



THE FUTURE IS MADE TODAY

Annual Report and
Financial Statements 2015





**2015 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 2015 to the Finnish Parliament.

Helsinki, 16 March 2016

On behalf of Sitra's Supervisory Board

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Annual Report and Financial Statements

The Supervisory Board's statement	4
The future is made today	4
How Sitra operates	6
Major change challenges Finland	8
Megatrends 2016: the future in sight	8
Sitra's vision turns the challenges posed by megatrends into competitive advantages for Finland	10
Aiming at a positive spiral of development	10
From three challenges to three themes	10
Research deepens knowledge, training brings people together to learn and develop	10
Capacity for renewal	12
The social and healthcare sector reform will bring about a historic change	14
Genome data + digitisation + self-care + encounters = tomorrow's social welfare and healthcare services?	14
Sensible everyday solutions for changing situations	15
Resource-wise and carbon-neutral society	16
The circular economy is a billion-dollar opportunity for Finland	18
Reshaping the domestic market	18
Cities as pioneers	18
Aligning stakeholders for greater responsibility	19
New working life and the sustainable economy	20
Making every working hour profitable	22
Support for the turning points in working life	22
Alternatives to cutbacks through co-operation	23
Sitra employees	24
Regenerative reformer	24
Investment activities	26
Sitra's future-oriented work is funded from the return on its endowment capital investments	26
Responsibility in investing	26
Business development and venture capital funds as tools of future-oriented work	27
Administration and proposal for the disposal of surplus	38
Financial statements 2015	29
Contact details	44

The future is made today

As the pace of change in the world continues to accelerate, the success of nations will be measured by their capacity to renew themselves – their capacity to look far into the future, while acting and making decisions here and now. This capacity is being measured in Finland right now.

Foresight reports have for a long time been describing the fundamental changes that are shaking the foundations of Western societies. In the everyday lives of Finnish people, this manifests itself in the form of a flow of refugees, loss of jobs, and queues for health centre services. In Finland, the economic distress caused by our narrow economic structure and the growing sustainability gap of the public economy further exacerbate the problems.

Sitra's task as a public, independent, future-oriented organisation and accelerator of change is even more important today than ever before. When the challenges are great and structural reforms are necessary, one cannot just continue to wallow in problems. Instead, one must build confidence and collaborate with others to seize any opportunity that presents itself.

Sitra's vision and strategy will turn the challenges posed by what we term megatrends into competitive advantages for Finland. The overall well-being of people and economic sustainability lie at the heart of all operations.

At Sitra, 2015 was a year of action, results and co-operation. Our long-term work for the development of social and healthcare services advanced in leaps and bounds, when the national data exchange layer proceeded to the production phase under the leadership of the Ministry of Finance, and the service package pilots supporting social welfare and healthcare reform were launched in more than 30 localities. They will produce valuable information to support the reform. In addition, the virtual clinic concept Sitra piloted in Hämeenlinna is now being developed into a national eHealth self-care service, while the national genome strategy, completed last summer, creates readiness and rules for the utilisation of genetic information.

In the field of ecological sustainability, the Paris Climate Conference profiled Finland and Sitra as strong experts on international climate policy. In Finland, people became aware of the circular economy as a new economic model. The world-class Smart & Clean reference project is proceeding rapidly as a collaboration between Sitra and the cities within the Helsinki capital region.

Sitra's pioneering work on importing impact investing to Finland picked up speed, when the first social impact bond (SIB) project in Finland, and indeed in the Nordic countries, was published. There is demand for a new funding model.

In future-oriented work, one must look sufficiently far into the future, while any solutions created must function today. Sitra's work is a good example of this. The will and capacity for renewal is needed everywhere in society. In 2016, the expectations are particularly high as regards working life and the long-term solutions in the social welfare and healthcare sector.

Sitra's operating activities are funded by the returns on its endowment capital and corporate investments. At the end of 2015, the market value of Sitra's endowment capital was EUR 771 million, and the yield from invested assets was 5.7%.

In the Supervisory Board's opinion, Sitra's finances are stable and its operations are under excellent management. At its meeting on 16 March 2016, the Supervisory Board adopted Sitra's profit and loss account and balance sheet as proposed by the auditors. At the same meeting, the Supervisory Board approved the Board of Directors' proposal to carry forward the surplus of EUR 26,994,962.96 from the financial year 2015 to the retained surplus/deficit account.

Helsinki, 16 March 2016

Matti Vanhanen, Pentti Oinonen, Olavi Ala-Nissilä, Seppo Kääriäinen,
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./ Anton Mäkelä



HOW SITRA OPERATES

VISION

Finland will succeed as

MEGATRENDS

THEMES

Where are we now?



What does the future hold?

Sustainability crisis now!

Global interdependency

Technology will change everything



Capacity for renewal



Resource-wise and carbon-neutral society



New working life and the sustainable economy

MISSION

Building a successful

a pioneer in sustainable well-being

FOCUS AREAS

Social and healthcare financing

Digital Health HUB

Solutions for e-well-being

Towards an information society

Solutions for public service management

Active citizen – at all ages

Carbon-neutral industry

Consumer-driven business models for the circular economy

Resource wisdom

Network for Sustainable Mining

Impact investing

Transformations of work

ACTIONS

Research

Trial

Pilot

Workshop

Training

Fund

Events and co-operation

Foresight

Call for ideas

Study

Strategy

Challenge competition

Networking

* Ended in 2015

Finland for tomorrow's world

Major change challenges Finland

Fundamental changes are shaking up Western societies. The foundations of the economy and working life are undergoing a major shift, while masses of people are moving across Europe, seeking asylum. Capacity for renewal at the societal and individual level is perhaps more important than ever before.

In 2015, the earth appeared smaller to Finns than before – no matter whether you view the situation from a positive or negative angle. Through a flood of refugees, global interdependence linked small villages in the north of Europe to the instability in the Middle East. Working life was shaped by highly competitive international markets and phenomena such as digitisation and robotisation. The rise of the start-up culture built faith in positive change, whereas the terrorist attack in Paris in November shook the sense of safety, as did the domestic news about growing social inequality and the increase in hate speech. In addition, advancing climate change was and still is one of the most serious challenges threatening humankind, even though, for a change, some glimpses of hope in this respect were seen in Paris in December 2015.

All things mentioned above are descriptive of the fundamental change foresight reports have been predicting for a long time. We are undergoing a period of transition comparable to the industrial revolution, where different parts of society go through the change at very different paces – and for some the change is quite painful. In the everyday lives of Finnish people, the deepening economic distress caused by our narrow economic structure and for example the growing sustainability gap in the public economy, caused by an ageing population, which further increase the challenges ahead.

It has been said that when the times are good, one cannot see the risks, and when the times are bad, one cannot see the opportunities. In Finland, the transfor-

mation from crisis awareness to general negativity is already threatening our ability to picture future opportunities and seize them. It is easy to become transfixed by the constant struggle with the prevailing problems. But to become trailblazers, we should be able to anticipate our society's direction of development in the changing global environment better than in the past. We can consider the ongoing transitional period as a kind of an investment phase. Major structural changes need to be made, but at the same time we should maintain the confidence in co-operation and a better future.

Megatrends 2016: the future in sight

When considering the future, we need to be able to identify larger entities – and therefore also keeping in mind slow but nevertheless major directions of change. Sitra's annual list of megatrends, which describes major societal changes on a global scale, highlights long-term developments and phenomena of importance for the future that could have an especially large impact on the development of Finnish society. The trends described reach far into the future, but they are affecting our everyday lives even now. There is a demand for the capacity to renew ourselves.

Sitra's Megatrends List 2016 analyses three major forces of change: rapid technological development, global interdependence and the global sustainability crisis related to natural resources and climate change. ■

SITRA'S MEGATRENDS 2016



Technology will change everything

Our everyday lives, work and the way we operate will be totally changed by digitisation, virtualisation, artificial intelligence, the instrumentation of health, robotisation, nanomaterials, biotechnology, pharmacology, energy technology, blockchain technology, digital crowdsourcing platforms and the development of such technologies as global ICT infrastructures. The pace of change is fast, and we are no longer asking what machines can do, but what they should do, and who will make the relevant decisions.



Global tensions and everyday interdependence

Globalisation, world trade and power politics are becoming more and more tightly intertwined. At the same time, everyday interdependence is more pervasive and tighter than ever. The World Economic Forum is using the term geo-economics, where the language is trade, but the logic is war.



Sustainability crisis now!

The biggest challenge of our time is the disconnect between economic growth and the consumption of natural resources. We need a totally new way of perceiving our planet, economy and well-being. We already have the solutions in our hands: energy revolution, the circular economy, intelligent services and products, and intelligent transport systems. However, technology will not solve the sustainability crisis; everything depends on what people and societies decide to do.

