



**FROM WORDS
TO DEEDS
*FOR THE FUTURE***

Annual Report and Financial Statements 2018

SITRA

*Sitra is an internationally unique
and noted future fund.*





**2018 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 2018
to the Finnish Parliament.

Helsinki, 14 March 2019

On behalf of Sitra's
Supervisory Board

MATTI VANHANEN
CHAIRPERSON

ANTON MÄKELÄ
SECRETARY

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Concept and contents

Jenni Sarolahti and Sari Tuori, Sitra

Photos and illustrations

Topias Dean, Minna Hemmilä,
Veera Pienimaa, Miikka Pirinen,
Andreas Thomasson

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Agent for change, on behalf of the next generations

SITRA'S FINANCIAL and political independence and the mandate given by the Finnish Parliament provide Sitra, the future fund, with an opportunity to act as the voice of future generations and to test and develop operating models that others in the societal field could not do by themselves.

The Act on Sitra, the Finnish Innovation Fund is the framework for Sitra's future-oriented work and has provided a good foundation for the organisation's work in various fields for many years. The Act was updated in 2018, including an informative rule on compliance with general legislation on governance and a restriction of appeal against Sitra's decisions. The discussion on Sitra's tasks, resources and governance will continue until the end of March 2019 within the parliamentary working group established by the Ministry of Finance.

Sitra acts as an agent for change with the power and responsibility to grasp "systemic challenges", which are important when considering the future and which are complicated by nature. Implementing change requires various participants acting together. Complex challenges will not be resolved by surveys

alone, while experimenting without analysis and follow-up development does not often yield results. When they are used together, and when allied to training, funding and networking, as well as co-operation and effective communications, Sitra's expertise is effective and change can take place.

Focusing on environmental issues is a good example of Sitra's future-oriented work. In 2018, Sitra was honoured as the best public-sector circular economy developer at the World Economic Forum in Davos. This was no coincidence, since Sitra has developed solutions to ecological sustainability questions almost throughout its existence, particularly during the last decade. Now that individuals and society as a whole are forced to make decisions that take the climate issue into account, there is considerable knowledge and many solutions adapted to Finland, thanks to Sitra's work. The pioneering work benefits all of Finland in accordance with Sitra's national circular economy road map.

Another good example of Sitra's long-term work is its activity in the social and healthcare sector, where for a decade Sitra has been developing better, more individual and more

*Sitra has the power and responsibility
to grasp challenges, which are complicated
by nature, but important when
considering the future.*

economically efficient solutions. The role of the future fund has been to experiment with future solutions and develop operating models that provide wide-ranging benefits, no matter what administrative model they are applied to.

The year 2018 was best characterised as a year when people began to wake up to climate change, but for Sitra it was also a year that saw the start of several new initiatives. Building a fair and human-driven data economy, updating democracy and lifelong learning were on Sitra's agenda – work has begun in all those areas and all can be expected to feature in the headlines in the years to come.

Sitra's operations are funded by the returns from its endowment capital. The market value

of Sitra's endowment capital varies year by year; at the end of 2018, it amounted to 776 million euros (2017: 840 million euros), and the return on investment was -3.9% (2017: 7.7%).

According to the view of Sitra's Supervisory Board, Sitra's finances are on a stable footing and its operations are well looked after. In its meeting on 14 March 2019, the Supervisory Board adopted Sitra's profit and loss account and balance sheet in accordance with the auditors' proposal. At the same meeting, the Supervisory Board decided, as proposed by the Board of Directors, that the net deficit for the financial year 2018 – EUR 11,742,617.76 – be carried forward to the retained surplus/deficit account.

Helsinki, 14 March 2019

Matti Vanhanen, Pentti Oinonen, Kalle Jokinen,
Antti Kaikkonen, Seppo Kääriäinen, Jutta Urpilainen,
Pia Viitanen, Ville Vähämäki and Ben Zyskowitz

./ Antton Mäkelä

REVIEW BY THE PRESIDENT

There are solutions – **should we start doing something?**



TRUSTWORTHY INSTITUTIONS, competitive industry and international trade have made Finland one of the world's wealthiest welfare states during the past 50 years. We have played our own part in it: as a small and highly educated nation, we have had excellent prerequisites for success in international competition.

In the future, expertise-based competitiveness will be required at an increasing rate, as the international atmosphere and the EU's situation have become more unstable in many ways.

In 2018, Finland's social situation seemed to be relatively stable in many respects, even though there was enormous turmoil all around. Much of the world seemed to be imploding, but Finland carried on its daily life, driven by favourable development of the employment rate. In early 2019, however, the news about the quality of the elderly care, thrust the structural challenges to our well-being back into the public debate with a vengeance.

The absolute bright spot of the year was the discussion on climate change becoming mainstream. People woke up to climate change after years of snoozing; next, it is the time to make decisions and act. We already have knowledge and solutions.

The law says it: Sitra's task is the future

Sitra's role in Finnish society has been to sniff out the megatrends shaping the world, to survey Finland's future directions, to import opportunities, to conceptualise new solutions and to accelerate reforms.

In recent years, Sitra has become an increasingly international influencer, especially in the fields of the circular economy, the human-driven data economy and democratic social development. Complex phenomena do not know national boundaries; solutions need to be developed globally, making use of "pioneer markets".

In addition to Sitra's extensive work in the circular economy and combating climate change, which has even been recognised by the World Economic Forum, a good example of spearhead projects that are international by their very nature is the work started in 2018 to build a fair data economy. The IHAN project is currently creating a European version of the data economy as an alternative to the US corporate-driven and the Asian government-driven models. Aiming for a fair data economy, IHAN is also an example of Sitra work that would not progress without a strong combination of knowledge, insight and action and an extensive stakeholder network.

Sitra's role has also been to act as a critical watchdog. Combining thinking and doing has been characteristic of the future fund in recent years, and Sitra has been characterised as a think-and-do tank. In its reports, the Finnish Parliament has decreed that Sitra should follow its own path and take risks. This has also been done.

In 2018, Parliament specified Sitra's role as a public institution, and a provision on compliance with general administrative legislation was included in the Act on Sitra, the Finnish Innovation Fund, among other provisions. The important discussion on Sitra's role will continue. Towards the end of 2018, the Ministry of Finance established a parliamentary working group tasked with assessing Sitra's statutory tasks, administration and resource allocation for the first time in Sitra's history.

Fair game

If 2018 was a year of waking up to climate change, 2019 should bring about action. What kinds of decisions could help a Nordic welfare state achieve a fair transition towards becoming a carbon-neutral society? And what are our guiding values when it comes to the climate change debate and the previously mentioned data economy? How quickly can we achieve renewal and make decisions on the big issues?

The year 2019 will also be a year of weak signals. Sitra's renowned foresight work earlier this year produced a signal library and carried out an analysis of weak signals that considers the nature of various megatrends. We also provide tools with which every party can carry out their own future-oriented work even better.

Many Sitra projects are now inextricably linked with the question of fair change. Instead of asking "what?", it is time to ask "how?" – and time to answer these questions.



Mikko Kosonen
President

Highlights of Sitra's 2018



DISCUSSION ON CLIMATE CHANGE BECAME MAINSTREAM, and Sitra was able to provide scalable solutions for different sectors as a result of its long-term work. Sitra's lifestyle test was taken more than 550,000 times, and there was demand for the 100 smart daily actions provided with it. See more on page 14.



THE UPDATING DEMOCRACY report highlighted the bottlenecks for Finnish democracy in a constructive way, and the work to update democracy got off to a flying start. See more on page 18.



REFORMER (UUDISTUJA) COURSES. In 2017, the year Finland celebrated its centenary of independence, Sitra began a series of courses for senior civil servants to assist with the reform of the civil service. A total of six courses, comprised of six modules, were arranged in 2017 and 2018, with almost 150 government directors undergoing training. The training programme developed by Sitra was transferred to HAUS kehittämiskeskus Oy at the beginning of 2019. See more on page 18.



THE DIALOGUE-BASED TIMEOUT (ERÄTAUKO) METHOD became a recognised and acknowledged method of constructive societal discussion. There were over 60 organisations using the method at the end of 2018, and thousands of people have taken part in the talks. See more on page 13.



WITH THE LIFELONG LEARNING focus area, Sitra entered the field of lifelong learning, which was also the focus of the “Next round of well-being” vision. This is a new initiative for which Sitra is playing a facilitating and connecting role in the early phase of the work. See more on page 22.



THE NEED FOR A FAIR AND HUMAN-DRIVEN DATA ECONOMY was identified, and work to develop an ambitious EU-level concept and technical solutions began in co-operation with other key parties. See more on page 22.



TRANSITION OF THE MANUFACTURING INDUSTRY TO THE CIRCULAR ECONOMY was boosted by the circular economy workbook built together by Sitra, Technology Industries of Finland, Accenture and 52 businesses. Next, the initiative will set its sights even higher: the aim is to involve 500 new companies. See more on page 14.



SITRA'S POSITION AS A PUBLIC BODY WAS CLARIFIED with an amendment to the Act on Sitra, after which a parliamentary working group launched its work to evaluate Sitra's administrative model and societal role. Talking about Sitra's role in society is crucial.



THE DOOR TO THE WORLD IS OPEN – Sitra's international role was strengthened with the circular economy and human-driven data economy projects. The award for the world's leading public-sector driver of the circular economy last year at the World Economic Forum was an important recognition. Pioneering work contributes to the future work of different sectors.



What is **Sitra**?

SITRA IS A BOLD FUTURE FUND – a think-and-do tank with activities based on knowledge and insight. In-house foresight work lays the foundation for pioneering societal work and communications.

SITRA'S TASK is to build a successful Finland for tomorrow.

"The purpose of the fund is to promote the stable and balanced development of Finland, quantitative and qualitative economic growth and international competitiveness and co-operation by acting particularly to implement projects with impacts that increase the efficiency of the use of economic resources or enhance the level of research and education or explore future development options."

Act on Sitra, the Finnish Innovation Fund 717/1990, Section 2

THE ADMINISTRATIVE MODEL is a public fund under the Parliament: the Parliamentary Supervisory Council acts as the Supervisory Board. Funding is based on the returns from endowment capital. Sitra is public and self-funded and not a budget-funded body. The annual budget is 30 to 40 million euros.

THE VISION is "the next round of well-being", meaning a fair and sustainable future in which Finns live a good life within the earth's carrying capacity.

THE STRATEGY lays the foundations for the impact objectives and actions derived from them. Future-oriented work is carried out in the Carbon-neutral circular economy, Capacity for renewal and New working life and a sustainable economy themes and the Foresight and insight and Societal training functions. The work is facilitated by the Administration, Legal Affairs, Investments, Strategy and Communications and Public Affairs functions.

THE TOOLBOX includes tools for extensive change projects that cannot be carried out by others in Finland. Key tools for future-oriented work include foresight, reports, practical experiments and pilots, development and dissemination of models, financing, building the administrative and legislative foundation for changes and training.

SITRA PROMOTES CO-OPERATION, networking and projects that transcend sectoral boundaries, with "doing together" at the core of all activities. It acts independently, often in the role of convener.

The world is changing – what is Finland’s direction?

Sitra is a future fund answerable to Parliament, and its insights are based on robust long-term foresight work. Sitra’s task is to promote discussion about the megatrends that are key to Finland’s future and to draw up visions of a desirable future. During 2018, Sitra collected weak signals to accompany megatrends and visions, which in part expand the view of possible future directions.

“Next era of well-being” as the vision

Sitra’s view of the future is created by merging the opportunities provided by the megatrends shaping the world with courses of develop-

ment discussed in the Nordic countries and Finnish values and ideals. Sitra’s vision is a fair and sustainable future, or the “next era of well-being”.

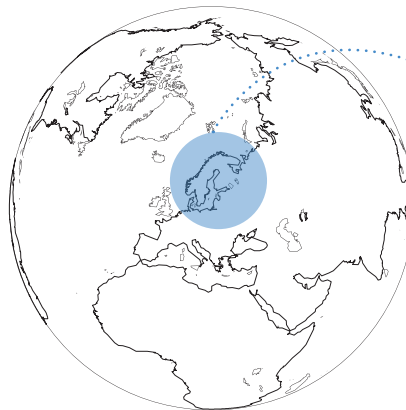
According to this vision, the Finland of the future is based on a fair and competitive circular economy – a society that functions within the earth’s carrying capacity and is thereby also secured for the generations to come. In such a Finland, technology is not a threat that will only cut jobs, but an opportunity that can be harnessed to create well-being. Diverse new work opportunities, emerging from the transformation of work, will provide new means of earning a livelihood.

The success of this Finland of the future will be based on leading expertise and, above all, on

Sitra’s vision grasps the opportunities provided by megatrends

GLOBAL MEGATRENDS

1. Sustainability crisis NOW!
2. Global interdependence and growing tensions
3. Technology transforms everything



NORDIC ISSUES

4. The work and income puzzle
5. Fatigued representative democracy
6. The economy at a crossroads

one of the privileges of every Finn – lifelong learning. In addition to expertise and learning, success is based on trust and internationalism, which provide freedom and prosperity.

In Sitra's vision, administration and leadership are active and vital accelerators of reform, laying the foundation for constructive societal dialogue, being heard and doing together – genuine engagement and democracy.

The “next round of well-being” is Sitra's vision of Finland of tomorrow, as well as the guiding light of all of Sitra's work. The vision work was carried out in 2016 and 2017, listening extensively to the stakeholders, and continues throughout the strategy period.

Think-and-do tank's toolbox

Fifty years old, Sitra has been carrying out its statutory task in different ways at different times.

