoodPrime Oy	42%	1,319	0	1,319
		82,301	15,059	97,360
Total business development and funding				97,360
Cumulative change in value				-71,946
Book value				25,414

6.2.2 Fund investments

Sitra's investments in funds

EUR 1,000	Amount
AC Cleantech Growth Fund I Ky	4,950
Aloitusrahasto Vera Oy	2,000
Apple Tree Partners II L.P.	289
Armada Mezzanine Fund III Ky	1,100
Baltic Investment Fund III	333
Boston Millennia Partners L.P.	1,523
CapMan Russia Fund L.P.	3,046
Capricorn Cleantech Fund NV	10,000
Chrysalix Energy III Ltd	2,992
Crescendo III, L.P.	1,799
Dasos Timberland Fund II	1,222
Diamondhead Ventures L.P.	1,470
Edison Venture Fund IV	450
Eqvitec Teknologiarahasto I Ky	1,377
Folmer Equity Fund I Ky	1,837
InnKap 2 Partners	868
InnKap 3 Partners	2,235
Inveni Secondaries Fund I Ky	7,494
Inveni Secondaries Fund II Ky	2,093
Inveni Secondaries Fund I Follow-on Ky	2
Inveni Secondaries Fund II Follow-on Ky	714
Inventure Fund II Ky	311
Lifeline Ventures Fund I ky	2,011
Matkailurahasto Nordia Oy	3,229
MB Equity Fund Ky	0
Merlin Biosciences Fund L.P.	5,906
NegaWatt Energiatehokkuusrahasto 1 Ky (energy-efficiency fund)	462
Norum (Cyprus) Ltd	0
Palvelurahasto Ky	1,947
Powerfund III	932
Russian Technology Fund L.P.	140
Sitra Management Oy	470
Spintop Investment Partners II Ab	303
Strategic European Technologies N.V.	3,406
Terveysrahasto Oy	633
Trident Capital Fund V	1,153
Ventech Capital II, L.P.	2,753
Verdane ETF II SPV Ky	3,020
VisionPlus Fund I Ky	2,453
Total fund investments	76,923
Cumulative change in value	-34,550
Book value	42,373

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	Shares and participations	Capital loans and other loans	Amount total
	Amount	Amount	
Total other investments	602	441	1,043
Cumulative change in value	-602	-441	-1,043
Book value			0

7 Financial assets

EUR 1,000	2014	2013
Bank accounts	1,307	3,285

8 Other liabilities

EUR 1,000	2014	2013
Personnel expense liabilities	2,695	2,459
Accounts payable	1,372	1,757
Liabilities from funding operations	0	400
Other short-term liabilities	647	427
Total	4,714	5,044

EUR 1,000	2014	2013
OPEN FUND COMMITMENTS 31.12.2014	49,074	62,371
OFF-BALANCE-SHEET LIABILITIES 31.12.2014		
Portfolio companies	4,572	6,233
Venture capital funds	15,596	21,923
Empowering Society		
Theme level	404	157
Active citizen – at all ages	1,171	902
Solutions for e-well-being	1,626	1,538
Solutions for public service management	320	587
Towards an information society	248	388
Social and healthcare financing	500	0
Completed focus areas	169	512
Total	4,438	4,083
Resource-wise and carbon-neutral society		
Theme level	557	343
Industrial symbiosis	329	596
Resource wisdom	808	529
Network for Sustainable Mining	285	0
Carbon-neutral industry	343	0
Completed focus areas	39	33
Total	2,362	1,501
Practices for sustainable well-being and employment		
Theme level	144	0
Impact investing	277	0
Total	421	0
Societal training	558	1,556
Research and foresight	508	203
Other impactful work	360	611
Supporting impactful work and other operating activities	114	87
Total	28,930	36,197

