

SITRA

THE FUTURE WILL BE DIFFERENT

Annual report and financial statements 2019



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





**2019 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 2019 to the Finnish Parliament.

Helsinki, 27 March 2020

On behalf of Sitra's Supervisory Board

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A fair and sustainable future is made together

From the very beginning, Sitra's operations have been guided by a vision of Finnish people's well-being and Finland's competitiveness. What does Finland need next? What will secure the well-being of future generations?

Future societal knowledge and fair solutions are now sorely needed as the coronavirus pandemic causes severe problems across the globe. This acute situation calls for fast solutions but, at the same time, it is also important that the decisions made are sustainable in the long run. Sitra's **Leadership training for sustainable economic policy**, organised twice every year, provides the necessary skills and resources for this; already 400 decision-makers have completed the training. How can everyday well-being, the economic realities and limits of the planet be combined with long-term decision-making, development and the new kind of leadership required by the complex world? This knowledge is now highly sought after.

Solving complex societal problems and bringing clarity to new phenomena are Sitra's special expertise, and the mandate given by the Finnish Parliament allows Sitra to focus on these issues. Sitra's projects can be described as a way to build future infrastructure: they are new systems working in the background or operating models developed through extensive co-operation, which serve as a foundation for

building important everyday services and creating new business.

In international terms, Sitra's long-term work on the circular economy and climate solutions is among the most significant and influential. Uncompromised development based on reports and experiments yields results and generates significant international demand for Sitra's expertise. Currently, Sitra is working hard on the creation of a European data economy standard. The first steps in this process have been well received, both in technical experiments and with regard to the road map to a data economy.

A concrete example of the results yielded by Sitra's work is the health and well-being data permit authority Findata, which started its operations on 1 January 2020. A Sitra-led joint project (between 2015 and 2018) that involved dozens of organisations created an operating model and technical and legislative prerequisites for the new permit authority.

Another example is Tomorrow's health centre, the coaching project carried out in 25 health centres in the period 2017–2019. It proved to be an efficient way to promote access to care and improve customer insight into public primary healthcare.

Sitra is an early development phase actor and change accelerator. When the initial work

Solving complex societal problems and bringing clarity to new phenomena are Sitra's special expertise.

is well established and working well, Sitra hands over the baton to parties who will take long-term responsibility for the activities. An example of this is the transfer of impact investing development from Sitra to the Ministry of Economic Affairs and Employment.

For Sitra, the year 2019 was not only a year of effective future-oriented work but also a time of work evaluation and historic administrative changes. The external summary evaluation of Sitra was completed and the work of the parliamentary working group that evaluated the role of the future fund resulted in amendments to the Act on Sitra. Along with the legislative amendment, Sitra was appointed a dedicated, Parliament-based Supervisory Board in early 2020.

In December 2019, Sitra's Supervisory Board made an unprecedented decision to donate a non-recurring allocation of 100 million euros to universities. The sum will be allocated gradually over three years to ensure the independence and impact of Sitra's operations in the future, too.

As Sitra's operations are funded by the returns from investments, the economic situation also influences the volume of Sitra's operations. The market value of Sitra's endowment capital investments varies year by year: at the end of 2019, it amounted to 874 million euros (2018: 776 million euros). The return on investment was 17.2% (2018: -3.9%), with a five-year average of 6.6%. The market value of all investment assets was 933 million euros (832 million euros).

According to the view of Sitra's Supervisory Board, Sitra's finances and operations are well looked after. In its meeting on 27 March 2020, 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 surplus for the financial year 2019 – 750,959.67 euros – be carried forward to the retained surplus/deficit account.

Helsinki, 27 March 2020

Tarja Filatov, Riikka Purra, Janne Heikkinen, Eveliina Heinäluoma,
Katja Hänninen, Antti Lindtman, Veijo Niemi, Pirkka-Pekka Petelius, Joakim Strand,
Sari Tanus, Matti Vanhanen, Anu Vehviläinen and Anne-Mari Virolainen

./.. Anton Mäkelä

The future **will be different**

A decade ago, I would still have described Finnish people as fundamentally practical doers. People with an engineer-like dispassionate approach, focused on solving problems. No excessive discussions, no unnecessary drama or emotion.

Throughout the last decade though, things have changed – as they of course should. Technology has become embedded in our lives in many ways, internationality has become an everyday phenomenon and the economy has picked up.

At the same time, something happened that made us shed our characteristic calm and stirred up our emotions. Whether it was due to the discussion on climate change or on immigration, something at the core of us changed. Emotions boiled over and level-headedness was forgotten.

In 2020, we live in a Finland where it suddenly seems to be quite normal to call into question phenomena like research-based data, the rule of law, the media adhering to journalistic principles and even the intrinsic value of each human being. In that Finland, people want to use freedom of expression as a justification for all sorts of speech, including threats and insults.

At the same time, we are facing major national and international challenges that we must tackle together. Ecological reconstruction is a matter of urgency on a global scale and the

ageing of the population changes the situation in Finland, from the perspectives of the economy, well-being services and intergenerational equality alike. Now Finland could use that level-headed, kind and engineer-like mentality.

We will definitely need level-headedness. The whole world has been shaken and is seeking balance as the COVID-19 pandemic and its effects spread. This sudden turn of events requires the level-headedness necessary for imperfect solutions and decisions that ensure the capacity for decision-making and implementation in the future.

The acute state of emergency in our daily lives will end in due course but the global negative effects on the economy will be significant. The prevention of extensive debt and a banking crisis will require all means available and a great deal of international co-operation. Furthermore, various national measures are needed to support the worst-hit sectors and the entire national economy.

However, there is a silver lining: care and concern for others now plays a more prominent role in society. Once we return to normal times, we will probably be more unified in reforming our society.

Looking for fair solutions

I started working as Sitra's President on the first day of the new decade. On the same day, Sitra's

long-awaited Megatrends 2020 update was published. I felt very privileged to be able to be at the forefront of major future-related issues.

Megatrends can also be seen in Sitra's excellent vision of a fair and sustainable future. On the basis of the vision, Sitra has made the strategic choice to concentrate on a few themes that are critical for the vision. In 2020, we will contemplate, together with our stakeholders, what those future-critical themes that Sitra should focus on in the coming years are.

Sitra's work focuses on issues with potential for renewal that can have a wide-reaching positive impact on the preconditions for a good life over the long term. At the moment, we are developing rules for a fair data economy, beginning to update democracy – together with the Finnish Parliament, political parties and the Finnish Government – and creating an overview of lifelong learning. Nevertheless, our most long-term and extensive efforts are dedicated to solving the sustainability crisis.

Sitra has worked with themes related to ecological sustainability since its early years and continues to increase its efforts in this field. We

Sitra's work focuses on issues with potential for renewal that can have a wide-reaching positive impact on the preconditions for a good life.

have tackled overconsumption by promoting a circular economy and mitigated climate change by studying, developing and sharing climate solutions. Next, we will start developing solutions for fostering biodiversity.

The sustainability crisis is a good example of a complex societal problem, the solving of which requires a diverse variety of means, shared commitment and extensive co-operation.

When it comes to the future, one thing is certain: it will be different. There will be complex problems and surprising situations but there is no reason for anxiety: there will be solutions, too. Now we must make sure they are fair.



Jyrki Katainen
President



Year 2019: achievements and upcoming bright spots

1 FINDATA offers well-being data from a single source. Sitra's Isaacus project between 2015 and 2018 entailed wide-ranging co-operation to create a new operating model for a one-stop shop to collect health and well-being data and distribute it securely to researchers and service developers. The act regulating the operations of the data permit authority entered into force on 1 May 2019 and Findata started its operations on 1 January 2020.

2 SITRA'S COACHING PROGRAMME shortened queues in primary healthcare. The coaching project Tomorrow's health centre (2017–2019) proved to be an efficient way to promote access to care and improve customer insight into public primary healthcare. In Iisalmi and Kiuruvesi, for example, the queues for non-urgent care shortened from 35 days to between two and four days. In Kolari, the queue was eliminated entirely. Finnish Institute for Health and Welfare will continue the development activities that Sitra started in 25 municipalities.

3 TIMEOUT discussion model offered a method for constructive societal discussion – work will be continued by the Timeout Foundation. The dialogue-based Timeout model created by Sitra became a recognised and acknowledged method of constructive societal discussion. The project is now over but it generated a lot of results: the method, the network, guidebooks and training. Its results also include the Timeout Foundation, which continues this important work as a developer, trainer and promoter of constructive dialogue.

4 THE DEVELOPMENT OF AN OPERATING MODEL AND ECOSYSTEM FOR IMPACT INVESTING was transferred to the Ministry of Economic Affairs and Employment. The Centre of Expertise for Impact Investing established under the Ministry of Economic Affairs and Employment continues the work that Sitra has carried out since 2014 to develop outcomes contracting and the SIB (social impact bond) model in Finland.

5 **WORLD CIRCULAR ECONOMY FORUM** established its position. Held for the third time in 2019, the WCEF established its position as a meeting place for circular economy influencers. The forum has become an important arena of international co-operation for Finland.

6 **A DEDICATED SUPERVISORY BOARD NO LONGER ASSOCIATED WITH THE BANK OF FINLAND**, and a new President. Early in the year, a parliamentary working group evaluated Sitra's role and activities and, as a result, the Act on Sitra was amended. Starting from 2020, Sitra has a Parliament-based Supervisory Board. The roles of the Board of Directors and the President were specified in more detail. Jyrki Katainen, the former European Commission's Vice-President, was elected as Sitra's ninth President.

UPCOMING BRIGHT SPOTS

1 **THE WILD WEST OF DATA ECONOMY BECAME A DISCUSSION TOPIC**

During Finland's EU Presidency, the Data Economy Principles were created to promote a human-centric, thriving and balanced data economy across Europe. There appears to be a great need for the international work carried out in Sitra's IHAN project.

2 **THE SUSTAINABLE TAX REFORM EVOKED DISCUSSION**

We looked into how taxation can be used to decrease the negative effects on the environment while simultaneously strengthening employment and the economy and paying attention to social fairness.

3 **SHARED STRATEGIC COMMITMENT TO LIFELONG LEARNING**

With Sitra's help, 30 key societal actors created a shared strategic commitment to lifelong learning, pledged to promote it and identified the key issues to be resolved together. A lifelong learning reform was also included in the Government programme.

What is **Sitra**?

SITRA is a bold future fund – a think-and-do tank with activities based on knowledge and insight.

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

ESTABLISHED in 1967 to celebrate the 50th anniversary of Finland’s independence. An independent fund accountable to the Finnish Parliament.

FUNDING comes entirely from the returns on the fund’s own investments. Sitra is public and self-funded – not a budget-funded body. The annual budget is 30 to 40 million euros and the market value of all investment assets at the end of 2019 was 933 million euros.

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

THE TOOLBOX includes tools for effective change projects that drive sustainable societal reform. Key tools of 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.

Project entities

A CARBON-NEUTRAL CIRCULAR ECONOMY

Circular economy	03/2015–10/2019
Fair and competitive circular economy	11/2019–06/2022
Sustainable everyday life	07/2016–01/2022
Climate and nature solutions	04/2018–06/2022
Under preparation: Biodiversity	11/2019–04/2020

CAPACITY FOR RENEWAL

Selection trials for social welfare and healthcare services	06/2016–06/2019
Updating Democracy	06/2018–06/2021

NEW WORKING LIFE AND A SUSTAINABLE ECONOMY

IHAN – human-driven data economy	02/2018–06/2021
Lifelong learning	10/2018–09/2021
Impact investing	01/2018–12/2019
Round table for labour-market organisations	02/2018–12/2019
Under preparation: Well-being ecosystems	01/2019–03/2020

FORESIGHT

Foresight (including megatrends and weak signals)	ongoing
Timeout	06/2016–06/2019
Knowledge in decision-making	01/2017–03/2019
Reformers of the Future	11/2019–06/2021
Learning+	01/2020–06/2022

SOCIETAL TRAINING

Leadership training for sustainable economic policy	ongoing
Sitra Lab	ongoing

Seeking a fair and sustainable future

Sitra's task is to build a successful Finland for tomorrow. At different times – as Finnish society has changed – this task has required different things: first, providing financing for the R&D activities of Finnish industry and, second, introducing venture capital investments into Finland and acting as a venture capitalist.