Today, Sitra is an agent for societal change that tackles complicated and complex problems – systemic challenges that will not otherwise be tackled or that cannot be resolved through simple means.

Many of the projects are in practice about building the societal infrastructure of the future: new background systems or operating models on top of which human-oriented services can be developed.

Sitra is an early development phase funder, developer and change accelerator whose work is always characterised by close co-operation with others. In its work, Sitra's advantage is its diverse means of future-oriented work and excellent networks, including those at the international level.

Sitra's external assessors, 4Front Oy and VTT Oy, divided Sitra's impact mechanisms

into six mutually complementary entities (below). Achieving systemic change usually requires the simultaneous use of several different impact mechanisms and means.

Knowledge and mutual understanding as the basis of decisions

Sitra is a societal developer with strong foresight and training expertise. In addition to development and funding projects, Sitra produces surveys on the direction of future development and foresight data, and invests in building encounters, dialogue and co-operation processes between those producing information and those making decisions.

Sitra's impact mechanisms:

1. Producing and refining new information, identifying and foreseeing development trends and challenges.
2. Starting societal discussion and spreading awareness.
3. Networking and co-operation.
4. Practical experiments and pilots to swiftly identify and test new operating models.
5. Establishing and disseminating and new operating models.
6. Laying the political and administrative foundations for change.

Source: 4Front Oy and VTT Oy

During 2018, Sitra actively took part in the activities of the National Foresight Network, developed the dialogue-based Timeout method, investigated problems with knowledge-based decision-making, organised Sustainable economic policy leadership training and Reformer courses for public-sector leaders, and took part in facilitating national strategy processes.

In recent years, Sitra's future-oriented work has been directed at increasingly extensive groups of interested parties: Sitra's megatrend cards are a tool that have already spread widely, while the Timeout materials facilitate appreciative dialogue. The "Future-maker's toolbox" on Sitra.fi is a collection of

tools for those interested in the future, as its name suggests.

In 2019, Sitra will launch a new platform for solving complicated societal problems: Sitra Lab, which is being launched as a place for visionaries and doers who want to resolve wicked problems, increase engagement and build societal change together. The first Sitra Lab will tackle the inequality of children and young people. The laboratory is the future fund's way of providing even more drivers of change with tools for building a better tomorrow, accelerating productive ongoing activities and increasing sustainable funding and co-operation across silos.

EXAMPLE: TIMEOUT

STOP SHOUTING! DIALOGUE STRENGTHENS DEMOCRACY AND CREATES TRUST

In 2015, Finland was torn apart. An increase in the number of asylum seekers led to some underlying societal frustrations to burst forth, characterised by a rise in deconstructed speech and virtual shouting, fuelled by social and alternative media. "Societal conversation threatened to turn completely into making noise on social media, far from aiming to understand the counterparty and build something better. Something had to be done," says **Paula Laine**, Director, Foresight, Insight and Strategy at Sitra.

Timeout, an operating model for constructive societal discussion, emerged as the result. The dialogue-based Timeout

method makes it possible to stop and think about everything in peace. In Timeout, roles, titles and degrees are left outside the room. With the method, anyone can bring people with different backgrounds together to engage in equal conversation, and particular attention is also paid to engaging those who are not usually included.

The journey of Timeout has progressed quickly, even though it is still only in its formative stage – by the end of 2018, an estimated 5,500 people had taken part in Timeout talks, and more than 60 organisations were already using Timeout.

THEME

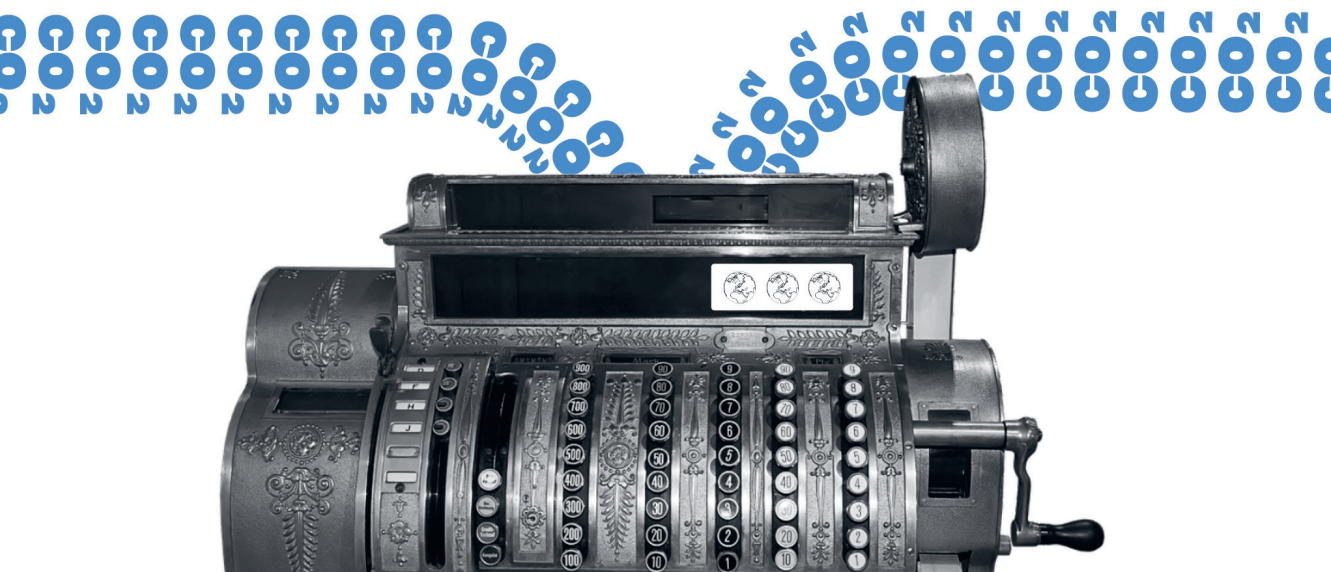
Carbon-neutral circular economy

HIGHLIGHTS IN 2018

- Climate change talks became mainstream, and the Lifestyle Test aimed at reducing people's carbon footprints was taken more than 550,000 times.
- Sitra investigated the most cost-efficient ways to reduce emissions.
- Sitra was named the world's leading public-sector driver of the circular economy at the World Economic Forum in January 2018.
- The World Circular Economy Forum was organised together with the Ministry of the Environment of Japan in Yokohama.

WHAT TO EXPECT IN 2019

- Sustainable tax reform and other climate solutions will begin to take off.
- Solutions and a fair transition to a carbon-neutral circular economy will be widely discussed.
- Finland will lead the way as a pioneer in international circular economy development.



Three facets of the sustainability crisis

The global sustainability crisis will challenge the whole of Finnish society as well as societies in other countries. The sustainability crisis has three facets: biodiversity is being lost at an alarming rate; natural resources are unsustainably overconsumed; and the climate is warming up. The consequences are diverse, but the root causes are the same: we are living beyond our means.

Researchers and experts, including Sitra, have warned us about the limits of the earth's carrying capacity for years, but people have not been willing to realise the severity of the situation. A hot summer in 2018 marked something of a turning point and the report from the Intergovernmental Panel on Climate Change (IPCC) towards the end of the year led to a barrage of climate discussion, the like of which had not been seen in Finland before. It was warranted, since if everyone consumed like a Finn, we would need the natural resources of almost four Earths. We must make the transition from conspicuous consumption to moderation, and the transition must be fair.

There are no shortcuts or quick solutions to adapting to the earth's carrying capacity. It requires a new way of thinking and a comprehensive change. Sitra has been working for years for Finland to become a trailblazer for a new kind of society based on a more efficient economy.

Sitra is curbing the sustainability crisis by building a society based on a carbon-neutral circular economy with three mutually supporting focus areas. The Circular economy, Resource-wise citizen and Climate solutions areas each provide solutions to this wicked

problem. The first two will end during 2019, and a new focus area based on a fair circular economy within the EU is being prepared.

Grounds for decisions from reports

For a long time, Sitra has been investigating the opportunities for the circular economy and other solutions already used around the world to combat climate change. During 2018, opportunities for a circular economy of materials, a road map for global emission reduction measures, economic impacts of green steering methods already in use and the most cost-efficient ways to reduce Finland's emissions were, among other things, investigated under Sitra's leadership. The Finnish road map to a circular economy published in 2016 was due to be updated in March 2019, once the work started in 2018 has been completed. Also, Sitra's proposal for a sustainable development tax transition will be published in spring 2019.

However, reducing greenhouse gas emissions will not be enough by itself. Excess atmospheric carbon dioxide also needs to be stored back in the soil. It is necessary to make the transition from industrial agriculture to circular agriculture, with fields harnessed as carbon sinks.

In the joint Carbon Action pilot project between Sitra, the Finnish Meteorological Institute and the Baltic Sea Action Group, Finnish scientists are currently investigating how much potential soil and agricultural practices have in binding carbon to mitigate climate change. In the project, leading research is merged with grass-roots-level action: the pilot involves over a hundred Finnish farms.

Companies driving a climate-friendly economy

Business will play an important role in the transition to the circular economy, and co-operation with companies is a proven natural way of promoting change for Sitra. Many companies and entire industries are facing challenges in creating new growth strategies based on the circular economy. Sitra is supporting this work in various ways.

In autumn 2018, Sitra and Technology Industries of Finland, Accenture and more than 50 Finnish companies published the jointly prepared circular economy workbook to support a new kind of growth in the manufacturing industry. LOOP Ventures, on the other hand, is an ecosystem built by Sitra, Avanto Ventures and

Nordic Innovation, aimed at generating new business through the circular economy. In the accelerator, growth companies that offer circular economy solutions and major corporations that look for these solutions develop smart business together – by, for instance, prolonging the life cycles of their products, selling their products as a service or minimising their amount of waste. The first accelerator round involves Unilever Finland, Kesko, Valio, Orthex and Paperinkeräys, among others.

But it is not only means and specific tools that are needed; examples are too. Back in 2016, Sitra began to draw up a list of companies or services that implement the circular economy. The popular list of the most interesting circular economy companies already includes almost

EXAMPLE: CIRCULAR ECONOMY TRAINING

HEY TEACHER, IS IT STILL POSSIBLE TO SAVE THE WORLD?

Yes, it is, and it must happen! The good life can no longer simply mean the overconsumption of natural resources, and it must be possible to keep raw materials in circulation so that there is no wastage.

Clothes and goods cannot be just thrown away, and produced, transported and cooked food has to be eaten. It is not necessary to own everything; many things can be borrowed, rented or recycled. A Fanta bottle can get a new lease of life as a Coke bottle in the future as well, and we need to find similar ways to reincarnate other materials – also those created as a byproduct of something else. Technology will help, but it will not solve the problem by itself – we, people, are needed to develop this new way of life.

“Exactly. This is what the circular economy is about; it is the economic model that will

be the standard when today’s schoolchildren enter employment,” says **Nani Pajunen**, Leading Specialist, circular economy.

“In the world of tomorrow, we will all be circular economy professionals. Therefore, we have planned and piloted an enormous amount of study material and time-resistant study modules with more than 50 educational institutions, educational organisations and businesses for primary schools, upper secondary schools, vocational schools and universities,” Pajunen says.

During the current term, teaching of the circular economy is already reaching more than 70,000 children and young people who know at least something that can be done to save the earth. The next objective is to reach out to people of working age.

100 solutions, and it is being supplemented further.

In addition to these, Sitra spin offs Helsinki Metropolitan Smart & Clean Foundation and Climate Leadership Coalition (CLC) promote the circular economy with pioneer companies.

Solutions are available – action is needed

Almost 70% of all emissions are generated by day-to-day life: food, housing, transport and consumption. In 2018, Finnish people were encouraged to think about their own consumption, assisted by Sitra's life cycle test that was taken more than 550,000 times during the year. Sitra had already published the 100 everyday actions to combat climate change in summer 2017 to support people in making small choices to combat climate change. A plan for reducing one's carbon footprint based on these choices can be prepared in Sitoumus2050 online service, launched by the Prime Minister's Office's at the end of 2018.

NGOs, which reach out to a large number of Finns, could also play a significant role in making the changes become reality. With the Earth League challenge prize competition aimed at NGOs, Sitra looked for new ways to encourage a sustainable lifestyle. Ten ideas were chosen for the development programme, and the competition was won by the organisation that had taken its solution the farthest in the development programme by early 2019. A separate carbon footprint calculator was also developed for NGOs, allowing them to find out the climate impacts of their operations.

However, the biggest responsibility lies where there is the biggest power to influence emissions. That is why society is required to carry out major climate actions. At the end of 2018, Sitra compiled

a list of 100 different possible ways for politicians to reduce emissions. The list is based on research and the views of Sitra experts.

The change will not be realised by Finns alone

Sitra's World Circular Economy Forum boosts international circular economy talks. The WCEF was organised for the second time in autumn 2018, in Yokohama, this time with the Ministry of the Environment of Japan. The strong support of Japan, the world's third-largest economy, for the circular economy will accelerate its promotion globally, in particular since Japan committed to promoting the circular economy during its upcoming G20 chairmanship term.

The next WCEF will be held in Helsinki in summer 2019, after which circular economy developers will turn their attention to Canada, where the WCEF event will be hosted by the Ministry of the Environment. Finnish companies need international arenas for introducing their own circular economy solutions, and WCEF is one of them.