Signatures to board report and financial statements

Helsinki, 23 February 2015

Martti Hetemäki
Anne Kovalainen
Kirsi Sormunen

Petri Peltonen
Anita Lehikoinen
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 2014 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 perfor-

mance 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, 6 March 2015

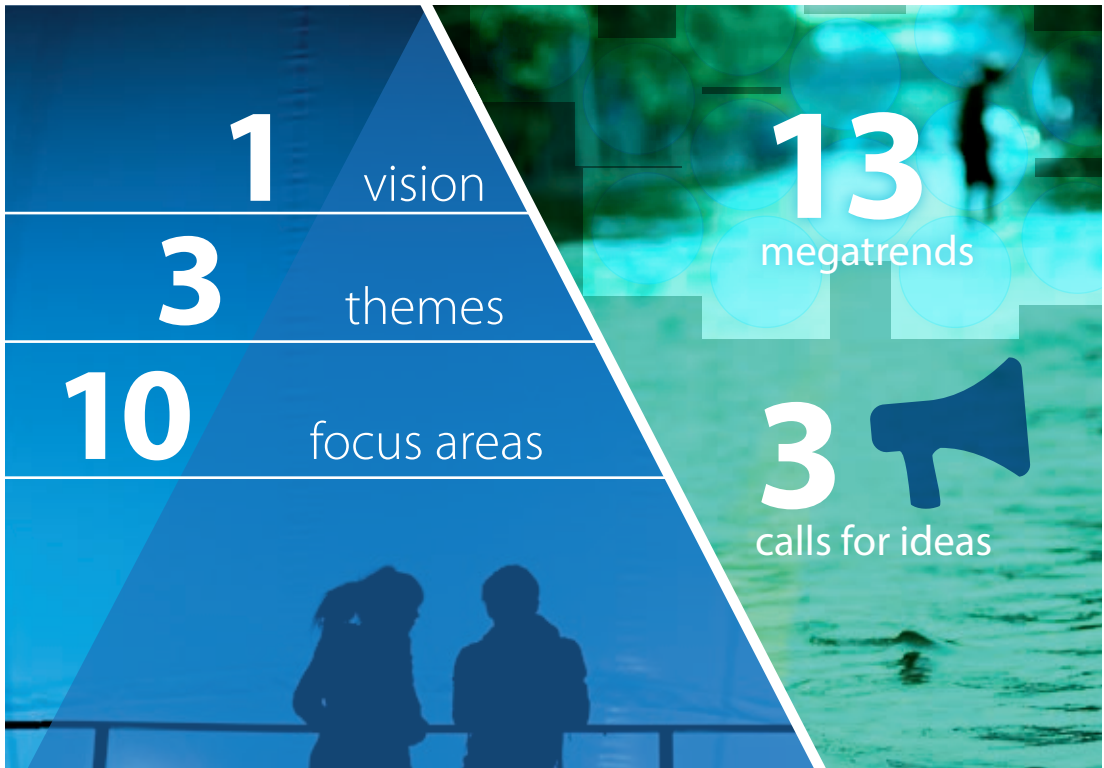
Esko Kiviranta
Jukka Kopra
Kauko Tuupainen