Sitra's vision turns the challenges posed by megatrends into competitive advantages for Finland

Sitra's mission is to promote Finland's competitiveness and the well-being of the Finnish people. The Act on Sitra, the mandate from the parliament and our own endowment capital provide the foundation for our work, our vision gives us the direction, and the group of Sitra employees consisting of experts on the future define the content and pace. The focus areas of our activities, or the themes, can be found where the world-shaping megatrends converge.

The history of societal change shows that rapid adaptation to a new world order brings economic benefits and increases well-being. The trailblazers will be the first to enjoy them. Finland's capacity to change, however, is too sluggish for that. Shaken by an exceptionally dramatic change, Finland needs a strong, shared future vision to succeed. Sitra has offered its own vision, based on sustainable well-being, as a shared direction for Finland.

Aiming at a positive spiral of development

In 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, i.e. not exceeding the earth's carrying capacity in our pursuit of a good life. For its part, Sitra is building a Finland in accordance with this vision piece by piece, but with no intention to reach the entire target all at once or on its own. The contribution of all Finns is required for renewing Finland.

In Sitra's vision, comprehensive well-being is the ultimate goal of all human activity, for which the framework is set by the earth's carrying capacity. When those in society and the practices employed in the economy, communities, competence building and governance all support the attainment of this goal, it will create a positive spiral of development, ultimately creating a Finland of our vision.

Sitra's sustainable well-being vision and the idea behind it are presented in closer detail in the working paper "A Vision for Finland" and in the online publication Uusijuoni.fi (in Finnish).

From three challenges to three themes

In Sitra's operations, the challenges posed by megatrends and the direction provided by our vision have been transformed into three themes, with several fixed-term projects, or focus areas, for each. Each focus area concentrates on solving one of the main systemic opportunities or problems within a theme.

The *Capacity for renewal* theme strengthens Finnish society's will and capacity for renewal as a prerequisite of well-being and as a national competitive advantage. *Resource-wise and carbon-neutral society* focuses on combining well-being, the economy and use of natural resources in a sustainable manner by building prerequisites for pioneering within resource-wise and carbon-neutral operations. And the *New working life and the sustainable economy* theme promotes the reform of working life and the sustainable economy by means of trials and new operating and financing models.

Research deepens knowledge, training brings people together to learn and develop

Sitra invests particularly in areas such as information-based research and co-operation between various sectors of society. Studies and research are carried out under the various themes, but Sitra is also continuously running separate research projects on sustainable well-being that enhance or challenge Sitra's strategy and vision. Training, on the other hand, brings together

decision-makers and change-makers to collaboratively develop the successful Finland of tomorrow.

Sitra's research operations are commended for successfully combining academic approaches and practical work. Good examples of such activities are the model for the Government's Strategic Programme and the report on the alternatives for implementing the basic-income trial. Year by year, Sitra is also increasing its influence in the networks of international research institutes and think tank operators. During the year under review, such co-operation has resulted in, for example, the joint Vision Europe Summit of think tanks, with its publications, and the Green to Scale report, created in collaboration with 11 international institutes and published just before the Paris Climate Conference.

In 2015, Sitra invested in the discussion on the future of the education system and its development by means of both research and training. The Forum for New Edu-

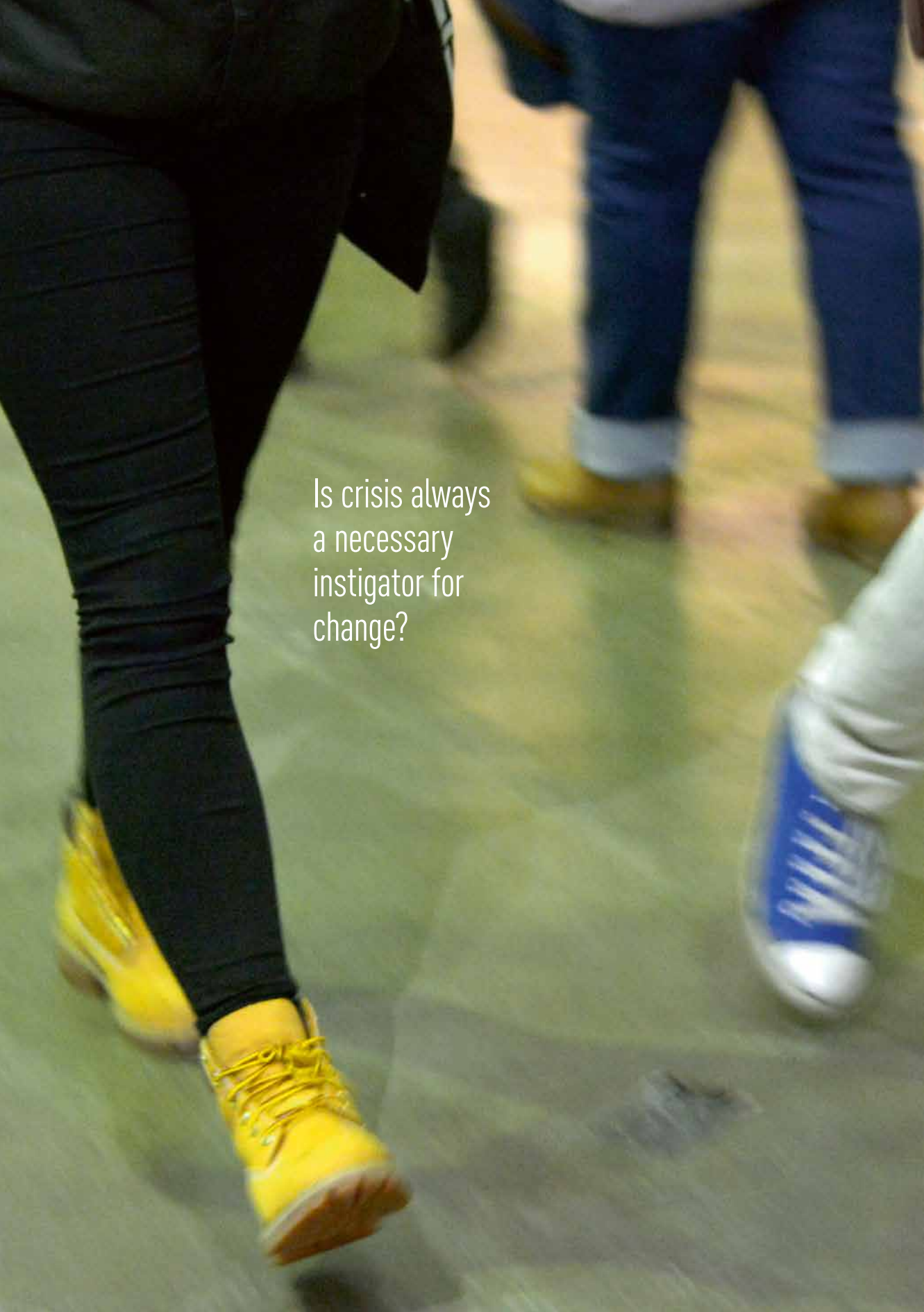
cation brought together a large group of developers to come up with ideas and to test and create visions for the direction of Finnish education and training. In fact, it succeeded in sparking a raft of debates on education in the social media, in newspaper columns and on the drawing boards of education experts. As a continuation of the forum, in spring 2015 Sitra launched a research project that analyses the relationship between sustainable well-being and education. The international Education for a Changing World research project investigates how students, schools and communities can build a new sustainable well-being society.

Sitra's renowned Sustainable Financial Policy Leadership course also continues, bringing together some 30 Finnish decision-makers at a time to consider the role of the sustainable economy and sustainable financial policy for the attainment of overall well-being. In 2015, Sitra arranged two courses, and another two will be organised in 2016. ■

RENEWAL IS DEEP IN THE DNA OF SITRA EMPLOYEES

Sitra was a gift from the Finnish Parliament to Finland on the country's 50th anniversary in 1967. From the very start, the task given to Sitra, building a successful Finland for tomorrow, was substantially bigger than the size of the organisation would suggest, requiring co-operation. In the early stages, the modes of operation included loans, financing of companies' product development projects and research. For example, KONE Oy made its international breakthrough in 1968 with the help of the debenture loan of approximately FIM 12 million granted by Sitra, when it bought the lift business of Swedish ASEA. This Swedish business unit, with Norwegian and Danish subsidiaries as well, was larger than KONE itself. With one leap, KONE was transformed from an uncertain one-market company to the market leader in Northern Europe. Thus Sitra had made a contribution to the future success of Finland.

Other activities that ran alongside the provision of loans and product development funding in Sitra's operations from the very start were research and foresight operations. To learn about the latter, Sitra visited the United States. Since then, Sitra's role has changed from a sponsor to a societal influencer, and its set of tools has expanded to any methods required at any given time, from foresight to trials, larger pilots and dissemination of good practices – not forgetting the funding mentioned earlier and budding growth sectors. Future orientation, renewal and extensive co-operation have always been deep in the DNA of Sitra employees. Only the tools and the way things are done have changed over time.