FOCUS AREAS

- **Circular economy** will embed a new economic model in Finnish society with the help of the national road map to a circular economy. March 2015 to October 2019
- **Resource-wise citizen** promotes sustainable day-to-day life, investigating, experimenting and encouraging. September 2016 to July 2019
- **Climate solutions** will investigate and disseminate existing climate solutions and encourage ambitious climate policy. April 2018 to June 2020

Coming up: A fair circular economy in the EU

THEME

Capacity for renewal

HIGHLIGHTS IN 2018

- The Updating Democracy report highlighted the bottlenecks for Finnish democracy in a constructive way, and the work to update democracy got off to a flying start.
- The Reformer training for senior civil servants focused on leadership competence in government. The courses, which will be transferred to HAUS kehittämiskeskus Oy, were praised by the participants overall.
- The Soteuttamo 2.0 tour organised jointly by Sitra and the Ministry of Economic Affairs and Employment brought social welfare and health-care organisations and SMEs together in each county.

WHAT TO EXPECT IN 2019

- The work to update democracy will proceed under the supervision of Parliament and parties and with the support of Sitra.
- Sitra is gradually leaving the future-oriented work in the social and health sector, which has been going on for a long time. The lessons learned will be compiled and made available to everyone.



Capacity for renewal is vital for the nation

In addition to climate change, technological development, digitisation and an ageing population are rapidly transforming our daily lives. Therefore, society's structures, the services we use and our methods of participation need to reform quicker. Reform and creating the preconditions for it are at the core of the future fund's activities.

The work performed under Sitra's Capacity for renewal theme strengthens the capacity for renewal of different actors so that people are the key asset of change. The ability to change one's own actions is vital to the individual, society and the entire nation in a rapidly changing world.

Previously, the work of the theme was focused on the development of social welfare and health services, and in 2018 the focus was shifted to questions revolving around democracy and public administration, as planned. The work was carried out in four focus areas: Updating Democracy, Public-sector leadership, Digital Health HUB and People first – selection trials for social welfare and health-care services.

Updating Democracy once a century

Sitra researched the weak points in the Finnish decision-making system in 2017 and in 2018 it published the working paper *Updating Democracy*. The snapshot, based on extensive interview data, analyses the bottlenecks of the political decision-making system and the need to reform. The working paper gave rise to enduring discussion on the current state of Finnish democracy and functioned as preparatory materials for the new Updating

Democracy focus area launched in summer 2018.

Sitra aims to strengthen Finland's position as a reform-capable model country of democracy and government in which major societal reform projects can be carried out smoothly. However, this requires a systemic change in decision-making, governance and engagement: simultaneous minor and major changes at different levels. For example, many of Parliament's procedures have remained almost unchanged for 100 years, even though the operating environment has undergone a complete transformation.

Reform and creating the preconditions for it are at the core of the future fund's activities.

The targeted silo-less co-operation requires the rethinking of decision-making by elected representatives and of civil service practices, and the mutual relationship between the two. As a future fund answerable to Parliament, it is Sitra's role to support Parliament's own development work: Sitra takes part in development as a member of study groups and the secretariat and by implementing surveys, interviews, reports and analyses supporting reform.

The project to reform party activities has been planned in close co-operation with party secretaries. Other projects in the focus area that are still in the study and preparation phase include supporting the activities of the government, especially with regard to political steering and phenomenon-based government,

promoting the engagement of people and the analysis of the transformation of the media and influencing associated with societal decision-making. The work will continue until June 2021.

Across budget items and power silos

In addition to elected representatives, civil servants are also expected to react swiftly to the world's changes and engage in close dialogue with various stakeholders. Complicated phenomena have no respect for sectors, budget items or power silos.

For a few years, Sitra has been offering tools for cross-sectoral future-oriented leadership, agile experimentation and learning the new and unlearning the old. The work to develop public administration continues Sitra's previous work with the development of agile public administration and a strategic Government Programme model.

There were three spearheads in 2018: Reformer training for senior civil servants; cross-sectoral Silo-breaker experiments; and envisioning the future of public administration together with diverse stakeholders. These made up a seamless entity in which training provided impulses for experiments, while the experiments resulted in lessons learned and solutions for reforming public administration.

The six-part Reformer training programme was completed by almost 150 senior civil servants over two years. The training, developed by Sitra, was transferred to the state at the beginning of 2019, and HAUS kehittämisskeskus Oy will be responsible for its production and further development, funded by Sitra.

The Phenomenon-based public administration initiative was published in August, and it

aims to assist the government and ministries to reform their operations in an increasingly strategic, long term and consistent direction.

The Public-sector leadership focus area ended at Sitra at the end of 2018 as planned, and its entities relating to phenomenon-based administration and politics were made part of the Updating Democracy focus area.

Towards social welfare and healthcare solutions through co-operation

With the national social welfare and healthcare solutions delayed, Sitra continued the reform of social welfare and healthcare by promoting co-operation across the traditional sectoral and municipal boundaries, by networking and by investing in the competitiveness of small and medium-sized social welfare and healthcare operators.

Counties play a major role in the planned social welfare and healthcare reform. Sitra's investments in the social welfare and healthcare sector in 2018 included investing in partnerships, developing the competitiveness of SMEs and coaching health centres through county-level co-operation.

The most significant entities were the Soteuttamo networking programme, the social welfare and healthcare accelerators focusing on developing the competitiveness of SMEs and the "Tomorrow's health centre" league to develop the competitiveness of health centres. Around 60 Soteuttamo events have been arranged so far, with almost 3,000 social welfare and healthcare professionals taking part. The two two-county social welfare and healthcare accelerators involve 20 NGOs or SMEs. The health centre coaching programme involves 25 health centres in five counties.

In addition to the extensive co-operation projects, a digital tool named Terveysyhtöyryvö (Care Gap) has been developed with Sitra's support, to verify health gaps and health benefits, especially in primary healthcare, among other things. The tool aims at a transition from output-based social welfare and healthcare services to an outcome-based service system as part of the capacity for renewal.

Well-being data from a single point when permitted by law

Between 2015 and 2018, Sitra paved the way for a one-stop-shop operator to collect and co-ordinate well-being data for further use in Finland. The goal was to build an inspiring research and development environment in the health and well-being sector in Finland. The project outlined the organisation of the new operator, its service model, and its customer base and customer needs. Based on a number of reports published under the project, a plan for the launch and the operations for the new digital health hub were produced, detailing the resources, competence needs and functions it would require.

At the same time, the Ministry of Social Affairs and Health prepared a legislative proposal on the secondary use of social and health data, which would set the legal framework for the new centralised licensing service and digital health hub. New legislation is necessary to ensure the production of high-quality social and healthcare services through knowledge-based management practice and to lay foundations for new business operations, research and growth. This proposal put forward by the government of Finland to Parliament in autumn 2017 for legislation on the secondary

use of social welfare and healthcare data is still being processed.

The Digital Health HUB focus area is a very typical Sitra project: an ambitious project involving extensive co-operation with major risks and final implementation depending on a multitude of factors. The launch of the digital health hub was taken over by the Ministry of Social Affairs and Health in summer 2018, and the establishment of the licensing service and the digital health hub continues under the ministry. The ministry project is based on the reports and recommendations produced as part of the Sitra project compiled in the publication Huomisen hyvinvointia datasta. The project as a whole and its results are also detailed on Sitra's website.

FOCUS AREAS

- **Digital Health HUB** has been building a competitive research and development environment in the health and well-being sector in Finland. September 2015 to December 2018
- **People first – selection trials for social welfare and healthcare services** are developing a human-driven operating culture in health and well-being services. June 2016 to June 2019
- **Public-sector leadership** supports reform through training for senior civil servants from central government, cross-sectoral experiments and creating visions for new administrative practices. February 2017 to December 2018
- **Updating Democracy** strengthens Finland's position as a reform-capable model country of democracy and government. June 2018 to June 2021

THEME

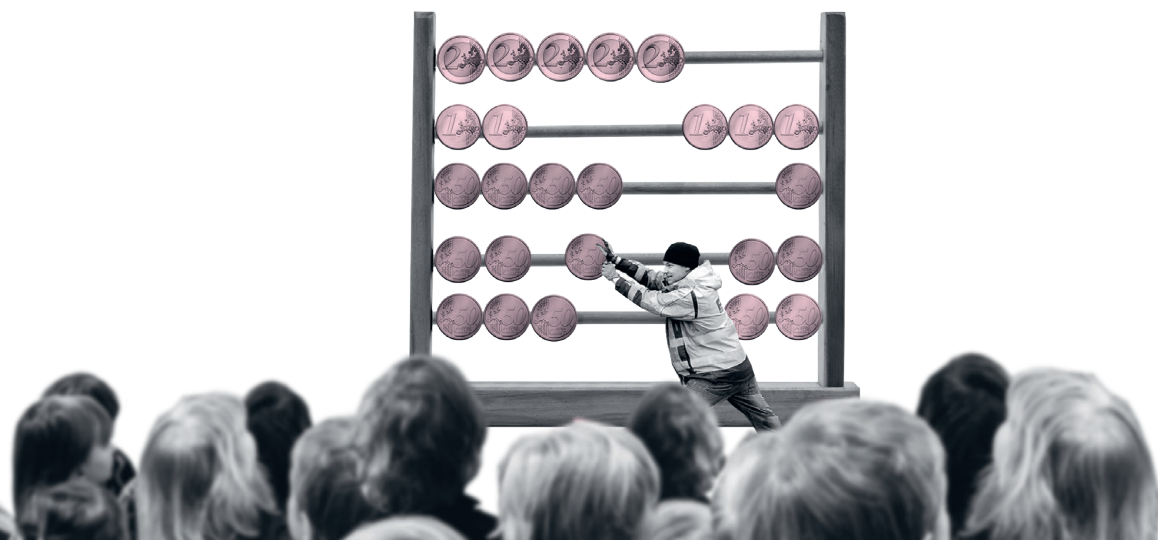
New working life and a sustainable economy

HIGHLIGHTS IN 2018

- Sitra's idea of an EU-level standard for a human-driven data economy met with a favourable reception, and the work progressed well.
- With the Lifelong learning focus area, Sitra went deep into the field of lifelong learning.
- Finland's third social impact bond (SIB) project, Children's SIB, was launched.

WHAT TO EXPECT IN 2019

- The standardisation of a human-driven data economy is proceeding in Europe: a joint governance model and a Europe-wide data account centre are under development.
- Thirty societal actors will publish a shared strategic commitment to lifelong learning and to the funding principles to support it.
- By the end of the year, there will be four to seven outcome-based SIBs in operation in Finland, and the procurement of impacts and thereby the use of the SIB model is part of the agenda for Finland's EU presidency.



A lot is changing – the need for competence and fair rules will remain

Digitisation, robotisation and globalisation are reshaping industries and companies and changing occupations and job descriptions. Jobs are being lost and jobs are being created. Who would have believed a decade ago that buses could run without a driver or that you could order your lawn to be mowed by the postman?

Whether the change is quick or slow, it is to everybody's benefit that we prepare for it both at the individual level by developing our competence and at the systems level by making them human-driven and fair.

Sitra promotes the sustainable reform of working life and the economy. Finland's success in a globalised economy has been based on a high level of competence. The sustainability of this cornerstone must be secured in the future as well. A key question from the points of view of the reform of working life and competence, participation rates and productivity of work is how Finland succeeds in reforming the economic structure and supports lifelong learning and the continuous development of capabilities.

The new working life and a sustainable economy theme promotes solutions for a sustainable economy that provide well-being to people through activities to foresee social, psychiatric and other problems. In 2018, there were two focus areas in progress: IHAN – human-driven data economy and Lifelong learning. A project due to finish at the end of 2019 is ensuring that the operating model for impact investing, introduced to Finland by Sitra, is firmly embedded within the toolbox

available for Finnish investors and societal development.

Towards a data economy with fair rules

Data has become the world's most valuable resource, but with the current operating models the biggest beneficiaries are a few large corporations that collect the data of users of their services. People hand over their data to these businesses because it is the only way to continue to use social media services on the internet.

According to a survey of individuals in three countries conducted by Sitra, people's lack of trust already presents an obstacle to the growth of digital business. In its IHAN focus area, Sitra and other international operators are jointly preparing Europe-wide rules for a human-driven data economy. Such a fair data economy would benefit everyone, and a consistent operating method would open up opportunities for user-driven innovation and business.

In practice, creating the rules of the game means that principles are agreed upon for the IHAN operating model, the components and assembly instructions are defined, new concepts for using personal data are piloted with pioneer companies, and an easy way of identifying the services that use data in a fair way is created.

The project is international by nature, as data knows no national boundaries. Sitra is an independent facilitator of co-operation between different parties in the matter. The work towards a data economy of the future is in full swing.

Bridging the gap between the developers of competence and the working life

Lifelong learning is one of the cornerstones of Sitra's vision. In just a short space of time, life expectancies have increased enormously and as the pace of technological development and changes in working practices have continuously accelerated, lifelong learning is becoming a very core civil right, even a civil obligation.

Sitra is accelerating the transition to a policy of lifelong learning, in which competence and work are viewed as the building materials for well-being. Sitra plays an independent bridging role to facilitate a policy of lifelong learning. Here, the bridging role means bringing all of those involved together to produce enough information to create an overview of the situation. One example of producing information is the report on the cash flows for lifelong learning in Finnish society, published in October 2018, and the follow-up report on how encouraging the cash flows are, published in early 2019.

Sitra's work in the field of lifelong learning currently focuses particularly on creating a shared view of the key long-term objectives for lifelong learning and the principles of steering and funding. The joint view of the key stakeholders will be completed for political decision-makers to use before the parliamentary elections. After this, the work will continue on preparing a road map for the development of lifelong learning, highlighting good examples and implementing any co-operation or experimentation projects.