Many of our urgent societal problems and development areas are so complex that one single solution cannot be identified. These wicked problems that demand a systemic change are Sitra's speciality. For approximately the last 20 years, Sitra has been an agent for societal change and a future fund: a think tank, a futures workshop and a co-operative platform. Sitra's expertise is put to the best use when all these roles merge.

From megatrends to a vision; from the vision to projects

Behind all Sitra's work, there are strong foresight and insight activities: megatrends and the megatrend-based, jointly created vision of Finland's direction. On the basis of this vision, we have selected strategic themes in which Sitra's expertise can be used to the most. Sitra's everyday work consists of projects, each of which plot a path towards the vision.

When contemplating the future, one must be able to see the big picture and slowly progressing major trend lines must be kept in mind. Megatrends describe long-term, slowly evolving and often intertwined major phenomena that do not change instantly. When working with megatrends, Sitra highlights these major trend lines and the related discussions about the future and the paths towards that future, especially the ones that are important for Finland.



In the megatrend report that we published on the first day of 2020, we reviewed five megatrends and the tensions between them. As a new approach, we also introduced three metatrends, or changes that transcend all the megatrends. The key factor influencing our future is the urgency of ecological reconstruction: how do we respond to climate change, decreasing biodiversity, the varying availability of resources and waste-related problems? Other trends should be viewed against this backdrop.

In addition to the anticipation of the future and knowledge production, another essential aspect is how knowledge is used to support decision-making. **The Knowledge in decision-making** project, completed in autumn 2019, emphasised the use of diverse and multi-source knowledge, the collective interpretation of knowledge and the interactive discovery of solutions.

The characteristics of major challenges include not only complexity but also the fact that no one can tackle them alone.

The future is made together

The characteristics of major challenges include not only complexity but also the fact that no one can tackle them alone. Thus, Sitra's approach can be described in just five words: the future is made together. This means that it is not enough just to contemplate the future – we also need action, and this is where all of us are needed.

A complex world also requires versatile competence and, consequently, societal training is one of Sitra's key tools.

Two **Leadership training for sustainable economic policy courses**, targeted at decision-makers, were organised during the year under review. **The Uudistuja (Reformer)** training for senior civil servants was continued, funded by Sitra, led by the Ministry of Finance and organised by HAUS Kehittämiskeskus Oy. To complement the Reformer course, an internationalisation programme for public-sector management, **Horizons**, was launched in autumn 2019.

In 2019, Sitra introduced a new platform and training programme for solving complicated societal problems: **Sitra Lab** is a place for visionaries and doers who want to resolve wicked problems, increase engagement and build societal change together. The first Sitra Lab tackled the inequality of children and young people and the second one, in 2020, will develop nature-based solutions for challenges posed by urbanisation. In 2020, a new project, **The Reformers of the Future**, was launched. It focuses on developing, training and distributing future-oriented thinking and societal influencing skills, also known as future capabilities.

CIRCULAR ECONOMY

THEME

Carbon-neutral circular economy

HIGHLIGHTS IN 2019

1 The enormous gap between our current lifestyle and the lifestyle and consumption behaviour that would limit global warming to 1.5 degrees Celsius was widely discussed when Sitra and Sitra's partners created the world's first model for a 1.5-degree lifestyle.

2 Sitra considered the reform of the EU's emissions trading and introduced models for a sustainable tax reform, enabling the achievement of climate targets.

3 At the World Circular Economy Forum (WCEF), held in Helsinki, more than 2,000 circular economy influencers from around the world called for the EU to become a global leader in accelerating the circular economy.

4 The Finnish Government started the creation of a national strategic programme to promote a circular economy on the basis of the national road map to a circular economy that was updated by Sitra in spring 2019.

WHAT TO EXPECT IN 2020

1 We will help European circular economy promoters to take the aspects of fair transition into account.

2 We will create an overview of the employment, climate and environmental impacts of the use of peat and analyse fair means to reduce it.

3 The significance of biodiversity for our well-being and society will become a discussion topic.

4 The sustainable lifestyle practices and tools developed and tested in Finland will start to be used in at least five European countries and the European Commission will include them in the implementation of the Green Deal to activate EU citizens to mitigate climate change.



What is needed: actions to combat the crisis and a profound transformation

In 2019, the societal discussion in Finland was strongly characterised by climate change. The avalanche of discussion began during the hot summer of 2018 and continued when the report by the Intergovernmental Panel on Climate Change was published in autumn 2018. The message was serious: the atmosphere cannot take more than 420 gigatonnes of carbon dioxide emissions globally if we want to keep global warming to no more than 1.5 degrees Celsius. The carbon dioxide emissions for 2018 alone were approximately 55 gigatonnes and global greenhouse gas emissions are still increasing. At this rate, we will use up our carbon budget in approximately eight years. During the year, no one could remain unaware of the fact that the accelerating global warming required immediate action from societies around the world.

Just before Christmas, the 2019 UN Climate Change Conference, relocated to Madrid, urged the countries of the world to be as ambitious as possible when updating their national climate commitments. During the conference, the EU published an aspirational programme for green development (the Green Deal), which is more than needed: the current commitments made by different countries are not enough to stop global warming.

What we need is immediate action to reduce emissions in order to combat the climate crisis that threatens our very existence. At the same time, we must set our horizons further into the future: our current production and consumption structure deprives future generations of resources. For example, the

increase in negative environmental effects jeopardises the potential for well-being available to future generations.

What will our everyday life – our jobs and free time – be like in an ecologically sustainable era? What are the preconditions for building a new kind of economy? We also need pioneering solutions that lay a foundation for a carbon-neutral future – for society, in which the funding of well-being is not based on the overconsumption of natural resources.

Sitra's efforts to build a carbon-neutral society based on a circular economy has created solutions for both combating the acute climate crisis and making society's basic functions sustainable. An economy based on the overconsumption of natural resources is no longer an option in a situation where we must adjust to the limits of the earth's carrying capacity.

Sitra's efforts has created solutions for both combating the acute climate crisis and making society's basic functions sustainable.

Means for a fast turnaround

During the year, Sitra introduced solutions, the implementation of which might reduce Finland's climate emissions significantly. Our reports on the reform of the EU's emissions trading system and on sustainable tax reform

provide today's decision-makers with tools for quickly reversing the emissions trend.

A low-carbon future is not a bleak future: we proved that a comprehensive tax reform can also boost employment and the economy – not to mention social fairness. The report published in April sparked a lot of public discussion and contemplation about the extent to which Finland should use taxation to achieve ambitious emission targets and to guide the use of virgin natural resources.

For a long time, Sitra has highlighted the view that climate action may be a source of a new kind of competitiveness. This would mean that the quick adoption of climate topics into the core of Finnish decision-making would guarantee work and well-being to Finnish people in the future, too. This was our key message when we organised, together with Helsingin Sanomat and WWF Finland, an election debate for party leaders in February. One of the aims of the debate was to get an overview of the decision-makers' schedules for achieving a carbon-neutral Finland. The responses ranged from targets in the 2030s to those in the 2050s. However, after the election, the goal of Antti Rinne's Government was set for 2035. The Finnish Climate Change Panel has regarded the early 2030s as a goal to be pursued.

Promptly after the publication of the Government programme, Sitra analysed that the programme manifests an understanding of the root causes of the sustainability crisis and the role of a circular economy in curbing climate change and the overconsumption of natural resources and fostering biodiversity, while also creating new forms of employment and strengthening the competitiveness of the economy. The Government programme's aim to

accelerate emission reductions with a sustainable tax transition is also in line with Sitra's goals.

There is an evident need for this kind of acceleration as our internationally unique and discussion-inspiring report, published in May, indicated that there is an enormous gap between our current lifestyle and the 1.5-degree target. The required change is radical: the current carbon footprint per capita in Finland should be reduced by up to 93% by 2050. However, our joint proposals – legislation, subsidy policies and the use of public funds – do not become more sustainable unless we Finnish people create demand for change.

Quick adoption of climate topics into the core of Finnish decision-making would guarantee work and well-being to Finnish people in the future, too.

Sitra's lifestyle test published at the beginning of 2018 helps people determine their carbon footprint and provides recommendations for sustainable everyday actions. There definitely is interest in taking action: the lifestyle test had been taken approximately 900,000 times by the end of 2019.

The politics of our society should support sustainable everyday actions as we pursue the goal of a carbon-neutral Finland. Our 1.5-degree lifestyles report proposed clear goals and alternatives that can be used to cut the emissions caused by our consumption behaviour.

Laying a new foundation for well-being

The future well-being of our society requires not just immediate action to address climate issues but also a new approach to financing. The world's first road map to a circular economy published in 2016 guides us on our way from financing based on mass production and sales to a more sustainable form of financing. It describes Finland's first steps on the path towards a smarter economy. The updated version of the road map, "The critical move", was published in March and challenged first and foremost administrations, but also key corporate decision-makers, inviting them to create the world's best preconditions for a circular economy. The new Government of Finland accepted the challenge and included a horizontal circular economy programme in their Government programme.

Companies' transition to a carbon-neutral and fossil-free era requires various things, such as new solutions and competence, a new kind of leadership, predictable changes in legislation and subsidies and, most of all, dialogue on the future operating environment of companies. In 2019, Sitra contributed to all of these aspects.

In addition to the road map to a circular economy, we have helped employer and employee organisations and state administration to co-operate to find different perspectives on a corporate subsidy reform. The outcomes of the discussions were compiled into the *Näkökulmia yritystukien uudistamistyöhön* (Perspectives on a corporate subsidy reform) working paper that was published in August. At the end of the year, our analysis of the attitudes of Finnish companies revealed that less than half of them regarded carbon neutrality

and low-carbon products and solutions a significant source of strategic competitiveness.

At the beginning of the year, we studied ways to reduce the net carbon dioxide emissions of the EU's steel, plastic, aluminium and cement production to zero by 2050. The key finding was that there is an urgent need to accelerate innovation and support low-carbon production as the year 2050 is only one investment cycle away and each delay will complicate the transition enormously.

To facilitate competitiveness, we published in 2018 a set of tools together with Technology Industries of Finland. The tools help the manufacturing industry in the transition to a circular economy. Strong circular economy solutions often require new forms of co-operation – across both sectoral and national boundaries. In 2019, we boosted this development by exporting tools to other Nordic countries in co-operation with Nordic Innovation. The aim is to launch pilot projects in 2020.

Nevertheless, amended legislation, reformed subsidy policies and new tools alone will not create a new kind of success in the coming decades – what is needed, above all, is competence. Throughout the year, we continued to make circular economy training an established part of the curriculum at all levels of education and training. We created a compilation of circular economy learning materials that we have planned and piloted with more than 50 educational institutions, organisations and companies. This ensures that each year the general education or vocational training of tens of thousands of children and young people can be based on the all-encompassing principle of the circular economy.

ONE PERSON'S WASTE IS ANOTHER PERSON'S TREASURE

Centre of expertise for an industrial circular economy

At a steel mill near the Arctic Circle, crushed material is flowing through a hall. It is a chapter in the story of how the industrial operators on the shores of the Bay of Bothnia have for years developed symbioses that yield mutual benefits and save natural resources and costs.

The gleaming dark material – slag from the Tornio ferrochrome plant – will finally be used as earthworks material to build houses and roads, replacing virgin gravel. This is an example of an industrial symbiosis, in which companies use each other's side streams, technology, competence or services.

At the moment, more than 95% of Finland's waste is generated in places other than households, mainly in industry. All that waste is not worthless even if it is officially classified so. A great deal is known as side streams, which can and should be reused in new products.

Sitra's project between 2017 and 2019 turned the lessons learned in the Kemi-Tornio region over the years and the joint efforts of eleven eco-industrial parks into an operating model for an industrial circular economy. It is a world-class example for the manufacturing industry of what industrial production can be like in the era of a carbon-neutral circular economy.