Is crisis always
a necessary
instigator for
change?



Capacity for renewal

In a world that is changing at an ever-accelerating pace and becoming more and more difficult to navigate, successful nations are characterised by renewal, agility, and the ability to turn problems into opportunities. The projects under the *Capacity for renewal* theme are aimed at strengthening Finnish society's will and capacity for renewal as a competitive advantage.

The *Capacity for renewal* theme, launched in autumn 2015, continues along the path trodden by the *Empowering society* theme, as a champion of well-being for Finnish people and a catalyst for change. The spearheads of the theme include the role of citizens in the renewal of society, creativity and government efficiency.

Theme highlights of 2015

- Supporting the creation of a funding solution for social and health-care services as well as building service packages and launching trials in more than 30 localities.
- Piloting of a virtual clinic in Hämeenlinna and confirming dissemination of the operating model to 14 other areas.
- Completion of the Genome Strategy together with the Ministry of Social Affairs and Health.
- Progress of the national data exchange layer to production phase under the leadership of the Ministry of Finance.
- Stabilisation of the Tajua Mut! (Understand me!) model, based on outreach youth work.
- Dissemination of the Palvelutori concept, the one-stop model for services for older people.

Goals for 2016

- Analysing the lessons learned from trials for social and healthcare service packages and influencing the national funding solution.
- Outlining the form and structure for Isaacus – Digital Health HUB.
- Testing structures and incentives related to freedom of choice in social and healthcare services.

HOW WILL DIGITISATION, the development of genome data and an increase in self-care affect the future of healthcare? What are the effects of ageing and migration? How do the cash flows run and treatment chains proceed?

Thriving people and a functioning society are at the core of Sitra's vision. This has also served as a viable goal for Sitra's future projects related to social welfare and healthcare services. In practice, it has meant an approach according to which society's service structures should be designed around the well-being of people, and society should function as a facilitator, while people remain the best experts on their own needs. A distinctive feature of this work has been a strong future-oriented and research-based approach. With the accelerating pace of change, needs may change quite rapidly, and, therefore, from the very start societal systems and services should be implemented in a way that makes them agile and capable of renewing themselves. Other sectors can also learn lessons from the reform of the social and healthcare sector. This is why, as of autumn 2015, Sitra has been increasingly shifting the focus of its work for the betterment of Finland's future towards the capacity of the whole of society to renew itself and develop.

The social and healthcare sector reform will bring about a historic change

The revamping of social welfare and healthcare services is one of the key factors promoting the well-being of Finnish people and sustainable development in Finland.

In 2015, the controversial social welfare and healthcare reform that has been on the drawing board for many years finally advanced to a stage where some decisions were taken. According to current plans, the responsibility for arranging social and healthcare services will be transferred from municipalities to regions at the beginning of 2019. The intention is to combine all services – from basic to specialised services – into treatment and service entities that would run smoothly from the customer's point of view. At the same time, the multi-channel funding of social and healthcare will be simplified and individuals will be given more freedom of choice. This will produce more effective services at a lower cost.

Sitra made its first proposal for funding of social and healthcare services in 2010. After this, it has continued its systematic work for the promotion of the matter in close collaboration with all key parties involved in social welfare and healthcare.

Many questions still remain to be solved before any of the decisions made can produce real results. The most important of them is related to funding and steering of the system. As a solution for this, Sitra has suggested implementation of service packages that would bring transparency to the system and enable the use of business intelligence-based approaches at the local and regional levels. In 2015, Sitra has been developing the service package model in close collaboration with the Ministry of Social Affairs and Health, and now these packages are being tested in pilot projects funded by Sitra in more than 50 municipalities around the country.

Genome data + digitisation + self-care + encounters = tomorrow's social and healthcare services?

While various solutions for the national social welfare and healthcare system have been considered, Sitra has also been testing different digital self-care services and developing rules for the use of genome data in collaboration with other organisations.

The use of genome data will revolutionise traditional healthcare, but before that can happen, it is clear that common rules are necessary. The national genome strategy for Finland, prepared together with the Ministry of Social Affairs and Health, was completed in June 2015. The increase in genome data provides opportunities for increasingly efficient and individualised treatment of illnesses, but, for its part, it may also shift the focus from illnesses to health maintenance. Alongside the strategy discussion, Sitra collaborated with the Institute of Molecular Medicine Finland (FIMM) and Finnish Red Cross Blood Service and developed an information-based tool which people can use to personally assess their risk of developing a cardiovascular disease. The CardioCompass tool, which has now gained significant international recognition, can be used by ordinary people, researchers and doctors alike.

At the end of 2014, Sitra combined the lessons learned from the digital self-care trial into a unified virtual clinic concept, which has been tested in the form of the *minuterveyteni.fi* service in Hämeenlinna since March 2015. The group of pioneering municipalities has grown since then, and 11 urban regions and three social welfare and healthcare or hospital districts have joined the process, aimed at building eHealth services into a national entity.

The creation of Isaacus – Digital Health HUB, launched in autumn 2015, is Sitra's way of continuing its pioneer-

↑ **ON THE RISE**
transparency,
business intelligence

↓ **ON THE DECLINE**
guesswork, gut
decisions, partial
optimisation

ONE PACKAGE OF SOCIAL AND HEALTHCARE SERVICES, PLEASE!

PROBLEM the social welfare and healthcare reform promises better and more equal services at a lower cost, but this will not be realised unless the needs and services can be assessed, managed and compared on the basis of data. Without precise knowledge of the needs of their customers, the directors of social welfare and healthcare services are operating in the dark.

SOLUTION the service packages Sitra has developed collect the regional social and healthcare services into humane, complete-care and treatment entities, thus enabling a transparent comparison of services in terms of both quality and cost. Service packages serve as a medium for regional and national steering and reporting, which place the personal well-being of people at the core of operations, not the treatment of an individual illness.

WHERE DO WE GO FROM HERE? Service packages are being piloted during the winter and spring of 2016 in one of the biggest pilot projects ever implemented in the history of Sitra, and the National Institute for Health and Welfare will be assessing the results in spring 2016. Agreements on how the social and healthcare services will be organised will be made by the end of 2016. Perhaps decision-makers will be able to order social and healthcare services as packages as soon as 2019?

ing work related to the reform of social and healthcare services. The plan is to make the Health HUB an operator that would combine and share health data stored in various systems extensively and safely for useful purposes, serving the needs of healthcare, the nursing and care sector, research, business activities, and individuals as the owners of the data.

A functional domestic framework for social welfare and healthcare services will create markets for health innovations and business. The use of health data, the increase in genome data and self-care services all help make room for the most important tasks of healthcare professionals, that is, encounters with people and the sharing of expertise.

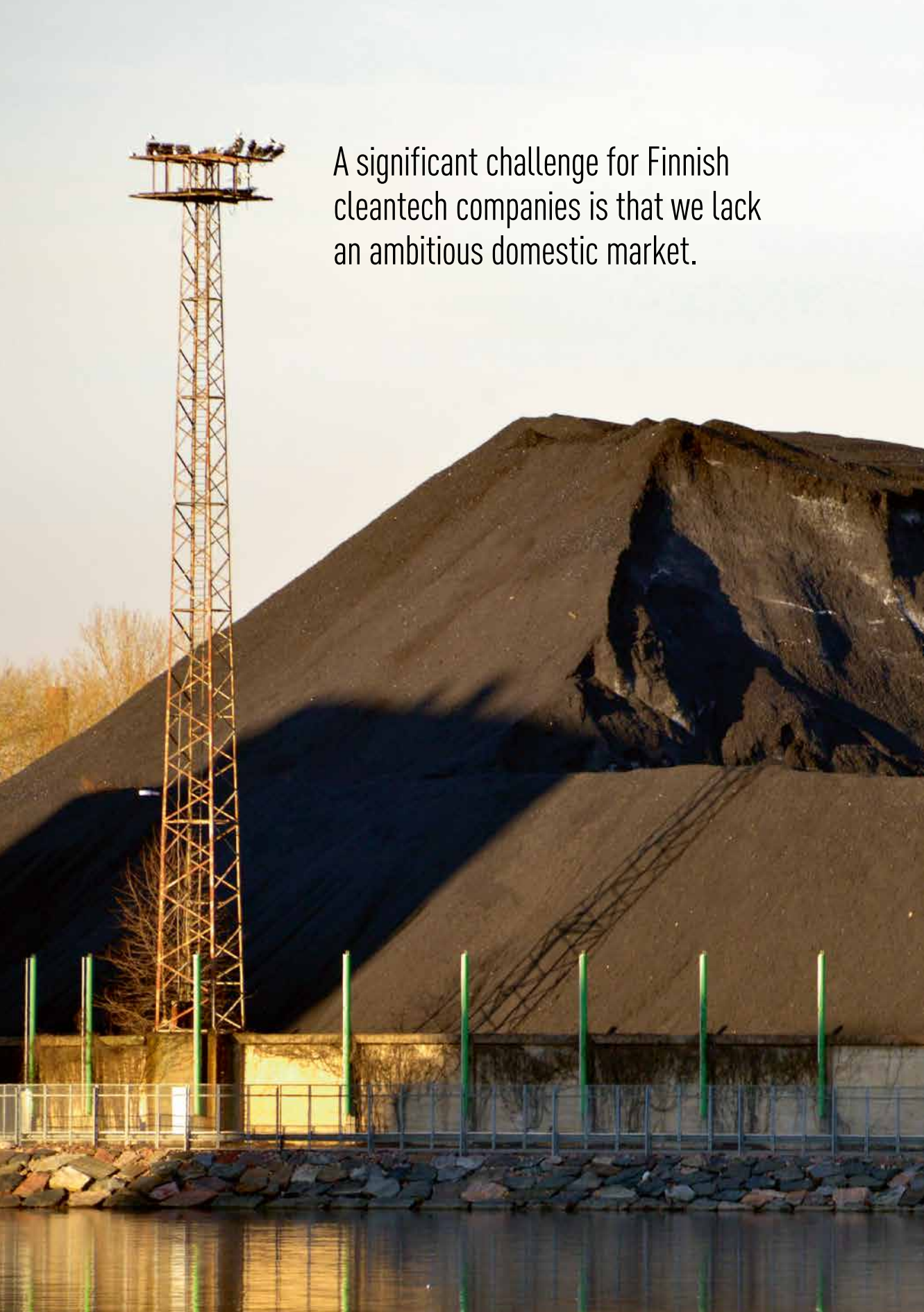
Sensible everyday solutions for changing situations