Sitra's bridging and facilitating role is also emphasised in the co-operation with

labour-market organisations, which has been ongoing for several years. Sitra's round table for labour-market organisations aims to strengthen the shared view of the current state and the vision of the future we are heading towards. A shared understanding and learning together not only build mutual trust, but also define the preconditions for the willingness and capacity to change. Sitra organises and facilitates diverse meetings and workshops for labour-market organisations by way of trust-building dialogue. Among other things, a study trip to the UK was arranged in 2018, focusing on the universal credit model, innovation policy, support for lifelong learning and the situation of the Brexit negotiations.

Lifelong learning is becoming a very core civil right, even a civil obligation.

Private capital for societal good

The state and local authorities need new tools for building and funding well-being. At the same time, an increasing number of investors are willing to promote well-being, and they do not only seek profit from their investments. In addition, there are businesses and NGOs with innovative solutions for promoting well-being and the willingness to verify the impact of their operations. Impact investing combines these aims and brings the parties together so that everyone benefits. The outcomes are favourable and measurable for all of the parties.

Sitra has been a pioneer in importing impact investing to Finland and building its ecosystem. The functioning of impact investing, and particularly one method of implementing it, the SIB model, has been tested in Finland since 2015.

At the end 2018, there were six SIB (Social Impact Bond) and one EIB (Environmental Impact Bond) projects underway or being planned. The Elderly SIB, for example, aims to strengthen the functional capacity of older people, while the T2D prevention SIB aims to prevent type 2 diabetes, and the environmental fund project aims to either increase the energy efficiency of local authorities or promote the recycling of fertilisers.

Sitra assists the key parties in the SIB projects that have already begun and supports the development and distribution of the modelling required as the starting point for the projects and associated expertise. In addition, Sitra acts as the secretariat for the national steering group for impact investing and is responsible for international co-operation on impact investing.

The aim is that by the end of 2019, the SIB model in particular, but also other impact investing instruments, where applicable, will be extensively used in Finland, as a result of which well-being will increase within five to ten years and the costs incurred because of various preventable conditions, problems and diseases will decrease.

Coming up in 2019: ecosystems in support of comprehensive well-being

Sitra has been considering ecosystem projects connected with strategic growth policy for several years, and this is now resulting in more detailed plans.

A project aiming to create an innovation ecosystem based on Finnish expertise, developing solutions to new problems with mental and perceived well-being in day-to-day life, will be prepared in 2019. These solutions will improve Finnish people's well-being and create new exportable business.

The package is in the preparation phase, and more detailed decisions will be made towards the end of 2019.

FOCUS AREAS AND PROJECTS

- **IHAN – human-driven data economy** builds the foundations of a fair data economy by creating international rules and solutions for the fair exchange and use of data. February 2018 to June 2021
- **Lifelong learning** accelerates the transition to a policy of lifelong learning, in which competence and work are reviewed as building materials for well-being. October 2018 to October 2021
- **Impact investing** ensures that the operating model for impact investing launched by Sitra in Finland is an essential part of the toolbox for developers and funders. January 2018 to December 2019
- **The round table for labour-market organisations** creates a shared snapshot of the transformation of working life. February 2018 to December 2019

Coming up: a project focusing on growth policy and well-being ecosystems.

Evaluation

ARE WE DOING the right things, at the right time and in the best way possible? The evaluation of Sitra as a whole is designed to provide high-quality, reliable and independent information about the outcomes and impacts of Sitra's operations. The aim of the evaluations is to identify not only the lessons learned from work already carried out, but also forward-looking information that will develop our future-oriented work.

Common impact objectives have been set for Sitra's operations, assessed separately by independent external evaluators during the period 2017 to 2019. The impact assessments answer three questions regarding our impact objectives. How has the impact objective been promoted in Finnish society and internationally? What has been Sitra's role and significance in the implementation? And how successful have Sitra's strategic choices been?

Evaluation identifies not only the lessons learned from work already carried out, but also forward-looking information that will develop our work.



The evaluations review Sitra's activities in a cross-sectoral way (previous programmes, focus areas, or projects and individual initiatives) from 2011 until today. This has required the evaluations to engage in a more comprehensive and systematic review than conventional project and programme evaluations. In order for the evaluations to be able to answer the question of the development of the impact objectives and Sitra's significance, an extensive operating environment analysis has been made within them.

In 2018, the impact evaluation focused on two impact objectives:

- Empowering individuals and communities
- Building competences for a complex world.

The evaluation team of Owl Group and 4Front was selected by public tender. The evaluation reviewed the ways in which Sitra has promoted the empowerment of individuals and communities and the development of competence through its different projects.

The facilitator of future outlooks and learning impact evaluation stressed Sitra's role as an active maintainer of future outlooks, as a developer of engaging methods and new operating models and as a body that connects diverse stakeholders.



The results of the evaluation identified Sitra's strengths as being an independent body and one whose long-term work builds trust in co-operation. The evaluation showed that it is not only what is done but how things are done that is essential for having societal impact. The evaluators highlighted this view when emphasising Sitra's role in the development of operating models and methods. Summaries of the evaluations published in 2018 are appended to this report.

The first reports on Sitra's impact evaluations, completed in 2017, focused on sustainable economy and holistic well-being.

Evaluations of the following impact objectives are expected to be completed in spring 2019:

- Adjusting to planetary boundaries
- Developing inclusive and adaptive governance
- The possible directions of future development are well known in Finland.

In addition to these, a summary evaluation of Sitra's activities will be completed during 2019, compiling the results of the impact evaluations while also analysing more extensively Sitra's operating environment and activities as a fund and an agent for societal change.

The summary evaluation was commissioned by Sitra's supervisory board, the Parliamentary Supervisory Council.

2016

Addressing well-being in a holistic way

Owal Group Oy

Moving to a regenerative and collaborative economy

4Front Oy, VTT Oy

2017

Building competencies for a complex world

Owal Group Oy, 4Front Oy

Empowering individuals and communities

Owal Group Oy, 4Front Oy

Sitra is a nationally and internationally recognised, responsible and independent future-oriented organisation (think-and-do tank)

TNS Kantar Oy & KPMG Oy

2018

Adjusting to planetary boundaries

Gaia Consulting Oy

Developing inclusive and adaptive governance

Frisky & Anjoy Oy, 4Front Oy, Augmented Leadership Institute

The possible directions of future development are well known in Finland

TNS Kantar Oy, Meedius Oy, MDI Public Oy

*IMPACT EVALUATIONS
PRODUCE INFORMATION FOR
THE SUMMARY ASSESSMENT*

2019

Summary assessment

4Front Oy, Owal Group Oy

Supervisory Board as a client

Sitra employees

SITRA is an expert organisation of nearly 180 leading professionals in their sectors, and its work is guided by a shared vision, strategy and objectives specified for each project.

Anticipating the future and implementing complex societal change projects require employees to have in-depth expertise in their own fields and a broad understanding of societal activities, co-operation and the implementation of changes.

Future-oriented work requires many kinds of expertise. The diverse backgrounds of Sitra's employees are an asset to the organisation. When the task is building a successful Finland of tomorrow, by challenging, motivating, experimenting and developing, the competences needed vary widely.

We realise change with a project-based operating method, and therefore almost one in two Sitra employees are fixed-term

employees. Our personnel structure supports diverse activities and the ability to move seamlessly from one subject area to another.

People at Sitra have traditionally been highly educated: almost 90% of Sitra employees have a higher education degree and 18 people also have a licentiate or a doctoral degree.

At the end of 2018, Sitra had 179 employees (2017: 159; 2016: 156). The average number of employees during the year under review was 156. A total of 44 new employment contracts began and 16 ended during the year 2018. Of Sitra's staff, 56% were on permanent contracts and 44% on fixed-term employment contracts. The proportion of part-time employees in the total number of staff was 14%.

In 2018, 69% of Sitra's employees were women and 31% were men. In the management group, the respective proportions were 50% women and 50% men. At the end of 2018,



*Foresight experts
Mikko Dufva and
Jenna Lähdemäki-Pekkinen
encouraged families to make
Future News at Heureka's
Science Night
in February 2018.*

the average age of Sitra employees was around 45, and the age breakdown was broad: 8% were aged under 30, 27% were aged 30 to 40, 28% were between 40 and 50, 26% were 50 to 60 years old and 11% were aged over 60.

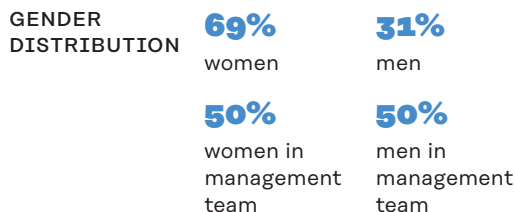
In the past six years, the number of Sitra’s employees has grown from 116 to 179. The reason for the increase is the growing volume of activities dictated by Sitra’s strategy and the decision to increasingly implement projects in-house instead of outsourcing.

Focus on developing its own work

The interpretation of Sitra’s judicial position changed with the report following a decision made by the Parliamentary Ombudsman in 2016. Sitra very quickly made the decision to start complying with the Act on the Openness of Government Activities. An internal change process was initiated at the same time, resulting in the entire organisation complying with the requirements of the Act on the Openness of Government Activities and Administrative Procedure Act by 2019. In December 2018, an information rule on compliance with general legislation on governance and a few other amendments were also recorded in the Act on Sitra.

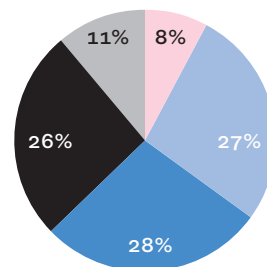
The most significant internal development projects of the year under review were operational and system changes associated with compliance with the general legislation on administrative procedures, job grading and salary policy at Sitra and the outlines of future focus areas in HR (human resources). Sitra’s first HR strategy was prepared, and the communications strategy for the entire organisation was also updated. In addition, a survey was carried out on the link between Sitra’s vision, objectives and in-house practices and the UN’s Sustainable Development Goals.

SITRA EMPLOYEES IN PERCENTAGE



AGE DISTRIBUTION

- <30 y/o
- 30–40 y/o
- 40–50 y/o
- 50–60 y/o
- >60 y/o



Future-oriented work requires many kinds of expertise – the diverse backgrounds of employees are an asset to Sitra.

Responsibility

FUTURE, INDEPENDENCE AND RESPONSIBILITY are at the core of Sitra's work.

Sitra has been investing in the responsibility of its operations in several ways for years. Sustainable development is taken into account in the guidelines and operations concerning procurement, events, offices, energy consumption and travel. Sitra has held the WWF Green Office environmental certificate since 2011 and HSL's "Employer that makes you move" certificate since 2018.

Sustainable development is one of the focus areas of event development, and an opportunity for remote participation is always offered for Sitra's key events, for example. From the beginning of 2019, only meat-free food is being served at Sitra's events and meetings.

Sitra employees are encouraged to travel ecologically with two e-bikes available for borrowing and two bicycles for work trips, commuting vouchers and city bike season passes offered by the employer. The aim is to reduce work-related air travel, and its emissions have been compensated for since 2016.

Sitra's move to smaller premises in 2014, even with an increased number of staff, was largely done to fulfil its environmental, financial and social responsibilities. Investments have been made in eco-efficient solutions for its office space: the electricity is green electricity and waste is recycled. On Sitra's initiative and with expert support, the property owner has also installed solar panels on the roof of the building.

Sitra signed the UN's Principles for Responsible Investment (UN PRI) with regard to its investment operations in 2015 and conducted the first ESG survey on responsible investment in autumn 2018. Sitra is also a member of FINSIF – Finland's Sustainable Investment Forum ry.

A survey was conducted in 2018 on how the UN's Sustainable Development Goals (SDGs*) are linked to Sitra's vision, strategy and day-to-day operations, such as the management system, operating culture and HR policy.



Sitra has been investing in the responsibility of its operations in several ways for years.

The “Next round of well-being” vision guiding the work of the future fund is linked to the SDGs in many ways, as are Sitra’s strategy and the future-oriented work projects implementing the vision.

The survey allows a comparison of the future-oriented work with international and national evaluations (Global SDG Index, Avain 2030), reviewing Finland’s situation with regard to the SDGs. Sitra’s work strongly addresses areas identified in Finland as major issues of concern (the climate, the

economy and consumption, for example) and reforms the national strengths that will also be needed in the future (such as administration and education). The most recent national evaluation of sustainable development (Polku 2030) identifies those areas of concern in Finland that are worthy of consideration by Sitra, such as the state of the environment, social inequality, global cooperation and partnerships with developing countries, and reform of employment and economic thinking.

EXAMPLE: RESPONSIBLE COMMUNICATIONS

RESPONSIBLE COMMUNICATIONS IS ABOUT HONESTY AND CLARITY

Winds of change have been blowing in the field of communications for the past decade, but one thing has not changed: a public actor’s need to reach out and influence equally.

“The most effective communications are based on facts, seen in the form of actions and appeal to emotions,” says **Veera Heinonen**, Director, Communications at Sitra, but adds: “The responsible communications of a public actor must not become separated from comprehensible speech and be guilty of excesses. It must be easy to perceive the essential content, as clarity is a matter of equality.”

Open, active and honest communication is a matter of honour to Sitra, and the impact evaluation published in 2018 brings up influential and effective communications as one of the factors that have promoted Sitra’s objectives and expanded its stakeholders. Sitra.fi was ranked as the stakeholder media of 2017 by ProCom – The Finnish Association of Communication Professionals, and another new step was taken in 2018, when Sitra published its own updated future glossary.

Responsible and active communications is vital to a public influencer such as Sitra.

* Additional information about the UN’s Sustainable Development Goals is appended to this report.

Investment activities

THE BANK OF FINLAND and the Finnish Parliament gave Sitra an endowment capital – approximately 84 million euros over the years – which, responsibly invested, has and will yield profits for financing the future-oriented work at Sitra.