Sitra aims to disseminate the operating model throughout Finland. For this purpose,

the Kemi-based development company Digipolis established, in co-operation with the City of Kemi and Sitra, a centre of expertise for an industrial circular economy in Kemi.

Co-operation between different industry clusters plays a key role in ensuring that the circular economy model based on eco-industrial parks works and, as a result, reduces the amount of waste and makes the use of the side streams possible. Eco-industrial parks refer to clusters of companies located near each other, where companies share materials, water, energy and infrastructure, for example. All decisions made are based on sustainability and responsibility.

The path of co-operation leads to a revolution

The workshops organised by the centre of expertise for a circular economy around Finland focused, first and foremost, on increasing the co-operation between the private and public sectors. The Kemi-Tornio operating model served as a basis for dialogue in 10 other locations.

“To put it simply, it is all about how a municipality can contribute to the development of a circular economy through land-use planning, how the processes of permit authori-



Tapojärvi ferrochrome valorisation plant in Tornio steel plant. Photo: Kaisa Siren/Sitra.

ties support this and how companies' access to the region's infrastructure, including service companies and real estate management, can be facilitated," says **Nani Pajunen**, Leading Specialist in industrial circular economy at Sitra. "In return, companies are required to make long-term investments and be willing to develop circular economy solutions."

All that is business as usual in the bioeconomy and circular economy area ECO3 in Nokia, where the city's development company Verte Oy has worked actively to attract companies to the area. Operations in the ECO3 area are largely based on the cycling of nutrients originating from agricultural side streams, forests, the food industry and sewage, among other sources. These raw material streams lay a foundation for the area's industrial operations, which turn meat-and-bone meal into organic fertilisers and ash into road building materials, for example.

"The city and the Centre for Economic Development, Transport and the Environment have also accelerated the development by becoming customers of the companies in the area," says Pajunen, describing the synergies achieved in Nokia.

During the project, the dissemination of the circular economy operating model was not limited to Finland: further development is being conducted in the Baltic and Nordic region to solidify shared expertise. On a tangible level, the parks share the lessons learned and thus accelerate the process of turning the Nordic industrial circular economy and related expertise into products to be exported globally. The project also prepared an EU initiative aimed at listing and evaluating potential investments that could be made in the European industrial circular economy. These investments will subsequently be introduced to the administrators of the EU's financial instruments.

Another goal is to introduce the solutions globally. To achieve this, the project launched co-operation with UNIDO, the United Nations Industrial Development Organization, to ensure that lessons learned about an industrial circular economy are disseminated among eco-industrial parks both in industrialised countries and in emerging economies.

"The goal is that industrial products will come from these eco-industrial parks operating in accordance with the principles of a circular economy," Pajunen says.

RENEWAL CAPACITY

THEME

Capacity for renewal

HIGHLIGHTS IN 2019

1 The Isaacus project contributed to the Act on the Secondary Use of Health and Social Data and the establishment of the data permit authority Findata.

2 Health centre coaching managed to shorten queues at health centres and promote quick access to care.

3 Sitra prepared a summary of the lessons it has learned during the more than 10 years that it has acted as a social welfare and healthcare experimenter and developer. Best practices were disseminated and strengthened.

WHAT TO EXPECT IN 2020

1 There will be ambitious grassroots-level democracy experiments involving those who do not usually participate in decision-making and societal discussion.



Capacity for renewal is put to the test in uncertain times

In the beginning, there were the swamp, the hoe – and Jussi. And on stony swamps people built cottages, a village and, finally, a stable Nordic welfare state. Decades passed and now the foundation of the welfare state, built to last and remain solid, is being shaken by global phenomena and the challenges posed by the ageing of the population. Change and uncertainty are here to stay, and solidity is no longer a virtue but an obstacle to development. That is why Finnish society's capacity for renewal must be improved.

Renewal is at the core of all work carried out by Sitra, but it is a particular focus area under the Capacity for renewal theme, which strengthens the capacity for renewal of different actors so that people are the key assets of change.

During the year under review, work on this theme was carried out under two project entities: the **Updating Democracy** project promoted the updating of inclusion and the Finnish decision-making system and the **People first – selection trials for social welfare and healthcare services** project supported experiments related to the social welfare and healthcare reform planned by the previous government. The latter of these projects was completed in 2019 and the first one will continue until summer 2021.

Updating Democracy highlights inclusion

As the world changes at an increasing pace and challenges are becoming more and more complicated, the societal decision-making system must be in perfect working order. Sitra researched the weak points of Finnish democ-

racy and published in 2018 a working paper on how it needs to be updated, based on extensive interview data.

After an intensive societal dialogue, the Updating Democracy project was launched, the purpose of which is to improve collaboration within the trinity of public decision-making (state, regions, municipalities) that is based on representative democracy and to free it from siloed practices. This requires a rethinking of the decision-making of elected representatives and of civil service practices and the mutual relationship between the two.

Change and uncertainty are here to stay, and solidity is no longer a virtue but an obstacle to development.

During the year under review, Sitra worked closely with the parliament, the government and political parties to achieve the required reform. After the parliamentary elections in the spring, the party secretaries decided to continue the party activity development project that had already been launched. To support this work, the “Puolue- ja järjestötoiminnan malleja maailmalta” (Party and organisation activity models from around the world) analysis covering 13 different models was published.

The reform of parliamentary work also accelerated after the elections when the Speaker's Council set a parliamentary reform working group to continue the work started in autumn 2018. In February 2019, Sitra published a supporting report, “Miten kansaa edustetaan?”

(How should people be represented?), which is based on a survey of MPs, interviews and statistical data.

Several new reports will be published in 2020: a manual on the formation of the government and an analysis of civic participation, to support the development of party activities, will be completed in the spring, with a working paper on the change in societal influencing and publicity to be published later.

In addition to reports and analyses, there will also be experiments carried out in 2020 when the six experiments of the *Demokratia-akokeilut 2020* (Democracy experiments 2020) project will be launched in 12 municipalities. The aim of the experiments is to strengthen the participation and inclusion of those population groups that have been marginalised or are at risk of marginalisation when it comes to democratic participation.

When the social welfare and healthcare reform challenged the capacity for renewal

Is Finland capable of carrying out a major societal reform project, the social welfare and healthcare reform that will influence the everyday life of all Finns? Sitra was contemplating this in summer 2016 and, as a result, launched the **People first – selection trials for social welfare and healthcare services** project. The aim was to collect unbiased, experience-based information on the functionality of the expanded freedom of choice before the new legislation's entry into force in 2019. At the same time, the availability, effectiveness and productivity of services would be developed, which is a key factor for equal access to services. The project was due to end on 31 March 2019 when the expanded freedom of

choice and the social welfare and healthcare legislation entered into force. Things turned out quite differently.

The expansion of the freedom of choice would have been a significant change, the effects of which could not be known for certain in advance. As a result, an extensive experiment (known as the service voucher experiment) was launched on Sitra's initiative. The aim was to test whether the expanded freedom of choice would work in Finland and what kind of preparations should be made. The experiment was conducted in five regions. Sitra focused on supporting the Ministry of Social Affairs and Health and the municipalities participating in the experiment, to get the experiments off to a good start.

In tandem with the service voucher experiments, municipal health centres' competitiveness and service experience were developed. In practice, coaching and close co-operation were used as means to achieve shorter queues and healthier inhabitants. The first pilot coaching, organised in the Upper Savo region, was a success: in Iisalmi and Kiuruvesi, access to care improved significantly and, by the beginning of 2019, the queues for non-urgent care had shortened from 35 days to between two and four days.

The Upper Savo pilot was expanded to a coaching league, Tomorrow's health centre. Five regional coaching programmes from the regions of Lapland, Kanta-Häme, South Ostrobothnia, Central Finland and Pirkanmaa were selected for the league and the number of health centres coached increased from the two in Upper Savo to 25. The work is now being continued under the leadership of the Finnish Institute for Health and Welfare.

Even though the freedom of choice was not realised, a lot happened in the field. Intensive development activities were carried out 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. The most significant entities were the Soteuttamo networking concept, the social welfare and healthcare accelerators focusing on developing the competitiveness of SMEs, the Terveyshyötötyöväline (Care Gap) tool, which is based on medical data and which measures health benefits and impact, as well as the above-mentioned Tomorrow's health centre project. When Sitra's projects end, work on all of these entities will be continued by other parties.

Summary of social welfare and healthcare lessons learned over 10 years

Sitra has been involved in dozens of projects and reports related to health and well-being since the early 2000s – and also in many ways even before that. The underlying goal of all the

projects has been to improve human orientation, transparency and effectiveness.

The start of 2019 marked a natural point for compiling all the work on health and well-being we have carried out with our partners over the past decade or so. Projects and lessons learned were compiled on [Sitra's website](#) under five umbrella themes and discussed with social welfare and healthcare developers and decision-makers at an event organised in February.

Health data from a single source

Sitra's activities often play the most critical role in the early stages of societal development projects when there are no other parties involved or the matter does not fall under anyone's jurisdiction or responsibility. An example of this is the Sitra-led Isaacus project between 2015 and 2018. It contributed to the Act on the Secondary Use of Health and Social Data, which entered into force in spring 2019, and the establishment of the data permit authority Findata, which started its operations at the beginning of 2020.

Findata is now part of the Finnish Institute for Health and Welfare, which is definitely the right host for an authority providing well-being data.

Sitra's "settlement of social welfare and healthcare accounts":

1. People should control data that concerns them.
2. We should move from treating illnesses and diseases to preventive and comprehensive health promotion.
3. More than before, the keys to success will be fresh ideas, co-operation and social capital.
4. Social welfare and healthcare services should be effective and accessible.
5. Data and funding should be tools of service management and leadership.

Read more about the lessons learned and the insights: [Sitra.fi/reforminghealth](https://www.sitra.fi/reforminghealth)

WORK & ECONOMY

THEME

New working life and a sustainable economy

HIGHLIGHTS IN 2019

1 Impact investing found a new home in state administration. The responsibility for impact investing development was transferred from Sitra to the Centre of Expertise for Impact Investing. The centre started its operations under the Ministry of Economic Affairs and Employment at the beginning of 2020.

2 Sitra compiled a shared vision from 30 key societal actors in Finland of lifelong learning as well as identifying the key questions related to the promotion of this vision. The key message was that new competence is increasingly created in working life and, to enable that for everyone, we need comprehensive, cross-sectoral policy and decision-making.

3 Sitra published a road map for a fair data economy and the first version of the fair data economy rulebook; in other words, the guidelines that ensure the easier, more transparent and safer sharing of data.



WHAT TO EXPECT IN 2020

1 Thirty SMEs will be selected for the IHAN business programme. Sitra and its partners will help these SMEs create new business with the aid of data – in accordance with the fair data economy principles.

2 An extensive report that Sitra will publish in April will anticipate Finland's regional population development and training and education needs until 2040.



The economy and employment on the threshold of transformation

Discussion on the need to reform economic structures and rules intensified during 2019. Criticism often focuses on the destructive external effects of production and consumption as well as the increasing inequality that results from economic benefits accumulating in too few pockets.

The future of the economy is also closely intertwined with the transformation of work. The effects of digitisation on the amount and content of work have been discussed for years. It is still unclear how much of the current work will disappear and how many new professions will emerge. Online banking services and self-driving buses are already part of everyday life but so are YouTubers and 3D architects, too.

Sitra's New working life and a sustainable economy theme promotes working life transformation, lifelong learning and a sustainable economy with the aid of experiments and new operating and financing models. In 2019, there were two projects: **Lifelong learning** and **IHAN – human-driven data economy**. The **Impact investing** project also fell under this theme. Its goal was, above all, to ensure that Sitra's pioneering activities were continued and became firmly established.

In autumn 2019, during Finland's EU presidency, the topics of the New working life and a sustainable economy theme were highlighted at many high-level EU events. Topics on the agenda included outcomes contracting, new rules for a data economy and lifelong learning opportunities.