An increasing number of Finns want to take care of their business online, but an increase in the use of technology and research data will not eliminate the need for personal guidance in all respects. In recent years, Sitra has been seeking Finnish and international solutions, which could be used for offering young and older Finnish people the services they need most in changing situations.

Tajua Mut! (Understand me!) is a youth-work model Sitra imported from the Netherlands that is built around a system enabling the flagging up of issues by those working with young people. The key parts of the system are the outreach youth work and the young person's own commitment to receiving help. The Tajua Mut! model has become well established in Mikkeli, Espoo and Kerava, and it is now spreading to other cities as well. Simple questions such as "Can I help you?" or "What can I do to help you?" are important, sometimes critical.

For an operating model suitable for older people one did not need to travel any further than Tampere. The Kotitori model developed there is an excellent example of a city service that has been proven to both save financial resources and enhance the well-being of older people. Sitra has been supporting further development of the model and its dissemination to other cities, such as Turku, Rauma and Pori. The essential feature of Kotitori, Palvelutori and Lähitori is a personal advisory service for elderly people on issues such as health, housing or spare-time activities. Each person is offered just the right service for them – without making a distinction between who is the provider: public, private or the third sector. ■

A significant challenge for Finnish cleantech companies is that we lack an ambitious domestic market.





Resource-wise and carbon-neutral society

We are living beyond our means. Climate change and the depletion of natural resources are two of our most pressing global problems. Adapting to our planetary boundaries requires novel thinking and the development of new solutions.

Finland could play a bigger role than its size would merit in bridging the sustainability gap. The *Resource-wise and carbon-neutral society* theme creates opportunities to turn the wise use of resources and carbon neutrality into a global competitive advantage for Finland that would secure well-being and competitiveness for Finns.

Theme highlights of 2015

- The Paris Climate Conference profiled Finland and Sitra as strong experts on international climate policy. The international Green to Scale research report showed that the technologies and methods for mitigating climate change already exist.
- Led by Sitra, the cities of Jyväskylä, Forssa, Lappeenranta and Turku established the Finnish Sustainable Communities (FISU) network.
- The Helsinki capital region is being developed into a global-scale reference area for cleantech in collaboration with the state, cities in the region and Sitra.
- Finns became aware of the circular economy as a new economic model.
- The Network for Sustainable Mining carried out pioneering social responsibility work in the mining sector.

Goals for 2016

- Establishment of the Smart & Clean foundation for the Helsinki capital region.
- Completion of a national circular economy roadmap and launch of business pilot schemes.
- Attention to the consumer market of resource-wise solutions and services, and the future of agriculture.

Resource-wise and carbon-neutral society

THE AGREEMENT reached by world leaders on joint climate pledges in December 2015 in Paris gave a major impetus to the mitigation of climate change and to the bridging of the sustainability gap. However, the challenge is enormous. Therefore, even in Finland, everyone's contribution – including companies, municipalities and cities, administrations, households and consumers – is required to reach the set goals.

Sitra's *Resource-wise and carbon-neutral society* theme builds prerequisites for cities, companies and citizens to pioneer resource-wise and carbon-neutral operations, and steers Finnish business, energy and climate policies towards creating an ambitious domestic market. In 2015, the circular economy, regional resource wisdom, low-carbon companies and responsible mining operations were the focus of Sitra's operations. International partnerships and research results that interested large audiences functioned as an excellent foundation for development work. The direction is clear: functional clean solutions are currently in demand in every corner of the world.

The circular economy is a billion-dollar opportunity for Finland

The circular economy is a novel economic model in which the focus is on reusing materials and value, and on creating added value in products through services and smart solutions. Material flows and waste do not represent the circular economy's greatest value potential, but the opportunities lie in the maintenance, reuse and remanufacturing. In a circular economy, the starting point is the optimisation of value circulation and the prevention of waste; in other words, not the maximisation of the volume of waste put to reuse in the form of raw materials or as an energy source.

Sitra is currently working on a comprehensive road map for the transfer to a circular economy in Finland. At

the same time, it is involved in extensive co-operation and trials related to nutrient cycle and the textile and technology industries. In autumn 2015, two competitions for new ideas were organised: the Smart Forest call for ideas held in the autumn solicited new solutions that would combine elements of industrial internet use with the forestry industry, and the Nutrient Cycling Challenge, ending in spring 2016, seeks value-adding solutions for products and services related to enhanced nutrient cycle.

Reshaping the domestic market

Companies play a key role in the achievement of climate targets: they can create innovations, products and solutions that enable the creation of a carbon-neutral society. They can also enhance their own competitiveness in the process.

According to a survey conducted by Sitra, the size of the cleantech markets of importance for Finland will grow to more than USD 8,000 billion by 2050. From the point of view of companies, however, the challenge for Finland is that we lack ambitious pioneering markets. Finnish companies need a reference area on an international scale for the development of new low-carbon solutions, the testing of innovations and the showcasing of cleantech expertise. For some time, Sitra has been involved in building an extensive collaborative network for constructing a world-class reference area in the Helsinki capital region. If realised, the Smart & Clean capital region project would offer the best smart and clean solutions to the challenges faced by world cities by 2020.

Cities as pioneers

Not only companies, but also urban regions with their inhabitants are important builders of a resource-wise and carbon-neutral society. In the period 2013-2015, Sitra collaborated with the city of Jyväskylä to develop a regional resource wisdom operating model, for which four measurable indicators and a road map for the city's ambitious goal towards resource wisdom and carbon neutrality were defined.

The Jyväskylä project included a number of research studies, reviews and practical trials, in the planning and implementation of which the

Functional smart and clean solutions are in demand in every corner of the world.

**ON THE RISE**

international co-operation

ON THE DECLINE

silos and toiling alone



DID SOMEONE ALREADY FIND A SOLUTION?

PROBLEMS climate change, economic crisis, development of governance, labour market transition...

SOLUTION wicked problems do not adhere to the borders of national states and they can never be fully solved. In 2015, Sitra joined forces with 11 international research institutes and think tanks to find the best existing solutions for mitigating climate change. Numerous solutions were found. The Green to Scale report, compiling the relevant technologies and methods, was published just before the Paris Climate Conference, and was warmly welcomed in both the addresses made at the conference and in the European media.

WHAT NEXT? Co-operation cannot be created simply by attending a number of seminars. In Sitra, international collaboration means working for a joint target and learning from others. To tackle wicked problems, dialogue with collaborators such as think tanks needs to be intensified. The international Advisory Panel also makes the global top-level views available for Sitra's internal evaluation and for the targeting of activities.

city's inhabitants could participate. Among them, the food waste trial is a good example of an operating model that spread rapidly to dozens of other Finnish municipalities.

In addition to Jyväskylä, in 2015 Forssa, Lappeenranta and Turku also announced that they aim to be carbon-neutral and zero-waste cities by 2050, keeping their consumption of natural resources within the limits of the earth's carrying capacity.