In addition to investment activities involving the endowment capital, Sitra invests in venture capital funds to promote Finland's competitiveness and business activities aimed at sustainable well-being. Sitra's direct investment portfolio includes 16 early-stage companies. Follow-up investments were made in four portfolio companies during the year, while four companies were divested.

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

Changes in the economic environment affect the planning of Sitra's future-oriented work and investment activities.

The world economy continued its strong growth in 2018. The unemployment rate decreased to a record-low level in the United States, and the number of unemployed people continued to decrease in both Europe and Finland. Companies' profits increased by more than 15% globally.

However, economic growth is expected to slow down. An increase in the US and Chinese import tariffs, Italy's policies and the challenges of the Brexit process have increased the uncertainty over the continuation of economic growth.

The global stock market declined in 2018. The returns from most other asset classes were also negative. Investors' risk appetite decreased, especially towards the end of the year. In the fixed income market, the Federal Reserve, the central bank of the United States, increased the target federal funds rate to 2.5% and the European Central Bank discontinued its liquidity-providing long-term refinancing operations. The normalisation of monetary policy is expected to continue further. Market reactions and the slowing down of economic growth could postpone interest-rate rises. Strong market movements are to be expected in 2019.

At the end of 2018, the market value of Sitra's endowment capital was 776 million euros (840 million euros in 2017). During the year under review, the endowment capital yielded a return of -3.9% (7.7%).

The total allocation of Sitra's endowment capital at the turn of the year was as follows: shares 49% (51%); fixed income instruments 37% (37%); other investments 14% (12%). The endowment capital is mainly invested in funds. Sitra makes the decisions on the allocations, but the funds decide on the individual investment targets independently, as per the fund's rules.

During the year, the weight of equity was reduced by allocating more funds to alternative investments and to fixed-income products with a higher risk. The amount of illiquid private debt investments was increased by making commitments totalling 35 million

euros in internationally diversified Mandatum Life Private Debt II and III investment baskets and the Direct Lending Fund III, EQT Mid-Market Credit II and Armada Fund V funds investing in Europe.

With regard to alternative investments, the key themes were starting infrastructure investments, increasing the amount of private equity investments and new real estate investments in care facilities.

A total of 53 million euros of new commitments were made.

Infrastructure investments were made in the Impax New Energy Investors III fund investing in wind and solar power plants, the CapMan Nordic Infrastructure I fund developing Nordic infrastructure, the internationally diversified BlackRock Global Infrastructure Solutions 3 fund and the OP Infrastrukturi investment basket that mainly holds assets in Finland.

With private equity investments, the focus was on increasing the geographical allocation in Europe and the United States. The new investments were H.I.G. Advantage Buyout Fund, Bridgepoint Europe Fund VI and Ardian Co-Investment Fund V. The new real estate investments were made in the Evli Healthcare I and Northern Horizon Nordic Aged Care funds.

Venture capital funds as tools for future-oriented work

Sitra's new venture capital investments were made in venture capital funds in 2018, similarly to previous years. 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.



For Sitra, responsible investing means taking account not only of the risk and return but also of the environmental, social and governance factors.

During 2018, Sitra invested a total of 13 million euros in five venture capital funds. Three of these funds invest in clean technology and the circular economy in Europe: Environmental Technologies Fund III accelerating growth companies that promote sustainable development, Circularity European Growth Fund I focusing on the circular economy and SET Fund III, which invests in smart energy technologies. Sitra is also an investor in the earlier SET Fund II.

The Spintop Investment Partners III fund invests in early-stage technology companies in the Nordic countries. The previous II fund in which Sitra was also an investor successfully divested its shares in the Finnish company Small Giant Games Oy in December. The deal was one of the most significant holding transactions in Nordic technology companies during 2018.

The investment in the Life Sciences Partners 6 fund diversifies the sector allocation of the fund portfolio. This fund invests in European growth companies that develop pharmaceuticals and medical devices. Life sciences have yielded good returns in recent years, but their weight in Sitra's portfolio has been low. In addition to good returns, the investment also pursues funding opportunities for Finnish and Nordic companies in the field.

Responsibility in investing

Sitra invests its assets responsibly while aiming for profit. For Sitra, responsible investing

means taking account not only of the risk and return but also of the environmental, social and governance (ESG) factors when making investment decisions.

In 2015, Sitra committed itself to the UN's Principles for Responsible Investment (PRI). Sitra has also been a member of Finland's Sustainable Investment Forum, FINSIF, since 2013.

As a signatory to the PRI, Sitra is committed to constantly develop its responsible investment practices. Sitra's first responsible investing survey (ESG survey) was conducted in autumn 2018. The survey was sent out to all Sitra funds, so it included all of the asset classes of the endowment capital and all of Sitra's venture capital fund investments. The survey investigated the current state and practices of the funds' responsibility.

According to Sitra's current practice, no sectors are excluded from investments. Several of the funds screen the portfolios and exclude investments either in-house or with their partners. Often, the exclusion criteria include breaches of standards, controversial weapons, tobacco, gambling and thermal coal.

The ESG survey is referred to in talks with asset managers. Sitra wants to have a positive impact on promoting responsibility through the asset managers it has chosen. Sitra's own responsible investment practices are also specified further and developed, based on the survey.

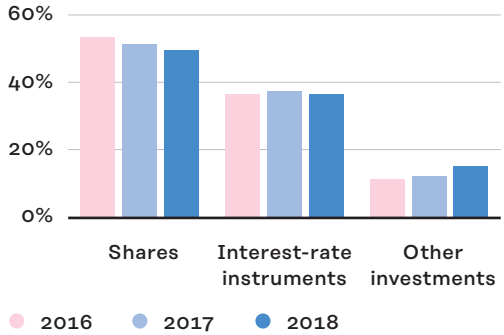
INVESTMENTS BY THE FINNISH STATE IN SITRA'S ENDOWMENT CAPITAL

1967	16.8 M€
1972	16.8 M€
1977	16.8 M€
1981	16.8 M€
1992	16.8 M€
<hr/>	
Total	84.1 M€

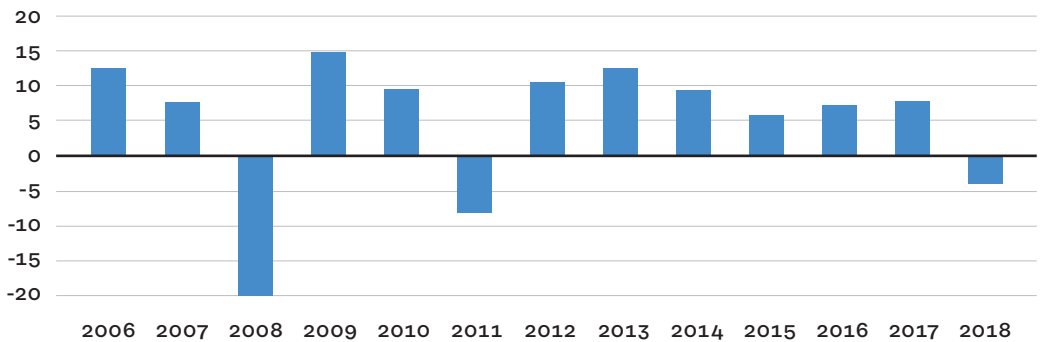
In addition, the endowment capital has been increased by 151.4 million euros through accounting transfers.

The nominal value of the endowment capital is 235.5 million euros.

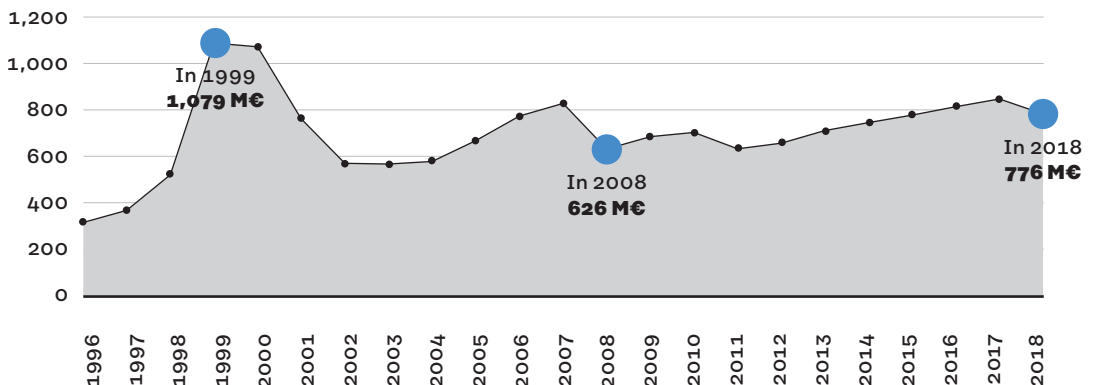
ALLOCATION OF ENDOWMENT CAPITAL (%)



RETURNS FROM ENDOWMENT CAPITAL (%) 2006–2018



MARKET VALUE OF ENDOWMENT CAPITAL (M€) 1996–2018



Finances

Sitra's annual budget is 30–40 million euros. Operations are funded completely with the returns from the endowment capital and investment activities. Returns from investment activities totalled 32 million euros in 2018, while investment expenses totalled approximately 7.3 million euros. The balance sheet total decreased by 1.6% to 714 million euros.

In 2018, operational expenses amounted to 36.6 million euros (33.7 million euros in 2017), of which the personnel expenses were 14.6 million euros and other expenses were 21.7 million euros. Personnel expenses increased by 0.5 million year on year in 2018 as a result of an increase in staff numbers. Other expenses increased by 2.2 million year on year. The increase in expenses was due to additional investments of a total of 35.8 million for the period 2017 to 2022, pursuant to the strategy and decided in the financial and operational plan for 2017.

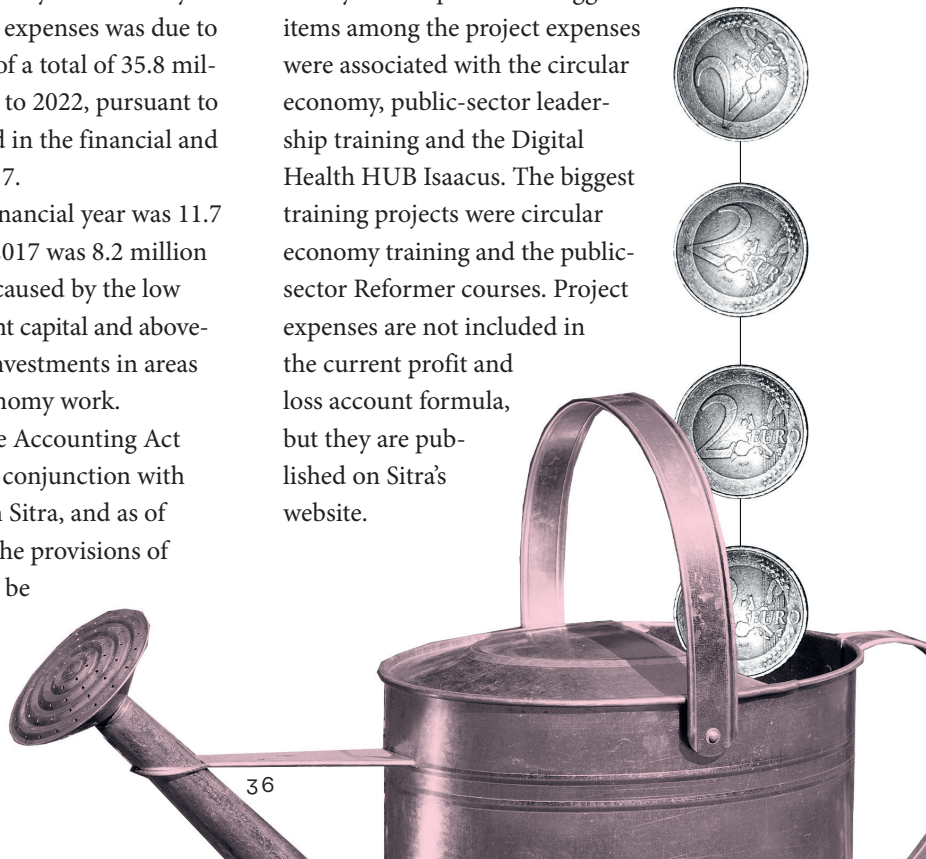
The deficit for the financial year was 11.7 million (the deficit for 2017 was 8.2 million euros). The deficit was caused by the low return on the endowment capital and above-mentioned additional investments in areas such as the circular economy work.

Compliance with the Accounting Act was specified further in conjunction with the update of the Act on Sitra, and as of the beginning of 2019, the provisions of the Accounting Act will be followed as it stands in Sitra's accounting.

From now on, Sitra's profit and loss account will be reported using the profit and loss account formula for non-profit organisations and foundations.

Projects are an important basic unit of Sitra's future-oriented work. Project expenses totalled 16.7 million euros in 2018. Of the project expenses, 60%, or 10.1 million euros, was spent on direct funding of projects, while the rest of the project expenses were used on procurement to promote projects.

Of the project expenses, 7.1 million euros (43%) was spent on experiments and pilots, 4.6 million euros (28%) on training and events and 2.7 million euros (16%) on surveys and reports. The biggest items among the project expenses were associated with the circular economy, public-sector leadership training and the Digital Health HUB Isaacus. The biggest training projects were circular economy training and the public-sector Reformer courses. Project expenses are not included in the current profit and loss account formula, but they are published on Sitra's website.