Urgent need for a lifelong learning policy

Education and training acquired when young is still a solid foundation for competence and learning but it is rarely enough for an entire working life. How can it be ensured that all Finnish people, regardless of their age or situation in life, can update their competence? The goal of Sitra's Lifelong learning project is to accelerate the transition to operating models in which competence is viewed as a building material for well-being and a profitable investment in the future.

During the year under review, 30 key societal actors created a shared strategic commitment to lifelong learning, pledged to promote it and identified the joint critical questions. The shared vision is crystallised in the Towards lifelong learning publication.

New knowledge and competence are increasingly created in working life and not only in the education system. As a result, a cross-sectoral lifelong learning policy is needed. In their planning, the authors of the Government programme used the jointly created strategic commitment and included a lifelong learning reform in the Government programme. The reform is being prepared by a parliamentary group. Sitra participated in the launching of the group and supports its activities by producing comprehensive information about lifelong learning. Overviews related to this topic include, for example, the "Millä rahalla?" (With what money?) report on flows of money in lifelong learning and the "Millä ehdoilla?" (On what terms?) study focusing on legislation.

In early 2020, Sitra published the results of an extensive survey conducted among the gen-

eral public. The survey showed that Finnish adults have a very positive attitude towards lifelong learning and value comprehensive all-round education. In April, we will publish an extensive foresight report on regional population development and changes in training and education needs until 2040. Its key findings will challenge the current competence system in our country.

Sitra will continue creating overviews and building bridges in the field of lifelong learning and will promote the realisation of the shared strategic commitment.

A fair data economy would benefit everyone

Enormous amounts of data about all of us – shopping bag content, sleep quality and social media contacts – are collected by various electronic databases. The data is also used for several purposes without us knowing it. The more data is collected, the more valuable and significant it is.

Sitra's IHAN project is creating pan-European rules for collecting, managing and using data. The goal is an international standard that would give people the right to manage the data that accumulates about them. Everyone could decide how, when and for what purposes the data could be used.

Sitra is developing the fair data economy ecosystem in wide-ranging co-operation with individuals, companies, organisations and public-sector bodies. The first version of the fair data economy rulebook was published in autumn 2019.

Sitra's international survey indicated that companies find it difficult to build a data-based competitive advantage and consider the rules

applied in the field to be unfair. The strong position of global platform economy giants is a key obstacle here. A consistent and fair operating model would encourage companies to develop user-driven innovation and new business.

Sitra trials new data-based concepts with numerous partners. Practical examples concern, for example, the treatment of children with diabetes, the use of health data collected in Finland when travelling abroad, electronic identification and the rewriting of the rules of the music industry.

Sitra published a digiprofile test targeted at everyone in Finland on its website in early 2020. It allows users to review their digital behaviour and obtain tailored tips for protecting their data.

Work to build a fair data economy continues on many fronts. The focus areas for 2020 are new business model experiments, EU co-operation, standardisation and ethical questions.

Impact investing development from Sitra to the Ministry of Economic Affairs and Employment

The difficult economic situation and increasing responsibilities are part of everyday life in the public sector. Consequently, both the state and municipalities have a great need for new operating and financing models.

Impact investing is one way to bring the state, municipalities, investors, companies and organisations around the same table and behind joint, measurable objectives. Sitra introduced impact investing to Finland in 2014, after which it has adopted the role of a developer of the model, an accelerator of practical experiments and a co-operative platform for different stakeholders.

The concentration of expertise in this field in Finland was a key reason for the decision made by the United Nations Office for Project Services UNOPS in autumn 2019 with regard to moving its impact investing programme and office to Finland.

The SIB (social impact bond) model is one form of impact investing: well-being-promoting activities are financed with funds collected from investors and the public sector only pays for measured and verified results.

The SIB model eases the economic pressures on the public sector and helps shift the focus to proactive measures. Thanks to Sitra's contribution, there were four ongoing SIB projects in Finland at the end of 2019, with an equal number of new SIB projects under development.

The goal of the Integration SIB project, launched in 2017 and one of the largest SIB projects in Europe, is to promote the fast employment and integration of immigrants in Finland. At the end of 2019, approximately 870 immigrants had found employment through the project. The Ministry of Economic Affairs and Employment has estimated that the project activities might generate savings for the state amounting to over 20 million euros.

The Children SIB project promotes the well-being of children and young people and prevents their marginalisation, and its participating municipalities are Vantaa, Helsinki, Hämeenlinna, Lohja and Kemiönsaari. The Work SIB project was launched under the leadership of the Ministry of Economic Affairs and

Employment at the end of the year to help the long-term unemployed find employment.

Investors' interest in impact has increased and this trend can be seen in Finland, too. Companies and organisations are also interested in impact-driven development of their operations. To contribute to this, Sitra has organised Impact Boot Camp workshops.

Sitra's project ended at the end of 2019, as planned, but work continues seamlessly in the Centre of Expertise for Impact Investing that has been established under the Ministry of Economic Affairs and Employment. The concentration of expertise in this field in Finland was a key reason for the decision made by the United Nations Office for Project Services UNOPS in autumn 2019 with regard to moving its impact investing programme and office to Finland.

Keen interest in well-being ecosystems

The new **Well-being ecosystem** project has been prepared under the New working life and a sustainable economy theme. The aim would be to challenge companies, researchers and product and service developers to resolve the well-being-related problems of modern society on the basis of the best possible knowledge and practical expertise. A decision on how to continue will be made in spring 2020.

Integration SIB

Abdullah from Syria found employment in a Finnish listed company, **Mohammed** from Iraq started working as a construction worker and **Abdi** from Somalia as a bus driver. The journey of Abdullah, Mohammed and Abdi into Finnish working life was accelerated by the SIB project for fast integration.

The Ministry of Economic Affairs and Employment has estimated that the Integration SIB experiment might generate savings for the public sector amounting to over 20 million euros.

In 2015, approximately 32,000 asylum seekers came to Finland, which created an urgent need for new modes of integration and employment as well as for non-budget financing. In addition to other measures, the Ministry of Economic Affairs and Employment decided to experiment with the SIB impact investing model, introduced in Finland by Sitra.

SIB is an abbreviation of the term “social impact bond”. The model has certain special characteristics. Funds for activities are collected from private investors and all participating entities in the project – the public sector, investors and service providers – commit to joint, measurable objectives. One of these was finding employment for 2,500 immigrants between 2017 and 2019.

In early 2020, the Ministry of Economic Affairs and Employment announced that the results were encouraging. Approximately 2,200 immigrants in Uusimaa and Southwest Finland participated in the experiment and more than 850 had found employment by 2019. The figure is estimated to rise to between 1,000 and 1,200. The target set was not reached but, according to the Ministry of Economic Affairs and Employment, this is still a good result.

On a practical level, a new aspect of this project was the fact that each participant was offered tailored support. In addition, language studies, vocational training and on-the-job training formed an integrated whole. This resulted in faster employment than normal.

The project ended at the end of 2019 and the final results will be available in 2021. For calculation purposes, information was first collected about labour market subsidies paid



Students of Tampere-based Entry Education Oy's Koto-SIB project.
Photo: Emilia Haljala.

by the state to the participants and about the income taxes paid by the participants to the state in the 2017–2019 period. The difference in these two figures is compared to corresponding information about a randomised reference group.

The Ministry of Economic Affairs and Employment has estimated that the Integration SIB experiment might generate savings for the public sector amounting to over 20 million euros. It has been agreed that the state will get half of the savings.

The other half will be paid by the Ministry of Economic Affairs and Employment to the SIB fund managed by FIM Impact Investing

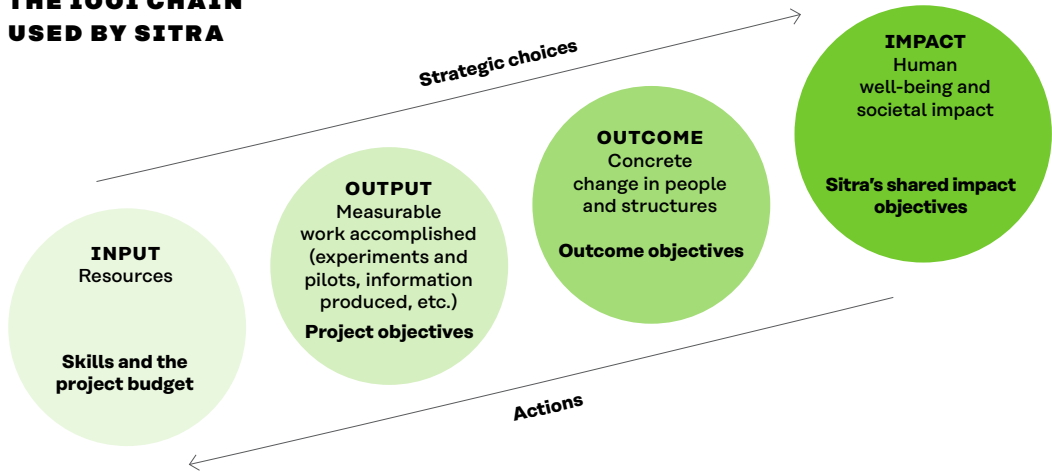
Ltd, which will pay compensation to the service providers and return the invested capital to the investors with a reasonable return.

In a SIB project, the public sector only pays for results, not for performances.

It is likely that more savings will also be achieved after the end of the project. However, they will not be visible in the calculations and will benefit the state, municipalities and eventually the whole of society.

Monitoring and impact assessment

THE IOOI CHAIN USED BY SITRA



What has Sitra achieved? Are we doing the right things, at the right time and in the best way possible?

Often, the results of societal future-oriented work cannot be measured in cash or with quantitative indicators. For this reason, Sitra's assessment and monitoring is built into an entity that consists of both internal and external assessment and analysis. Behind it all, there is what is known as a social innovation accountability model.

It all starts with activity planning. The planning, management and assessment of Sitra's activities are based on impact thinking, known by the abbreviation IOOI (input, output, outcome, impact).

Monitoring and assessment are based on reviewing each element of the impact chain,

learning from assessment and continuously developing operations on the basis of the lessons learned.

How is Sitra's impact assessed?

For Sitra, the year 2019 was important in terms of impact assessment: during the year, the final individual impact assessments as well as the summary evaluation of Sitra's impact and the success of the choices made by Sitra were completed. In addition, early in the year, Sitra's operations and societal role were also assessed by a parliamentary working group set up by the Ministry of Finance. As a result of these evaluations and assessments, Sitra's role in Finnish society sparked a lot of discussion.

The approach of the impact assessment completed during the year under review was

approved by Sitra's Board of Directors and Supervisory Board in 2016. The starting point for the assessment was the impact objectives derived from Sitra's vision. Their attainment was assessed one objective at a time and Sitra's activities from 2011 until 2019 were reviewed applying a cross-sectoral approach. This required the use of a new kind of methodological approach in the assessment and, at the same time, meant that there was a transition from a traditional project and programme assessment towards a more comprehensive review.

Each impact assessment focused on three areas: the progress of impact objectives in society; Sitra's contribution; and the success of strategic choices. The summary evaluation compiled an overview of the results.

The evaluation provided Sitra with valuable information for operational development. This information has been used throughout the assessment process and will be used to develop both the organisation and its operations.

Recommendations from the summary evaluation of Sitra

1. Sitra should further strengthen the international dimension of its operations and utilise international co-operation more actively.
2. Sitra should have a more extensive contact interface and co-operation with the Finnish Parliament. Sitra should have a jointly agreed annual action plan for Parliament-related activities.
3. Sitra's financial and content-related independence should be maintained. Independence is a critical factor for Sitra's ability to act as a promoter of social change. For its own part, Sitra should ensure that the basic prerequisites of independence (factuality, openness, objectivity, equality, etc.) are fulfilled and maintained.
4. With regard to its themes, Sitra should also pay more attention to value aspects, such as social fairness, equality, social integrity and democracy.
5. In the future, Sitra should try to promote its impact objectives in a versatile and concrete manner over the long term (think-connect-do); for instance, by bringing various parties together and by identifying, developing and spreading new operating models.
6. Sitra should place more emphasis on efficiency and cost consciousness in its own operations.
7. Sitra should better ensure the continuity of its projects and their compatibility with different stakeholders by engaging key partners more openly and at an earlier stage in project preparations and by developing complementary models to support disengagement. Disengagements should be monitored and, if necessary, supported for a longer time.
8. Sitra should more systematically implement its impact objectives in its own projects. Sitra should also communicate its objectives and related choices and effects more clearly.
9. To ensure operational efficiency and effectiveness and the accumulation of competence, Sitra should improve internal co-ordination and exchange of information and strengthen the spreading of competence among its projects.
10. "In the spirit of open innovation", Sitra should ensure the best possible competence for its themes by utilising competence from outside its own organisation in a more versatile manner.