Led by Sitra, these cities established a network of Finnish Sustainable Communities (FISU), and Motiva Oy was chosen as the base for its operations. The FISU network will expand in 2016, when new ambitious communities will be approved as members.

Aligning stakeholders for greater responsibility

Sometimes knots cannot be untied without help. The Finnish mining industry is an example of a sector that has not exactly been a shining example of ecological responsibility. In 2013, Sitra took a neutral role as a convener and facilitator of a network aimed at mitigating the conflicts between the mining industry and its stakeholders and developing more responsible modes of operation for the sector.

In practice, the group, which organised itself into the Network for Sustainable Mining in spring 2014, consists of representatives of the mining industry, nature conservation organisations, other lines of business and parties linked with the local population. After close networking efforts, the first corporate responsibility report within the sector has been published, the responsibility system for the mining industry is ready to be piloted and the first version of the toolbox of practices for stakeholder co-operation is in use. The development work of the network will continue under the leadership of the Finnish Mining Association (FinnMin). ■



Work is one of the building blocks of a good life. What will future work and working life be like?



New working life and the sustainable economy

Working life and the labour market are undergoing a major transition accelerated by such factors as digitisation, international competition and economic restructuring. What will it be like then, the working life of the future? And are we Finns ready for it?

Sitra's *New working life and the sustainable economy* theme promotes the reform of working life and sustainable economy by means of trials and new operating and financing models.

Theme highlights of 2015

- The impact investing model entered the Finnish financing scene when the first social impact bond (SIB) project was launched.
- The basic-income model became the government's trial project.

Goals for 2016

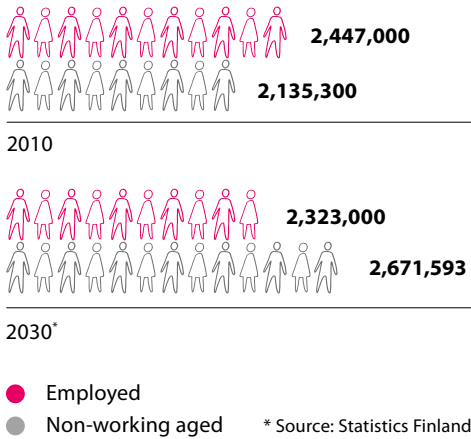
- Close dialogue on developing the ground rules of working life.
- Learning lessons about a new kind of enterprise-based employment model.
- New SIB funds for impact investing.
- Preparation of the basic-income trial.

THE LABOUR MARKET IS IN TURMOIL. The amount of work will inevitably reduce in certain sectors and occupations. New work is also emerging, but in numerous different fields. There is work and plenty of workers as well, but demand and supply do not meet. The mismatch between jobs and jobseekers is a real problem in the labour market.

Work is one of the building blocks of a good life. Sustainable well-being cannot be created without work and a working life that are meaningful from the perspectives of both individuals and society. The population is ageing and the dependency ratio is dropping, so work and income are even more sorely needed than before. Sitra anticipates the direction of change and expounds the need to renew working life. Sitra also aims to bring jobs and employees together.

However, the development of working life alone cannot save the ailing public economy, but other solutions also need to be sought for funding future services. Sitra's pioneering work for importing the impact investing model to Finland is an example of this.

The aging nation needs everyone's input



There is work and plenty of workers as well, but demand and supply do not meet.

Making every working hour profitable

The work contribution of every Finn is needed, so doing work should always be more profitable than being unemployed. Today, this is not the case. The jungle that is the welfare system needs clarification, and incentives for accepting work are needed. One solution to this could be some kind of a basic-income model. Accordingly, Sitra and the Finnish Pension Alliance TELA commissioned a report on such a trial from the think tank Ajatushautomo Tänk in 2014.

In spring 2015, the basic-income trial was selected as part of one of the government's spearhead projects. Alternatives for implementing the trial are currently being examined by a working group led by the Social Insurance Institution of Finland (KELA), in which Sitra is also actively involved. The purpose of the trial is to investigate whether basic income could help reduce poverty and marginalisation, reduce bureaucracy related to social benefits and taxation, and encourage people to work in a way that is sustainable with a view to the public economy. All these are very important questions from the perspective of sustainable well-being.

Support for the turning points in working life

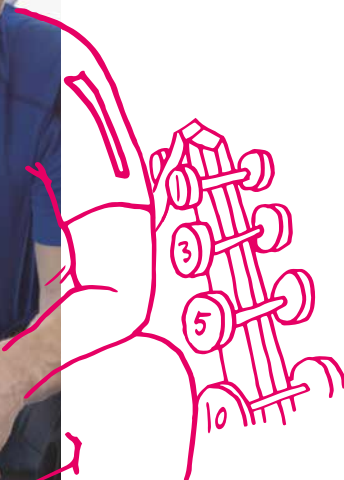
What will future work, working life and the labour market be like? They will be fragmented, periodic and resemble entrepreneurial activity. What about when the old work ends? Are we Finns equipped to do the new kind of work? Of course we are, but the change will not happen overnight. To support the change, we need knowledge, but also concrete solutions and examples.

The goal of Sitra's working-life projects launched in 2015 is to offer tools and support for the critical turning points in working life; in other words, those points in life when people ponder the direction of their work careers, personal development or new beginnings.

In situations of change, employees need to be capable of renewing themselves and taking an entrepreneurial attitude, but such factors as the support provided by society, corporate operating models and educational institutions, for example, play an important role as well. Sitra's current projects therefore focus on issues such as working-life attitudes, working-life competences of higher

↑ **ON THE RISE**
investing in well-being,
buying results

↓ **ON THE DECLINE**
lack of well-being,
sickness absences



education students, and improving the matching of job opportunities to employees.

The company-based employment model being tested in Turku, Tampere and the Helsinki capital region is a good example of the latter. There, a network consisting of several employers is capable of offering work in a more agile manner and sharing employees, for example, which lowers the threshold of hiring

employees and helps by allowing even hidden jobs or tasks to be done flexibly – in a manner that is sensible for the employee.

Alternatives to cutbacks through co-operation

The need for services for citizens is growing while the funds available for arranging those services are diminishing. The remedies being sought for the problem include cutbacks and the “cheese slicer” approach, even though they are not sustainable solutions in every respect. Could we find any new ways of funding Finnish well-being?

For slightly over a year, Sitra has been building an “impact investing” ecosystem in Finland, and adapting this operating model, which is still taking its first steps globally, to Finnish conditions. The first impact investing projects have been built on the basis of Social Impact Bonds (SIB). In the SIB model, the activity being funded, such as child protection or well-being at work, is broken down into measurable goals instead of providing funding against performance of tasks or working days. In SIB projects, sponsors invest in enabling the activity and bear the financial risk, and the public sector pays only for the results.

The first SIB project in Finland, and indeed in the Nordic countries, was launched in November. The project aims to promote well-being at work in the public sector, and the first-phase investors include the We Foundation, Sitra and a private financial investor. The second SIB project is being prepared in collaboration with the Ministry of Employment and the Economy, and this project is aimed at easing the integration and speeding up the employment of immigrants. ■

MUNICIPALITIES: WHAT IF YOU PAID FOR THE RESULTS ONLY?

PROBLEM as the economic situation becomes tighter, new alternatives are sorely needed for arranging and funding public well-being services.

SOLUTION Finland's first social impact bond (SIB) is a major endeavour. The aim of the project is to enhance well-being at work and, consequently, reduce sickness absences. In practice, the operation runs in such a manner that outside investors make investments in enhancing well-being at work – not only in occupational health services, but also in such activities as the development of managerial work and co-operation methods – through a fund. The client, say a joint authority, pays only for measurable results: enhanced well-being and reduced sickness absences. The essential part of the project is setting result targets and measuring how they are met. The investors get their money back only if the targets are met.

WHAT NEXT? Could the SIB model, for its part, help balance the public economy? The project will end early in 2019, and then we will know the answer.

Sitra employees

The strength of an expert organisation always lies in its competences, the people. Therefore, the enthusiastic, committed, professional and flexible co-operation between all Sitra employees lies at the heart of the work Sitra is doing for the betterment of Finland's future.

The Finnish Parliament sowed the seeds of future orientation, pioneering spirit, and independence based on responsibility in the mindset of Sitra employees back in 1967, when laying the spiritual foundations for Sitra's work. With the task for the organisation being to build a successful Finland for tomorrow, it must have a humble but ambitious attitude.

Today, knowledge and action are closely intertwined in the work done at Sitra. This means that the requirements set for the personnel are also high: the work is demanding and requires expertise. In addition to solid theoretical knowledge, employees also need to have practical experience of working on projects and in extensive co-operation networks.