Administration

Board of Directors

Sitra's Board of Directors prepares the matters to be proposed to the Supervisory Board and is responsible for the overall management of the fund. The Board of Directors is comprised of six members, and the Ministry of Finance, the Ministry of Economic Affairs and Employment, and the Ministry of Education and Culture must be represented. Sitra's President is a member of the Board of Directors. In addition, the aim is to ensure expertise in economics and financing in the composition of the board. The term of office of the board members is two years.

The Supervisory Board monitors Sitra's management and makes decisions on operational principles.

Sitra's Board of Directors met nine times during 2019. Its members are Permanent Secretary Martti Hetemäki (chairperson), Permanent Secretary Jari Gustafsson (vice-chairperson), Permanent Secretary Anita Lehikoinen, Professor Anne Kovalainen, Kirsi Sormunen and President Mikko Kosonen. At the beginning of 2019, Anne Kovalainen was replaced by Professor Markku Wilenius.

Head of Legal Affairs Jorma Jaalivaara acts as the secretary to the Board of Directors.

The Board of Directors established an audit committee in spring 2018 to assist the board by preparing and monitoring matters falling under its decision-making authority. Kirsi Sormunen (chairperson), Martti Hetemäki and Anne Kovalainen were appointed as members of the audit committee for 2018. The committee convened once during the year under review.

Supervisory Board

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by the Finnish Parliament. The task of the Supervisory Board is to supervise Sitra's administration and decide on its operational principles.

The Supervisory Board met five times during the year under review. Its members were MPs Matti Vanhanen (chairperson), Pentti Oinonen (vice-chairperson), Kalle Jokinen, Antti Kaikkonen, Seppo Kääriäinen, Jutta Urpilainen, Pia Viitanen, Ville Vähämäki and Ben Zyskowitz. The secretary to the Supervisory Board was Anton Mäkelä, LL.M.

Auditors

At the end of 2018, the following individuals appointed by Parliament were Sitra's auditors: chair Eero Lehti, National Coalition Party (deputy member: Markku Eestilä, National Coalition Party); Esko Kiviranta, Centre Party

(deputy member: Tapani Tölli, Centre Party); Toimi Kankaanniemi, Finns Party (deputy member: Matti Torvinen, Blue Reform Party); Markku Koskela, APA (deputy member: Hannu Riippi, APA); and Lotta Kauppila, APA (deputy member: Veli Vanhanen, APA). Professor Markku Koskela, APA, acted as the secretary to the auditors.

BDO Oy acted as Sitra's assisting auditor, and Tiina Lind, APA, CFPA, as the principal auditor.

Internal audit

An internal audit is part of Sitra's internal governance and control system. It supports the acting management in reaching the objectives by issuing recommendations for developing the operating methods. An internal audit also assesses the appropriateness and effectiveness of Sitra's control, management and administration processes and risk management, as well as the realisation of good corporate governance.

KPMG Oy Ab, appointed by the Supervisory Board through tendering, was responsible for Sitra's internal audit, and the principal auditor was Harri Leppiniemi, CIA, CCSA, CRMA.

Risk management

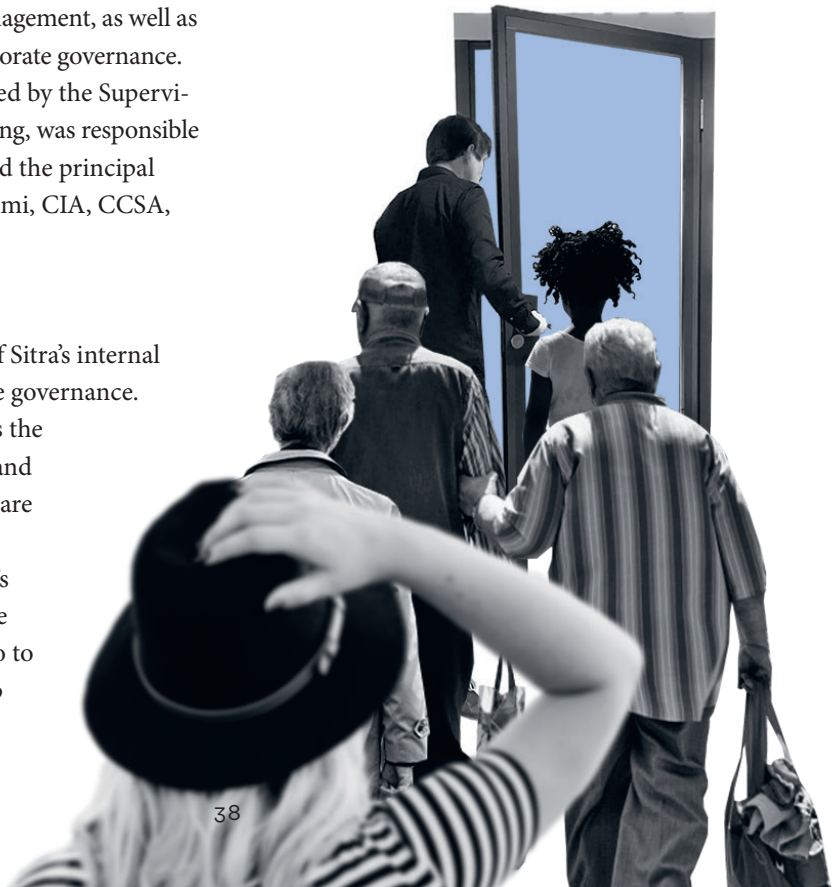
Risk management is part of Sitra's internal control and good corporate governance. Risk management supports the achievement of objectives and guarantees that operations are continuous, uninterrupted and safe, and that the fund's operating preconditions are maintained. The aim is also to strengthen good leadership

and good governance and create a reliable foundation for decision-making, planning and other operational activities.

Sitra's Board of Directors has confirmed the principles of risk management, describing the objectives, responsibilities and roles of risk management and how risks are identified, assessed and monitored.

At Sitra, risks are divided into three categories: strategic, operational and financial risks. The situation of risk management is reported on twice a year to Sitra's management team and at least once a year to Sitra's Board of Directors.

Sitra's Board of Directors, audit committee and senior management supervise, with the assistance of the internal audit, to ensure that risk management has been carried out in accordance with the risk management principles and decisions made.



Financial Statements 2018

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PROFIT AND LOSS ACCOUNT

EUR		Realised 2018	Realised 2017
Actual operations			
	Income	187,548.83	250,343.15
	Expenses		
	Personnel costs	1 -14,602,286.14	-14,055,028.34
	Depreciation	-311,655.72	-150,149.69
	Other expenses	2 -21,706,268.31	-19,475,407.60
		-36,620,210.17	-33,680,585.63
	Surplus/deficit	-36,432,661.34	-33,430,242.48
Investment activities			
	Income from investment activities	3 31,985,479.53	51,064,566.34
	Expenses from investment activities	4 -7,295,435.95	-9,420,456.66
		24,690,043.58	41,644,109.68
	Surplus/deficit for the financial year	-11,742,617.76	8,213,867.20

BALANCE SHEET

EUR		Realised 2018	Realised 2017
Assets			
Fixed assets			
Intangible assets	5	0.00	2,820.97
Tangible assets	5	195,159.12	463,499.90
Investments	6	710,405,465.52	720,408,922.28
Total fixed assets		710,600,624.64	720,875,243.15
Current assets			
Non-current receivables		0.00	0.00
Current receivables	7	645,927.39	471,791.73
Cash and cash equivalents		2,780,159.17	4,230,131.36
Total current assets		3,426,086.56	4,701,923.09
Total assets		714,026,711.20	725,577,166.24
Equity and liabilities			
Equity			
Endowment capital		235,463,097.04	235,463,097.04
Surplus/deficit for previous financial years		484,043,640.85	475,829,773.65
Surplus/deficit for the financial year		-11,742,617.76	8,213,867.20
Total equity		707,764,120.13	719,506,737.89
Liabilities			
Non-current liabilities		0.00	0.00
Current liabilities	8	6,262,591.07	6,070,428.35
Total liabilities		6,262,591.07	6,070,428.35
Total equity and liabilities		714,026,711.20	725,577,166.24

ACCOUNTING PRINCIPLES

Amendments to the method of presenting the profit and loss account and balance sheet

The Act on Sitra was updated during 2018, and the new updated Act entered into force on 1 January 2019. Previously, chapter 4, section 14 of the Act on Sitra was: The Accounting Act is followed in the accounting of the fund where applicable. The updated section 14 of the Act is: The provisions of the Accounting Act (1336/1997) are followed in the accounting of the fund.

The financial statements for 2018 have been prepared in accordance with the Accounting Act and Decree.

Preparing the financial statements in accordance with the Accounting Act and Decree results in an amendment to the profit and loss account formula used by the fund. From now on, the fund's profit and loss account will be reported using the Profit & Loss account formula for non-profit organisations and foundations in compliance with chapter 1, section 3 of the Accounting Decree. Another notable amendment concerns the valuation of investments. There as the value adjustments of endowment capital investments were made by acquisition item in previous financial years, as of the financial statements for 2018, value adjustments are made asset item-specifically.

Valuation and allocation principles

Pension expenses

The pension coverage of the fund's employees is provided through external insurance companies. Pension expenses are recognised on

an accrual basis in the financial statements. The fund has an optional additional pension insurance policy that includes old-age, disability and unemployment pension and death benefit. The retirement age is 65 years, and the pension is determined based on accumulated pension savings, which in 2018 amounted to 3% of the person's TyEL income for 2018.

Fixed assets and depreciation

Shares, participation rights and bonds in endowment investments have been valued at the lower of either the original acquisition cost or the market value. The most recent trading quote was used as the current value of shares. The current value of participation rights is the NAV (net asset value) reported by the fund management company. The current value of loans is evaluated on the basis of the solvency of the debtor.

Investments in portfolio companies and venture capital funds are valued at the lower of original cost or sum determined by internal valuation. The internal valuation procedure is based on the reports of the portfolio companies and funds and Sitra's view on their future development and cash flows. The value of endowment investments in venture capital funds has been calculated using the same principles.

Other fixed assets are recognised at direct cost less planned depreciation. The cost limit of on-balance sheet fixed assets has been increased from 1,000 euros to 10,000 euros. In the financial statements for 2018, fixed assets with a cost of less than 10,000 euros have been recognised as expenses in the profit and loss account.

NOTES TO THE 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 number presented in correspondence to the notes refers to the profit and loss account and the balance sheet.

1 Personnel costs

EUR 1,000	2018	2017
Wages and salaries	-11,844	-11,262
Pension expenses	-2,320	-2,257
Other statutory payroll expenses	-439	-536
Total	-14,602	-14,055

Other payroll expenses include an additional pension insurance of EUR 325,000.

The wages and remuneration of the management are included in personnel costs.

EUR 1,000	2018	2017
Supervisory Board	-32	-30
Board of Directors	-46	-47
President	-271	-267
Total	-349	-344

The personnel expenses for 2018 include compensation paid to external experts (0.2 million euros). External experts are not included in the headcount of personnel.

The number of personnel was 179 at the end of the financial year (159 in 2017).
The average number of employees during the financial year 2018 was 156.

2 Other expenses

EUR 1,000	2018	2017
Optional payroll expenses	-858	-1,052
Premises expenses	-1,688	-1,627
ICT expenses	-802	-609
Travel expenses	-1,123	-999
Representation expenses	-71	-187
Advisory services	-5,742	-6,289
Other operating expenses	-1,250	-1,443
Financing activities	-10,172	-7,271
Total	-21,706	-19,475

OTHER EXPENSES BY FUNCTION

EUR 1,000	2018	2017
Foresight and insight	-436	-1,046
Capacity for renewal		
Theme-level	-759	-544
Digital Health HUB	-1,879	-3,460
People first – selection trials for social welfare and healthcare services	-629	-599
Public-sector leadership	-1,234	-180
Updating Democracy	-88	-32
Suomi Showroom	-50	0
Discontinued focus areas	-84	-1,103
Total	-4,723	-5,919
A carbon-neutral circular economy		
Theme-level	-828	-192
Climate Solutions	-803	0
Circular economy	-5,504	-2,731
Resource-wise citizen	-1,498	-747
World Circular Economy Forum WCEF	-445	0
Discontinued focus areas	-377	-776
Total	-9,456	-4,446
New working life and a sustainable economy		
Theme-level	-72	-187
Impact investing	-75	-370
IHAN® – human-driven data economy	-1,007	-1
Lifelong learning	-97	0

Round table for labour-market organisations	-30	0
Impact investing	-249	0
Discontinued focus areas	-13	-474
Total	-1,542	-1,033
Societal training		
Function-level	-77	-90
Anniversary & Solution 100	-892	-1,690
Sustainable economic policy	-105	-97
KulttuuriVOS	-84	-167
Sitra Lab	-47	0
Total	-1,205	-2,044
Management	-181	-178
Strategy	-318	-394
Legal Affairs	-207	-305
Communications and Public Affairs	-411	-617
Administration	-2,975	-3,229
Investments	-251	-266
Total	-21,706	-19,475

3 Income from investments

EUR 1,000	2018	2017
Income from investments		
Profits on the sale of investments	11	397
Interest income	57	56
Dividend income	0	77
Income from fund investments	6,249	1,773
Other income	150	1
Restorations	1,074	2,859
Total	7,541	5,162
EUR 1,000		
Income from endowment capital		
Profits on the sale of investments	12,891	35,987
Interest income	49	71
Dividend income	1,531	1,251
Income from fund investments	9,072	5,044
Other income	526	1,028
Restorations	376	2,522
Total	24,445	45,902
Total	31,985	51,065

4 Expenses from investments

EUR 1,000	2018	2017
Expenses from investments		
Losses on realisation of investments	-527	-1,252
Expenses from fund investments	-11	-3
Changes in value	-3,037	-7,257
Total	-3,575	-8,512
EUR 1,000	2018	2017
Expenses from endowment capital		
Losses on realisation of investments	-1	0
Expenses from fund investments	-201	-1
Changes in value	-2,839	-415
Other expenses	-679	-492
Total	-3,720	-908
Total	-7,295	-9,420

5 Tangible and intangible assets

Planned depreciation periods of fixed assets:

Other capital expenditures	straight-line depreciation	5 years
Renovation of office premises	straight-line depreciation	10 years
Machinery and equipment	straight-line depreciation	5 years
ICT equipment	straight-line depreciation	3 years

During the year, Sitra acquired fixed assets amounting to EUR 0.1 million (EUR 0.2 million in 2017).