Sitra employees are professionals of societal change

Sitra is an expert organisation of nearly 170 highly educated agents of change. Anticipating the future and implementing complex societal 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 and the diverse backgrounds of Sitra employees are a precondition for successful work.

Sitra's work is largely project-based advisory work guided by a shared vision, strategy and objectives specified for each project. Due to the project-based nature of its work, almost half of Sitra's employees are fixed-term employ-

ees. Its personnel strategy 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 16 people also have a licentiate or a doctoral degree.

At the end of 2019, Sitra had 166 employees (2018: 179; 2017: 159). The average number of employees during the year under review was 174 and the number of person-years was 151. A total of 21 new employment contracts began during 2019. Of Sitra's staff, 60% were on permanent contracts and 40% on fixed-term employment contracts. The proportion of part-



Many Sitra employees took part in organising the World Circular Economy Forum at Finlandia Hall in the summer of 2019. Photo: Susanna Lönnrot/Sitra.

time employees in the total number of personnel was 9%.

In 2019, 71% of Sitra’s employees were women and 29% were men. In the management group, the respective proportions were 50% women and 50% men. At the end of 2019, the average age of Sitra employees was around 45.5 years, and the age breakdown was broad: 7% were aged under 30, 29% were aged 30 to 40, 27% were between 40 and 50, 24% were 50 to 60 years old and 13% aged over 60.

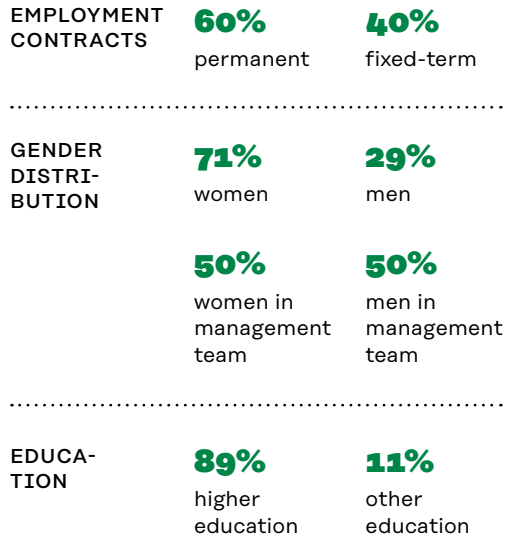
In six years (2012–2018), the number of Sitra’s employees grew from 106 to 179. First, the reason for the increase was the decision to implement projects increasingly in-house instead of outsourcing and, in the last few years, the temporarily growing volume of activities dictated by Sitra’s strategy; in 2019, the volume started to decrease, as planned.

Courage, co-operation and mercifulness at the core of all work

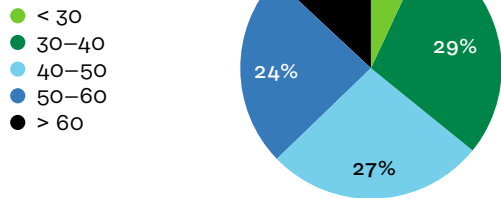
The most significant internal development projects in 2019 were operational and system changes associated with compliance with the general legislation on administrative procedures, such as the new financing decision process and the development of the case-management system. Pursuant to Section 18 of the amended Act on Sitra, Sitra’s financing decisions cannot be appealed. This was an essential aspect when the financing decision process compliant with the Administrative Procedure Act was implemented.

In autumn 2019, the national legislation on the accessibility of online services, based on the EU directive, entered into force. The Accessibility Act also applies to Sitra’s online services and their accessibility and usability will be

SITRA EMPLOYEES BY PERCENTAGE



AGE DISTRIBUTION



improved both technically and with regard to content by autumn 2020 when the transition period ends.

Sitra’s job grading and salary policy were also specified during the year under review. Furthermore, we contemplated the culture of co-operation and agreed on ways to carry out future-oriented work. These aspects can be summarised with the words courage, co-operation and mercifulness.

In 2020, internal development will focus on specifying Sitra’s strategy and operating model.

Responsibility and sustainability require constant choices

Finnish society and our international co-operation are built on trust. This trust requires responsibility, which is an increasingly significant precondition for the success of the whole of society. For an organisation like Sitra, responsibility is far from being sporadic, random actions. It is constant work and making systematic choices that lead us towards a more sustainable society.

Like other organisations, Sitra has worked for years on various responsibility-related practices. Responsibility activities are always a reflection of their time. However, responsibility reporting is still looking for its final form and, as a rule, the results of different organisations are not comparable. As compliance with sustainable development principles and ESG standards is becoming mainstream, the level of ambition must be raised further.

Sitra's sustainability reporting

In Sitra's SDG report, published in spring 2020, we focused on sustainability reporting, in which the organisation's objectives and operations are reviewed in a future-oriented manner in comparison to the UN's Sustainable Development Goals (SDGs).

We reviewed the links between the SDGs and Sitra's objectives and operations on three levels: the societal vision, project activities and

internal practices. Sustainable development is realised optimally when these three levels support each another.

Finland's strengths and issues of concern, as identified in sustainable development policy evaluations, influenced Sitra's objectives in two ways. On the one hand, Sitra has dedicated efforts to Finland's key issues of concern in sustainable development, including, for example, climate action (SDG No. 13), decent work and economic growth (No. 8) and reduced inequalities (No. 10). On the other hand, Sitra has worked on reforming Finland's strengths, such as quality education (No. 4) and peace, justice and strong institutions (No. 16).

A concrete example of addressing issues of concern is the financing provided to the Prime Minister's Office's Commitment service during the year under review and the integration of Sitra's popular lifestyle test with the service. With a Sustainable Lifestyles Commitment, everyone can mitigate climate change and find the suitable means for achieving a more sustainable lifestyle.

An example of the reform of strengths is the pioneering work begun in 2019, in which Sitra, Finnish Business & Society association FIBS and approximately 30 forerunner companies started to identify and realise the best practices for the responsible use of data. Use of data is a

new, important aspect in the wide field of corporate responsibility and work by Sitra and FIBS has only just begun.

Responsibility in investing

As an investor, Sitra requires that its investment objects, investment funds used and asset managers' practices are responsible and compliant with international standards, such as the UN's Principles of Responsible Investment. Furthermore, Sitra's guidelines for responsible investment that were specified in more detail in 2019 prohibit investments in companies that have breached international norms concerning human rights, the environment, corruption or working conditions or that do not operate in a manner that reduces coal production and coal use, for example.

Impact investing, which Sitra introduced to Finland over five years ago and has then developed continuously, goes even further as it has social responsibility at its core. The ongoing SIBs, in which Sitra has been the initiator and the first investor, all emphasise the social dimension that is often less prominently highlighted in ESG (Environmental, Social and Governance) reviews.

Internal practices set the pace

The future, independence and responsibility are at the core of Sitra's work. An example from the year under review is the procurement strategy, which was created out of the need to record the level of ambition in public procurement to guide procurement in a manner suitable for the future fund. The procurement strategy encourages us to exceed the existing ecological requirements and pays attention to the responsibility of the entire

supply chain – also from a social perspective. A practical example of this is the recruitment of the hard-to-place unemployed as a minimum requirement in event-related competitive tendering.

Sitra's communications strategy emphasises openness, transparency and honesty. Of these aspects, honesty has taken the organisation into increasingly interesting discussions and development activities related to democracy and power, for example. We work actively against lies and hate speech and emphasise constructive dialogue in all our activities.

At Sitra, responsibility is a strategic choice encompassing everything from internal ways of working to external development activities.

The future, independence and responsibility are at the core of Sitra's work.



Investment activities

The Bank of Finland and the Finnish Parliament gave Sitra an endowment capital of approximately 84 million euros. This endowment capital has laid the foundation for Sitra's current investment assets, the returns on which provide financing for the future-oriented work at Sitra.

Sitra's investment assets consist of as well as investments in higher-risk venture capital funds and portfolio companies. Sitra's investment portfolio still has 12 portfolio companies. Follow-up investments were made in one portfolio company during the year, while four companies were divested. New investments in portfolio companies have not been made after 2014.

Future-oriented work is funded by returns on investments

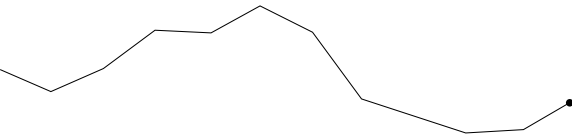
Changes in the economic environment affect the planning of Sitra's future-oriented work and investment activities.

Economic development in 2019 was characterised, on the one hand, by declining economic growth and increasing political risks and, on the other hand, by significant efforts by several countries' central banks to avoid recession. Indeed, politics was one of the factors that most burdened the economy. In particular, the trade war that complicated the relations between China and the United States increased economic uncertainty. Towards the end of the year, the calming down of the trade war and China's actions to support growth,

together with central banks' intensive recovery actions, started to yield results and economic development started to show signs of becoming more balanced. The coronavirus pandemic that started at the beginning of 2020 and its effects on global economic development increased uncertainty and fluctuation in the investment market. Many economic forecast agencies also revised down their growth forecasts for the Finnish and global economy.

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

In the investment market, 2019 was one of the best for many years as both equity and fixed-income investments yielded very good returns. Recovery from the market decline at the end of the previous year explains some of the good returns from high-risk asset categories but the strongest driver of profits from the investment market was the activities of the central banks. The launching of security purchase programmes and the interest rate decreases brought long-term interest rates significantly downwards, which made it possible to achieve good returns on fixed-income



investments. On the other hand, the stock market benefited from low interest rates and the lack of profitable alternatives.

At the end of 2019, the market value of Sitra's endowment capital investments was 874 million euros (776 million euros in 2018). During the year under review, the endowment capital investments yielded a return of 17.2% (2018: -3.9%), with a five-year average of 6.6%.

The market value of all investment assets was 933 million euros (832 million euros). The return on all investment assets was not calculated in the same manner as that on endowment capital investments because, thus far, venture capital investments and investments in portfolio companies have been regarded as part of Sitra's operations. Starting from 2020, returns will be calculated for all investment assets.

The allocation of investment assets at the turn of the year was as follows: shares 47.6% (2018: 46.0%), fixed-income instruments 31.6% (2018: 34.0%) and other investments 20.8% (2018: 20.0%). The investment assets are 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, more funds were allocated to other investments and to fixed-income products with a higher risk. Fixed-income investments in emerging markets were increased by investing five million euros in the SEB Microfinance VII fund, which invests in loan and credit instruments of microfinance institutions.

In other investments, the key themes were the increase and diversification of infrastructure, private equity and venture capital investments and the balancing of the property portfolio. A total of approximately 40 million euros of new investment commitments were made.

Infrastructure investments were made in solar and wind power plants and BlackRock's Global Renewable Power III fund, which invests in the energy infrastructure.

In private equity investments, the geographic diversification was continued. The new investments were HarbourVest Co-Investment Fund V, which invests globally in unlisted companies, and the eQ PE XI US fund, which invests in private equity funds operating in the United States. A new investment commitment was also made in the CapMan Buyout XI fund, which invests in Nordic companies.

In the property portfolio, existing investments in Aberdeen Property Fund Finland I Ky

and the Ålandsbanken Real Estate fund were increased. The share of forest investments in the portfolio was also increased with an additional subscription to the UB Metsä I fund. In contrast, the share of listed real estate investments (Real Estate Investment Trust) in the portfolio was decreased.