The personnel structure at Sitra provides support for many kinds of activities and for the smooth transfer from one theme to another. The diversity of its personnel is one of Sitra's assets. The personnel include both established opinion leaders and experts taking their first career steps. Various modes of co-operation support such diversity. Some of Sitra's part-time employees are retirees and others are just about to graduate.

At the end of 2015, Sitra had 139 employees (2014: 136; 2013: 118), 10 of whom were on a family or some other leave. Due to the project-based nature of Sitra's operations, 40 new employment contracts began and 36 ended during the year. Some 58% of Sitra's personnel were on permanent contracts and 42% on fixed-term employment contracts, and the share of part-time employees in the total number of personnel was 12%. In 2015, 64% of Sitra's employees were women and 36% were men, whereas in the management group the

respective shares were 45% women and 55% men. An average Sitra employee is a 45-year-old woman with a university degree, who has been working in an expert position at Sitra for 3.7 years.

Regenerative reformer

Society also sets many conditions – which may change quite rapidly these days – for the operation of a future-oriented organisation. The importance of organisations' agility and co-operation with stakeholders can't be overestimated. Also the steering impact of objectives is great, and that's why we ended up clarifying them further in 2015.

Moving into shared premises with offices all on the same floor in December 2014 was not only an environmentally and financially sensible thing to do, but it also removed many obstacles that slowed down co-operation. Sitra's matrix-based operating model steers people towards doing things together, with a steering cycle allowing for continuous feedback. In 2015, Sitra launched networks of expertise aimed at enhancing core competences and advancing the development of operations. These informal networks of expertise promote a culture of collaborative activity and sharing.

One of the key development targets for 2016 is Sitra's goal to become a carbon-neutral organisation. The year 2016 will also be characterised by the preparations for Sitra's anniversary year: when Finland celebrates 100 years of independence on 6 December 2017, it is time to celebrate Sitra's 50th anniversary. ■

FUTURE-ORIENTED WORK REQUIRES COOPERATION

- SITRA'S YEAR 2015

1967 

A GIFT for 50-year-old
Finland
#Finland100 #Sitra50
#TimeForParty

136

people shaping
Finland's future



57

publications
813 000 visitors at Sitra.fi
17 164 Twitter followers

**PEOPLE ARE INTERESTED
IN THE FUTURE**



Ongoing
projects in

62

municipalities

Over
30

social and healthcare pilots
of service packages



2
tools for international use:
CardioCompass and the
carbon risk tool

50

participants in Leadership
Training for Sustainable
Economic Policy

OPERATIONS funded by
return on endowment
capital. Return in 2015

5,7%

SITRA  CO-OPERATION

- ♥ Removing silos
- ♥ Spurring the pioneers
- ♥ Making various operators collide



Investment activities

The Bank of Finland and the Finnish Parliament gave Sitra an endowment capital, which, when responsibly invested, will yield profits for financing the future-oriented work of Sitra. In addition to endowment capital investments, Sitra invests in the development of business operations and makes investments in venture capital funds to promote Finland's competitiveness and, at the same time, the achievement of Sitra's strategic targets.

Sitra's future-oriented work is funded from the return on its endowment capital investments.

High dependency on the return on the endowment capital investments means that changes in the financial environment also affect the planning of Sitra's future-oriented work.

The world economy grew by about 3% in 2015. In the capital market, the year began on a positive note, but by the end of the spring there was concern about the solidity of the world economy's growth. In Europe, the economic and political crisis in Greece took the country close to separation from the Eurozone, and, in the autumn, investor concerns over the declining economic growth of China caused major market uncertainty and instability. In addition to this, a major drop in raw material prices, particularly that of oil, a commodity of enormous importance to the world economy, gave a strong signal about the opinion of investors on the declining growth of the world economy.

In this uncertain situation, the stock and interest-rate markets of developing markets suffered the hardest blows. The favourable economic development of the United States and the slightly brighter outlook for Europe, mainly due to the decline in the euro rate, maintained a positive undercurrent in the stock market. In the international interest-rate markets, the interest rates of Western state loans dropped to a lower level, but the spreads of high yield bonds widened.

During the year, the development in the Finnish stock market was surprisingly positive regardless of the heated debate, in political and financial circles, about

the national economy, on issues such as enhancing the competitiveness of the Finnish economy and the methods that it will require.

At the end of 2015, the market value of Sitra's endowment capital was EUR 771 million (EUR 739 million in 2014). During the year under review, endowment capital yielded a good return of 5.7% (12.4%), in spite of the challenging investment environment. The total allocation of Sitra's endowment capital at the turn of the year was as follows: shares 50% (49%), interest-rate instruments 41% (43%) and others 9% (8%). Most of Sitra's endowment capital is invested in funds. Sitra makes the allocation decisions, but the fund managers decide independently on individual investments according to the fund's rules.

Sitra sold the shares it owned in Suominen Corporation in February and March 2015. The subscription price of the shares in autumn 2011 was EUR 2 million, and the selling price in spring 2015 amounted to a total of EUR 4.1 million. During the year, Sitra also redeemed part of its investment in the Aberdeen Global – World Equity fund and made an additional investment in the Impax Environmental Markets fund.

Sitra continued to increase its real estate investments, as real estate private equity funds made draw-downs for additional investments. Sitra also made an additional investment in the UB Global REIT fund, which invests globally in listed real estate companies.

Responsibility in investing

In autumn 2015, Sitra signed the United Nations supported Principles for Responsible Investment (PRI),

simultaneously undertaking to report regularly on its responsible investment. Sitra is also a member of FINSIF – Finland’s Sustainable Investment Forum, which seeks to promote responsible investment. For Sitra, responsible investing means taking account not only of the economic potential but also environmental, social and governance (ESG) factors when making investment decisions.

When new investments are selected, the fund manager’s commitment to responsible investment is one of the criteria evaluated. Nearly all of the fund managers used by Sitra have signed the UN-supported Principles for Responsible Investment and address sustainability issues in their investment activities. Sitra also strives to continuously develop its own responsible investment process. Calculating the carbon footprint of domestic equity funds and Nokia shares is a case in point.

Business development and venture capital funds as tools of future-oriented work

If investment of endowment capital is what provides Sitra’s basic income, business development and investments in venture capital funds are ways of promoting Sitra’s sustainable well-being strategy by investing – without forgetting the returns.

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 investment. Good examples in this field of activity include the development of an impact investing model for Finnish conditions, the first projects to be implemented using the social impact bond (SIB) model and intensive training of companies and organisations in the Impact Accelerator training programme.

As in previous years, in 2015 Sitra invested in venture capital funds. As an investor, Sitra seeks a social impact as well as returns, but its activities are market-based, i.e. investment transactions are conducted in compliance with the same investment principles as those that govern all other investors.

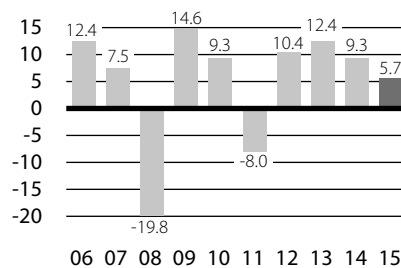
In 2015, Sitra made five new fund investments. Epicus Työhyvinvointi I Ky fund seeks to provide services enhancing well-being at work, using a payment by results (PbR) model; Lifeline Ventures Fund III Ky invests in early-stage network, game and health technology companies; and NegaWatt Energiatehokkuusrahasto II Ky is involved in real estate energy-efficiency projects. The Social Impact Accelerator is a fund of funds that promotes the development of impact investing markets in Europe, and SET Fund II Limited Partners is focused on smart energy solutions.

Sitra is a responsible long-term investor that takes an active part in the development of the companies in its investment portfolio. One of the highlights of 2015 was the sale of the shares in the long-term portfolio company FibroGen in May and June, which resulted in the biggest profit in Sitra’s history earned from an individual company, approximately EUR 18.3 million. Sitra made its first investment in the pharmaceutical development company FibroGen as one of its founding shareholders as early as 1994.

Examples of long-term ownership include also Fimet Oy, a supplier of dental treatment systems, which was sold to a domestic investment group, and Solibri Oy, a software provider for the construction industry, bought by German Nemetschek AG at the end of the year.

At the end of 2015, Sitra’s company portfolio included 26 companies. During the financial year, Sitra invested in one new company and exited ten companies. In addition, follow-on investments were made in nine companies already in the portfolio. ■

Capital income 2006–2015, %



Administration and proposal for the disposal of surplus



Martti Hetemäki



Petri Peltonen



Anita Lehtikainen



Anne Kovalainen



Kirsi Sormunen



Mikko Kosonen

Board of Directors

Sitra's Board of Directors met nine times during the year under review. Its members are Permanent Secretary Martti Hetemäki (chairperson), Director General (from 1 February 2016 Under-Secretary of State) Petri Peltonen (vice-chairperson), Permanent Secretary Anita Lehtikainen, Professor Anne Kovalainen, Kirsi Sormunen and President Mikko Kosonen.