EUR 1,000	Book value 1.1.2018	Increase	Decrease	Depreciation	Book value 31.12.2018
Intangible assets					
ICT software	3	0	0	-3	0
Total	3	0	0	-3	0

EUR 1,000	Book value 1.1.2018	Increase	Decrease	Depreciation	Book value 31.12.2018
Tangible assets					
Machinery and equipment	252	64	0	-309	7
Renovation of office premises	0	0	0	0	0
Fixed assets shares and participations	0	0	0	0	0
Other tangible assets	212	0	24	0	188
Total	463	64	24	-309	195

6 Investments

EUR 1,000	2018	Change	2017
Investments in portfolio companies	4,404	-1,993	6,397
Venture capital funds	38,283	2,879	35,403
Endowment capital investments			
Shares and participations	1,162	-1,135	2,296
Unit-linked insurance	10,411	9,713	698
Private equity fund investments	49,524	6,793	42,731
Fund investments	604,634	-26,060	630,694
Real estate investments	1,433	-54	1,487
Other investments	327	-72	399
	710,177	-9,928	720,106

INVESTMENTS IN PORTFOLIO COMPANIES

Shares, participations and other investments held by Sitra

EUR 1,000	Shares and participations		Subordinated loans and other loans	Investment total
	Holding	Investment	Investment	
Aura Mare Oy	0%	0	250	250
AW-Energy Oy	12%	1,893	1,431	3,324
Crisolteq Oy	0%	0	149	149
FIT Biotech Oy	10%	14,197	0	14,197
KC-Holding 3 Oy	38%	2,355	0	2,355
Kuntien Tiera Oy	0%	0	4,159	4,159
MediXine Oy	15%	1,126	0	1,126
Mesera Cranes Finland Oy	0%	0	78	78
Mobidiag Oy	1%	5,183	618	5,801
NaturVention Oy	6%	623	0	623
Nexstim Oyj	10%	13,881	0	13,881
Omegawave Oy	27%	3,171	280	3,450
ProFlax Oy	10%	13	135	148
Sustainable Energy Asset Management Oy	45%	190	280	470
Vivago Oy	39%	4,622	0	4,622
Vivoxid Oy	38%	5,243	0	5,243
		52,496	52,496	52,496
Investments in portfolio companies total				59,875
Cumulative change in value				-55,472
Book value				4,404

VENTURE CAPITAL FUNDS

Sitra's investments in funds

EUR 1,000	Registered office	Investment
AC Cleantech Growth Fund I Ky	Finland	5,000
Armada Mezzanine Fund III Ky	Finland	66
Baltic Investment Fund III L.P.	Jersey	311
Bocap SME Achievers Fund II Ky	Finland	1,050
CapMan Russia Fund L.P.	Guernsey	2,907
Capricorn Cleantech Fund	Belgium	3,600
Chrysalix Energy III Ltd	Delaware, USA	4,200
Circularity European Growth Fund I LP	United Kingdom	357
Dasos Timberland Fund II	Luxembourg	3,400
EBRD North-West and West Russia Regional Venture Fund	Finland	0
Edison Venture Fund IV L.P.	Delaware, USA	0
Environmental Technologies Fund 3 LP	United Kingdom	791
Epiqus Kotouttaminen I Ky	Finland	433
Epiqus Työhyvinvointi I Ky	Finland	190
Folmer Equity Fund I Ky	Finland	1,213
Innkap II Partners	Sweden	851
InnKap III Partners	Guernsey	2,049
Inventure Fund II Ky	Finland	1,977
Inventure Fund III Ky	Finland	333
Korona Fund III Ky	Finland	1,489
Lifeline Ventures Fund I Ky	Finland	1,084
Lifeline Ventures Fund III Ky	Finland	1,429
MB Equity Fund Ky	Finland	0
NegaWatt Energiategohokkuusrahassto 2 Ky	Finland	511
Nordia Rahasto Oy	Finland	2,755
Palvelurahasto I Ky	Finland	0
Power Fund III Ky	Finland	2,202
SET Fund II C.V.	Netherlands	1,709
Social Impact Accelerator	Luxembourg	300
Spintop Investment Partners II AB	Sweden	1,564
Spintop Investment Partners III AB	Sweden	133
Standout Capital I AB	Sweden	863
Strategic European Technologies N.V.	Netherlands	3,010
Terveysrahasto Oy	Finland	633
The Russian Technology Fund L.P.	Delaware, USA	140
Trident Capital Fund-V L.P.	Delaware, USA	357
Vendep Capital Fund II Ky	Finland	470
Ventech Capital II L.P.	France	2,053
Ventech Capital V SLP	France	750
Verdane ETF II SPV Ky	Finland	1,314
VisionPlus Fund I Ky	Finland	4,728
		56,222
Total venture capital fund investments		56,222
Cumulative change in value		-17,939
Book value		38,283

ENDOWMENT CAPITAL INVESTMENTS

EUR 1,000	Registered office	Book value	Market value
Shares			
Nokia Oyj	Finland	1,162	7,628
		1,162	7,628
Unit-linked insurance			
Mandatum Life kapitalisaatiosopimus	Finland		
Mandatum Life Private Debt II E	Finland		3,089
Cash	Finland		56
		3,072	3,145
OP Henkivakuutus kapitalisaatiosopimus	Finland		
Infrastruktuuri-sijoituskori	Finland		6,059
LeaseGreen Group Oy loan 30 June 2025	Finland		867
OP-Suomi A	Finland		170
Cash	Finland		243
		7,339	7,339
Private equity fund investments			
Access Capital Fund II	Guernsey	0	2
Ardian Co-Investment Fund V Europe	France	973	892
Boston Millennia Partners II L.P.	Delaware, USA	513	323
Bridgepoint Europe V	United Kingdom	4,187	4,741
CapMan Buyout X	Finland	1,172	2,672
Crescendo IV, L.P.	Delaware, USA	0	392
EQT Mid Market Asia III Fund	Netherlands	1,454	1,438
European Fund Investments II	United Kingdom	93	115
H.I.G. Advantage Buyout Fund	Delaware, USA	463	370
MB Equity Fund V Ky	Finland	1,548	1,285
Sentica Buyout IV Ky	Finland	3,839	3,971
Vaaka Partners Buyout Fund II Ky	Finland	198	4,199
Verdane Capital IX (E) AB	Sweden	1,797	2,231
Verdane Capital VIII K/S	Denmark	3,305	4,947
Lending funds			
Direct Lending Fund III	Luxembourg	819	799
EQT Mid-Market Credit II	Luxembourg	1,000	1,009
Real estate private equity funds			
Aberdeen Property Fund Finland I Ky (APFF)	Finland	2,041	2,039
BlackRock Global Infrastructure Solutions 3	Luxembourg	3,401	3,374
CapMan Nordic Real Estate FCP-SIF	Luxembourg	2,931	6,320
CapMan Nordic Real Estate II FCP-RAIF	Luxembourg	1,461	1,542
EVLII Healthcare I Ky	Finland	5,000	5,000
ICECAPITAL Residential Property Fund I Ky	Finland	3,000	3,665
Impax New Energy Investors III LP	United Kingdom	56	-153
LähiTapiola Asuntorahasto Prime Ky	Finland	3,837	4,119
Northern Horizon Nordic Aged Care SCSp SICAV-SIF	Luxembourg	2,230	2,025
OP Toimitilakiinteistö Ky	Finland	3,000	3,085
Real Estate Debt and Secondaries Ky	Finland	1,206	1,208
		49,524	61,609

Fund investments

	Registered office	Book value	Market value
Equity funds			
Aberdeen Global World Equity A2	Luxembourg	29,169	44,920
C Worldwide Emerging Markets	Luxembourg	5,762	5,762
Danske Invest Suomi Yhteisöosake K	Finland	52,382	55,982
Elite Alfred Berg Suomi Fokus B	Finland	10,412	10,412
Fondita 2000+ B	Finland	17,719	29,099
Handelsbanken Eurooppa Indeksi (A1 EUR)	Sweden	12,560	12,560
Impax Environmental Markets Euro A	Ireland	23,027	31,644
JP Morgan Global Equity Fund X EUR	Luxembourg	73,828	80,542
JPM Emerging Markets Equity Fund I EUR	Luxembourg	36,206	37,794
OP-Suomi A	Finland	56,843	66,374
Bond funds			
Aktia Emerging Market Bond+ D	Finland	14,657	16,442
Bluebay Investment Grade Bond IB EUR	Luxembourg	7	7
Bluebay Investment Grade Bond BR EUR	Luxembourg	53,298	58,233
Danske Invest Emerging Markets Debt K	Finland	11,297	13,144
Danske Invest Yhteisökorko K	Finland	68,938	68,938
Evli European High Yield B	Finland	21,048	28,006
LähiTapiola Yrityskorko A	Finland	41,447	51,619
OP-EMD Local Currency A	Finland	16,376	16,376
SEB Global High Yield B	Finland	17,526	20,930
SEB Microfinance Fund V	Luxembourg	2,851	2,851
Other quoted investments			
BNP Paribas Property Securities Fund Europe	Netherlands	8,541	8,541
eQ Hoivakiinteistöt 1 T	Finland	10,449	11,537
UB Global REIT K	Finland	12,076	13,263
UB Metsä I	Finland	6,000	6,251
Ålandsbanken Asuntorahasto			
Erikoissijoitusrahasto C	Finland	2,214	2,641
		604,634	693,868
Real estate investments			
Erottajan Pysäköintilaitos Oy	Finland	1,433	2,214
Other investments			
Helsingin Tennisstadion Oy	Finland	9	9
Leverator Oy subordinated loan 8.162%	Finland	0	0
Leverator Plc unsecured loan 12 June 2021 8.162%	Finland	318	318
		327	327
Total endowment capital investments		667,491	776,130

The market value of endowment capital investments in venture capital funds is based on the latest NAV announced by the fund, adjusted for the cash flows between the date the value was calculated and the date of the financial statements. The book value may be higher than the market value if Sitra sees no grounds for a write-down at this stage, for example, if the venture capital fund is new and the NAV therefore low.

Holdings in other companies

EUR 1,000		Investment	Change in value	Book value
Name	Sitra Management Oy	305	-76	228
Registered office	Finland			
Holding	100%			
Equity	206			
Surplus/deficit for the financial year	-38			

The latest adopted financial statements of Sitra Management Oy are from 2017.

Sitra has holdings in the following management companies through Sitra Management Oy:

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

7 Current receivables

EUR 1,000	2018	2017
Accounts receivable	53	0
Short-term investments, asset management	89	10
Other receivables	110	273
Accrued income and deferred charges	394	189
Total	646	472

8 Short-term liabilities

EUR 1,000	2018	2017
Advance payments	157	98
Accounts payable	2,857	2,287
Other liabilities	447	422
Accrued expenses and deferred income	2,801	3,264
Total	6,263	6,070

9 Securities and contingent liabilities

EUR 1,000	Maturing in 2019	Total liabilities
Fund commitments		112,318
Financial agreement fees	7,807	9,478
Unit-linked insurance premiums		22,373
Rental liabilities	941	1,820
Total		145,988

SIGNATURES TO BOARD REPORT AND FINANCIAL STATEMENTS

The Board of Directors proposes the deficit of EUR -11,742,617.76 for the financial year be carried forward to the retained surplus/deficit account.

Helsinki, 6 March 2019



MARTTI HETEMÄKI



JARI GUSTAFSSON



MARKKU WILENIUS



ANITA LEHIKOINEN



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 to 31 December 2018, in accordance with good audit practices. The financial statements comprise a profit and loss account, balance sheet and notes to the financial statements.