In 2019, four new investment commitments were made in the venture capital fund portfolio. Evolver Fund I Ky invests in owner-led small and medium-sized industrial and service companies in Finland and Sweden. The emphasis on life science investments was increased with an investment in the Swedish fund HealthCap VIII, L.P., which focuses on investments in highly specific pharmaceuticals and orphan medicinal products.

A new investment commitment was also made in the Lifeline Ventures Fund IV fund, which is already the third fund from this fund management company in Sitra's portfolio. The fund team making investments in early-stage technology companies has proven the functionality of its investment strategy and the first fund, established in 2012, has managed to divest some of its portfolio companies very profitably.

An investment commitment of one million euros was made in the FIM Lapset ja nuoret I Ky fund, which prevents the marginalisation of children and young people. This fund is engaged in impact investing and has already started operating in Hämeenlinna, Vantaa and Lohja.

Responsibility in investing

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

taking account not only of the return and risk 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 developing its responsible investment practices. In summer 2019, a screening related to breaches of industry-related rules and standards was carried out for Sitra's equity and fixed-income funds. The results of the screening were discussed with the asset managers. As a result of discussions and a market analysis, Sitra's guidelines for responsible investment were updated in October 2019. The guidelines for responsible investment can be found on Sitra's website.

The most significant change in investment practices was the introduction of industry exclusions. The following companies are excluded from Sitra's investment universe: 1) manufacturers of tobacco products if the tobacco products account for more than 50% of their turnover; 2) companies manufacturing controversial weapons; 3) companies with more than 30% of their turnover linked to coal production or coal use in power generation without a clear strategy to reduce coal use; and iv) companies that have violated internationally accepted norms (concerning human rights, the environment, corruption and working conditions) and have not done enough to compensate for the violations. Sitra's current fund investments are subject to a two-year transition period to reflect industry exclusions.

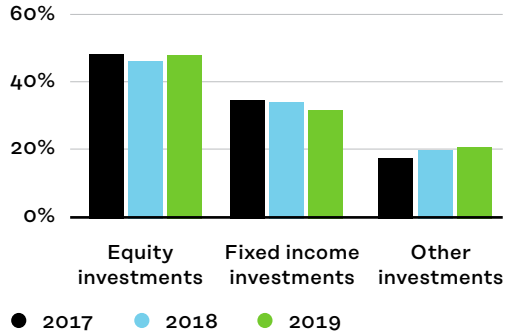
INVESTMENTS BY THE FINNISH STATE IN SITRA'S ENDOWMENT CAPITAL

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€

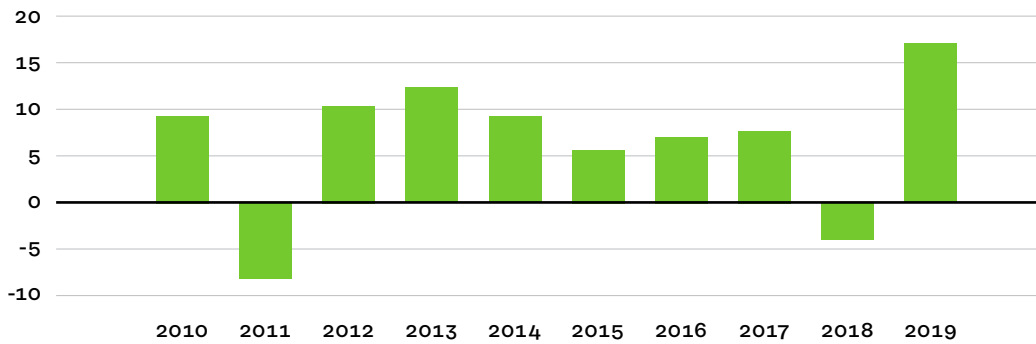
In addition, the endowment capital has been increased by 151.4 million euros through accounting transfers.

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

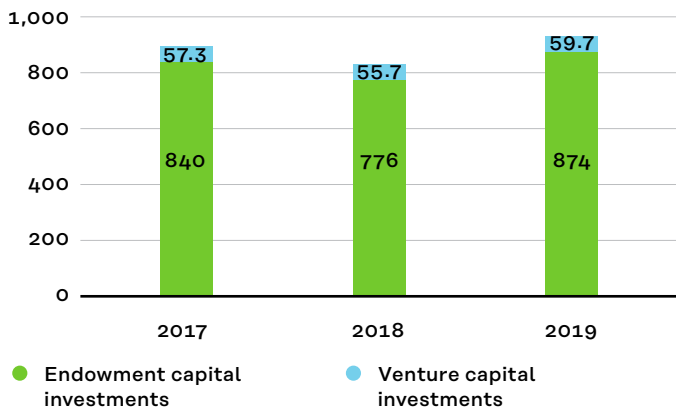
INVESTMENT ALLOCATION



RETURNS ON ENDOWMENT CAPITAL INVESTMENTS, %



MARKET VALUE OF INVESTMENT ASSETS, M€



Sitra invests its assets responsibly while aiming for profit.

Finances

The annual budget that Sitra uses for its operations is between 30 and 40 million euros. Operations are funded entirely by returns from investment activities. Returns from investment activities totalled 44.0 million euros in 2019, while investment expenses totalled approximately 9.5 million euros. The balance sheet total remained at the same level as in the previous year, amounting to 714 million euros. The surplus for the financial year was 0.8 million euros (the deficit for 2018 was 11.7 million euros).

In 2019, operational expenses amounted to 34.2 million euros (36.6 million euros in 2018). The main expense items were personnel expenses, 14.5 million euros, financing activities, 9.6 million euros, and advisory services, 4.5 million euros.

In 2019, expenses decreased by 2.4 million euros year on year (personnel expenses by 0.1 million euros and other expenses by 2.3 million euros). In 2017, the financial and operational plan included a decision on additional investments of a total of 35.8 million for the period 2017 to 2022, pursuant to the strategy. As a result, the expenses for 2019 were still at a higher level.

Projects are an important aspect of Sitra's future-oriented work. Project expenses totalled 14.4 million euros in 2019 (16.7 million euros in 2018). Of the project expenses, 67%, or 9.6 million euros, was spent on direct funding of projects, while the rest was used on procurement to promote projects.

Of the project expenses, 5.7 million euros (40%) was spent on experiments and pilots, 3.6

million euros (25%) on training and events and 2.9 million euros (20%) on surveys and reports. The biggest items among the project expenses were associated with the circular economy, the data economy and public-sector leadership training. Project expenses are published on Sitra's website annually.

100 million-euro investment in universities

At its meeting in December, Sitra's Supervisory Board made a unanimous decision to approve a non-recurring capital allocation of 100 million euros to universities. It was decided that the non-recurring allocation will be made as a donation of 100 million euros through the Treasury of the State of Finland if the state makes financial investments in universities in a manner decided by the state.

The Supervisory Board decided that the sum will be allocated gradually over three years, to ensure that its impact on the independence and impact of Sitra's operations is as small as possible. The plan is to donate the first batch, 33.3 million euros, in 2020 and the remaining 66.7 million euros in 2022.

The non-recurring allocation has a direct impact on the value of Sitra's investment assets. Sitra's operations are completely funded by returns from these investment assets. As a result, preparations have been made for the non-recurring allocation in the financial plan, adjusting the operations in the long term. It is estimated that in 2022 operational expenses will be approximately 28 million euros.

Administration

Board of Directors

Sitra's Board of Directors met 11 times during 2019. Its members were Permanent Secretary **Martti Hetemäki** (chairperson), Permanent Secretary **Jari Gustafsson** (vice-chairperson), Permanent Secretary **Anita Lehikoinen**, **Kirsi Sormunen**, Professor **Markku Wilenius** and President **Mikko Kosonen**. Sitra's Head of Legal Affairs **Jorma Jaalivaara** acted as the secretary to the Board of Directors.

The Board's Audit Committee met three times during the year. The members of the Audit Committee were Kirsi Sormunen (chairperson), Martti Hetemäki and Markku Wilenius.

Supervisory Board

In 2019, Sitra's Supervisory Board was made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by the Finnish Parliament. The year under review was a parliamentary election year and, as a result, the composition of Sitra's Supervisory Board changed on 18 June 2019. During the year under review, the Supervisory Board met once with the old composition and six times with the new composition. The secretary to the Supervisory Board was **Anton Mäkelä**, LL.M.

Before the parliamentary elections of 2019, the Supervisory Board's members were MPs **Matti Vanhanen** (chairperson), **Pentti Oinonen** (vice-chairperson until 16 April 2019), **Kalle Jokinen**, **Antti Kaikkonen**, **Seppo Kääriäinen**, **Jutta Urpilainen**, **Pia Viitanen**, **Ville Vähämäki** and **Ben Zyskowitz**.

After the parliamentary elections of 2019, the Supervisory Board's members were MPs **Antti Lindtman** (chairperson), **Jani Mäkelä** (vice-chairperson until 26 September 2019), **Toimi Kankaanniemi** (as of 27 September 2019; vice-chairperson as of 25 October 2019), **Mari Holopainen**, **Kalle Jokinen**, **Markus Lohi**, **Markus Mustajärvi** (as of 5 November 2019), **Petteri Orpo**, **Hanna Sarkkinen** (until 25 October 2019), **Pia Viitanen** and **Ville Vähämäki**.

The Act on Sitra was amended during the year under review and as the amended act entered into force on 1 January 2020 and a new Supervisory Board, separate from the Parliamentary Supervisory Council, was appointed for Sitra in February 2020.

Auditors

At the end of 2019, the following individuals appointed by the Finnish Parliament were Sitra's auditors: chair **Mika Kari**, Social Democratic Party, **Jukka Kopra**, National Coalition Party (deputy member: **Jukka Mäkynen**, Finns Party), **Esko Kiviranta**, Centre Party (deputy member: **Raimo Piirainen**, Social Democratic Party), **Lotta Kauppila**, APA (deputy member: **Hannu Riippi**, APA) and **Timo Tuokko**, APA (deputy member: **Anna Lind**, 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

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

The Act on Sitra was amended during the year under review and as the amended act entered into force on 1 January 2020 and a new Supervisory Board, separate from the Parliamentary Supervisory Council, was appointed for Sitra in February 2020.

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PROFIT AND LOSS ACCOUNT

EUR		Realised 2019	Realised 2018
Actual operations			
Income			
		420,441.81	187,548.83
Expenses			
Personnel costs	1	-14,469,641.31	-14,602,286.14
Depreciation		-7,332.43	-311,655.72
Other expenses	2	-19,720,975.62	-21,706,268.31
		-34,197,949.36	-36,620,210.17
Surplus/deficit		-33,777,507.55	-36,432,661.34
Investment activities			
Income from investment activities	3	44,038,454.76	31,985,479.53
Expenses from investment activities	4	-9,509,987.54	-7,295,435.95
		34,528,467.22	24,690,043.58
Surplus/deficit for the financial year		750,959.67	-11,742,617.76

BALANCE SHEET

EUR		Realised 2019	Realised 2018
Assets			
Fixed assets			
Tangible assets	5	197,077.02	195,159.12
Investments	6	709,028,659.19	710,405,465.52
Total fixed assets		709,225,736.21	710,600,624.64
Current assets			
Current receivables	7	1,489,104.90	645,927.39
Cash and cash equivalents		3,458,748.29	2,780,159.17
Total current assets		4,947,853.19	3,426,086.56
Total assets		714,173,589.40	714,026,711.20
Equity and liabilities			
Equity			
Endowment capital		235,463,097.04	235,463,097.04
Surplus/deficit for previous financial years		472,301,023.09	484,043,640.85
Surplus/deficit for the financial year		750,959.67	-11,742,617.76
Total equity		708,515,079.80	707,764,120.13
Liabilities			
Current liabilities	8	5,658,509.60	6,262,591.07
Total liabilities		5,658,509.60	6,262,591.07
Total equity and liabilities		714,173,589.40	714,026,711.20

ACCOUNTING PRINCIPLES

Presenting the financial statements

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 and 2019 have been prepared in accordance with the Accounting Act and Decree.

The profit and loss account is reported using the Profit & Loss account formula for non-profit organisations and foundations in compliance with chapter 1, section 3 of the Accounting Decree. The balance sheet is a condensed balance sheet.