Eero Prepula, APA, CFPA
Osmo Immonen, APA
Markku Koskela, APA

Appendices



2014 in numbers



Yield from the endowment capital

9.3%

Market value of endowment capital

739 EUR million

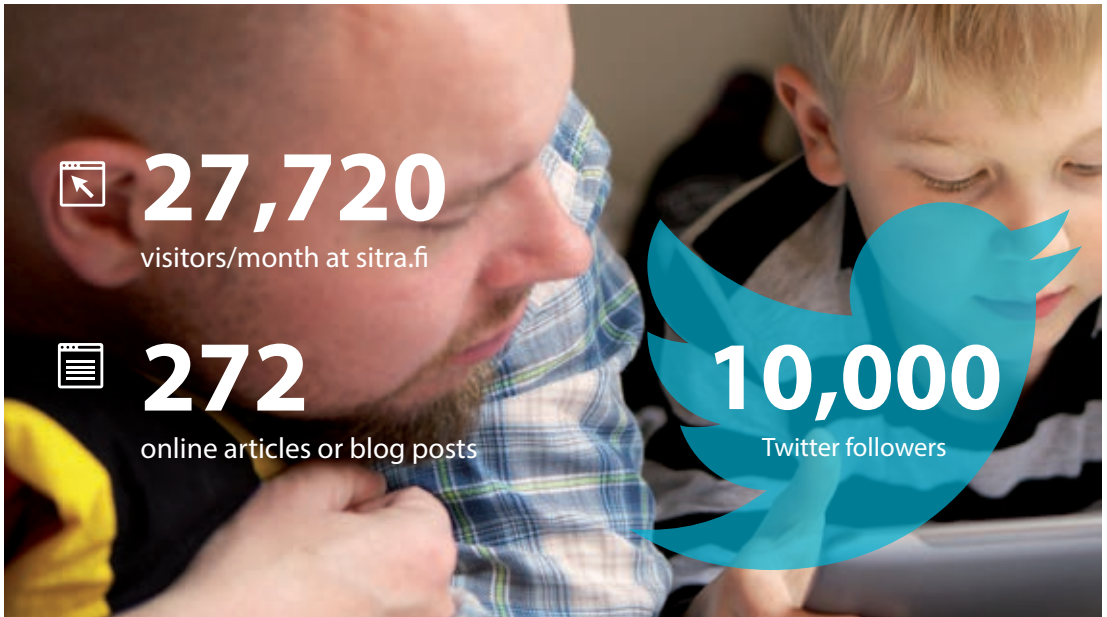
New investments in venture capital funds

9 EUR million



24
publications





Sitra's work



Events

COMPANIES AND ORGANISATIONS DO NOT WORK TOGETHER, BUT PEOPLE DO

Events are an excellent opportunity for Sitra to bring people together in order to enable networking, dismantle silos and create seeds of partnerships that will carry far into the future. In 2014, Sitra organised 128 events, which attracted a total of 3,500 participants. While technology-centred business events were mostly attended by investors and young entrepreneurs, the Empowered Advisory Councils of Older People tour, which visited 13 different localities, took government representatives to meet and discuss with Finnish pensioners.

More information of Sitra's events are available at: sitra.fi/en



Health Tuesday is a meeting place for those interested in health technology

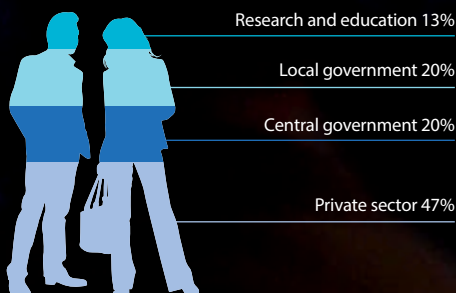
🕒 On the second Tuesday of each month
 🐦 #HealthTuesday

Digitisation will transform the health care sector more in the years and decades to come than we can perhaps even imagine. In Finland, as in many other countries, health technology is a rapidly growing industry with huge potential and excellent future prospects – both economically and from the well-being perspective. In a small country, stimulating cooperation and synergies should not be difficult, but silos still emerge easily.

To increase cooperation among the health technology sector, in January 2014, Sitra launched Health Tuesdays, a monthly networking event and social media community. The basic idea of Health Tuesday is simple: breakfast, inspiring short speeches and plenty of time to interact and make new contacts. All this before the working day officially begins, on the second Tuesday of each month, streamed live on the webband shared in the social media between events.

Regional "satellite events" for Health Tuesday soon emerged, and live stream has been watched at local networking events at least in Hämeenlinna, Kuopio, Tampere, Turku and Oulu. At the beginning of 2015, Sitra handed over the organisation of Health Tuesdays to Tekes, who will continue the work under its Bits of Health programme.

Participants by sector %



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The cornerstones of building a better future for Finland include a clear vision, a solid strategy and a plan that guides everyday decisions. But above all, we all need to work together to build a better future. Get involved!



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