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, 8 March 2019



EERO LEHTI



ESKO KIVIRANTA



TOIMI KANKAANNIEMI



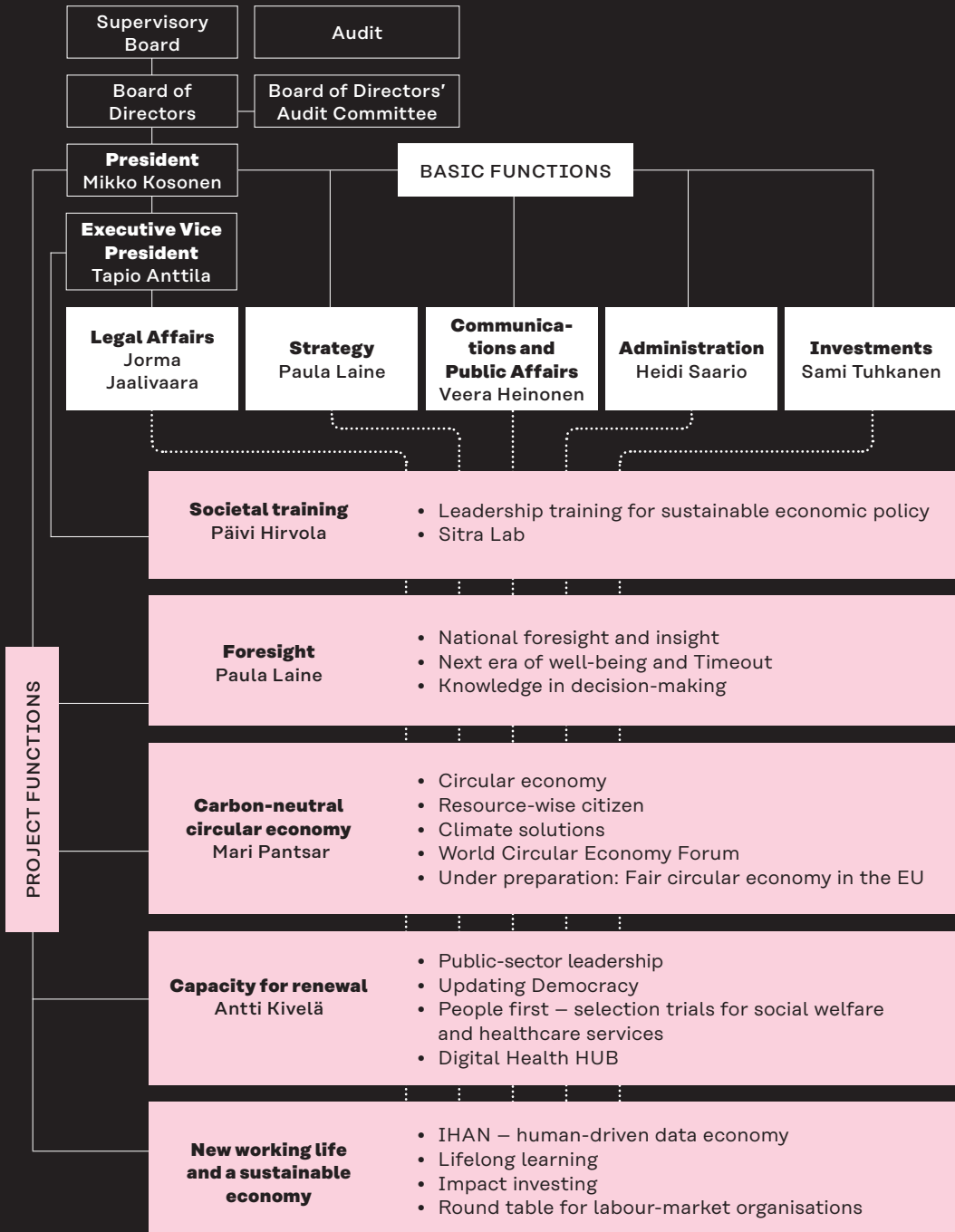
LOTTA KAUPPILA, APA



MARKKU KOSKELA, APA

APPENDIX 1

ORGANISATION 31 DECEMBER 2018



APPENDIX 2

SUMMARY OF THE FACILITATOR OF FUTURE OUTLOOKS AND LEARNING IMPACT EVALUATION

This is a summary of the evaluation of the “Empowering individuals and communities” and the “Building competences for a complex world” impact objectives. The evaluation published in November 2018 was carried out by Owl Group Oy and 4Front Oy.

Objectives and materials of the evaluation

The aim of the evaluation was to provide information about Sitra’s impact with regard to the Building competencies for a complex world and Empowering individuals and communities impact objectives. The evaluation aims to provide reliable and independent information to support Sitra’s strategic management, operations control and development. The evaluation questions set concerned the success of Sitra’s choices, Sitra’s importance and role in promoting systemic changes and development in the content areas of the impact objectives in Finland and internationally.

The evaluation analysed an extensive group of Sitra projects and functions in the period 2011 to 2018. The evaluation assessed Sitra’s efforts to promote the impact objectives and their content.

The evaluation primarily used qualitative evaluation methods. Methodologically, the evaluation was based on a theory-driven approach in which impact hypotheses were created regarding the relationship between Sitra’s actions and impact objectives. After this, outcome harvesting was used to identify changes that have taken place from different sources, and it was evaluated whether it can

be credibly claimed based on the data that the hypothesis of the change has materialised.

Empowering individuals and communities impact objective

Success of Sitra’s choices

The setting of objectives in the Empowering individuals and communities impact objective and associated actions has been topical and important. The practical measures and projects on the whole promote the targeted impact well. Feedback and concrete effects to increase the empowerment of individuals and communities can be identified in a very large number of Sitra’s efforts.

Sitra’s contribution

Sitra’s role has been an active maintainer of future outlooks. The role of an active maintainer is particularly emphasised in the discussion on the significance of overall societal visions and facilitating the preparation of diverse thematic visions or action agenda for different parties. Sitra has successfully motivated a very diverse body of people and organisations to adopt a future-oriented mindset and to discuss the need for societal visions.

In the From statistics to individuals content area of the impact objective, Sitra has been particularly adept at highlighting national solutions and individual services relating to the development of customer- and individual-driven healthcare. Similarly, Sitra's role has been to complement and accelerate the development of empowering methods and forums that has taken place in society. These phenomena would probably have occurred in Finland, but at some undefined point in the future.

With regard to individual- and community-driven solutions, Sitra's role has involved launching and experimenting with various development methods and increasing the opportunities for people and customers to act. For example, Sitra's experimentation and the Ratkaisuu 100 challenge prize competition have attracted visibility and functioned as examples of how different development methods can enhance different parties' opportunities for impact.

Development of the impact objective

A lot of diverse development activity has taken place in the content of the Empowering individuals and communities impact objective in Finland and internationally. International trends during the period under review indicate that individuals' and communities' opportunities for impact and increasing them have been very strongly reflected in the policy and development agenda. Efforts to increase the opportunities for impact have been made particularly by developing diverse engagement methods, known as democracy innovations.

Individual- and customer-driven service development has strengthened throughout the 2010s. Customer orientation and individuality of the service system has been developed in state, municipal and private-sector services, especially with regard to healthcare. In public services, digital basic solutions, such as the national service channel, have been created only recently. Also, experimental activity and an experimentation culture have become visible elements of the Finnish development culture.

As for creating faith in the future and developing visions, the centenary of Finland's independence occurred during the period reviewed. The year 2017 was a year for many in society to create their own visions of the future. In the Finnish context, there has been an emphasis on the importance of public administration playing a visionary role. Diverse visions are often specific to a city, district, sector or theme. The discussion on the importance of societal visions has in fact increased slightly based on several observations made in the evaluation.

In addition, diverse forms of voluntary organisation have strengthened during the period under review. These include communal urban events and peer learning-based networks.

Recommendations

The evaluation presented four recommendations relating to the impact objective.

Recommendation 1: In the future, Sitra should develop measures with which existing knowledge and experience of the opportunities of individuals and communities to make an impact is used better in related development work.

Recommendation 2: Sitra should continue to act as an active promoter of the importance of societal visions and maintain a shared future outlook between the different parties.

Recommendation 3: Sitra should establish closer and more visible partnerships with the key operators in the area of the impact objective in particular.

Recommendation 4: Sitra should act as a co-ordinator and distributor of new development methods in the future.

Building competences for a complex world impact objective

Success of Sitra's choices

The setting of objectives and the choices made by Sitra in the area of the impact objective have been moderately functional in proportion to the impact pursued. Competence building is represented in each project reviewed in this evaluation in one way or another, but certain areas have been given

less weight in the area of the impact objective. In particular, these include lifelong learning and promoting measures that support the identification of informal competence and better use of individual knowledge or skills.

The projects on the whole have sought the pursued impact, in particular by creating places for joint learning and providing competence for a complex world. Many experiments have been realised and development processes facilitated in different focus areas and projects, creating places for joint learning and problem-solving. Sitra's foresight and training activities have, as a rule, linked competence building to the increasingly complex world.

Sitra's contribution

Sitra has not had an unambiguous role in promoting systemic changes or reforms in the Building competences for a complex world impact objective. Sitra has had very different kinds of roles in different content items, and competence has been involved in the development work as something that has been one content item of activities in several actions.

Sitra has played the clearest, but a limited, role in several content items that increase the level of people's competence in different sectors and content items and in developing competence in experimental activities (especially in short-term experiments). Another identifiable role has been connected to uniting different actors in content items essential to Sitra and in change taking place through joint learning by different actors.

Development of the impact objective

There has been discussion on the content areas of the Building competences for a com-

plex world impact objective in Finland and internationally. The focus has been on discussions about 21st century skills, the reform of the education system and the importance of lifelong learning.

Every level of the Finnish education system has undergone reform in the 2010s. Reform has been carried out in primary schools, vocational education and universities. In conjunction with the extensive development of competence, a national basic infrastructure has been created in the 2010s through methods such as strengthening the foresight competence and education needs and building basic solutions for verifying and acknowledging competence. At the same time, digital learning environments are gradually becoming commonplace.

Solutions for lifelong learning have been scant in Finland in the 2010s, and the discussion on the identification and acknowledgement of informal competence has been occasional or dependent on individual development projects. A lack of interest from employers in supporting the development of competence or learning is one of the key issues. It seems that there is a paradox when it comes to lifelong learning and the development of competence. Statistically, Finland is a leading country in adult education, yet lifelong learning is not realised. The continuous development of learning in various ways will continue to be important in an increasingly complex world.

Recommendations

The evaluation presents three recommendations relating to the impact objective.

Recommendation 1: Sitra should develop measures to strengthen lifelong learning and better utilise individual knowledge and skills in the future.

Recommendation 2: Sitra should further strengthen its role as a co-ordinator and distributor of experimental activity.

Recommendation 3: Sitra should establish closer and more visible partnerships with the key operators in the area of the Building competencies for a complex world impact objective.

APPENDIX 3

AGENDA 2030 AND THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

IN 2015, the member states of the UN agreed on a sustainable development action plan and objectives to guide the promotion of sustainable development between 2016 and 2030.

They aim to eradicate extreme poverty from the world and secure well-being in an environmentally sustainable way.

States have the primary responsibility for the implementation of Agenda 2030. However, extensive participation of local government, the private sector, society and individuals is required to reach the goals.

The agreement includes 17 interlinked goals to be reached by 2030.

1. **No poverty.** The aim is to end poverty in all its forms everywhere.
2. **Zero hunger.** The aim is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3. **Good health and well-being.** The aim is to ensure healthy lives and promote well-being for all at all ages.
4. **Quality education.** The aim is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5. **Gender equality.** The aim is to achieve gender equality and strengthen the rights and opportunities of women and girls.
6. **Clean water and sanitation.** The aim is to ensure availability and sustainable management of water and sanitation for all.
7. **Affordable and clean energy.** The aim is to ensure access to affordable, reliable, sustainable and modern energy for all.
8. **Decent work and economic growth.** The aim is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. **Industry, innovation and infrastructure.** The aim is to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
10. **Reduced inequalities.** The aim is to reduce inequality within and among countries.
11. **Sustainable cities and communities.** The aim is to make cities and human settlements inclusive, safe, resilient and sustainable.
12. **Responsible production and consumption.** The aim is to ensure sustainable consumption and production patterns.
13. **Climate action.** The aim is to take urgent action to combat climate change and its impacts.
14. **Life below water.** The aim is to conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. **Life on land.** The aim is to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16. **Peace, justice and strong institutions.** The aim is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. **Partnerships for the goals.** The aim is to strengthen the means of implementation and revitalise the global partnership for sustainable development.

CONTACT DETAILS



President
MIKKO KOSONEN
+358 294 618 403
@SitraKosonen



Executive
Vice President
TAPIO ANTILA
+358 294 618 283
@Tapio14Anttila



Communications
and public affairs
VEERA HEINONEN
+358 50 372 5244
@VeeraHeinonen



Societal Training
PÄIVI HIRVOLA
+358 294 618 493
@PaiviHirvola



Law Affairs
**JORMA
JAALIVAARA**
+358 294 618 410
@Jaalivaara



Capacity
for Renewal
ANTTI KIVELÄ
+358 294 618 265
@KivelaAntti



Foresight &
strategy
PAULA LAINE
+358 294 618 487
@Paula_Laine



Carbon-neutral
circular economy
MARI PANTSAR
+358 294 618 210
@MariPantsar



Finance, Human
Resources and IT
HEIDI SAARIO
+358 294 618 203
@HeidiSaario



Investments
SAMI TUHKANEN
+358 294 618 413
@SamiTuhkanen

Email: firstname.lastname@sitra.fi

IF THE FUTURE SEEMS CHALLENGING, SITRA'S FUTURE GLOSSARY MIGHT HELP

Circular economy

An economic model which does not focus on producing more and more goods, but in which consumption is based on using services – sharing, renting and recycling – instead of owning. Materials are not destroyed in the end, but are used to make new products over and over again.

Decoupling

Separating events, conditions, circumstances or situations that have previously been linked, so that they can be realised independently of each other. For example, the decoupling of well-being and economic growth from the consumption of natural resources.

Impact investing

Means of channeling private equity to projects whose aim is to achieve positive, measurable social benefit.

Weak signal

An indication of an emerging issue or an early sign of a potential change that may be meaningful in the future.

Wicked problem

A problem that is particularly difficult to solve. Usually involves a large number of factors and variables.

Read more:

sitra.fi/en/dictionary



Sitra is a brave future house – anticipator, investigator, experimenter, funder and instructor – with deep fifty-year-old roots in the Finnish innovation field. Right now, Finland is faced with major future issues and deeds. Can we renew ourselves and learn together? To reach out sufficiently far, but still make fair decisions today.

THE FUTURE IS MADE TOGETHER. Join us!


SITRA.FI/EN

Itämerenkatu 11–13

P.O. Box 160

FI-00181 Helsinki

Telephone +358 294 618 991

 @SitraFund

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