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 2019 amounted to 3% of the person's TyEL income for 2019.

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 was 10,000 euros. In the financial statements, 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	2019	2018
Wages and salaries	-11,837	-11,844
Pension expenses	-2,325	-2,320
Other statutory payroll expenses	-307	-439
Total	-14,470	-14,602

Other payroll expenses include an additional pension insurance of EUR 337,000.

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

EUR 1,000	2019	2018
Supervisory Board	-32	-32
Board of Directors	-46	-46
President	-239	-271
Total	-317	-349

The personnel expenses for 2019 include compensation paid to external experts (0.1 million euros). External experts are not included in the headcount of personnel.

The number of personnel was 166 at the end of the financial year (179 in 2018).
The average number of employees during the financial year 2019 was 174.

2 Other expenses

EUR 1,000	2019	2018
Optional payroll expenses	-1,094	-858
Rents of premises and premises expenses	-1,543	-1,688
ICT expenses and Application services	-634	-802
Travel expenses	-848	-1,123
Representation expenses	-47	-71
Advisory services	-4,469	-5,742
Other operating expenses	-1,499	-1,250
Financing activities	-9,586	-10,172
Total	-19,721	-21,706

OTHER EXPENSES BY FUNCTION

EUR 1,000	2019	2018
Foresight and insight	-633	-436
Capacity for renewal		
Theme-level	-1,099	-759
Digital Health HUB	-301	-1,879
People first – selection trials for social welfare and healthcare services	-189	-629
Public-sector leadership	-610	-1,234
Updating Democracy	-254	-88
Social and healthcare financing	-182	-83
Discontinued focus areas	-23	-51
Total	-2,658	-4,723
A carbon-neutral circular economy		
Theme-level	-916	-828
Carbon-neutral industry	-361	-393
Climate Solutions	-377	-803
International co-ordination team	-534	-445
Circular Economy	-4,654	-5,504
Competitive and fair circular economy	-11	0
Resource-wise citizen	-1,441	-1,498
Discontinued focus areas	0	16
Total	-8,294	-9,456

EUR 1,000	2019	2018
New working life and a sustainable economy		
Theme-level	-64	-72
Well-being ecosystem	-17	0
IHAN® – human-driven data economy	-2,210	-1,007
Lifelong learning	-292	-97
Support for impact investing	-496	-249
Discontinued focus areas	10	-117
Total	-3,069	-1,542
Societal training		
Function-level	-97	-77
Anniversary & Solution 100	-225	-892
Sustainable economic policy	-71	-105
Sitra Lab	-309	-47
Discontinued focus areas	-2	-84
Total	-705	-1,205
Management	-260	-181
Strategy	-297	-318
Legal Affairs	-157	-207
Communications and Public Affairs	-360	-411
Administration	-3,074	-2,975
Investments	-214	-251
Total	-19,721	-21,706

3 Income from investments

EUR 1,000	2019	2018
Profits on the sale of investments	20,783	12,902
Interest income	88	88
Dividend income	1,481	1,531
Income from fund investments	10,531	15,320
Other income	2,031	694
Restorations	9,125	1,450
Total	44,038	31,985

4 Expenses from investments

EUR 1,000	2019	2018
Losses on realisation of investments	-1,007	-528
Expenses from fund investments	-64	-212
Other expenses	-460	-679
Changes in value	-7,978	-5,876
Total	-9,510	-7,295

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 didn't acquire fixed assets (EUR 0.1 million in 2018).

EUR 1,000	Book value 1.1.2019	Increase	Decrease	Depre- ciation	Book value 31.12.2019
Tangible assets					
Machinery and equipment	7	0	0	-7	0
Fixed assets shares and participations	9	0	0	0	9
Other tangible assets	188	0	0	0	188
Total	204	0	0	-7	197

6 Investments

EUR 1,000	2019	2018
Endowment capital investments		
Fund investments	584,848	604,634
Private equity fund investments	63,430	49,524
Unit-linked insurance	15,523	10,411
Real estate investments	1,433	1,433
Shares and participations	1,162	1,162
Other investments	273	318
Venture capital funds	40,204	38,283
Investments in portfolio companies	1,949	4,404
	708,823	710,168

ENDOWMENT CAPITAL INVESTMENTS

EUR 1,000	Registered office	Book value	Market value
Fund investments			
Equity funds			
Aberdeen Global World Equity A2	Luxembourg	22,428	42,399
C Worldwide Emerging Markets	Luxembourg	6,575	7,337
Danske Invest Suomiosake IK	Finland	52,913	67,197
Elite Alfred Berg Suomi Fokus B	Finland	10,641	12,642
Fondita 2000+ B	Finland	17,985	38,184
Handelsbanken Eurooppa Indeksi (A1 EUR)	Sweden	13,273	16,222
Impax Environmental Markets Euro A	Ireland	23,027	42,383
JP Morgan Global Equity Fund X EUR	Luxembourg	64,281	89,953
JPM Emerging Markets Equity Fund I EUR	Luxembourg	33,068	44,979
OP-Suomi A	Finland	55,431	78,319
Bond funds			
Aktia Emerging Market Bond+ D	Finland	12,936	16,184
Bluebay Investment Grade Bond BR EUR	Luxembourg	14	14
Bluebay Investment Grade Bond IB EUR	Luxembourg	44,454	52,102
Danske Invest Emerging Markets Debt K	Finland	9,647	12,185
Danske Invest Yhteisökorko K	Finland	75,165	75,249
Evlí European High Yield B	Finland	18,308	25,348
LähiTapiola Vastuullinen Yrityskorko A	Finland	38,508	49,830
OP-EMD Local Currency A	Finland	16,839	19,094
SEB Global High Yield B	Finland	17,592	23,114
SEB Microfinance Fund V	Luxembourg	3,000	3,027
SEB Microfinance Fund VII	Luxembourg	5,000	5,000
Other quoted investments			
BNP Paribas Property Securities Fund Europe	Netherlands	7,334	7,334
eQ Hoivakiinteistöt 1 T	Finland	11,231	12,682
eQ PE XI US Feeder	Finland	321	321
UB Global REIT K	Finland	9,584	12,610
UB Metsä I	Finland	8,000	8,427
Ålandsbanken Asuntorahasto			
Erikoissijoitusrahasto C	Finland	7,294	7,780
		584,848	769,917
Private equity fund investments			
Access Capital Fund II	Guernsey	0	0
Ardian Co-Investment Fund V	France	1,803	1,855
Boston Millennia Partners II L.P.	Delaware, USA	512	294
Bridgepoint Europe V	England	3,901	5,251
Bridgepoint Europe VI	England	745	653
CapMan Buyout X	Finland	0	1,096

EUR 1,000	Registered office	Book value	Market value
Crescendo IV, L.P.	Delaware, USA	0	132
EQT Mid Market Asia III Fund	Netherlands	3,301	3,506
European Fund Investments II	United Kingdom	0	9
H.I.G. Advantage Buyout Fund	Delaware, USA	463	485
HarbourVest Partners Co-Investment Fund V L.P	Scotland	953	871
MB Equity Fund V Ky	Finland	2,754	2,419
Sentica Buyout IV Ky	Finland	362	2,839
Vaaka Partners Buyout Fund II Ky	Finland	283	4,461
Verdane Capital IX (E) AB	Sweden	2,095	2,746
Verdane Capital VIII K/S	Denmark	2,886	4,468
Lending funds			
Armada Fund V Ky	Finland	1,334	538
Direct Lending Fund III	Luxembourg	1,292	1,291
EQT Mid-Market Credit II	Luxembourg	2,092	2,079
Real estate private equity funds			
Aberdeen Property Fund Finland I Ky (APFF)	Finland	6,172	6,184
BlackRock Global Infrastructure Solutions 3	Luxembourg	4,883	5,311
CapMan Nordic Infrastructure I	Luxembourg	2,939	2,741
Capman Nordic Real Estate FCP-SIF	Luxembourg	3,108	7,151
Capman Nordic Real Estate II FCP-RAIF	Luxembourg	3,030	3,364
EVLI Healthcare I Ky	Finland	4,826	5,105
ICECAPITAL Residential Property Fund I Ky	Finland	3,000	3,764
Impax New Energy Investors III LP	United Kingdom	1,395	1,064
LähiTapiola Asuntorahasto Prime Ky	Finland	2,067	2,123
Northern Horizon Nordic Aged Care SCSp SICAV-SIF	Luxembourg	3,470	3,529
OP Toimitilakiinteistö Ky	Finland	3,000	2,987
Real Estate Debt and Secondaries Ky	Finland	766	766
		63,430	79,082
Unit-linked insurance			
Mandatum Life kapitalisaatiosopimus	Finland		
Mandatum Life Private Debt II E	Finland		5,489
Mandatum Life Private Debt III E	Finland		2,217
Cash	Finland		130
		7,568	7,836
OP Henkivakuutus kapitalisaatiosopimus	Finland		
Infrastruktuuri-sijoituskori	Finland		7,698
LeaseGreen Group Oy loan 30 June 2025	Finland		1,320
Cash	Finland		88
		7,955	9,106

EUR 1,000	Registered office	Book value	Market value
Real estate investments			
Erottajan Pysäköintilaitos Oy	Finland	1,433	2,234
Shares			
Nokia Oyj	Finland	1,162	4,998
		1,162	4,998
Other investments			
Leverator Oy Other investments 8.162%	Finland	0	0
Leverator Plc unsecured loan 30.9.2024 8.162%	Finland	273	273
		273	273
Total endowment capital investments		666,669	873,446

VENTURE CAPITAL FUNDS

EUR 1,000	Registered office	Book value	Market value
Sitra's investments in funds			
AC Cleantech Growth Fund I Ky	Finland	1,250	2,000
Armada Mezzanine Fund III Ky	Finland	0	144
Baltic Investment Fund III L.P.	Jersey	233	220
Bocap SME Achievers Fund II Ky	Finland	1,512	1,333
CapMan Russia Fund L.P.	Guernsey	2,180	2,338
Capricorn Cleantech Fund	Belgium	750	781
Chrysalix Energy III Ltd	Delaware, USA	3,285	3,118
Circularity European Growth Fund I LP	United Kingdom	444	463
Dasos Timberland Fund II	Luxembourg	3,472	4,401
Edison Venture Fund IV L.P.	Delaware, USA	0	2
Environmental Technologies Fund 3 LP	United Kingdom	1,071	928
Epiqus Kotouttaminen I Ky	Finland	480	395
Epiqus Työhyvinvointi I Ky	Finland	0	11
Evolver Fund I Ky	Finland	613	556
Folmer Equity Fund I Ky	Finland	628	1,506
HealthCap VIII, L.P.	Delaware, USA	117	117
Innkap II Partners	Sweden	0	0
InnKap III Partners	Guernsey	0	0
Inventure Fund II Ky	Finland	1,954	4,164
Inventure Fund III Ky	Finland	869	769
Korona Fund III Ky	Finland	2,040	1,944
Life Sciences Partners 6 C.V.	Netherlands	885	777
Lifeline Ventures Fund I Ky	Finland	1,157	7,049
Lifeline Ventures Fund III Ky	Finland	2,095	2,619

EUR 1,000	Registered office	Book value	Market value
Lifeline Ventures Fund IV Ky	Finland	45	45
MB Equity Fund Ky	Finland	0	33
NegaWatt Energiategohokuusrahaslo 2 Ky	Finland	345	305
Nordia Rahasto Oy	Finland	2,755	4,000
Palvelurahasto I Ky	Finland	668	4,508
Power Fund III Ky	Finland	1,835	2,165
SET Fund II C.V.	Netherlands	709	956
SET Fund III C.V.	Netherlands	245	197
Social Impact Accelerator	Luxembourg	392	310
Spintop Investment Partners II AB	Sweden	211	1,369
Spintop Investment Partners III AB	Sweden	463	321
Standout Capital I AB	Sweden	1,310	1,515
Strategic European Technologies N.V.	Netherlands	0	50
Trident Capital Fund-V L.P.	Delaware, USA	89	81
Vendep Capital Fund II Ky	Finland	885	778
Ventech Capital V SLP	France	1,370	1,249
Verdane ETF II SPV Ky	Finland	227	143
VisionPlus Fund I Ky	Finland	3,624	4,188
Total		40,204	57,848

INVESTMENTS IN PORTFOLIO COMPANIES

EUR 1,000	Holding	Investment
Shares, participations and other investments held by Sitra		
Aura Mare Oy	0%	188
AW-Energy Oy	1%	4,039
Crisolteq Oy	0%	110
KC-Holding 3 Oy	38%	2,355
Kuntien Tiera Oy	0%	4,058
MediXine Oy	15%	1,126
Mesera Cranes Finland Oy	0%	18
Mobidiag Oy	1%	5,801
Naava Group Oy	5%	623
ProFlax Oy	10%	148
Vivago Oy	39%	4,622
Vivoxid Oy	38%	5,243
Total		28,330
Investments in portfolio companies total		28,330
Cumulative change in value		-26,381
Book value		1,949

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	275	-69	206
Registered office	Finland			
Holding	100%			
Equity	0			
Surplus/deficit for the financial year	0			

The latest adopted financial statements of Sitra Management Oy are from 2018.