Supervisory Board

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by parliament. Anton Mäkelä LL.M. was secretary to the Supervisory Board. The new Supervisory Board was appointed on 9 June 2015. The Supervisory Board met once in the old composition and three times in the new composition during the year under review.

The members of the former Supervisory Board were MPs Ben Zyskowitz (chairperson), Pirkko Ruohonen-Lerner (vice-chairperson), Jouni Backman, Timo Kalli, Marjo Matikainen-Kallström, Lea Mäkipää, Arto Satonen, Juha Sipilä and Jutta Urpilainen.

The members of the new Supervisory Board were MPs Matti Vanhanen (chairperson), Pentti Oinonen

(vice-chairperson), Olavi Ala-Nissilä, Seppo Kääriäinen, Arto Satonen, Jutta Urpilainen, Pia Viitanen, Ville Vähämäki and Ben Zyskowitz.

Auditors

As at the end of 2015, the following individuals appointed by parliament were Sitra's auditors: Sanna Lauslahti as chairperson (deputy member: Markku Eestilä), Esko Kiviranta (deputy member: Tapani Töllli), Antti Rinne, (deputy member: Lauri Ihalainen), Tom Sandell, APA, CPFA (deputy member: Pauli Vahtera, APA) and professor Markku Koskela, APA, who also acted as the secretary to the auditors (deputy member: Hannu Riippi, APA). The authorised public accounting firm PricewaterhouseCoopers Oy, appointed by the Supervisory Board, was responsible for Sitra's internal audit and for auditing Sitra's investments. The principal auditor was Juha Wahlroos, APA.

Proposal for the disposal of surplus

The Board of Directors proposes that the net surplus for the financial year, EUR 26,994,962.96, be carried forward to the retained surplus/deficit account. ■

Financial Statements 2015

PROFIT AND LOSS ACCOUNT

EUR		Realised 1.1.–31.12.2015	Realised 1.1.–31.12.2014
INCOME			
		50,638,805.36	35,172,236.19
	Profits on the sale of investments		
	Interest income	220,580.15	403,182.67
	Dividend income	971,241.46	1,680,581.44
	Rental income	140,832.00	139,244.70
	Other investment income	13,457,123.69	8,660,470.07
	Total income	65,428,582.66	46,055,715.07
EXPENSES			
	Personnel costs	2 -13,515,123.96	-13,094,439.29
	Expenses from projects	3 -8,960,863.95	-6,818,451.50
	Investment expenses	-9,686,364.66	-4,974,605.54
	Depreciation	4 -119,666.25	-144,569.64
	Other expenses	-6,151,600.88	-5,361,090.53
	Total expenses	-38,433,619.70	-30,393,156.50
	SURPLUS/DEFICIT FOR THE FINANCIAL YEAR	1 26,994,962.96	15,662,558.57

BALANCE SHEET

EUR		Realised 31.12.2015	Realised 31.12.2014
ASSETS			
Long-term assets			
	Tangible assets	5 430,835.85	480,951.01
	Intangible assets	5 10,095.61	15,328.98
	Investments	6 703,173,027.25	682,224,024.37
	Total long-term assets	1 703,613,958.71	682,720,304.36
Short-term assets			
	Accounts receivable	283,348.42	153,763.76
	Cash and cash equivalents	7 7,074,504.21	1,307,389.99
	Total short-term assets	7,357,852.63	1,461,153.75
	TOTAL ASSETS	710,971,811.34	684,181,458.11
EQUITY AND LIABILITIES			
Equity			
	Endowment capital	235,463,097.04	235,463,097.04
	Retained earnings	444,004,406.26	428,341,847.69
	Surplus/deficit for the financial year	26,994,962.96	15,662,558.57
	Total equity	706,462,466.26	679,467,503.30
Short-term liabilities			
	Other liabilities	8 4,509,345.08	4,713,954.81
	Total short-term liabilities	4,509,345.08	4,713,954.81
	TOTAL EQUITY AND LIABILITIES	710,971,811.34	684,181,458.11

ACCOUNTING PRINCIPLES

Presenting the financial statements

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

Valuation of investments

Shares, participation rights and bonds in endowment investments have been valued at the lower of either the original acquisition cost or the market value, in accordance with 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 neces-

sary 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 current 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 converted into euros at the average exchange rate in force on the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

Further details on the content of the items in the profit and loss account and the balance sheet are given in the notes. The number presented in correspondence to the notes refer to the profit and loss account and the balance sheet.

1 OPERATING SEGMENTS 2015

EUR 1,000	Endowment capital	Impactful work	Supporting impactful work	Total
INCOME				
Profits on the sale of investments	29,354	21,285	0	50,639
Interest income	149	71	0	221
Dividend income	906	65	0	971
Rental income	141	0	0	141
Other investment income	6,151	7,306	0	13,457
Total income	36,701	28,728	0	65,429
EXPENSES				
Personnel costs	0	-7,109	-6,406	-13,515
Expenses from projects	0	-8,929	-32	-8,961
Investment expenses	-2,734	-6,953	0	-9,686
Depreciation	0	0	-120	-120
Other expenses	0	-1,303	-4,848	-6,152
Total expenses	-2,734	-24,294	-11,406	-38,434
SURPLUS FOR THE YEAR	33,967	4,434	-11,406	26,995
ASSETS				
Long-term assets				
Tangible assets	0	0	431	431
Intangible assets	0	0	10	10
Endowment capital investments	639,126	0	0	639,126
Venture capital investments	0	64,047	0	64,047
Total long-term assets	639,126	64,047	441	703,614

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

Financial Statements 2015**2 PERSONNEL COSTS**

EUR 1,000	2015	2014
Wages and salaries	-10,002	-9,829
Pension expenses	-2,054	-1,800
Other statutory payroll expenses	-535	-562
Other payroll expenses	-924	-904
Total	-13,515	-13,094

The number of personnel at the end of the year was 139 (2014: 136).

WAGES AND REMUNERATION OF MANAGEMENT

EUR 1,000	2015	2014
Supervisory Board and Board of Directors	91	75
President	282	273
Total	373	348

The monthly remuneration of the Supervisory Board was EUR 454 for the Chair, EUR 337 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 700,000 (5.9% of total payroll expenses) has been reserved in the 2015 financial statements for payment to personnel as an incentive bonus. The corresponding sum for 2014 was EUR 696,338, amounting to 6.0% of total payroll expenses.

3 EXPENSES FROM PROJECTS

EUR 1,000	2015	2014
Capacity for renewal		
Theme level	-567	-314
Active citizen – at all ages	-1,065	-640
Solutions for e-well-being	-778	-1,349
Solutions for public service management	-301	-681
Towards an information society	-38	-242
Social and healthcare financing	-801	-174
Digital Health HUB	-165	0
Completed focus areas	0	-40
Total	-3,715	-3,438
Resource-wise and carbon-neutral society		
Theme level	-526	-673
Industrial symbiosis	-201	-259
Resource wisdom	-598	-695
Network for Sustainable Mining	-357	-121
Carbon-neutral industry	-1,125	-185
Consumer-driven business models for the circular economy	-486	0
Completed focus areas	-6	-10
Total	-3,300	-1,944
New working life and sustainable economy		
Theme level	-202	-185
Impact investing	-223	-102
Turning points in working life	-258	0
Total	-683	-287
Societal training	-760	-467
Research and foresight	-177	-253
Other impactful work	-293	-81
Supporting impactful work and other operating activities	-32	-348
Total	-8,961	-6,818

Financial Statements 2015

4 DEPRECIATION

PLANNED DEPRECIATION

EUR 1,000	2015	2014
Machinery and equipment	-114	-120
Other capital expenditure	-5	-25
Renovation of office premises	0	0
Total	-120	-145

5 TANGIBLE AND INTANGIBLE ASSETS

During the year, Sitra acquired fixed assets amounting to EUR 0.1 million (2014: EUR 0.2 million).