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	2019	2018
Accounts receivable	1	53
Short-term investments, asset management	153	89
Other receivables	1,121	110
Accrued income and deferred charges	215	394
Total	1,489	646

8 Accrued income and deferred charges

EUR 1,000	2019	2018
Advance payments	29	157
Accounts payable	1,903	2,857
Other liabilities	447	447
Accrued expenses and deferred income	3,280	2,801
Total	5,659	6,263

9 Securities and contingent liabilities

EUR 1,000	Maturing in 2020	Total liabilities
Fund commitments		106,256
Financial agreement fees	3,604	4,150
Unit-linked insurance premiums		8,456
Rental liabilities	899	899
Donation commitments	33,333	100,000
Total	37,836	219,761

Sitra's Supervisory Board decided in December 2019 to donate EUR 100 million to Finland's universities. The capital allocation will be made via the State Treasury for use by the universities in a way the state chooses.

SIGNATURES TO BOARD REPORT AND FINANCIAL STATEMENTS

The Board of Directors proposes the surplus of EUR 750,959.67 for the financial year be carried forward to the retained surplus/deficit account.

Helsinki, 20 March 2020



MARTTI HETEMÄKI



JARI GUSTAFSSON



MARKKU WILENIUS



ANITA LEHIKOINEN



KIRSI SORMUNEN

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 2019, 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 want to draw attention to the significant decrease in the fair values of Sitra's investments after the financial statements were signed. Our opinion has not been adjusted with regard to this factor.

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, 20 March 2020



MIKA KARI



JUKKA KOPRA



ESKO KIVIRANTA



**LOTTA KAUPPILA,
APA**



**TIMO TUOKKO,
APA**



**MARKKU KOSKELA,
APA, SECRETARY**

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APPENDIX 1

PUBLICATIONS IN 2019

- Ajatushautomo, kokeilupaja ja yhteistyöalusta: Sitran kokoava arviointi. Kimmo Halme (4FRONT Oy), Olli Oosi (Owal Group Oy), Katharina Warta (Technopolis Group Ltd.) Sitran selvityksiä 157.
- Sanoista tulevaisuustekoihin: Toimintakertomus ja tilinpäätös 2018.
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- Vaikuttavuusarviointi 7: Tulevaisuuksien tekijä. Arviointi Sitran vaikuttavuustavoitteesta Suomessa tunnetaan tulevaisuuden mahdolliset kehityssuunnat hyvin. Valtakari, M., Antikainen, J., Nyman, J. (MDI Public). Sitran selvityksiä 156.

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- Tiedonkäytön toimintamalleja kompleksisten haasteiden kohtaamiseen: Katsaus eri tilanteisiin soveltuvista esimerkeistä. Julia Jousilahti, Liisa Kolehmainen, Kirsi-Marja Lonkila, Teemu Sorsa. Muistio.
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- Tiedonkäytön tulevaisuus yhteiskunnallisessa päätöksenteossa. Eeva Hellström, Hannu-Pekka Ikäheimo, Jyrki Hakapää, Joonas Lehtomäki, Milja Saari. Työpaperi.
- The Future of Knowledge Use in Societal Decision-Making. Eeva Hellström, Hannu-Pekka Ikäheimo, Jyrki Hakapää, Joonas Lehtomäki, Milja Saari. Working Paper.

Carbon-neutral circular economy

- Kriittinen siirto. Suomen kiertotalouden tiekartta 2.0. Laura Järvinen, Riku Sinervo, Samuli Laita, Noora Lindroos ja Marika Määttä/Deloitte.
- Kestävän kehityksen verouudistus: Kohti päästötöntä Suomea. Saara Tamminen, Juha Honkatukia, Tatu Leinonen, Outi Haanperä. Muistio.

- Technical report: How to implement a larger environmental tax reform in Finland? Potential instruments and impacts. Saara Tamminen, Juha Honkatukia, Tatu Leinonen, Outi Haanperä.
- Yritystukien uudistaminen - kivunhallintaa ja tähtäimen säätöä: Yritystuet taloustieteellisenä kysymyksenä. Mika Maliranta. Muistio.
- Näkökulmia yritystukien uudistamistyöhön. Outi Haanperä, Tatu Leinonen, Janne Peljo. Työpaperi.
- 1,5 asteen elämäntavat: Miten voimme pienentää hiilijalanjälkemme ilmastotavoitteiden mukaiseksi? Michael Lettenmeier, Lewis Akenji, Ryu Koide, Aryanie Amellina, Viivi Toivio. Sitran selvityksiä 148.
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- WCEF2019 summary: The World Circular Economy Forum 2019
- Nordic Green to Scale for Cities and Communities: How far could we go simply by scaling up already proven climate solutions? Mariko Landström, Oras Tynkkynen (ed.), Tatu Leinonen, Janne Peljo. Copenhagen: Nordic Council of Ministers, 2019.

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- Puolue- ja järjestötoiminnan malleja maailmalla: Kuinka osallistaa, aktivoida ja innostaa ihmisiä? Lauri Byckling, Lia Heasman, Pekka Aavikko ja Ella Tolonen (Deloitte). Muistio.
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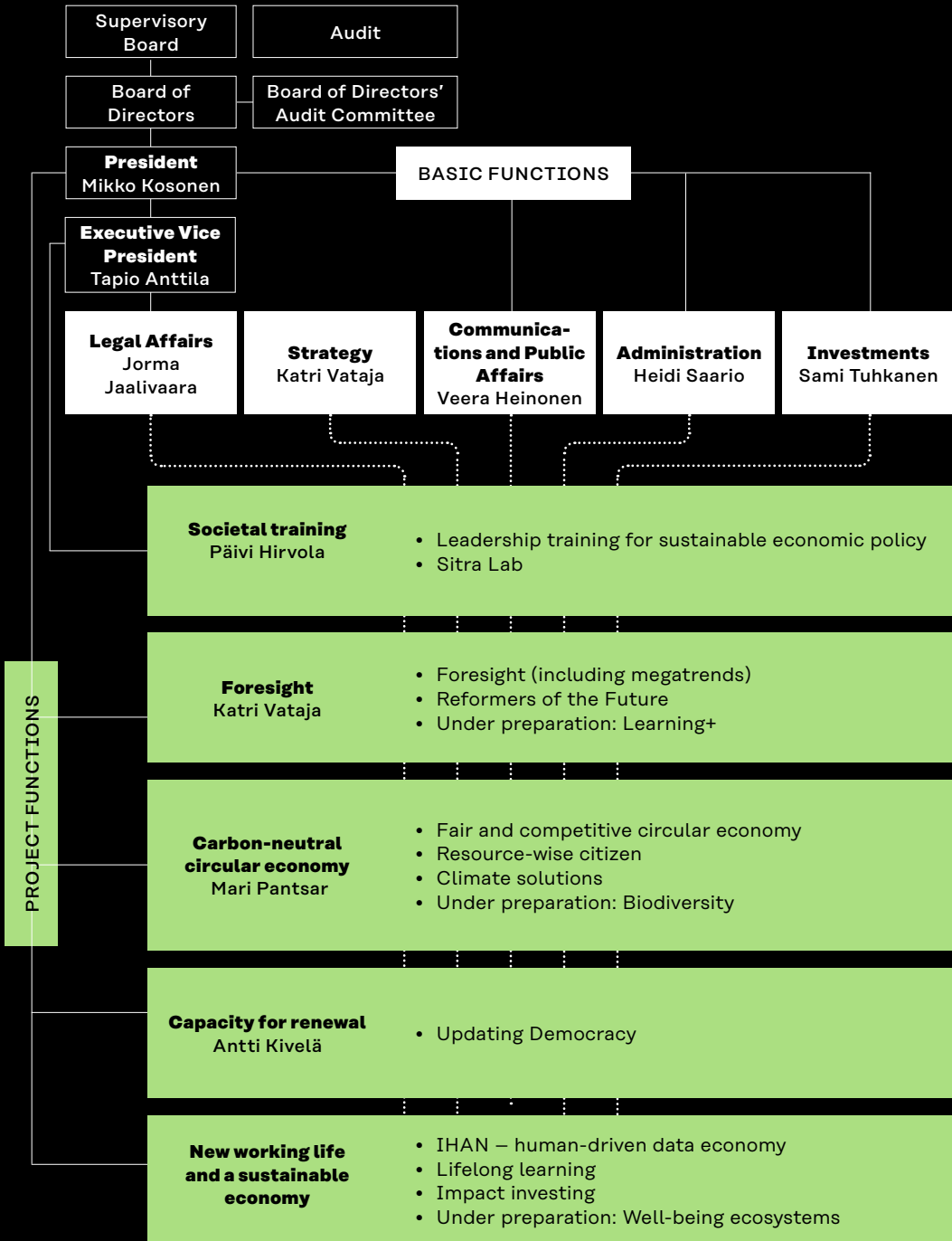
- Jatkuvan oppimisen rakenteita maailmalla: Tiivistelmä kansainvälisestä vertailusta. Muistio.
- Korkeakoulut työuran aikaisen oppimisen edistäjinä. Jonna Kosonen ja Tarmo Miettinen. Muistio.
- Kohti osaamisen aikaa: 30 yhteiskunnallisen toimijan tahtotila elinikäisestä oppimisesta. Sitran selvityksiä 146.
- Millä ehdoilla: Kuinka elinikäistä oppimista säännellään? Pauli Rautiainen ja Oskari Korhonen. Sitran selvityksiä 154.
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Societal training

- Kohtaamisia tulevaisuuslaboratoriossa: Sitra Lab etsimässä ratkaisuja lasten ja nuorten eriarvoisuuteen. Miia Leppänen, Riina Pulkkinen, Kalle Nieminen. Muistio.

APPENDIX 2

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MEGA TRENDS 2020



WHAT WILL THE 2020S LOOK LIKE?

SITRA'S MEGATRENDS 2020

- 1.** Ecological reconstruction is a matter of urgency
- 2.** Relational power is strengthening
- 3.** The population is ageing and becoming increasingly diverse
- 4.** The economy is seeking direction
- 5.** Technology is becoming embedded in everything

The Sitra Trends List provides an interpretation of the direction of global change-related phenomena – what are known as megatrends. What trends will have the biggest impact on our future and what kinds of tensions exist between the various megatrends of our time? Sitra's Megatrends 2020 list provides an overview of the issues we should focus on in the coming years.

Read more:

[SITRA.FI/EN/TOPICS/MEGATRENDS](https://www.sitra.fi/en/topics/megatrends)

Sitra is a future fund and an agent for societal change, with deep roots in the Finnish innovation field. As a public organisation accountable to the Finnish Parliament, Sitra is a think tank, a futures workshop and a co-operative platform. Its expertise is put to the best use when all these roles merge.

Finland is in a difficult situation and facing the need to make tough decisions. At the same time, our capacity for renewal is put to the test. It's time to see if we have what it takes to reach solutions that are fair for future generations, too.

THE FUTURE IS MADE TOGETHER. We're in – are you?

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