EUR 1,000	Book value 1.1.2015	Increases	Decreases	Depreciation	Book value 31.12.2015
Machinery and equipment	202	124	-1	-114	210
Other capital expenditure	15	0	0	-5	10
Renovation of office premises	0	0	0	0	0
Other tangible assets	270	6	-65	0	212
Total	487	130	-66	-120	432

EUR 1,000	2015	2014
Shares and participations	9	9
	9	9

6 INVESTMENTS

EUR 1,000	2015	Change	2014
Endowment capital investments			
Bonds	1,575	-73	1,648
Shares	2,206	-1,949	4,155
Fund investments	601,919	21,403	580,516
Private equity fund investments	31,749	5,502	26,247
Real estate investments	1,543	-34	1,577
Short-term investments	133	-160	294
Total	639,126	24,689	614,437
Venture capital investments			
Business development and funding	21,649	-3,765	25,414
Venture capital funds	42,398	25	42,373
Total	64,047	-3,740	67,787

ENDOWMENT CAPITAL INVESTMENTS

EUR 1,000	Book value	Market value
Bonds		
Leverator Oyj 21.6.2016	1,575	1,575
Shares		
Nokia Oyj	1,460	12,573
Technopolis Oyj	746	746
Total	2,206	13,319
Fund investments		
Equity funds		
Aberdeen Global - World Equity A2	35,790	52,179
Alfred Berg Finland B	27,705	31,329
Carnegie Worldwide Emerging Markets Equities	2,435	2,453
Danske Invest Suomi Yhteisöosake K	32,156	43,030
Fondita 2000+	12,151	21,668
Handelsbanken Europafond Index	16,305	16,305
Impax Environmental Markets Ireland A	18,027	24,096
JP Morgan Global Unconstrained Equity X Eur	74,381	97,649
JPM Emerging Markets Equity I EUR ACC	27,955	27,955
OP-Focus A	4,876	5,564
OP-Suomi Arvo A	39,154	54,812
Bond funds		
Aktia Emerging Markets Bond + D	10,449	11,193
Blue Bay Investment Grade Bond Fund I	38,214	40,473
Blue Bay Investment Grade Bond Fund R	29	29
Danske Invest Valtionobligaatio K	23,851	27,059
Danske Invest Yhteisökorko K	89,412	90,892
Danske Invest Emerging Markets Debt K	7,122	8,247
EVLI European High Yield B	17,344	21,955
LähiTapiola Yrityskorko A	25,727	33,249
Nordea Valtionlaina AAA I K	19,646	23,423
OP-EMD Local Currency A	10,518	10,519
OP-Obligaatio Prima A	23,025	25,871
SEB Global High Yield B	17,157	19,012
Other quoted investments		
BNP Paribas Property Securities Fund Europe	8,830	9,256
eQ Hoivakiinteistöt	5,702	5,840
Selectinvest ARV Ltd Series C 2009	65	116
Selectinvest ARV SPV Ltd A-ARV MC Ltd	152	259
Selectinvest ARV Ltd ARV MC Ltd -C/2009-EUR RR	125	235
UB Global REIT	11,614	13,024
Ålandsbanken Asuntorahasto Erikoissijoitusrahasto C	2,000	2,223
Total	601,919	719,915

Financial Statements 2015

EUR 1,000	Book value	Market value
Private equity fund investments		
Access Capital Fund II LP	0	153
Boston Millennia Partners II LP	594	810
Capman Buyout X B Ky	3,368	3,430
Crescendo IV LP	0	496
European Fund Investments II LP	1,254	1,113
Finnventure Rahasto V Ky	0	6
Sentica Buyout IV Ky	2,443	2,807
Vaaka Partners Buyout Fund II Ky	2,710	2,909
Verdane Capital VIII K/S	1,369	1,393
Real estate private equity funds		
Aberdeen Property Fund Finland I Ky	2,172	2,160
BPT Healthcare II Ky	1,600	1,671
Capman Nordic Real Estate FCP-SIF	5,504	5,664
ICECAPITAL Residential Property Fund I Ky	3,000	3,324
LähiTapiola Asuntorahasto Prime Ky	5,000	4,966
Real Estate Debt and Secondaries Ky	2,000	2,243
Suomi Toimitilakiinteistö Ky	735	729
Total	31,749	33,876
Real estate investments		
Erottajan Pysäköintilaitos Oy	1,543	2,174
Total	1,543	2,174
Short-term investments		
	133	133
Total	133	133
Total endowment capital investments	639,126	770,992

BUSINESS DEVELOPMENT AND FUNDING

Shares, participations and other investments held by Sitra

EUR 1,000	Shares and participations		Capital loans and other loans	Amount total
	Holding	Amount	Amount	
Aw-Energy Oy	12%	1,893	280	2,173
BioTie Therapies Oyj	1%	12,003	673	12,676
Cleantech Invest Oyj	7%	882	0	882
Crisolteq Oy	0%	0	300	300
FIT Biotech Oy	37%	15,374	0	15,374
Fixteri Oy	43%	2,498	195	2,693
KC-Holding 3 Oy	46%	2,344	0	2,344
Kuntien Tiera Oy	0%	0	4,490	4,490
Medixine Oy	18%	1,126	50	1,176
Mesera Oy	57%	2,836	100	2,936
Mobidiag Oy	1%	5,183	618	5,801
NaturVention Oy	8%	423	0	423
Nexstim Oyj	20%	12,567	0	12,567
Odum Oy	45%	885	0	885
Omegawave Oy	28%	2,137	598	2,735
One1 Oy	13%	150	0	150
Optomeditech Oy	13%	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	16%	3,420	0	3,420
Sustainable Energy Asset Management Oy	37%	170	180	350
Sybimar Oy	0%	0	750	750
Taltioni Osuuskunta	0%	0	3,200	3,200
Vivago Oy	41%	4,077	310	4,387
Vivoxid Oy	38%	5,364	0	5,364
		78,514	11,879	90,393
Total business development and funding				90,393
Cumulative change in value				-68,744
Book value				21,649

Financial Statements 2015**FUND INVESTMENTS**

Sitra's investments in funds

EUR 1,000	Amount
AC Cleantech Growth Fund I Ky	5,000
Aloitusrahasto Vera Oy	2,000
Apple Tree Partners II L.P.	289
Armada Mezzanine Fund III Ky	945
Baltic Investment Fund III	311
Boston Millennia Partners L.P.	1,284
CapMan Russia Fund L.P.	3,185
Capricorn Cleantech Fund NV	10,000
Chrysalix Energy III Ltd	3,327
Crescendo III, L.P.	1,799
Dasos Timberland Fund II	2,444
Diamondhead Ventures L.P.	1,312
Edison Venture Fund IV	0
Epiqus Työhyvinvointi I Ky	130
EBRD North West Russia Regional Venture Fund	0
Eqvitec Teknologiarahasto I Ky	1,346
Folmer Equity Fund I Ky	1,842
InnKap 2 Partners	865
InnKap 3 Partners	2,111
Inveni Secondaries Fund II Ky	1,805
Inveni Secondaries Fund II Follow-on Ky	478
Inventure Fund II Ky	894
Lifeline Ventures Fund I Ky	2,712
Lifeline Ventures Fund III Ky	0
Matkailurahasto Nordia Oy	3,229
MB Equity Fund Ky	0
NegaWatt Energiategohkuusrahasto I Ky	304
NegaWatt Energiategohkuusrahasto II Ky	522
Norum (Cyprus) Ltd	0
Palvelurahasto Ky	2,842
Power Fund III Ky	1,203
Russian Technology Fund L.P.	140
SET Fund II Ltd	0
Sitra Management Oy	470
Social Impact Accelerator	78
Spintop Investment Partners II Ab	549
Strategic European Technologies N.V.	3,086
Terveysrahasto Oy	633
Trident Capital Fund V	592
Ventech Capital II, L.P.	2,672
Verdane ETF II SPV Ky	2,010
VisionPlus Fund I Ky	3,651
	66,060
Total fund investments	66,060
Cumulative change in value	-23,662
Book value	42,398

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.

7 FINANCIAL ASSETS

EUR 1,000	2015	2014
Bank accounts	7,064	1,306
Settlement accounts for payment transactions	10	2
Total	7,075	1,307

8 OTHER LIABILITIES

EUR 1,000	2015	2014
Personnel expense liabilities	3,043	2,695
Accounts payable	940	1,372
Other short-term liabilities	526	647
Total	4,509	4,714

SIGNATURES TO BOARD REPORT AND FINANCIAL STATEMENTS

Helsinki, 1 March 2016

Martti Hetemäki

Petri Peltonen

Anne Kovalainen

Anita Lehtikoinen

Kirsi Sormunen

Mikko Kosonen

AUDITORS' REPORT

As the auditors appointed by Parliament, we have audited the accounts, financial statements, annual report and administration of Sitra, the Finnish Innovation Fund, for the financial period 1 January–31 December 2015 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 performance 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, 9 March 2016

Sanna Lauslahti

Esko Kiviranta

Antti Rinne

Tom Sandell, APA, CFPA

Markku Koskela, APA

Contact details

The cornerstones of building a better future 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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Katarina Koch (Anita Lehtikoinen, page 30)

Cover Image: Gorilla

Erweko Oy, Helsinki 2016

SITRA

As the pace of change accelerates, the ability of nations to reinvent themselves – the ability to set goals far enough ahead while acting and making decisions here and now – is the new indicator of success.

Sitra is actively shaping the future by studying, examining and selecting partners from various sectors to participate in open-minded trials and reforms.

Finland's ability to reinvent itself is in the balance. Can we pull together and turn problems into opportunities?

